

Opening Doors with Ener

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NO.1_ Sustainable Management

In order to make the future richer and happier, Korea East-West Power(EWP)'s overarching goal in sustainability management is to become a global electricity generation leader that creates the highest possible energy values.



Star_ Economy

EWP is a genuine "star" that glows with innovation and creative management despite all the difficulties that the current energy market poses.



Beacon_ Transparent Management

By placing honest and transparent operations at the pinnacle of its "values chain," EWP will become a beacon of ethical management.



Running Mates_ Employees

EWP and its employees use communications to build a stronger and more harmonious relationship.



Bird_ Relationship with Affiliates

Just migrating geese fly in the familiar V-formation because it reduces air resistance, which conserves energy during flight by allowing the geese to glide more often, and thus fly longer distances, a positive and mutually beneficial relationship with its affiliates helps EWP contribute to the sustainable growth of the generation industry and nation's economic competitiveness.



House_ Local Communities

As a member of many local communities, EWP pursues a policy of mutually beneficial development and the management of sharing.



Fish_ The Environment

EWP is committed to meeting all the requirements of the UNFCCC and becoming a truly environmentally friendly enterprise.



Do you know the puzzle called a tangram?

With seven pieces that are broken down from a square, you can create all kinds of shapes. Just like the seven pieces, EnerG that EWP creates is always available to benefit us. With its mission of becoming "A Great, Global and Green Company through Excellence 2020 EnerG," EWP will become a trustworthy and sustainable partner for its affiliates.

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DART, Data Analysis, Retrieval and
Transfer System (Repository of the Korean
Financial Supervisory Service)
<http://dart.fss.or.kr>

Department in Charge
Strategy and Planning Team,
Planning Department

Contacts
Tel: 82-2-3456-8375
Fax: 82-2-3456-8379
E-mail: sustainability@ewp.co.kr

GRI G3 Guideline Application

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



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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>28 ④ Growing Together with the Employees</p> <p>EWP is creating a cheerful workplace through its employee-centered corporate culture and proactive labor relations.</p> | <p>36 ⑤ Relationship with Affiliates</p> <p>This part outlines EWP's efforts towards a mutually beneficial relationship with its affiliates, who are also its partners in sustainable management.</p> | <p>41 ⑥ Joint Growth with Local Communities</p> <p>EWP believes in support and sharing, so that its growth can aid in the development of local communities.</p> | <p>46 ⑦ Environmental Achievement at EWP</p> <p>This section discusses EWP's strategies to deal with climate change and its efforts to minimize its negative impacts on the environment.</p> |
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2008 Sustainability Report

About this Report This is Korea East-West Power's (EWP's) second sustainability report. Its goal is to inform the company's various stakeholders and the general public about its economic, social, and environmental efforts and achievements.

Guidelines This report has been prepared in conformity with the revised 2006 GRI^① G3 guideline, Korea's BEST Sustainability Reporting Guideline^②, and the GRI EUSS (Electric Utility Sector Supplement).

Scope This report covers EWP's Seoul headquarters and six plant sites.

Reporting Cycle EWP published its first sustainability report in May 2007 and will keep issuing them on an annual basis.

Reporting Period This report outlines the company's sustainability management activities and outcomes from January 1, 2007 to December 31, 2007. However, some items include results of the first half of 2008. Data from 2005 to 2007 have also been included to show time series trends.

Efforts to Enhance Credibility In order to guarantee the objectivity of this report, outside economic, social, and environmental experts provided unbiased advice, and Industrial Policy Studies (IPS) assured it.

Units Employed KRW (Korean won) for monetary unit, MW for generation capacity, GWh for generation volume, TOE for energy usage volume, and kg-CO₂/kWh for greenhouse gas emissions.

① GRI (Global Reporting Initiative): The GRI is a sustainability report production guideline developed in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Program (UNEP). A revised (G3) version was published in October 2006.

② B.E.S.T Guideline: The B.E.S.T Sustainability Management Guideline is a handbook for the preparation of sustainability reports. Created by the Business Ethics is the Source of Top Performance (B.E.S.T) Forum and the Korean Ministry of Commerce, Industry, and Energy (MOCIE), it is meant for use by corporations around the world.

On the Themes to Communicate with Stakeholders

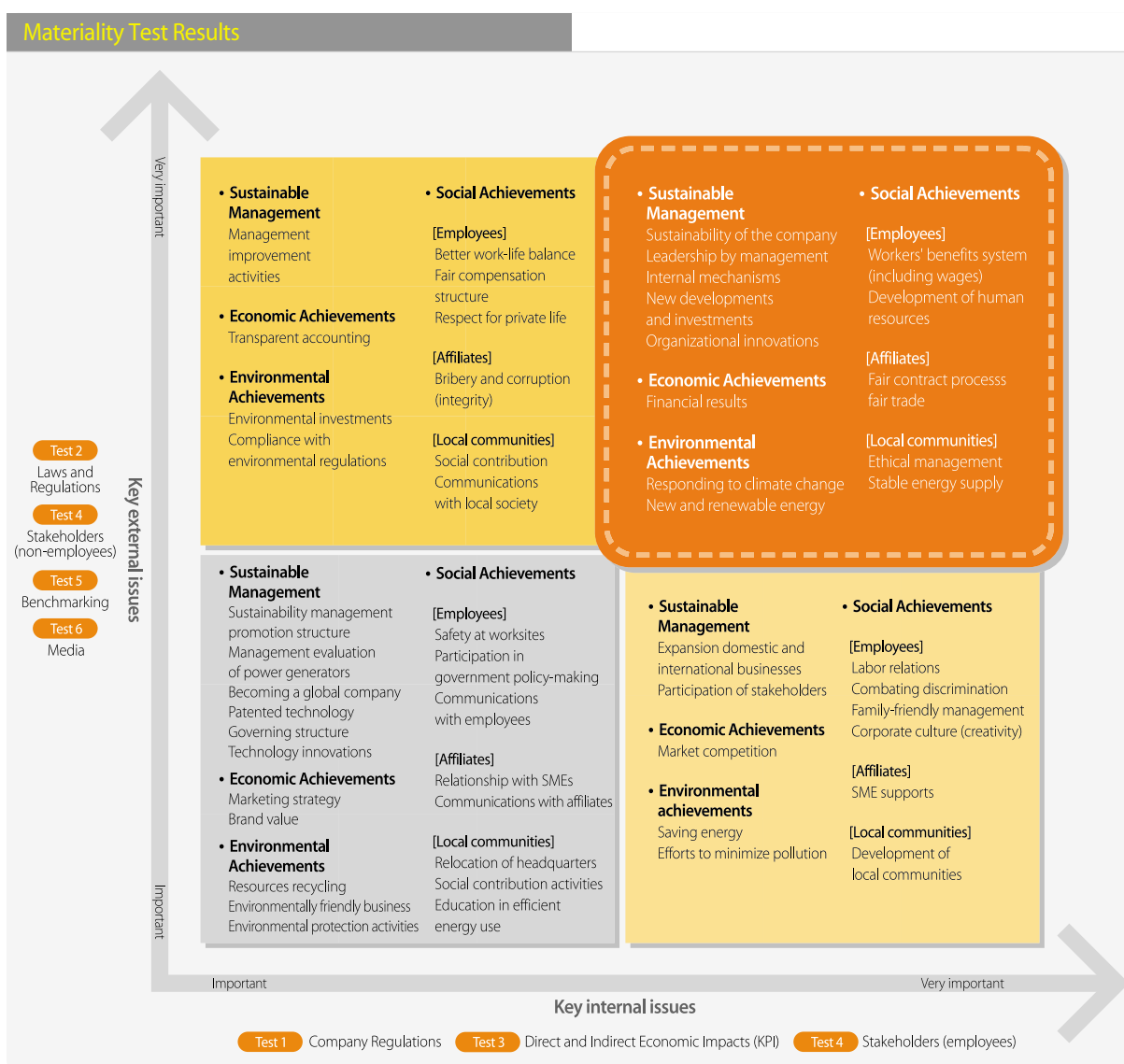


Materiality Test to Derive Key Issues, Identifying Key Sustainability Issues for Stakeholders

Methodology

EWP carried out six tests to identify key stakeholder issues. They included Test 1 (on company regulations), Test 2 (on pertinent laws and regulations), Test 3 (on direct and indirect economic impacts), Test 4 (stakeholder survey and interviews with outside experts), Test 5 (benchmarking), and Test 6 (media analysis). For each test, 10 points were allocated for issues of high importance, 5 for medium, and 1 or 0 point for low.

EWP's primary focus in this report was to listen to its stakeholders. The company carried out in-depth analysis of its survey results, interviews with experts, and stakeholder focus group interviews. These processes helped it to include information and data that best serve its stakeholders' needs.



Yesterday, Today, and Tomorrow at EWP

| Yesterday's Expectations | Today's Achievements |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vision & Strategy What is EWP's vision and strategy for coping with a rapidly changing energy market? | <ul style="list-style-type: none"> Mid- to long-term vision ★ Established "Excellence 2020 EnerG" – 4 strategic directions management strategy <ul style="list-style-type: none"> Secure competitive advantages for business structure innovations Search out new growth engines Establish global management system Develop sustainable management structure |
| Stable Electricity Supply What methods do you employ to ensure a 24hour/7days power supply? | <ul style="list-style-type: none"> Constructed Dangjin Units 7 & 8 with total capacity of 1,000MW Established plans to extend life of Honam Units 1 & 2 and close down Ulsan Units 1 to 3 Developed "real-time" electricity volume forecasting system and emergency power system Enhanced reliability of facilities ★ <ul style="list-style-type: none"> Established comprehensive error prevention system based on cutting-edge HOPE (Human, Organization, Procedure, Equipment) failure analysis method Reduce number of errors by 37.5% through Plant Operations & Maintenance Management System (POMMS) at Dangjin Thermal Power Plant Reduced early-stage operational failures at Dangjin Units 7 & 8 by 66% through establishment of dedicated taskforce |
| Stable Fuel Sourcing What methods does EWP use to ensure a stable source of fuel? | <ul style="list-style-type: none"> Signed new contracts for bituminous coal imports with producing countries Maintained a 100% reserve level by securing 28 supply sources in 7 different countries ★ Contributed to reserve stabilization by expanding bituminous coal swapping among GENCOs when supply becomes unstable Increased ratio of long-term contracts (i.e., longer than 3 years) to 75%/Signed contract for 9.8% of shares of Cockatoo in Australia/Secured guarantees for 2 million tons of bituminous coal per year Become more competitive in terms of transportation by signing long-term contracts with shipping companies ★ |
| Coping with Climate Change What countermeasures have you put in place to deal with the climate change (United Nations Framework Convention on Climate Change)? | <ul style="list-style-type: none"> Was first Korean power generator to sell CDM emission rights (4,600 CO₂ tons/year to Natsource of Japan) ★ Registered with Climate Change's Governing Council for emission rights worth KRW 1.06 billion thanks to new and renewable energy power plant Made efforts to develop an advanced Environmental Management System (ERP) |
| Development of New and Renewable Energy What progress have you made in developing new and renewable energy sources? | <ul style="list-style-type: none"> Established KRW 306.4 billion investment plan for new and renewable energy generation Built world's largest (4.8MW) fuel cell power plant (Ilsan Combined-Cycle Power Plant) Installed tidal power generating device at Uldolmok |
| Corporate Social Responsibilities What efforts is EWP making to fulfill its responsibilities as a corporate citizen? | <ul style="list-style-type: none"> Launched Sustainability Management Committee to move from ethical management to sustainable management Reduced number of recommendations for improvements by external auditors by 17% by increasing transparency of accounting information Ranked first in KEPCO integrity survey for two consecutive years ★ Developed support system for employees who volunteer for social contribution activities Carried out survey on information disclosure, collaborated with NGOs to produce public-interest advertising, supported local communities, carried out Mecenat activities |
| Mutual Prosperity with Affiliates What is EWP's relationship with its affiliates like? | <ul style="list-style-type: none"> Established an affiliate support system called sPRM ★ Supported global marketing activities of SMEs worth USD 48.9 million Jointly applied for patents with SMEs and received presidential prize for supporting SME sales channels Completed all joint research developments |
| Creating a Better Workplace What efforts are labor and management making to create a better workplace? | <ul style="list-style-type: none"> Established multiple communications channels and encouraged employee participation Hired retired employees to serve as consultants for affiliates Provided training opportunities to foster employees with global expertise Received Labor-Management Culture Award from Korean government ★ Continued promoting five-year workers' benefits plan |
| Sound Financial Structure Does EWP have a stable financial structure that can survive market fluctuations? | <ul style="list-style-type: none"> Maintained lowest loan interest rate among all GENCOs for four consecutive years by sourcing short-term borrowings in foreign exchanges and acquiring commercial paper A1 grade Established integrated financial management system by enhancing Asset and Liability Management System (ALMS) Set goals and manage performances using BSC (Balanced Score Card) performance management system (per-unit costs dropped) ★ |
| Developing Next-Generation Technologies Is EWP investing in the development of next generation technologies? If so, what are the results? | <ul style="list-style-type: none"> Continued developing technology to reduce volume of green house gas emissions (developed with R&D investment of KRW 2.7 billion) ★ Successfully developed commercialization technology for Uldolmok tidal power generation Reduced import expenses by promoting R&D of home-grown technologies Received Korea Technology Innovation Management Award for three consecutive years |

★ Critical report items: These are the highest-priority issues as identified by the materiality tests for reporting to the company's stakeholders.

Tomorrow's Objectives

| | Employees | Shareholders/Investors | Affiliates | Local Community/NGOs | Power Generation Companies (GENCOs) | Governments/Regulators | Stakeholders |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------|------------|----------------------|-------------------------------------|------------------------|--------------|
| 2020 management targets <ul style="list-style-type: none"> Facilities capacity: 14,385MW Overseas operations: 3,500MW Generation volume: 73,586GWh New and renewable energy facilities: 1,385MW Generation cost per unit: KRW 62.7 Heating efficiency: 42.44% | | | | | | | |
| <ul style="list-style-type: none"> Replace aging facilities and build high-efficient ones (promote construction of Dangjin Units 9 & 10) Produce electricity reserve after analyzing electricity usage data Carry out streamlined system checkups and offer regular training for emergencies Establish advanced facility operations structure by developing error-free operating system Develop advanced failure analysis methodology and management system Achieve same facility reliability level as other global IPPs (independent power producers) | | | | | | | |
| <ul style="list-style-type: none"> Strengthen competitiveness in overseas markets by entering them in tandem with Korea Electric Power Corporation (KEPCO) Analyze overseas electricity data by establishing local offices and dispatching regional experts Reinforce overseas cooperation by increasing equity investments in resource-development companies | | | | | | | |
| <ul style="list-style-type: none"> Reduce CO₂ emissions per energy consumption unit to 0.15kg-C/kWh by 2020 Expand CO₂ and other emission rights trading Upgrade environmental management system by building environmental performance assessment system, environmental accounting system, and life cycle assessment system | | | | | | | |
| <ul style="list-style-type: none"> Support investments among and seek joint development ventures with other GENCOs Develop advanced technologies by selecting cost-competitive items for new and renewable energy Develop new growth engines by diversifying into new and renewable energy businesses | | | | | | | |
| <ul style="list-style-type: none"> Practice transparent management Promote CSR (Corporate Social Responsibility) activities relevant to management strategy Raise brand status through public-interest advertising Establish brand identity through publicity campaigns Achieve Korea's best sustainable management | | | | | | | |
| <ul style="list-style-type: none"> Establish mutually beneficial relationships with SMEs Build bridgehead for advancing into global markets by exporting jointly-developed R&D products Establish systems that take needs of affiliates into account and maintain transparency of contracts | | | | | | | |
| <ul style="list-style-type: none"> Develop 20% of employees into globalized talents Continue promoting employee satisfaction through better work-life balance Earn listing on Forbes magazine's list of world's top 100 great workplaces Develop HR management system based on precise job descriptions | | | | | | | |
| <ul style="list-style-type: none"> 2020 mid- to long-term financial targets <ul style="list-style-type: none"> Credit rating: AA Debt ratio: under 100% Interest Coverage Ratio: Over 400% Operating income to sales ratio: Over 7% | | | | | | | |
| <ul style="list-style-type: none"> Increase level of power plant operational technologies and increase technology exports to offshore markets Develop R&D system centering on securing source technologies Nurture R&D experts and promote exchanges with overseas talents Develop technologies more efficiently by streamlining R&D processes | | | | | | | |

CEO's Message



Dear EWP Stakeholders,

A year of exhibiting growth potential through innovation and creativity _

2007 was a very significant year for EWP. First of all, two coal-fired power plants at Danjin (Units 7 and 8) began commercial operations. In addition, the company strengthened Korea's energy security while reducing its fuel costs by acquiring a 9.8% share of Cockatoo of Australia, a coal investment holding company. Despite skyrocketing fuel costs, EWP managed to cut its overall costs by 1.74% while still supplying Koreans with an affordable and stable supply of electricity. Lastly, it made ethical management an integral part of its corporate culture and was named the country's most transparent and ethical power company for the second consecutive year.

A year of sharing successes and achievements with our stakeholders _ In order for EWP to achieve sustainable growth and create value, the company must grow with its stakeholders, since no company can succeed without such support. This is why EWP places so much stress on developing mutually beneficial relationships with its stakeholders.

Last year, EWP participated in an industry-academia technology collaboration program as part of its bid to turn a supply chain partner, the Sam Jin Metal Co., Ltd., into a world-class source technology holder in gas turbine bolt. As a result, the company became only the second in the world to own its own source technology, and has signed contracts worth USD 10 million with its overseas counterparts.

EWP is a strong supporter of local community development. Last year, it contributed KRW 6.1 billion towards such programs, including adolescent education, the creation of profit-generating businesses, and the promotion of social welfare. The company also created jobs in the maintenance, security, and construction sectors and assisted local economies by purchasing KRW 15.4 billion worth of supplies from them.

Its employees are a key pillar of EWP's sustainability. They are its most valuable asset, and their capabilities contribute significantly to the company's competitiveness. Because of this, EWP invested 14.4% of its net profit (up from 3% the previous year) in education and training; as a result, per capita training hours exceeded 100 for the first time since its establishment. These improvements came in terms of both quality and quantity; for example, the company sent future leaders to such prestigious schools as Emory, Duke, and the University of California.

EWP is Committed to Keeping All the Promises it has Made to Future Generations.

A year of laying the foundations for new and renewable energy sources

Thermal power generation companies create a full 25% of this country's CO₂ emissions. Rather than attempting to obfuscate this 'uncomfortable truth', EWP is aggressively trying to resolve the issue. In 2007, the company made great strides in this area.

Following upon the construction of the Donghae photovoltaic (PV) power plant, EWP is promoting the construction of Korea's largest 4.8M fuel cell power plant. After that, 22.4MW worth of similar facilities are scheduled to be built at Ilsan and Woolsan. The company also built an underwater structure for a pilot ocean current power plant at Uldolmok. If this pilot plant proves to be successful, EWP will expand it to the world's largest 450MW commercial ocean current power plant.

Making new and renewable energy power plants commercially viable expands the use of green energy and allows the company to secure CO₂ emissions rights before Korea is forced to meet the climate change's rules and regulations in 2013. EWP became the first Korean power generator to sell emissions rights, transferring 4,600 tons of CER obtained from Donghae PV Power Plant to a foreign company. Although it will cost us KRW 91.1 billion to accomplish it, the Donghae PV Power Plant, Dangjin Pumped-Storage Power Plant, and Jeongseon Wind-Power Plant are expected to reduce our CO₂ emissions by 846,200 tons by 2026. When the commercialization of ocean current power plants becomes a reality, EWP will join the ranks of high-performing climate change supporters.

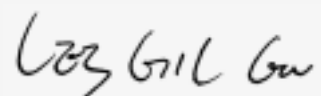
A year of making strides toward the "Excellence 2020"

Although EWP is committed to pursuing mutually beneficial growth with its stakeholders, there are many challenges to overcome. To begin, the price of bituminous coal is steadily increasing. In addition, the central government's Basic Plan for National Energy calls for the development of more affordable and "green" energy sources, including raising the ratio of nuclear power generation to 60% of the nation's total.

To overcome such external challenges, EWP instituted "Excellence 2020," its mid- to long-term vision. This is a manifestation of the company's determination to become a great workplace with global competitiveness through the development of a proactive "green management" strategy.

EWP started out with unfavorable conditions but soon became Korea's best-performing power company. Working from this spirit of overcoming any and all challenges, the company will work in concert with its stakeholders to establish bold policies for overcoming its current difficulties and ensuring its sustainable management. This second sustainability report is part of EWP's commitment to these goals. I ask for your continuing support and encouragement, and look forward to continued communications with all of you.

President & CEO,
Korea East-West Power Co., Ltd
Lee, Gil Gu



Sustainability of EWP

01 Greater Futures



NO. 1 | In order to make the future richer and happier, Korea East-West Power(EWP)'s overarching goal in sustainability management is to become a global electricity generation leader that creates the highest possible energy values.

Employees



Shareholders/Investors



Affiliates/
Small and Medium
Enterprises



People,
Local Community,
NGOs



Power generation
Companies (GENCOs)



Governments/
Regulators, Experts



Electricity is the basic energy source for any nation, and plays an integral role in all modern life. As a result, a country's power generation industry also serves as a barometer of its economic strength. Korea is the world's ninth-largest electricity consumer, with EWP's six power plants supplying 12% of its energy. Chapter 1 of this report outlines the current status and future prospects of the rapidly changing electricity market, the opportunities and risks that the company faces in the market, and the current status and results of its sustainability management operations.

How can EWP Ensure Stable Electricity Supply for 365 Days ?

