

Balance & Harmony
Social Distribution
Eco-friendly EX

Korea Expressway
Corporation
SUSTAINABILITY REPORT

2007

Significance of the Sustainability Report

For the first time, the Korea Expressway Corporation (KEC) has decided to issue a sustainability report in 2007 with a view to meeting its social responsibility as a public corporation and providing transparency for stakeholders with information on sustainability management activities and the results that KEC has achieved. To satisfy the requirements of various parties of interest at home and abroad, KEC explains in this report about its management activities from the perspective of global standards and tells about its activities, results, and will to pursue its goals under the three themes of Economy, Society, and Environment.

This report is designed to be used as a tool for constant communication between itself and stakeholders, and will serve to provide momentum to increasing management transparency and carrying out sustainability management activities in a more systematic way.

The principle in the writing of the report

The Korea Expressway Corporation Sustainability Report 2007 is written based on the GRI Guidelines for 2006. The items recommended by the guidelines are shown in the GRI Contents Index of the Table of the Contents.

Scope and period covered by the report

This report describes the status and results of management activities towards creating sustainable development carried out between January 1 and December 31, 2006. It includes management activities by the headquarters and affiliated organizations, but not those by invested companies.

Review by a third party

A "third-party review" was carried out in the writing of the report to increase credibility. Expert, outside advisors reviewed the overall construction and content of this document and the activities it entails. The details of the third-party review are included in the "review opinions of outside experts"

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EX Sustainability

Balance & Harmony

Social Distribution

Eco-friendly EX

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Epilogue •

Connecting people
through roads

More than an exchange of roads, EX connects
pathways and people,
transmit the idea of love simply by
bringing you to your loved ones.
And even en route to the future, the roads of
EX will take you home.



Roads that create hope by
connecting civilization with nature

Our lives are intertwined
with roads both sundry and singular.
Roads that carry us away on
dreams And bring us home once more.
Roads that remind us of
our past Yet reach far into the future Roads that
follow the path of nature
And show us the way to change.
Building roads both near and far to touch
every part of our lives,
KEC puts the priority on people And the environment
that sustains them.
Just as the sun greets each person every morning,
KEC endeavors to make roads available to everyone equally.
We build roads that create hope, by connecting
mankind with nature.



Expressways equipped with the technology
ubiquitous expressway

We are the people who construct
and connect roads.
Overcoming every obstacle, we merge roads
with information technology opening the door to a better future.
... to real time traffic information that keeps drivers in motion
... to time saving innovation and satisfying progress
... to a restful ride and reaching your destination in time

KEC is committed to being your partner
in travel, ensuring a safe driving experience
keeping the road relaxing wherever you go.
and a constant friend,
Be on the teeming city streets,
vacant country roads or vast expressways,
EX keeps you connected.





*KEC knows who the roads are for,
so we place the highest priority on you.
Building expressways isn't the only
way to serve the public.*

*We believe that we can always do more,
We're always seeking ways to serve the greater good,
by giving scholarships to children
who have lost their parents from traffic accidents
as well as by carrying out a movement to connect roads,*

*which involves the construction of roads
in isolated and remote villages.
KEC makes roads for the future, to ensure that
even children brought up in secluded places
never lose sight of the road ahead.*

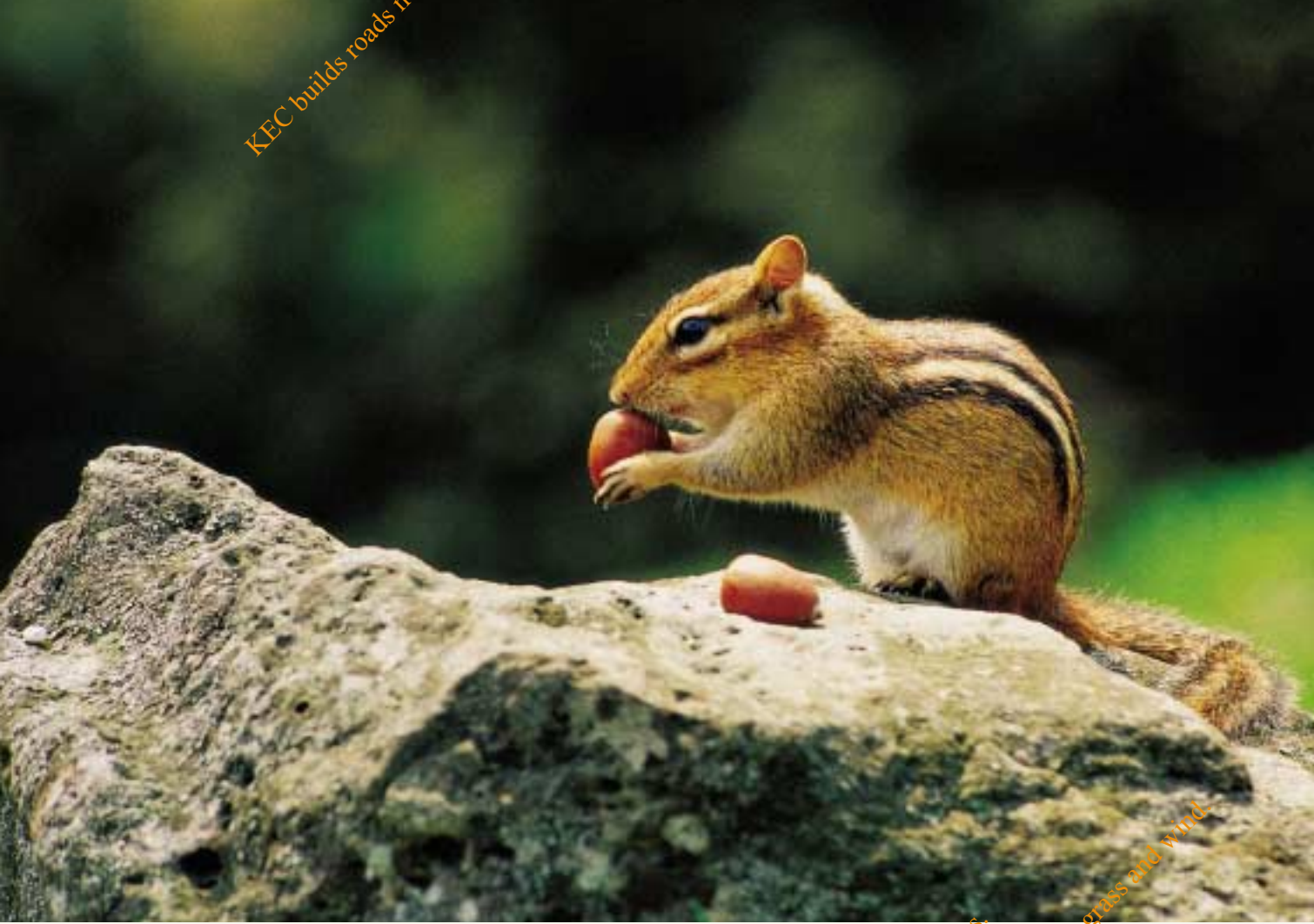
Roads that focus
on the people





*Beautiful roads that
are a part of nature*

KEC builds roads not only for the people, but for Nature and wildlife as well.
Roads where a free wind blows,
Roads where sunlight abounds,
Roads filled with varied sounds,
The roads of KEC are in tune with Nature.



We seek to surround our tunnels
with trees and green tracts,
and set our bridges among the green river breezes,
so that people driving on such roads can enjoy themselves
People become one with nature
as they drive along roads filled with the scent of flowers, grass and wind.

EX Sustainability



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Just as a person devoid of dreams has no future, a company with no objectives cannot succeed. The creation a better, happier world is the core of our corporate philosophy and KEC has declared 2007 the year of birth of sustainability management, welcoming this dawn with a host of global-level projects to make our dreams come ture. Watch KEC spreads its wings, take flight as a dignified corporation working to ensure a better future for all, and soar as a leader in the global community.

Spreading its

Wings towards the world
and the future!

CEO Message

We will lead change in the new century with sustainability management

I truly appreciate your continuous interest in KEC, which connects people, regions and cultures to create happiness. I am greatly pleased to present KEC's pledge and continued dedication to sustainability management through this report.

Since its establishment in February 1969, KEC has come a long way, laying and managing highways, the foundation of the country's economy, and further increasing transportation convenience for travelers over the last 38 years. Systematic change and innovation is now required from inside the corporation in order to move away from a purely development and growth-focused policy, to one of constructing roads in a way that nurtures both civilization and the environment, to preserve the environment for future generations. We should also take into consideration that we have to turn KEC into a future-oriented company that will continue to be respected and trusted by all the stakeholders by meeting our sociality responsibility for a sustainable existence.

Against this backdrop, the employees of KEC have introduced and implemented sustainability management in all its management activities to achieve economic, social, and environmental results in a balanced way. KEC has redefined its objectives and strategies for sustainability management, and has set up key performance indicators (KPIs) for individual departments and the entire corporation, according to changes in the management environment at home and abroad in 2006. KEC has declared its dedication and pledged its efforts to internal and external stakeholders to become a global company through its joining of the UN Global Compact and declaration ceremony of sustainable management. Under the banner of a Clean Company, KEC has implemented company-wide ethical management initiatives and is now ranked as the number one company for having made the greatest improvement in terms of integrity. Its customer-focused management, which puts the highest priority on customer satisfaction, has also acquired a score of 83, a 12.2% increase from the previous year.

In addition, a group of volunteers was organized to enhance social contribution activities, the groundwork was laid for mutually beneficial cooperation with partner companies, and environmentally friendly management is in place, all part of efforts to meet social responsibility. To enhance employee satisfaction, impartiality and transparency was increased in the personnel system, comprehensive measures were taken to support irregular workers, and more employment opportunities were offered for women and the disabled. Also plans to construct an environmentally friendly management system and expand the environment-related organization were worked out to secure a position of leadership in environmental protection.

2007 is the first year of the declaration of sustainability management and will be an important turning point to becoming a forward-



thinking global company specializing in road service. KEC will put together all its capabilities to lay the foundation for sustainability by enhancing its main business through efforts to continuously expand expressway networks, rationalize resource procurement, provide various customer services, implement ethical management, etc. Moreover, we make the following pledges to push ahead in sustainability management with balanced development in the three aspects of the economy, the environment, and society by proactively listening to the requirements of stakeholders for innovation, integrity, and environmentally friendly development.

- First, we will enhance corporate value to develop our drive for continuous growth in the future and secure a competitive edge.
- Second, we will faithfully fulfill our social responsibilities and seek mutual development with all stakeholders.
- Third, we will strive to become a perfectly transparent and ethical company by meeting global standards.
- Fourth, we will translate our human-focused management philosophy into practice, increase the quality of life for our staff, and create a motivating atmosphere at work.
- Fifth, we will take the lead in building environmentally friendly roads as part of our environmental management system.

As a transparent and reliable company that gives priority to the above pledges in all its management activities, KEC will strive to proactively implement sustainability management and ensure a better tomorrow for the public.

손학래

Son Hak-Lae, CEO of KEC

Declaration Ceremony of Sustainability Management

The Way ToMorrow

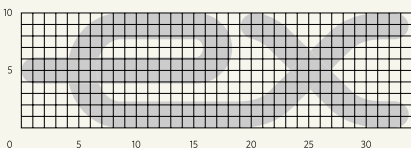
● KEC held the sustainability management declaration ceremony to symbolize the rebirth for the company on February 14, 2007 and declare its will at home and abroad to observe the ten principles and the four areas of the UN Global Compact, including human rights, labor, environment, and anti-corruption, to fulfill our economic, social and environmental responsibilities, and to become a global company as we advance to the world.

At the ceremony, CEO Mr. Son emphasized, "In the current dynamic environment, changes occur at such a rate that no company can remain at the top forever and only a company that promptly responds to such changes and reinforces its viability can survive amid such heated global competition." He also instructed the staff to "employ their utmost capabilities in all business areas and elevate the company to a top global position so that KEC will be able to carry out its social responsibility to meet international standards and realize transparent management, as it has already been implementing sustainability management by joining the UN Global Compact and issuing the sustainability report."



The New CI of KEC

● KEC has selected "EX" as a new corporate identity and logo to place importance on its brand value and reflect the trend in globalization. "EX" is short for 'expressway', KEC's main business area, and implies its core values of excellence, excitement, and expertise. It also represents the image of the interconnecting of expressways and the employee's ardent wish to fulfill the corporation's mission to connect people, logistics, information, and cultures while augmenting the public trust through ceaseless innovation. Also a new English slogan 'The Way ToMorrow' was coined by combing the existing slogan 'people who build connections of happiness' and the ambition to build a better future and a country of hope. KEC will continue to pursue future-oriented businesses for customers and develop into a world-class company that specializes in road service.



Platform to Practice Sustainability Management

We make the following pledges to recognize the importance not only of the company's economic growth but also of its social and environmental responsibility, and to practice and expand sustainability management to a global level.

We acknowledge that the trust of the various stakeholders such as travelers, partner companies, and the government is the core value of sustainable growth and we will take the initiative to cultivate and live up to such trust.

We will improve our road service capability to create social added value.

We will carry out our social responsibility and practice transparent management to global standards.

We will observe the environmental criteria that have been set up at home and aboard and facilitate the development and spread of environmentally friendly technologies.

We will open our performance regarding sustainability management to the public, promote dialogue with stakeholders, and fortify partnerships.

Global Partnership

Joining the UN Global Compact

The UN Global Compact, launched in July 2000, is a voluntary corporate citizenship initiative and plays a central role in activities by the UN that promote corporate social responsibility. Any company joining the initiative is to declare that it will conform to the ten principles of the four areas of human rights, labor, environment, and anti-corruption, participate in representatives' meetings, forums, etc., and construct a network for responsible social management with global companies.

