

# 2006

## KOMIPO Sustainability Report

There are people who draw growth energy for a brighter future by combining perspiration and technology with resources of mother nature. As long as there is passion for a better future, time in KOMIPO is always ongoing.

2006 Sustainability Report

**KOMIPO**

...ing



**KOREA MIDLAND POWER CO.,LTD.**

## Purpose

This report is prepared to deliver the efforts and performance of Sustainability Management in managing the direct and indirect impact of Korea Midland Power Co., Ltd. on the economy, environment and society. Contents of this report are categorized into sections of Economy, Environment and Society, which are triple bottom lines of Sustainability Management for stakeholders' better understanding.

Transparency of the Sustainability Management activities and reliability of information for the performance were also focused on in this report.

## Guidelines

This report was prepared based on the Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For further information about GRI, visit [www.globalreporting.org](http://www.globalreporting.org).

## Reporting Period

This report covers economical, environmental and social activities and performances of KOMIPO from January 1 through December 31, 2005. In the case of quantitative performances, the data for 3~4 years before 2005 was used to show the trend and some of the data also include 2006 Sustainability Management performances.

## Scope

This report covers six operational locations of KOMIPO as well as its headquarters in Seoul.

## Verification

This report was verified by KFQ to raise the accuracy, objectivity and reliability of this report by confirming whether the contents of this report are true.

## Additional Information

Additional information for this report is available on our website and be requested to contact point below. department.

### Web Site

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

### Business Report

Financial Supervisory Service, Electronic Disclosure System ([dart.fss.or.kr](http://dart.fss.or.kr))

### Planning & Editing

Planning Team, Planning Division, KOMIPO HQ

### Contact

Tel : 82-2-3456-7343

Fax : 82-2-3456-7552

E-mail : [sustainable@komipo.co.kr](mailto:sustainable@komipo.co.kr)

## Contents

Message from the CEO .....	04
Corporate Overview .....	14
Industry Characteristics .....	16
Vision and Strategy .....	17
Social Responsibility .....	20
Corporate Governance .....	22
Transparent Management .....	24

## Economy Section

Stable Power Supply .....	28
Business Diversification and R&D .....	30
Continuously Driving Management Innovation .....	35
Economic Performance .....	37

## Environment Section

Vision and Strategy on Environment .....	42
Power Generation Process and Impact on Environment .....	44
Milestones in Environment Areas .....	45
Countering Climate Change Convention .....	52

## Society Section

With Employees .....	56
Growing with Collaborating Companies .....	64
Local Communities and Sharing Management .....	68
For the Future Generation .....	72

## Verification Statement

Verification Statement .....	73
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## Appendix

GRI Content Index .....	75
Ethics Code .....	77
2005 Major Awards .....	79
Status of Association and Commission Membership .....	79
Description of Terms .....	80
Reader Questionnaire .....	81
Report Preparation Procedure .....	83

# Always ... ing

Energy is everywhere.

When you stare into your lover's eyes,  
when you watch the news on TV,  
when you play with your kids.

Energy is a messenger which makes  
our lives richer by the moment.

Always ...ing - KOMIPO

# Message from the CEO

Beloved stakeholders!

Since Korea Midland Power Co., Ltd. (KOMIPO) was incorporated in 2001, we have strived to lay the foundation of our company for the last 5 years. We have yielded substantial outcomes despite difficulties at the beginning thanks to active support from collaborating partners.

However, we must not be content with the status quo but continue to concentrate our capability and resolution to become a leading global company through sustainable growth. This sustainability report is the result of our strong will.

We set a the new vision, 'Global Clean Power Company' with our great dreams and ideals and are doing the best that we can for the growth and development of our company. Yet there is an important fact we should keep in mind. Such growth and development does not just mean increasing the size of the company.

A company whose only objective and interest lies in profit cannot survive in this modern society. We intend to make social responsibility and environmental management our root of sustainable management philosophy based on the mottoes, 'Integrity Prior to Profit,' which means if you can uphold your honor, profit automatically follows you, as the 'Impressions of customers work as moving promotion centers.'

It has been only decades since the concept of sustainability management has settled in as a new management paradigm. It is true it has become one of the essential management strategies of all companies when we consider its impact and ripple effects on all companies in the world as well as in Korea.

KOMIPO will not only build an advanced management system in line with the worldwide trend by continuous management innovation, but will also establish diverse management plans and practice them steadily to fulfill liabilities to preserve our environment and social responsibilities as a public corporation.

This sustainability report is not simply an arrangement of the sustainability activities we have done in the past. This sustainability report will refresh our resolution, comply with stakeholders' demands and furthermore become a guidelines of technical and systematic advancement towards sustainable power industry.

We humbly ask of you to watch us with affection and interest as we cultivate our way to a better tomorrow.



2006. 8

Korea Midland Power Co., Ltd.  
President **Chung Jang-sup**



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# Pursuing Clean Energy







“As you take one step off the grass,  
there is a company always  
thinking one step ahead of you”

# Making Progress

**Making Progress** We think of our customers' wants first. We prepare what our customers need. We never forget the power towards advancement begins with one-step ahead thinking and preparation. For the advancement of our Power Industry, KOMIPO is consolidating advanced management system by introducing responsibility management system and maximizing organization capability. To secure future growth engines, we do not only adopt advanced technology and branch out in to new areas of business but also are reinforcing professionals in each sector.





“We learn unchanging trust from  
the pure eyes of our children”



# Build ing Trust

**Building Trust** Love deepens when there is trust. Friendship continues when there is trust. Trust is the core virtue of an individual and a company. KOMIPO was selected as the most incorrupt company in the integrity survey among KEPCO companies for 3 consecutive years. It could not have been possible were it not for the trust of our customers. KOMIPO will continue open and aboveboard management as long as there is customers' love and shareholders' trust.







“Smile more.  
We will make it bigger  
and lasting”



# Shar ing the Joy

**Sharing the Joy** KOMIPO puts every effort to make the future society a better place for our children to assume a leading role. KOMIPO practices affection for local communities and supports collaborating companies while returning back the profits to our community. KOMIPO realizes the motto "The more you share, the more the happiness and the less the sorrow" by putting them into real action. Smile more. KOMIPO will help make it bigger and lasting.



“There is a friend exerting himself  
in silence to illuminate our city's  
nights”





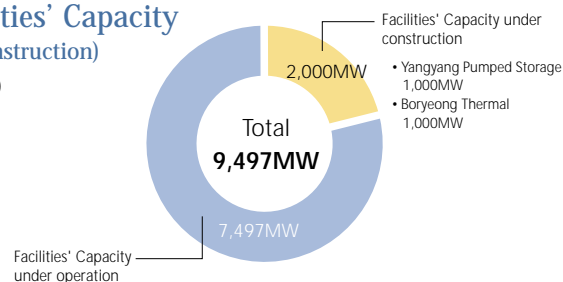
# Brighten ing the Future

**Brightening the Future** To illuminate our city's nights and to generate electricity power which is the backbone of our economy, KOMIPO is in operation even at this moment as the Energy PLANT that moves Korea. Achieving the best management performance among the 5 Power Generation companies in KEPCO Group for 4 consecutive years is not just a coincidence. When you are driving in the streets or enjoying the night scenery of the city, please do not forget that there is a trustworthy friend working in silence at the very moment.

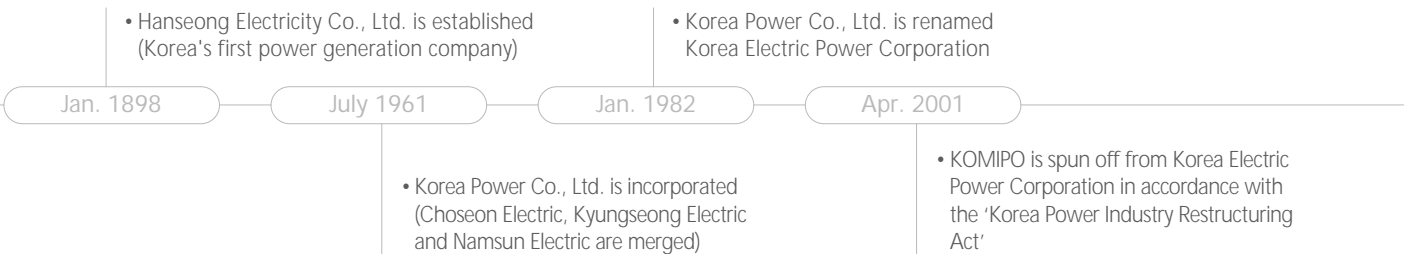


# Corporate Overview

Total Facilities' Capacity  
(Operation/Construction)  
(As of December 2005)



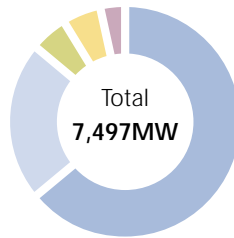
## History



## Facilities' Capacity

(As of December 2005)

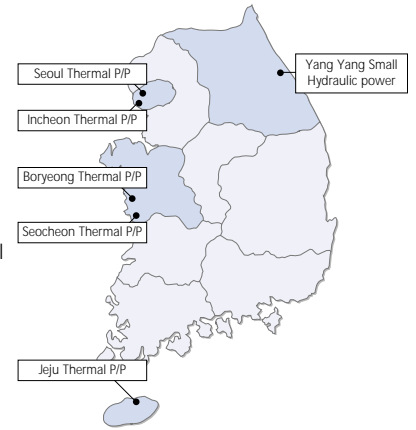
Boryeong Thermal P/P	4,800MW
Incheon Thermal P/P	1,654MW
Seoul Thermal P/P	388MW
Seocheon Thermal P/P	400MW
Jeju Thermal P/P	255MW



## Location and Fuel used in each Power Plants

(As of December 2005)

Boryeong Thermal P/P	Bituminous Coal, LNG
Incheon Thermal P/P	LNG
Seoul Thermal P/P	LNG
Seocheon Thermal P/P	Anthracite Coal, Diesel
Jeju Thermal P/P	Diesel, Kerosene
Yangyang Pumped Storage P/P	Hydraulic power



# Doing

# KOMIPO

## Company Profile

Name	Korea Midland Power Co., Ltd.
CEO & President	Chung Jang-sup
Date Established	April 2, 2001
Address	167 Samseong-dong, Gangnam-gu, Seoul, Republic of Korea
Major Businesses	Development of Electric Power Resources, Power Generation and Incidental Business
Operating Locations	Boryeong T/P(Thermal Power) Site Division, Incheon T/P Site Div., Seoul T/P Plant, Seocheon T/P Plant, Jeju T/P Plant, Yangyang P/S Power Plant

## 2005 Business Overview

Sales Revenue	2 trillion 244.6 billion won	S&P Credit Rating	A- (stable)
Operating Income	291.7 billion won	Moody's Credit Rating	A2 (stable)
Net Profit	216.8 billion won	Domestic Credit Rating	AAA
Total Assets	3 trillion 282.3 billion won	Power Generation Amount	37,901GWh
Liabilities	951.8 billion won	Sales Amount	36,036GWh
Capital	2 trillion 330.5 billion won	Capacity	7,497MW

# Industry Characteristics

The Power Generation industry is a national infrastructure industry which substantially affects overall human life. Power consumption per capita is one of the barometers in determining a country's economic power. Power generation is a driving force of national economic development and it is considered an indispensable and fundamental energy source for the operation of basic human life. In particular, because power cannot be saved or reused, large scale facilities for power generation, transmission, transformation and distribution should be established to generate and distribute simultaneously.

## Structural Characteristics

The Korean Government has excluded duplicate investment in the power industry, limited private companies' entry and regulated electric rates in accordance with the Electricity Business Law, Power Source Development Promotion Act and Price Stability Law, regulated electric rates and participated in policy decision such as the establishment of the basic plan for demand and supply of power. As Korea Electric Power Corporation spun off its power generation division into six companies as a part of a transition from a monopoly system to a competitive system, the structure of the power industry in Korea was changed from a vertical integration system to a horizontal combination system where KEPCO (Korea Electric Power Corporation) buys power from six power generation companies and sells it to consumers.

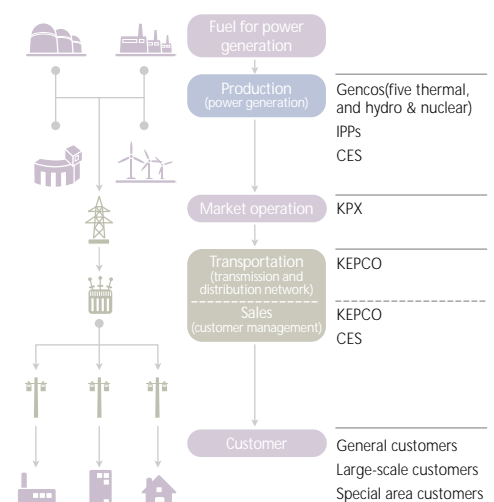
## Characteristics in Growth

In Korea, power generation is conducted in accordance with the economic power supply principle, which means generating power at the possible lowest costs. Therefore, competition with the other five power generation companies spun off from Korea Electric Power Corporation is inevitable and, furthermore, private companies' recent entry into the power industry, foreign capital's participation in the power industry and open market trend will intensify the competition. Meanwhile from the demand perspective, domestic demand for power is affected by income, power rate, climate, industry structure, etc. In particular, the demand increase is interlocked with GDP increase. The growth rate in the increase of demand for energy is expected to stay at approximately 2-3% through the year 2017. Accordingly, the market competition is expected to intensify even more.

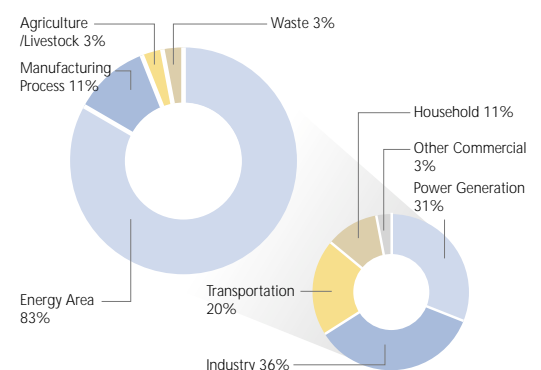
## Social & Environmental Characteristics

As a national infrastructure industry, the construction and operation of power plants often leads to destruction of ecosystems and raising other environmental issues, which lead to stakeholders' concerns about environment pollution. As a result, implementation of Social Responsibility has been continuously focused on in the power generation industry. In the mean time, the effectuation of the United Nations Framework Convention on Climate Change has caused fundamental change, such as new and renewable energy development in the power generation industry which accounts for 26% of greenhouse gases in Korea. Moreover, enhancing domestic regulations on the environment such as the Total Pollutant Regulation System, additional control guidelines of drained warm water, etc. is requiring environment-friendly power generation process development and newer facility investment beyond the change of power plant operation methods.

### ▶▶ Power industry structure



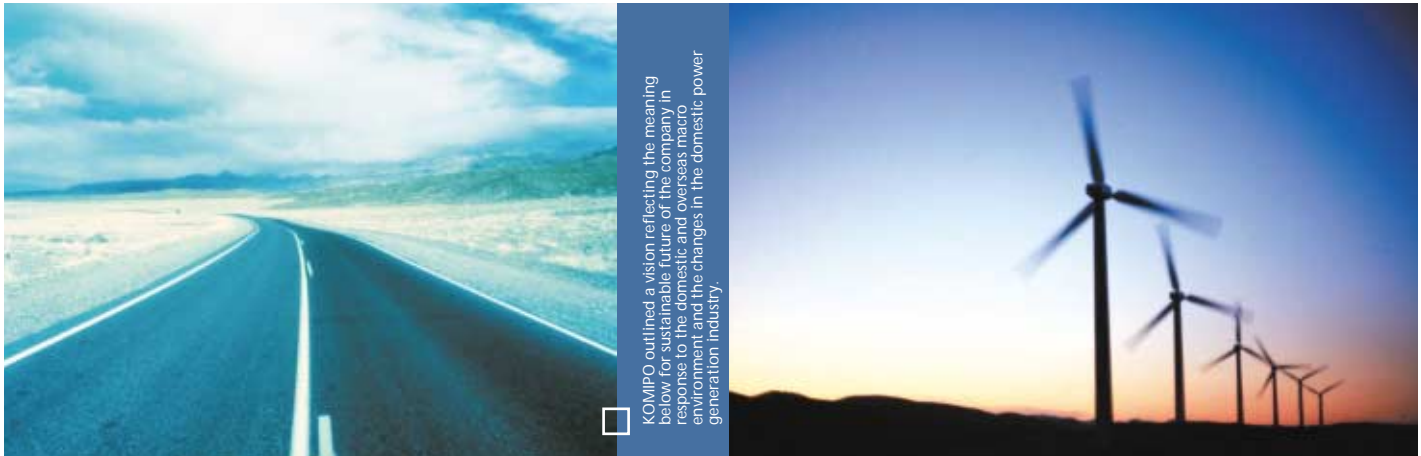
### ▶▶ CO<sub>2</sub> Exhaustion Status in Korea



Source : Korea Energy Economics Institute



# Vision and Strategy



KOMIPO outlined a vision reflecting the meaning below for sustainable future of the company in response to the domestic and overseas macro environment and the changes in the domestic power generation industry.

## Global Clean Power Company

KOMIPO established visions as follows to respond to the changes in domestic and overseas macro environments and the domestic power generation market, to pursue company's sustainable future.

**Global** : Establishing advanced management system, Creating future growth engines, Exploring overseas power markets

**Clean** : Green management, Ethical management, Sharing management

**Power Company** : Contributing to improving people's life and the nation's industrial development through efficient facilities operation and stable power generation

We are willing to realize our corporate philosophy through faithful business activities for the meaning of these visions.

Vision of KOMIPO ▶▶

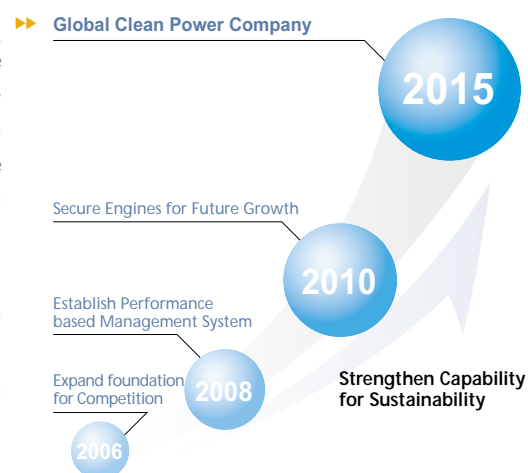


# Vision and Strategy (Continued)

## 「JB Power 2015」 Strategic Management Plan

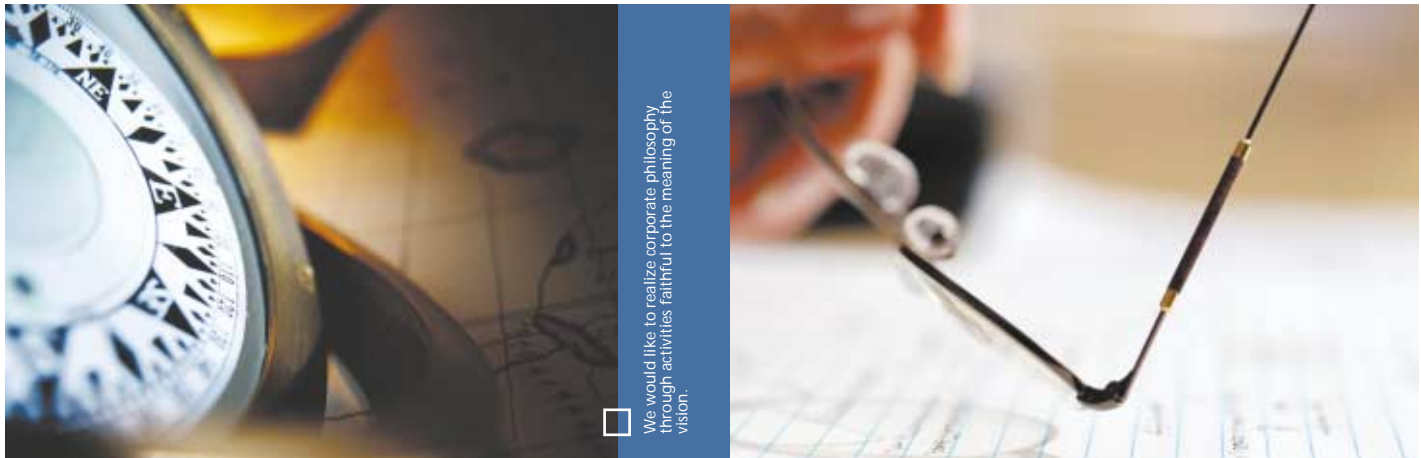
KOMIPO was established management strategies up to 2015 to achieve visions and overcome the overall circumstances surrounding us. With our 「JB Power 2015」 strategic management plan, we have established a plan, goal, driving subject and implementation period of subordinate strategies by sector and a presented a mid- and long-term blue print of the Company. Also, we will maintain consistency of management plans by sector and narrow the gap with advanced power generation companies to make a leap into becoming a world's top company.

We will establish driving systems such as strategic goals, practice strategies and detailed assignments subordinated to the triple mid- and long-term strategies. Every year we evaluate and analyze the mid- and long-term business environment, change in government policies and driving performances of previous years to implement a feedback process to amend and complement major objectives and strategies.



Triple Mid- and Long-Term Strategies			
	Establish Advanced Management System	Secure Engines for Future Growth	Enhance Sustainability Capability
Business Performances	<ul style="list-style-type: none"> <li>Capacity (12,500MW)</li> <li>Usage Rate (58.0%)</li> <li>Sales Volume (60,000GWh)</li> <li>Sales Revenue (4 trillion 600 billion won)</li> <li>Debt Ratio (Less than 50%)</li> </ul>	<ul style="list-style-type: none"> <li>New Business Sales Revenue (20% of Total Sales)</li> <li>Increase R&amp;D Investment Ratio (3% of Total Sales Revenue)</li> </ul>	<ul style="list-style-type: none"> <li>Secure Global Brand</li> <li>Make the company the most favored workplace</li> <li>Achieve ECO 2015 Environment Index</li> </ul>
Business Strategies	<ul style="list-style-type: none"> <li>Optimize ability to respond power market</li> <li>Secure Cost Competitiveness</li> <li>Strengthen Assets</li> </ul>	<ul style="list-style-type: none"> <li>Secure Leading Technology</li> <li>Reinforce Core Capabilities</li> <li>Advance into new</li> </ul>	<ul style="list-style-type: none"> <li>Realize Social Responsibilities of the Company</li> <li>Enhance Brand Value</li> <li>Elevate the Environment Management System</li> </ul>
Organization, System	<ul style="list-style-type: none"> <li>Solidify Responsibility Management System</li> <li>Maximize Organization</li> </ul>	<ul style="list-style-type: none"> <li>Establish Business Control System</li> <li>Culture Professionals by Sector</li> </ul>	<ul style="list-style-type: none"> <li>Solidify Advanced Organizational Culture</li> </ul>
System	<ul style="list-style-type: none"> <li>Establish Integrated Management Support System</li> </ul>	<ul style="list-style-type: none"> <li>Build Integrated Strategy Analysis System</li> </ul>	<ul style="list-style-type: none"> <li>Enhance Organizational Change management System</li> </ul>

## ◀◀ Triple Mid- and Long-Term Strategies



►► Strategic Goal and Implementation Strategies

Strategy	Strategic Goal	Implementation Strategies	Detailed Assignment
Establish Advanced Management System	Optimize Response Capability to Power Market	Enhance power transaction ability Enhance response ability to market change	29 Detailed Assignments
	Secure Cost Competitiveness	Elevate cost management system Raise efficiency in fuel purchase Secure competitiveness in material purchase	
		Enhance construction management competitiveness	
	Raise Efficiency in Asset Management	Establish asset operating system focusing on profitability	
	Solidify Responsibility Management	Establish performance based management Construct evaluation and compensation system focusing on ability and performance	
		Maximize Organization Ability	
	Establish Integrated Strategy Analysis System	Establish organization structure and direction of operation Enhance business management system	
		Enhance decision making system	
Secure Engines for Future Growth	Secure Leading Technology	Optimize facilities diagnosis and operation Develop next generation environment chemical technologies Secure technology for future management environment	23 Detailed Assignments
		Compose optimal facilities Increase facility operation efficiency	
		Advance into overseas business Advance into new and renewable energy areas Advance into other new businesses	
	Expand New Businesses	Establish business management system Establish optimal fund support system	
		Specialize Business Management System	
	Reinforce Professionals by Sector	Secure superior manpower Raise professionals	
		Realize Corporate's Social Responsibilities	
	Enhance Brand Value	Reinforce ethical and transparent management More advertisement activities enhancing image	
	Elevate Environment Management System	Establish global environment management system	
Enhance Capability for Sustainability	Solidify Advanced Organization Culture	Advanced employee welfare system Reasonable labor management relations Enhance organization change management Solidify new safety culture	19 Detailed Assignments



# Social Responsibility

## Communication with Stakeholders

As expectations for corporate social responsibility have increased recently, the social responsibility of the company has become an essential part of operations. KOMIPO offers various communication channels to numerous stakeholders, such as the nation/citizens, future generation, local communities/NGOs, employees, collaborating companies, shareholders /investors, while bringing opportunities of joint development by understanding the economic, environmental and social responsibilities that stakeholders demand and making every effort to reflect them to the whole business management.