Company Overview



Korea East-West Power, Co., Ltd. (EWP) is an electricity generator that was spun off from the Korea Electric Power Corporation (KEPCO) on April 2, 2001 in accordance with the Korea Power Industry Restructuring Act. In Korea, both power generating companies (GENCOs) and private-sector players generate electricity. The Korea Electric Power Corporation (KEPCO) purchases this power via the Korea Power Exchange (KPX) and supplies it to end-users. As of July 2008, EWP was generating 11.9% of the country's electricity needs from six power plants.









| Company Profile | | EWP Power Plants | |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name | Korea East-West Power Co., Ltd. | | |
| President and CEO | Lee, Gil Gu | | |
| Date of establishment | April 2, 2001 | | |
| Major business | Development of electrical power resources, power generation, and related businesses | | |
| Annual revenue | KRW 2.8 trillion (as of 2007) | | |
| Headquarters | 167 Samseong-dong, Gangnam-gu, Seoul, Republic of Korea | | |
| Plant sites | Dangjin Thermal Power Site Division, Ulsan Thermal Power Site Division, Honam Thermal Power Site Division, Donghae Thermal Power Plant, Ilsan Combined-Cycle Power Plant, Sancheong Pumped-Storage Power Plant | | |
| | | Ilsan Combined-Cycle Power Plant Location Goyang, Gyeonggi Fuel LNG Capacity 900,000 kW | Donghae Thermal Power Plant Location Donghae, Gangwon Fuel Domestic anthracite coal Capacity Thermal power: 400,000 kW PV power: 1MW |
| | | Dangjin Thermal Power Site Division Location Dangjin, Chungnam Fuel Imported bituminous coal Capacity 4 million kW | Ulsan Thermal Power Site Division Location Nam-gu, Ulsan Fuel Diesel (LNG) Capacity 3 million kW (1,200) |
| | | Honam Thermal Power Site Division Location Yeosu, Jeonnam Fuel Imported bituminous coal Capacity 500,000 kW | Sancheong Pumped-Storage Power Plant Location Sancheong, Gyeongnam Fuel Hydraulic power Capacity Hydranlic power: 700,000 kW Capacity pumped-storage power: 0.4MW |

EWP supplies electricity through both thermal and pumped-storage power generation facilities and promotes such new and renewable energy power sources as solar power, small hydropower, and others. The company also supplies heat to the Korea District Heating Corporation by utilizing waste heat from some of its thermal power plants. To ensure the availability of fuel sources, EWP started to participate in the development of overseas mines last year.

| EWP's Business Areas | | | |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| | | (Unit: KRW billion) | |
| Business | Location | 2007 revenue (forecast) | 2008 revenue (forecast) |
| Thermal power generation | Dangjin Thermal Power Site Division, Ulsan Thermal Power Site Division, Honam Thermal Power Site Division, Donghae Thermal Power Plant, Ilsan Combined-Cycle Power Plant | 2,779.9 | 2,861.8 |
| Pumped-storage power generation | Sancheong Pumped-Storage Power Plant | 48.0 | 71.8 |
| Heat supply | Ilsan Thermal Power Plant | 63.6 | 69.0 |
| Overseas businesses | Chile, Benin, South Africa | 0.7 | 0.7 |
| Community Energy Supply (CES) | Dangjin, Ulsan (Commercial operation to commence in 2012) | N/A | N/A |
| Overseas resources developments | Australia | N/A | N/A |
| Total revenue | | 2,892.2 | 3,003.3 |

Sustainability Management at EWP ★☆☆

The following chart outlines EWP's efforts towards sustainability management since 2001. Related areas and stakeholders have been marked together to ensure greater clarity.

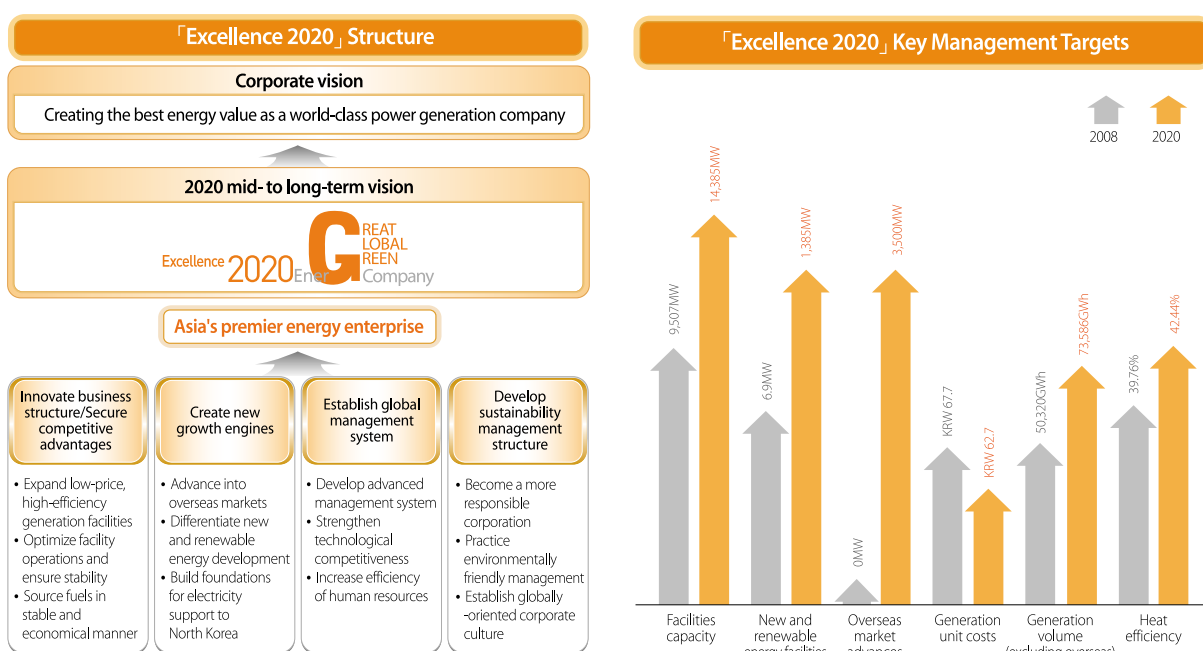
| | | | | | |
|-------------------------------------------------------------------------------------|------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------------------------------|
|  | 2002 | 09 | · Announced labor-management cooperation agreement | 사람 | Society (employees) |
| | | 10 | · Established integrity pact for executives | 사람 | Society (affiliates) |
| | | 12 | · Declared commitment to ethical management practices | 사람 | Ethical management |
|  | 2003 | 07 | · Awarded Prime Minister's Commendation for prevention of industrial accidents (Ilsan Combined-Cycle Power Plant) | 사람 | Society (employee safety) |
| | | 11 | · Won Minister of Environment Prize (Honam Thermal Power Plant) | 사람 | Environmental achievements |
| | | | · Won Minister of Environment Prize awarded by Korean Association of Environmentally Friendly Companies (Ilsan Combined-Cycle Plant) | 사람 | Environmental achievements |
|  | 2004 | 03 | · Completed flue gas denitrogenization facilities at Ulsan Thermal Power Plant & Combined-Cycle Plant Units 4-6 | 사람 | Environmental achievements |
| | | 05 | · Launched EWP Social Service Corps | 사람 | Society (social contributions) |
| | | | · Signed agreement promoting ethical management with KEPCO family of power generation companies | 사람 | Ethical management |
|  | | 07 | · Received Grand Prize at 2004 Environmentally Friendly Management Awards in the public enterprise category from Korea Economic Daily | 사람 | Environmental achievements |
| | | 09 | · Announced Six Sigma innovative management initiatives | 사람 | Management innovations |
| | | 10 | · Increased number of Corporate Ethics Committee members (including NGOs, non-standing directors, and labor union representatives) | 사람 | Ethical management |
|  | 2005 | 02 | · Named Best Ethical Management Company in 2004 in three categories by Ministry of Commerce, Industry, and Energy | 사람 | Ethical management |
| | | | · Established Open Management Innovation Committee | 사람 | Management innovations |
| | | 04 | · Received Prize for Excellence at first annual Korea BSC Awards | 사람 | Management innovations |
|  | | 06 | · Ranked first in 2004 management evaluation of power generation companies | 사람 | Comprehensive economic achievements |
| | | 10 | · Established company-wide Total Reliability & Safety Innovation Management (TORSIM) system | 사람 | Building a safer workplace |
| | | 12 | · Awarded Presidential Citation at fifth annual Promotion Meeting for Purchasing Small- and Medium-Sized Enterprise Products | 사람 | Management of relationships with affiliates |
|  | 2006 | 01 | · Received Grand Prize at 2005 Korea Technology Innovation Management Awards from Korea Economic Daily | 사람 | R&D |
| | | 03 | · Selected as Best Ethical Management Company in the public enterprise category by Ministry of Commerce, Industry, and Energy/Completed Dangjin Thermal Power Plant Unit 6 | 사람 | Ethical management |
| | | | · Signed MOU for construction of tidal power plant at Uldolmok | 사람 | Creative management |
|  | | 06 | · Ranked second in 2005 management evaluations of power generation companies | 사람 | Comprehensive economic achievements |
| | | 09 | · Received BSC Hall of Fame Award | 사람 | Management innovations |
| | | 01 | · Received Korea Technology Innovation Management Award for second consecutive year | 사람 | Management innovations |
| | | 04 | · Developed electrical precipitator in tandem with SME | 사람 | Management of relationships with affiliates |
| | | 05 | · Signed Top Managers' Integrity Oath | 사람 | Transparent management |
| | | 06 | · Introduced dedicated 170,000-ton ship and put into port at Dangjin Thermal Power Plant | 사람 | Creative management |
| | | | · Constructed photovoltaic (PV) power generation facility at Sancheong Pumped-Storage Power Plant | 사람 | Creative management |
| | | | · Began commercial operation of Dangjin Thermal Power Plant Unit 7 | 사람 | Economic achievements |
| | | 07 | · Built denitrification facility at Dangjin Thermal Power Plant Units 1 to 4 | 사람 | Environmental achievements |
| | | 10 | · Signed agreement to establish affiliate support system (SPRM) | 사람 | Management of relationships with affiliates |
| | | | · Acquired company-wide integrated ISO 9001/14001 certifications | 사람 | Environmental achievements |
| | | | · Constructed NOx reducing facility DLN-B at Ilsan Combined Heat and Power Plant Units 1 to 6 | 사람 | Environmental achievements |
| | | 11 | · Selected as Best Energy Saving Power Plant (Dangjin Thermal Power Plant) | 사람 | Economic achievements (efficiency enhancement) |
| | | | · First GENCO to participate in an international Carbon Market | 사람 | Creative management/Climate change countermeasures |
| | | | · Purchased shares in Cockatoo of Australia | 사람 | Creative management/Economic achievements |
| | | 12 | · Honam Thermal Power Plant became first certified thermal power plant for greenhouse gas emissions reduction business | 사람 | Creative management/Climate change countermeasures |
| | | | · Won second Sustainability Management Award | 사람 | Comprehensive Sustainability management |
| | | | · Won Presidential Prize at 2007 New Technology Utilization Rally for supporting SME sales channels | 사람 | Management of relationships with affiliates |

What Vision and Strategy does EWP have to Deal with the Rapidly Changing Energy Market?

EWP's Sustainability Management Structure ★★

EWP's Corporate Objectives and Management Targets

Korea's power generation industry is constantly evolving. EWP strives to earn the trust of its customers by constantly developing new technologies, providing a stable electricity supply, and seizing promising opportunities in the marketplace.



Mid- to Long-Term Sustainability Management Targets

| | 2010 | 2015 | 2020 |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economy | <ul style="list-style-type: none"> Capacity 9,600MW Secure 900MW domestic and foreign markets New and renewable energy facilities 100MW | <ul style="list-style-type: none"> Capacity 12,900MW Secure 2,500MW domestic and foreign markets New and renewable energy facilities 785MW | <ul style="list-style-type: none"> Capacity 14,385MW Secure 3,500MW domestic and foreign markets New and renewable energy facilities 1,385MW |
| Society | <ul style="list-style-type: none"> Develop strategic social contribution activities Complete company name and CI change | <ul style="list-style-type: none"> Concentrate on strategic and representative social contribution activities (50% of total activities) Establish brand identity through public interest campaign | <ul style="list-style-type: none"> Manage brand assets and create business opportunities to utilize them Concentrate on strategic and representative social contribution activities (80% of total activities) |
| Environment | <ul style="list-style-type: none"> CO₂ emissions per energy consumption unit 0.22kg-c/Kwh Establish base for integrated environment management Secure emission rights through new and renewable generation businesses | <ul style="list-style-type: none"> CO₂ emissions per energy consumption unit 0.20kg-c/Kwh Introduce environmental accounting and performance evaluations Increase CO₂ and other emissions rights trading | <ul style="list-style-type: none"> CO₂ emissions per energy consumption unit 0.15kg-c/Kwh Establish electricity sourcing plan, manage for risk, develop integrated advanced environmental management system |
| Sustainability management in general | <ul style="list-style-type: none"> Become a Korean "top 10" sustainability management enterprise Establish EWP corporate culture | <ul style="list-style-type: none"> Become a Korean "top 5" sustainability management enterprise Become one of Forbes magazine's top 100 great workplaces in the world | <ul style="list-style-type: none"> Become Korea's sustainability management leader Continue maintaining high-ranking GWP status |

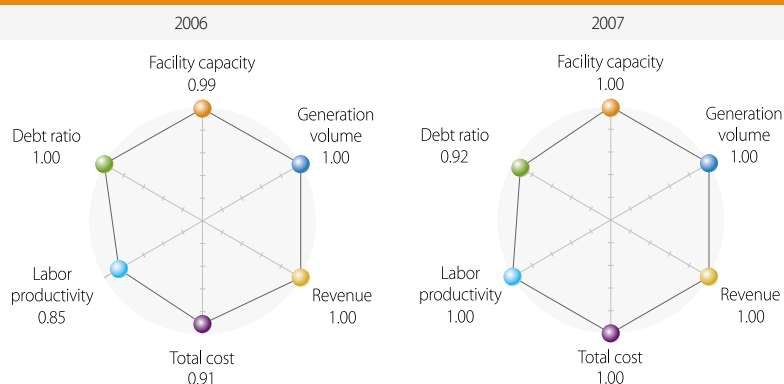
What Efforts is EWP Making to Achieve Sustainable Future?

Current Status of EWP's Sustainability Management Visualized Through "Star Model" ★★★

EWP designates KPIs for each sustainability area and outlines their annual performance through a "Star Diagram." Six KPIs are set for each area, and this "five-star" quantitative data visualization aids the company in its pursuit of a balanced program of sustainable development.

The sustainability of a company can be measured with various indicators. Since a simple presentation of these indicators cannot provide comprehensive information, EWP has tried to create a model that makes this understanding easier by using ★ sign. For instance, Value 1 signifies that an objective has been accomplished, while values closer to 0 indicate goals that are farther from being realized.

Economy

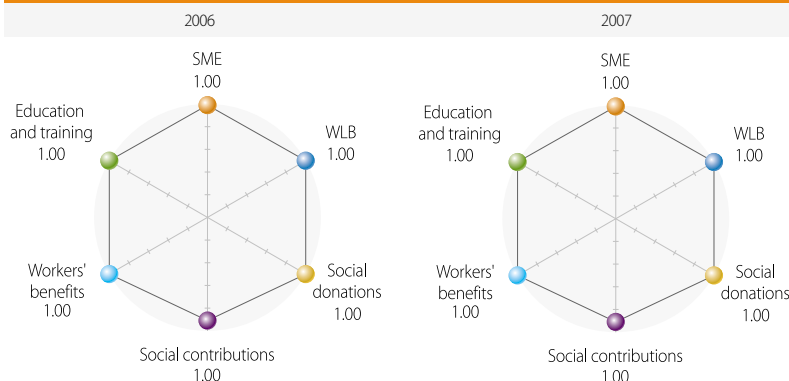


Score for Each Indicator

| Indicator | 2006 | 2007 |
|--------------------|------|------|
| Facility capacity | 0.99 | 1.00 |
| Generation volume | 1.00 | 1.00 |
| Revenue | 1.00 | 1.00 |
| Total cost | 0.91 | 1.00 |
| Labor productivity | 0.85 | 1.00 |
| Debt ratio | 1.00 | 0.92 |

The sustainability of EWP's economic area is fairly stable, but its labor productivity (0.85 point in 2006) and debt ratio (0.92 point in 2007) leave some room for improvement.

Society

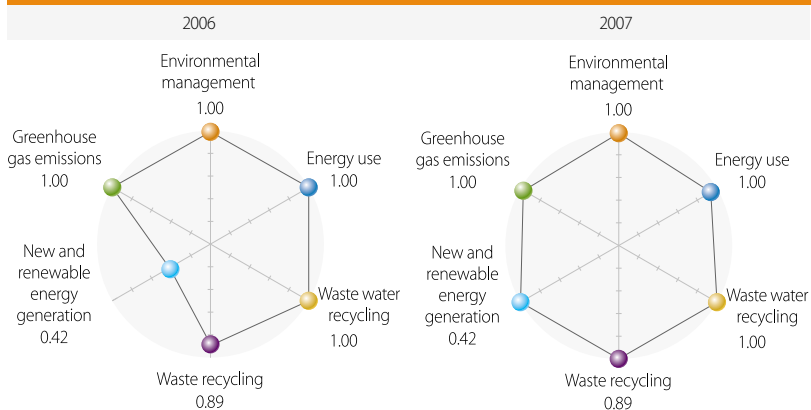


Score for Each Indicator

| Indicator | 2006 | 2007 |
|-----------------------------------------|------|------|
| SME product purchase rate | 1.00 | 1.00 |
| WLB balance | 1.00 | 1.00 |
| Social donations (per capita) | 1.00 | 1.00 |
| Social contributions hours (per capita) | 1.00 | 1.00 |
| Workers' benefits satisfaction | 1.00 | 1.00 |
| Education and training (per capita) | 1.00 | 1.00 |

The above indicators show that the sustainability of EWP's social area is highly stable.

Environment



Score for Each Indicator

| Indicator | 2006 | 2007 |
|--------------------------------------------------------|------|------|
| Environmental management system certification rate (6) | 1.00 | 1.00 |
| Energy use | 1.00 | 0.94 |
| Waste water recycling | 1.00 | 1.00 |
| Waste recycling | 0.89 | 1.00 |
| New and renewable energy generation ratio | 0.42 | 1.00 |
| Greenhouse gas emissions | 1.00 | 0.97 |

The indicators show that EWP maintains a general level of sustainability in the environmental area, but needs to make improvements in new and renewable energy generation (0.42 points in 2006) and greenhouse gas emissions (0.97 points in 2007).

Compliance with UN Global Compact ★★



Joining UN Global Compact and Communications on Progress (COP) Report

EWP became a signatory to the UN Global Compact in August 2006 as part of its mission to ensure transparent management and fulfill its social responsibilities. The company discloses its compliance with the Global Compact through the following Communication on Progress (COP).

| COP (Communication on Progress) of the Global Compact Principles | | | | | | | |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------|--------------------------------------|--------------------|
| Global Compact Principle | | Compliance Status | | G3 | | BEST | Page of Report |
| | | ● : Disclosed | | ◐ : Disclosed Partially | | ○ : Not Disclosed | ◇ : Not Applicable |
| Human Rights | 1. Businesses should support and respect human rights- anywhere and everywhere | Collective Agreement, Charter of Ethics, Code of Ethics (Articles 19 and 21), Code of Conduct (Article 31) | ● HR1 ● HR2 ● HR3 ● HR4 ● HR5 | ● HR6 ● HR7 ● HR8 ● HR9 | ● PN2 ● PN3 ● EM7 ● EM8 ● EM9 | ● EM10 ● EM30 ● EM31 ● CO2 | 60~62, 72~73 |
| | 2. Businesses should not be complicit in human rights abuses | Corporate Philosophy, Collective Agreement, Code of Conduct (Article 31) | ● HR1 ● HR2 ● HR8 | | ● PN2 ● PN3 ● EM31 | | 60, 72 |
| Labor Standards | 3. Businesses should uphold the freedom of association and the right to collective bargaining | Collective Agreement | ● HR5 ● LA4 ● LA5 | | ● EM8 ● EM12 ● EM13 | | 61, 62 |
| | 4. Businesses should uphold the elimination of all forms of forced and compulsory labor | Collective Agreement, Code of Ethics (Article 22) | ● HR7 | | ● EM10 | | 62 |
| | 5. Businesses should uphold the abolition of child labor | Collective Agreement | ● HR6 | | ● EM9 | | 62 |
| | 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation | Collective Agreement, Charter of Ethics, Code of Ethics (Articles 10 and 20), Code of Conduct (Article 5) | ● HR4 ● LA2 ● LA10 | ◐ LA13 ● LA14 | ◐ EM2 ● EM3 ● EM5 | ● EM7 ● EM17 ● EM27 | 61, 64, 69 |
| Environment | 7. Businesses should support a precautionary approach to environmental problems and challenges | Environmental Vision, Environmental Policy, ISO 14000 Certification, Charter of Ethics and Code of Ethics (Article 26) | ● 4.11 | | ● GR11 | | 26 |
| | 8. Businesses should undertake initiatives to promote greater environmental responsibility | Environmental Policy, Charter of Ethics | ● EN2 ● EN5 ● EN6 ◐ EN7 ● EN10 ◐ EN13 ◐ EN14 | ● EN18 ● EN21 ● EN22 ● EN26 ◐ EN27 ● EN30 | ● EV1 ● EV2 ● EV3 ● EV4 ● EV11 ● EV16 ● EV17 | ● EV23 ◐ EV24 ◐ EV26 ◐ EV27 | 85~87, 92~95 |
| | 9. Businesses should encourage the development and diffusion of environmentally friendly technologies | Environmental Vision, Environmental Policy, Charter of Ethics | ● EN2 ● EN5 ● EN6 ◐ EN7 | ● EN10 ● EN18 ● EN26 ◐ EN27 | ● EV4 ● EV5 ● EV11 ● EV18 | ● EV23 ◐ EV24 | 92~96 |
| | 10. Businesses should work against all forms of corruption, including extortion and bribery | Code of Ethics (Articles 6 and 8), Code of Conduct (Chapter 3), Participation in BEST forum's CEO's pledge | ● SO2 ● SO3 ● SO4 | | ● CO5 ● EM25 ● EM26 | | 54, 55 |



Economic Achievement of EWP

02 Growth Potential



Star | EWP is a genuine “star” that glows with innovation and creative management despite all the difficulties that the current energy market poses.