KEC joined the UN Global Compact in November 2006 as the third public company, and plans to release information on its activities and results of fulfilling the social responsibility principles specified by the UN through an annual sustainability report.

An international organization for social responsibility, the UN Global Compact was first

UN Global Compact

proposed by the former UN Secretary-General Kofi Annan in the World Economic Forum in January 1999 to support universal environmental and social principles and launched at UN Headquarters in New York in July 2000. Challenging business leaders to join an international initiative, it encourages corporate CEOs to make a voluntary declaration so that their companies realize social justice, live up to corporate citizenship in their global management activities and report on related results every year.



Homepage: <http://www.unglobalcompact.org>



Ten principles of the UN Global Compact

- Human Rights
 - 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
 - 2 make sure that they are not complicit in human rights abuses.
- Labor Standards
 - 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - 4 the elimination of all forms of forced and compulsory labour;
 - 5 the effective abolition of child labour; and
 - 6 the elimination of discrimination in respect of employment and occupation. ?
- Environment
 - 7 Businesses should support a precautionary approach to environmental challenges;
 - 8 undertake initiatives to promote greater environmental responsibility; and
 - 9 encourage the development and diffusion of environmentally friendly technologies
- Anti-corruption
 - 10 Businesses should work against all forms of corruption, including extortion and bribery.

Award-Winning Record

Strategy Implemented	Awarding Organization	External Results
Construction of an innovation system that produces results	Ministry of Planning & Budget	Receiving a prime minister's citation (Dec. 06) Achieved the highest level for innovation in two consecutive years (the only public company achieving such a result)
Laying of the groundwork for sustainability management through enhancement of ethics and transparency	Korea Independent Commission against Corruption Board of Audit & Inspection (BAI)	Prime minister's citation for Excellent Comprehensive Organization in Corruption Prevention (Feb. 07) Presidential citation for Improving Integrity Systems (Feb. 07) BAI Chairmen's citation for Excellent Organization in Internal Audits (Feb. 07) The only government-invested organization to be recognized as such
Realization of mutually-beneficial cooperation across all areas regarding expressways	Ministry of Construction & Transportation	Construction & Transportation Minister's citation for Excellent Organization in Mutually-Beneficial Corporation (Dec. 06) Successful execution of pilot projects for mutually-beneficial cooperation in the construction industry
Creative and innovative labor and management culture	Ministry of Labor	Prime minister's citation from the Korea Labor-Management Culture Awards (Dec. 06) Took the lead in introducing advanced labor and management culture through an exemplary labor and management relationship
Reinforcement of customer satisfaction management	Ministry of Planning & Budget	Number one public company in the increase of customer satisfaction (Dec. 06)
Construction of environmentally friendly expressways	Ministry of Environment	Minister of the Environment's citation for Excellent Organization in Environmental Management (Dec. 06) Differentiated environmental management such as preserving areas near waters
Securing the drive for future growth through technological innovation	Korea Economic Daily	Korea Technology Innovation Grand Prize (Jan. 07) In two consecutive years, led innovation in the public administration area
Promotion of national development and resolution of social polarization through nurturing and support of SMEs	DailyPresidential Commission on Small and Medium Enterprise	Highest Presidential Award for Joint Purchases of SME products (Dec. 06) Contributed to national development through mutually-beneficial cooperation with small & medium enterprises
Fortification of external competitiveness through the saving of energy	Ministry of Commerce, Industry & Energy	Citation for Energy-Saving Organization - Prime Minister's Award (Nov. 06) Took the initiative in implementing the government policy to effectively respond to high oil prices
Firm establishment of a customized, advanced transportation culture	Korea Broadcasting System and two others	Presidential Award from the Advanced Transportation Culture Awards (Oct. 06) Improved transportation safety functions and contributed to a better awareness of transportation safety

About EX

The Role of the Korea Expressway Corporation

• KEC was established to contribute to the development of road transportation in Korea by laying and maintaining roads, the main arteries of the country, and executing related projects. Since its establishment, KEC has exerted every effort to ensure the balanced development of the country, while easing traffic congestion and increasing safety and convenience for travelers.

Its main businesses include 'laying, expansion, and maintenance of expressways', 'establishment and management of subsidiary facilities and amenities', 'development of the areas adjacent to expressways', etc. Based on technological capabilities accumulated over an extended period of time, KEC has made inroads into overseas markets, opening the way for it to become a global company.



Company Overview (as of 2006)

•	
Company name	Korea Expressway Corporation (Head office located in Seongnam, Gyeonggi Province)
Head office	239-1, Geumto-dong, Sujeong-gu, Seongnam City, Gyeonggi Province
Date of Establishment	February 15, 1969
Type	Government-invested organization
Capital stock	Legal capital: KRW 25 trillion Paid-in capital: KRW 19.3674 trillion
Total assets	KRW 36.7 trillion
Sales	KRW 2.7713 trillion
No. of employees	4,516
Roads under management	2,874km (3,103km when including privately-financed roads)
Share-holders	Government 87.68%, Korea Development Bank 7.38%, Export-Import Bank of Korea 4.91%, Kookmin Bank 0.03%

Business Structure

-
- Respect for the future of humanity
- Creation of differentiated technologies
- Innovation of the business structure



Laying & expansion of expressways	Expressway construction plan & route design Compensation for lots to be used for roads Laying and expansion of expressways
Maintenance & management of expressways	Transportation management (transportation safety, traffic management, etc.) Road operations (collection of tolls, etc.) Road maintenance & repair
Establishment & management of subsidiary facilities	Establishment & management of rest areas and gas stations Construction and lease of optical telecommunications networks
Development projects near expressways	Development of logistics facilities Development of composite rest facilities
Overseas projects/ design VE	Official development assistance (ODA), of expressways in North Korea, and other projects Development of innovative models for design value engineering (VE)
Research & technology development	Development of road construction technologies Development of road maintenance & repair technologies

Vision and Management Policy

Corporate philosophy

We open roads, connect people and cultures, and broaden the horizons of the new world.

Vision

The No. 1 public company in providing the finest road service
 Respect for human resources for the future, development of differentiated technologies, and continuous innovation of the business structure

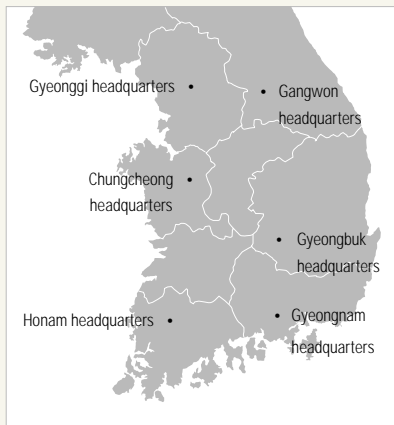
Slogan

People who build connections of happiness

Management policy

Customer-focused management
 Innovation of operation systems
 Creation of a new corporate culture

Regional Headquarters Status



People who Build Connections of Happiness

Based on its corporate philosophy of building roads, connecting people and cultures, and creating contentment in an advancing world, KEC is striving to provide higher quality road service to the people.

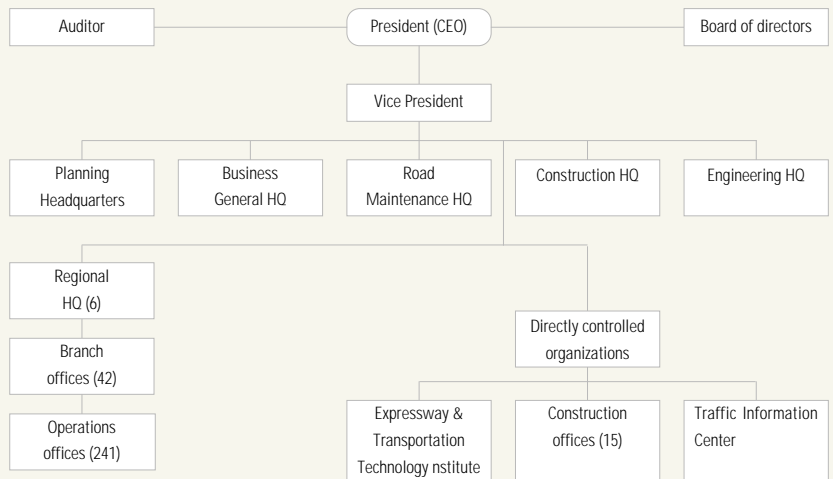
To this end, KEC highly regards human resources (the core capability of the future), creates differentiated technologies, innovates its business structure, and defines and implements concrete strategies and tasks.

In particular, to become a 'public company that is trusted by the people', we are putting the highest priority on corporate activities that support customers. We are also reinforcing ethical management, emphasizing transparency and responsible management practices and thorough delegation of authority. Moreover, an efficient and innovative system of operation has been introduced to create greater added value for the country.

Organizational Structure

KEC has five headquarters, one corps, six offices, and 13 divisions at the head office, and controls six regional headquarters (Jungbu, Gangwon, Chungcheong, Honam, Gyeongbuk, and Gyeongnam), 42 branch offices, 242 operations offices, 15 construction offices, the Expressway & Transportation Technology Institute, and the Traffic Information Center.

Organization Chart



Corporate Governance

Board of Directors

The independence and expertise of the Board of Directors (BOD) is recognized as critical to corporate governance and various efforts have been made to strengthen responsible management centering on its activities. The BOD consists of seven standing and eight non-standing members, one of whom is a female director. The president is to appoint standing directors while non-standing directors are recommended by a committee and in turn recommend executives who are passed by the operation committee of public agencies, and appointed by the planning and budget minister.

Appointment of the President

The KEC president is appointed by the President of Korea through consultation and decision by an executive recommendation committee consisting of non-standing directors and other members elected by the BOD. The term of office is limited to three years. Impartial criteria for screening is in place to ensure transparency in the selection of the president, and rigorous screening procedures will continue to be adhered to so that a person equipped with capabilities and expertise can be selected as president.

Status of Directors

Standing/non-standing	Name	Remarks
Internal (standing) directors	Son Haklae	CEO
	Jeong Haesu	Vice President
	Baek Seokbong	Planning Headquarters Chief
	Lee Dongung	Business General HQ Chief
	Choi Seunggyu	Road Maintenance & Traffic HQ Chief
	Park Laeseon	Construction HQ Chief
	Bok Gichan	Engineering HQ Chief
External (non-standing) directors	Sin Yeonsuk	Korea Women Journalists Association President
	Kim Changsu	Evaluating member of the Management Evaluation Committee of Government-Controlled Agencies
	Lee Jeongju	Executive director of Jowon Trading Company
	Park Hyeongchae	Second Deputy Secretary General of the Board of Audit and Inspection
	Park Suhyeok	Chairman of the BOD of the Korea Environmental Litigation Center Member of the Administrative Appeals Commission under the Prime Minister
	Gu Cheolhoe	Korea National Economy Institute President
	Lee Jinsun	Korea Development Institute President Dean of the College of Economy and Business of Soongsil University
	Choi Hangsun	Professor of public administration at Kyungwon University President of the Korea Association for Public Management

Reorganization & Expansion of Special Sub Committees

To utilize non-standing directors' expertise and increase their participation in management

- Held five times

Planning & Management
 Four non-standing directors
 Executives responsible for corresponding matters
- Held five times

Construction & Environment
 Four non-standing directors
 Executives responsible for corresponding matters
- Established in '06

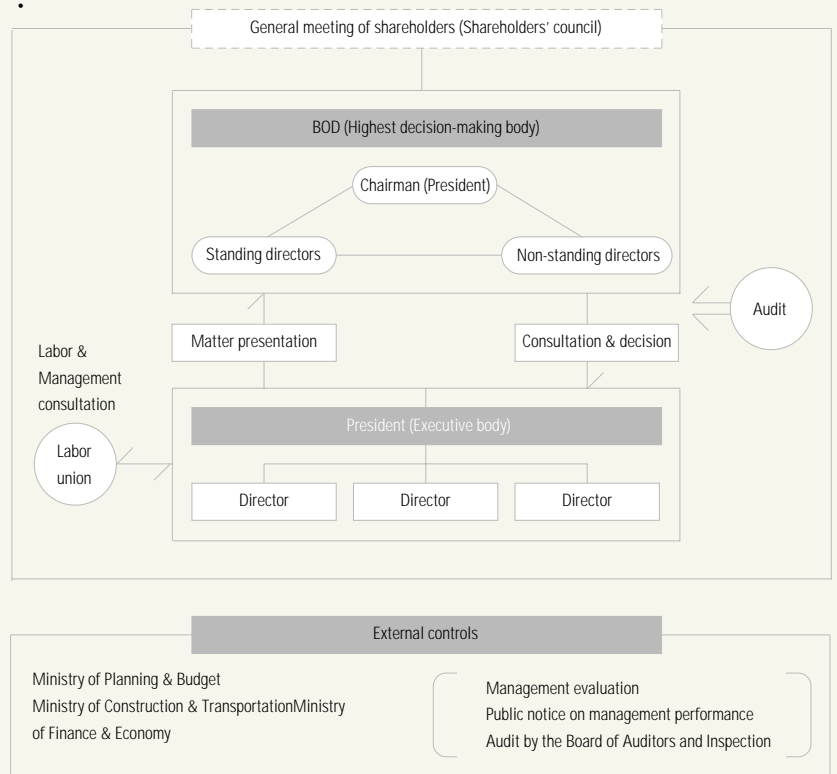
Transparent Management
 Four non-standing directors
- Run twice

Selection of External Accounting Auditors
 Two non-standing directors
 Auditor

Governance Structure

In regulations of the BOD were revised, strengthening the authority of non-standing directors, guaranteeing standing directors' independence in order to carry out work, and requiring their responsibility and expertise. To increase the checks and balances of the Board of Directors' consultation and decision-making process on the management, a new provision was stipulated granting the BOD the right to require inspection. And to secure the effectiveness of this provision, it is now compulsory to submit audit results to the BOD.