### ▶▶ Communication Channel with Stakeholders



## Commitment to Stakeholders

### Nation/Citizen

Electric power is not just a driving engine of the national economy, but also the necessities of citizens(nation). We are trying to generate stable electric power and are operating an information disclosure system to adopt numerous views and opinions from citizens all over the nation.

### Shareholders/Investors

We prepare favorable investor basis in the domestic and overseas financial markets and raise the efficiency and transparency of management by using aggressive IR activities and an electronic disclosure system to secure shareholders and investors who provide capital for our business.

### Collaborating Companies

We are holding informal meetings and operating a 'Difficulty Report Center(DRC)' to maintain a relationship of mutual interest with collaborating companies and to become faithful business partners with them.

### Employees

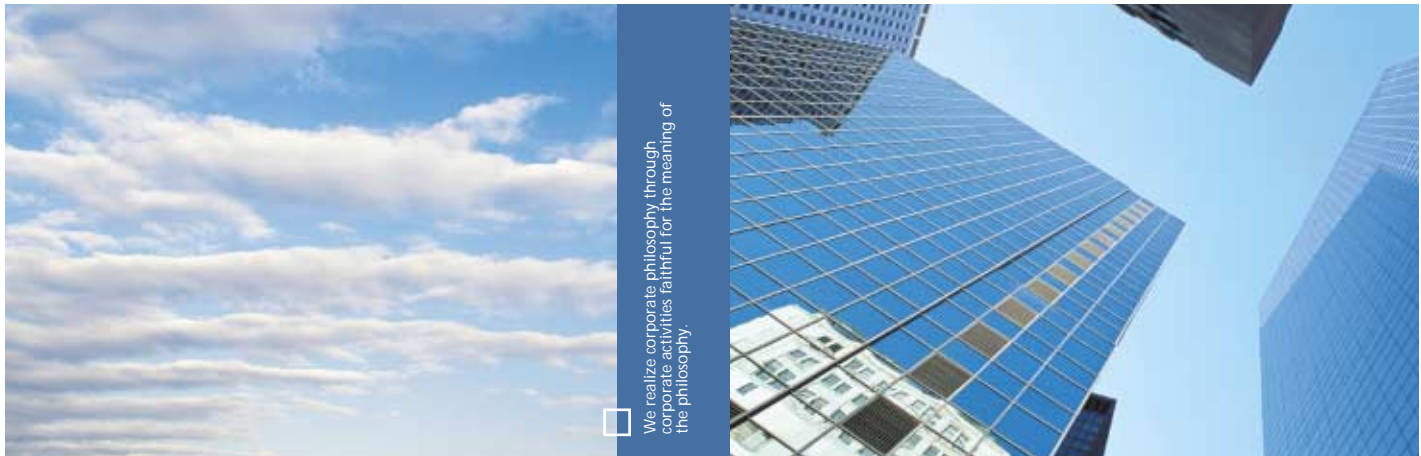
We are conducting satisfaction degree surveys and operating a joint labor-management committee to understand various demands of employees who are internal stakeholders. Promoting employee welfare and respecting the human rights of employees are also some of our top priorities.

### Local Communities/NGOs

We are trying to maintain systematic cooperative relationship with local residents, NGOs, as well as government and public institutions for preserving the environment of local communities and to contribute to their economic and social development.

All employees of KOMIPO including the Chief Executive Officer will increase performances in the economy, environment and society areas based on our strong will to practice Sustainability Management and achieve the goal of Sustainability Management by collecting and reflecting the valuable opinions of every stakeholder.





### ▶▶ The UN Global Compact Web Site



## Joining the UN Global Compact

KOMIPO joined the UN Global Compact with strong will to achieve transparent management and corporate social responsibility in June 2006.

More than 3,000 companies in the world participated in the UN Global Compact, which is an autonomous compact of companies to observe universal agreements in human rights, labor, environment and anti-corruption areas. KOMIPO is internationally committed to observing the 10 principles as follows by joining the UN Global Compact.

### The UN Global Compact Ten Principles

#### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
2. make sure they are not complicity in human rights abuses.

#### Labor Standards

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

#### Environment

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

#### Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.



# Corporate Governance

## Board of Directors

The board of directors, which is the highest decision making organization at KOMIPO, consists of a president, executive director (internal director) and non-executive director (external director). Currently, three executive directors and four non-executive directors are performing their duties and the president presides over the board of directors as chairman. In terms of rights and liabilities of the board of directors, we observe related laws, including Korean Commercial Law and Regulations of KOMIPO. In accordance with the regulations of the board of directors, if a director is in conflict of interest with a particular agenda, the director does not have voting rights for that agenda. By such, we are trying to maintain the transparency of the board of directors.

We also offer an intranet to the external directors, establish and operate a web site exclusive to board of directors to raise accessibility, utilization and to realize the substantiality of the board of directors. We actively utilize the expertise of the external directors. For example, external directors participate in the Executive Officer Recommendation Committee as members of the committee and counsel for the mid- and long-term core strategies and management policies of the Company. In-depth discussion on agendas reinforces the check and balance function of the external directors. When explaining agendas in advance, we accepted the opinions from external directors to complement five agendas, including the 2006 budget (draft) and submitted materials additionally required by the external directors for fuel purchases. The opinions of board of directors were also reflected on management policies such as countermeasures for the Climate Change Convention.

## Executive Officer Recommendation Committee

KOMIPO secures the requirements and expertise of chief executive managers leading the Company and is operating a Recommendation Committee for the president and executive directors. The Recommendation Committee for the president consists of non-executive directors and civilians, while the Recommendation Committee for executive directors consists of executive directors, non-executive directors and outside experts. The Recommendation Committee discloses minutes of the meeting for fair and transparent appointment and the final recommended candidate is appointed and recommended to the shareholders meeting after careful evaluation of each candidate in accordance with the evaluation criteria based on objective data such as the Future Management Plan submitted by each candidates.

## Evaluation and Compensation

KOMIPO executes its compensation system in alliance with a reasonable performance evaluation system to induce responsible management of the president and executive directors. KOMIPO has management contracts with the president which states management goals during the term of office, authorities and responsibilities and compensation including performance incentive to raise management performance and competitiveness. An internal management contract between the president and executive directors also evaluates and compensates the performance of each executive director. Also, an internal evaluation system is operated to assess the performances of the company and to manage and control them by executive management. The internal evaluation system is intended to increase motivate through raising long-term growth ability by enhancing management efficiency and transparency, effective achievement of management objectives from reasonable internal competition, compensation for performances and preferential incentives. The internal evaluation is conducted every year by dividing the subjects into groups of management contract group and general organization. Reward and incentives are preferentially paid in accordance with the performances.

### ▶▶ Status of BOD

Year	Total No. of meeting	Agendas	Avg. Review Hour
2005	9	30	90 min.
2004	7	30	87 min.
2003	7	24	56 min.

### ▶▶ External Directors

Name	Area of Profession	Profile
Han, Jang-ri	Admin.	(Former) Deputy Director General at Ministry of Government Legislation
Kim, Shin-bok	Academic	Vice President of Seoul Univ.
Lee, Hong-kyu	Academic	Professor at Information & Communication University
Moon, Ho	KEPCO	Planning Division Head at KEPCO

### ▶▶ Major opinions from external directors

Amended approval	Inspection Standard of Candidate for president
Conditional approval	Incheon Combined No.2 Construction Basic Plan
Reappraisal	Foreign Bond Issue(Proposal)



KOMIPO operates recommendation committee for President and executive director to raise transparency of election procedure and secure requirements and specialties of executive managements.

### ▶▶ Business Group KEPCO

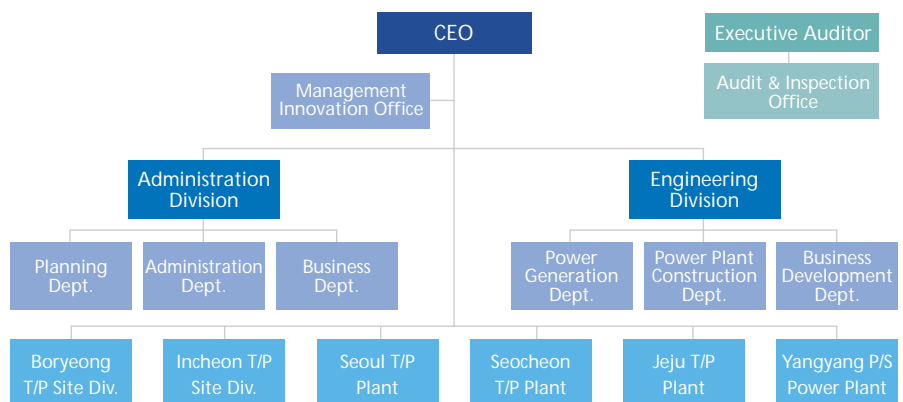


Organization Chart ▶▶

## Shareholders and Business Group

Shares of KOMIPO are 100% owned by Korea Electric Power Corporation and KOMIPO belongs to the business groups as follows.

Name	Business Group of Korea Electric Corp.
Companies (11)	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 & Nuclear Power Co., Ltd., Korea Power Engineering Co., Ltd., Korea Plant Service & Engineering Co., Ltd., Korea Nuclear Fuel Co., Ltd., Korea Electric Power Data Network Co., Ltd.

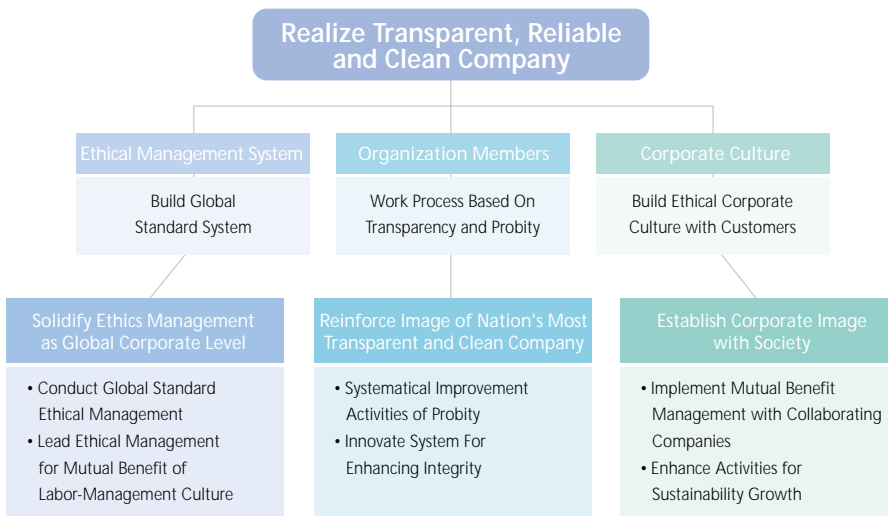


Organization	Sustainability Management Activities
Audit & Inspection Office	Internal Audit
Management Innovation Office	Management Innovation, Ethical Management
Planning Dept.	Supervise Sustainability Management, stakeholder activities, governance structure improvement, vision and strategy
Administrative Dept.	Employee career development, Benefit and Welfare, Labor and Management Relations
Business Dept.	Fuel Demand and Supply Management, Collaborating companies management, open and aboveboard contract
Power Generation Dept.	Power Plant Operation, Energy and Environment Management, Safety Management
Power Plant Construction Dept.	Power generation facilities expansion, Ecosystem protection
Business Development Dept.	Develop future growth engine, new and renewable energy business



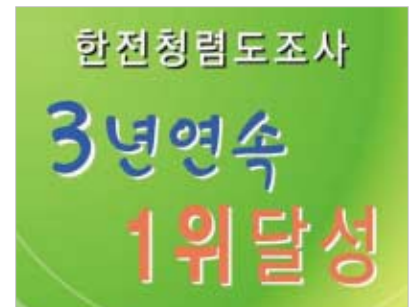
# Transparent Management

## Realize Transparent and Reliable Clean Company



### Realization Strategy of Integrity Company

#### 1st place in integrity Survey for 3 Consecutive Years



#### Clean Act Implementation Platform



KOMIPO is dedicated to becoming a reliable neighbor in the global society via achieving the highest level of ethical management in the world.

Since 2003, KOMIPO has been ranked in 1st place in the 'Power Companies Integrity Test' conducted by KEPCO among the 11 companies in the KEPCO business group. KOMIPO is now preparing a more open and aboveboard system and human resources to become the most upright(incorrupt) company in 2006.

KOMIPO established its 'Anti-corruption and Integrity Enhancing Plan' to focus on inadequate areas and is supporting collaborating companies along with small and medium companies adjacent to power plants. Furthermore, we are integrating Ethics Charter and our Platform into Company regulations (Ethical Activity Platform) and practicing them in our daily lives.

#### Anti-Corruption Guide Book



#### Cyber Education for Ethical Management





### ▶▶ Web Site for the Visually Disabled



### ▶▶ RFI Web Site



## RFI(Request for Information)/Information Disclosure

KOMIPO is operating a RFI/Information Disclosure System to meet the right to know of stakeholders, while continuously trying to improve information channels such as a web site for visually disabled.

### ▶▶ Information Disclosure Scope, Criteria and Disclosure Results

Category	Contents of Disclosure and Improvements	2004	2005
Management Disclosure	Add five lists such as domestic/overseas projects, Innovative assignments, etc.	26 cases	31 cases
Information Disclosure (RFI)	Provide various information on fuel, environment, construction, etc.	9 cases	12 cases
Customers' Voice	18 Q&As items on operating power plant	109 times	195 times
e-CRM	Interactive communication system including as company news	1 time	25 times

### RFI System

KOMIPO is operating its RFI(Information disclosure) system in accordance with the 'Act of Information Disclosure of Public Institutions.' Eligible foreigners as well as all citizens of Korea can request for information on documents (including electronic documents), drawings, pictures, film, tape, slides, etc., which are produced and kept by public institutions. The 'Information Disclosure Work Manual,' and 'Information Disclosure Web Site' are other efforts KOMIPO have made to meet the right to know of citizens and secure management integrity.

In 2005, there were 12 cases of RFIs including 'Details on aid to Villages adjacent to Boryeong Power Plant' and 'Average Discharge Amount of Air Pollutants per kWh by Power Source.' Among them, 10 cases were completely disclosed and 2 were partially disclosed. 'Classified Information' and 'nonexistence' were reasons for partial disclosures.

## Internal Control System

KOMIPO established and commenced operating its internal accounting control system in March 2005 to establish and operate the internal control structure and procedure on financial affairs required by the Sarbanes Oxley Act of USA. This system is applied by the internal accounting control system norm under the 'Act on External Auditor of joint-stock Corporation,' and is currently being corrected and complemented to correspond to the major work process of the newly adopted ERP system. The internal control report to be prepared by this system will be included in the annual report submitted to the US SEC by KEPSCO.

### Items included in the internal control report

- ※ Statement to declare that management should have the responsibilities to establish appropriate internal control scheme and procedure for the financial report.
- ※ Evaluation details by management on the validity of the scheme and procedure of internal control at the end of every financial year.
- ※ Independent auditor verifies the evaluation by management.



## Section 1 Economy

Dream of Komipo is to rear Korea's Economy. In order for rapid economic growth, the growth of energy is more than essential. KOMIPO brings the dream of 'Energy Power Nation' one step closer. The continuous and rapid growth of Korea. KOMIPO is in the forefront of Korea's economic development.

# Econo



Korea grows

**when KOMIPO grows!**



G L O B A L  
C L E A N  
P O W E R  
C O M P A N Y



my

# Stable Power Supply

## Timely Expansion of Power Generation Facilities

KOMIPO is planning consistent expansion of power generation facilities in accordance with the long-term electric power demand and supply plan for stable power supply to draw the nation's economic growth. As power consumption is expected to increase 2~3% per year for the next 10 years, we are planning to increase power generation capacity up to 12,500MW in 2015 from 7,497MW in 2005 by constructing new power plants and extending the lifetime of the power plants that are scheduled to be closed down. As of July 2006, we are constructing Boryeong Power Plant Units 7&8 and Yangyang Pumped Storage Power Plant. As for the Yangyang Pumped Storage Power Plant, Units No. 1~3 are already in operation for commercial purpose and Unit No. 4 is undergoing reliability test. The construction is expected to be completed in September 2006. The expansion of power generation facilities is one of the fundamental projects to create a driving force for our company's continued growth. We will continue to implement these projects without fail by reflecting them to the 3rd long-term electric power demand and supply basic plan.

### ▶▶ Construction Plan for Power Generation Facilities

Category	Capacity (MW)	Completion Date
Incheon CC#2	500	2009. 06
Jeju Cycle#2	40	2009. 06
Jeju CC#1	300	2011. 06
Seoul CC#1,2	500 X 2	2011. 09
Incheon CC#3	700	2013. 06

### ▶▶ Closing Plan for Power Generation Facilities

Category	Capacity (MW)	Original Plan	Adjusted Plan	Remarks
Incheon Thermal#3,4	650	2010. 01	2009. 06	After construction of CC#2
Jeju GT#3	55	2011. 01	2016. 01	
Seoul Thermal#4,5	387.5	2012. 01	2022. 01	Will be extended if Seoul CC#1,2 is not available
Jeju Thermal#1	10	2013. 01	2009. 01	
Seochon Thermal#1,2	400	2014. 01	2024. 01	
Boryeong Thermal#1,2	1,000	2015. 01	2025. 01	
Incheon Thermal#1,2	500	2015. 01	2015. 01	

## Efficient Facilities Operation

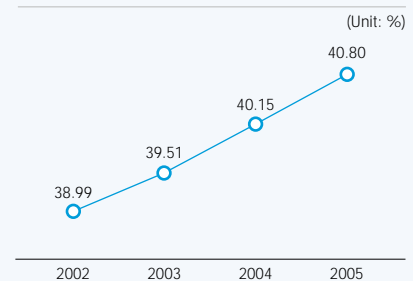
As a result of increase in highly efficient and up-to-date facilities due to the construction of new power plants and improved facility reliability decrease, the efficiency rates of our power plants are increasing every year. In particular, decrease in malfunction has greatly contributed to improving our company's reliability.

The comprehensive efficiency of our power plants has sharply increased by 0.65%p to 40.80% in 2005 from 40.15% in 2004. If Incheon Combined Cycle Plant, which exceeds 50% heat efficiency, become fully operational, 41.66% can be easily achieved in 2006. A 1.0% increase of heat efficiency in all of our plants means 40 billion won savings of fuel costs annually. It is a tremendous factor for improving profitability. In 2005, only one case of failure was reported, compared to 9 cases in 2004. The decrease reflects the scrupulous power generation facilities management and the high operation level of our employees. The result is more superior to other power companies. Decrease in malfunction helps to enhance the Company's reliability. We will continue to minimize the malfunction rate through constant management.

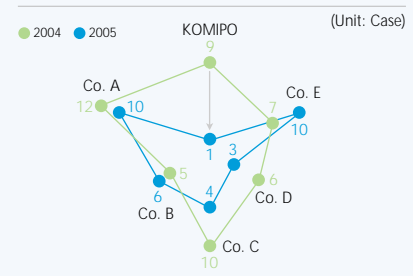
## Secure Stable Fuel Supply

As fuel costs of KOMIPO accounted for about 70% of total costs in 2005, the importance of fuel in the power industry cannot be overemphasized. Large-scale consumption of resources due to recent sharp increases of economic growth in newly industrializing countries including China and resource nationalism, make it difficult to secure enough resources and is causing prices to skyrocket for most resources.

### ▶▶ Transition of Heat Efficiency

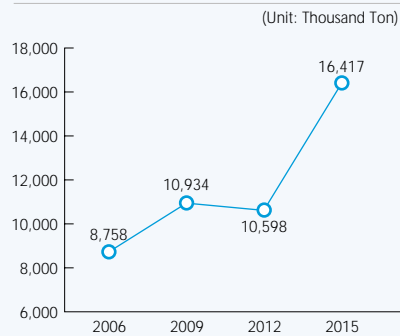


### ▶▶ Stoppage Results by Power Companies

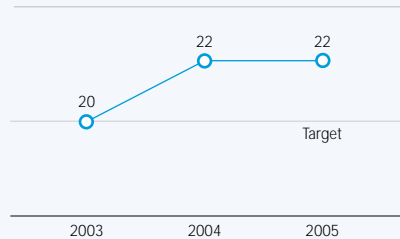




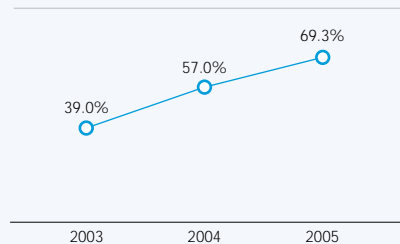
### ▶▶ Expectations of Bituminous Coal Usage



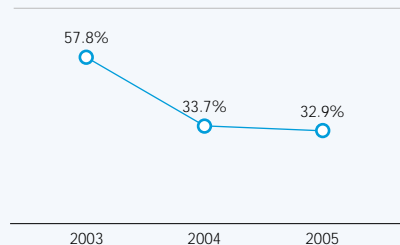
### ▶▶ Annual Average Operating Days of Actual Inventory



### ▶▶ Ratio of Long-term Purchase Contracts longer than 3years



### ▶▶ Import Ratio of Chinese Coal



### ▶▶ Fuel Purchase Results in 2005

Category	Bituminous Coal	Anthracite Coal	LNG	BC Oil	Boiler Kerosene
Purchase Amount	8,352 K Ton	730 K Ton	1,623 K Ton	486 K kl	6 K kl

KOMIPO is trying to raise the stability of fuel supply through maintaining reasonable inventory, appropriate short- and long-term purchase contracts and diversification of supply sources.

#### Maintaining Reasonable Inventory

KOMIPO established its fuel management integrated system (SAP MM) to systemize the whole process of fuel management and increase efficiency of inventory management. Also, the unloading capacity of Wharf No. 1 of Boryeong PP has been increased to 135 thousand tones from 115 thousand tones. The unloading capacity of Wharf No. 2 will also be increased to 170 thousand tones from 135 thousand tones. Reinforcement work on wharf facilities, expansion of fairways and securing new transport vessels for new bituminous coal power plant construction will follow for stable fuel supply.