Employees



Shareholders/Investors



Affiliates/
Small and Medium
Enterprises



People,
Local Community,
NGOs



Power generation
Companies (GENCOs)



Governments/
Regulators, Experts



In 2007, EWP enjoyed a number of positive sustainability results. For example, the company completed the construction of the Dangjin Thermal Power Plant Unit 7, installed a tidal power generation device at Uldolmok, and signed a 9.8% share acquisition agreement with Cockatoo of Australia. Chapter 2 covers its economic achievements in terms of changes and challenges, new market developments and new growth engines, value creation, and the distribution of profits. Every EWP stakeholder is interested in the creation of economic value. In this chapter, the company will outline such matters as its financial performance, financial structure, innovations, new and renewable energy businesses, and R&D.

Disclosure on Management Approach Economic Performance Management Structure



Vision and Strategy

EWP's vision is to create the best energy value as a world-class power generation company. In order to bring this goal to fruition, the company has established a mid- to long-term strategy called "Excellence 2020." In line with this, EWP will enhance its competitive advantages by reforming its business structure, create new growth engines by diversifying its businesses, and support the implementation of the strategy by establishing a global management system.

Key Tasks

- Maintaining stable operational profit ratio by increasing sales and cutting costs
- Improving soundness of financial structure
- Creating indirect economic benefits
- Enhancing transparency of management and accounting information
- Increasing quality of products and processes
- Discovering new growth engines by promoting creative management

Organizations



Sustainability in the Economic Area

Positives

- Relatively stable growth in electricity demand
- Successful management innovations
- Expansion into off-shore markets and overseas resources development
- Sound financial structure backed by healthy credit ratings
- Transparent information disclosure system
- Government support for new and renewable energy businesses
- Highly efficient generating facilities and operating technologies

Key Issues

| | |
|----------------------------------|-------|
| Financial performance | ★★★★ |
| New developments and investments | ★★★★ |
| Organizational innovation | ★★★★ |
| Market competition | ★★★☆☆ |
| Transparent accounting | ★★★☆☆ |

The number of stars signifies the importance of an issue. Among the key issues derived from the "IPS Materiality Test Model™," the following are to be reported to stakeholders with priority. ★★★★★ means Very Highly Important and ★★★ means Highly Important.

2007 Economic Achievements

2007. 06
- Introduced dedicated 170,000-ton ship and put into port at Dangjin Thermal Power Plant
 - Constructed PV generation facility at Sancheong Pumped-Storage Power Plant
 - Commenced commercial operation of Dangjin Thermal Power Plant Unit 7
- 11
- Use of domestic anthracite coal exceeded 10 million tons at Donghae Thermal Power Plant
 - Selected as Excellent Company for Product Quality
 - Signed agreement on new and renewable energy development with city of Donghae
 - Took out ownership stake in Cockatoo of Australia
- 12
- Commenced commercial operation of Dangjin Thermal Power Plant Unit 8

Negative

- Pressure of cost increases due to hikes in fuel expenses
- Accelerated competition among GENCOs
- Electricity purchase price paid by KEPCO lower than rate of return
- Limits on growth due to concentration within domestic market
- Increase in environment management expenses following implementation of climate change
- Entrance of private-sector players into power generation industry
- Low brand awareness

Does EWP have a Structure for Stable Economic Growth?

Creation and Distribution of Profits ★★

EWP enjoyed a net profit for four consecutive years after its inception in 2001. However, the construction of the Dangjin Thermal Power Plant Units 5 to 8 and surges in the cost of bituminous coal and oil reduced the company's operating and net profits for three years after that. Its financial performance in 2006 and 2007 showed an increase in revenues but a continuing drop in net profit, largely because depreciation costs skyrocketed immediately after the construction of a new power plant. The following chart shows financial highlights over the past five years.

| Financial Highlights | | | | | |
|-------------------------|-------------------------|---------|---------|---------|---------|
| | (Units: KRW billion, %) | | | | |
| Classification | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenue | 1,918.2 | 2,073.0 | 2,175.3 | 2,575.4 | 2,892.2 |
| Operating profit | 226.5 | 153.7 | 138.5 | 94.7 | 105.3 |
| Net profit | 91.0 | 94.2 | 102.4 | 45.7 | 33.8 |
| Assets | 4,046.3 | 4,069.9 | 4,459.9 | 4,512.1 | 4,734.7 |
| Liabilities | 1,616.5 | 1,597.6 | 1,889.6 | 1,945.0 | 2,149.3 |
| Capital | 2,429.7 | 2,472.3 | 2,570.3 | 2,567.1 | 2,585.4 |
| Debt ratio | 66.5 | 64.6 | 73.5 | 75.8 | 83.1 |
| National taxes | 95.4 | 45.2 | 38.4 | 53.3 | 59.7 |
| Local taxes | 6.3 | 6.7 | 8.0 | 10.5 | 10.8 |
| Dividends | 33.8 | 25.5 | 35.4 | 17.6 | 13.5 |
| Dividend per share(KRW) | 550 | 415 | 575 | 286 | 220 |
| S&P credit rating | BBB+ | A- | A- | A- | A- |
| Moody's credit rating | A3 | A3 | A2 | A1 | A1 |

Profitability at EWP

In order to understand EWP's profit position when freed from the influence of depreciation costs, it is necessary to compare its earnings before interest, taxes, depreciation and amortization (EBITDA) margin with that of its major competitors. When this is done, it will be seen that the company falls short of the average of other industry players. The major reason for this is that the profit potential of units 1 to 6 at the Ulsan Thermal Power Plant is steadily deteriorating because of their age.

Distribution of Revenues

EWP's revenues are used to pay local and national taxes and are disbursed among its employees, suppliers, shareholders, and creditors. A portion of the company's revenues is also spent on social contributions. This creates indirect economic benefits in the form of social development, job creation, and educational supports (including scholarships).

| EBITDA Margin | | | |
|-----------------------|-----------|-------|-------|
| | (Unit: %) | | |
| Classification | 2005 | 2006 | 2007 |
| Korea East-West Power | 21.74 | 19.11 | 18.53 |
| Competitors' average | 22.84 | 19.56 | 19.95 |

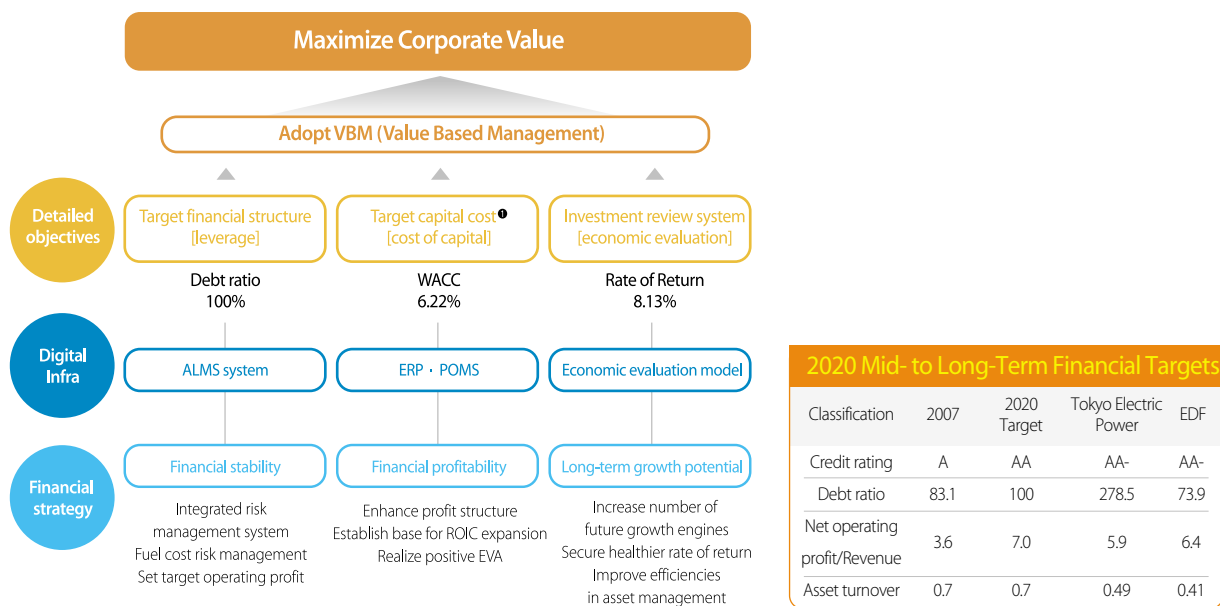
| Distribution of Revenues | | | |
|----------------------------------------|---------------------|---------|---------|
| | (Unit: KRW billion) | | |
| Classification | 2005 | 2006 | 2007 |
| Revenues | 2,231.2 | 2,653.9 | 2,923.3 |
| Employees | 128.6 | 141.9 | 146.3 |
| Suppliers | 1,521.8 | 1,890.1 | 2,147.8 |
| Facility suppliers (depreciation cost) | 334.4 | 397.4 | 430.4 |
| Creditors | 59.7 | 66.1 | 75.6 |
| Governments (national and local taxes) | 46.4 | 63.8 | 70.5 |
| Shareholders (dividends) | 35.4 | 17.6 | 13.5 |
| Other | 37.9 | 38.9 | 18.9 |
| Retained earnings | 67.0 | 38.1 | 20.3 |

Maintaining Sound Financial Structure



2020 Mid- to Long-term Financial Strategy

EWP established its mid- to long-term financial strategy in December 2005. This strategy took both internal and external environment changes into consideration and has been reworked annually in the light of emerging management conditions, although the initial goals regarding profitability, stability, and growth remain as fixed guidelines. This strategy (please see diagram), which is in turn based on the government's Third Electricity Supply Plan, includes the re-establishment of a relevant debt ratio, calculations of the cost of equity, cash flow improvements using a new business economic evaluation model, and the adoption of a Value-Based Management (VBM) system.



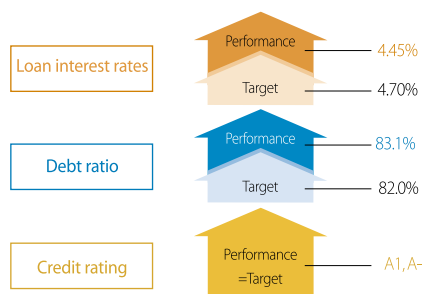
① Set 2007 debt ratio target | 2006 debt ratio: 75.8%, 2007 debt ratio target: 82%

After the revision of the Electricity Business Act, KEPCO's transmission access facilities were acquired by the GENCOs. As a result, EWP's long-term accounts payable rose by KRW 278 billion, driving up the debt ratio target by 6.2%.

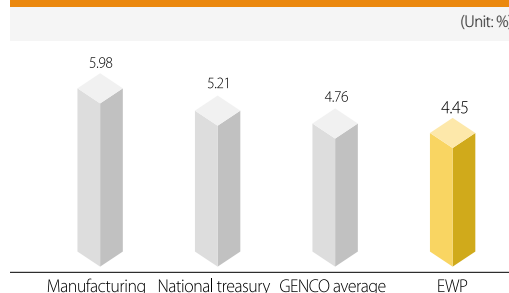
Effective Management of Borrowings

EWP enjoyed the lowest borrowing rate among all the GENCOs for four consecutive years (5.09% → 4.30% → 4.38% → 4.45%) because of its corporate funding strategy. This reduced funding costs by fulfilling short-term working capital needs through foreign currency financing (the Japanese yen) while mitigating foreign exchange risks through derivatives transactions.

3 Financial Soundness Targets and Performance



Lowest Average for 4 Consecutive Years



※ Data: Balance sheets of each GENCO

Creation of Indirect Economic Benefits ★★☆☆

Strengthening Ties with Local Communities to Revitalize Their Economies

To satisfy the cultural needs of people living near its power plants, EWP carries out corporate Mecenat activities in consultation with local cultural groups. The Dangjin Thermal Power Plant hosts a Peace Festival, movie screenings, and environmental education sessions, the Ulsan Thermal Power Plant sponsors the Cheoyong Cultural Festival and operates an Electricity Energy Pavilion, and the Sancheong Pumped-Storage Power Plant supports youth education and promotes local culture by hosting a student culture day and supplying folk music instruments.

Promoting Economic Revitalization Adjacent to Power Plants

EWP supports communities near its power plants to help stimulate electric source development. It does this by helping people to understand the electricity industry and contributing to a stable power supply. In order to help revitalize local economies, the company enhances its relationship with local residents by creating jobs and providing scholarship to low-income households.

| Promoting Economic Revitalization Around Power Plants | | | | |
|-----------------------------------------------------------------------------------------------|---------|--------------|--------------|---------------------------------|
| Major items | 2005 | 2006 | 2007 | Remark |
| • Create cleaning, security, and construction site jobs for local residents | 419,074 | 242,927 | 87,000 | Decrease in construction volume |
| • Purchases of construction/labor/materials from local companies (KRW billion) | 12.9 | 19.3 | 15.4 | |
| • Dealing with such problems as low incomes, inadequate public facilities, etc. (KRW billion) | 19.0 | 5.1 | 6.7 | |
| • Tax payments to local governments (KRW billion) | 5.70 | 8.6 | 8.8 | |
| • Scholarships to low-income students (KRW billion/capita) | 0.44 | 0.75 (1,880) | 0.87 (2,053) | |

※ In addition, applicants from communities adjacent to the company's power plants are preferred candidates for hiring.

Creating Brand Value (Corporate Image and Reputation)

There is no competition at the retail level in Korea's electricity market, so consumers cannot choose their provider. Since EWP sells most of its electricity to KEPCO, which then sells it to individual end-users, the company does not have any brand value in this market structure. However, EWP has been implementing activities to enhance its brand image to prepare for a time when end-users will have a choice. Activities carried out in 2007 include media PR, social contribution activities, and publishing a sustainability report.

To further its advantage in a future electricity market that is opened to competition, EWP is working with marketing experts to come up with an attractive CI and brand name.

| Activities to Enhance Brand Image | | | |
|----------------------------------------------------------|---------|---------|---------|
| Classification | 2005 | 2006 | 2007 |
| PR expenses (KRW 1,000) | 588,230 | 855,597 | 606,317 |
| Annual per capita social contribution activities (hours) | 16 | 16 | 17 |
| No. of social contribution volunteers (persons) | 1,984 | 2,069 | 2,152 |
| Media coverage (times) | 356 | 366 | 451 |

Does EWP Pursue Future-Oriented Change Through Innovation Management?

Vision and Objectives of Innovation ★★ ★

EWP tries to realize its corporate vision through innovative management, fulfilling its responsibilities as a public enterprise, and contributing to the national economic development. It has established an innovation objective called “Global, Green, Great Company of Creativity and Innovation” and promotes innovation activities in terms of Products, Processes, and People as a means of achieving its operational targets and vision. Innovation strategies for accomplishing its targets are prepared according to the four viewpoints of the BSC (Balanced Score Card). This helps the company to maintain a balance between its roles as a profit-oriented enterprise and a public institution.

Company vision

Creating the Best Energy Value as a World-Class Power Generation Company



Innovation objective

Becoming a Global, Green, Great Company through Creativity and Innovation

Key values

Creative spirit

Innovation-oriented mindset

Environmentally friendly

Ethical

Respectful of people

Innovation strategy /task

Future-oriented management

- Environmentally friendly management
- Cultivation of core talents
- Advancement into off-shore markets
- Development of new and renewable energy

Development of advanced corporate culture

- Insistence on ethical management
- Cooperative labor-management relationship
- Development of innovation culture
- 3P balanced innovation

Customer-oriented management

- Stable power supply
- Mutually beneficial relationships with SMEs
- Customer satisfaction management
- Social contributions management

Performance-centered management

- Improving management efficiency
- Improving management transparency
- Improving ways of working
- Improving service quality

Education/Growth

process

Customers

Finance

Innovation infrastructure

Leadership

- Suggest vision/strategy
- Sponsorship

Innovation capabilities

- Sustainability Management Committee
- Change Manager
- Junior Board

Culture/Institution

- Spread performance-centered culture
- Evaluation and compensation system

IT system

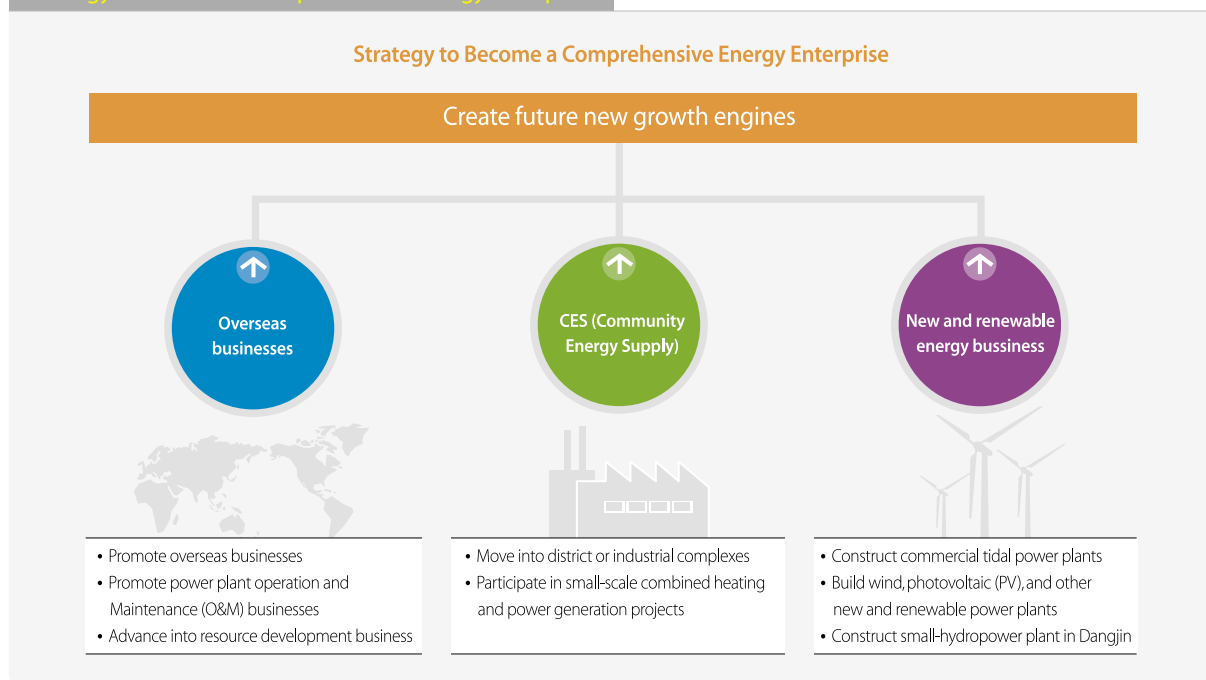
- KMS
- BSC system
- 6σ system

What is EWP's New-Market Creation Strategy to Develop Future New Growth Engines?

Strategy for Creative Management ★★ ★

While always retaining the generation business as its main pillar, EWP is building an enlarged business portfolio in its role as a comprehensive energy enterprise. This includes its domestic and overseas power businesses, overseas resource development, and new and renewable energy businesses. The Business Development Team of the Planning Department and the New and Renewable Energy Team of the Technology Planning Office are jointly charged with uncovering promising new domestic and overseas operating areas and new and renewable energy businesses.

Strategy to Become a Comprehensive Energy Enterprise



New and Renewable Energy Business

EWP signed a "new and renewable energy supply agreement" with the central government featuring KRW 246 billion in investments by 2008 for the development of 56,000kW of new and renewable energy facilities. Since the company plans to supply 7% of its total energy from new and renewable energy sources, it has laid out a mid- to long-term plan to develop a new and renewable energy facility that will generate 809,000kW of power.

Off-Shore Businesses

EWP is leveraging its many year of experience in power plant construction and operations to advance into overseas markets. This includes a coal thermal power generation pilot operation project in Chile and a combined-cycle power plant in Benin. To stabilize its fuel supply sources, the company and KEPCO successfully acquired shares in Cockatoo, an Australian coal mining company, in December 2007 and also won guaranteed rights to 2 million tons of bituminous coal.

Domestic Community Energy Supply (CES) Business

EWP qualified as a CES supplier for the Seongmun National Industrial Complex, the Ulsan u-City, and the Songjeong district, and will begin commercial operations after 2012. This will be a comprehensive energy business that provides power, heating, and cooling.

Transparent Management of EWP

03 Good Practices



Beacon | By placing honest and transparent operations at the pinnacle of its “values chain,” EWP will become a beacon of ethical management.

Employees



Shareholders/Investors



Affiliates/
Small and Medium
Enterprises



People/
Local Community/
NGOs



Power Generation
Companies (GENCOs)



Governments/
Regulators/Experts



Ethical management is used to mean combating illegal activities like corruption and dubious accounting practices. Now, however, its meaning has been extended to include complying with statutory requirements and fulfilling ethical roles that meet societal expectations. As a result, ethical management is no longer a means of dealing with internal malfeasance or a trendy management methodology; instead, it is a critical determinant of corporate sustainability. Chapter 3 covers EWP’s efforts for practicing ethical management. The company’s goal is to develop a transparent corporate culture that will meet and satisfy the ethical standards of its all stakeholders.