Conceptual Diagram of the Governance Structure



Construction of an Independent Group of Expert Non-Standing Directors

The group of non-standing directors are experts in various areas such as management, the economy, personnel matters, public administration, legal matters, ethics, culture, gender equality, etc. Through their attendance in BOD meetings, they are involved in consultation and decision-making as to KEC's management policies and other current issues. They are also involved in the formation of special sub-committees concerning planning & management, construction & the environment, transparent management, and the selection of external accounting auditors to put their expertise in the management of KEC to good use while ensuring independence for their participation in the management.

Greater Role Played by Non-Standing Directors

● To ensure optimal decision-making, accessibility and ease of use, the BOD homepage is being augmented to continuously complement menu items of interest for non-standing directors. In this regard, new menu headings were added per management suggestions for ways to post on important matters such as current management issues, main events, and the activities of senior directors. Also, information on BOD operations and management is provided to non-standing directors, and surveys on the operation of the BOD homepage and other matters were conducted to improve the operating environment of the BOD. Ways to increase attendance by non-standing directors have been continuously explored, and as a result, their attendance rate has increased from 93.8% in 2005 to 96.9% in 2006.

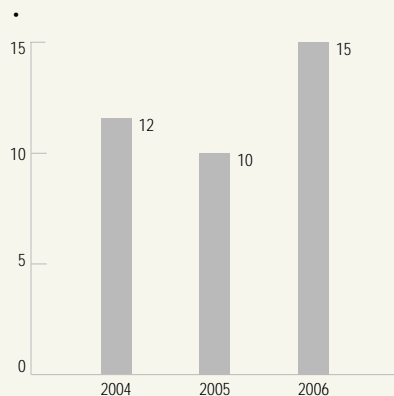
Facilitation of the Advising Director System

● Also opinions KEC has a system of advising directors appointed from former non-standing directors as advisors for the corporation. The advising director system helps to provide objective and expert review of current issues in order to find feasible solutions.

Evaluation of the Performance of the BOD

● The performance of the BOD is reviewed by an external evaluation body and also by the government in an annual management evaluation. According to the results of the government management evaluation, standing directors are paid annual salaries based on their performance.

Advisory status by year (no. of cases)



Advising Areas and Main Results

Advising area	Advising content	Practical use
Law & Litigation	Ways to publicize toll increases	Used in publicity for the toll increase in Feb. '06
Construction & Environment	Formation of environmentally friendly forest zones Prevention of damage to the environment due to expressway construction	Reflected in the operation of the environmental advisory committee
Finance	Review of the propriety of ways to issue long-term asset backed securities (ABS) Review of the propriety of ways to issue long-term asset backed securities (ABS)	Referred to for the issuance of ABS in Sept. & Oct. '06 and the execution of overseas borrowings
Finance	Consultation on the establishment of a proper financial structure such as proper investment sizes and construction of a debt structure	Referred to the execution of the long-term plan to improve the financial structure
Publicity & corporate image	Breaking from the old image and creating a state-of-the-art and customer-oriented image Using logo colors that contribute to a bright and soft atmosphere	Applied in the change of the corporate image

Sustainability Management System

The Basic System of Sustainability Management

Sustainability Management at KEC will focus on the three areas of the economy, society and environment, generating social added value through continuous expansion of expressway networks, realizing a world of harmony through cooperation with stakeholders, and implementing environmental management to build environmentally friendly expressways. As part of the above effort, the existing strategy based on the BSC (balanced scorecard) perspective was complemented and revised to reflect the perspectives of the economy, society, and environment, and as a result, a strategy for sustainability management centering on performance has been newly established.

To achieve the vision of the no. 1 public company in providing the best road service, KEC will make concerted efforts by accumulating road-related retained assets, boosting employee knowledge, generating differentiated technology, nurturing human resources for the future, and innovating the business structure. In addition, a corporate culture will take firm root to harmoniously manage the economy, society and environment to become a top-notch public company that is trusted by all stakeholders.

The objective of sustainability management is referred to as EXS-KT10 (EX Sustainability Korea Top 10), which represents the advancement of KEC's sustainability management capacity to become ranked among the top ten in Korea by 2015. It also implies becoming a target of benchmarking as an exemplary case for having built a sustainability management system at the highest domestic level.

In order to realize the vision and objective of sustainability management, 15 strategies and 25 KPIs across the corporation have been devised. Also performance will be thoroughly managed against the targets of the sustainability management-implementing organization through 76 strategic tasks and 90 KPIs at the department level. Also new strategies were added to reinforce the social and environmental aspects of sustainability management.

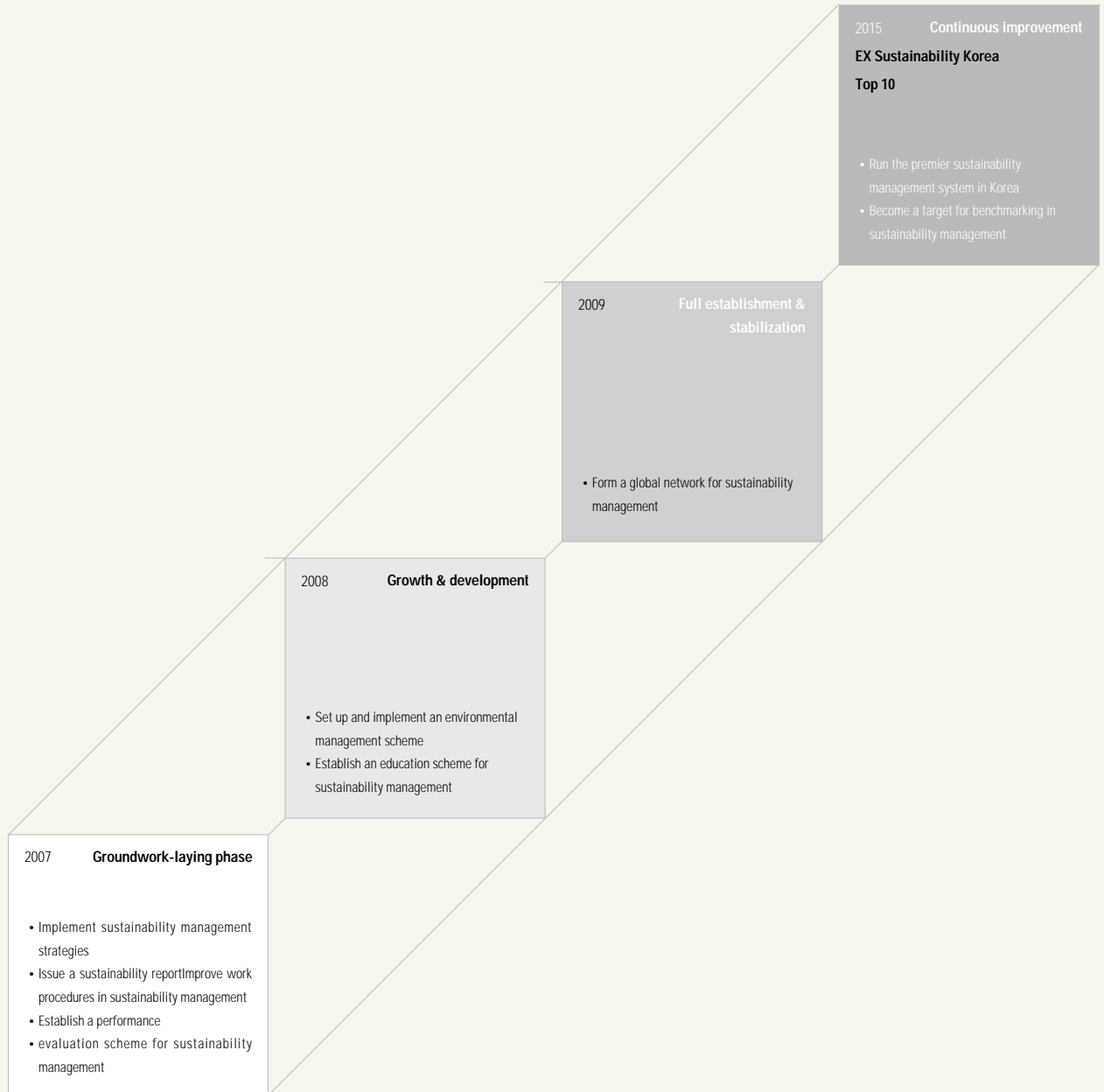


A company-wide strategy for social leadership was newly added as well as departmental strategic tasks such as improving safety and health for the employees, further striving to cooperate with partner companies, and executing strategic social contribution activities.

Two company-wide strategies were recently established from an environmental perspective: strengthening the scheme of environmentally friendly construction and maintenance, and enforcing the environmental management scheme. The first strategy includes department-level strategic tasks such as thorough data management, management of the surroundings of subsidiary facilities, continuous execution of ecosystem restoration when constructing roads, and management of environmental accidents. Departmental strategic tasks for the secondary strategy consist of various activities to ensure smooth execution of environmental management by fortifying the current environmental organization, establishing mid- & long-range plans for environmental management, and strengthening company-wide environmental education.

New Strategies Derived from Social and Environmental Perspectives

Perspective	Company-wide strategy	Departmental strategic task
Social	Securing social leadership companies	Increasing the satisfaction of the employees
		Strengthening mutually-beneficial cooperation with partner Intensifying strategic social contribution activities
Environmental	Strengthening the scheme of environmentally-friendly construction and maintenance	Continuously improving the integrated environmental information system
		Increasing the environmental management capacity of subsidiary facilities
	Enforcing the environmental management scheme	Invigorating the foundations of environmental organization Establishing mid-&long-range plans for environmental management Strengthening environmental education



Sustainability Management Plan



2007 will be the starting point of various activities to spread sustainability management across the company, including the issuance of this sustainability report, improvement of work procedures, and establishment of a performance evaluation scheme. Furthermore, an educational scheme will be set up to disseminate a culture of putting sustainability management into practice everyday. Related strategies and practical tasks will be continuously improved to ensure that they are in line with the direction KEC is moving. These efforts will earn KEC a reputation for running the premier sustainability management system in Korea and becoming a benchmark for sustainability management by 2010.

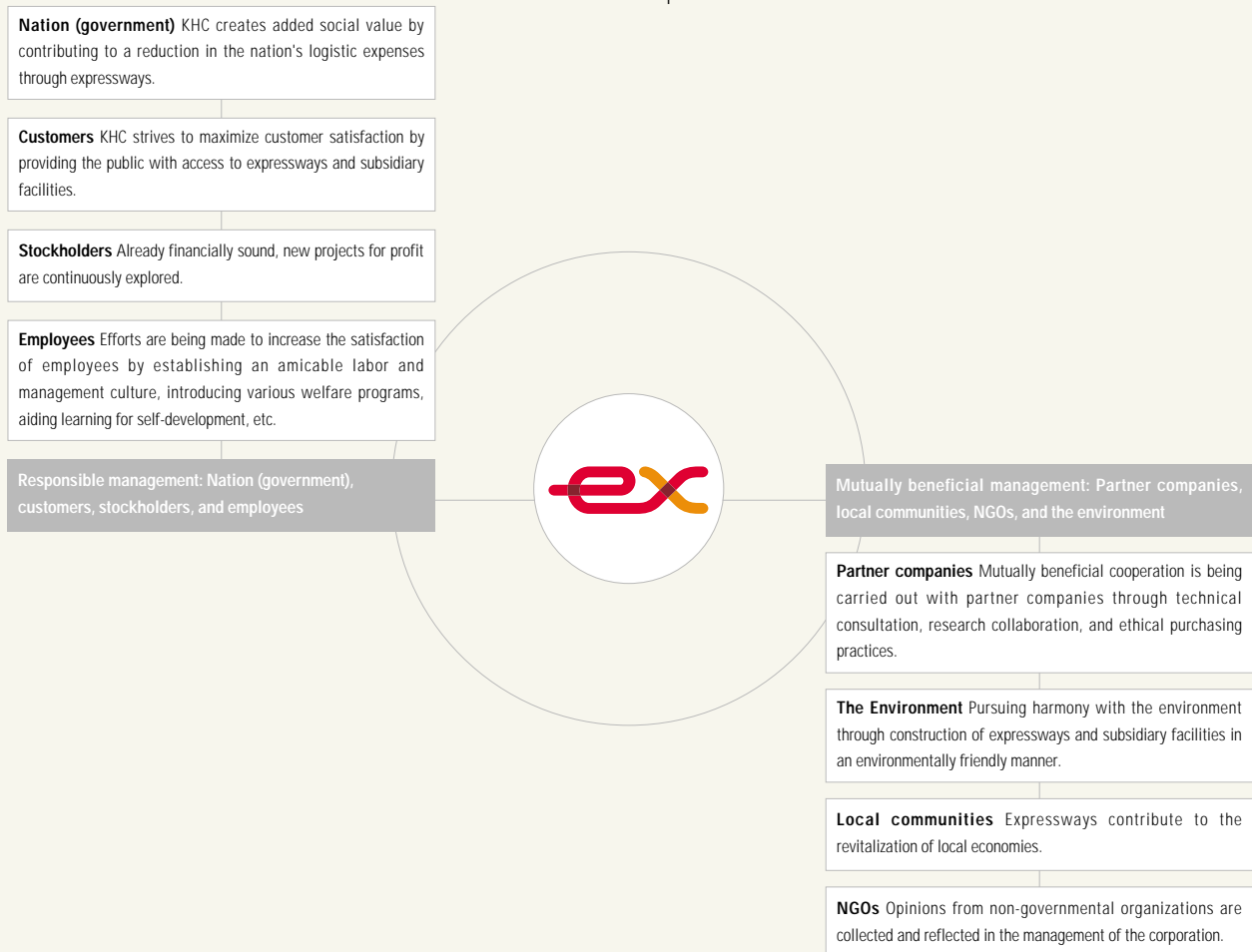
Extension of Sustainability Management

● KEC has proactively carried out internal and external activities to implement sustainability management by establishing such strategies as focusing on the three tenets of sustainability - the economy, society and the environment; by exploring ways to implement them both company-wide and at individual department levels; and by joining the UN Global Compact. For these activities to produce concrete results, we will engage in full consultation with the related departments so that sustainability management will take firm root in the corporate culture of KEC. The drive toward sustainability management has been set in motion at KEC. More significantly, KEC is pursuing a strategic framework that focuses on performance with regard to sustainability management. This framework will not only speed the achievement of this vision within KEC, but also serve as an example to the global practice of sustainability management.