### ▶▶ Shipping Information for Bituminous Coal

선박 도착 예정 정보 레포트

선박명	종류	도착 예정 일자	도착 예정 시간	도착 예정 장소
POWANG 11	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 12	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 13	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 14	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 15	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 16	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 17	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 18	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 19	Bituminous Coal	2005.05.25	00:00	Wangsan Pier
POWANG 20	Bituminous Coal	2005.05.25	00:00	Wangsan Pier

### ▶▶ Wharf No. 1,2 of Boryeong T/P Site Div.



#### Appropriate Rate between Short- and Long-Term Purchase Contracts

KOMIPO increased the purchase amounts rate of long-term contracts longer than 3 years to 69.3% in 2005 from 39.0% in 2003 to secure fuel for power generation. Timely dispersion of price agreement and adoption of index transaction reflecting current market prices are some of the efforts to diversify our negotiation strategy for long-term contract amounts.

#### Diversification of Supply Sources

We reduced the imported ratio for coal from China, which had been excessively high and appropriately allotted the supply ratio among Australian, Chinese and Indonesian coal at 30% each. We set the goal of self-exploitation of bituminous coal up to 2 million tones in 2010 and are jointly promoting a development project for the Australian Bituminous Coal Mine with domestic and overseas companies.

### ▶▶ Declaration of Exploitation plan for overseas resources



### ▶▶ Australian Bituminous Coal Mine



## Business Diversification and R&D

As the power industry is rapidly changing to a competitive system as a result of slow growth rate of the domestic power market and the entrance of private power generation companies, KOMIPO has been aggressively promoting new businesses models for business diversification including overseas power generation and new and renewable energy projects.

### Overseas Business

With a sound domestic power generation business basis and accumulated technology and experience, KOMIPO has established a road map for mid- and long-term overseas power generation project to create 20% of total sales revenue from new business sector with the overseas project as the core and is now actively promoting them.

KOMIPO invited the President and executives of Datang Corporation to discuss mutual collaboration plan and to lay a cornerstone for overseas business in May 2005 and entered into a mutual collaboration agreement with Formosa in Taipei in November. In addition an Employee Exchange Program (4 in 2005) with Indonesia Power Company continues to gather overseas information and form a friendly atmosphere for overseas business.

These continuous efforts to build a basis for overseas business are bearing fruit. In December 2005, KOMIPO received an order to operate a 870MW capacity combined cycle plant in Lebanon with KEPCO and is currently participating in an international consortium to construct and operate a 660MW power plant in CIREBON, Indonesia and a 1,200MW power plant in Gurisan, China. Furthermore, there are several incidental businesses, such as operation and maintenance training for staff in Benghazi Combined Cycle Plant of General Electricity Company of Libya (GECOL) and technology education for Iraqi government employees specializing in electric power.

#### ▶▶ Major Overseas Projects in 2006

Category	Description	Size	Revenue (bil. won/Yr)
Operation and Maintenance of Power Generation Facilities	• Operation and Maintenance of Lebanon Combined Cycle Power Plant	870MW	8.57
Power Generation Facilities BOO (Construction, Possession, Operation)	• Gurisan Coal Fired Power Plant, China Participate BOO Korea Consortium (Share 10%)	1,200MW	Will generate sales from 2009
	• Participate in BOO International Consortium for CIREBON Coal Fired Power Plant, Indonesia	660MW	Will generate sales from 2010
Operation, Maintenance Technology Education	• Operate staff education at Benghazi Combined Cycle Power Plant, Libya • Technology education for Iraqi Gov. Officers	74	4

#### ▶▶ Conference with MPC visitors from Formosa Group in Taipei



#### ▶▶ Education for operation staff of Benghazi combined cycle power plant, Libya



#### ▶▶ Education for Iraqi Government officers



#### ▶▶ Education for government employees of Energy Department, Kuwait



#### ▶▶ Zahrani Power Plant



#### ▶▶ Project Site of CIREBON



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

Deir-Ammar and Zahrani Combined Cycle Plant are the largest power generation facilities in Lebanon. Their capacities are 435MW which totals up to 870MW that accounts for 44% of total power generation capacity (2,000MW) in Lebanon.

KEPCO and KOMIPO jointly invested in 49% of shares for operation and maintenance projects of Deir-Ammar and Zahrami Combined Cycle Plant ordered by Lebanon Electric Power Administration in December 2005 and consequently become responsible for power supply in Lebanon through January 2011 for 5 years. The total amount to be received is 85.6 million dollars; KOMIPO has already secured 43 million dollars of overseas sales for next 5 years.

#### Construction and Operation Project of CIREBON Coal Fired Power Plant in Indonesia

The International Consortium that KOMIPO joined received the order for a 660MW super critical pressure coal fired power plant at CIREBON from Indonesia Electric Power Corporation in June 2006.

The construction of CIREBON super critical pressure coal fired power plant will start in October 2007 and be completed after three years. It is a large scale plant project with total costs of 700 million dollars. KOMIPO will take charge of construction management, operation and maintenance for 30 years. It is expected to generate 600 million dollars of sales revenue and 11 billion won of net profit respectively.

It also brought a 500 million dollar worth of comprehensive plant export effect by joining with domestic heavy industries and construction companies. It is a also significant turning point since it means that KOMIPO has secured an outpost to advance into the South East Asia power market which is expected to rapidly expand in the near future, by receiving an order for the first super critical pressure coal fired power plant in Indonesia.



# Business Diversification and R&D (Continued)

## New and Renewable Energy Business

### Scope of New and Renewable Energy

- ※ New Energy : Fuel Cell, Hydrogen Energy, Coal Liquefaction/Gasification Energy
- ※ Renewable Energy : Wind power, Hydro power, photovoltaic, solar heat, waste, biomass, geothermal power

Every nation in the world is concentrating all efforts on new and renewable energy projects due to depletion of fossil fuels and global warming.

KOMIPO entered into the 'Renewable Portfolio Agreement' to develop 43.8MW of new and renewable energy by 2008 with the government. KOMIPO has established and promoted a mid- and long-term plan to secure 133.8MW of new and renewable energy facilities by 2014. Moreover, we plan to develop large-scale new and renewable energy sources such as Integrated Gasification Combined Cycle (IGCC) and tidal power generation to prepare hydrogen economy.

We have already constructed 1.4MW small hydro power station, which uses a natural water fall at the lower dam of Yangyang Pumped Storage Power Plant in August 2005 and a 3MW wind power station at the upper dam of Yangyang Pumped Storage Power Plant. The Gangwon 98MW wind power generation complex development project is under construction with our investment.

For further development and participation in new and renewable energy business, we will commence construction of the Yanggu 20MW wind power station in September 2006 and a 7.5MW (1,250kWx6units) small hydro power plant along with 1.2MW photovoltaic power station at Seocheon Thermal P/P in 2007.

In the research and development area, we participated in 6 cases of research work in 'Korean-type new and renewable energy technology development' including 'R&D of Korean 1MW wind power system' appropriate for domestic wind flow and 'R&D Project for Development of 100kW/250kW Fuel Cell Localization' by using the fuel cell research center at Boryeong Thermal P/P.

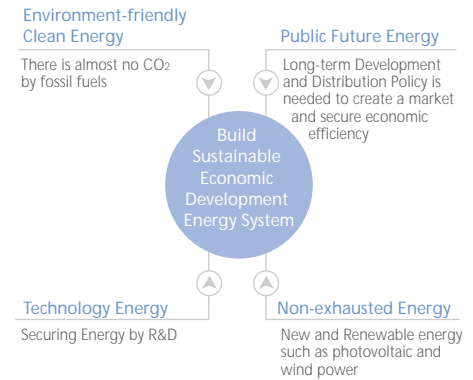
### ▶ Mid- and Long-term New and Renewable Energy Project Plan

Category	2006	2008	2014
Facility Capacity(MW)	19.1	43.8	133.8
Investment(100 mil. won)	123	1,250	4,015

※ Year-by-year figures are accumulated values.

## Characteristics of New and Renewable Energy

Future Energy Source for Sustainable Energy Supply



### ▶ Renewable Portfolio Agreement





▶▶ Small Hydro Power at Yangyang  
Pumped-storage P/P



▶▶ Yangyang Wind Power Station



▶▶ Gangwon Wind Power Station Complex



### Status of New and Renewable Energy Projects

The 1.4MW(0.7MWx2units) Yangyang Small Hydro Power Plant which uses the water flow of the lower reservoir at Yangyang Pumped-storage P/P was constructed in August 2005. The construction of Yangyang Small Hydro Power Plant began in September 2004 with 2.1 billion won. It is well worth every cost considering the efficient utilization of available energy.

The 3MW (1.5MW X 2 units) Yangyang Wind Power Station operated by KOMIPO was constructed at the upper reservoir of Yangyang Pumped-storage P/P in June 2006. KOMIPO has invested 5.3 billion won in Yangyang Wind Power Station since June 2005. It is expected to generate 7.1 million kWh power and 760 million won of Sales Revenue annually.

KOMIPO bought shares of Gangwon Wind Power Co., Ltd., established to construct and operate a large scale wind power station complex at the site of Samyang and Hanil Farm, located in Hoenggye-ri, Doam-myeon, Pyeongchang-gun, Gangwon-do in February 2005.

Facilities capacity is 98MW(2MWx49units), total project costs are 160.4 billion won and the equity ratio of KOMIPO is 15% (5.68 billion won).

Construction began in April 2005 and 28MW facilities were completed in December 2005. As of May 2006, it has generated 4.13 billion won of sales revenue. By October 2006, all facilities amounting to 98MW will be finished and annual sales of 34.6 billion won is expected. Also, since it is a part of Clean Development Mechanism (CDM), 170 thousand tones of greenhouse gas is expected to be reduced annually by Gangwon Wind Power.

### Reinforcing R&D to Secure Core Technology in Advance

KOMIPO actively makes efforts to develop and commercialize the next generation core technology to enhance technical competitiveness for the purpose of leading domestic power generation technology and secure future growth engine.

KOMIPO plans to greatly increase its R&D costs to 40 billion won, 1.7% of total sales revenue in 2014 from 27.5 billion won, 1.22% of sales revenue in 2005, by establishing the '10 Year R&D Plan' established in July 2005 for efficient research and development and aggressively challenging the environmental change in the power industry. Our R&D portfolio is comprised of basic research, applied research and utilization research to systematically secure core technology. Major objectives cover 10 areas including facilities reliability enhancement technology, digital automatic control technology, environmental pollution-free technology, new and renewable energy technology, etc.

Since basic and applied research in power generation areas require a long period of research with high costs, we mainly use the Electric Power Research Center which is the central research center of the KEPCO Group. As of 2006, we have conducted 36 cases of research programs for strategic technology with power generation companies or domestic research institutions including the 'Development of Tilting pad Bearing for 500MW standard fired high and heavy pressure turbine' and 'Empirical Research on Korean-Type Flue Gas Desulfurization Process Promotion' to apply it to 500MW coal fired power plants. For our utilization research program, we are conducting 10 programs including 'the Development of NOx Removal Catalyst with high efficiency renewable structure' for saving 50% of NOx removal facilities operation costs by using an academic-industrial collaboration system. Meanwhile, we are also participating in international joint research on 'Gas turbine operation and maintenance technology development' with collaboration from EPRI to drive futuristic core technology development.



## ▶▶ Investment Size of R&amp;D

Category	2003	2004	2005
Amount(Hundred Million Won)	47	116	275
Investment Rate per Sales Revenue(%)	0.26	0.43	1.22
Total Sales Revenue (Hundred Mil. Won)	18,109	19,245	22,445

## ▶▶ Status of Major Research &amp; Development Tasks

Name of R&D Tasks	Period	KOMIPO Investments (Mil. Won)	Type
Digital Control System Development of Steam Turbine for 500MW Thermal Power Plant	'02. 10 - '05. 09	3.90	Joint Research
250KW Molten Carbonate Fuel Cell System Development	'04. 09 - '09. 08	11.30	Joint Research
Empirical Research on Korean-Type Flue Gas Desulfurization Process Promotion	'05. 12 - '08. 11	751.90	Joint Research
Development of NOx Removal Catalyst with high efficiency renewable structure	'05. 09 - '07. 02	4.15	Self-development
Development of High Strength Piping for Ash Disposal Delivery	'06. 01 - '06. 12	4.93	Self-development

## Intellectual Property Rights

As a result of research and development, KOMIPO registered a total of 118 intellectual property rights including 89 patents and 29 utility model rights. 6 patents are currently pending. In 2005, KOMIPO commercialized technology and supported small and medium businesses in 5 cases by transferring non-exclusive licenses, including the 'Sliding Alignment Device for Electric Generating Boiler Tube' to promising small and medium companies.

## ▶▶ Application Status of Intellectual Property Rights

(As of December 2005)

Category		2003	2004	2005
Number of Applications	Patents	2	4	8
	Utility Models	10	7	3
Total		12	11	11

## ▶▶ Intellectual Property Rights transferred to Small and Medium Businesses for Commercialization

(As of December 2005)

Name of Intellectual Property Right	Registration No.
Sliding alignment device for electric generating boiler tube	Patent No. 0537061
Electric power demand and supply system and predicting method	Patent No. 0537063
Gas turbine exhaust duct non-metallic insulation mat	Patent No. 0561265
Electrolytic cell for sea water	Utility Model No. 0345548
Precisional calibration system for the I/O cards of control system	Patent No. 0584823

# Continuously Driving Management Innovation

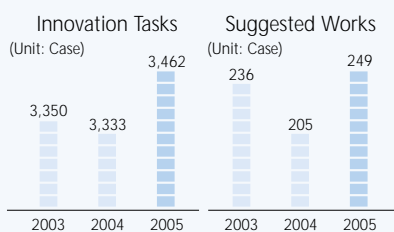
## ▶▶ Innovative example in international innovation Expo



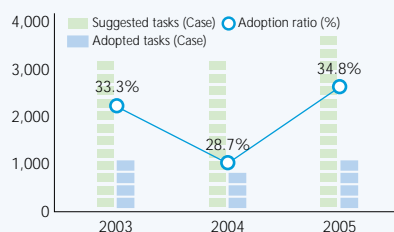
## ▶▶ Integrated Innovation Management System



## ▶▶ Innovation Driving Performances



## ▶▶ Pick-up Suggestions and Adoption results



## Take off to a Global Comprehensive Energy Company through Management Innovation

KOMIPO is conducting continuous management innovation to tackle market environment change such as privatization trends in domestic and overseas energy markets, especially in the power industry and securing competitiveness from the creation of future growth engines.

KOMIPO adopted an enterprise team system which covers even power plant sites to enhance flexibility of organization and assign authority to subordinates and filled major team managers at Headquarters with a public subscription system. In November 2005, we completed our ERP (Enterprise Resources Planning) system, first in thermal power generation companies and led knowledge information in the public energy area.

### Vision Global Clean Power Company

Innovation Goal  
Achieve Mid- and Long-term Management Goal in 2015

### Blue JB way

#### Innovative Strategy and Tasks

Value Innovation	Participation Innovation	Emotional Innovation
<ul style="list-style-type: none"> <li>Enhance Brand Value</li> <li>Reinforce Sustainable Capability</li> <li>Realize Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Efficient Work Process</li> <li>Settle down Blue JB system</li> <li>Upgrade facilities operation</li> </ul>	<ul style="list-style-type: none"> <li>Create Worldwide Corporate Culture</li> <li>Settle down mutual living labor-management culture</li> <li>Share informatized knowledge</li> </ul>

Management Innovation Catch Phrase  
'Innovation together'

#### Innovation Driving Tools

Total Innovation Management(TIM), Blue JB, BSC performance management, Knowledge Management, Innovative Management System (IMS)

Innovation Infra		
Innovative Organization	Learning/System	Innovation Activities
<ul style="list-style-type: none"> <li>Future Growth Committee</li> <li>Management Innovation Office</li> <li>Management Innovation Driving Team</li> </ul>	<ul style="list-style-type: none"> <li>Future Growth School</li> <li>Performance Evaluation Committee</li> <li>Innovative Performance Compensation System</li> </ul>	<ul style="list-style-type: none"> <li>Innovative diagnosis on Managements</li> <li>Innovative Performance Report Meeting</li> <li>Midland Innovative Forum</li> </ul>

If we want to grow into a worldwide comprehensive energy company like EDF (Electricite de France), the national power company in France, or Tokyo Power Company, we should upgrade our innovation system by establishing mid- and long-term innovative strategies. Therefore, we are jointly working with KMAC (Korea Management Association Consultants) to adopt TIM (Total Innovation Management), which combines various innovative techniques such as 6 Sigma and workout and apply them to the site. Finally, we will conclude with a new management innovation system in 2008.

KOMIPO consistently undergoes audits on its management system and innovation level from national and professional institutions to become a Global Clean Power Company by enhancing the management system and innovation level. Ministry of Planning and Budget awarded Grade 5 to KOMIPO, which is in the upper 3.8% of the comprehensive diagnosis of innovation levels for over 212 public institutions in 2005. KOMIPO was also certified as Grade 5 in its PMS (Productivity Management System), first in public corporations, hosted by the Korea Productivity Center and it was adjusted upward to Grade 6 in July 2006.

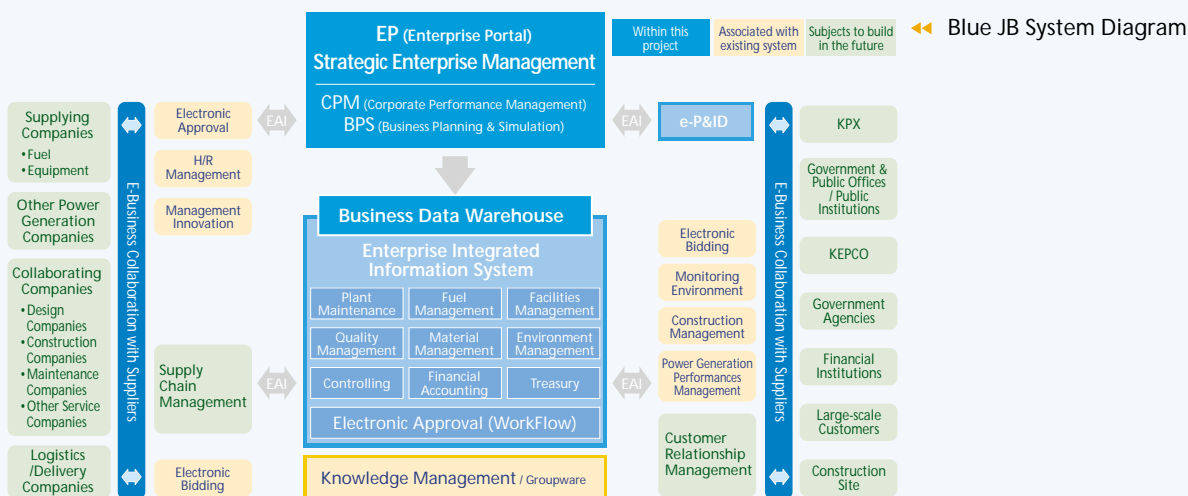




## Enhancing Competitiveness through 'BLUE JB'

KOMIPO adopted its ERP system in November 2005 based on Korea's most advanced IT technology power in the world. The comprehensive information system, named 'BLUE JB,' integrated essential and basis work such as power generation facilities, materials, financial accounting, managerial accounting and management strategy. Our aggressive and ground breaking innovation such as adopting the latest version of SAP among the ERP system and completely associating RFID to the system has been the subject of benchmarking from famous companies in Korea.

Based on 'BLUE JB' system including work process innovation reflected by advanced management techniques, management efficiency increase, information sharing in real time and management transparency, etc., KOMIPO will create a 'Blue Ocean of Energy Industry.'



### ▶ Construction Effect of 'BLUE JB'

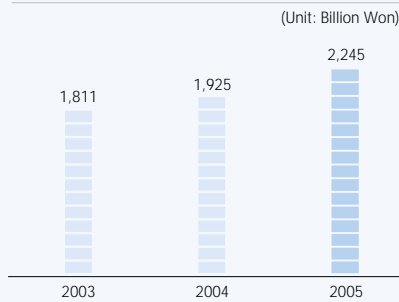
(Unit: Thousand Won)

Category	Qualitative Effect	Quantitative Effect
Financial Accounting	<ul style="list-style-type: none"> <li>Prepare financial statement in real-time</li> <li>Enhance reliability on asset information</li> </ul>	1,010,484
Controlling	<ul style="list-style-type: none"> <li>Efficiency of budget/cost management system</li> <li>Responsible accounting with performance as the center</li> </ul>	-
Strategic Enterprise Management	<ul style="list-style-type: none"> <li>Build advanced management process</li> <li>Strategic decision making</li> </ul>	-
Material Management	<ul style="list-style-type: none"> <li>Reinforce strategic function of purchasing</li> <li>Optimization of material management</li> </ul>	861,384
Plant Maintenance	<ul style="list-style-type: none"> <li>Enhance accuracy of standard information</li> <li>Optimization of operating process/maintenance process</li> </ul>	3,806,760
Quality Management	<ul style="list-style-type: none"> <li>Integrated systemization of quality management</li> <li>Systemization/efficiency of safety works</li> </ul>	-
Environment Management	<ul style="list-style-type: none"> <li>Optimization of environmental chemistry process</li> <li>Build environmental accounting system</li> </ul>	-
Document Management	<ul style="list-style-type: none"> <li>Establish electronic documents management system</li> <li>Electronic approval system for standardized documents</li> </ul>	-
Standardization	<ul style="list-style-type: none"> <li>Set up standardized system for facility/materials basic information</li> <li>Standardize list of 120,000 cases and prevention of duplication</li> </ul>	-
<b>Total</b>		<b>5,678,628</b>

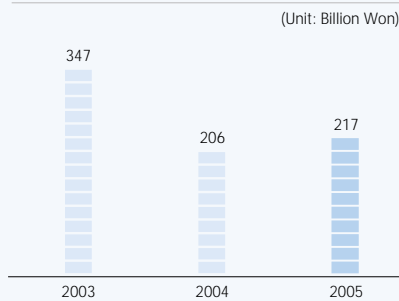
※ For quantitative effect, the realized amount up to July 2006 is converted into annual amount.

# Economic Performance

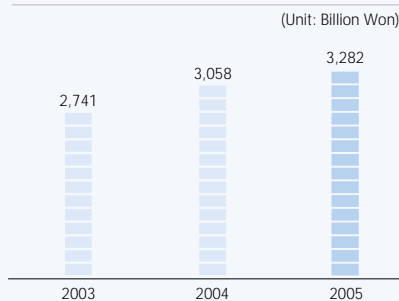
## ▶▶ Transition of Sales Revenue



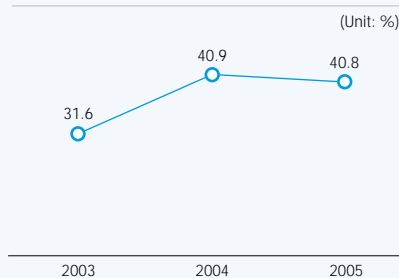
## ▶▶ Transition of Net Profit



## ▶▶ Transition of Total Assets



## ▶▶ Transition of Debt Ratio



## Solid Financial Structure

KOMIPO has accomplished excellent financial performance in profitability and stability since its inception in 2001. In particular, sales revenue from electric power sales has been increased continuously as the growth rate of domestic power consumption has sharply increased. Furthermore, KOMIPO recorded the highest net profit and the lowest debt ratio for 5 years in a row, compared to other power generation companies. We sold 36,036GWh of power and recorded 2 trillion 300 billion won of gross profit and 220 billion won of net profit in 2005.

In the recent three years, due to a rapid increase in the price of bituminous coal, as well as high oil prices, our operating income and net profit has been decreased, but profitability ratio, such as EBITDA profit ratio, operating income to sales and equity/debt ratio and interest coverage ratio have showed excellent solid financial structure.