Disclosure on Management Approach Social Achievements (Shareholder) Management Structure



Vision and Strategy

EWP intends to enrich both its shareholders and the larger society through the development of a transparent corporate structure. It pursues clear and open management operations through a fair executive appointment process and an equitable compensation structure.

Key Tasks

- Developing transparent corporate governance
- Active participation of outside directors in Board of Director activities
- Fair and open hiring and evaluations of executives
- Maintaining dividend policy that balances short-term shareholder's profits with long-term corporate values

Key Issues

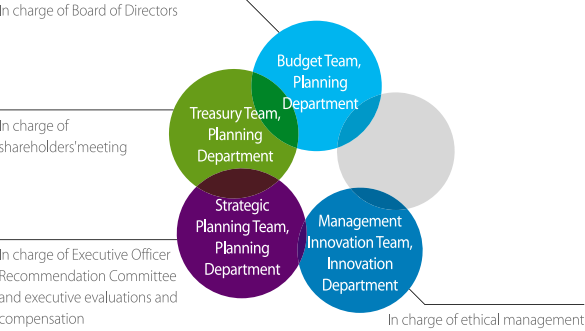
| | |
|---------------------------|-----|
| Ethical management | ★★★ |
| Top management leadership | ★★★ |
| Governance structure | ★★☆ |

The number of stars reflects the relative importance of an issue. Among the key issues derived by the "IPS Materiality Test Model™", these are to be reported to stakeholders with priority. ★★★ means Very Highly Important and ★★ means Highly Important.

Sustainability in the Social Area

| Positive | Negative |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Establishment of a transparent executive selection process• Fair and equitable executive compensation structure• Meaningful participation of outside directors in Board of Directors activities | <ul style="list-style-type: none">• Sole shareholder (100% of shares owned by KEPCO)• Board of Directors not sufficiently diverse to represent interests of all stakeholders• Governance structure similar to that of other GENCOs' |

Organizations



2007 Economic Achievements

2007. 05 • Signed executive integrity pacts

What Measures does EWP have to Guarantee the Transparency of its Governance Structure?

Transparent Governance Structure ★★ ★

Corporate Governance Structure

Korea East-West Power, Co., Ltd. (EWP) was spun off from the Korea Electric Power Corporation (KEPCO) on April 2, 2001 in accordance with the Korea Power Industry Restructuring Act. The company's total number of shares stands at 61.48 million. Paid-in capital is worth KRW 307.4 billion, with KEPCO holding 100% of its shares.

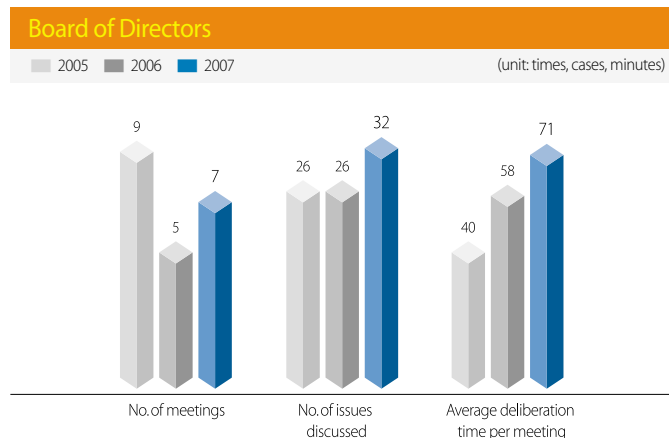
Structure of Board of Directors

EWP's Board of Directors is composed of both executive (inside) directors and non-executive (outside) directors, as per the dictates of the Korean Commercial Law and the company's own articles of incorporation. It is currently composed of three executive (inside) directors—including the president, who functions as its chairperson—and four non-executive (outside) directors. EWP ensures the transparency of its BOD activities by forbidding directors to vote on issues in which they hold a personal interest.

In order to prevent the Board of Directors from merely meeting statutory requirements, EWP guarantees the independence and expertise of outside directors so that they can make truly meaningful decisions. As part of these efforts, the company has constructed a Web page so that outside directors can easily access management information and reflects their advice in its mid- to long-term strategies and management policies. By providing expert and objective opinions on such issues as the management of foreign exchange rate changes, managing risk for raw materials, labor-management relations, and the central government's industrial policies and economic forecasts, EWP's outside directors play a pivotal role in enhancing the company's competitiveness.

EWP's Preliminary Agenda Review System is designed to help outside directors review management issues and express their opinions on them. Notice of matters to be discussed by the Board is given seven days prior to a meeting, with explanations being provided three days in advance. In addition, the company gives its directors tours of its facilities, provides them with information to augment their understanding of the generation industry, and offers them the opportunity to present special lectures and propose policies.

EWP held seven Board of Directors meetings in 2007, with a 100% attendance rate. Major issues dealt with included the basic construction plan of the Dangjin Thermal Power Site Division Units 9 and 10, financing the company's investment in the Cockatoo operation in Australia, and the basic construction plan for a fuel cell generation facility at the Ilsan Combined-Cycle Power Plant. For further details, please refer to the company's Web page, www.ewp.co.kr.



Ethical Management has Become an “Essential,” Not an “Option.” How is EWP Practicing it?

Organizations and Activities Tasked with Promoting Ethical Management ★★★

Sustainability Management Committee

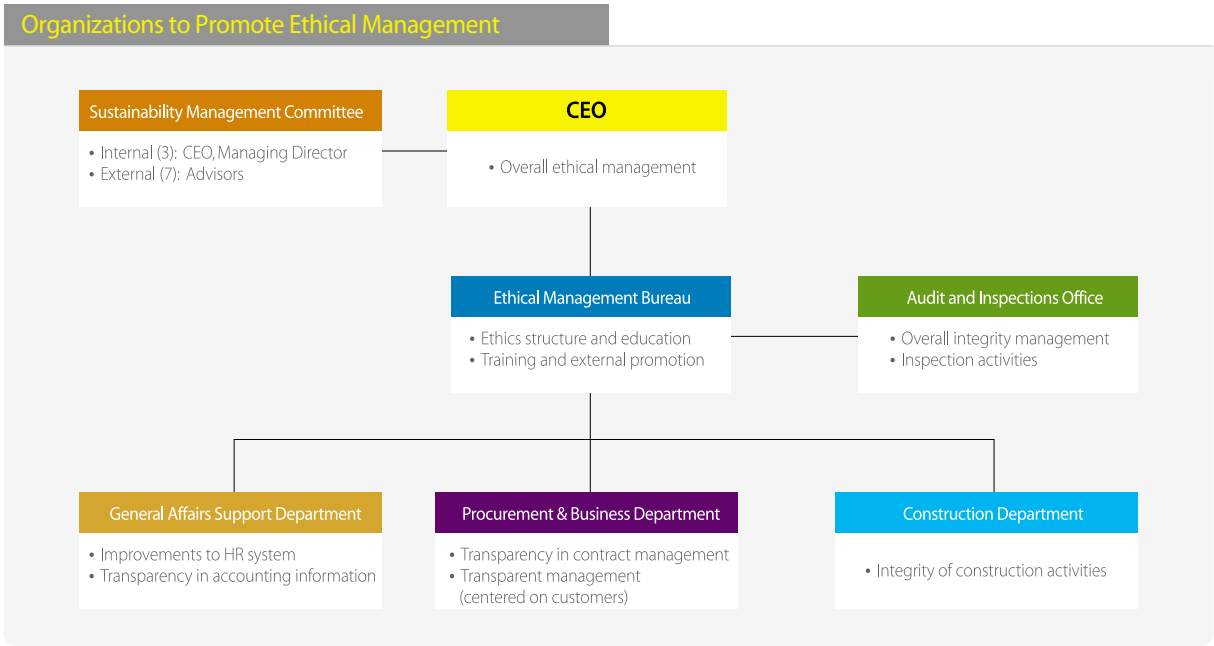
This is a senior-level management advisory entity that combines the functions and roles of two committees. One is the Corporate Ethics Committee, which was established in November 2002 to manage and make decisions related to ethical management; the other is the Open Management Innovation Committee, which was created in February 2005 to offer advice on management changes and innovation strategies. Composed of standing directors and seven external members with expertise in the environment, labor-management relations, and other areas, its primary function is to invite and receive feedback from both inside and outside the company.

Ethical Management Bureau

The Ethical Management Bureau, which operates under the direct control of the CEO, is tasked with the company’s overall ethical management practices. It consists of eight members, including team managers, managers, and the head of the bureau, who is also the leader of the Planning Department. Its major tasks are to establish detailed action plans for the practice and evaluation of the company’s ethical awareness activities and to collect feedback on their implementation. This allows the bureau to determine which practices need to be improved and outline improvements.

Audit and Inspection Office and Officer of Ethical Code of Conduct

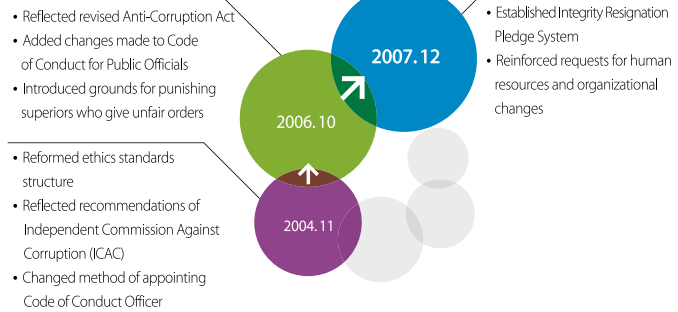
The Audit and Inspection Office’s mandate is to establish a system to counter unethical behavior and provide training in combating corruption, audits, and internal reporting. In line with the company’s organizational regulations, departments at its headquarters supervise work related to relevant areas, such as HR, accounting, customers, and so on. Officers of Ethical Code of Conduct, who work at the headquarters and each business site, provide training and advice on ethical management to the company’s employees, deal with reports of misconduct, and protect employees from unfair treatment. They also offer advice on problems of an ethical nature that employees may face on the job.



Ethical Self-Awareness Campaign ★★ ★

Ethical management principles are integral to EWP's management activities and its vision of creating the best energy value as a world-class power generation company. The company also runs self-awareness campaigns to encourage its employees to practice ethical behavior. In addition, its ethics management promotion structure focuses on improving ethical values, heightening integrity in the workplace, and enhancing customer satisfaction in all areas: economic, social, and environmental.

Revision of Ethics Standards



Whistle Blowing

EWP's Sinmungo reporting system for unethical behavior and malfeasance can be accessed by any employee or stakeholder. In addition, there is a helpline that provides advice and solutions regarding work processes and ethical problems. In 2007, twenty reports were made and four consultations were requested.

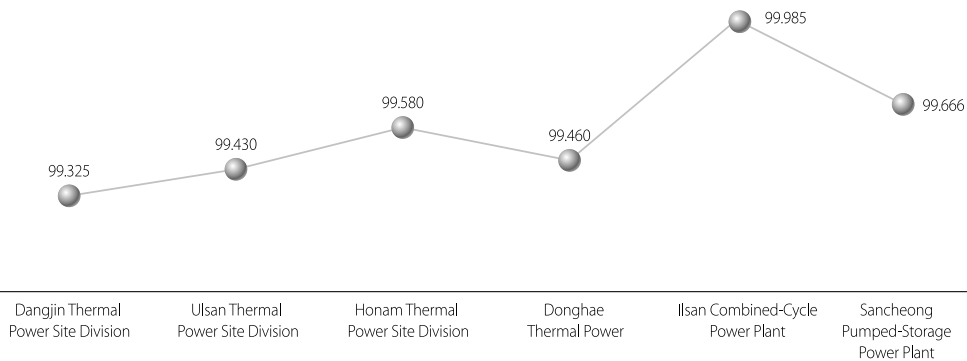
Monitoring and Feedback

In 2007, the company developed an EWP ethical management index (EWP-EMIX) in the belief that there can be no improvements without evaluations. It is used to measure the implementation of the company's ethics practices program and suggest room for improvement. It allows for a precise understanding of the current status of the program and provides a framework for external evaluations and comparisons.

※ EWP-EMIX: An acronym for "EWP's Ethics Management Index," this is used to promote ethical management at EWP.

EWP-EMIX Results for 2007

(Unit: Point)











04 Working Together



Running Mates | EWP and its employees use communications to build a stronger and more harmonious relationship.

| | | |
|------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employees |  | <p>Have you heard the term “pacemaker?” A pacemaker is someone who stands beside another person who is facing difficulties and fills him or her with positive thoughts and encouragement. For long-distance races such as marathons, every runner needs a pacemaker. The same concept applies to labor and management, since both parties are facing in the same direction and running toward the same vision. The growth of individuals leads to improvements in the companies they work for, and in turn enhanced corporate achievements are distributed as compensation to their employees. Chapter 4 covers EWP’s relationship with its workers, outlining a company that welcomes differences but prohibits discriminatory practices, promotes new growth by upgrading the capabilities of its employees, and builds a happier and safer workplace through positive labor-management relations.</p> |
| Shareholders/Investors |  | |
| Affiliates/ Small and Medium Enterprises |  | |
| People, Local Community, NGOs |  | |
| Power Generation Companies (GEMCOs) |  | |
| Governments/ Regulators/Experts |  | |

Disclosure on Management Approach Social Achievements (Employee) Management Structure



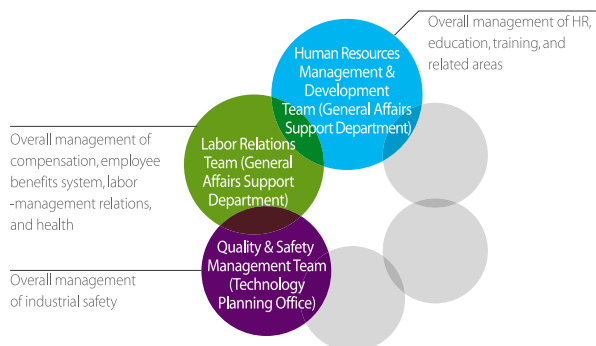
Vision

EWP has established cutting-edge HR, educational, employee benefits, and labor-management policies to further its goal of cultivating globally-oriented experts who will become future leaders of the power generation industry. The company's mid- to long-term master plan includes fair evaluations and a pay scale that reflects individual capabilities and performances, training that leads to the successful implementation of management strategies and enhances the social value of each employee, and the development of an employee benefits system leading to an ameliorated work-life balance. EWP strives to provide its workers with a high-quality working environment while guaranteeing their basic constitutional rights and attempting to maximize its own value and that of every employee.

Key Tasks

- Pursue people-oriented management
- Pursue sustainable growth through stable labor-management relations
- Nurture human resources
- Strive for better work-life balance
- Stress employee safety

Organizations



Key Issues

| | |
|-----------------------------------------------------|-----|
| Employee benefits system (including wages) | ★★★ |
| Development of human resources | ★★★ |
| Labor-management relations Combating discrimination | ★★★ |
| Family-friendly management | ★★☆ |
| Corporate culture (creativity) | ★★☆ |
| Better work-life balance | ★★☆ |
| Fair compensation structure | ★★☆ |
| Respect for privacy | ★★☆ |

The number of stars signifies the importance of an issue. Among the key issues derived by the TIPS Materiality Test Model™, these ones are to be reported to stakeholders with priority. ★★★ means Very Highly Important and ★★ means Highly Important.

2007 Achievements

| Classification | 2006 | 2007 |
|--------------------------------------------------------------|------|-------|
| Education and training hours per employee (hours/per capita) | 82.7 | 109.6 |
| Education and training expenses to revenue (%) | 0.19 | 0.21 |
| Work satisfaction (WLB index) | 69.7 | 69.9 |
| No. of labor-management disputes (cases) | 1 | – |
| No. of industrial accidents (cases) | – | – |

Sustainability of Social Area (Employees)

Positive

- Improved satisfaction level of internal customers (i.e., employees)
- Stable labor-management relations after strike by Korean Power Plant Industry Union in 2006
- Establishment of cutting-edge human resources training system

Negative

- Lack of communications due to barriers among job areas
- Lowered work capabilities due to increased number of new hires
- Different interests of shift and regular workers

Is EWP Forming a Corporate Culture that Encourages Respect and Combats Discrimination?

Human Resources Operations for Social Equity ★★☆☆

Equity is a key element of EWP's human resource management, and the company has implemented all the central government's policies regarding gender equality, the employment of local citizens, patriots, veterans, and their families, with their number surpassing statutory requirements. The company also guarantees equal opportunities for women and the physically-challenged.

Gender Equality

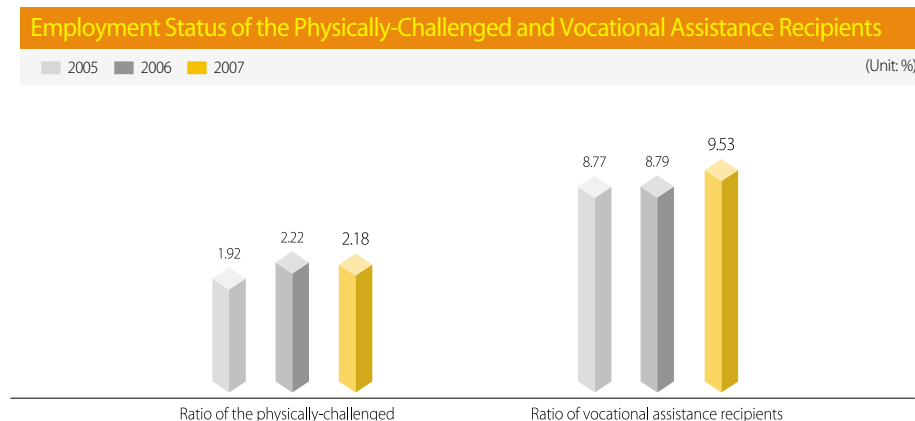
EWP does not discriminate in terms of employment, promotions, wages, or other areas on the basis of gender. The company is increasing its ratio of female workers by applying a quota system; as a result, in 2007, 7.39% of its total workers were female and about 17.96% of the workers hired were female. To create a totally gender-equal workplace, EWP hired an outside agency to provide leadership training to female executives and offered them in-house training. Other steps that the company is taking to establish a female-friendly working environment include installing maternity protection facilities, paying "baby bonuses," and offering female workers a three-month paid maternity leave and a one-year temporary rest period.

| Status of Female Workers | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|
| Classification | 2003 | 2004 | 2005 | 2006 | 2007 |
| No. of female workers (persons) | 94 | 113 | 125 | 139 | 159 |
| Female worker ratio (%) | 5.12 | 5.87 | 6.30 | 6.71 | 7.39 |
| Female worker employment ratio (%) | 11.94 | 14.29 | 15.73 | 11.38 | 17.69 |

※ Standard: Level 5~6 employees

Increasing Employment of the Physically-Challenged and Vocational Assistance Recipients

EWP's ratio of physically-challenged workers has now surpassed the mandatory 2% level of the Employment Promotion Act for the Disabled and the Vocational Rehabilitation Act. Pursuant to the Act on the Treatment and Support of Persons Who Have Made Distinguished Services to the State, the company has established an employment quota and added extra points for such candidates; as a result, 9.53% of its employees are vocational assistance recipients. The company also sets aside special commemoration days for these workers and grants them special paid leaves.



※ Although preferential employment opportunities were offered to the physically-challenged in 2007, there were no applicants.

What Efforts is EWP Making to Build Mutual Trust Between Labor Union and Management?

Compliance with Labor-Related Regulations ★★☆☆

Prevention of Discrimination

Decisions regarding employment at EWP are made regardless of gender, age, academic background, region of birth, and other variables, meaning that workers are hired solely on the basis of their abilities. If discrimination is alleged to have taken place, requests for corrective action can be submitted directly to the CEO and management through the company's CEO direct reporting system and Sinmungo petitioning system. EWP continuously monitors its practices regarding promotions, assignment changes, and other HR issues. In 2007, EWP scored 3.2 out of 5.0 for the fairness of its HR management practices.

Freedom of Association

EWP complies with Korea's Labor Standards Act, the Trade Union and Labor Relations Adjustment Act, all ILO (International Labor Organization) agreements, and the principles of the UN Global Compact. It guarantees all workers the rights of assembly, collective bargaining, and collective action, and has signed a collective agreement with its union. Except for those who are exempted for statutory reasons, all employees must join the union upon being hired.

Prohibition of Child Labor and Forced Labor

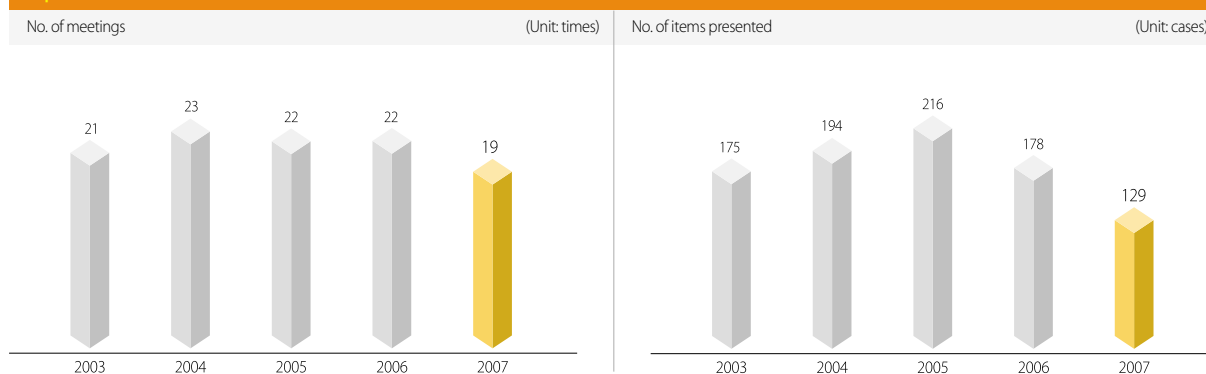
Pursuant to Articles 64 and 70 of Korea's Labor Standards Act, EWP does not employ workers under the age of 15. Every new employee must sign a work agreement with the company, and its rules of employment in this area apply to all workers.