Roads connect people and cultures. They also link the present to the future. KEC has resolved not become complacent with the current situation. We pledge to further our efforts to pursue future values. And such values can only be maximized by the coordinated efforts of everyone involved from the management and personnel to the other various interested parties.

Enhancement of relationships with interested parties

●



Key Performance Indicators (KPIs)

● To continuously enhance sustainability management activities and manage their performance, KEC has established a series of KPIs and manages sustainability results against the related targets on an annual basis. Key performance results will be provided to stakeholders transparently through annual sustainability reports.

Perspective	Strategy	KPI	Unit	2006 results
Economy	Continuous expansion of expressway networks	Level of achievement of targets on opening and extending expressways	%	100
	Financial stability (strategic direction)	Interest coverage ratios (ICR)	%	2
		National credit ratings	Rank	S&P: A0, Moodys: A3
	Rationalization of resource procurement	Achievement level of targeted reductions of financial expenses	KRW 100 million	312
	Advanced construction management	Reduction level of construction management costs	%	137
		Satisfaction level of users of the construction management system	Points	68.82
	State-of-the-art transportation and payment systems	Level of construction of ITS-based facilities	%	100
		Level of construction and use of the advanced payment system	%	100
	Expansion of the basis for profit-seeking projects	Additional profit ratios	%	16.7
	Implementation of a performance-focused, creative organizational culture	Achievement level of a voluntary management scheme	km/person	0.74
		Propriety of the performance compensation model	Points	4.5
	Translation of construction and maintenance capabilities into intellectual assets	Intellectual asset indicator	Points	80.33
		Satisfaction level of users of the information system	Points	71.2
	Enhancement of technological competitiveness	Indicators of developing technologies and putting them to practical uses	%	80
Enhancement of the scientific aspects of the maintenance system	Indicator of enhancing the scientific aspects of the maintenance system	Points	110.75	
Society	Positive corporate image (strategic direction)	Level of national integrity rating	Points	9.01
		Indicator of the corporation's reputation	Points	64.6
	Provision of various customer services	Customer satisfaction level	Points	83
		Level of usage of the transportation information service	10,000 cases	1,690
		Incidence of traffic accidents	Total no. of accidents per distance covered (million km)	0.058
	Implementation of ethical management	Indicator of awareness of corporate ethics	Points	6.94
	Nurturing of experts by sector	Ratio of retaining experts by sector	%	18.1
Securing of social leadership	Partnership indicator	Points	Newly added	
Environment	Strengthening the scheme of environmentally friendly construction and maintenance	Environmental performance indicator	Points	Newly added
	Establishment of an environmental management scheme	Awareness level of environmental management	Points	Newly added

Leading the era in its service

and technological skills!



Even water goes bad when it remains stagnant. As such, a company complacent with what it has now can have no future. KEC is keeping the stream flowing by leading a innovation in technological skills, services and potential. Continuously moving forward to construct futuristic expressways that achieve harmony between mankind and nature, KEC leads the current of more active implementation of customer-oriented management while achieving economic growth that can move the hearts of the people.



Balance & Harmony



30

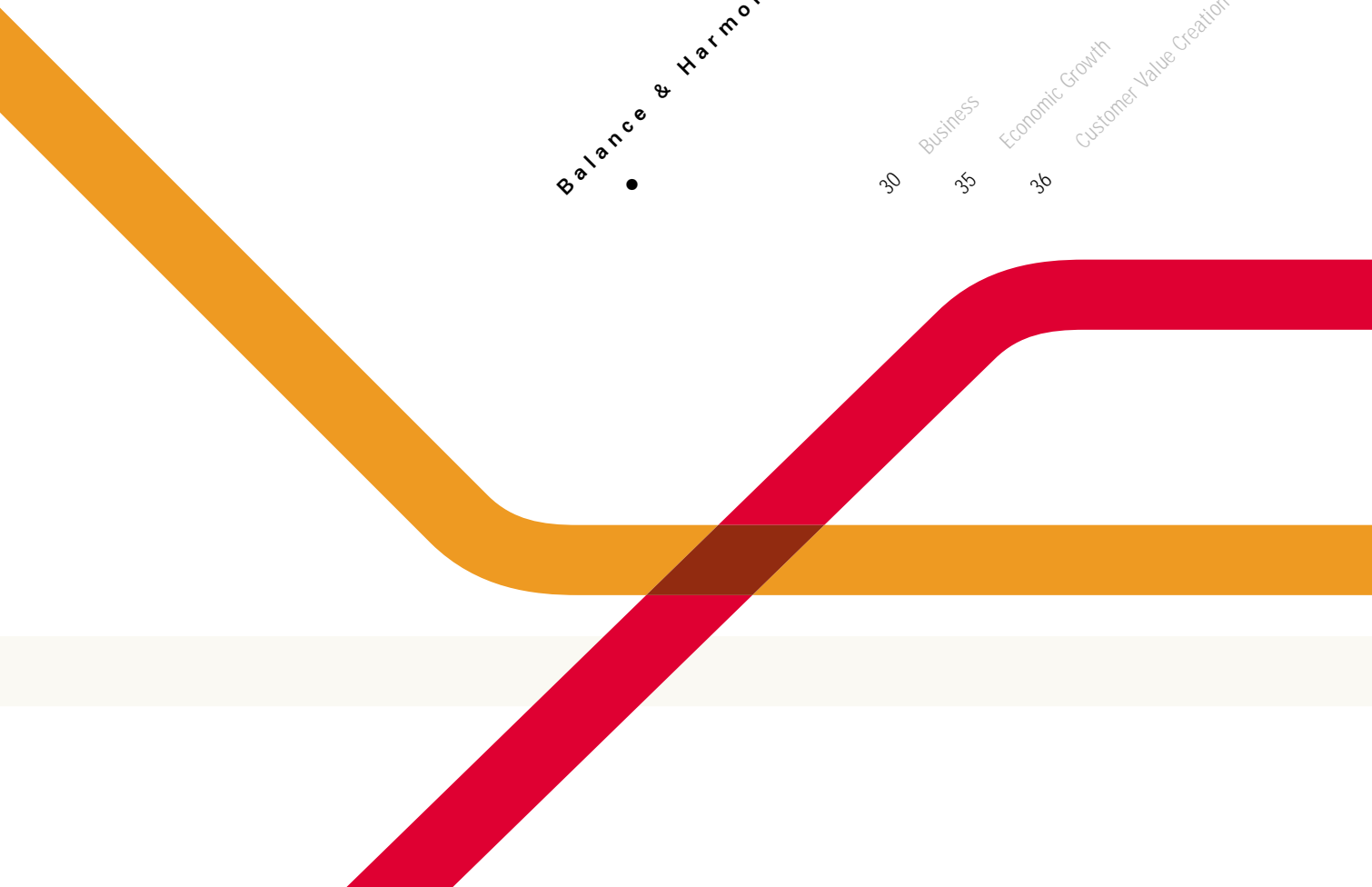
Business

35

Economic Growth

36

Customer Value Creation



Business

Results of Building and Expanding Expressways

Total routes

2,874km, 25 routes (3,103km when including privately financed expressways)

No. of vehicles on the road in 2006

3.16 million units per day (4.9% increase from 2005)

Construction projects completed in 2006

118.5km in five sections

New establishment: Gochang to Damyang Route, Jangseong to Damyang (25.3km)

Expansions: Three sections in addition to Yeongdong to Gumi in the Gyeongbu Route (93.2km)

Results

Time spent decreased by 35 minutes

Annual logistics costs reduced by KRW 199.6 billion

Expressways that connect to the future

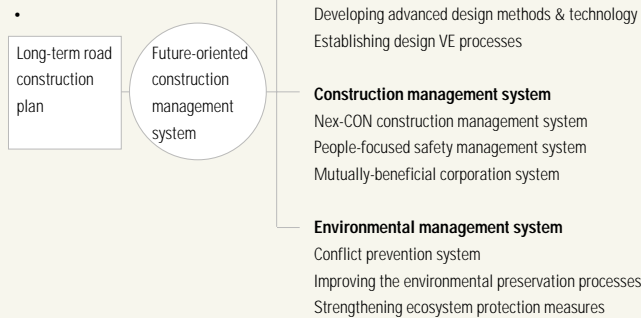
Expressways in Korea have developed significantly in terms of both quantitative and qualitative aspects, playing a pivotal role in the backbone of the nation's transportation network. The total length of expressways, which stood at only 77km in 1973, has sharply increased to 2,874km with 25 routes as of 2006. The number of vehicles using them is also increasing every year. Just in 2006, 118.5km was added in five sections, allowing for less time spent on the road and reduced logistics costs.

KEC is concentrating its efforts on satisfying customers' requirements by continuously fortifying expressway networks and implementing a future-oriented construction plan. This forward-looking construction plan refers to a long-term plan to build people-focused, intelligent expressways by introducing cutting-edge systems in the three areas of design, construction and the environment. As such, a futuristic "nexus expressway," that creates harmony between humans and nature, will be built to help improve the quality of life for the people and lay the groundwork for future growth.

Managed Expressways Routes



Management Scheme of Expressway Construction



Ubiquitous construction management

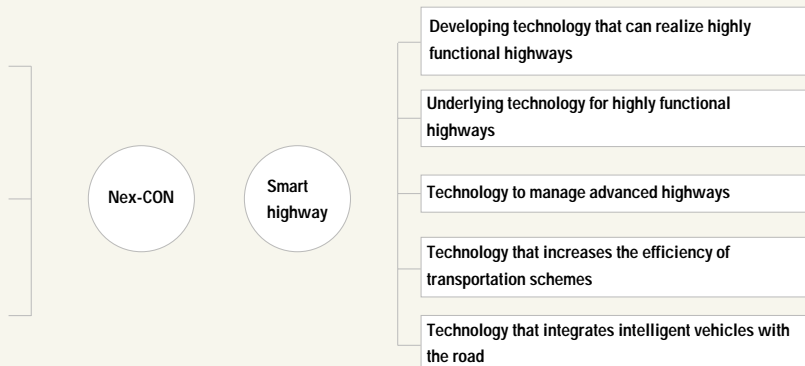
- Improving information and processes
- Remote field management in real time

Transparent construction management

- Sharing information among construction participants
- Promoting integrity at construction sites

Accumulating & providing information on road technology - Building a database

Next-generation, advanced construction management system for the construction of futuristic expressways to ensure harmony between humans and nature



Project to build smart highways that guarantee punctuality, convenience and safety with a design speed of 160km/hr

Results from the overseas projects

Country	Description
Indonesia	Design of a detour roadway in Manado. Construction of the second outer highway in Jakarta
Cambodia	Construction management of a detour in Siem Ream
Sri Lanka	Construction management of the Mahanama Bridge
Iraq	Supervision of the design for the outer expressway in Arbil
Vietnam	Construction of the highway to the New Ho Chi Minh Airport Supervision of the design of a national road between Noibai and Laocai



Results from the Implementation of Design VE

Own projects
Nine routes in addition to the Gwangju to Wando Route 468 suggestions, savings of KRW 63.5 billion
Delegated
One route in addition to the Pyeongtaek to Siheung Route 101 suggestions, savings of KRW 46 billion
Overseas
Outer beltway in Arbil, Iraq and two other projects 64 suggestions

KEC is proactively engaged in overseas projects with an aim to put our accumulated know-how to practical use and enhance competitiveness in the road construction business (e.g. construction management and project financing). Its overseas projects can be divided into participation in ODA projects, toll road projects, and projects outsourced by international development organizations. We have advanced into Asian countries including Indonesia, Cambodia, Vietnam, and Iraq. In addition, exchange and cooperation agreements have been continuously concluded with 14 related agencies in a total of 11 countries, providing technical assistance and training on road and transportation technologies.

Overseas Projects ●

In particular, as part of the effort to turn Korea into a hub of logistics in Northeast Asia, KEC has worked on a project to lay expressways in North Korea. In 2006, KEC conducted basic research and a technical review of North Korean roads, and we also joined a project to repair the airport and roads in the area of Mt. Baekdu.

KEC will attempt to make advancements into more countries such as Russia and Tanzania, and North Korea will remain as one of our main targets to secure the drive for sustainable growth.

Design VE ●

Design VE (value engineering) is a technology that increases the value of roads, and plays an important role in increasing public gains from road construction while strengthening overall competitiveness. Further implementation of design VE allowed KEC to save KRW 63.5 billion (1.37% of construction costs) in its own projects and KRW 46 billion in delegated projects just in 2006. Application of VE techniques was considered to establish optimal transportation safety facilities, and ways to integrate risk probability analysis were drawn up. To become a company that specializes in VE by 2010, KEC will further expand design VE projects and fortify its related capabilities.

**Innovation Direction
for Expressway Maintenance**



• Sending on the spot images of incidents

Expressway Maintenance

● Road maintenance refers to the regular maintenance of existing facilities and restoration of damaged facilities in order to ensure the proper functioning of roadways and guarantee convenience and safety for user vehicles. As the maintenance of expressways has a direct impact on the safety of travelers, efficient and systematic management is imperative.