## ▶▶ Financial Statements (2003~2005)

(Unit: Billion Won)

		2003	2004	2005
Income Statement	Sales	1,811	1,924	2,245
	Cost of Sales	1,263	1,582	1,918
	Gross Profit	548	342	327
	SG&A	24	28	35
	Operating Income	524	314	292
	Other Income(ex)	(30)	(22)	7
	Ordinary Income	493	292	298
	Tax Expense	146	86	82
	Net Income	347	206	217
Balance Sheet	Cash & Equivalents	69	23	7
	Other Current Asset	256	313	398
	Investment Securities	14	15	21
	PPE	2,385	2,690	2,825
	Intangible Asset	6	4	15
	Other Asset	11	13	17
	Total Asset	2,741	3,058	3,283
	Current Liabilities	357	419	411
	Debt, net of discount	241	373	447
	Long-term Debt	22	3	—
	Other L/T Liabilities	39	92	94
	Total Liabilities	659	887	952
Total Stockholder's Equities	2,082	2,170	2,331	

## ▶▶ Major Financial Ratio (2003~2005)

(Unit: Billion Won)

	2003	2004	2005
EBITDA	705	470	485
Construction Investment Costs	204	478	318
Profitability Ratio			
EBITDA Profit Ratio	38.9%	24.4%	21.6%
Operating Income to Sales	28.9%	16.3%	13.0%
Net Profit to Sales	19.2%	10.7%	9.7%
Equity / Debt Ratio	19.3%	27.2%	23.3%
Debt Ratio	31.7%	40.9%	40.8%
Interest Coverage Ratio	13.3 x	10.5 x	9.8x

※ Equity/Debt Ratio: Borrowings / Equity generating interest expenses



## Economic Performance (Continued)

### Mid- and Long-term Financial Projection

KOMIPO had accurately recognized a rapidly changing management environment and in 2004, established a 'Mid- and Long-term Financial Projection' which consisted of five scenarios and revised it every year according to the changes to challenge the situation and generate continuous future growth engines. This projection readjusts our basic direction and goals of financial strategy and financial ratio such as stability, growth ratio and profitability are used as guidelines to raise mid- and long-term financial soundness and management efficiency.

According to the mid- and long-term financial projections, KOMIPO will construct 5 units of power plants including Incheon CC No. 2 in addition to Yangyang pumped-storage P/P and Boryeong No. 7, 8. Annually, about 400 billion won will be needed for this projects. 50% of the required funds will be procured from the increase of power selling profit (internal reserve) generated by new power plant construction and the rest will be borrowed from the domestic and overseas financial market in the form of direct or indirect financing.

### Transition of Credit Rating

KOMIPO acquired the highest rating, AAA from three major credit rating agencies in Korea, an A- from S&P and A1 from Moody's respectively. In particular, the credit rating A1 from Moody's is two level higher than the nation's rating. This is a result of recognizing the stability and profitability of KOMIPO. Therefore, we are ready to procure funds at right time because we have a favorable investor basis in financial market.

### IR Activities in Domestic and Overseas

KOMIPO implements diverse IR activities to secure favorable financing conditions by preparing a friendly investor basis in financial markets and enhancing the transparency of the company by providing major management information timely and promptly.

#### Major IR Activities in 2005

##### Activities in Overseas Road Shows

- First Half of the Year : Meeting with 13 institutional investors based in Boston and New York. ('05. 5)
- Second Half of the Year : Meeting with 12 institutional investors from LA, New York, London, Frankfurt ('05.12)

##### Domestic Investor Relations

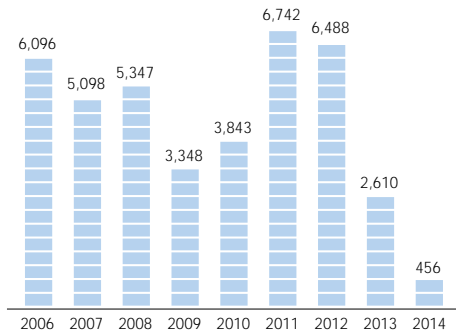
- Large-scale Investor Relations in Yeoido : '05.6
  - Subjects : 70 persons from domestic and overseas major investors and credit rating agencies (Moody's, S&P)
- Investor Relations at Power Plant Site : Boryeong Thermal P/P '05.10
  - Secure favorable investors by organizing 'JungSaMo' (Fan club of financial specialists who love KOMIPO)

##### Open door for IR Meeting

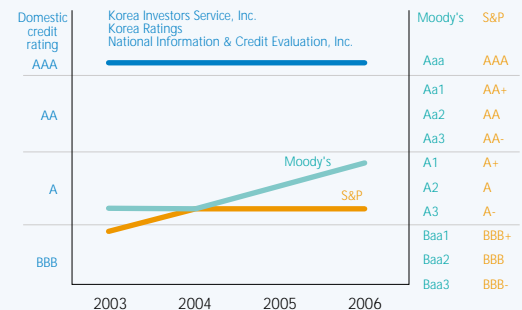
- Upon request of investors, conduct IR in the way of One-on-One Meeting
- Conduct IR frequently to major institutional investors including MBIA(USA)
- Issue KOMIPO Monthly Report to provide specialized investment info.

### Mid- and Long-term Financial Projection

(Unit: Hundred Million Won)



※ Source : Mid- and Long-term Financial Projection Scenario 5, Organization budget team, Planning Dept. 2005.12



#### ▶▶ Investor Relations ('05. 6)





## Indirect Economic Performances

### Pension

The KOMIPO pension system consists of national pension, which all employees join compulsively and individual pension, which employees may join individually with a company subsidy. To pay the national pension insurance premium, each employee's standard monthly income is calculated based on prior year's income and the premium amount is calculated from the standard monthly income. This premium amount is then deducted from the employee's payroll and the company additionally pays a matching amount to the National Pension Service in the name of such employee.

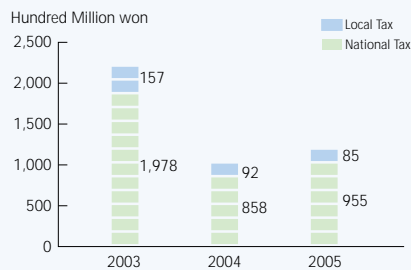
KOMIPO subsidizes 50% of the premium with maximum 50 thousand won every month for employees who pay more than 100 thousand won to the ten-year-term individual pension. As of the end of December 2005, number of employees who receive the individual pension subsidy is 1,748 and the beneficiary rate is 86%.

### ▶ Year-by-year status of Support for Pension

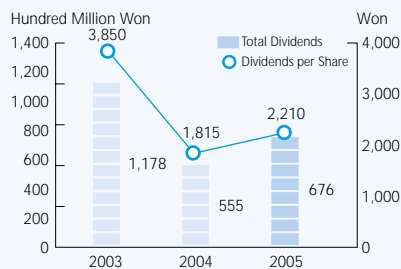
(Unit : Hundred Million won, person)

Category	2003	2004	2005
National Pension	33	35	37
Individual Pension	14	14	14
<b>Total</b>	<b>47</b>	<b>49</b>	<b>51</b>
Beneficiary of Individual Pension	<b>1,790</b>	<b>1,777</b>	<b>1,748</b>

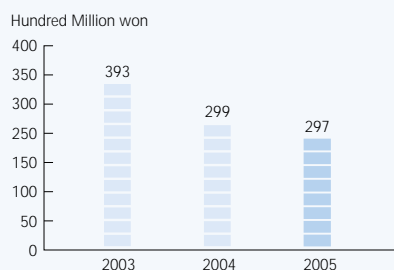
### ▶ Transition of Taxation



### ▶ Transition of Dividends



### ▶ Transition of Interest Expenses



### Taxation

In 2005, KOMIPO paid a total of 104 billion won for taxes, namely 95.5 billion won for national tax and 8.5 billion won for local tax, an increase of 9.5% compared to the prior year. With the exception of the tax credit, KOMIPO did not receive any subsidies from the nation.

### Dividends

Retained earnings at the end of 2005 were 216.8 billion won, a 5.3% increase from the prior year. The ordinary shareholders' meeting held in March 2006 resolved dividends of 67.6 billion won. In other words, 2,210 won per share and 44.2% of par value has been paid in dividends.

### Interest

Interest amounts paid to creditors were 39.3 billion won in 2003, 29.9 billion won in 2004 and 29.7 billion won in 2005. The paid interest amounts eventually have decreased due to a decrease of the interest rate and a reduction of the amount borrowed.



## Section 2 Environment

Reviving the environment is to save our lives. If we want to be respected, we should respect the order of nature. As KOMIPO already knows the importance of nature more than anyone, we have concentrated on environment-friendly technology development and expansion of its facilities to operate an environment-friendly power generation system. We are also challenged with worldwide environment changes such as Climate Change Convention. KOMIPO intends to become a Top 10 environment management company among world power generation companies by 2015.

❖ When we respect nature,  
our life is also respected.

# Environ



G L O B A L  
C L E A N  
P O W E R  
C O M P A N Y

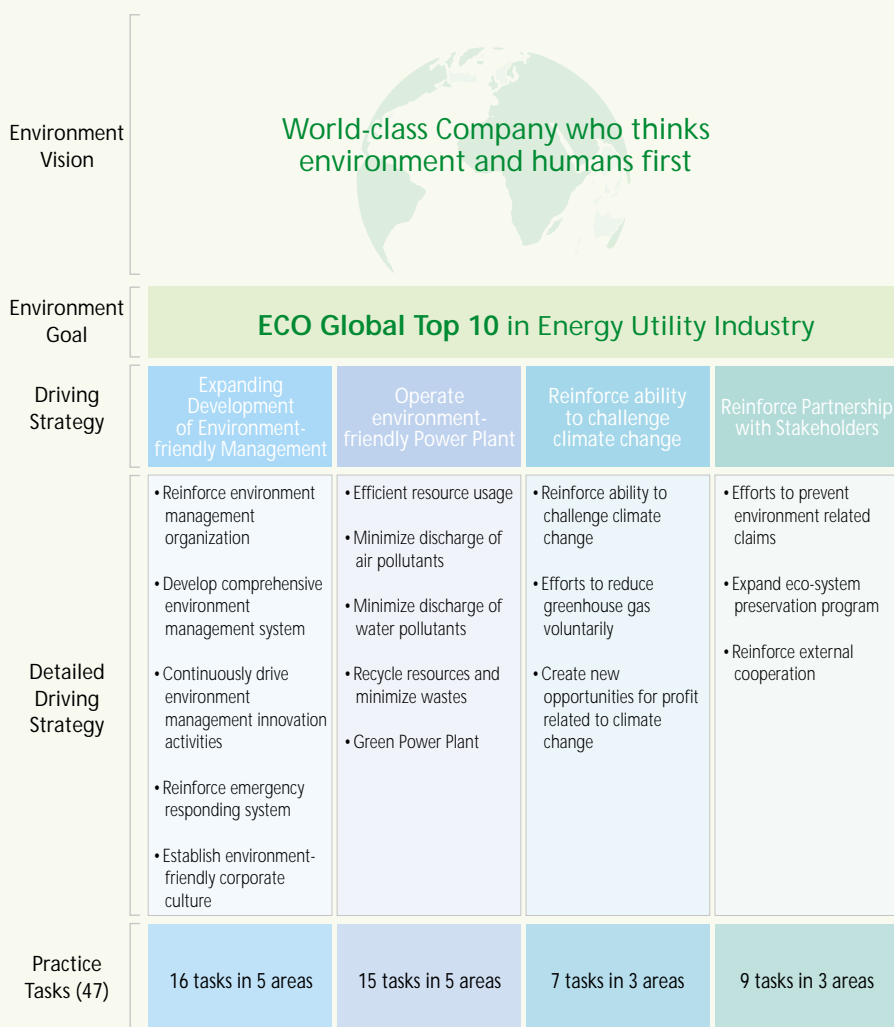
ment

# Vision and Strategy on Environment

## Environment Management System

KOMIPO moves forward step by step by establishing its Mid- and Long-term Environment Management Driving Strategy (ECO-2015) with the goal of becoming one of the Top 10 environment management companies among world power generation companies by 2015 to achieve the acknowledgement of a 'World-class company who thinks environment and humans first.' As a practice strategy to achieve this goal, we plan and conduct 47 tasks in 4 areas such as expansion to an environment-friendly company, operating environment-friendly power plants, reinforcing ability to challenge climate change, strengthening partnership with stakeholders, etc. Also, as for environment-friendly management, we acquired ISO14001 certification on all work places and conduct a post-assessment examination every year. In 2005, we received a conformity judgement from the environmental examination to acknowledge our effective environment management system.

World-class Company who thinks environment and humans first





▶▶ Signing ceremony of Autonomous Environment Control Agreement



▶▶ Agreement of Autonomous Environment Control



## Internal Criteria More Strict than Laws and Regulations

KOMIPO entered into an autonomous environment agreement with local government institutions around power plants and observes standards which are stricter than national environment guidelines. These efforts contribute to minimizing discharging air and water pollutants and improving environment conditions.

▶▶ Status of Autonomous Environment Control Agreement and Environment Agreement

Name of P/P	Agreement Date	Expiration Date	Local government	Remarks
Boryeong Thermal P/P	2005. 08. 17	–	Boryeong-si	Environmental Agreement
Incheon Thermal P/P	2004. 11. 24	2009. 12. 31	Incheon Metro	Autonomous Environment Control Agreement

## Environment Examination

KOMIPO conducts a regular environmental examination every year to minimize potential risks on the environment by operating its environmental management system effectively and evaluating the appropriateness of environmental management.

Internal examination (self-examination) and external examination are implemented together as part of the environmental examination related to ISO 14001 and the designation of an environment-friendly company.

As a result of the environmental examination in 2005, 25 cases were recommended for correction from the internal examination and no inappropriate cases were reported from the external examination, except 17 observation cases. Also, there were 46 cases of checkup by external institutions, but no faulty cases were reported.

## Environment Policy

KOMIPO contributes to the development of national economy by the stable supply of low-priced and quality electric power, and recognizes only 'Environment-friendly management thinking environment and human first' can guarantee our happiness and prosperity of the future. We promise we will do our best to promote sound power generation business while we plan and fulfill environment policies applied to overall corporate activities as follows.

- We will care for the environment for future generations and emphasize the realization of the harmonious existence of the environment and the economy for sustainable development.
- We will develop an efficient environment-friendly management system which complies with international environmental standards, analyze the environmental effects on the overall process of our business activities, and consistently promote environmental improvements and the prevention of pollution.
- All facilities shall comply basically with national environmental regulations and follow the management objectives established by considering local characteristics of each power plant in order to minimize environmental pollution.
- We will minimize waste generated from all business activities and participate in the recycling of resources to become a leader in the construction of a resource-recycling society.
- We will consistently perform environment education and training for all employees to participate in preventive environment protection activities.
- We will make an effort to build an environmental society by periodically disclosing our environmental management results to stakeholders and strengthening the collaborative and sharing relationship with the local community.

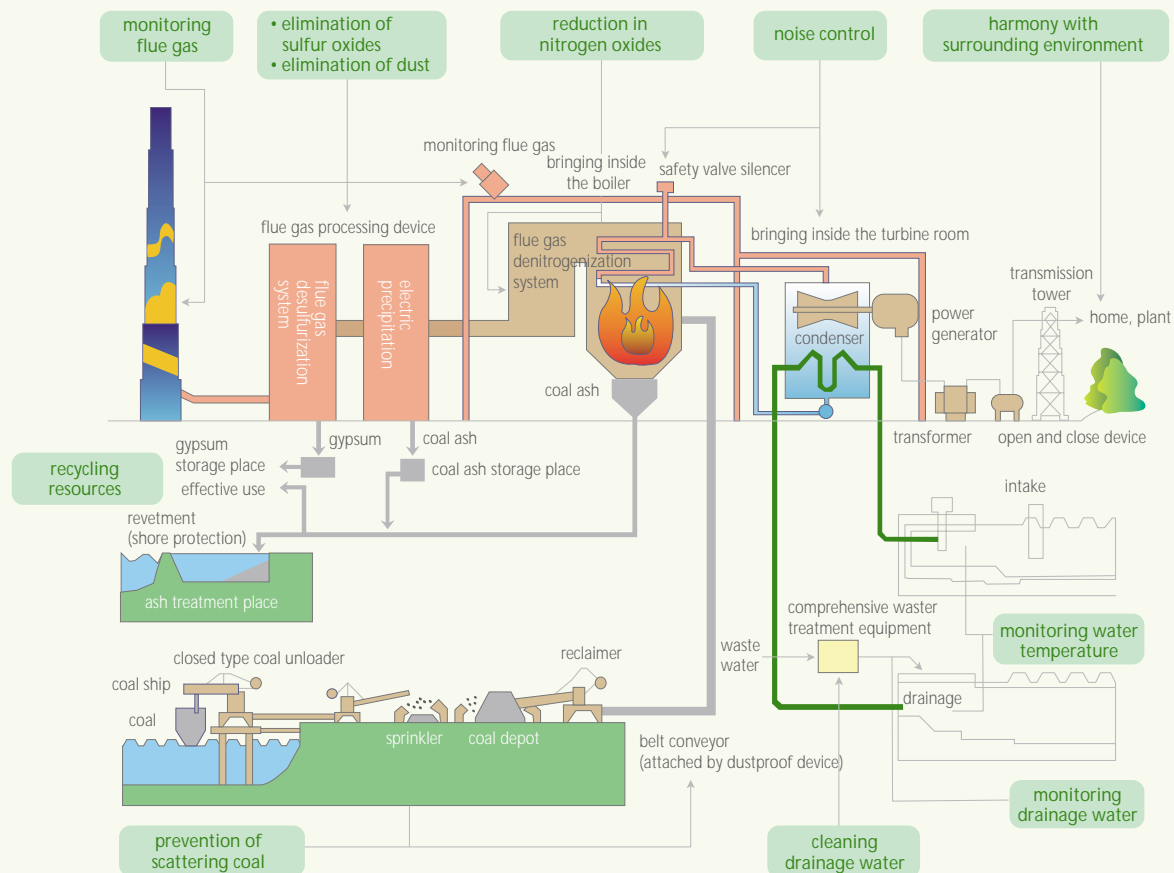
KOMIPO understands that the achievement of these environment management policies depends on the strong will and sense of responsibility of the CEO, as well as all other employees, and we will do our best to realize them.



# Power Generation Process and Impact on Environment

Pollutants generated from thermal power plant are dust, sulfur oxides, nitrogen oxides and water pollutants from the waste water of power plant, etc. KOMIPO installs and operates electric precipitation, a flue gas desulfurization system and flue gas denitrogenization system to minimize the discharge of air pollutants. Also, power plants in metro areas and Boryeong Combined Cycle P/P use clean fuel LNG to minimize the impact of power plants on the environment. More pollution prevention facilities will be installed to reduce the discharge of pollutants. KOMIPO installs and operates comprehensive waste water treatment facilities to eliminate pollutants from the waste water from power plants. Also, 'Biological wastewater treatment facilities' and 'Evaporation & Concentration Facilities' are to be installed in Boryeong Thermal P/P and Seocheon Thermal P/P to eliminate total nitrogen from waste water and minimize discharge of water pollutants.

More pollution prevention facilities will be installed to reduce the discharge of pollutants.



## Milestones in Environmental Areas

### Major Environmental Milestones in 2005

KOMIPO has set up four goals such as an 'Advanced environment-friendly management system,' 'Minimization of discharging environmental pollutants,' 'Resources cycle type power plant,' and 'Society with local community,' and practices detailed tasks systematically.

#### Four Driving Goals ▶▶

Targets	Detailed Practice Tasks	Subjects	Schedule
Establish Advanced Environment-friendly Management System	• Establish mid- and long-term environment management strategy master plan	All work places	'05.12 completed
	• Associate environment accounting to ERP and control environmental costs	All work places	'05.12 completed
	• Participate in model project of environmental management hosted by the Ministry of Environment (Environment performance assessment)	Seoul	'05. 09 ~
	• Pass post management examination related to Enterprise ISO 14001 certification (Korea Standards Association)	All work places	'05.9 completed
	• Awarded Grand Prize from 2005 Korea Green Management Award (Korea Management Association Quality Assurance)	All work places	'05.10 completed
	• Designated as an environment-friendly company two times (2nd and 3rd) in a row (Ministry of Environment)	Seoul, Incheon, Jeju	-
	• Awarded 'excellent workplace' in 2005 Construction & Environment Management (Gangwon Province)	Yangyang	'05.8 completed
Minimize Environmental pollutants discharge	• Install nitrogen reduction facilities (Incheon#3-4, Boryeong #3-6)	Boryeong, Incheon, Seocheon	'05. 5 ~
	• Reduce sulfur oxides by injection of additives in desulfurization facilities	Boryeong	'05.5 completed
	• Removal facilities for nitrogen in waste water will be completely installed	Boryeong, Seocheon	'05. 10 ~
	• Dust-proof wall at coal depot, wind-proof forest will be established	Boryeong	'05. 10 ~
	• Optimal management of flue TMS operation system	All work places	'05. 11 ~
	• Reuse drainage water from power plants and reduce chemical products	All work places	-
	• Build zero discharge system for waste water from power plant	Boryeong, Seocheon	-
Resources Cycle Power Plant	• Reuse coal ash (500 thousand tons), Reuse desulfurized gypsum (240 thousand tons)	Boryeong, Seocheon	-
	• Real name system for waste	Jeju	-
Build Environment Society with local Community	• Cleaning environment event (1 company caring 1 river, Environment class, etc.)	All work places	one time/ two months
	• Enter into environment agreement (Boryeong Thermal P/P - Boryeong-si)	Boryeong	'05. 8 completed
	• Support local project to increase income (Support fund : 8,948 million won)	All work places	-
	• Provide environment information by installing 5 environment LED signboards in Boryeong city	Boryeong	'05. 12 completed
	• Environment monitoring commission	Boryeong	'05.12 ~



## Milestones in Environment Areas (Continued)

### Resources Usage

#### Energy Usage

Savings 1% of total amount of energy consumed

KOMIPO has unfolded innovation work for power consumption structure in fuel and power plants to overcome the rising price of oil which is intimidating our country's economy and has transformed our power plants into energy saving power plants. In 2005, KOMIPO established a 10 year long-term plan and set up a goal of 'Saving 1% of total energy consumption' and saved 1.06% of energy. Each business place puts this goal at the center of its business. '1% of total energy consumption' used by our company, which uses a large amount of energy, such as natural gas and bituminous coal, corresponds to about 90,000 TOE annually. The goal includes various energy saving activities including improving combustion methods, effective operation of electric power facilities and business development using ESCO. In 2005, KOMIPO performed about 100 energy saving projects at 6 work places and greatly contributed to record a 1.75% basic unit improvement rate.

#### ▶▶ Performance of Innovative work for power consumption structure

(Unit : Million won)

Category / Year	2001	2002	2003	2004	2005	Total
Amount of Investment in energy Facilities	3,026	7,049	2,915	2,507	13,228	28,725
Used amount in Energy	471,500	784,900	902,300	1,165,300	1,502,900	4,826,900
Investment Ratio	0.64%	0.90%	0.32%	0.22%	0.88%	0.60%

#### Using External Institutions Specialized in Energy

##### Conduct Energy Diagnosis on Overage Facilities

KOMIPO entered into the 'Energy Management Work Collaboration Agreement' with Korea Energy Management Corporation in 2004 to raise energy efficiency by asking energy specialists to diagnose our energy system. In accordance with this agreement, for the first time in power generation facilities, Boryeong No. 1, 2, overage facilities were diagnosed for energy efficiency and all facilities were diagnosed for energy control status and conducted optimized simulation. Consequently, 18 items including recovery rate increase of boiler exhaustion gas were presented to be improved and progressed step-by-step. After the improvement project is completed, 6.3 billion won is expected to be saved annually. Following Boryeong Thermal P/P, Seoul Thermal P/P will be diagnosed to be transformed from an overage power plant into a highly efficient power plant in 2006.