Labor Union Status and Labor Relations Policy ★★☆☆

Process of Providing Information to Employees and Consulting with Them at Times of Corporate Operational Changes

According to the Act on the Promotion of Workers' Participation and Cooperation, EWP has established labor relations committees comprised of representatives of management and labor on both the corporate and the plant site levels. These committees are composed of an equal number of members from labor and management. Once or more every quarter, they meet to discuss ways to improve employee welfare and productivity and further information exchanges and communications. By hosting on-site information sessions on a regular basis, EWP helps its employees to understand the management status of the company.

Operation of HQ and Plant Site Labor Relations Committees



Creating a Better Working Condition



Compliance Status of Employee-Related Laws

EWP is in compliance with all Korean labor laws concerning the employment of women, people with disabilities, and vocational assistance recipients.

| Compliance Status of Employee-Related Laws | | | | | | | | |
|--------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------|-----------------------|------------------|------|-----------------------|------------------|------|
| Classification | Statute | Regulation | 2006 | | | 2007 | | |
| | | | Statutory requirement | Industry average | EWP | Statutory requirement | Industry average | EWP |
| Females | Act on Equal Employment of Women | 60% or more of industry average | 4.70 | 7.83 | 6.71 | 4.38 | 7.30 | 7.39 |
| People with disabilities | Employment Promotions Act for the Disabled and Vocational Rehabilitation Act | 2% or more of total employees | 1.70 | – | 2.22 | 1.90 | – | 2.18 |
| Vocational Assistance Recipients | Act on the Treatment and Support of Persons Who Have Made Distinguished Services to the State | 9% or more of total employees | – | – | 8.79 | – | – | 9.53 |

Reporting Process for Unfair Labor Activities

Article 9 of EWP's collective agreement states that "The Company shall guarantee unrestricted union activities to all members of the labor union, shall not interfere with or influence union activities under any circumstances, and will not treat people unfairly on these grounds," while Article 10 declares that "When the labor union requests that the company apply disciplinary action to persons who carry out unfair labor activities, the company shall notify the union of the results within 60 days." From 2006 to 2007, no requests for disciplinary action for unfair labor practices were made by the union. In addition, the National Labor Relations Commission on Trade Unions reported no cases of unfair labor practices pursuant to the Labor Disputes Adjustment Act.

Involuntary Leave-Taking

Involuntary leave-taking only occurs after all disciplinary procedures have taken place and apply when the employment of a worker cannot be maintained for cause (e.g., when a worker is sentenced to imprisonment for a criminal offense). However, in the case of an involuntary displacement due to unavoidable factors on the company's side, mutual consent between labor and management must be given. EWP also grants a thirty-day grace period so that retirees can have time to adjust to their new lifestyles.

Labor Dispute

On September 3, 2006, the Korean Power Plant Industry Union went on strike in the midst of National Labor Relations Commission mediation efforts. Although all the GENCOs, including EWP, and the labor union had conducted fourteen rounds of working-level negotiations and four meetings of collective bargaining towards the renewal of the collective agreement, the two parties failed to overcome their differences on seven key requests by the union. The parties then declared a rupture and asked for arbitration. The National Labor Relations Commission's proposal was rejected by the union, and a 15-hour strike ensued. After that, EWP and the union concluded their 2006 wage and collective agreement bargaining under compulsory arbitration by the Commission. Since then, both labor and management have tried to keep their relationship positive and peaceful, culminating in the signing of a voluntary wage agreement on November 15, 2007.

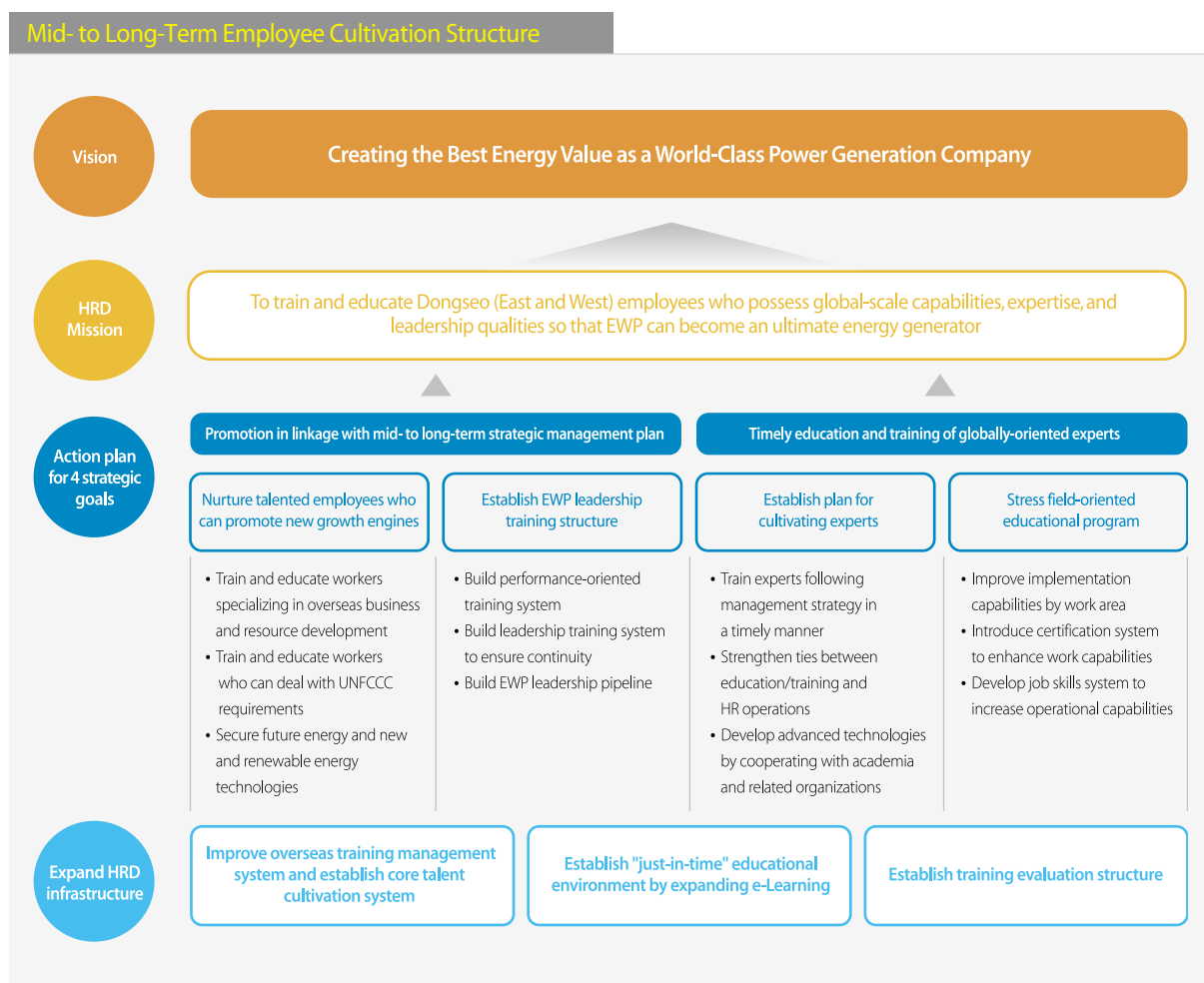
Is EWP Cultivating Talented Employees so that Their Growth Converts to Corporate Development ?

Educational Training System and Structure



In order to create the best energy value as a world-class power generation company, EWP nurtures the development of globally-oriented workers who possess expertise in their jobs and a demonstrated capacity for leadership. To do so, the company has established four HRD implementation tasks in linkage with its overall management strategy and augmented its related infrastructure.

These four human resource cultivation strategies focus on nurturing human resources to promote new growth engines, establishing an internal leadership training structure, developing experts in each field of company operations, and reinforcing its on-site training programs. By accessing an internal education system, each employee can construct a self-development plan according to his or her capability diagnosis results. By focusing on the development of experts in all its field of operations, EWP will nurture human resources who can make significant contributions to its corporate value.

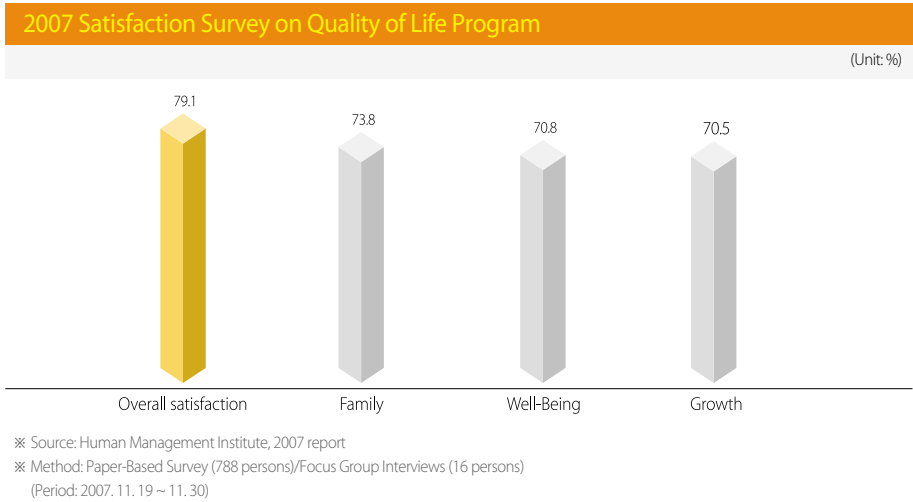


Personal Life and Work--How does EWP Achieve a Balance?

Maximizing Employee Satisfaction ★★ ★

Work-Life Balance

EWP's worker benefits programs are designed to ensure the establishment of a corporate culture that prioritizes a proper work-life balance. In addition, the company has constructed a five-year mid-term welfare plan to boost employee satisfaction. It focuses on recreation (i.e., developing a happy and desirable workplace by improving employee morale), economics (i.e., increasing the living standards of its workers), and productivity (i.e., pursuing the mutual growth of the company and its employees by focusing on productivity rather than distribution). The master plan helps EWP improve its systems and develop state-of-the-art worker benefits programs. An employee satisfaction survey is carried out every year to gather workers' opinions. By analyzing the results and reflecting them in its operations, EWP is able to enhance the satisfaction level of its employees.



Improving Employee Satisfaction

EWP supports its employees' recreational activities by offering them facilities that meet their needs. It is also committed to the gradual expansion of group-based life insurance, the designation of local nursing homes for each business location, and an expanded Employee Assistance Program to help its workers maintain healthy bodies and minds.

Employee Safety and Health Improvement System



Safety and Health Committee

In order to ensure the establishment of accident-free sites at all its business locations, EWP has formulated the following key tasks: establishing a crisis management structure, developing efficient and effective safety methods, augmenting its safety and health programs, and stressing the importance of safe work habits. These efforts include the development of a company-wide facility safety structure called TORSIM (Total Reliability Safety Innovation System) to ensure error- and accident-free operations. As a result of these efforts, the company won a KOSHA18001 certification and received a Presidential Award for Safety Management.

EWP operates a “real-time” safety management evaluation system and the previously-referenced TORSIM company-wide safety innovation program, while all employees are charged with uncovering hazardous locations. In addition, the company has introduced a voice characterization system, strengthened its fingerprint recognition facilities in restricted areas, and committed itself to overseeing the health and safety operations of its affiliates.

Sickness Prevention and Health Policies and Programs

In addition to annual statutory health exams, EWP’s employees receive a “precision diagnosis” every two years and on-site facility operators are offered special diagnostic services. In order to reduce the incidence of hazardous factors at its worksites, EWP carries out working environment evaluations and establishes appropriate countermeasures. In addition, the company supplies its workers with high-quality protective gear. It has also installed high-tech exercise and training equipment to prevent and treat chronic and musculoskeletal diseases.

Other Sickness Prevention and Health Promotion Programs

- Labor-management environmental evaluations
- Ordinary and special medical diagnoses for employees and their spouses
- Daily exercises to prevent musculoskeletal diseases
- Biannual health training
- Systematically manage patients detected
- Preparation of hearing loss prevention procedures and operation of hearing measurement facility

No. of Injured and Ill Employees and Accident Rate Due to Absences

| Classification | (Units: %, persons) | | |
|-----------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 |
| Accident rate | 0.25 | 0.05 | 0.048 |
| Type of accident | 2 deaths, 4 injuries | 3 deaths, 1 injuries | 2 deaths, 0 injuries |
| Average accident rate of electricity, gas, and water service industry | 0.24 | 0.24 | 0.20 |

※ No. of employees who suffered from occupational diseases in 2006~2007 (disease outbreak rate): (Acknowledged as industrial accident): None

Efforts to Improve Working Environment

EWP is committed to improving its working environment so that its employees are not exposed to industrial hazards. For example, a working environment evaluation, carried out by labor and management on an annual or biannual basis, is used to gauge and evaluate worksite exposure to noise, dust, and hazardous chemicals. In addition, the company contributes to a clean working environment, employee health, and improved productivity by constantly retrofitting its facilities and equipment.



Relationship with Affiliates

05 Generating Together



Bird | Just migrating geese fly in the familiar V-formation because it reduces air resistance, which conserves energy during flight by allowing the geese to glide more often, and thus fly longer distances, a positive and mutually beneficial relationship with its affiliates helps EWP contribute to the sustainable growth of the generation industry and nation's economic competitiveness.

Employees



Shareholders/Investors



**Affiliates/
Small and Medium
Enterprises**



People,
Local Community,
NGOs



Power Generation
Companies (GBNCOs)



Governments/
Regulators/Experts



Birds fly in a V-shape for a reason: the movements of the bird at the front forms an air current that helps the other ones to fly more easily, with all the birds taking turns leading the flock until they arrive at their destination. EWP and its affiliates enjoy a similar relationship, because in EWP's view affiliates are partners for success, not subordinates. Chapter 5 talks about EWP's partnerships with these companies and how these relationships promote both parties' sustainability. In particular, joint technological developments and SME supports spur the growth of both EWP and its affiliates, contributing to a stronger industry and national economy.

Disclosure on Management Approach Social Achievement (Affiliates) Management Structure



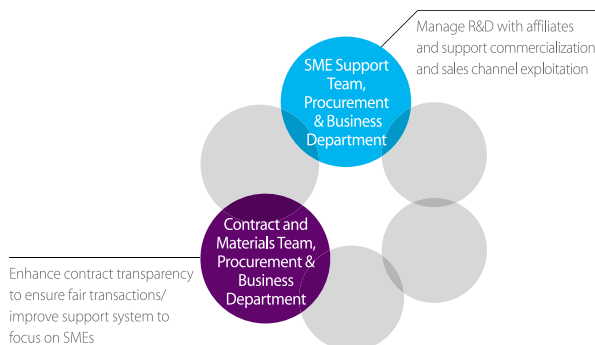
Vision and Strategy

To promote mutual prosperity with its affiliates, EWP has established a “new paradigm for SME supports” in such areas as technological development, commercialization, and sales channels development. Working in collaboration with the Council of Cooperative Small- and Medium-Sized Enterprises, which was founded to formulate supports according to each SME's needs, EWP is leading the formation of a comprehensive network that combines the best efforts of industry, academia, and the government.

Key Tasks

- Maintain mutually beneficial relationships through joint technological developments
- Seek out offshore marketing and sales channels for SMEs
- Sign contracts based on fairness and mutual prosperity
- Revise system to lower entry barriers

Organizations



Key Issues

Fair selections and trade ★★★

SME supports ★★★

Combating bribery and corruption (Integrity) ★★★

The number of stars signifies the importance of an issue. Among the key issues derived by the “IPS Materiality Test Model™”, these issues are to be reported to stakeholders with priority. ★★★ means Very Highly Important and ★★ means Highly Important.

2007 Achievements

2007. 04 • Developed electrical precipitator in collaboration with SME
10 • Signed agreement to establish affiliate support system (sPRM)
12 • Received Presidential Prize at 2007 New Technology Utilization Rally for supporting SME sales channels

| Classification | | 2005 | 2006 | 2007 |
|-------------------------------------------|---------------------------------|-------|-------|-------|
| Purchase conditional development (cases) | | 1 | 3 | 7 |
| Cooperative R&D (cases) | | 20 | 16 | 24 |
| Support for overseas channels development | Participating companies | – | 151 | 61 |
| | Orders received (\$10,000) | | 1,264 | 4,890 |
| Public purchases (KRW billion) | SME products | 110.0 | 120.0 | 140.4 |
| | New technology adapted products | 4.5 | 9.8 | 9.8 |
| | NET ^① products | 3.8 | 5.0 | 6.0 |
| Electronic contract rate (%) | | 93.8 | 99.9 | 99.6 |
| Private contract rate (%) | | 6.8 | 24.6 | 14.2 |

① NET: New Excellent Technology

Sustainability of the Social Area (Affiliates)

Positive

- Mutual prosperity with affiliates maintained by strong sense of integrity
- Support for SMEs with advantageous purchasing conditions
- Fairer contracts

Negative

- Absence of meaningful evaluation system for social and economic environment of affiliates
- Absence of support system for affiliates' social and environmental sustainable management activities
- Low purchase rate of NET (New Excellent Technology) products

What Efforts does EWP Make to Ensure the Fairness of its Contracts?

Fair Relations with Affiliates ★★ ★

Advancing Support System for Affiliates

In order to establish a corporate culture that includes its affiliates, EWP has improved its support systems in terms of policies, promoting purchases, funding, partnerships, and technological development. It has also enhanced the transparency of its contract management operations. Some concrete steps that the company has taken include stimulating purchases through an advanced notification system and advertising SME products at a New Excellent Technology products database on its Web page.

GENCOs and SMEs must grow together. The GENCOs help SMEs improve their productivity and management; in return, SMEs share their profits by reducing their costs. To help SMEs' resolve their funding problems, EWP has established an "sPRM^①" system to provide them with low-interest-rate loans. It has also contributed to the development of a corporate culture that brings together large, medium, and small enterprises by accepting six ideas to facilitate the inclusion of SMEs. In addition, the company set up a problem-solving task force in 2007 that visited eight companies and tried to resolve issues that SMEs face. Finally, an SME support system information call center has been established to provide information on SME support systems and identify and resolve issues affecting them.

Improving Transparency of Contracts Signed with Affiliates

After EWP developed an electronic bidding system to make its purchases fairer and more transparent, its rate of use neared 100%. The company has also introduced local competition bidding and improved contracting efficiency by exempting securities from the bidding.

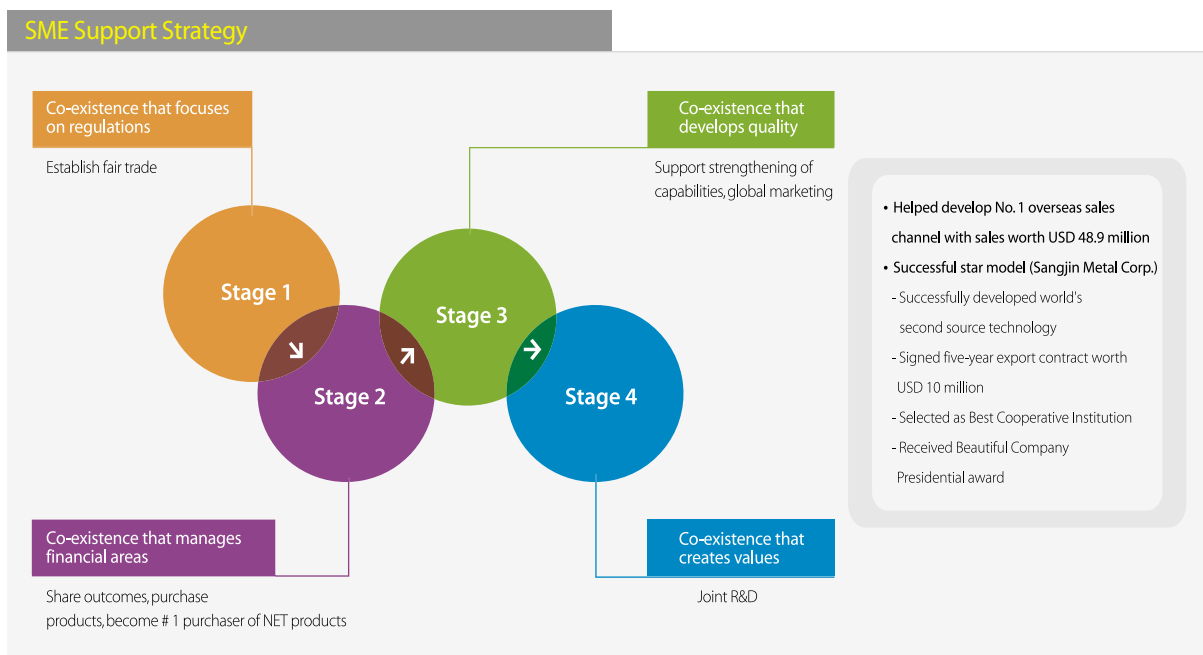
Advance purchase notice system/
Signing of sPRM cooperation agreement



① sPRM (Strategic Partner Relationship Management): The sPRM system enables company affiliates to take out bank loans at the same credit level enjoyed by EWP

Is EWP Arranging a Policy for Mutual Prosperity that will Stimulate Joint Development and Growth?

Establishing a New Paradigm for Sustainable Cooperation and Mutual Prosperity



Efforts to Ensure Mutual Prosperity with Affiliates

Under its new paradigm of sustainable cooperation and co-existence, EWP has switched from directly supporting its affiliates to helping them increase their capacities and capabilities through research and development. In addition, the company has developed a variety of policies to help SMEs deal with difficulties in terms of technology, human resources, and capital funding. For example, in 2007 the company invested KRW 5.72 billion in forty-five cases to help hone the competitive edge of SMEs. From 2005 to 2008, it sent seventeen workers to SMEs to offer them training in management and technological know-how. In addition, EWP used sPRM, network loans, and other forms of emergency funding in 2007 to support KRW 18.3 billion of financial aid for SMEs facing financial difficulties. EWP has also sponsored the development of high-quality, SME-produced products by participating in overseas exhibitions and export information sessions, resulting in USD 48.9 million worth of overseas exports.