Against this backdrop, KEC has revamped the work methodology to ensure efficient maintenance, and equipped itself with a scientific road surface maintenance and repair scheme to increase road safety. Also to realize the objective of "U-Safe Expressway," the road management system and disaster control system have been consolidated to form an integrated information system for disaster and road management. Comprised of electronic maps, disaster prevention GIS, and more, this system is designed to comprehensively assess expressway situations and promptly and effectively respond to accidents as they occur. This system has a direct link to the advanced control centers at the 42 branch offices.

Thanks to these efforts, KEC has been able to effectively respond to recent emergencies to minimize casualties, free up traffic and return the expressways to their original state in the shortest time.

KEC will continue to put the highest priority on its customers and take the initiative in scientific and rational maintenance of roads.

A case of the disaster management system innovation

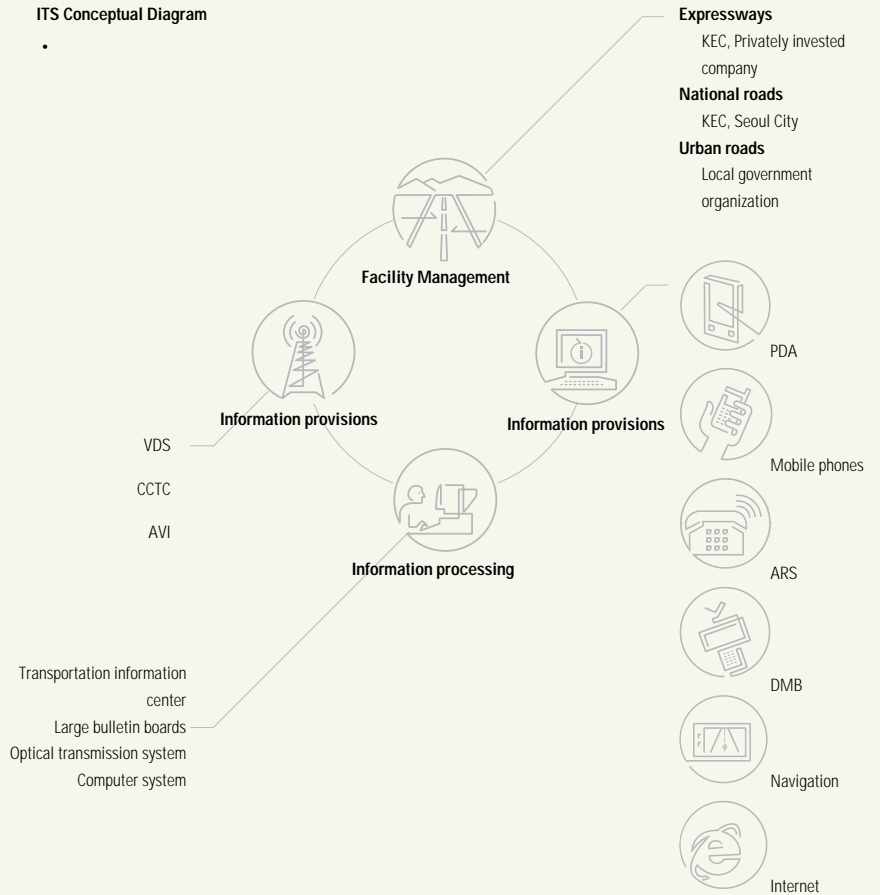
• After a disaster due to a sudden snowfall in March 2004, KEC upgraded its expressway disaster management system. To eliminate a similar crisis due to the lack of comprehensive management evidenced in the uncoordinated response to the disaster, response procedures were developed into a system and a disaster response manual was written to enhance initial response capabilities. Additionally, a disaster briefing room was set up and run around the clock, and advanced control centers were established in the branch offices. Consequently, the time during which access to expressways might have been limited was reduced by as many as 18 hours during the heavy snowfall in Honam in 2005. Such innovation of the disaster management system was selected as a model example of a public companies' management innovation in 2005. KEC will continue to endeavor to ensure the safety and convenience of its customers by promptly and systematically responding to disasters such as heavy snowfalls and floods.

Classification	In the absence of the manual (Heavy snow in Chungcheong in 2004)	After the manual was in place (heavy snow in Honam in 2005)
Snowfall	49 cm	59 cm
Hours of limited access	37 hours	19 hours
Isolated vehicles	About 10,200	About 1,000



Above Vehicle DMB telematics screen
Below Sending/Broadcasting information on subway transportation

ITS Conceptual Diagram



Expected effects of innovations in the transportation management system

Classification	Expected effects
Less traffic accidents	- Gyeongbu Route: 22.4% - 88 Route: 13.6% - Gochang to Damyang Route: 4.9%
Less hours spent on the road	- Gyeongbu Route: 9.3% - 88 Route: 9% - Gochang to Damyang Route: 13.6%
Economic effects	- Reduction in logistics costs: KRW 9.6 billion in net present value (NPV) - Reduction in communications costs: KRW 92.3 billion
Profit generation	- Profit leasing from optical communications networks: KRW 82 billion (KRW 10.7 billion in '06) - Incidental profit: KRW 3.2 billion (KRW 900 million in '06)

Making Expressways Even Faster

An era of 'ubiquitous expressways (U-Expressway)' has begun, where information on roads and transportation can be provided to customers anytime and anywhere using advanced information technology. Travelers can gain accurate information on road status in real time using the Internet, a mobile phone, ARS, PDA, DMB, navigation service, etc. to minimize the time they spend on the road.

To supply prompt and accurate information to customers, KEC has built an intelligent transportation system (ITS) and an integrated road transportation system (IRTS) to integrate the functions of transportation management and road management. Also the concept of U-Expressway will be realized, allowing for the high-speed, high-capacity service of transportation, operations and road maintenance systems using optical communications networks. Moreover, Hi-Pass, the cutting-edge electronic toll collection system, is being installed at the operations offices across the nation to resolve delays due to traffic congestion.

Consequently, the traffic volume on expressways has become more evenly distributed, reducing accidents and time spent on the road. Economic efficiency was also greatly increased resulting in savings in logistics and communications costs. Just in 2006, KRW 11.6 billion in profits was generated using ITS technology. (KRW10.7 billion from leasing optical communications networks and KRW 900 million in incidental profits)

Management of Subsidiary Facilities

Subsidiary expressway facilities are intended to meet the needs of expressway users and ensure a safe driving environment. The operation of these facilities is outsourced to the private sector. KEC has come up with and is carrying out various techniques to form a more pleasant rest environment and provide high-quality service.

The annual evaluation system of service provided at rest stops along expressways has been improved, and incentives were introduced to encourage competition among the operating companies. Also transmission of the right to operate from generation to generation in the same family has been restricted to increase transparency in the operation. To quickly meet various customer requirements, the internet based e-resting place system will be expanded to improve information sharing in real time and to process various payment methods. Also rental rates for rest stop operators have been adjusted to reflect the current market so that operating companies can achieve sound management. They are also invited to various competitions related to food, service, and other items to improve the quality of services and products provided at these facilities.

Customer satisfaction will be further increased by continuously expanding and managing subsidiary facilities, spaces that provide a wide variety of services will be created so that expressways become an integral part of daily life.



• **Cooking competition among rest stops**

Rest Stops Serving Various Functions

As the conditions surrounding recreational activities have changed with the five-day workweek in place, rest stops located along expressways are increasingly playing a role in tourism and leisure beyond the traditional function of safety and rest. Now people expect to enjoy nature and culture at the rest stops.

In line with this significant change, KEC has begun construction of a composite rest stop at a deserted site in Deokpyeong along Yeongdong Expressway following the construction of the Haengdam-do rest stop along the West Coast Expressway.

As a "tourism rest stop," the Haengdam-do rest stop is the first of its kind. The entire island of 575,209 m² has been developed with hotels, recreation facilities, an ocean ecosystem park, and other facilities. The Deokpyeong rest stop will take up the site of unused roads covering 188,430.6 m² along Yeongdong Expressway and is designed in an environmentally friendly way to minimize interference with the surrounding natural environment. Furthermore, programs that combine regional culture and tourism resources will be introduced to meet road users' needs for recreation and culture.



• **Haengdam-do rest stop
Deokpyeong rest stop**

Economic Growth

Business Performance by Key Indicator

구분	2004	2005	2006
Sales volume (KRW 100 million)	24,380	24,809	27,713
Current term net profit (KRW 100 million)	529	526	586
Public profits (KRW 100 million)	19,462	19,539	20,940
Total assets (KRW 100 million)	323,370	345,979	367,467
Debt ratio (%)	85.25	84.10	84.15
Net profit to net sales ratio (%)	2.17	2.12	2.12
Equity turnover ratio	0.14	0.13	0.14
Labor productivity (KRW 100 million)	3.8	3.2	3.8

Business Performance

KEC recorded a total sales volume of KRW 2.8 trillion in 2006. Revenue from tollgate fees accounted for the highest proportion of sales. However, the balance remaining after subtracting maintenance costs is handled as a factor of depreciation of the charged road management rights. As such, current net income is generated from rental income, such as rest stops and gas stations, resulting in an extremely low profitability ratio.

Total assets, however, are rising every year, with continuous investments in expressway construction since the 1990s. Toll income and rental income from rest stops and gas stations are in the stabilization phase, resulting in a low turnover ratio.

Moreover, around 50% of expressway construction investments are government financed, and the rest is borrowed from outside parties. KEC has maintained a debt ratio of around 84%. KEC is also maintaining a high level of labor productivity by automating the toll collection system; outsourcing the management of tollgates; and carrying out management innovation and other robust restructuring efforts.

Public Profits

The level of public profits has seen an annual increase of 7.2% as a result of making tolls more practical and reducing various expenditures. In addition, expressway construction ensures the balanced development of the nation and provides greater convenience for travelers. Accordingly, KEC has adopted the promotion of added value for the public as its guiding principle, creating value through construction projects and implementing it as a model of measurement.

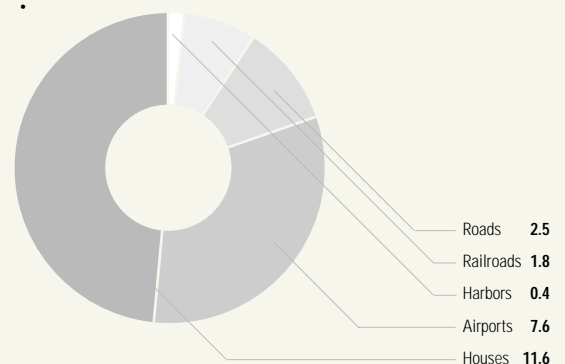
Government Investment Status

SOC investments by the government are made mainly in housing and roads. The reason for the high level of investments in roads is because it is extremely effective in curtailing social logistics costs.

Evaluation Indicators (Direct and Indirect Effects)

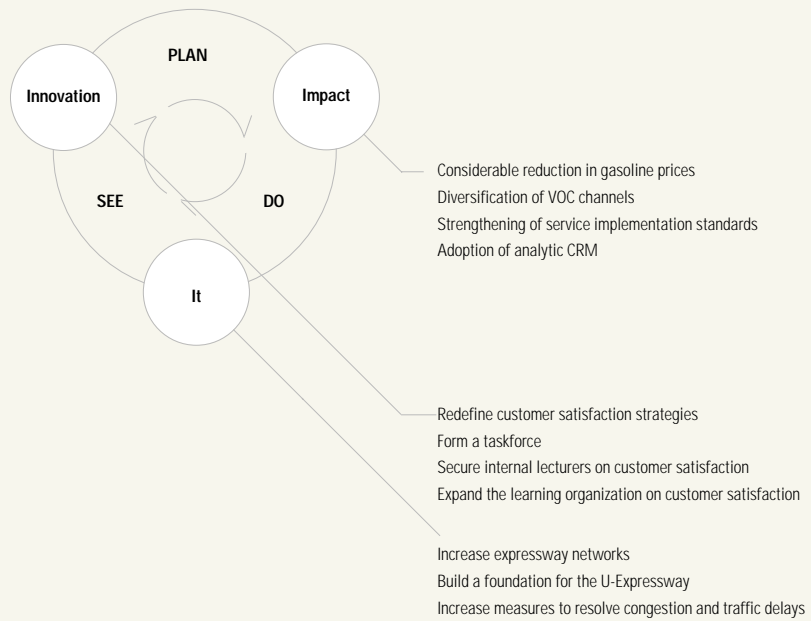
Direct effects	Indirect effects
Reduction in vehicle operation cost	Facilitation of the local economy
Reduction in costs related to time spent on the road	Improvement in the quality of lives
Reduction in traffic accident costs	Improvement in transportation convenience
Reduction in environmental pollution costs	Balanced regional development

Fiscal Investments in SOC



Customer Value Creation

Objectives of Customer Value Creation Strategies and Relevant Projects



Customer-Oriented Corporation

During the 2006 New Year's address, President Son Hakrae stressed the importance of offering limitless services to customers and innovating the service structure inside and out, and asked the employees to move towards realizing a customer-oriented corporation. This demonstrates the leadership and strong will of the CEO to implement change and innovation in customer satisfaction management and presents a direction for customer-oriented management at KEC.

Accordingly, KEC came up with three customer satisfaction strategies (Innovation, Impact and IT), six innovation objectives and 17 projects. The objective of these established strategies is to offer the best services possible by innovating internal systems related to customer satisfaction and accurately identifying customer needs. In order to ensure the implementation of customer satisfaction management, a corporate-level taskforce was formed. A workshop was conducted afterwards to establish a basic direction and the performance of customer satisfaction management is being regularly monitored. As a result of such efforts, KEC received 83 points in the National Customer Satisfaction Index (NCSI), and 64.6 points in an indicator of reputation.