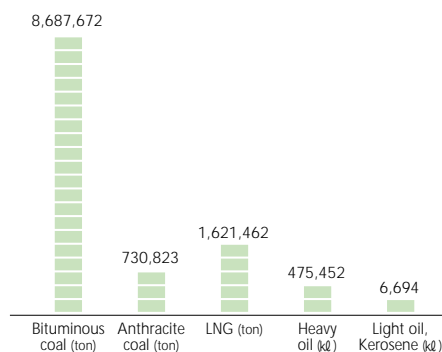
##### Entering the 2<sup>nd</sup> Autonomous Agreement for Energy Saving

Following the 1<sup>st</sup> agreement from 2000 to 2004, the 2<sup>nd</sup> agreement arranges and operates energy saving goal voluntarily. In 2005, we entered the autonomous agreement with Korea Energy Management Corporation and submitted a practice plan for energy saving of 148,912 TOE for five years starting from 2005.

##### ESCO Project and Apply High Efficient Facilities

Our energy saving project to use ESCO (Energy Service Company), the company specialized in energy saving and the project to replace obsolete facilities with highly efficient equipment is underway at many work places including Boryeong, Seochon and Seoul. This application of energy saving power generation

#### Usage amount of fuel('05)



#### ▶▶ Energy Saving Street Campaign



##### Promote Mind Innovation Movement to Save Energy Actively

We aggressively conduct energy saving promotion to all citizens to decrease the high energy consumption ratio of our country. Regular street campaigns for energy saving were conducted at Samseong subway station nearby headquarters and each work place. Also, energy saving placards, in-company broadcasting, refraining from the use of lighting and cooling system and sending energy saving letters to collaborating companies are minor efforts to emphasize the importance of energy saving. With these activities, we make a special effort to overcome the limitations of being a resource-poor country.



facilities is not exceptional for the power plants under construction. From the initial stage, the requirements of using highly efficient and power factored devices and equipment are specified in the technological specifications in constructing highly efficient power plants. As a result, most facilities in Jeju Thermal P/P, Incheon Combined Cycle P/P and Boryeong No. 7,8, which are under construction, are supplied with highly efficient devices certified by the government. All lights including fluorescent lamps are high efficiency products certified by the government to save 20% more electricity than before.

### Water Usage, Waste Water Treatment and Reuse Waste Water

In thermal power plants, industrial water is used for boiler, power generation, desulfurization, cooling and drinking, etc. Our 'Reuse drainage water 2010' plan is established and implemented for the goal of maintaining a 80% reuse rate of drainage water by 2010 to effectively use and secure industrial water. For practice measures, finding a re-usage site and process improvements such as zero water leakage and installing a wastewater reclamation and reusing system and a zero discharge system have been installed.

Waste water in power plants is generated during boiler water quality management, pure water production and operation of desulfurization facilities. Comprehensive waste water treatment facilities and desulfurization waste water treatment facilities are operated to treat waste water properly. Also, 'Biological wastewater treatment facilities' and 'Evaporation & Concentration Facilities' are to be installed in Boryeong Thermal P/P and Seochon Thermal P/P to eliminate total nitrogen from waste water and minimize discharge of water pollutants. Re-usage rate of drainage water was 83% in 2005 which is over the target rate, 80%.

#### ▶▶ Seoul Thermal P/P



#### ▶▶ Jeju Thermal P/P



※ Seoul, Incheon and Jeju Thermal P/P operate ecosystem ponds by using final drained water from the comprehensive waste water process facilities.

#### ▶▶ Water Usage and Waste Water Treatment Results

Category	Power Generation (GWh)	Amount of Water (Thousand Ton)	Base Unit of water usage (Ton/GWh)	Reuse rate of drainage water(%)	Waste water amount (Thousand ton)	Waste water treatment amount (Thousand ton)	Reuse Amount (Thousand ton)	Discharge Amount (Thousand ton)
2002	32,282	4,388	136	75	1,227	1,168	916	293
2003	32,822	4,047	123	87	1,045	965	908	160
2004	35,600	3,727	105	88	966	959	852	144
2005	37,901	3,532	93	83	1,188	1,099	991	212

Note) 1. Reuse : Re-usage amount before and after waste water treatment

2. Reason of Increase of waste water in 2005 : Due to the test drive after Incheon Combined Cycle P/P construction

#### What is drainage water?

It includes steam condensate from power generation facilities, revived water from manufacturing facilities, backwash water and sample water from the electricity generation process. Water with good quality is reused as raw water or filtered water before it goes through the waste water treatment process. All other water goes to reverse osmosis and activated carbon filter facilities before it is reused.



## Milestones in Environment Areas (Continued)

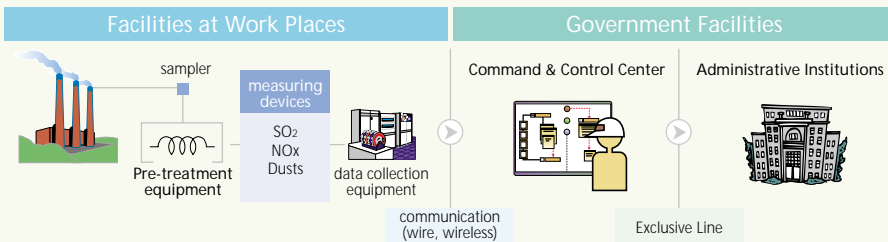
### Continuous Reduction in Pollutants

#### Remote Monitoring System on Environment (TMS)

KOMIPO operates environment pollution prevention facilities to continuously reduce environment pollutants generated from the operation of power plants such as air and water pollutants and waste materials and operates a remote monitoring system on the environment (TMS: Tele-Metering System), which can measure and monitor the density of pollutants by sending the discharge density of air and water pollutants to the Command & Control center to monitor discharge status for 24 hours.

Air and water quality TMS at each work place measures dust, SO<sub>2</sub>, NO<sub>x</sub>, O<sub>2</sub>, air flow, temperature, etc. through each measurer for air quality, collects data at every 5 minute and 30 minute interval and sends them to the Environmental Management Corporation and Administrative Institutions to raise transparency of environmental management. For water quality, the system measures pH, COD, SS and we monitor it ourselves. The transmission to administrative institutions will be implemented from 2007.

#### ▶▶ Remote Monitoring System on Environment



#### Air Pollutants

Air pollutants exhausted from the power plant are sulphuric acid, nitrogen oxide, dust, etc. Desulfurization and denitrogenization facilities and electric precipitation are installed as environment pollution prevention facilities. Seoul Thermal P/P, Incheon Thermal P/P and Jeju Thermal P/P use LNG or low sulfur oil fuel (0.3%S) to minimize the discharge of pollutants.

The discharge amount of nitrogen oxides has been reduced due to the installation of denitrogenization facilities at Boryeong No. 6 and the installation of nitrogen oxides reducing facilities at Seochon Thermal P/P No. 1, 2 units.

The Discharge amount of dust is lower, as calculation basis of discharging density is changed (based on fuel usage amount → based on TMS density) including the calculation basis of the discharge penalty because of the stable operation of TMS facilities in 2004.

Until 2015, KOMIPO will invest 330 billion won to install optimized environment pollution prevention facilities including desulfurization and denitrogenization facilities, coal dust scattering prevention facilities at the coal depot, etc. to minimize discharge of pollutants and contribute to improving the environment.

#### ▶▶ FGD Facility



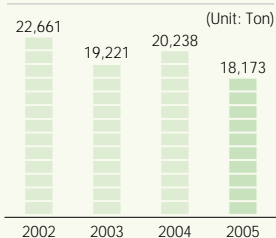
#### ▶▶ Flue Gas Denitrogenization Facility



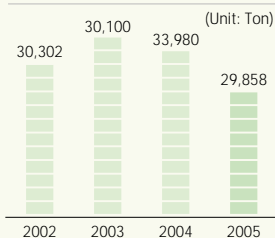
#### ▶▶ Electric Precipitation



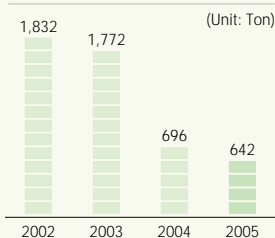
#### ▶▶ Status of Sulfur Oxides(SO<sub>x</sub>) Emissions



#### ▶▶ Status of Nitrogen Oxide(NO<sub>x</sub>) Emissions



#### ▶▶ Status of Dust Emissions



※ Boryeong Combined Cycle P/P, Incheon Thermal P/P and Seoul Thermal P/P do not emit SO<sub>x</sub> and dust due to the use of clean fuel, LNG.

KOMIPO puts various efforts for stable waste management.



### Waste Treatment

A power plant generates about 30 kinds of waste including coal ash from coal combustion, desulfurization gypsum, a by-product of FGD (Flue Gas Desulfurization), waste oil from maintenance process, waste insulated material and waste synthetic resin, etc.

Among these waste materials, 12 kinds, including coal ash and desulfurization gypsum, are reused and 18 kinds, including sludge from waste water treatment, waste insulated materials, are outsourced to professional waste treatment companies.

#### Major Waste Generated from Power Plants

- General Waste at Work Places: waste water sludge, heavy oil ash, dust and dirt, desulfurization sludge, waste refractory, insulated material waste, synthetic rubber waste, synthetic resin waste, activated carbon waste and concrete waste (construction waste at workplace), etc.
- Designated Waste : oil waste (liquid, solid), paint waste, acid waste, waste organic solvents, etc.

※ Domestic waste : Included in work place general waste

#### ▶▶ Year-on-year Waste and Recycle Results

Category		Unit	2002	2003	2004	2005
Amount of Power Generation		GWh	32,282	32,822	35,600	37,901
Amount of Waste	General Work places	Ton	3,364	3,033	3,735	5,212
	Designated		322	254	245	583
	Total		3,686	3,287	3,980	5,797
Amount of Generation by Basic Unit		Ton/GWh	0.11	0.10	0.08	0.15
Amount of Recycled		Ton	1,858	1,876	1,466	3,756
Self- and Outsourcing amount			1,828	1,411	2,505	2,150

※ Construction waste and food waste not included

### Reusing By-products

In operating thermal power plants, coal ash and desulfurized gypsum are generated as by-products. Coal ash is reused as concrete admixtures, raw materials for cement, ground soil filling materials, etc. and gypsum generated from the operation of desulfurization facilities is reused as a cement retarding agent and gypsum board. When it comes to the reuse ratio, desulfurized gypsum is 100% reused, but the reuse ratio of coal ash is diminished. As construction business slows, the demand for coal ash decreases. To increase the reuse ratio of coal ash, a valuable resource, we are making diverse efforts to increase demand for coal ash such as searching for numerous customers and conducting R&D for products using coal ash.

#### ▶▶ Year-by-year Status of By-products Generation and Recycle Results

Category		Unit	2002	2003	2004	2005
Coal Ash	Generation Amount	Thousand Ton	1,047	1,046	1,224	1,143
	Recycled Amount	Thousand Ton	728	744	718	505
	Recycle Ratio	%	70	71	59	44
Desulfurized Gypsum	Generation Amount	Thousand Ton	188	169	218	239
	Recycled Amount	Thousand Ton	187	169	214	239



## Milestones in Environment Areas (Continued)

### Chemical Materials Control

Power plants use 15 kinds of chemicals including hydrochloric acid, caustic soda, ammonia, hydrazine, etc. They are used for power generation water treatment, elimination of bubbles at the discharge outlet for cooling water, prevention of boiler corrosion, waste water treatment, etc.

KOMIPO puts diverse efforts into reducing the amount of chemicals. High efficiency cohesive agents and a hydrazine non-injection system show our efforts in reducing the amount of chemicals. We are doing our best to reduce chemicals through improving operating procedures, developing alternative chemicals, etc. As a result, we reduced by 20% (based on basic unit of amount) the amount in 2004 compared to 2000 and have maintained the level thereafter.

### Power Plant Noise Control

KOMIPO operates its power plants at a much lower noise level than the standards of the Noise Prevention Law by internal facilities, silencers, sound absorbing walls, etc.

### Soil Pollution Control

KOMIPO installs protection walls surrounding oil tanks where fuel is stored to prevent soil pollution caused by oil leaking and measures pollution level once a year by drilling 68 inspection wells at 5 generation facilities such as Boryeong Thermal P/P to check whether oil is leaking into soil. (TPH: Total Petroleum Hydrocarbon) There have been no leakages to this date.

### Impact Assessment on the Environment

In accordance with Article 25 of the Act on the Assessment of Impacts of Works on the Environment, Traffic, Disasters, etc., KOMIPO prepares reports on the results of environmental impact assessment and performances of the environment impact assessment discussion and submits them to the Ministry of Commerce, Industry and Energy by January 31 every year.

Items on environmental impact assessment are marine animals and plants, marine physics, noise, marine water quality, earth ecosystem, air quality, etc. This assessment is to minimize the impact on the environment caused by the construction and operation of power plants.

Also pre-assessment of impact on the environment is conducted to prevent environment pollution in advance for all possible constructions which require environment pollution prevention facilities, drainage water and oil system, dredging, reclamation, soil delivery, etc. and which cause hazardous chemical materials and waste and which may cause environmental claims.

### Green Accounting

KOMIPO completed its green accounting system associated with ERP for the first time in Korea in January 2006 to calculate environmental activities costs effectively. If using green accounting, when environment-related costs are incurred, the costs will be immediately categorized as environmental costs.

The classification system for environmental costs consists of pre- and post-treatment of environmental activities costs, stakeholder's activities costs, compliant to laws and recovery activities costs, etc. It is compliant with the guidelines of the Ministry of Environment.

Appropriate amounts are invested in environmental facilities to observe environmental regulations. In 2005, the amount of investment increased due to the installation of nitrogen oxide reduction facilities in Incheon Thermal P/P and Seochon Thermal P/P and desulfurization facilities in Seochon Thermal P/P and participation in various research tasks for the technology development to reduce greenhouse gas.

### Mid- and Long-term reduction plan of chemicals

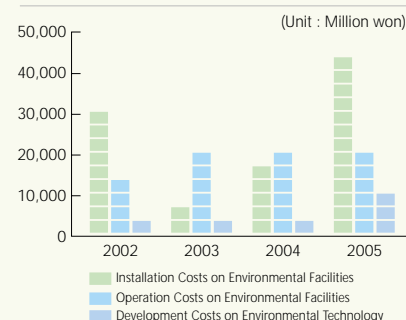
- Adopt the latest water treatment technology
  - Non-injection of Hydrazine, Oxygen treatment, etc.
- Develop and apply chemicals replacement process
  - Change cohesive agents
- Change facilities protection measure
- Improve process
  - Change supply source of desulfurization water

### ▶▶ The usage amount of chemicals

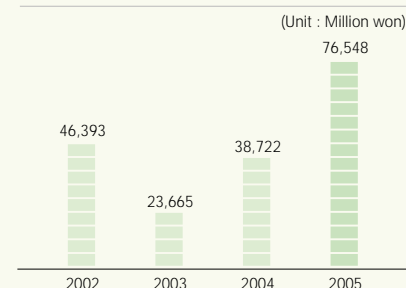
Category	Unit	2000	2004	2005
Amount of Power Generation	GWh	27,989	35,600	37,901
Usage Amount of Chemicals	Ton	4,472	4,107	4,725
Usage Amount by Basic Unit	Ton/GWh	0.16	0.12	0.12

※ Usage amount of Chemicals are calculated by combining 15 kinds of chemicals used in the power plant

### ▶▶ Investment costs by item



### ▶▶ Investment costs on Environmental Facilities by Year





## ▶▶ Scenarios by Accident Type

### Emergency Accidents

- Oil spill accident
- Hazardous materials spill accident
- Earthquake and Fire
- Typhoon and Tsunami
- Heavy snow and Flood

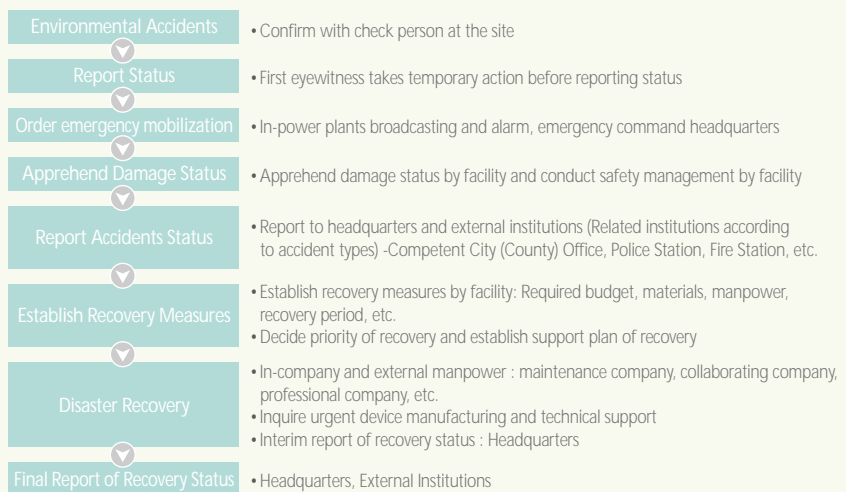
### Environmental Accidents by Facility

- Air pollution protection facilities
- Water pollution protection facilities
- Waste storage facilities
- Hazardous materials storage facilities
- Oil storage facilities

## Environmental Accident Command System

KOMIPO puts its every effort into preventing environmental accidents. To respond to environmental accidents immediately, we operate an emergency system, prevention organization and emergency call network with related institutions. Also, we prepare scenarios by cases and conduct education and training.

### ▶▶ Command System



## Certification and Award Related Environment

Being recognized for its operational performance of an environment-friendly power plant, KOMIPO was awarded grand prize from 2005 Korea Green Management, 'excellence company' for Construction & Environment Management (Yangyang Pumped Storage) and the first prize for the TMS excellent case competition hosted by the Ministry of Environment (Boryeong Thermal P/P). Also, Seoul, Incheon and Jeju Thermal P/P have been designated as an environment-friendly company two times (2nd and 3rd) in a row through continuous environment improvement activities.

### ▶▶ Certification and Award Status on Environment

Category	Name of Power Plant	Date of Designation	Effective Date	Remarks
Grand Prize, Korea Green Management	Headquarter	2005. 10. 31	-	Korea Management Association Quality Assurance
ISO 14001 Certification	Headquarter and all work places	2004. 9. 7	2007. 9. 7	Korea Standard Association
Designated as Environment-friendly company	Seoul Thermal P/P	2006. 3. 21	2011. 3. 20	Designated two times in a row
	Incheon Thermal P/P	2002. 10. 21	2007. 10. 20	Designated three times in a row
	Jeju Thermal P/P	2006. 4. 1	2011. 3. 31	Designated two times in a row
Excellence Award of Construction and Environment Management	Yangyang Small Hydro P/P	2005. 12. 30	-	Gangwon Province
First Prize, TMS Management	Boryeong Thermal P/P	2005. 6. 30	-	Ministry of Environment

### ▶▶ Selected as Environment-friendly company



# Counter Climate Change Convention

## Greenhouse Gas Emission Status

### ▶▶ Year-by-Year CO<sub>2</sub> Emission Status of KOMIPO

Category	2002	2003	2004	2005
Amount of Power Generation (GWh)	32,282	32,822	35,600	37,901
CO <sub>2</sub> Emission Amount (tCO <sub>2</sub> )	26,619	26,313	27,895	28,248
Emission amount by basic unit (tCO <sub>2</sub> /GWh)	0.825	0.802	0.784	0.745

※ As LNG power generation increases due to the construction of Incheon C/C, the basic CO<sub>2</sub> emission amount unit is reduced.  
 ※ CO<sub>2</sub> Emission amount is derived from only the emission amount for fuel combustion

### ▶▶ Exhausted amount of CO<sub>2</sub> in Korea (As of 2003)

Category	Emission Amount (Million ton-CO <sub>2</sub> )	Share
Power Generation	151	31%
Industry	161	34%
Transportation	98	20%
Home/Commercial/Public	71	15%
Total	481	100%
KOMIPO	26	5%

## Driving Strategy to Counter Climate Change Convention by Stage

Stage	Construct Basis (2004~2007)	Reinforce counter ability (2008~2012)	Generate Profit (2013~)
	Kyoto Protocol was effected (Feb. '05)	Execute domestic emission right trading	Korea is enlisted as mandate reduction country
Driving Strategy	<ul style="list-style-type: none"> <li>• Build counter basis for climate change</li> <li>• Participate in exhibition project of green house gas market and develop reduction technology</li> </ul>	<ul style="list-style-type: none"> <li>• Expand clean and high efficient power resource</li> <li>• Gain a first-mover advantage green house market</li> <li>• Develop large-capacity new and renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Realize power plant with low emission of green house gas</li> <li>• Generate profit from emission right trading</li> </ul>

## Build Basis to Counter Climate Change Convention

KOMIPO is now establishing a mid- and long-term counter plan for the climate change convention including a reduction goal of greenhouse gas, utilization plan of the CO<sub>2</sub> market and restriction strategy by scenario, etc. and leading the common counter plan of power generation companies against the climate change convention by organizing a joint counter plan team. Also, KOMIPO is associating with government policy, such as entering a MOU of domestic emission rights trading in February 2006 and expressing a strong will of management to counter climate change by lecturing at the World Energy Congress (WEC).

### Major tasks to counter climate change

- Build database of technical characteristics in the power generation area
- Develop instructions to calculate emissions of green house gas
- Participate in exhibition project to register the results of reducing green house gas
- Participated in a simulated transaction to be ready for transaction of green house gas emission rights
- Examine the technology to reduce green house gas
- Enter into a memorandum of understanding to implement the trading system of emission rights with the Government.

### ▶▶ Power generation companies' counter conference for climate change convention



※ Hosted by KOMIPO and participated by 11 institutions including the government (MOCIE) and five power generation companies, etc.

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



- Installation date (Installed unit) : May 2002 (No. 5)
- Installation quantity : 2 CO<sub>2</sub>-ton/day
- Size : 20m x 20m x 25m (L x W x H)
- Facility components : Absorption tower, Stripping tower, Cooling tower, Reboiler, etc.  
※ Absorption agent : MEA (Mono Ethanol Amine)
- Collection rate/Purity ratio : More than 90% / 99%

### The development of technology to reduce green house gas

For the first time in Korea, KOMIPO has operated the test facilities for CO<sub>2</sub> absorption and separation and methanol composition at Seoul Thermal P/P to develop a technology that can reduce green house gases. KOMIPO is also participating in a 100kw fuel cell power generation system development project and will use it as a 250kW hub center. Furthermore, KOMIPO is conducting nine research & development tasks including fuel cell, photovoltaic, wind power, CO<sub>2</sub> separation technology, etc.

### Participate in Greenhouse Gas Market Exhibition Project to Secure Emission Rights

KOMIPO is pursuing international certification for emission rights for 63,000 tons annually with the new and renewable energy CDM project for Yangyang small hydro power, Yangyang wind power, Yanggu wind power, Gangwon wind power, etc. In preparation for domestic emission rights trading, KOMIPO registered its 23,236 tons greenhouse gas annual reduction project for Jeju Turbine Power Plant at Korea Energy Management Corporation in December 2005. Also, KOMIPO is conducting research and development for a 'Building usage basis for emission rights trading system,' and 'CDM execution model development' to preoccupy the trading market.

### Reduction of Greenhouse Gas by Energy Saving

In July 2005, KOMIPO established and operated a comprehensive energy saving plan to save 1% of energy usage annually and continuously performed an autonomous agreement with the government to reduce 28,206 tons of CO<sub>2</sub> in 2005.