Supporting Technology Competitiveness of SME Products

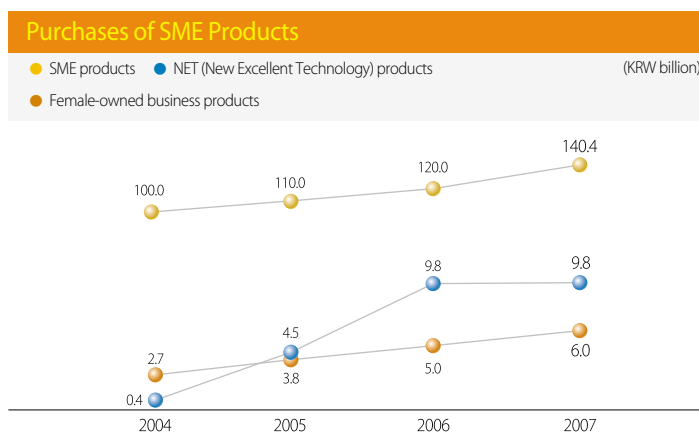
From 2004 to 2007, EWP and its SMEs worked together to promote eighty-five R&D projects worth KRW 3.59 billion, with thirty-nine being completed successfully. To replace foreign-based generation facilities and materials with their domestic equivalents, purchase-conditioned new product development projects have been put in place to assist SMEs in developing their technologies. The company also transferred eleven Industrial Property Rights to SMEs at no charge to bolster their technological competitiveness.

Supporting Commercialization of SME Products

To help SMEs expand their sales, EWP assist them in undertaking New Technology Certification tests and applying for Industrial Property Rights. The company also provides various supports to advance technological development, such as free training for generation equipment that deploys new technologies. To promote managerial innovations at SMEs, the company has helped them establish base systems for informatization, establish foreign exchange and liability management systems, and offered them management advice. By dispatching technologists to SMEs, EWP was able to learn about their complaints and difficulties in situ and tried to resolve them.

Increasing Purchases of SME Products

EWP spent KRW 140.4 billion to increase sales of high-quality SME products, including KRW 9.75 billion on NET (New Excellent Technology) products and KRW 6 billion for products made at enterprises owned by women. It also operates an SME product purchase promotion task force that is charged with enlarging their purchase base. In addition, the company has sponsored SME's participation in domestic exhibitions, hosted purchasing information sessions, and helped them with advertising.



Supporting SMEs in Developing Overseas Sales Channels

To bring its SME supports to a global level, EWP has dispatched overseas marketing development groups to South Africa, Japan, and Russia. By registering state-of-the-art export products at international exhibitions like Dubai's WETEX 2007 and the Power-Gen Europe in Madrid, EWP helped SME win orders worth USD 48.9 million.



Joint Growth with
Local Communities

06 Growing Together



House | As a member of many local communities, EWP pursues a policy of mutually beneficial development and the management of sharing

Employees



EWP views its social responsibilities as promises that have been made to its stakeholders, not merely duties. The company hopes that local communities will see it as a “big, friendly neighbor” that revitalizes local economies through regional supports, assists with local development, and extends helping hands to its less fortunate neighbors. Chapter 6 covers EWP’s efforts to be a responsible corporate citizen and share in the joys and sorrows of local communities, identifying their needs and building friendly relationships with them.

Shareholders/Investors



Affiliates/
Small and Medium
Enterprises



People,
Local community,
NGOs



Power Generation
Companies (GENCOs)



Governments/
Regulators/Experts



Disclosure on Management Approach

Local Communities Management Structure



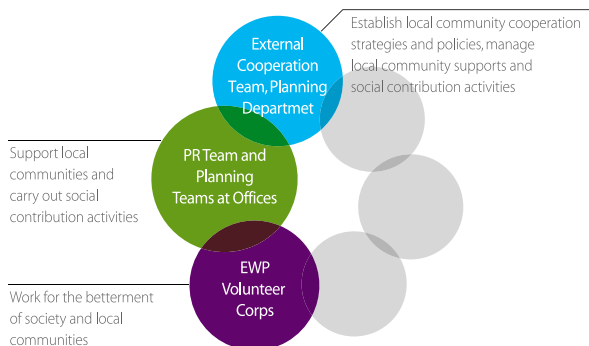
Vision and Strategy

Working from its core corporate values of respecting all people and being environmentally friendly, EWP fulfills its social responsibilities by contributing to local communities. Under the slogan, "hands of love, light of hope," the company tries to broaden people's understanding of the power generation industry. EWP practices the management of sharing through local community support activities and assistance to teenaged heads of households, sole-support senior citizens, and the disabled.

Key Tasks

- Carry out a variety of social contribution activities
- Strengthen ties with local communities through relationship-building activities

Organizations



Sustainability of Social Achievements (Local Communities)

Positive

- Revitalization of local economies by supporting businesses in neighboring communities
- Stronger ties with local communities by diversifying types of support
- "Volunteer company" in which every employee participates in social contribution activities

Key Issues

Stable power supply ★★★

Local community development ★★☆☆

Social contribution activities ★★☆☆

Communications with local communities ★★☆☆

The number of stars signifies the importance of an issue. Among key issues derived by the "IPS Materiality Test Model™", these ones are to be reported to stakeholders with priority. ★★★ means Very Highly Important and ★★ means Highly Important.

2007 Achievements

| Classification | 2006 | 2007 |
|----------------------------------------|-------------------------|-------|
| Regional support business | (Including special aid) | 3 |
| Regional support amounts (KRW billion) | 12.8 | 6.1 |
| No. of volunteers (persons) | 2,069 | 2,152 |
| No. of service hours (hours/capita) | 13 | 17 |

Negative

- Unimaginative social contributions strategies and poor implementation system
- Low corporate awareness
- Insufficient economic effects created through social contribution activities
- Difficulties in securing funding for social contribution activities
- Not enough social contribution activities in collaboration with NGOs

How does EWP Fulfill its Responsibilities as a Corporate Citizen?

EWP's Volunteers Organization

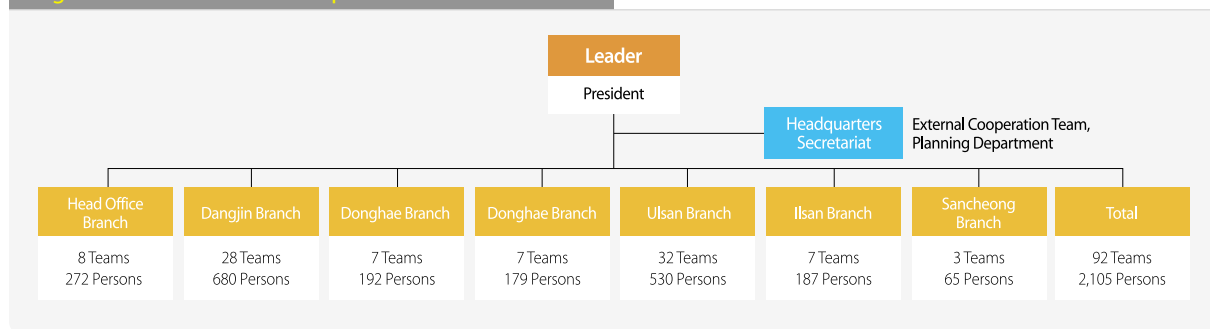


Organizational Structure and Funding of Volunteer Corps

EWP's social contribution activities are geared to fulfilling the company's social responsibilities and meeting national needs. Its employees practice the management of sharing to put the company's credo of loving nature and respecting all people into practice.

Established in February 2004, the EWP Volunteer Corps has one head office and seven branches. As of December 2007, there were nine teams with 2,105 active members. Its major sources of funding are donations made through automatic transfers from the employees' salary accounts and a matching grant, with KRW 730 million being raised in 2007. These funds were used to help teenaged heads of households and sole-support senior citizens and remediate nearby mountains and waterways.

Organization of Volunteer Corps



※ Autonomous organizations: Eleven clubs (226 members) and a ladies club (295 members) at plant sites (as of the end of December, 2007)

2007 EWP Fundraising Programs

| | | | (Unit: KRW 1,000) |
|---------------------------------|----------------|-------------------------------------------------------------------------|-------------------|
| Name | Amount | Content | |
| Matching grant ^① | 502,320 | Donation from company budget | |
| Donations from payroll accounts | 208,997 | Employee donations (deducted from salaries): Max. KRW 20,000 per person | |
| Social benefits "point of love" | 6,030 | Employee social benefits points contributions | |
| Corporate card mileage | 13,524 | Mileage support of corporate cards | |
| Dongseo market | 2,547 | Profits from company's intranet cyber market | |
| Total | 733,418 | | |

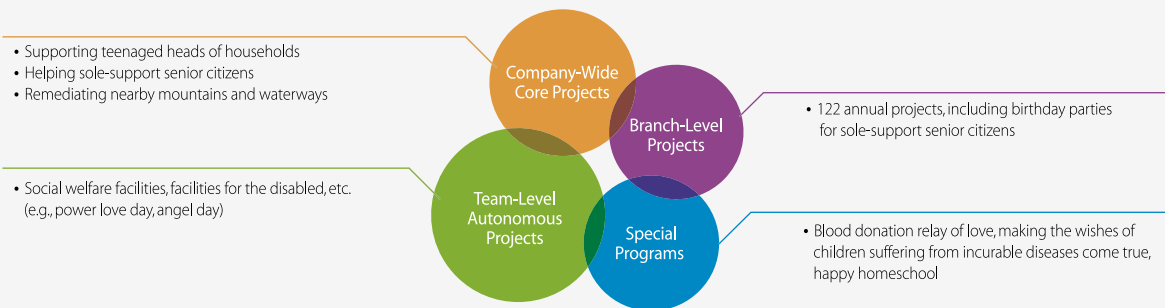
① Matching grant: A fund-raising mechanism whereby a business or company matches the funds its employees have contributed.

Various Social Contribution Activities ★★☆☆

EWP promotes company-wide core projects under the supervision of its headquarters as well as local projects carried out at the branch and team level. "One office-one village" support programs are also carried out at each business location.

Other endeavors include a "blood donation relay of love," the EWP cyber market, and "making the wishes of children suffering from incurable diseases come true." Finally, a program called "happy homeschool" is promoted in alliance with the Korean Make a Wish Foundation and Korea Food for the Hungry International.

Social Contribution Programs



Company-Wide Core Projects

EWP's company-wide projects include assisting teenaged heads of households and sole-support senior citizens and remediating nearby mountains and waterways. A total of 162 persons are involved in the company's sisterhood programs, while a "one office-one mountain" campaign has been introduced to carry out reforestation activities.

2007 Company-Wide Core Projects

| Classification | No. of persons | No. of times | Participants | Amount spent (KRW 1,000) |
|-----------------------------------------|----------------|--------------|--------------|--------------------------|
| Supporting teenaged heads of households | 95 | 611 | 2,623 | 133,789 |
| Helping sole-support senior citizens | 67 | 292 | 1,224 | 75,173 |
| Remediating mountains and waterways | – | 21 | 258 | – |
| Total | 162 | 924 | 4,105 | 208,962 |

Branch-Level Projects and Team-Level Autonomous Projects

As part of its facilities support activities, EWP helped with the construction of a bus terminal and sports complex in Dangjin-gun, the reconstruction of old gravestones at Yongjamteo in Ulsan, the relocation of the road entrance to Hangnam-ri, Onsan, the construction of an indoor gymnasium in Donghae-si, and the building of Sancheong's House of Culture.

2007 Social Contribution and Volunteer Activities

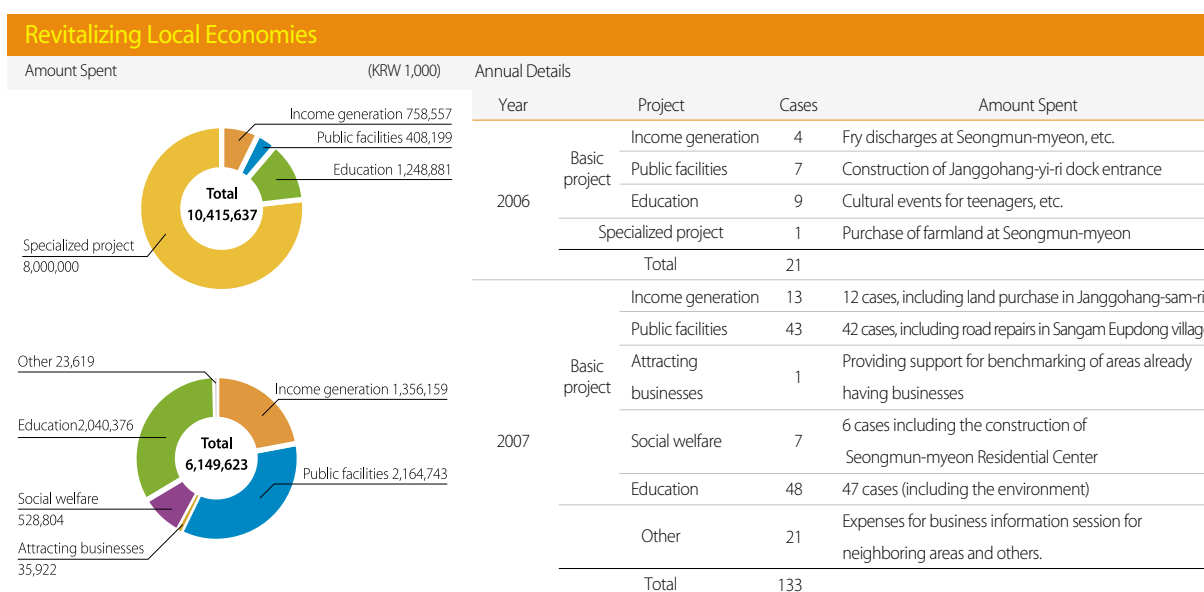
| Area | Comprehensive social welfare facilities | Facilities for children | Facilities for the elderly | Facilities for the disabled | Total |
|--------------------------|-----------------------------------------|-------------------------|----------------------------|-----------------------------|---------|
| No. of times (times) | 128 | 31 | 84 | 82 | 325 |
| Participants (persons) | 544 | 133 | 474 | 400 | 1,551 |
| Amount spent (KRW 1,000) | 191,919 | 24,242 | 48,780 | 21,687 | 286,628 |

How does EWP Promote Balanced Regional Development and Prosperous Local Communities?

Supporting Neighboring Areas



In 2007, EWP spent KRW 6.1 billion to support areas adjacent to its plants. KRW four billion was spent on income-generating projects, public facility, and social welfare projects, while KRW 2.1 was spent on educational and other projects. The goals of these activities were to revitalize local economies, increase the incomes of farmers and fishermen, promote cultural and athletic activities, and strengthen ties with local communities.



Other Support Projects

Environmental Preservation

Company-wide mountains and rivers remediation campaign and one-office one-mountain movement, environmental classes, environment sketch contests, and other events.

Culture and the Arts

As part of its policy of contributing to the development of local culture, EWP hosts a writing contest for elementary and junior high school students and a drawing contest for elementary students. It also sponsors a folk music contest hosted by the governor of the province of Chungcheongnam-do and a variety of other cultural and artistic endeavors.

Education

Scholarships are provided to needy students who live near the Dangjin Thermal Power Plant, Ulsan Thermal Power Plant, Honam Thermal Power Plant, Donghae Thermal Power Plant, and Sancheong Pumped-Storage Power Plant. The company also hosts an electricity and science camp for children.

Physical Activities

EWP sponsors sports clubs at local schools to assist students who dream of becoming athletes, providing them with athletic equipment and scholarships.

Environmental Achievement at EWP

07 Greening The World



Fish | EWP is committed to meeting all the requirements of the climate change and becoming a truly environmentally friendly enterprise.

Employees



Shareholders/Investors



Affiliates/
Small and Medium
Enterprises



People,
Local Community,
NGOs



Power Generation
Companies (GBNCOs)



Governments/
Regulators/Experts



Electricity generation is not always environmentally friendly, but we cannot stop producing electricity although it is sometimes harmful to nature. Instead, we must try to find a way to enhance energy efficiency and minimize its most deleterious effects. Chapter 6 talks about EWP's environmental impacts and the company's efforts to minimize them by developing "green" energy solutions and responding to the requirements of the climate change.

Disclosure on Management Approach Environmental Performance Management Structure



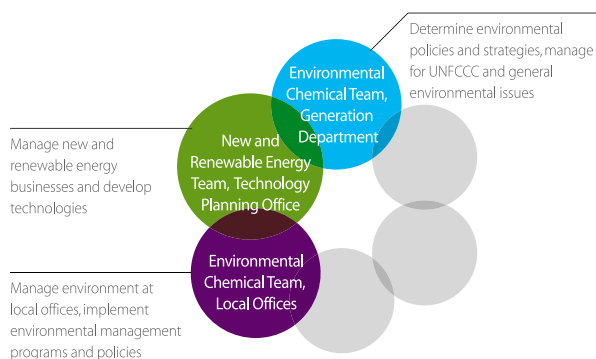
Vision and Strategy

In order to forward its love of nature and respect for all people, EWP has set out a vision for the environment and a series of objectives to realize it. It has also laid out a mid- to long-term master plan for development of "green" technologies, expansion of environmentally friendly facilities, and reduction of harmful emissions. Finally, EWP pursues "green" growth through the construction of environmentally friendly power plants.

Key Tasks

- Establishing environmental management promotion structure
- Improving environmental performance by reducing energy use
- Coping with climate change
- Minimizing impact of power plants on environment

Organizations



Key Issues

| | |
|------------------------------------------|-----|
| Climate change countermeasures | ★★★ |
| New and renewable energy | ★★★ |
| Energy saving | ★★☆ |
| Efforts to minimize volume of pollutants | ★★☆ |
| Investment for environments | ★★☆ |
| Complying with pollution regulations | ★★☆ |

The number of stars signifies the importance of an issue. Among the key issues derived by the "IPS Materiality Test Model™", these ones are to be reported to stakeholders with priority. ★★★ means Very Highly Important and ★★ means Highly Important.

2007 Achievements

2007. 04 • Developed electrical precipitator in conjunction with SME
06 • Began commercial operation of Dangjin Thermal Power Plant Unit 7
07 • Constructed denitrification facility at Dangjin Thermal Power Plant Units 1 to 4
10 • Acquired company-wide integrated ISO 9001/4001 certifications
• Built NOx reducing facility DLN-B at Ilsan Combined Heat and Power Plant Units 1 to 6
11 • Selected as "best energy-saving power plant" (Dangjin Thermal Power Plant)
• First GENCO to participate in an international carbon market
• Signed agreement to cooperate on new and renewable energy development with city of Donghae
12 • Honam Thermal Power Plant became first thermal power plant certified for greenhouse gas emissions reduction business

Sustainability of the Economic Area

Positive

- World-class pollution reduction system
- Minimized environmental impacts through environmental impacts evaluations
- Secured greenhouse gas emissions rights and established infrastructure for emission rights trading
- Expanded business opportunities for new and renewable energy development

Negative

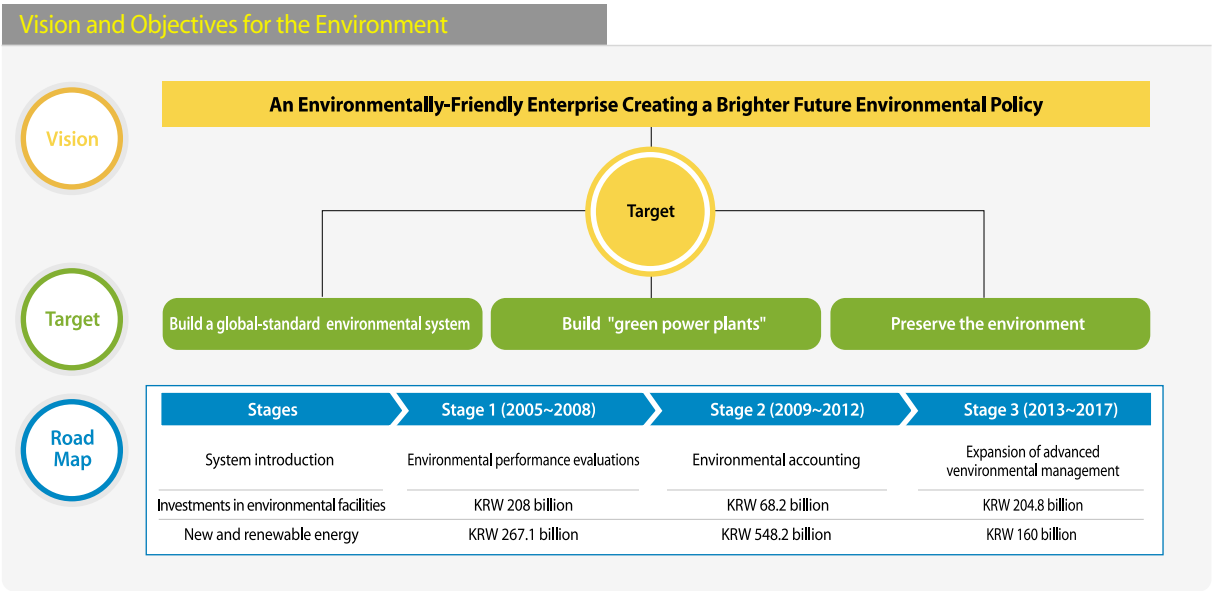
- Stricter environmental rules and regulations
- Increased costs related to environmental pollution
- Increased R&D costs following mandatory new and renewable energy developments
- Low ability to respond to climate change requirements due to high proportion of fossil fuel-based power plants
- Expected rise in environmentally-related complaints

How will EWP become a Environmentally Friendly Enterprise?