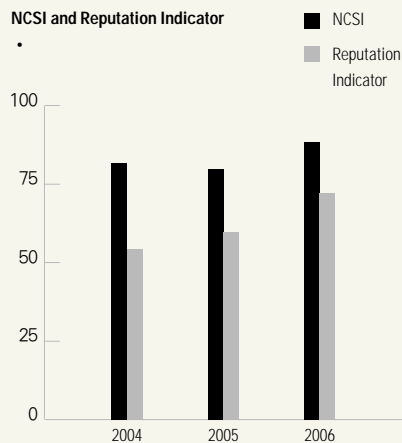
Training on Customer Satisfaction
Training of information personnel at expressway rest stops

The activities of KEC's customer-oriented management can be categorized into cultivating relevant experts; establishing a foundation to identify customer needs and provide customized services; and establishing a structure that enables the provision of customer services 24/7. In 2006, KEC provided training on customer satisfaction for a total of 178 hours to 2,377 employees with the aim of strengthening its competencies in that area. KEC also operated both online and offline customer satisfaction-learning organizations, including 6-sigma town meeting techniques and blogs. It has taken a step further by conducting four workshops for employees who come in direct contact with customers in order to enhance their skills in providing friendly services.

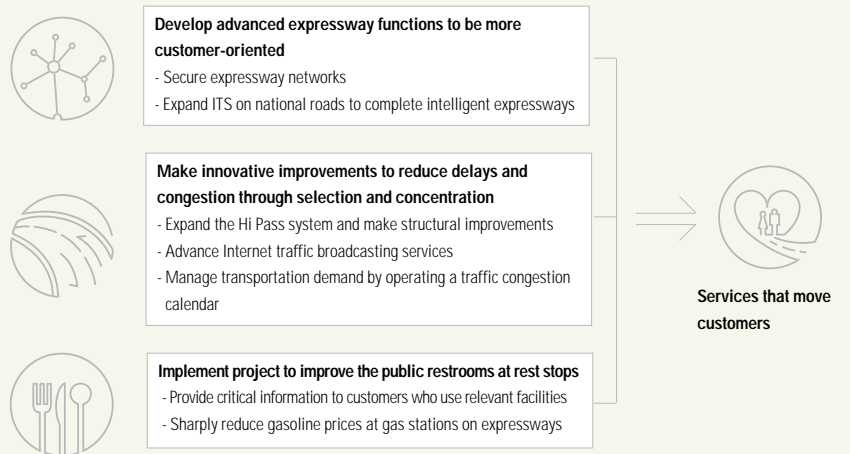
Many projects were carried out taking heed of customer opinions and implementing them, including the strengthening of the VOC system; utilization of customer ideas; facilitation of the customer advisory board; adoption of a CUP (Customer Unsatisfied Postal Card); and the establishment of an analytic CRM. Moreover, KEC has carried out customer service-related projects in its main areas of business, including road construction and maintenance, as well as traffic and subsidiary facility management, with the aim of improving services provided at customer contact points. In particular, the customer satisfaction index went up by more than 20 points after a sharp reduction in gasoline prices at gas stations on expressways in addition to the project to establish a superior rest stop culture.

During 2006, all of the 36 projects planned were completed, thanks to the innovation efforts of the employees and the leadership of the executives and department managers in customer satisfaction management. As a result, KEC achieved a ranking of No. 1 in the NCSI improvement level and second place in terms of its reputation indicator.

KEC will carry out more active customer-oriented management to influence the hearts and minds of its customers while paying more attention to their requests by providing a wide range of services.



Improvement of Services at Each Customer Contact Point



Results of Customer Satisfaction Innovation

Repaired roads in poor condition	<ul style="list-style-type: none"> - Repaired roads with damaged pavement: 576km - Repaired roads with poor curves: 23 routes, including the Honam Route
Addressed delays and congestion	<ul style="list-style-type: none"> - Increased the no. of Hi-Pass systems: 20 tollgates - Built traffic volume forecasting systems: 84 tollgates - Increased the no. of lanes: 4 tollgates, including the Gunja tollgate - Improved entrance & exit facilities: 19 tollgates including the Mt. Seon Interchange
Innovation in gasoline prices	<ul style="list-style-type: none"> - Curtailed oil prices: Same as the national average

Social Distribution



Taking a Leading Role in Establishing a Transparent Management Culture	40
Work-Life Balance	44
Human Rights Protection, Internal Communication	48
Social Contribution	50
Win-Win Partnership	52



Share happiness

and sadness!

A proverb goes, "Sorrow shared is sorrow halved, and joy shared is joy doubled." Similarly, a company where all employees act as one in mind and heart never wavers. KEC executives conduct clean and transparent management while its employees acquire professional skills through continuous self-development. Working as a team, they fulfill their social responsibilities by engaging in volunteer activities to share with others and witness their company grow, together with its partners by applying win-win strategies.

Taking a Leading Role in Establishing a Transparent Management Culture

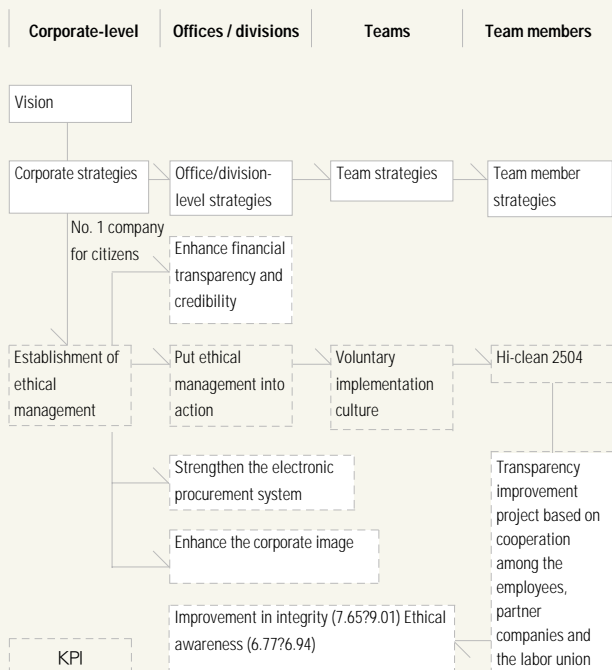
Establishment of a Foundation for Ethical Management

● KEC adopted a policy of ethical management in 1999 and has since made continuous developments in the area. However, a dire need for an integrated and advanced ethical management system arose with the heavy snowfalls of the Haengdam-do incident. To respond to such needs, KEC established a mid- to long-term ethical management roadmap and carried out a "Clean Company" movement at the corporate level based on the leadership of the executives and the strong will of the CEO to implement ethical management.

It went further by expanding and restructuring its organization and strengthening its functions in a comprehensive implementation of ethical management strategies and projects. A transparent management committee was set up within the BOD, the ethical management committee was reorganized into a sub-committee structure, and management participation by outside personnel was increased. KEC is carrying out ethical management in a total of eight sectors, including customer services, public notification of business information, the working environment, at construction sites and social contribution activities, by thoroughly measuring performance, and monitoring compliance with corporate ethics.

Establishing a connection between its three innovation objectives (customer value, operational system and corporate culture innovation) and ethical management, it defined projects that apply innovative techniques through an internal workshop and carried out those projects. By doing so, KEC established a systematic and strategic foundation to ensure the implementation of ethical management by connecting it with different strategies and innovations.

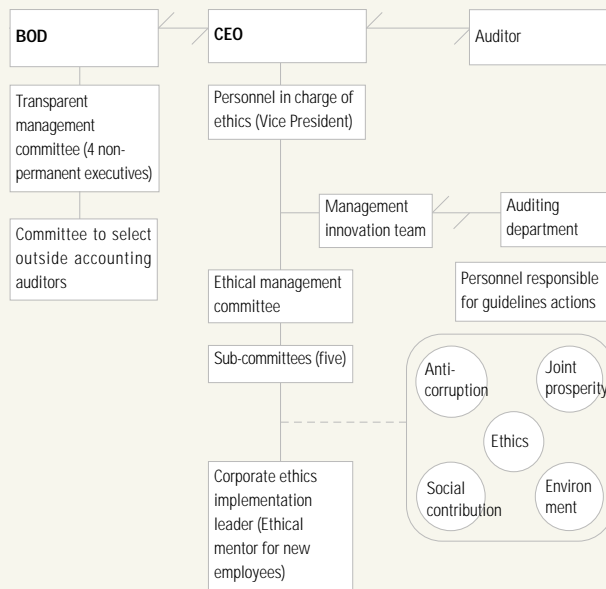
Detailed Example of the Connections of Strategies



“Ethical management is not an option but a necessity. Employees’ compliance to ethical practices will be regularly monitored, irrespective of integrity level assessment results, and will be incorporated into HR measures. KEC is in charge of a critical industry, the nation’s expressways, and therefore requires its employees to demonstrate a higher level of transparency and integrity than private companies. Employees must

actively participate in ensuring the integrity of the company, and be prepared to leave the company when engaging in a wrongful act even if it might be regarded as a minor infraction.”

- Extraction of comments by the CEO on his will to implement ethical management



Improvement of the Performance Evaluation Process for Ethical Management

To strengthen performance evaluations of ethical management, KEC has established a systematic monitoring and feedback system based on the goals that were set forth during the planning phase and the activities in each relevant area. During the goal and project-setting phase, the strategies and priority of projects are defined, ethical management projects are chosen and plans are formulated through surveys and workshops.

During the project-monitoring phase, a 3-part evaluation is performed on 60 projects under five categories by adopting a monitoring scheme on ethical management projects. Through the portal site's "Innovation Area," online monitoring is carried out and feedback is given based on monitoring cards by project so that monitoring results are reported twice to the Ethical Management Committee. During the performance-monitoring phase, ethical management performance indicators are used to individually evaluate the trends and objectives of 29 indicators under six categories. The results are posted on the ethical management portal site.

During the last phase, which is the individual and organizational level performance reflection phase, results are transmitted into HR evaluations, which now include evaluations on integrity and organizational achievements. According to the results, awards are given to organizations and individuals that demonstrate excellence in anti-corruption.

By doing so, KEC has raised awareness towards ethical management and improved government integrity assessment results. It has also received a commendation from the President of Korea as an organization that upholds integrity.

Results of Ethical Management

	2004	2005	2006
NCSI	8.21	7.65	9.01
Indicator of reputation	53	59.6	64.6
Corporate ethical awareness indicator	6.40	6.77	6.94

Development of Training Programs on Ethical Management

● KEC has developed and is operating a wide range of training programs and is cultivating ethical management change administrators (CA) to enable voluntary implementation by employees, full implementation of outstanding strategies on ethical management and the establishment of relevant systems. It is also making efforts to cultivate leaders in ethical management through professional training organizations and providing customized cyber ethical training. On average, one KEC employee received 6.7 hours of training on ethical management in 2006. This figure is 9.8 hours for employees who are deputy managers or higher.

Strengthening of Anti-Corruption Functions

● KEC is operating a strict internal management system so that an employee who exhibits dishonest or corrupt behavior cannot work in the field, through thorough inspection activities on corruption among employees. KEC became the first in Korea to have all its employees make an "Integrity Resignation Pledge," and has reached an integrity contract with all of its permanent executives. It has also strengthened the internal reporting scheme, and is thus making strenuous efforts to address the root causes of internal ethical issues.

The scope of public officials subject to monitoring has been expanded from grade two officials and higher to grade three officials and higher. In addition, the former standard for reprimand was reduced from accepting a bribery of KRW 1 million to anything over KRW 500,000; and the standard for a discharge was also reduced from KRW 3 million or more to KRW 2 million or more. To improve the mindset of the employees with regard to ethical management, an IQ (integrity indicator) test is conducted at the corporate level. In addition a self-diagnosis on ethical management is carried out and feedback is given on a regular basis.

Fulfilling Social Responsibilities and Enhance Transparency

● Based on its vision of becoming the No. 1 company for citizens by providing top-tier road-related services, KEC is making the utmost efforts to maximize social added value through continuous growth in the economic, social and environment arenas. It has also established a strategic plan to secure environmental leadership based on environmentally friendly management. It became a member of the UN-Global Compact in November 2006 as part of its efforts to establish an international-caliber management system.

Moving Forward to Become a Company Trusted by Citizens

● By actively implementing ethical management, KEC has achieved impressive results: first place in the NCSI improvement level (with an annual increase of 1.36 points); second place in an indicator of reputation among public corporations; and a continuous rise in the corporate ethical awareness indicator for three consecutive years.

In addition, all contracts are electronic and KEC has acquired a qualified opinion from an outside accounting auditor. Moreover, KEC has achieved a good rating from international credit rating agencies and the highest grade given by domestic credit rating agencies.

System for Information-Sharing among Construction Participants



Establishing Partnerships of Cooperation and Co-prosperity

KEC has formed a co-prosperity and cooperation support team to ensure that it grows together with its partner companies and is stepping up efforts to provide detailed support by improving relevant schemes. It has purchased around KRW 576 billion worth of products from small- to medium-sized companies, which is 48% more than its target; provided KRW 8.7 billion for technological support and KRW 666 billion for financial support to small- to medium-sized companies; and opened Nex-CON to sub-contractors to share information. KEC has also adopted an advanced work notification scheme so that key work processes are made public to construction companies and sub-contractors.

Management Notices

To ensure transparency in contracts, KEC is providing a "One-stop" service, which is an integrated electronic procurement system that has been improved by merging electronic bidding and contracting systems. The entire process related to contracting has been computerized, resulting in 81.5 points in the contract work satisfaction level, which is an annual increase of 11 points. In addition, 10% of contracts are now electronic.

Ensuring Transparency in Contracts

KEC is improving its management notice scheme by expanding the scope of matters that are made public, and boosting convenience in customer access to information. KEC has also bolstered the accessibility of information for customers by ensuring quick access to its website, through which it discloses information, and by improving its Q&A bulletin board operation scheme.