GLOBAL  
CLEAN  
POWER  
COMPANY

So



## Section 3 Society

We know well the corporate mission is to make society happy. To do this, we establish win-win labor and management culture and improve our relationship with collaborating companies. We have performed diverse service activities including 'Love House' for the development of local communities. The 'Fresh Mountain, Clear Water' movement is our efforts to protect the environment and various culture activities are our contribution to the societies. A Cheerful society can be made by harmony between people working in companies and local residents. KOMIPO will show the truth, 'When we share, it doubles.' by practice.

# ciety



We will share and do more  
to make happy world for all

# With Employees

## Status of Employees

### ▶▶ Number of Employees & Average Service Years

(As of December 2005)

Category	Office workers	Technicians	Total	Average Service Years
Male	202	1,713	1,915	16 Yrs. 6 Mo.
Female	88	24	112	9 Yrs. 10 Mo.
Total	290	1,737	2,027	16 Yrs. 2 Mo.

※ Service years include service period in KEPCO.

## Cultivating Talent

### Model of Talent

The goal of cultivating talent at KOMIPO, which aims for being the 'Global Clean Power Company' is 'cultivating professionals to create the value of our organization.' We need talent who can comply with a new management environment and change of paradigm such as activation of exchange and collaboration in organization, expansion of new business areas and the fierce global competition of the power industry. The model of talent at KOMIPO is the person who possesses a right sense of values to lead the new take-off of the power industry, makes it the best in his/her area and challenges the change with future-oriented thoughts while making full effort for service and responsibility for the organizational society based on reliability.

#### Model Talent at KOMIPO

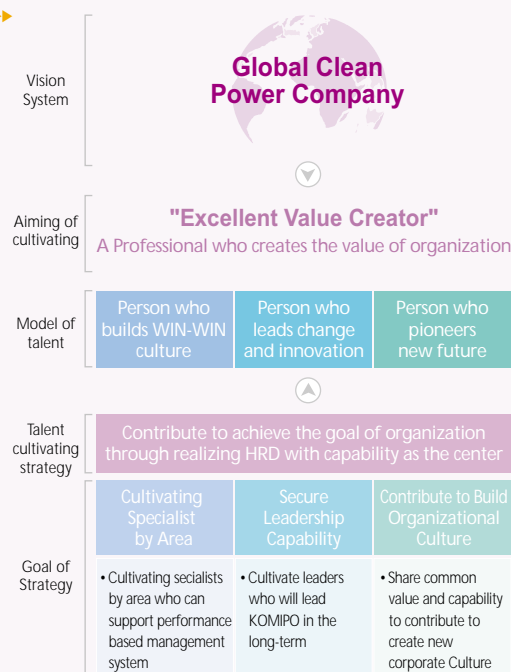
- A Person who builds win-win culture with trust and collaboration
- A Person who opens up new future with passion and expertise
- A Person who leads change and innovation by not settling down in reality

## Developing Employees' Capabilities

KOMIPO conducts the development of human resources by establishing a talent cultivating system based on capability associated with management strategy to conform to global corporate environment change and achieve long-term vision. Defining education system by class and major capability and education process by duty, KOMIPO promotes continuous education and training conditions according to the company's strategic selection and individual desire. To motivate employees for education, KOMIPO is making an effort to arrange systematical policies and autonomous study environment. A post-management system including validity of educational material will also raise the efficiency of education and training.

Through these efforts, KOMIPO will secure essential talent for the diversification of energy business and new focused businesses of the company and cultivate professionals specialized in overseas business to allow self-realization and desire satisfaction as well as to raise counter ability of the company against the uncertain future.

Power plant planned preventive maintenance construction



### ▶ Motivate Employees to Study

Attraction by System	Promotion Qualifications	Over Level 3: essential education course by level Level 4: Examination & Evaluation(practice /treatise) Level 4: Capability evaluation (Language qualification system/certification, suggestions performance, award points system)
	Stable Electric Power Demand and Supply	Specialist, essential talent by area, graduate school and overseas education selection and qualification system
	Performance Evaluation	Reflect education results to H/R evaluation, organizational evaluation
Form Environment for Autonomous Study	Compensation / Acknowledgement	Subsidy for language study(TOEIC/JPT), license allowance, Support tuition, Knowledge mileage.
	Various Cyber Education	Reading communication, Language, OA, change management, leadership, ethics management, labor course
	Encourage autonomous study	Self-development by using selective welfare, support study group
	Work capability level evaluation Support tool development	Reclassify job description after spin-off (Large/Medium/Small: 7/27/76) Define 27 medium-scale classification 49 necessary capabilities by level

### ▶ Education System by Class

Category	Education for Lecturers		Domestic & Overseas Education					Field Education		
Executives	–		AMP course / Graduate School							
Level1	Management Strategy Course	Organizational culture, language, PC, Other education courses	Next Generation CEO Courses	Domestic & Overseas Management Courses	AMP	Overseas EMBA Course	Domestic & Overseas Masters & Doctoral Courses	Domestic & Overseas Professional Institutions Education	Direction, Control, Supervising	Internal and external Cyber Education
Level2	Management Strategy Course									
Level3	Intermediate Manager Course									
	Leadership Development Course									
Level4	New intermediate manager course									
	Junior manager course									
	Work ability development course									
Level6	New junior manager course									
	Work education course									
	New employee course									
Technical	Function improvement course									
Special	Function improvement course									

### ▶ Status of Education and Training

Category	2003		2004		2005	
	KOMIPO	Average of Manufacturers	KOMIPO	Average of Manufacturers	KOMIPO	Average of Manufacturers
Education & Training Expenses to Sales Revenue (%)	0.14	0.14	0.21	0.18	0.17	N/A
Education & Training Expenses per Person (Tens thousand/Person)	126	56	205	89	189	
Annual Education & Training Hours(Hour/Person)	114	45	159	66	184	

### Expanding Compensation and H/R System emphasizing ability and performances

KOMIPO is pursuing improvement of productivity to plan voluntary reinforcement of capability by continuous enhancement of salary and performance evaluation system with compensation and H/R management pursuant to the ability and performance. KOMIPO also conducts periodic work place evaluation, team evaluation, individual evaluation and multi-face evaluation to develop capability of individual and create performance of organization. These evaluation results are utilized for wages differentiation, promotion and decision of position.

KOMIPO has a plan to raise the accuracy and objectivity of the evaluation process in association with BSC evaluation system and maximize the competitiveness of the organization and individuals by reinforcing compensation and H/R management according to performance.



## With Employees (Continued)

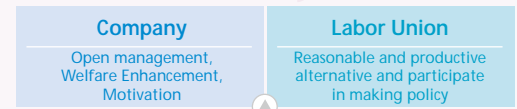
### Establish Productive Win-Win Labor-Management Culture

#### Labor-Management Relations System

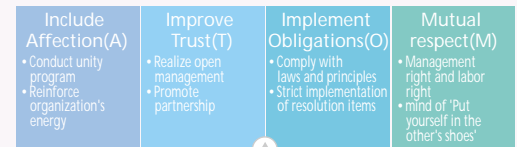
The Korean Power Plant Industry Union is an industrial union which consists of five power generation companies and island area power union members. It consists of union headquarters located in Seoul and 37 local offices and 1 special office located throughout the country. It adopts a union shop system where members automatically join the union when they enter the company. The KOMIPO labor union has 1,414 members which accounts for 68% of total employees.



#### Establish Win-Win Labor-Management Culture with Participation and Cooperation



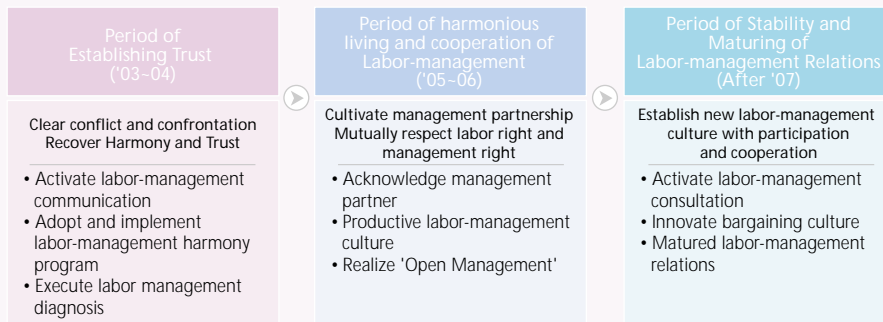
#### ATOM Movement



#### Labor-Management Relations Environment of Power Company

Power Industry Labor Union	KOMIPO Labor Union	Our Company
<ul style="list-style-type: none"> <li>Actively involve in enactment for laws related to temporary workers</li> <li>When real case occurs in a specific company, make it a issue over whole industry</li> </ul>	<ul style="list-style-type: none"> <li>Actively participate in upper and industry labor union.</li> <li>Reasonably resolve issues of KOMIPO</li> </ul>	<ul style="list-style-type: none"> <li>Organic cooperation with power companies for wage bargaining</li> <li>Limitation in autonomous management and negotiation due to 1 labor union to 5 power companies</li> </ul>

#### Strategic Practice Road Map



#### Appropriateness of Labor-Management Relationship System Operation

The Power Plant Industry Union and five power generation companies enter into a collective agreement every two years through communication and collaboration to prevent conflict and dispute in advance. KOMIPO holds labor-management conferences every quarter which consist of 8 members from labor and management respectively to help the union to understand and collaborate with management and consistently strives for improving employee welfare and working conditions.

#### Enhancing Rationality and Professionalism in Labor-Management Relations

KOMIPO operates an ombudsman committee to process the difficulties of employees by maintaining opinion collecting channels and tackles rapidly changing labor-management environment by reinforcing labor management ability with special education customized for each class and specialized workshops to raise expertise. Also, KOMIPO is actively pursuing formulation of a trust basis between labor and management through reasonable system operation and blocks conflict factors between labor and management in advance by conducting follow-up measures of 'High performance work place building consulting.'

#### 2005 Labor-management discussion and resolution results

Item	Number	Resolution	Ratio of Resolution
Improvement	23	18	78%
Welfare and benefit	128	98	77%
Labor Management	46	31	67%
Work conditions	52	29	56%
Others	26	11	42%
Total	275	187	68%

('03)63%, ('04)66% resolution

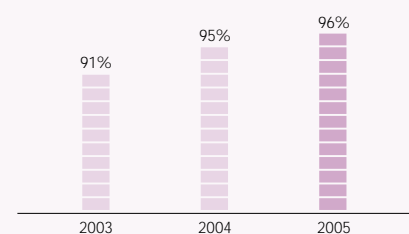
#### ATOM Movement



#### Resolution of Difficulties of Employees

Category	Receive	Accumulated	Accumulated Process	Process Ratio
2003	40	40	25	62.5%
2004	47	87	56	64.4%
2005	39	126	98	77.8%

#### Fulfillment ratio of labor-management resolutions





### Creative Efforts for Labor-Management Harmony

KOMIPO devotes itself to making creative efforts for productive win-win labor-management culture. Labor and management are gathering strength to make a happy work place and home with manifold events for field-oriented management. With development and reasonable operation of these policies, KOMIPO will put forth its whole energy to establish productive win-win labor-management culture.

#### Examples of Labor-Management Relations Improvement

- Fulfill 'ATOM collective movement' to settle down productive win-win labor management culture
- Education of external professional institutions for managers higher than team manager to change the mind of labor-management relationship.
- Harmony events of labor, management, home to become the best work place and workers
- Lunch meeting and field communication with management
- Discussion meeting to feel that 'We are in the same ship.'
- Poem competition with the theme of 'Loving Company'
- Reasonable resolution of current labor-management issues by activation of labor-management practice committee.

### Combination of Work and Life

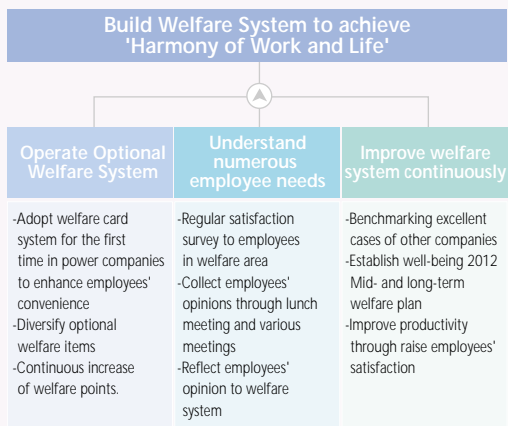
#### Welfare Policy

KOMIPO has been striving to construct a welfare system which 'Harmonizes Work and Life' to raise the satisfaction of employees through continuous development of welfare policy since its inception. Labor-management consultation such as labor-management conferences and in-company welfare fund consultation for employees exist to pinpoint various employee desires. As a result, KOMIPO operates diverse programs to promote the welfare of employees like children's education, self-development, leisure culture, health, housing program, etc.

Welfare expenses per person at KOMIPO in 2005 was about 7.78 million won including national pension, health insurance, optional welfare points, etc. The assets of in-company welfare fund consultation for employees were 35 billion won at the end of 2005. It disburses 3.7 billion won for seven programs like tuition payment for university students, payment of congratulatory and condolence money and payment of disaster relief money. KOMIPO will establish 'KOMIPO's well-being 2012 Mid- and Long-term Welfare Plan' in 2006 to satisfy employees and promote a work place atmosphere where employees work happily.

#### Operating Welfare System

KOMIPO operates an optional welfare system with an employees' benefit fund to resolve the disharmony of benefits and satisfy the diverse demands of employees. Since 2005, a welfare card system has been adopted to enhance the convenience of our employees. Under this system, the company charges welfare points to the card and gives it to employees to use. Joining four major social insurances (national pension, health insurance, work injury insurance, employment insurance), operating a medical office, operating a cafeteria at the company and



## With Employees (Continued)

company houses and disaster relief fund preparing for all kinds of disasters are operated for stable working conditions. To support children's education, an education subsidy for children's education and subsidy for junior high, high school and university student's tuition is paid and admission fee for boarding houses in Seoul is also paid for university students of employees who work at local offices.

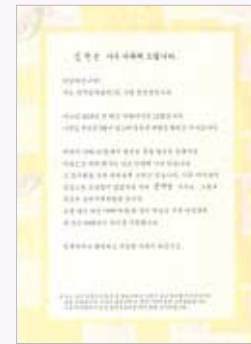
KOMIPO supports language education and acquisition of licenses for the self-development of employees. KEPCO's training institute and Hanwha Condominium are used for KOMIPO's training institute as well as employees' spare time and cultural activities. Furthermore, a summer resort and physical training facility are operated during summer to provide opportunities for employees to train their bodies and spirit and to recharge.

Each work place provides company houses and singles' accommodations and mortgage loans and financing for living expenses is provided every quarter. Associating with financial institutions, Guarantee insurance companies and KOMIPO, a three-party financing system was implemented. Moreover, a congratulations and condolences fund system and mutual aid system for the death of employees are operated.

### ▶▶ Lunch Meeting with Management



### ▶▶ Letter home by the CEO



### ▶▶ Major Welfare System Status

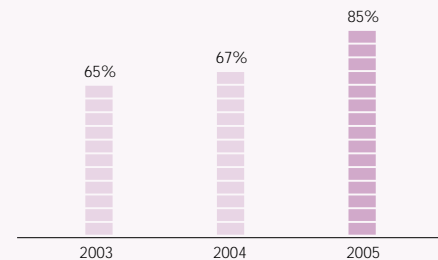
Children's Education	• Seoul boarding house, Allowance for children's education, Allowance for tuition of middle, high school and university students
Work Support	• Collective term life insurance, disaster relief fund, in-company and company house cafeteria
Self-development	• Language education, Support for acquisition of all kinds of licenses
Leisure culture	• Life training institute and summer resort, welfare facilities, support club activity
Health	• Medical check-up, close physical strength check-up, medical office in work place
Housing	• Housing fund and living fund financing, company housing and single's accommodations

### ▶▶ Welfare Expenses Status

(Unit : Thousand won)

Category	2003	2004	2005
Execution Amount	12,225,382	12,790,889	13,389,415
Execution amount per person	6,891	7,664	7,780

### ▶▶ Transition of Satisfaction in Welfare Area



### Year-by-year employment rate of women



Since most employees are working in power generation facility maintenance, operation (shift working), women applicants are rare.

#### ▶ Selected as Excellent Company who hires the disabled



## Respecting Human Rights

### Gender Equality

KOMIPO provides equal opportunities for employees to show enough of his/her own quality and talent regardless of gender. Discriminating factors are excluded from recruitment to the education and promotion of employees to realize himself/herself at the company by showing his/her own ability fairly. A mandatory program for hiring women is adopted to give opportunity to women to advance into society. Resolution of human relations difficulties, motivation of desire for working and improvement of working conditions are examples of all our efforts to make a stable and energetic working environment.

### Expansion of Employing the Disabled

KOMIPO separately employs disabled individuals every year who are estranged from society, to provide them indiscriminated employment opportunities to stand out as a member of society. As a result, the employment rate of the disabled is 2.8%, exceeding the current 2% mandatory employment rate and it will reach 3% by 2010. Equal H/R management endeavors to exclude disadvantage and discrimination. Positions commensurate with aptitude are given and education is provided to allow them to grow as a specialist in the power industry. Improvement of work environment will raise work satisfaction. KOMIPO was selected as an 'Excellent company who hires the disabled' by Korea Employment Promotion Agency for the Disabled in June 2005.

### Protection of Motherhood

The advent of a low fertility rate and fast aging society has led KOMIPO to support ways for our employees to have more children. We extended the period for childcare leave to 3 years for motherhood in the second half of 2006 and specify a 'Reduction of Work for pregnant woman' to acknowledge that protection for pregnant women is a right of a pregnant woman and not a concern of management. Our motherhood health management room constructed at headquarters is a place for childcare and motherhood protection. In particular, safe protection of children and excellent education programs provided by professional childcare services are planned to create a work environment where employees can work without worry.

### Employing engineers and local talent

KOMIPO is pursuing a policy of employment for engineers and local talent to secure a variety of employees. The employment rate of engineers and local talent has exceeded the overall target rate (Engineers: 80%, Local talent: 50%) four years in a row since 2003 under the employment target system.

#### ▶ Year-by-year Employment Results

(As of June 2006)

Category	Total Recruitment	Engineers	Local Universities	Female Workers
2003	52	34 (65.4%)	29 (55.8%)	12 (23.1%)
2004	108	100 (92.6%)	80 (74.1%)	10 (9.3%)
2005	64	54 (84.4%)	43 (67.2%)	9 (14.1%)
2006	65	54 (83.1%)	42 (64.6%)	9 (13.8%)
Total	289	242 (83.7%)	194 (67.1%)	40 (13.8%)



## With Employees (Continued)

### Safety and Health

KOMIPO is constructing an autonomous safety and health management system (KOSHA18001) for achieving our vision of safety and health with realizing a human-oriented new safety culture and pursuing core strategies such as education for safety consciousness, optimization of safety & health management system, comfortable work environment and systematic health preservation management, etc.

Specifically, all work places are making efforts to continuously achieve disaster-free status such as Seoul Thermal P/P disaster-free 17 times, Incheon Thermal P/P disaster-free 13 times, etc., while focusing on the three zeros for safety accidents (Zero disaster, Zero injury, Zero disease).

- Realize human-oriented new safety culture
- Achieve three zeros (zero disaster, zero accident, zero injury) including collaborating companies



### Safety

For zero accident rate, all employees in power plants participate in this program together to identify risk factors and improve them by sectors. With a 'risk evaluation system,' and 'Safety indication form (Green light),' KOMIPO improves harmful factors to safety. To prevent safety accidents of collaborating employees, a safety health management system, safety education through safety experience and improvement of harmful places are conducted and the disaster ratio of collaborating companies decreased.

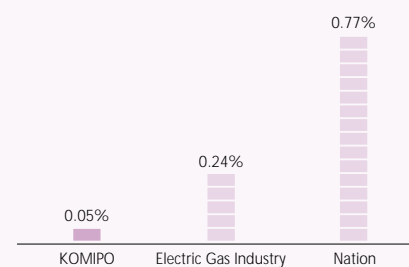
To secure the reliability of power generation facilities, safety diagnosis institutions perform close checks on Gas Power Plants and the emergency response system (five response manuals, seven virtual response training guidances) for earthquakes, typhoons, tsunami, heavy rain, etc. and response exercises are performed every month to prepare for stable power generation facility operation.

KOMIPO has composed an industrial safety & health committee and holds a conference every quarter at power plants and every half year at headquarters. An equal number of representatives from both labor and management comprise the committee. In 2005, 70 major reviews and resolutions were processed including the examination of reasons for industrial disaster and measures to prevent repeat.

### ▶▶ KOSHA18001 Certification



### ▶▶ Disaster Rate ('05)





## Health

KOMIPO operates numerous programs for employees' health management. The regular employees health examination program as well as hearing ability protection programs such as the hearing ability protection management manual and hearing test devices, etc. are being operated and expanded to all power plants. Also, KOMIPO is building a health management program with such components as post management and understanding individual trends of diseases such as brain, cardiovascular disease and diabetes.

### ▶▶ Health Examination



### ▶▶ Health Examination

Type of examination	Frequency	Subjects
General health examination	1 time /Year	All employees excluding office workers and all excluded employees from special health check-up
Special health examination	1 time /Year	Employees working in hazardous environments Employees handling chemical materials
Health examination before positioning	Frequently	Changing position (New employees subject for special health check-up)

Labor and management discuss and select the time of measurement, conduct the measurement with an eyewitness from the labor union and a presentation meeting for the measurement results is held. Also, labor and management arrange the status of dust and high heat generation areas, establish counter measures and submit it to the Industrial Safety & Health Committee.

### ▶▶ Measuring Work Environment

Hazardous Factors	Frequency	Subject	Remarks
Noise, Dust, etc	2 times/Year	Shift workers and bituminous handler working areas	Self-plan by work places
Specific chemical materials and organic solvents	1 time/Year	Workers at laboratory room and solvent handler working areas	

### 2005 Major health management activities

- Conduct education by professional institution to prevent musculo-skeletal system disorder, stretching competition and physical strength test
- General, special health examination, employees with opinion management and health program
- During special health check-up, one more X-ray for chest is implemented
- Provide heat wire jacket in winter and ice jacket in summer for shift workers at power plants
- Place automatic sphygmomanometer/oxygen resuscitator in central control room at all power plants

### ▶▶ 2005 Major health management activities



# Growing with Collaborating Companies

KOMIPO, which does businesses with more than 2,000 companies both domestic and overseas, makes efforts to enhance the competitiveness of collaborating companies and mutual collaboration. To improve relationships with collaborating companies, informal meetings are held twice a year at each work place. Our Small and Medium Business Support Team was organized under the President in March 2005.

KOMIPO selected five areas to focus on such as 'Supporting Technical Innovation and Management Innovation,' 'Building Demand Basis and Lifting Entry Barriers,' 'Working Conditions Improvement and Technical Support,' 'Cultivating and Supporting Small & Medium Businesses (SMB),' and 'Supporting Small & Medium Businesses Informatization,' and gave 2.8 billion won of support to 292 collaborating small & medium companies throughout 19 projects. For the smooth operation of support projects, KOMIPO established a 'Committee for Supporting SMB,' and divided it into four areas such as the 'corporate culture and service, office area,' 'market pioneering and purchase activating area,' 'production facilities and technology manpower nurturing area,' and 'collaborative research and development and informatization area.' Basic strategy and driving method for these five focused businesses were established and discussed.

## Supporting Management and Technology Innovation

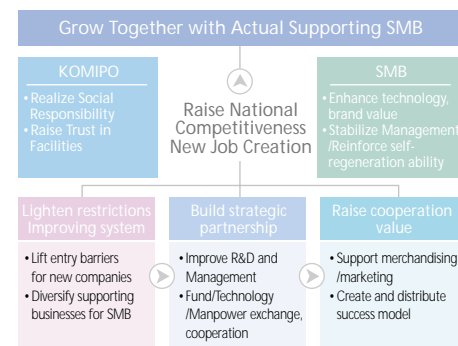
### Support Management Consulting

KOMIPO pays the portion of the consulting fees that cannot be paid for by small and medium businesses to promote their solid development. For example, KOMIPO implemented a complete diagnosis for the entire business of 30 companies including Won Plant Co., Ltd. with management diagnosis institution and detailed management consulting over 15 companies to contribute to the enhancement of productivity of small and medium businesses.