Developing an Environmental Management System and Establishing an Environmental Management Governance Structure

Vision and Objectives for the Environment

To become an “environmentally-friendly enterprise that creates a bright future,” EWP introduced a system that satisfies relevant international standards, set a goal of constructing a “green” power plant and preserving the environment, and came up with various countermeasures, such as cutting fuel use by improving efficiency, minimizing waste emissions, and developing new and renewable energy sources.



Establishing a Mechanism for Environmental Management

Mid- to Long-Term Environmental Management Master Plan

In December 2004, EWP laid out a mid- to long-term environmental management master plan to cope with a paradigm shift in its policies and develop an environmental management roadmap for sustainable development. This was done as part of the company’s commitment to reducing its SOx, NOx, dust, and CO₂ emissions and recycling waste materials and waste water.

Investments in Environmental Management

EWP’s investments in environmental management have grown each year, exceeding 2% of its total revenues in 2007. The figure for R&D rose due to the need to meet the climate change’s requirements. R&D costs for new and renewable energy and methods for dealing with the climate change’s demands are expected to increase exponentially in the coming years.

Annual Internal Environmental Performance Evaluation

EWP was the first Korean power generator to carry out an environmental performance evaluation. Its environmental management activities are expressed numerically so the company can easily identify areas that need management and improvements, make more efficient facility investments, and improve the transparency of its operations.

EWP's environmental performance evaluation compares the values for eighty-five indices with those of the base year. The base year is 2000, and the base value is 100. A general index, called the EPE^① (or Environment Performance Evaluation), shows yearly trends that reflect management and operational performances and detailed environmental indices. The resulting strengths and weakness identified by the EPE are reflected in the company's future plans. Other indices include the ECI^② (Environmental Condition Indicator), MPI^③ (Management Performance Indicator), and OPI^④ (Operational Performance Indicator). The overall scores, calculated with weightings for each index, stood at 423 in 2005, 574 in 2006, and 744 in 2007, indicating that the company's overall performance is gradually improving.

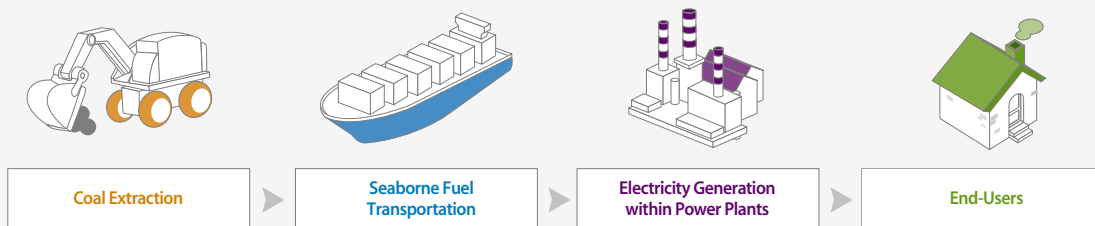
Introduction of LCA (Life Cycle Assessment)

EWP analyzes the environmental impacts of its fuels in "real-time" and also monitors water and chemical usage and the recycling of resources. Every year, performance data from all its offices are gathered together and relevant values, such as the operational costs of its environmental facilities costs, are calculated and disclosed by means of an Integrated Combustion and Chemical Information System. The company's ERP system, which is currently under development, will feature a more structured environmental accounting system. In addition, a LCA (Life Cycle Assessment) will be completed by the end of 2008 in tandem with the ERP system. This will allow EWP to identify environmental impacts that can occur throughout the entire cycle of extracting fuel, transporting it to power plants, recycling resources, and treating waste materials. The system is expected to enhance the transparency of EWP's environmental management information and speed up its decision-making processes.

Tip

Environmental Impacts Throughout the Electricity Production Process

In addition to greenhouse gases and hazardous materials generated inside power plants, methane gas is created by coal extraction. EWP's fuels are mostly transported by sea; since transportation ships must use petroleum, they necessarily emit greenhouse gases. When generating electricity, both air and water pollutants are discharged. EWP owns dedicated transportation ships, so it can manage for their operations and safety; however, it has no control over their greenhouse gas emissions. Due to skyrocketing fuel costs, EWP is currently purchasing fuel regardless of its volume of methane. In addition, it is not calculating the environmental impacts of the transportation companies it hires. In the future, however, the company will introduce a Life-Cycle Cost system and contract with companies that can guarantee fewer environmental impacts.



① EPE (Environment Performance Evaluation): A three-pronged environmental performance evaluation that measures environmental conditions, management performance, and operational performance.

② ECI (Environmental Condition Indicator): An index that shows the SO_x, NO_x, and dust concentration levels of surrounding areas and evaluates the environmental impacts of the company's office operations

③ MPI (Management Performance Indicator): An index that measures organizational operations, such as number of violations of rules and regulations, environmental investment performance, etc.

④ OPI (Operational Performance Indicator): An index that measures areas that have a direct influence on the environment, such as air pollutants, waste water, waste discharge volumes, etc.

What Efforts is EWP Making to Save and Recycle Energy and Resources?

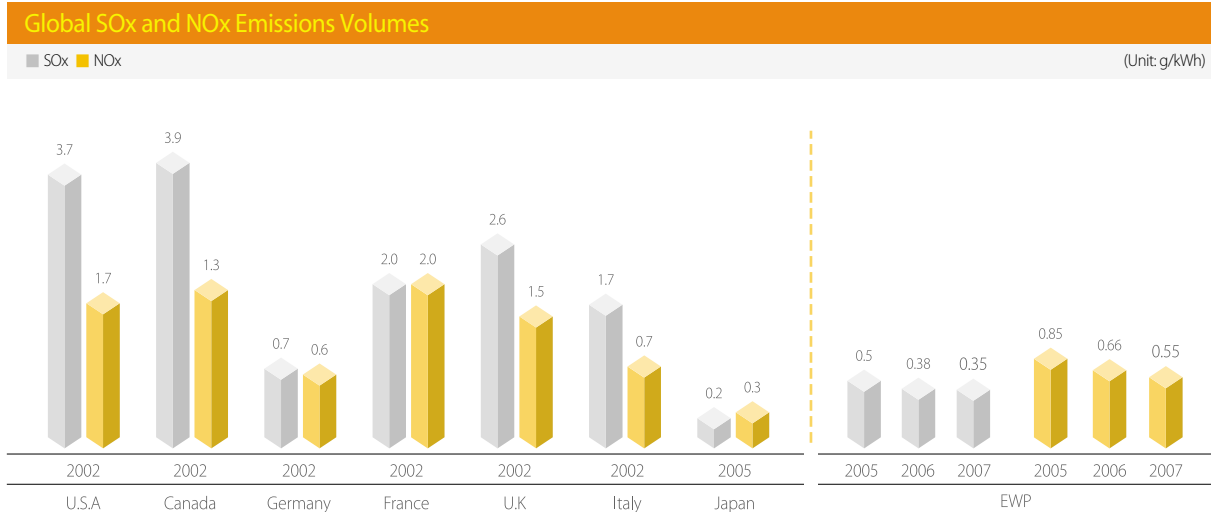
Energy Usage and Discharges



| Fuel Usage | | | |
|--------------------------------------------------------------------------|-----------|------------|------------|
| Classification | 2005 | 2006 | 2007 |
| Domestic coal (ton) | 1,100,984 | 1,139,940 | 1,153,566 |
| Bituminous coal (ton) | 8,251,651 | 10,057,782 | 11,772,515 |
| Heavy oil (kℓ) | 1,347,901 | 1,366,488 | 1,266,786 |
| Kerosene (kℓ) | 20,305 | 24,598 | 29,663 |
| LNG (ton) | 1,003,319 | 1,092,700 | 1,284,754 |
| Electricity consumed within power plants (Indirect energy usage, GWh) | 1,933 | 2,184 | 2,455 |

Discharges of Air and Aater Pollutants

EWP's strict internal standards have allowed it to reduce its ratio of pollutant emissions volume (g/kWh) to electricity production volume every year. In order to meet these standards, cutting-edge air pollution prevention facilities, including desulfurization and denitrification facilities and a comprehensive waste water treatment facility, have been installed.



Efforts to Save and Recycle Energy ★☆☆

VESA (Voluntary Energy Savings Actions)

In 2005, EWP started to promote a program called VESA^① 2010 as part of its mid- to long-term plan to cut costs and improve efficiency by rationalizing energy usage. In 2007, direct energy usage was cut by 81,384 TOE^② and internal power usage by 43,228 TOE. The company also enhances its level of energy efficiency by employing optimal methods to connect itself to KEPCO's facilities.

Coal ash Recycling

The electricity generation process produces several waste materials. For example, coal ash is created after the burning of coal, desulfurization is a by-product of the fuel gas desulfurization process, and waste water, sludge, waste oil, and general waste are also created. EWP strives to minimize the volume of these waste materials and recycle as many of them as possible. The company's coal ash recycling rate reached 71% in 2007, easily exceeding the legally mandated 65%. EWP also recycles and sells such waste materials as coal ash, gypsum, and waste oil. Recycling sales revenues and recycling rates are on an upward trend and treatment expenses are decreasing, resulting in heightened profits for these activities. For example, EWP saved KRW 21.3 billion by increasing the life-cycle of its coal ash treatment facility. It is reused as a ready-mixed concrete compound or a raw material for cement, while desulfurization gypsum is used as a raw material for gypsum board. By diversifying its recycling efforts, discovering new uses for waste materials, and promoting R&D, the company is increasing its volume of waste recycling while reducing its costs.

EWP's hazardous waste materials are handled pursuant to the regulations of the Basel Convention and the Act on the Control of Trans-Boundary Movements of Hazardous Wastes and Their Disposal. 35.93 tons of waste materials were treated in France and Belgium between 2005 and 2007.

| Recycling of Coal Ash and Desulfurization Gypsum | | | | |
|-----------------------------------------------------------------|------|------|------|--|
| Classification | 2005 | 2006 | 2007 | |
| Coal ash recycling rate (%) | 75 | 68 | 71 | |
| Gypsum recycling (1,000 tons) | 277 | 353 | 389 | |
| Additional profit from selling recycled materials (KRW billion) | 7.6 | 8.4 | 8.5 | |

Water Use and Waste Water Treatment

EWP's power plants are all equipped with equipment that treats its waste water, which is then reused as process water or discharged to the sea. The company's volume of waste water discharges is lower than that required by governmental water quality standards. By improving its processes and applying new technologies, EWP is able to reduce its volume of waste water while increasing its recycling rate.

| Water Usage and Waste Water Recycling | | | | | | |
|---------------------------------------|-------------------|---------------------------|----------------------|-----------------------|-------------------------|-------------------|
| Classification | Water | | Waste water | | | |
| | Used (1,000 tons) | Production unit (ton/GWh) | Treated (1,000 tons) | Recycled (1,000 tons) | Discharged (1,000 tons) | Recycle ratio (%) |
| 2005 | 6,347 | 175 | 1,977 | 1,185 | 710 | 60 |
| 2006 | 8,217 | 193 | 2,132 | 1,379 | 822 | 65 |
| 2007 | 9,688 | 202 | 2,759 | 1,907 | 854 | 69 |

① VESA (Voluntary Energy Saving Action): An energy-saving campaign that EWP began in 2004 to reduce costs and improve management efficiency. It reduces energy consumption by improving heating efficiency, saving fuel, and lowering in-house electricity usage.

② TOE: The amount of energy generated when 1 ton of heavy oil is combusted.

What Measures has EWP put to Deal with the Climate Change's Regulations?

Dealing with Climate Change Regulations



The ratification of the UN Climate Change Convention in 1992 and the adoption of the Kyoto Protocol in 2005 will result in increased demands for the mandatory reduction of greenhouse gas emissions. In 2005, the Korean government responded by organizing task forces involving eight key industries, including power generation, steel, and cement. In addition to participating in the international Clean Development Mechanism (CDM) business, the greenhouse gas reduction performance registration business, and a pilot emission rights trading system, EWP is busily developing CO₂ reduction technologies and alternative energy sources.

Greenhouse Gas Monitoring System

EWP developed a system for producing precise emissions statistics and calculating CO₂ emissions in 2006, with the IPCC (Intergovernmental Panel on climate change) standard being applied to add credibility to its data. This information is used to promote effective facilities investments and determine the company's climate change countermeasures policies.

EWP is also developing a greenhouse gas inventory system that connects its current monitoring system with the ERP. This integrated system will allow for the utilization of information regarding greenhouse gas monitoring, emissions statistics, and emissions rights management.

| Greenhouse Gas Emissions | | | |
|-------------------------------------------------------|------------|------------|------------|
| Year | 2005 | 2006 | 2007 |
| Generation volume (GWh) | 36,344 | 42,520 | 48,021 |
| Direct emissions (tCO ₂) | 26,902,491 | 31,539,169 | 35,489,949 |
| Indirect emissions (tCO ₂) | 74,001 | 68,472 | 82,098 |
| Total emissions (tCO ₂) | 26,976,492 | 31,607,641 | 35,572,047 |
| Per energy consumption unit (kg-CO ₂ /kWh) | 0.742 | 0.743 | 0.741 |

The main indirect greenhouse gas produced at power plants is CO₂, resulting from the SO_x removal process. Total greenhouse gas emissions in 2007 were 35,572,047 tons of CO₂, while indirect greenhouse gas emissions equaled 82,098 tons of CO₂. There were no emissions of such ozone depleting substances as CFCs, HCFC, Halon, or Methyl Bromide.

R&D Investments to Deal with Climate Change

In the future, societies around the world are expected to put more pressure on the observance of the climate change's regulations, particularly those concerned with reducing greenhouse gas emissions. As a result, EWP has earmarked KRW 12.9 billion for R&D to help it acquire core technologies for achieving such reductions.

Tip

Although it is not currently required to reduce its greenhouse gas emissions, it is highly likely that any post-Kyoto agreement will include Korea. Since the 2007 Conference of the Parties (COP) in Bali agreed to have a post-Kyoto agreement in place by 2009, detailed discussions and directions are expected to be presented at the 2009 COP.



Results of Climate Change Countermeasure



MOU (Memorandum of Understanding) for Joint Climate Change Counteractions

The five GENCOs and the Korea Power Exchange (KPX), realizing that close cooperation is necessary in order to deal with the climate change's regulations, signed an MOU to collaborate on a pilot greenhouse gas emissions rights-trading project. They are currently working on a joint response to the climate change, the establishment and implementation of a pilot greenhouse gas emission rights-trading system, the calculation of greenhouse gas emission figures, and greenhouse gas reduction efforts.

Securing and Trading Greenhouse Gas Emission Rights and Establishing an Infrastructure for CER (Certified Emission Rights) Trading

As a part of its strategy to deal with climate change, EWP is planning to be listed for CDM (Clean Development Mechanism) business and a greenhouse gas reduction performance registration business. The company's photovoltaic (PV) power generation project in Donghae has already been awarded a CDM registration and is expected to secure annual emission rights of about 690 tons. In addition, the high-pressure inverter installation at the Honam Thermal Power Site Division has been acknowledged as a national greenhouse gas reduction performance registration business and was granted 8,527 tons of KCER (Korea Certified Emissions Reductions). Finally, the company is studying the feasibility of constructing a highly efficient USC (Ultra Super-Critical) power plant. EWP became the first GENCO to sell annual CDM emission rights to an overseas company. After securing 4,600 tons of annual CDM CO₂ emission rights through its Donghae PV power generation facility, the company then sold them to Natsource of Japan. In addition, 62,700 (CO₂ tons/year) of emission rights worth KRW 1.06 billion from the Dangjin small hydropower plant and PV power plant, the Ilsan Composite Fuel Cell power plant, and the Jeongseon wind power plant are currently registered with the climate change's Board of Directors. In May 2007, 8,500 (CO₂ tons/year) of emission rights were earned by registering with the Korea Energy Management Corporation for CO₂ reduction performances achieved by such energy-efficient facilities as the high-pressure inverter at the Honam Thermal Power Site Division and the Ilsan Combined-Cycle Power Plant. Finally, EWP participated in an emissions rights auction hosted by the Asia Carbon Exchange (ACX), thereby building a bridgehead for future CO₂ emissions rights trading.

| Greenhouse Gas Emissions Rights | | | |
|----------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|---------------------------------|
| Project | Location | Reduction volume (ton-CO ₂ /year) | Notes |
| · Donghae PV power generation (1MW) | Donghae Thermal Power Plant | 690 | Listed for UN CDM ('06. 08) |
| · Dangjin small hydropower generation (5MW) | Dangjin Thermal Power Site Division | 15,093 | Government approval ('08. 06) |
| · High-pressure inverter installation | Honam Thermal Power Site Division | 8,527 | Earned KCER ('07. 12) |
| · Efficiency improvements through new generation technology USC (Ultra Super-Critical) | Dangjin Thermal Power Site Division | 91,789 | Registration complete ('08. 10) |

Self-Developed Marginal Abatement Cost Calculation Model Using Shadow Pricing

The cost of reducing environmental pollutants and payments made for damage caused by environmental pollution are entered in the company's books as generation costs. In order to determine a reasonable value for these expenses and help supply electricity at a reasonable price, EWP has developed a state-of-the-art "Shadow Pricing" mechanism. It measures the company's operational efficiency with distance functions, using a process called Data Envelopment Analysis. By comparing the efficiency of each power generator with its efficiency margin, the inefficiency level of each piece of machinery can be gauged. The model can also be used to estimate economic costs generated when the volume of negative factors, such as pollutants, have been reduced.

This system is now being used to calculate the company's CO₂ Marginal Abatement Cost, which is then used to determine an adequate generation cost in preparation for future CO₂ emissions rights trading.

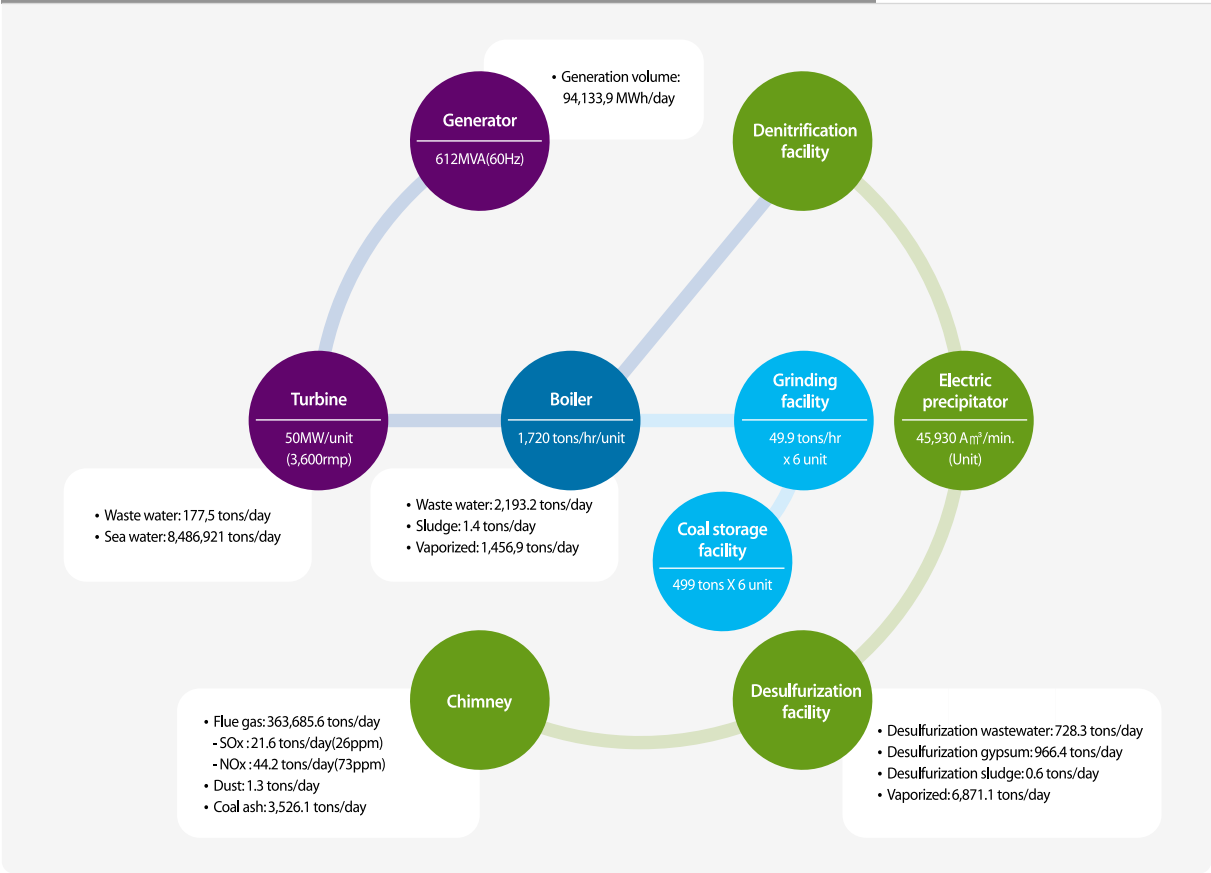
Does EWP Manage for Environmental Impacts to Minimize its Influence on Nature?