Group name	Notification Items
Outline	Capital stock, shareholder status, CEO and executives, key performance indicators, corporate charter
Status	Use of expressways, management objectives, budget and operations plan, invested companies
Business performance	Business performance (public corporation satisfaction level), sales performance (sales volume, operating income, operation earnings, earnings before corporate income tax deductions, & current net profit)
Business status	Financial status (assets, total debt), key businesses, customer complaints
Business efficiency	Key financial ratios, comparison of financial ratios among government-invested organizations, management innovation performance, performance of customer service implementation standards, management performance evaluations on government-invested organizations, evaluations on the president's performance in implementing management contracts, comparisons with advanced companies in the same industry
Settlement status	Sales report, financial statements in Korean and English, liability status, bond register
BOD	Meeting minutes
Evaluation by outside organizations	Matters pointed out by the Board of Audit and Inspection and measures taken to address those matters; matters pointed out during the parliamentary audit
Public corporation open to the people	Formation and operation of the committee and its activities (Results of regular meetings of the public corporation committee that is open to the people)
President recommendation committee	Meeting minutes

Work-Life Balance

Education & Training Status

Classification	2004	2005	2006
Annual no. of employees who received education	4,463	4,463	4,516
Annual no. of hours of education (Total education hours per No. of trainees)	27	21	18

Strategic Development of Human Resources

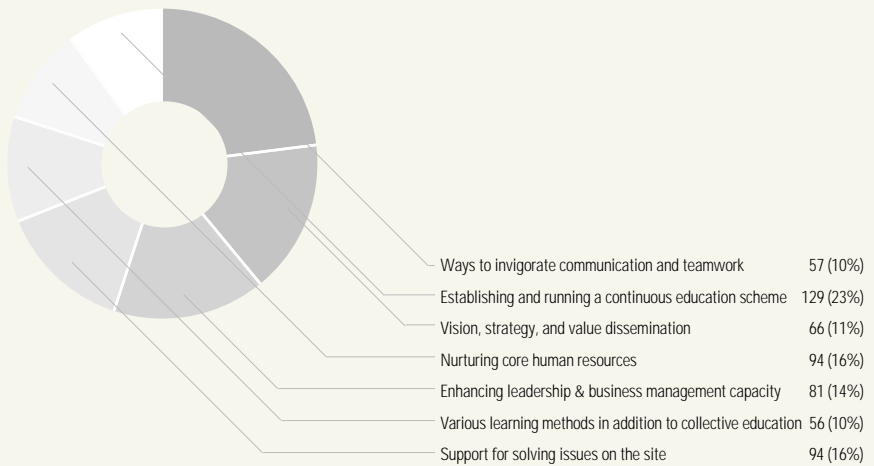
in consideration of strategic human resources management (SHRM) and supports its employees' career development.

To fulfill management objectives, strategic education is provided to the employees based on the corporation's strategic choices and individual wishes across the entire period from their joining to leaving the company. Also education evaluation is conducted based on various standards such as course, job grade, job class, and solution.

To respond to changes in the global management environment and achieve its vision, KEC has drawn up a roadmap to nurture human resources in consideration of strategic human resources management (SHRM) and supports its employees' career development.

KEC conducted a survey of all its employees on their requirements for human resources development. The survey revealed 129 out of the 577 respondents opted for the establishment and operation of a continuous education scheme. Based on such results, detailed plans were developed for essential categories such as organizational capacity, leadership, expert resources, and job capacity.

Analysis of Requirements for Human Resources Development (No. of People (%))



Employees who Completed e-Learning courses to Nurture Expert Resources (No. of persons)

Classification	Total	Construction	Technology	Ethical Management
Employees	3,482	2,407	372	703

Reinforcing the 'e-Learning System'

An 'e-Learning' service is in place to provide customized education courses that will increase employee expertise through more active exchanges of knowledge and information among industry, academy and R&D sectors. Starting in 2006 both inside and outside the corporation, its contents were developed for the second phase, and in 2007, the integrated education service will be provided on road technology and knowledge.

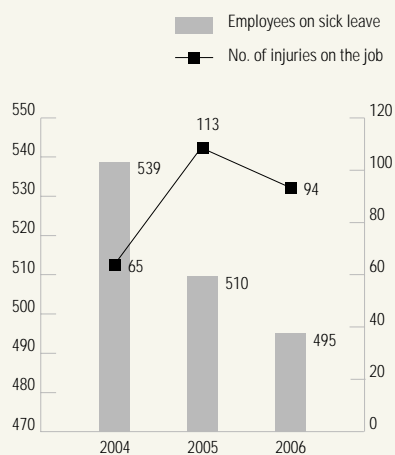
Education Program to Support 'Life Design'



To prepare its employees for the next phase of life after leaving the corporation, and support their career development, a pilot 'education program to support life design' has been initiated. A customized education program was developed to support early retirees in finding a new job. Research was carried out on career management after their resignation from the corporation and change of employment support through enhancement of the employees' specialty. As a result, a support program was run for 65 retirees in 2006 so that they could be prepared for life and employment after resignation. Also, KEC tapped into a Ministry of Labor program that provides financial aid for on the job security by a specialized agency.

To prepare its employees for the next phase of life after leaving the corporation, and support their career development, a pilot 'education

No. of Employees on Sick Leave, No. of Injuries Suffered on the Job



Health Policy



For the last three years, the number of employees injured on the job or on sick leave has been on the decrease at KEC. To promote better health for its employees, anti-smoking awareness programs have been carried out through education. A program is in place where the employees do physical exercise before the start of the workday so that they start work feeling invigorated. They can also use individual welfare mileage to pay for regular health checkups and medical expenses. In addition, useful health information is posted on the Internet bulletin board every week. To prevent accidents, education on industry safety and health, dictated by the Industry Safety and Health Act, has been reinforced.

For the last three years, the number of employees injured on the job or on sick leave has been on

KEC runs an in-house dentist's office to provide prosthodontics and implant treatment, and thanks to the increased group accident insurance coverage, cancer diagnosis expenses are also paid up to a limit of KRW 20 million.

Safety Policy

● KEC provides safety management education to supervisors on construction sites to prevent accidents, and has established a safety management organization for construction sites, consisting of responsible persons in each work unit. Moreover, the in-house knowledge management system now allows for sharing of technology and knowledge, helping to improve technical capabilities to secure safety.

Establishment of an Accident Prevention Scheme

● KEC has standardized safety management work processes and developed them into an integrated safety management information system; is conducting operational education of the worker-focused construction safety management system (KOSHA - Korea Occupational Safety and Health Agency) at the Gangwon Province construction office and two others; and ex post evaluation is carried out at the head office and the ten construction offices. In addition, standards to prevent accidents and ways to analyze and manage them were defined, resulting in roughly an 11% decrease in the number of accidents that resulted in death. A mid- & long-term construction safety management scheme was drawn up that includes safety-focused design and construction and a safety evaluation scheme. For foreign workers at construction sites whose number is ever increasing, separate safety management standards were set up and an education site to experience construction safety opened.

As such, the number of accidents that occurred at construction sites and were handled as industrial accidents has substantially decreased over the last three years.

No. of Industrial Accidents and Accident Incidence (%)

Classification	2004	2005	2006
No. of accidents	41	50	36
Accident Incidence	0.53	0.65	0.48

Progress of the Implementation of the Welfare Policy

2002	- A survey of the employees was conducted to identify their opinions - Survey and analysis of their welfare satisfaction level > Analysis of the determining factors of the satisfaction level and their influence > Identify favored programs - Design of a detailed welfare model
2003	- Develop a computer system of the welfare model - Implement the new welfare scheme
2004	- Abolish limits by item - Increase the scope of basic welfare

New, customized welfare items	- Basic items (compulsory selection): Health checkup (once a year) - Voluntary selection: Souvenir, additional health checkup, cultural education, self development *A survey was conducted on the employee satisfaction level of welfare, and as a result, the four items with a low satisfaction level were integrated and managed as elective items.
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Health Insurance Coverage Status

Classification	2004	2005	2006
No. of recipients	7,043	8,055	8,770
NPaid amount (KRW 1 million)	11,736	11,368	12,152

Welfare Policy

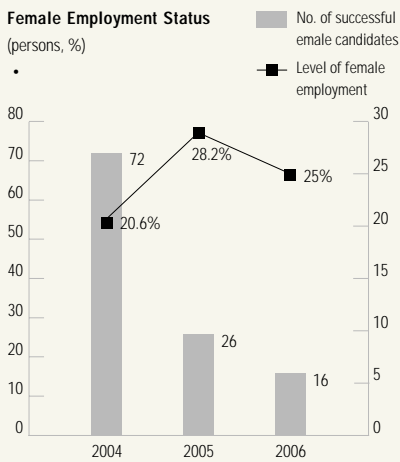
● To improve employee satisfaction regarding welfare, KEC has integrated into a mileage system various welfare items, which used to be managed under the categories of in-house welfare funds and general expenses. As the demand for welfare continues to increase, ad-hoc welfare programs that were run by multiple, uncoordinated departments were consolidated and redistributed to reflect the employees' varying needs.

Welfare Program

● KHC provides its employees with life insurance, health insurance, and industrial disaster insurance as well as leaves of absence, temporary rest from office, retirement pay, medical service, and other various welfare benefits, to ensure they can fully engage in work with a feeling of security. Regular health checkups are included for all employees and their families and are offered at general hospitals, selected by the corporation, during four months every year.

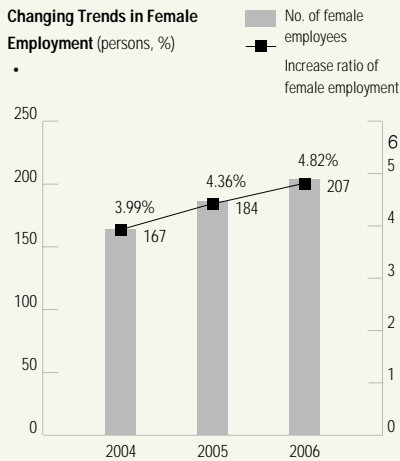
Funds to be paid as retirement pay is accumulated every year according to the Labor Standard Act are paid in consideration of the period of service and average wage. To achieve a consensus on retirement pension among the employees and create an atmosphere that welcomes its introduction, a retirement pension task force was set up jointly by the labor and management. Seven presentations were held in 2006, and opinion poles and preference surveys were also conducted on retirement pensions.

Human Rights Protection



Gender Equality Policy

With a quota for female employees, KEC is proactively seeking to bring more female employees onboard. Female interviewers participate in employment interviews, and the ratio of female workers assigned to the corporation's organizational units is put into consideration to institutionally guarantee gender equality. As a result, the target of female employment has been exceeded by 20% over the last three years. Also experts are invited to give a lecture on prevention of sexual harassment at work, employee awareness is examined, and systematic procedures are being developed for monitoring and feedback.



Maternity Protection Policy

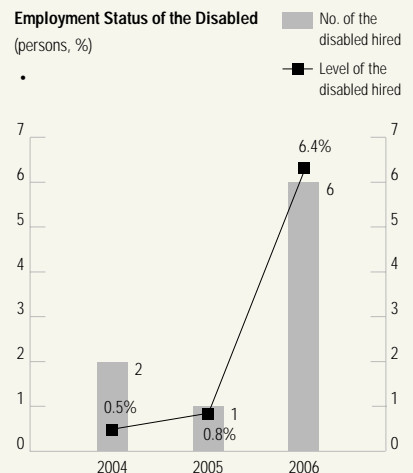
At least 60 days are paid during maternity leave, and vacation pay is paid if the leave extends beyond 60 days. In case of a miscarriage, stillbirth, or premature birth during the second semester, 90 days of maternity leave is granted. The ratio of female workers coming back to work after childbirth has been 100% for the last two years. To support work-life balance, each Wednesday is announced as Family Day, and one hour per day is granted for childcare.

Expansion of Employment of the Disabled

As special treatment, additional credits are given to disabled people who apply for a job at KEC. The ratio of the disabled hired against the total number of employees stands at 2.6%, marking six consecutive years to meet the 2% compulsory hiring ratio. KEC also presents disabled employees with gifts on Disabled People's Day.

Gender Status at the Head Office (persons, %)

Classification	Female	male
No. of employees (at the head office/total current no.)	40/207	657/4,039
Gender ratio	19.3	16.3



Internal Communication

Complaint Treatment System

Classification	Description	Remarks
Field visits by the CEO & executives	- The CEO & executives provide consultation on complaints during visits to the sites. - Ex post measure: Analyze collected complaints and send the results to all the departments and other organizations under the name of the CEO.	Once a month
Hotline to the CEO & executives	- Submit opinions to the CEO and executives (without having to disclose one's name).	Personnel: 15 Welfare: 8
Complaint handling between labor & management	- Joint visit to the field by labor and management to handle complaints. - Ex post measure: Propose matters to discuss to the joint labor and management conference, collective bargaining for wages	Twice a year
Regular consultation on personnel	- Regular personnel interviews, e-mails, consultation through the department the employee belongs to.	
Outlet to submit complaints from the field	- Report to superiors: All organization heads or department heads - Content: Difficulties suffered by the member employees	
Complaint handling at the labor union's homepage	- Process complaints through the 'Participation Square' section	

Complaint Treatment System

● KEC promotes a complaint-handling scheme to improve working conditions and increase productivity. Complaints from the employees are handled in a variety of ways including field visits by the CEO and executives; a hotline; a consultation center that is jointly managed by labor and management and always open to employees; and the labor union's homepage.

Ban on Child and Forced Labor

● KEC faithfully conforms to the provisions on forced labor and child labor specified by the Korean Labor Standard Act and the International Labor Organization.

Mutually Beneficial Labor and Management Culture

● The KEC labor union, established in July 1987, has a membership of 4,486, which represents 99% of the staff as of late 2006. To reach an agreement between labor and management on important matters regarding the management of the corporation, it engages in a joint labor and management conference and collective bargaining. The conference, consisting of six people from each of the labor and management parties, is held once or more each quarter to discuss education & training, productivity improvement, profit distribution, management plans, and other matters.