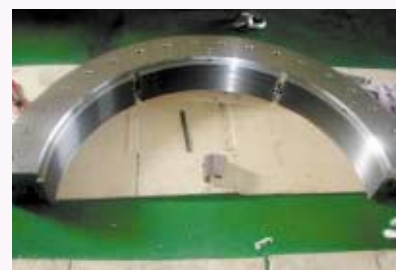
### Supporting the Collaborative Research & Development Project

KOMIPO performed 'Collaborative Research & Development' to develop new technology with a combination of the manpower and facilities of small and medium businesses with KOMIPO's R&D fund and owned technology. Building an industry, academic and R&D collaboration system, the development and utilization of core parts raises trust in power generation facilities. In 2005, KOMIPO pledged 79 million won worth of support on 44 tasks including 'Development of localization of turbine variable gap Packing Ring.' Also, KOMIPO provided support of 60 million won to 10 SMBs including Jaeyoung Machine through its 'Support Project to Acquire Quality Certification by Collaborating Companies'

## Win-Win Growth Model



### ▶▶ Development of localization of turbine variable gap Packing Ring



## Purchasing Promotion and Lifting Entry Barriers

### Expanding the market for small and medium companies

KOMIPO simplified the procedure designating 'the selected Product for development' from 4 phases to 1 phase and greatly reduced submitted documents from 10 forms to 2 forms to solve expanding the market which is the current issue of small and medium companies. Also, KOMIPO adopted a performance certification system and performance insurance system to trigger purchasing the products of small and medium companies. The amount purchased from small and medium companies' products increased by 44% to 149.9 billion won in 2005 from 104.1 billion won in 2004.

Also, KOMIPO discovered 54 collaborative cases by collecting them publicly ('05.8~10) and awarded 12 excellent cases and published 'The 2005 excellent case for supporting small and medium businesses booklet.' ('05.12).

#### ▶▶ Support participation in international exhibition

Category	Supported companies
ASEAN ELENEX, Malaysia (7.20)	Suretech, Dongyeong Instrument Co., Ltd.
'05 IEEE/PES, China (8.14)	3 including Nano Co., Ltd.
APEC SMB forum, Daegu(8.25)	4 including Best in Metal, etc.
'05 SIEF, Ilsan(10.11)	21 including Asan V&P, etc.

#### ▶▶ Purchase amount of SMB products

(Unit : Billion Won)

Category	2004	2005	Remarks
Certified products with new technology	0.3	4.1	1,608% ↑
Women's SMB products	1.7	12.7	647% ↑
Other SMB excellent products	102.1	133.1	42.2% ↑

### Supporting Pioneering in Overseas Markets

'KOMIPO, Korea Technology Transfer Center and Small and Medium Businesses' entered into an agreement to jointly make efforts to pioneer in overseas markets such as assignment of best technology, product and business, preoccupying joint venture, attracting investment, marketing, etc. Up to now, this agreement helps Gilgwang Greentech and Nano Co., Ltd. to export their 'Scrubber system' and 'TiO5 powder' respectively.

### Lifting Entry Barriers

KOMIPO made 'Detailed guidelines for the qualification examination of products for purchase (Mar. 2005)' to lift entry barriers for new comers. Even if the company doesn't have delivery experience of products to power generation companies, the company is entitled to be qualified to participate in bidding. Companies which have new technology certification and patents, companies owned by women and companies who hire the disabled are given additional points (2~3 points).

Construction bidding below 75 million won and which is not subject to international bidding is allowed to only small and medium businesses to expand bidding opportunities to small and medium companies. Like this, the 'Power plant construction order method' was improved. When it comes to financial aid, KOMIPO pays a downpayment of up to 50% of the contract amount to small and medium businesses to solve financial difficulties and adopts and performs network loans. Also, the registration procedure for collaborating companies was significantly simplified and improved; the submitted documents were reduced from 14 forms to 4 forms and the processing period was decreased from 44 days to 33 days.

## Improvement of Working Conditions and Technology Support

### Support for Improvement of Working Environment

KOMIPO contributed 56 million won to revise and repair weak safety facilities and overage facilities to 8 companies including Hando machine Co., Ltd. This is one of the efforts KOMIPO has made to improve poor working conditions at small and medium companies such as heat, smell, dust, noise, etc. These efforts are expected to attract man power and improve productivity.

#### ▶▶ Dust Exhaustion Device installed at Daeyang



## Growing with Collaborating Companies (Continued)

### ▶▶ Details of supporting business for working environment

(Unit: 10 thousand won)

Company Name	Support Details	Support Amount
Gilgwang GreenTech	Dust Exhaustion Device	1,000
Seongsan Company	Protection equipment for chip scattering	950
Leecheon Industry	Local ventilation equipment	680
Hando Machine & Industry	Tool box, etc.	570
Daeyang Rollent Co., Ltd.	Exhaustion fan	1,000
Yugyeong Industry	Hand palette, etc.	500
Hanseong Electric	Adjustable height workbench	380
Yuseong	Protection equipment for chip scattering, etc.	540
Total Amount		5,620

### Support for Purchase and Replacement of Production Facilities

KOMIPO acknowledges that suppliers of tools and parts to power plants cannot purchase production facilities or replace overage facilities due to the large financial burden. Accordingly, KOMIPO gave support of 50 million won each for a total of 250 million won to purchase and replace production facilities and test devices to five companies including Best In Metal Co., Ltd. Also, in consideration of the reality that running a small company makes it difficult to conduct systematic education of its members, KOMIPO supports actual costs of education, up to 3 million won per company. In 2005, 225 persons from 90 companies were supported by this program.

## Supporting Cultivation

### Supporting the Incubation Center

KOMIPO has a collaborative system in connection with small and medium companies and university research centers to develop new technology and supports venture start-up companies in universities. In 2005, KOMIPO entered into an agreement with Chungwoon University and Hongseong Polytechnic University to support a start-up fund of 50 million won per year, up to 300 million won.

### Support to build an Informatization System

For the enhancement of competitiveness of small and medium businesses and building an e-business basis by using informatization technology, KOMIPO gave support of 25 million won to 5 companies including Daeheung Industry Co., Ltd.

## Awarded the First Prize in the 'Competition of Supporting SMB Performance'

KOMIPO saved 42.5 billion won of investment and operation expenses by localizing nitrogen oxides reduction facilities and its small hydro power unmanned power generation systems and generated 76 billion won of import substitution effect by expanding the purchase of catalysts made by Korea. Honorable first prize at the SMB Support Competition within KEPCO power group companies was awarded to KOMIPO thanks to the results above.

### ▶▶ Signing ceremony for supporting incubating center in Chungwoon Univ.



### ▶▶ Awarded the first prize at competition





## Enhancing Transparency of Contracts and Collaborating Companies

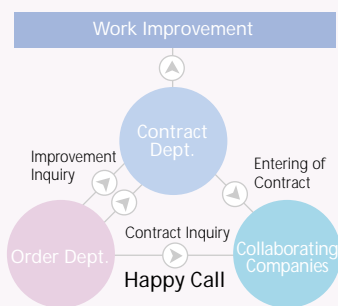
### Amendment of Collaborating Companies-oriented Contract Regulations

KOMIPO has made genuine efforts for transparent contract management in the changing management environment hour by hour and is currently pursuing improvement of various systems and employee mind innovation.

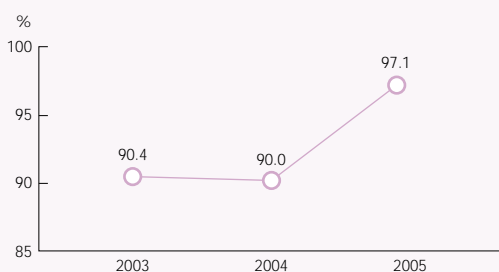
#### ▶ Improved Contract Management System

Category	Improvement Subjects	Improvement Results	Improvement Effect
Contract Regulations	Detailed guidelines for qualification examination of product for purchase	<ul style="list-style-type: none"> <li>Examination Item : Performance ability, Financial Status</li> <li>Additional points for hiring disabled or companies operated by women</li> </ul>	<ul style="list-style-type: none"> <li>Secure fairness of contract work</li> </ul>
	Downpayment and management guideline	<ul style="list-style-type: none"> <li>Clear payment subject and rate</li> <li>Subcontractor can require downpayment</li> </ul>	<ul style="list-style-type: none"> <li>Solve financial difficulties of SMB (9.55 billion won for 25 companies)</li> </ul>
	Expand payment ratio of earned value	<ul style="list-style-type: none"> <li>80% (progress ratio) → 100%</li> </ul>	
	Adjust contract amount according to price change	<ul style="list-style-type: none"> <li>Basis date is adjusted from contract date → bidding date</li> <li>Alleviate adjustment rate by item : 5% → 3%</li> </ul>	<ul style="list-style-type: none"> <li>Collaborating companies-oriented contract</li> <li>Relieve burden of collaborating companies</li> </ul>
	Purchase new technology certified product	<ul style="list-style-type: none"> <li>Competition bidding → Private contract (Act of promotion on SMB and purchasing products Article 14-2)</li> </ul>	
	Expand exemption range of submitting estimation	<ul style="list-style-type: none"> <li>100 thousand won → 1 million won</li> </ul>	

#### ▶ Happy Call System



#### ▶ Transition of Ratio of Electronic Bidding for 3 years



### Monitoring and Feedback of Contract Work

KOMIPO gathered the opinions of collaborating companies from interactive communication (e-CRM mailing service) to raise the transparency of contract management. In 2005, KOMIPO conducted mailing service 25 times to 1,328 employees of collaborating companies to notify construction details to be ordered, promote support cases for small and medium businesses and reflect these companies' opinions to establish a promotion channel for small and medium businesses.

The 'Happy Call System' is performed to gather the opinions of collaborating companies who implement contracts and resolve difficulties. As a result of listening a total of 560 times, opinions for improvement such as computerization of tax invoice issuance, submission of bid application with engineering proposal, etc. are reflected.

Also, 10 informal meetings with 136 collaborating companies were held regularly to collect opinions and fulfill improvement. Limited competition bidding to local companies was adopted as a result.

### Electronic Bidding System for Fair Competition

In the meantime, an electronic bidding system for fair competition was reinforced. As a result, the number of cases for electronic bidding increased by 7.1% in 2005 compared to the prior year.

#### ▶ Electronic Bidding

(Unit: Hundred Million won)

Category	Total Contracts		Electronic Bidding	
	Amount	Number of Contracts	Amount	Number of Contracts
2005	5,328	<b>1,577</b>	1,640	<b>1,531 (97.1%)</b>
2004	8,166	<b>1,420</b>	1,119	<b>1,278 (90.0%)</b>
2003	4,381	<b>1,367</b>	916	<b>1,236 (90.4%)</b>

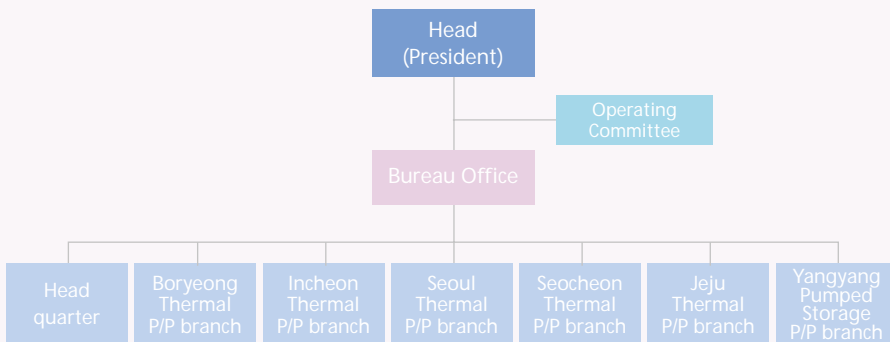


# Local Communities and Sharing Management

## Hope with Love, Smiles with Sharing

KOMIPO puts equal value on two goals - local communities' development and company growth and has unfolded organizational and systematic contribution activities for the community in every area for smooth communication with local communities. In July 2004, 'KOMIPO Community Service Group' was established under the slogan, 'Hope with Love, Smiles with Sharing'. The group consists of 7 branch offices and 90 service teams at headquarters and each work place and takes on brisk activities in five areas such as social welfare, culture and art, academy and education, environment protection and disaster relief.

### ►► Organization of Community Service Group



Also, KOMIPO is expanding the size of financial support as well as systematic support to help social contribution activities put down its roots as original corporate culture in the long term by aiming a 'Respected Model of our Company' through constructing desirable relationship with local communities. While KOMIPO fosters the voluntary participation of all employees by sharing social contribution information and activities from its exclusive web site to social contribution([www.komipo.co.kr/CSR](http://www.komipo.co.kr/CSR)), awards service prize for the employees of KOMIPO and operates a volunteer vacation program to support volunteer work by a group or family, 'Matching Grant' is performed to raise our 'Sharing Fund' which is raised by employees voluntarily.

KOMIPO decided to donate a matching grant of twice the amount in 2005 and will expand it to 3 times in 2007. The total expenditures related to social contribution will be expanded to 13 billion won, 0.33% of sales revenue by 2015.

### ►► Total Disbursement Status and Goal of Social Contribution

(Unit: Hundred Million won)

Category	2004	2005	2006	2007	2008	2010	2015	Remarks
Company's Contribution	4.4	4.8	9	22.5	33.5	55	100	
Raised by Employees	0.8	1.0	1.5	2	2.5	3	5	Sharing Fund, etc.
Power Base Fund	12	12	13	14	15	20	25	Estimated by results
Total	17.2	17.8	23.5	38.5	51	78	130	
% to Sales Revenue	0.08	0.08	0.09	0.15	0.2	0.25	0.33	Sales Revenue is based on 'Mid- and Long-term financial Strategy'

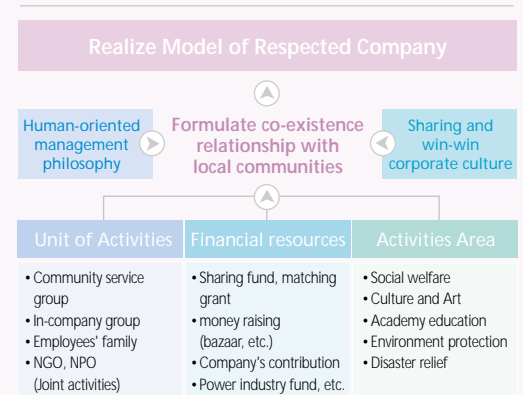
※ results for '04~'05, target value after '06

## Community Service Group



'Hope with Love, Smiles with Sharing'  
KOMIPO Community Service Group

### ►► Driving System



KOMIPO is especially driving three special programs, reflecting the company's resources and business characteristics, 'Renovating House', 'Fresh Mountain Clean Water' and 'Power House with Culture'. KOMIPO keeps strengthening the partnership with citizen groups and NGOs specialized in relevant areas to form more strategic access in conducting not only such specialized programs but also routine volunteer works.

#### Special Program for Social Contribution ▶▶



#### ▶▶ Support rice planting in sister village



In addition, KOMIPO has set up a sisterhood relationship with a total 13 villages to support helping in the busy farming season, collective purchasing of farming products, etc. Efforts to narrow the social gap such as preferential purchase of products made by the handicapped and opening a web site for the visually-handicapped are continued.

KOMIPO will design and practice various programs to contribute to complete the social responsibilities of our company as well as communicate effectively with all stakeholders including local communities.

### Love House

'Love House' is one of our specialized social contribution programs. We visit the houses of teenage breadwinners and single elderly households for wallpapering, replacing floor coverings with laminated paper, boilers, etc. The department in charge of safety management regularly conducts safety check-ups on and replacement of electricity and civil engineering areas of welfare facilities and houses of the poor.

The 'Love House' program is implemented by service team or work place. In 2005, 49 households were supported 23 times. This program is conducted with the 'People living together' center. Each work place selects subjects by itself or with the help of local volunteer centers.

#### ▶▶ Status of Love House

Category	2004		2005	
	times	households	times	households
Headquarters	1	2	7	7
Boryeong Thermal P/P	1	8	6	6
Seoul Thermal P/P	1	4	2	5
Incheon Thermal P/P	2	3	2	4
Seochon Thermal P/P	3	12	2	4
Jeju Thermal P/P	2	16	2	21
Yangyang Pumped Storage P/P	–	–	2	2
Total	10	45	23	49

#### ▶▶ House Renovation Activities



## Local Communities and Sharing Management (Continued)

### Fresh mountain, Clear Water

Environment protection activities such as 'fresh mountain, Clear Water' for local communities are some of the areas KOMIPO has a profound interest in. The representative activity is the 'One Plant for One Mountain and River' campaign. This campaign includes activities to preserve the ecosystem and environment such as cleaning nearby mountains, seas and rivers. In 2005, these activities were performed a total of 42 times.

Meanwhile, KOMIPO puts a lot of effort into protecting wild animals which are endangered. In particular, KOMIPO leads the ecosystem protection activities by sowing feeds for wild birds in winter when it is difficult to find feed due to heavy snow and cold and eliminating poaching tools. 'Fresh mountain, Clear Water' has been one of the representative programs for social contribution since the beginning. KOMIPO will continue the practice of loving the environment with local communities.

### Power Plants and Culture

Power plants are usually located in remote areas. Therefore, the areas nearby power plants have relatively poor cultural assets. KOMIPO has made efforts to provide culture and fine arts to these areas. Yangyang Pumped Storage P/P has hosted the 'Swing Contest' for seven years at the 'Hyeonsan Cultural Festival' held in Yangyang in June every year. Seoul Thermal P/P opens the power plant to the public in cherry blossom blooming season to form unity with nearby residents. Boryeong Thermal P/P and Seochon Thermal P/P invite local students and residents to a 'Sketch Contest' to stimulate art and literary activities and reinforce bonds with local communities.

Support activities for local culture and arts events are performed throughout the country. Each power plant participated in flagship events in each area every year, such as the 'Mud Festival' in Boryeong, 'Bugundangje' in Seoul, 'Seogot Cultural Festival' in Incheon, 'Hansan Ramie Festival' in Seochon, 'Black Sand Festival' in Jeju and 'Song-i mushroom Festival' in Yangyang.

Also, KOMIPO does not spare any money to attract culture and art festivals. In 2005, KOMIPO sponsored 420 million won for 32 cases in culture and art areas including Boryeong City's 'New Year's Music Festival.'

#### ▶▶ Seashore and In-water environment protection activities



#### ▶▶ Wild animal feeding activity



#### ▶▶ Hyeonsan Cultural Festival, Yangyang



#### ▶▶ Boryeong New Year's Music Festival



#### ▶▶ Major Sponsored Event

Category	Event Name
Headquarters	Concert with Love, Family walking competition
Boryeong	New Year's music concert, Pen shell festival, Mud festival
Seoul	Bugundangje, Housewives literary competition
Incheon	Seogot Cultural Festival, Student's Art Festival
Seochon	Religious service wishing rich fishing, Hansan Ramie Festival, Dongbaek Sketch Festival
Jeju	Black sand festival, Samyang One-mind festival
Yangyang	Song-i mushroom festival, Salmon Festival



▶▶ Delivery Service Activities for Relief Products in Yangyang Pumped Storage P/P



▶▶ Delivering donations to Tsunami damage recovery in Indonesia



## Disaster Relief

When a national disaster occurs, KOMIPO not only gives just a donation, but also the executives and employees of KOMIPO visit the field and take action, which can help victims directly.

In the case of wildfire in the Yangyang area in Gangwon Province in April 2005, which caused significant damage including loss of national treasure, KOMIPO employees immediately ran to the site to help minimize additional damage by extinguishing the fire and performed relief activities for victims with military and police personnel. In the meanwhile, employees also collected donations and handed it over to the county office with humanitarian aid. In the summer flood in 2006, KOMIPO also shared the pain with local communities by taking immediate action such as power recovery and support equipment, eliminating dirt from flooded areas.

Moreover, KOMIPO is expanding its social contribution activities overseas. In 2005 and 2006, all KOMIPO employees collected a total of 20 thousand USD and delivered it to Indonesia to practice its pan-national social responsibility.



## For the Future Generation

As numerous opportunities such as education program development and field experience at power plants are provided to elementary, middle and high school students who are responsible for our future, our future generation will grow as a member of a healthy society. In particular, the local areas around the power plant usually have a poor education environment. Therefore, KOMIPO will expand education facilities in these areas to build an environment where our future generation can have dreams and hopes.

### Educational Support Business

KOMIPO is supporting the purchase of educational equipment and devices for elementary, middle and high schools in the field of expansion of educational facilities and providing scholarships to the students to encourage excellent academics and guarantee educational opportunities to the students in low-income brackets. In 2005, 62 schools benefited from 440 million won worth of educational equipment such as computers and exercise facilities and 1,186 students were given 780 million won in scholarships.

### Field Experience at Power Plants

KOMIPO is always open for the future generation to understand the value of electricity and the principle of how electricity is made at the field throughout the year. In particular, Boryeong Thermal P/P and Seochon Thermal P/P invite students nearby and hold a 'Sketch and Literary Contest' to support students' numerous talents. Seoul Thermal P/P operates an 'Environment Class' to promote a sense of environment protection with the students.

### Science Education Program

KOMIPO has jointly operated a 'Junior Engineering Technology Class' with The Korean National Academy of Engineering to nurture science geniuses for the future since 2004. This program is a special science technology class for elementary and junior high school students nearby our power plants. Specially educated employees of KOMIPO volunteer to be teachers for this program and perform a multitude of experiments and practice such as 'Sound melody by fuel cell,' 'Wagging fish ship,' and 'Let's catch the Wright brothers' to teach science principles easily. Meanwhile, since 2005, KOMIPO has held the 'Children's Electric Science Camp' for 4th~6th grade elementary school students every summer with energy education and nature study programs which have been greatly satisfying. KOMIPO will continuously expand support for science education to elementary and junior high school students who live in the areas where the education environment is relatively poor.

We always put our efforts on the future generation to encourage members of a healthy society.



#### ▶▶ Scholarship for excellent local students



#### ▶▶ Sketch Contest in Seochon Thermal P/P



#### ▶▶ Junior Engineering Technology School Class





# Verification Statement

Independent Assurance on '2006 Sustainability Report' of KOMIPO

## Introduction

KFQ received an inquiry of verification from 'Korea Midland Power Co., Ltd. Sustainability Report 2006 (hereinafter, "Report")'. The preparation of this report is the responsibility of the management of Korea Midland Power Co., Ltd. (hereinafter, "KOMIPO"). We are responsible for expressing our opinions on assurance.

## Independence of Assurance

KFQ has no conflict of interest with KOMIPO's overall business for the purpose of profit except providing independent assurance service, or no biased opinion to any stakeholder of KOMIPO.

## Scope of Assurance

KOMIPO describes its efforts and progress of sustainable management in the report. This assurance was planned and performed to achieve reasonable assurance to whether there is any material error or misrepresentation in the report containing the information.

To do so, we have applied procedures specified by KFQ referring to the '2002 GRI Sustainability Reporting Guidelines' and '2003 AA 1000 Assurance Standard' which are accepted internationally.

## Assurance Procedures

According to above, KFQ has verified whether the contents of the report are credible and the internal system or process for the preparation of this report is based on the procedures below.

### • Documents Review

We have conducted GAP analysis conforming to GRI guidelines for the provided report, and performed benchmarking for important issues and performance areas in the report. Also, we have reviewed the performance data reported for on-site verification, and contents of activities already performed or planned.