Power Plants and Environmental Impacts ★★☆☆

Pollutants that are produced during the process of electricity generation include air pollutants, water pollutants, and waste materials. Air pollutants include SO_x, NO_x, and dust created from boiler combustion, while water pollutants include COD (Chemical Oxygen Demand) and SS (Suspended Solids). To reduce its volume of air pollutants, the company has installed a desulfurization facility, denitrification facility, and electric precipitator. Water pollutants are handled at a comprehensive waste water treatment facility at each power plant. Since coal ash can be used as a raw material for cement manufacturing, some revenue is generated by selling recycled coal ash.

| Pollutant Creation | | | |
|--------------------|---------------------------------------------------------------------------|----------------------------------------------|----------------------------------------|
| Pollutant | Air pollutant | Water pollutant | Waste material |
| Type | SO _x , NO _x , dust | COD, SS | Coal ash |
| Reduction method | Desulfurization facility, Denitrification facility, Electric precipitator | Comprehensive waste water treatment facility | Recycling (used to manufacture cement) |

Environmental Impacts of Power Generation at the Dangjin Thermal Power Plant



Efforts to Minimize Environmental Impacts



Construction and Operation of Environmentally Friendly Power Plant

After investing KRW 43.9 billion in the construction of NOx emissions prevention facilities at the Dangjin Thermal Power Plant Units 1 to 4, EWP now meets all emission standards and has dramatically decreased its emissions density from 230ppm to 50ppm). In anticipation of the construction of the Dangjin Thermal Power Plant Units 9 and 10 in 2015, the company established a Preliminary Environmental Impact Review Committee in coalition with the Dangjin branch of the Korean Federation for Environmental Movements with the purpose of improving the future air environment. Finally, in an effort to preserve the biodiversity of fish and increase the incomes of fishermen, EWP is building an aquafarm that will use cooling water discharged from its power plants.

Developing Parks

EWP has built a series of environmentally friendly parks to restore natural habitats that have been damaged by the construction of its power plants and provide resting places for the residents of neighboring areas. The trees in these parks work to reduce air pollution and climate change.

Annual Investments

| Year | 2005 | 2006 | 2007 |
|-------------------------------|-------|-------|-------|
| Amount invested (KRW million) | 2,993 | 3,413 | 1,944 |

Status of Park and Green Zone

| Location | Site area (m ²) | Green area (m ²) | Park area (m ²) | Site to park ratio (%) |
|--------------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------|
| Dangjin Thermal Power Site Division | 1,409,650 | 344,608 | 128,288 | 37.2 |
| Ulsan Thermal Power Site Division | 503,000 | 50,002 | 15,802 | 31.6 |
| Honam Thermal Power Site Division | 485,043 | 46,243 | 4,972 | 10.7 |
| Donghae Thermal Power | 433,758 | 62,297 | 15,030 | 24.1 |
| Ilsan Combined-Cycle Power Plant | 158,691 | 35,848 | 5,930 | 16.5 |
| Sancheong Pumped-Storage Power Plant | 173,684 | 39,620 | 21,386 | 53.9 |
| Total | 3,163,826 | 578,618 | 191,408 | 33.1 |

Appendix

Third Party's Assurance Statement
BEST/GRI Index
GRI EUSS
Environmental Policies
Charter of Ethics
Reader Opinion Survey

Third Party's Assurance Statement

To the Management of the Korea East-West Power Sustainability Report 2008:

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

Assurance Method and Scope

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

Reasonable assurance on whether: the financial data specified under "2. Economic Achievement of EWP" is properly derived from EWP's audited Annual Report for 2007;

Limited assurance on whether: the data specified under "1. Sustainability of EWP", "3. Transparent Management of EWP", "4. Growing Together with the Employees", "5. Relationship with Affiliates", "6. Joint Growth with Local Communities" and "Environmental Achievement at EWP" of The Report are stated adequately and in full and are free of material misstatement or bias.

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

Independence

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

Criteria

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

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

*AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-

based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.

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

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

Work Undertaken and Scope

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

- A review of media reports relating to EWP
- A review of information contained in The Report as well as the underlying data collection system (validation of internal sustainability-related organizations, systems, and activities)
- Data sampling and assessment of high-risk areas to support intensive review of key statements in The Report, internal policies, documentation, and information systems
- On-site review of the Headquarter office (Sept. 24, 2008)
- Interviews with management and employees in charge of sustainability management and reporting, as well as persons responsible for The Report's source information
- A reconciliation of financial data stated in The Report against the audited Annual Report
- Stakeholder survey of management and staff, business partners, and the local community
- Sustainability expert surveys

Conclusions

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

The Auditor did not find The Report to contain any material misstatements or bias. All material findings of The Auditor are included herein, and detailed review results and follow-up recommendations have been submitted to the management of EWP.

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

The Auditor does not believe that EWP has omitted or excluded any information of the greatest importance to its stakeholders. We verified efforts to identify and report on issues of the greatest importance to its internal /external stakeholders through stakeholder surveys (management and employees, business partners, local community) and materiality testing (i.e. review of internal policies as well as laws and regulations, expert interviews, industry benchmarking, media reviews etc.).

Third Party's Assurance Statement

In The Report, EWP presented a "Star Model", whereby it defined key performance indicators for each dimension, and presented actual achievements against stated goals by priority area. However, as there is only partial coverage of issues relevant to its business partners and the local community, The Auditor found it difficult to assess whether EWP is sufficiently aware and taking into account all material stakeholder needs and issues for each of the economic, social, and environmental dimensions. Going forward, The Auditor recommends that EWP formulate a company-wide action plan to better identify issues of the most material interest. We also suggest highlighting parts of The Report dealing with issues identified to be of particular high priority interest to its stakeholders so that they stand out better.

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

The Auditor took note that EWP had a sustainability management TFT organization in place, comprised of nine internal teams including the company's Management Innovation Team. We affirmed systematic and coordinated efforts across the teams to collect and manage data relevant to economic, social and environmental performance, as well as an effective division of roles, with the teams split into a "crisis resolution organization", a "change initiative organization", and a "commitment to sustainability organization". In the interest of consistency, however, The Auditor suggests that each segment's performance monitoring and reporting systems be standardized and that the information collection system be further improved to support a more systematic and fluid flow.

The Auditor also recommends implementing a standing sustainability management committee to oversee balanced growth across the economic, social and environmental dimensions of sustainability management, while serving as a regular forum for ongoing debate and implementation of sustainability-related strategies and initiatives. This would be part of overall efforts to further refine sustainability target and performance management and help support a more systematic sustainability management program.

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

Compared to last year's report, The Auditor determined efforts by EWP to better collect comments and views from its relevant stakeholders through multi-stakeholder surveys targeting management and staff, business partners, and the local community. We noted efforts to acquire material information on its business partners' stakeholders through communication channels such as "Happy Call" and the "East-West Power SME Collaborative Council" etc. However, we found The Report to be lacking in detail regarding the overall communication system and type of activities the company was engaged in. In the future, The Auditor recommends further broadening its communication channels to help expand the scope of stakeholders while utilizing the channels as a valuable resource for collecting in-depth and continuous stakeholder feedback and comments to help define the company's vision and strategies for sustainability management.

Relative to the BEST Guidelines, in view of the level of reporting rigor and intensity of information provided, The Auditor finds The Report to fulfill 96.3% of the reporting

requirements necessary to qualify for a Level 4 Report (from among Level 1 ~ 5), and to be compliant with the A+ level of the GRI (G3) Guidelines. .

Issues for Future Consideration

As the second sustainability report by EWP, The Auditor found that The Report (1) provided priority reporting on material issues of the highest stakeholder importance, interest or risk as identified through materiality testing; (2) reported against indicators presented in the "GRI Electric Utility Sector Supplement"; (3) presented data from other power plants to allow for comparison in certain performance areas; and (4) provided an assessment of the various economic, social, and environmental impacts as well as the risks and opportunities inherent to the power industry, indicating the company's efforts to prepare for the future by establishing a mid-to-long term strategy for the continuous development of new technologies and the stable supply of electrical power into the future.

In the interest of continued qualitative improvements in sustainability management performance and reporting, however, The Auditor recommends the following.

- Enhance reporting levels relative the GRI and BEST Guideline indicators while supplementing quantitative data with detailed explanations and making use of graphs and tables to improve the readability of important information in future reports.
- Provide less coverage on issues of less importance while providing more details on the type of activities the company engaged in during the reporting term; and disclose both positive and negative performance outcomes to ensure an objective and balanced report.
- Implement an integrated management system to support more systematic and company-wide data collection, assessment, and reporting across each of the performance dimensions.

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

Sept. 29, 2008

President, The Institute for Industrial Policy Studies

Lee, Yoon Chul



① The Institute for Industrial Policy Studies (IPS)

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

A handwritten signature in black ink, appearing to read "Yoon Chul", is written over a light blue, textured background.

BEST/GRI Index

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

| GRI Index | Wordings / Reasonings | Korea Version | English Version | page |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|----------|
| Vision and Strategy | | | | |
| 1.1 | Statement from the most senior decision-maker of the organization | ● | ● | 8~10 |
| 1.2 | Description of key impacts, risks, and opportunities | ● | ● | 6~7 |
| Profile | | | | |
| Organizational Profile | | | | |
| 2.1 | Name of the organization | ● | ● | 11 |
| 2.2 | Primary brands, products, and/or services | ● | ● | 11 |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | ● | ● | 11 |
| 2.4 | Location of organization's headquarters | ● | ● | 11 |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | ○ | ○ | – |
| 2.6 | Nature of ownership and legal form | ● | ● | 25 |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | ● | ● | 11 |
| 2.8 | Scale of the reporting organization, including: * Number of employees; * Net sales (for private sector organizations) or net revenues (for public sector organizations); | ● | ● | 11 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | ● | ◇ | – |
| 2.10 | Awards received in the reporting period | ● | ◇ | – |
| Report Parameters | | | | |
| 3.1 | Reporting period for information provided | ● | ● | 3 |
| 3.2 | Date of most recent previous report (if any) | ● | ● | 3 |
| 3.3 | Reporting cycle (annual, biennial, etc.) | ● | ● | 3 |
| 3.4 | Contact point for questions regarding the report or its contents | ● | ● | 2 |
| 3.5 | Process for defining report content | ● | ● | 3 |
| 3.6 | Boundary of the report | ● | ● | 3 |
| 3.7 | State any specific limitations on the scope or boundary of the report | ● | ◇ | – |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations | ○ | ○ | – |
| 3.9 | Data measurement techniques and the bases of calculations | ◇ | ◇ | – |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | ◇ | ◇ | – |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | ● | ◇ | – |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | ● | ● | Appendix |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | ● | ● | 3 |
| Management System | | | | |
| Governance, Commitments, and Engagement | | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight | ● | ● | 26 |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | ● | ● | 26 |
| 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members | ● | ● | 25 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | ● | ● | 26 |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance | ● | ● | 26 |
| 4.6 | Process in place for the highest governance body to ensure conflicts of interest are avoided | ● | ● | 26 |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics | ● | ● | 25 |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation | ● | ◇ | – |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance | ● | ● | 25~26 |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance | ● | ◇ | – |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | ● | ◇ | – |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | ● | ◇ | – |
| 4.13 | Memberships in association advocacy organizations in which the organization | ● | ◇ | – |
| 4.14 | List of stakeholder groups engaged by the organization | ● | ● | 4 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | ● | ◇ | – |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | ● | ● | 4 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | ● | ● | 4 |

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| GRI Index | Wordings / Reasonings | Korea Version | English Version | page |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|-------|
| Economic | | | | |
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employees compensations, donations and other community investment, retained earnings, and payments to capital providers and governments | ● | ● | 18 |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | ● | ● | 6 |
| EC3 | Coverage of the organization's defined benefit plan obligations | ◇ | ◇ | - |
| EC4 | Significant financial assistance received from government | ○ | ○ | - |
| EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation | ● | ◇ | - |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | ● | ● | 20 |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | ○ | ○ | - |
| EC8 | Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | ● | ● | 44 |
| EC9 | Understanding and describing significant indirect economic impact, including the extent of impacts | ● | ● | 20 |
| Environmental | | | | |
| EN1 | Materials used by weight or volume | ● | ● | 50 |
| EN2 | Percentage of materials used that are recycled input materials | ● | ● | 51 |
| EN3 | Direct energy consumption by primary energy source. | ● | ● | 50 |
| EN4 | Indirect energy consumption by primary source | ● | ● | 50 |
| EN5 | Energy saved due to conservation and efficiency improvements | ● | ● | 51 |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | ● | ● | 51 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | ● | ● | 50~51 |
| EN8 | Total water withdrawal by source | ● | ● | 51 |
| EN9 | Water sources significantly affected by withdrawal of water | ● | ◇ | - |
| EN10 | Percentage and total volume of water recycled and reused | ● | ● | 51 |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | ○ | ○ | - |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | ● | ◇ | - |
| EN13 | Habitats protected or restored. | ● | ◇ | - |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | ● | ◇ | - |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | ● | ◇ | - |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | ● | ● | 52 |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | ● | ● | 52 |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | ● | ● | 52 |
| EN19 | Emissions of ozone-depleting substances by weight | ● | ● | 52 |
| EN20 | NOx, SOx, and other significant air emissions by type and weight | ● | ● | 52 |
| EN21 | Total water discharge by quality and destination | ● | ● | 51 |
| EN22 | Total weight of waste by type and disposal method | ● | ◇ | - |
| EN23 | Total number and volume of significant spills | ● | ◇ | - |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | ● | ◇ | - |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | ● | ◇ | - |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | ● | ● | 52 |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | ● | ◇ | - |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | ● | ◇ | - |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce | ○ | ○ | - |
| EN30 | Total environmental protection expenditures and investments by type | ● | ● | 55 |
| Social: Labor Practices and Decent Work | | | | |
| LA1 | Total workforce by employment type, employment contract, and region | ● | ● | 30 |
| LA2 | Total number and rate of employee turnover by age group, gender, and region | ● | ◇ | - |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | ● | ● | 34~35 |
| LA4 | Percentage of employees covered by collective bargaining agreements | ● | ◇ | - |
| LA5 | Minimum notice period (s) regarding significant operational changes, including whether it is specified in collective agreements | ● | ◇ | - |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | ● | ◇ | - |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region | ● | ● | 35 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | ● | ● | 35 |

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| GRI Index | Wordings / Reasonings | Korea Version | English Version | page |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|------|
| LA9 | Health and safety topics covered in formal agreements with trade unions | ● | ● | 35 |
| LA10 | Average hours of training per year per employee by employee category | ● | ◇ | – |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | ● | ● | 33 |
| LA12 | Percentage of employees receiving regular performance and career development reviews | ● | ◇ | – |
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | ● | ◇ | – |
| LA14 | Ratio of basic salary of men to women by employee category | ● | ◇ | – |
| Social: Human Rights | | | | |
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | ● | ◇ | – |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | ◇ | ◇ | – |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | ● | ◇ | – |
| HR4 | Total number of incidents of discrimination and actions taken | ● | ● | 31 |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights | ● | ● | 31 |
| HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor | ● | ● | 31 |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor | ● | ● | 31 |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | ● | ◇ | – |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | ● | ◇ | – |
| Social: Society | | | | |
| SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting | ● | ● | 43 |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | ◇ | ◇ | – |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | ● | ◇ | – |
| SO4 | Actions taken in response to incidents of corruption | ◇ | ◇ | – |
| SO5 | Public policy positions and participation in public policy development and lobbying | ◇ | ◇ | – |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | ◇ | ◇ | – |
| SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | ○ | ○ | – |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | ● | ◇ | – |
| Social: Product Responsibility | | | | |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | ● | ◇ | – |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | ○ | ○ | – |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | ● | ◇ | – |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | ○ | ○ | – |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | ◇ | ◇ | – |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | ○ | ○ | – |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes | ○ | ○ | – |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | ○ | ○ | – |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | ○ | ○ | – |
| DMA (Disclosure on Management Approach) | | | | |
| EC_DMA | 17 | ● | | |
| EN_DMA | 47 | ● | | |
| LA_DMA | 29 | ● | | |
| HR_DMA | 29 | ● | | |
| SO_DMA | 42 | ● | | |
| PR_DMA | – | ◇ | | |

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Electric Utility Sector Supplement

| Category | | GRI Index | Wordings / Reasonings | Korea Version | English Version | page |
|------------------------|-------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|-------|
| Organizational Profile | | EU1 | Installed capacity (MW), broken down by energy source and by country or regulatory regime | ● | ● | 11 |
| | | EU2 | Number of residential, industrial, and commercial customer accounts. | ◇ | ○ | – |
| | | EU3 | Length of transmission and distribution lines by voltage. | ◇ | ○ | – |
| | | EU4 | Allocation of CO ₂ emissions permits, broken down by country or regulatory regime. | ◇ | ○ | – |
| Economic | Availability and Reliability | EU5 | Planning to ensure short and long-term electricity availability and reliability. | ● | ● | 13 |
| | Demand-Side Management | EU6 | Demand-side management programs including residential, commercial, institutional and industrial programs. | ● | ◇ | – |
| | Research and Development | EU7 | Research and development activity aimed at providing reliable and affordable electricity and promoting sustainable development. | ● | ● | 52 |
| | Plant Decommissioning | EU8 | Provisions for decommissioning of nuclear power sites. | ◇ | ○ | – |
| | Availability and Reliability | EU9 | Planned capacity (MW) against projected electricity demand over the long term, broken down by energy source and country or regulatory regime. | ● | ◇ | – |
| | Demand-Side Management | EU10 | Estimated capacity (MW) saved through demand-side management programs. | ◇ | ○ | – |
| | | EU11 | Estimated energy (MWh) saved through demand-side management programs, broken down by residential, commercial, institutional and industrial customers. | ◇ | ○ | – |
| | System Efficiency | EU12 | Average generation efficiency by energy source and by country or regulatory regime. | ● | ◇ | – |
| | | EU13 | Transmission and distribution efficiency. | ◇ | ○ | – |
| Environmental | Biodiversity | EU14 | Biodiversity of replacement habitats compared to the biodiversity of the areas that are being replaced. | ○ | ◇ | – |
| Social | Employment | EU15 | Processes to ensure the availability of a skilled workforce. | ● | ● | 32~34 |
| | | EU16 | Total subcontracted workforce. | ● | ◇ | – |
| | | EU17 | Percentage of contractors and subcontractors that have undergone relevant health and safety training. | ● | ◇ | – |
| | Community | EU18 | Participatory decision making processes with stakeholders and outcomes of engagement. | ● | ◇ | – |
| | | EU19 | Approach to managing the impacts of involuntary displacement | ● | ◇ | – |
| | Disaster/ Emergency Planning and Response | EU20 | Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans. | ● | ◇ | – |
| | Community | EU21 | Number of people displaced by new or expansion projects related to generation facilities and transmission lines, broken down by physical and/or economic displacement | ○ | ◇ | – |
| | Access | EU22 | Programs, including those in partnership with government, to improve or maintain access to electricity services. | ● | ◇ | – |
| | Provision of information | EU23 | Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity services. | ● | ● | 20 |
| | Public Health and Safety | EU24 | Number of injuries and fatalities to the public involving company assets, including legal judgements, settlements and pending legal cases of diseases. | ● | ● | 35 |
| | Access | EU25 | Percentage of population households unserved in licensed distribution areas, broken down by population in rural areas and urban areas. | ◇ | ○ | – |
| | | EU26 | Number of residential disconnections for non-payment, broken down by duration of disconnection. | ◇ | ○ | – |
| | | EU27 | Power outage frequency. | ● | ◇ | – |
| | | EU28 | Average power outage duration. | ● | ◇ | – |
| | | EU29 | Average plant availability factor by energy source and by country or regulatory regime | ● | ● | 6~7 |

Environmental Policies

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

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

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

September 2001

Charter of Ethics

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

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

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

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

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

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

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

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

「2008 EWP's Sustainability Report」 Reader Opinion Survey

In this report, EWP has tried to disclose its sustainability management activities as openly as possible. To improve its contents and level of completeness, we would like to hear from you. Your opinions will be reflected in future reports.

1. What is your position?

- ① Investor/Shareholder ② Employee of an affiliate ③ Local resident ④ NGO ⑤ Employee of GENCO
⑥ Member of Academic Community ⑦ Civil Servant ⑧ Employee of EWP ⑨ Other ()

2. What is your overall evaluation of this report?

- ☐ Good ☐ Moderate ☐ Bad

3. How understandable is it?

- ☐ Easy ☐ Moderate ☐ Difficult

4. How do you feel about the amount of information included in this report?

- ☐ Too much ☐ Moderate ☐ Too little

5. Which section of the report did you find the most interesting?

- ☐ Sustainability at EWP ☐ Economy ☐ Environment ☐ Society

6. Which section of the report do you think needs improvement?

- ☐ Sustainability at EWP ☐ Economy ☐ Environment ☐ Society

7. Please feel free to make comments on the report.

Thank you for your cooperation.

Please forward this form to 82-2-3456-8379 (Fax) or sustainability@ewp.co.kr (e-mail).

Sustainability Report 2008

K O R E A

EAST-WEST

P O W E R

Procedures for the Preparation of the Sustainability Report

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

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

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

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

| Task Force Team Members | | |
|--------------------------|-------------------------------|-----------------|
| Duties | Original Post | Contact Numbers |
| General | Planning Dept. | 82-2-3456-8375 |
| Economic Performance | Planning Dept. | 82-2-3456-8375 |
| Ethical Management | Management | 82-2-3456-8383 |
| | Innovation Office | |
| Social Responsibility | Planning Dept. | 82-2-3456-8332 |
| | General Affairs Support Dept. | 82-2-3456-8391 |
| Environmental Management | Power Generation Dept. | 82-2-3456-8531 |
| Innovation Management | Management | 82-2-3456-8381 |
| | Innovation Office | |
| Creativity Management | Technology Planning Office | 82-2-3456-8551 |

※ Additional data and information on this report is available at divisions in charge.



Published by Lee, Gil Gu | Supervised by Chang, Joo Ok | Writed by Cho, Sung Gil | Organized by TF Team
 EWP Strategy & Plannig Team Planning Department | Published December 2008 | <http://www.ewp.co.kr>
 Address : 411 Yeongdongdaero, Gangnam-gu, Seoul, 135-791, Korea | Tel : 82-2-3456-8375 Fax : 82-2-3456-8379
 Edited & Designed by Communication Dong-Gam, Chang, Sun Kyung | Tel : 82-2-593-7008