### • On site verification

We have examined and analyzed the overall matters of disclosed sustainability, evidences of performance information, and the system and process to manage this information with sampling basis.

### • Resolution of findings

We have discussed the problems found during the procedures above, and reviewed the final version again to check the correction and reflection of the founded facts.

And we conducted again GAP analysis comparing to GRI guidelines for the final report.

## Considerations and Limitations

• We have applied sampling basis considering materiality to check whether information in this report is true, and evaluate the practice of related information management system or process. We have performed on site verification for headquarters, Boryeong T/P Site Div., Seochon T/P Site Div. regarding the scope of this report.

• For the greenhouse gas emissions data, we couldn't perform verification on samples which guarantee reliability since the emission source was significantly diminished.

• We have performed verification on financial information by comparing '2005 KOMIPO Financial Statements' which has already been assured.

We believe we have secured reasonable basis to present the conclusion below through assurance procedure above.

## Conclusion

Consequently, we conclude that nothing came to our attention in the report that causes us not to believe that in all material respects.

1. Korea Midland Power Co., Ltd. disclosed appropriate and reliable sustainability information to achieve the goal of reporting.
2. Korea Midland Power Co., Ltd. appropriately used the system to collect, archive and integrate data included in the internal system, process and report.
3. Problems founded during the assurance procedures were properly corrected and reflected to the final report.

## Highlights

- We have found mid- and long-term sustainable management strategy and detailed tasks are newly established through diverse and integral measures such as operation of communication channel with stakeholders and risk analysis, etc. We think these efforts will bring remarkable performances with social responsibility mind expanding through the Enterprise.
- The Headquarter systematically performs the process to collect and analyze activities and performances of six power plants and produce improvement measures periodically, and each power plant actively implements sharing management activities with each local community.
- We have found and confirmed the intention of managements to disclose sustainable management efforts and performances with balanced, objective with unbiased viewpoint, and utilize the experience of the publishing first report as the opportunity of development.

## Suggestions for Improvement

We suggest research continue to develop performance indexes referring to the 'G3 : Sustainability Report Preparation Guideline, Ver. 3', to be disclosed in October 2006 by GRI and consider these performances in the context of sustainability.

We also recommend using experience obtained in the course of the publishing sustainability report to data management system and report preparation process to raise sustainability of KOMIPO as well as quality improvement of the report.



August 26, 2006  
President Kim, Jae Ryong  
Quality Certification Center,  
The Korea Foundation for Quality



# Appendix

- GRI Content Index
- Ethics Code
- 2005 Major Awards
- Status of Association and Commission Membership
- Description of Terms
- Reader's Questionnaires on
- Report Preparation Procedure

# GRI Content Index

● : Disclosed    ◐ : Disclosed partially    ○ : Not Disclosed    N/A : Not applicable

Index Description		Page	
<b>1. Vision and Strategy</b>			
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development.	17-19	●
1.2	Statement from the CEO describing key elements of the report.	4	●
<b>2. Profile</b>			
2.1	Name of reporting organization.	14-15	●
2.2	Major products and/or services, including brands, if appropriate.	15	◐
2.3	Operational structure of the organization.	22-23	●
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures.	23	●
2.5	Countries in which the organization's operations are located.	-	N/A
2.6	Nature of ownership; legal form.	23	●
2.7	Nature of markets served.	16	●
2.8	Scale of the reporting organization (including employees, assets, sales and products).	15	●
2.9	List of stakeholders, key attributes of each and relationship to the reporting organization.	20	●
2.10	Contact person(s) for the report, including e-mail and web addresses.	2	●
2.11	Reporting period for the information provided.	2	●
2.12	Date of most recent previous report.	2	●
2.13	Boundaries of report and any specific limitations on the scope.	2	●
2.14	Significant changes in size, structure, ownership or products/services that have occurred since the previous report.	-	N/A
2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organizations.	-	N/A
2.16	Explanation of the nature and effect of any restatements of information provided in earlier reports, and the reasons for such restatements.	-	N/A
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	2	●
2.18	Criteria/definitions used in any accounting for economic, environmental and social costs and benefits.	2	●
2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental and social information.	-	N/A
2.20	Policies and internal practices to enhance and provide assurances about the accuracy, completeness and reliability that can be placed on the sustainability report.	83	●
2.21	Policy and current practice with regard to providing independent assurance for the full report.	73	●
2.22	Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organization's activities, including facility-specific information.	2	●
<b>3. Governance Structure and Management Systems</b>			
3.1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization.	22, 33	●
3.2	Percentage of the board of directors that are independent, non-executive directors.	22	●
3.3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities.	22	●
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental and social risks and opportunities.	17-19, 24-25	●
3.5	Linkage between executive compensation and achievement of the organization's financial and non-financial goals.	22, 23	◐
3.6	Organizational structures and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies.	22	◐
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation.	24, 42	●
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	22	●
3.9	Basis for identification and selection of major stakeholders.	20	●
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	22, 58	●
3.11	Type of information generated by stakeholder consultations.	25, 58-61, 67	●
3.12	Use of information resulting from stakeholder engagements.	25, 58-61, 67	●
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	30-34	◐
3.14	Externally developed, voluntary economic, environmental and social charters, sets of p22-23, 29, 47, 52-53, principles or other initiatives to which the organization subscribes or which it endorses.	21	●
3.15	Principal memberships on industry and business associations and/or national/international advocacy organizations.	79	●
3.16	Policies and/or systems for managing upstream and downstream impacts.	28, 29, 32, 52	◐
3.17	Reporting organization's approach to managing indirect economic, environmental and social impacts resulting from its activities.	58	●
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	14-15	●
3.19	Programmes and procedures pertaining to economic, environmental and social performance. Include discussion of priorities, targets, internal communication and training, performance monitoring, auditing and senior management review.	19	●
3.20	Status of certification pertaining to economic, environmental and social management systems.	35, 38, 43, 51	●
<b>4. GRI CONTENTS INDEX</b>			
4.1	A table indicating location of each element of the GRI report content by section and indicator.	75, 76	●





# GRI Content Index

Index Description		Page	
<b>5. Achievement Index</b>			
EC1	Net sales - as listed in the profile section under 2.8.	15	●
EC2	Geographic breakdown of markets.	15, 30, 31	●
EC3	Cost of all goods, materials and services purchased.	29, 67	●
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	67	●
EC5	Total payroll and benefits including wages, pension, other benefits and redundancy payments broken down by country or region.	56, 59, 60	●
EC6	Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.	39	●
EC7	Increase/decrease in retained earnings at end of period.	37	●
EC8	Total sum of taxes of all types paid broken down by country.	39	●
EC9	Subsidies received broken down by country or region.	39	◐
EC10	Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group.	68-72	◐
EN1	Total materials use other than water, by type.	29, 46, 47	◐
EN2	Percentage of materials used that are wastes from sources external to the reporting organization.	47-49	●
EN3	Direct energy use segmented by primary source.	46	●
EN4	Indirect energy use.	46	◐
EN5	Total water use.	47	●
EN6	Location and size of land owned, leased or managed in biodiversity-rich habitats.	48, 50	◐
EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh-water and marine environments.	50	◐
EN8	Greenhouse gas emissions.	16, 32, 52, 53	◐
EN9	Use and emissions of ozone-depleting substances.	-	○
EN10	NOx, SOx and other significant air emissions by type.	48	●
EN11	Total amount of waste by type and destination.	49, 50	●
EN12	Significant discharges to water by type.	47	●
EN13	Significant spills of chemicals, oils and fuels in terms of total number and total volume.	50	●
EN14	Significant environmental impacts of principal products and services.	16	●
EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	-	N/A
EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues.	42, 43	◐
LA1	Breakdown of workforce, by region/country, status, employment type and employment contract.	56	●
LA2	Net employment creation and average turnover segmented by region/country.	56, 61	●
LA3	Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country.	58	●
LA4	Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organization's operations (e.g. restructuring).	58-60	●
LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.	62-63	◐
LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	62	●
LA7	Standard injury, lost day and absentee rates and number of work-related fatalities.	62	◐
LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS.	-	○
LA9	Average hours of training per year per employee by category of employee.	57	◐
LA10	Description of equal opportunity policies or programmes as well as monitoring systems to ensure compliance and results of monitoring.	57	◐
LA11	Composition of senior management and corporate governance bodies including female/male ratio and other indicators of diversity as culturally appropriate.	22-23	●
HR1	Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	61	●
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	67	◐
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	67	●
HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	24, 67	●
HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.	58-59	◐
HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring.	61	◐
HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	61	◐
SO1	Description of policies to manage impact on communities in areas affected by activities, procedures/programmes to address this issue, monitoring systems and results of monitoring.	66	●
SO2	Description of the policy, procedures/management systems and compliance mechanisms for organizations and employees addressing bribery and corruption.	67	●
SO3	Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions.	67	●
PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	-	○
PR2	Description of policy, procedures/management systems and compliance mechanisms related to product information and labelling.	-	○
PR3	Consumer privacy policy, procedures/management systems and compliance mechanisms.	-	○

# Ethics Code

## Chapter 1 The Company's Social Responsibility

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

- ① We shall renew our corporate culture through transparent management and contribute to the promotion of the market economy through free and fair competition.
- ② We shall respect and faithfully observe the nation's and community's regulations and domestic and international normal trading customs.
- ③ We shall establish an image of a reliable corporation reasonably pursuing and fairly dividing profits.

### Article 2 (Commitment for community)

- ① We shall constantly return corporate profit to the society and contribute to the development of the community.
- ② We shall increase a sense of shared commitment between the company and the community by developing and supporting various paths to exchange with the community.

### Article 3 (Commitment for environment preservation)

- ① We shall devise pre and post measures to take care of environmental problems associated with the power generation business and try our best to prevent environmental contamination and to protect nature.
- ② We shall strictly observe environment related national or local government laws and standards and pursue an environmental-friendly corporation.

## Chapter 2 Duty for customers and affiliates

### Article 4 (Customer-oriented management)

- ① We shall set the satisfaction of middle and final users as our first standard in evaluation.
- ② We shall do our best to supply high quality electricity for a reasonable price and always present honest and truthful information to our customers.
- ③ We shall sincerely listen to customers and take care of claims fast and notify them of the results.

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

- ① We shall build a solid partnership with associates and affiliates through honest and fair trading.
- ② We shall provide equal opportunities to qualified associates and affiliates and trade with them under fair procedures.
- ③ We shall not conduct any unfair practices such as passing costs by using our prominent position over affiliates.

## Chapter 3 Liabilities for shareholders and investors

### Article 6 (Protect shareholders' interests)

- ① We shall endeavor to realize our shareholders' interests through reasonable investment and efficient management.
- ② We shall strive to win a proper evaluation through aggressive PR activities.

### Article 7 (Transparent management)

- ① We shall disclose corporate information on our current status and future prospects to shareholders and other stakeholders.
- ② We shall record and manage the company's financial status and process accounting transparently in accordance with related laws and regulations and general accounting standards.
- ③ We shall make efforts to guarantee the benefits of shareholders by providing the opportunity of participation in major decision making and related information.

### Article 8 (Protection of Company's Properties and Information)

- ① We shall not take out the company's properties or misappropriate them privately.
- ② We shall not cause harm to the company by divulging management or technology know-how.
- ③ Other information obtained during work shall not be divulged without prior permission or approval but will be used for the decision making or work process.

## Chapter 4 Relationship with employees

### Paragraph 1 Duty for employees

#### Article 9 (Respect for human life)

- ① We shall respect employees' dignity and value and concern about the improvement of their life quality.
- ② We shall respect the private life of each individual and strive to solve their problems.
- ③ We shall give some generosity for the results occurred while the relevant employee tries his best.



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# Ethics Code (Continued)

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## Article 10 (Fair treatment)

- ① We shall encourage our employees' creativity and give fair opportunities according to their ability and talent.
- ② We shall reject regional, academic or blood ties and operate the organization under competitive principles.

## Article 11 (Support self development)

- ① We shall fully support the development of our employees' ability through various methods.
- ② We shall build the best environment for our employees' creativity and capability.

## Article 12 (Improve labor environments)

- ① We shall build a pleasant corporate environment where our employees can feel good about their work and work place.
- ② We shall provide a good working condition and environment that ensures our employees' health and safety.

## Paragraph 2 Employee's duty for the company

### Article 13 (Fair work implement)

- ① The employee shall progressively collaborate beyond the interests of the individual and one's department to achieve the common goal of the company.
- ② The employee shall endeavor to observe laws and the company's regulations and to create the company's profit.
- ③ The employee shall think the company's profit first when the company and the employee have conflict interests.
- ④ The employee shall not offer unreasonable requests, money and other articles, or entertainment regarding work, nor receive any money and other articles, or entertainment from affiliates.

### Article 14 (Sound attitude)

- ① The employee shall stand in the front in establishing sound ethics in the organization's society by clearly and transparently conducting all works.
- ② The employee shall maintain the company's reputation and one's dignity by conducting reasonably and efficiently.
- ③ The employee shall manage a sound social life under the basic virtue of honesty and sincerity.

### Article 15 (Self development)

- ① The employee shall constantly endeavor to develop oneself to become the best professional in the relevant area.
- ② The employee shall always try to be as challenged as possible to contribute to the company's growth with the effort to innovate and improve the works.

### Article 16 (Work environment and safety )

- ① The employee shall maintain a pleasant work environment by neatly organizing one's work surroundings.
- ② The employee shall try to strictly observe the safety regulations to prevent any safety accident.

## Paragraph 3 Relationship between employees

### Article 17 (Promoting comradeship)

- ① The employee shall try to develop a sense of society and comradeship by taking care of each other under mutual trust and sincerity.
- ② The employee shall not tolerate or follow wrong doings of coworkers. Rather, the employee shall confront those wrong doings to correct them and as a result to contribute to the development of the company and individual.

### Article 18 (Prohibition of money or other articles trade between employees)

- ① Except for socially accepted cases, it is not allowed to give and take money or other articles or offer entertainment between employees.
- ① Excessive personal approach or trade is not allowed between employees in other relationships but work related ones.

## Chapter 5 Harmony between Labor and management

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### Article 19 (Harmonious relationship between labor and management)

- ① Both labor and management shall create a productive relationship based on mutual trust and harmony.
- ② Both labor and management shall build an efficient way of communication to relieve any possible conflict in the organization in advance.

### Article 20 (Duty of the company and the employee)

- ① The company shall actively develop and implement programs that can improve the life quality of the employees such as creating a cultural environment and ensuring welfare facilities.
- ② The employee shall always try to have a sense of balance between the organization and the individual and contribute to the sustainable development of both parties.

## 2005 Major Awards

Industrial Safety Contest	April	Grand Prize
National Quality Allotted Task Contest	September	Silver Prize
National Production Efficiency Innovation Contest (Informatization Field)	September	Grand Prize
Korea Green Management Contest	October	Grand Prize
International Standardization Contest	October	Grand Prize
National Quality Contest	December	Presidential Award



## 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



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# Description of Terms

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**GRI (Global Reporting Initiative)** | As a sub-organization of UNEP (UN Environmental Program), it presents guidelines on how to produce sustainability management reports.

**JB** | An abbreviated word of KOMIPO's catch phrase 「Jump to the Best」. It is used in the strategy management plan, ERP system, etc.

**Power Demand and Supply Basic Plan** | Based on Article 25 of the Electricity Enterprises Act and reflecting the business plans of the electricity enterprises, the Commerce, Industry and Energy Minister establishes and consolidates the basic direction of power demand and supply and long-term prospects, power facility plan, power demand management, etc.

**NGO (Non-Governmental Organization)** | It refers to the non-governmental organizations organized and allied by individuals or private groups to perform activities related to environment, poverty, corruption prevention, etc.

**Super-critical pressure** | Water's critical point is 225.25kg/Cm<sup>2</sup>/ 374°C. The pressure below this critical point is called sub-critical pressure and the pressure above it is called super-critical pressure.

**e-CRM (Electronic Customer & Relationship Management)** | It refers to the Internet customer relationship management performed under the e-business environments. It analyzes customer behaviors and inclinations online to maximize customer satisfaction and realize real-time one-to-one interactive communication.

**Sarbanes-Oxley Act** | Established in July, 2002 in the US, this act is the most important act that influences on the corporation governing structure, financial disclosure and public accounting after the US Security Law of the 1930's. This act was introduced to respond to the corporate accounting fraud that occurred between the end of the 1990's and 2000's and to prevent future accidents and restore the reliability of investors.

**ERP (Enterprise Resource Planning)** | An integral information system that manages all human and material resources used for corporate activities in the corporation. It allows corporate members to share information and provides new information fast.

**Radio Frequency Identification (RFID)** | A technology to recognize surrounding circumstances by attaching RFID to objects and exchange information with existing IT systems in real-time and process and identify information.

**SEC (Securities and Exchange Commission)** | A Presidential dependent office to supervise the stock market and protect general investors established upon Chapter 4 of the US Security Law in 1934.

**Fuel Management Integration System** | Part of our company's ERP system developed by using the SAP company's MM (Material Management) module to systemize all processes from fuel introduction to shipping.

**Productivity Management System (PMS)** | A management system certification program implemented by the Ministry of Commerce, Industry and Energy. Through this system, the Ministry inspects the innovation capability of a corporate management system, evaluates the current level of the corporation and presents problems and innovative assignments to support the corporation's management innovation.

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)** | A representative financial index to measure the cash generation capability. It refers to operating income excluding depreciation expenses from the operating expenses.

**IR (Investor relations)** | It refers to PR (public relation) activities targeting stock and private loan investors to grant a reasonable evaluation from the capital market. It is also called investor relation session or corporate presentation activity. IR is targeting investors only and presents corporation's management activities and related information to ensure the healthy image of the corporation in the capital market while PR is for general people presenting information on overall corporation activities.

**BOO (Build-Own-Operate)** | A method to Build, Own and Operate by collecting funds under the leading role of the private sector. A kind of prior investing and post collecting method. It is a major method to collect and manage SOC (social overhead capital) construction funds.

**ESCO (Energy Service Company)** | It refers to a company to invest in energy saving facilities instead of energy users and retrieve the invested cost with the saved energy amount.

**ISO14001** | An ISO 14000 series, international standard on environment management established by ISO, consists of environmental management system (ISO 14001), environmental inspection (ISO 14010), environmental labeling (ISO 14020), environmental performance evaluation (ISO 14030) and whole process evaluation (ISO 14040).

**Hydrazine** | It is used for deoxidating agent, sterilization and disinfection use.

**Greenhouse Gases** | Gases that cause the green house effect and if they are excessively increased, they generate the global warming. Carbon dioxide (CO<sub>2</sub>), chlorofluorocarbon (freon), methane (CH<sub>4</sub>), nitrous oxide and sulfur hexafluoride (SF<sub>6</sub>) are representative greenhouse gases.

**Clean Development Mechanism (CDM)** | Under this mechanism, advanced nations assigned a goal of reducing greenhouse gases can get credit from the investment of capital and technology in developing nations without the goal as one of the ways to achieve the goal.

**Emissions Trading (ETs)** | A system to grant emission allowance amount to the nations with the obligation of reducing greenhouse gases and to allow trading of emission allowance amount between those nations.

**TOE (Ton of Oil Equivalent)** | Oil conversion ton. Unit converted base of the heat amount of 1 ton of crude oil.

**RPA (Renewable Portfolio Agreement)** | It refers to an agreement to participate in supplying new and renewable energy. A voluntary agreement system as the prior stage of introducing RPS (Renewable Portfolio Standards), the quota system of new and renewable energy development.

**IGCC (Integrated Gasification Combined Cycle)** | As an integrated gasification power generating system, it refers to the method in which low quality solid and liquid sample ore such as coal, heavy residual oil, petroleum coke are incompletely burned and led to gasification to produce the gas whose main elements are carbon monoxide and hydrogen under high pressure and temperature, then the first power generation is conducted in the gas turbine and the second generation is done in the steam turbine.

**Multi-face Evaluation** | To ensure fairness and objectivity of HR management, this system invites many people not only seniors but also fellow workers and juniors to the evaluation process.

**BSC (Balanced Score Card)** | A new strategy management and performance evaluation system as a framework to transform the mission and strategy of a corporate organization into comprehensive indexes for a better measuring and controlling.

**Matching Grant** | One of the corporation's social contribution activities. It refers to a donation system in which the company donates the same amount with the donation amount a director or a staff regularly contributes.

**Power Industry Infra Fund** | A governmental fund collected by a charge on the electric bill and managed by the Ministry of Commerce, Industry and Energy. This fund is used for the power industry R&D business, power demand management business, power supply to agriculture and fishing villages. and supporting the regions near the power plants.



## Reader's Questionnaires on

KOMIPO wants to open the information on our sustainability management activities to the public as much as possible. To create a more faithful and accurate report, we want to listen to your valuable opinion about this report. We will sincerely reflect your opinion on our future reports.

1. What is your occupation?

- ① Investor/Shareholder    ② Affiliated corporation    ③ Resident    ④ NGO    ⑤ Industrial sector  
⑥ Academic sector    ⑦ Government personnel    ⑧ KOMIPO's executives and staff    Other(       )

2. What do you think about this report?

- ☐ Pretty good                                      ☐ Good                                      ☐ Not so good

3. Is this report easy to understand?

- ☐ Easy                                      ☐ Proper                                      ☐ Difficult

4. Do you think this report has sufficient information?

- ☐ Plenty                                      ☐ Proper                                      ☐ Little

5. Which part is the strongest in this report?

- ☐ Editing and composition    ☐ Level of contents                      ☐ Various data                      ☐ Design

6. Which section is the most interesting when you read this report?

- ☐ Introduction                      ☐ Economic section                      ☐ Environmental section                      ☐ Social section

7. Which section do you think needs improvement?

- ☐ Introduction                      ☐ Economic section                      ☐ Environmental section                      ☐ Social section

8. Please share any ideas you have regarding this report.

Thank you for your collaboration.

If you have any concerns about this report, please send your opinion by fax to (02-3456-7552) or e-mail (sustainable@komipo.co.kr).



## Report Preparation Procedure

As companies' social and environmental responsibilities have drawn much interest and at the same time, the stakeholders should be the first and foremost consideration in companies' management, the importance of a sustainability report has been increased. Because of this, many domestic and overseas corporations have issued sustainability reports containing their economic, environmental and social strategies, activities and achievements. To cater to this trend, KOMIPO also issued its first sustainability report this year.

For better substantial contents and higher reliability, we organized a task force team with personnel from the head office's divisions and rooms and had them prepare this report referring to 2002 GRI 'Sustainability Reporting Guidelines' and the data provided by each department. Also, the task force team tried to collect the interests and viewpoints of various stakeholders and received the final confirmation from management.



### T/F Member

Jang Seong-Ik	<i>Director of Planning Team</i> Director of SR T/F Team, Chief Editor
Choi Seung-Rock	<i>Manager of Planning Team</i> Vision & Strategy, Governing Structure
Kim Min-Soo	<i>Manager of Culture PR Team</i> Community and Future Generation
Park Jin-Pil	<i>Manager of HR Team</i> Training, Labor Welfare
Park Yoon-Hee	<i>Manager of Financial Team</i> Economic Achievement, Internal Control
Baek Sung-Min	<i>Manager of General Innovation Team</i> Management Innovation & Management Ethics
Chun Jung-Gap	<i>Manager of Small &amp; Medium Enterprise Support Team</i> Affiliates and small company support
Yang Dong-ho	<i>Manager of Environmental Chemical Team</i> Environmental & Climate change
Lim Cheol-Gyu	<i>Manager of new and renewable energy Team</i> Business diversification R&D



167 Samseong-dong, Gangnam-gu, Seoul, Korea 135-791  
Tel. 82-2-3456-7575 [www.komipo.co.kr](http://www.komipo.co.kr)