In collective bargaining for wages, parties also confer on measures to improve health and safety for the employees such as individual protective gear, audits, accident investigation, safety education, complaints handling, etc. They are informed in advance through collective bargaining regarding major changes that can impact all the employees such as restructuring or a merger. To increase efficiency in labor management and strengthen expertise on labor & management relationships, in-house experts are being nurtured. As a result, KEC has achieved mutual trust between labor and management without a single labor conflict in the 20 years since the establishment of the labor union. KEC was selected as the best organization in terms of labor & management culture by the Gyeongin Regional Labor Agency in August 2006, and received the Labor & Management Culture Grand Prize (Prime Minister's Award) from the Labor Ministry December the same year.

Various Communication Channels

● As part of open communication, the employees can submit their opinions to the CEO through a hotline, and the management and employees get together every Wednesday for a 'Lunch Meeting'. Also town meetings are held where some 300 employees share ideas and engage in discussion to prevent labor & management conflict while increasing management transparency and work productivity.

More Active Presentation of Ideas through Employee Participation

● The employees are encouraged to participate in management and submit their ideas to increase work efficiency. As a reward for submitted ideas, mileage is granted, and partner companies are also invited to submit their ideas. Only in 2006, 646 ideas (an increase of 98) were submitted from partner companies and 3,320 ideas (an increase of 2,496) from inside the corporation. Their suggestions were directly applied to the sites, achieving budget savings of total KRW 4.5 billion.

Social Contribution

Major Social Contribution Results

● All the employees at KEC are willingly making contributions to create a better society. By providing medical service, donations, and encouragement, KEC strives to achieve harmony while becoming an integral part of local communities. In addition, labor and management at KEC are joining hands to understand each other and unite to cure the pain felt by society and neighborhoods, while continuously increasing the quality of life, as is evident in the campaign to build roads that connect to remote villages.

Mileage is granted for volunteer activities to induce proactive and effective participation by the employees. They can earn mileage for different activities, and supervisors are encouraged to consider voluntary activities performed by their subordinates in their personnel evaluation. ●

Also the 'Happy Fund' to receive voluntary donations is in place, and 'Matching Grants,' another fund-raising program, is financially aided by the Corporation. These funds have raised funds of KRW 305 million.

Support for Volunteer Outreach Activities

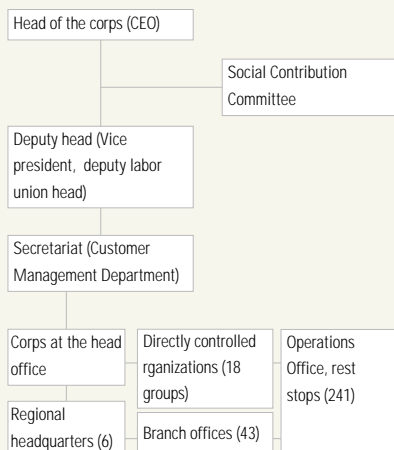
Left: Symbol of the KEC Corps of Social Volunteers



Right: Launching ceremony of the Corps of Social Volunteers



Organizational Chart for Social Contribution



Objective

Solve widening social gaps through joint labor-management efforts to share with unfortunate neighbors

Execution framework

Operation	Run the social contribution portal system Operate one group of volunteers at each organization Grant mileage for voluntary activities
Fund raising	Happy Fund (one or more accounts per person) Matching Grants Scholarship foundation
Activity details	Aid for homeless people around Seoul Station (Jan. to Jul. 06) Scholarship and voluntary activities Disaster recovery and transportation safety campaign

Portal System of Social Contributions

- The social contribution information system, which was conceived of in June 2006, went into operation in October the same year allowing for real-time inquiries into social contribution activities and intensive management of organizations that lack in social contribution.

Joint Assistance by Labor & Management for Homeless People at Seoul Station

- The corporation and the labor union at the levels of the head office, regional headquarters, branch offices, and groups of employees worked jointly to raise funds and provide free meals on 48 occasions to 1,500 homeless people, who inhabit the area around Seoul Station.

Free Surgery for Children with Heart Diseases Who Are of Korean Decent Living in China

- In cooperation with the Salvation Army and the National Medical Center, KEC has provided 94 children with life-saving surgery between 1999 and 2006.

Scholarships for Children Who Lost Their Parents in Accidents on Highways

- KEC provides scholarships to children orphaned by traffic accidents. KRW 1.409 billion have been provided for 2,022 children as of 2006, and a campaign to raise scholarship funds was carried out at each rest stop. The scholarship students are invited to join expressway publicity tours, and a camp to learn English is run for elementary and middle school students.

Disaster Relief Activities and Social Contribution Network Expansion

- KEC participates in disaster relief activities such as the disaster recovery of typhoon-hit Gangwon Province, and through sisterhood ties with rural villages, expands the social contribution network. As of late 2006, 309 groups of volunteers were established across the nation, and PR activities have been carried out in a systematic way through the media, homepages, social contribution white papers, etc. In addition, the labor and management at KEC join hands to understand each other and unite to cure the pain felt by society and neighborhoods and continuously increase the quality of life, as is evidenced in the campaign to build roads that connect to remote villages.

Social Contribution Activities by the Employees

- KEC is making systematic and continuous efforts to carry out social contribution activities at the corporate level. It has set up a dedicated organization for social contribution, and places added focus on voluntary activities under the slogan of 'Opening the Road to a Happy World'.

Established in December 2005, the KEC Corps of Social Volunteers is made up of 4,308 participating employees who carry out voluntary outreach activities to serve the community. These employees strive to improve individuals' quality of life, invigorate their organization, and explore ways to lead a happy life together with other members of society. As such, KEC will faithfully perform its role as a public company that offers hope and happiness to its unfortunate neighbors.

Social Contribution Details

Item	Details
Blood & organ donation campaign	In cooperation with the Republic of Korea's National Red Cross and the Korean Organ & Tissue Donor Program Company-wide blood donation campaign every spring and fall 307 people from the labor and management signed a pledge to donate their organs
Transportation safety campaign	Advanced transportation culture campaign for a safe and fun driving experience - Transportation safety management & campaign in cooperation with the National Police Agency - Publicity events to promote transportation safety - Free automobile checkup service (Sponsored by the Korea Automobile Manufacturers Association and the Korea Tire Manufacturers Association) Composition contest about transportation safety - Composition contest for elementary students and publication of a compilation of award-winning works Customer support by the Safety Patrol Team - Support for accidents and broken down cars, guidance on law-breaking to drivers
Road connection campaign	Construction of roads to connect to remote villages - Maintain connecting roads, build bridges to villages which suffered a flood, and pave village roads with asphalt
Environmental protection along expressways	Environmental protection campaign along expressways - Run Environmental Protection Day in cooperation with external organizations (the military and the police) - Campaign against littering on expressways (holidays and vacation seasons)
Joint labor & management Bazaar for Neighborly Love	The bazaar, held at the gym of the head office in April 2006, sold about 300 articles contributed by 200 employees and donated the entire proceeds to help unfortunate neighbors
Joint social contribution campaigns	Participation in other companies' social contribution campaigns in cooperation with Munhwa Broadcasting Company
Campaign to assist the descendents of independence activists	Campaign led by the Young Korean Academy Took part in the event 'Night to Sponsor Descendents of Korea's Independence Activities' Donated KRW 4.67 million voluntarily raised by labor union members

Win-Win Partnership

Local Community and Resident Protection Policy

● KEC endeavors to prevent conflicts between expanded expressway construction and the interests of local residents. A policy has been drawn up to move away from one-sided decision-making by the government, and reflect the opinions of various parties through exchanges. To guarantee the rights of residents who live near the construction sites of expressways, various compensations are provided.

In addition, a PI (Public Inclusion) scheme has been introduced to enable local residents to participate and thereby prevent conflicts from the initial planning phase. Consultative bodies to prevent conflicts during design stages and the environment advisory committee to prevent roadkill were each held three times in 2006. In addition, efforts are being made to achieve a consensus on construction projects such as by running on-the-spot consultative bodies at the ten construction offices including the Daejeon and Dangjin offices.

PI Scheme



• Presentations to collect opinions from local governments

No. of civil complains electronically submitted

Classification	2004	2005	2006
No. of civil complaints	5,811	4,263	5,261

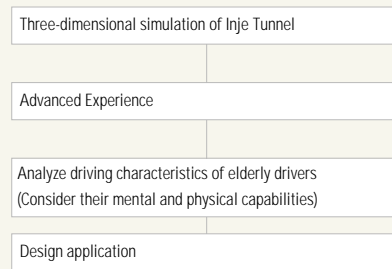
Measures to Prevent Civil Complaints

KEC strives to prevent civil complaints through workshops and discussions designed to boost information sharing among those responsible for such complaints. Surveys on the satisfaction level regarding civil complaints and ex post management have been strengthened, and survey results from different years are compared to identify causes for dissatisfaction and make necessary changes to the work. Also best practices on civil complaint management from different organizations are disseminated across the corporation, and information on the complaint scheme is posted on the electronic civil complaint site so that the related departments and people with grievances can refer to it.

The ‘Civil Complaint Management Service Charter’ explains the details of the service including the standards, procedures, how to use the service, and correction and compensation measures, helping strengthen the image of a transparent and fair public company.

Advanced experience (Inje Tunnel, the longest in Korea)

Based on the analysis results of the driving characteristics learned in the advanced experience experiment, the brightness of lighting and tile design inside the tunnel were changed, and the shapes of the entrance and exit of the tunnel were improved.



As the laws of nature determine the logic behind all things on the face of Earth, a company that cannot coexist with nature cannot survive. Working in tune with the natural world, KEC is aimed at constructing environmentally friendly expressways that can intermingle with Nature based on a balanced environmental management system that considers the future. We create roads to connect people as well as to connect nature with mankind.

For Nature

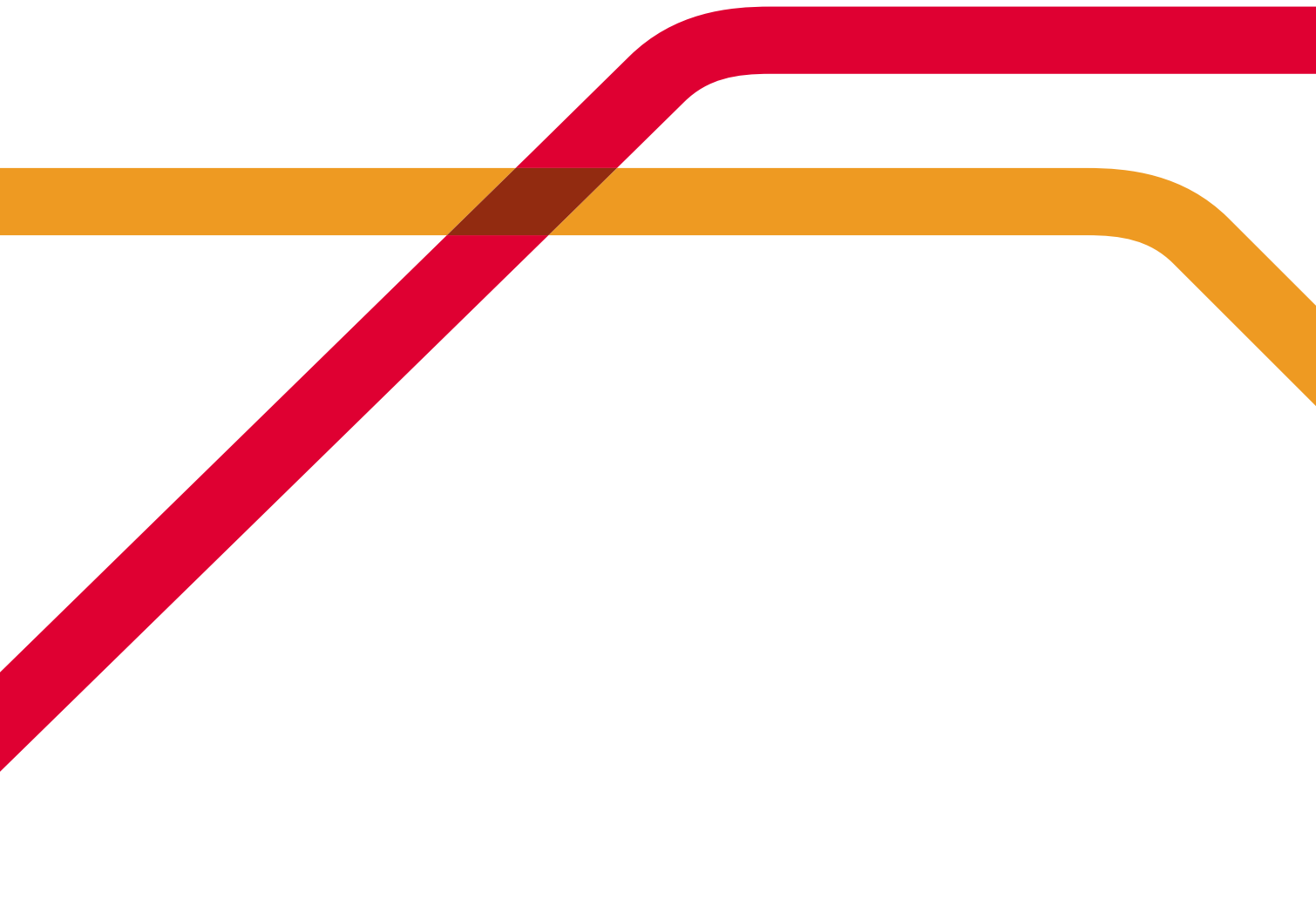
and by the laws of Nature!

Eco-friendly EX •

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Enforcing the Environmental Management System

Establishing an Environmental Management System

● KEC is establishing a more effective environmental management scheme to actively respond to new environmental issues raised by the local society and NGOs, as well as to be in line with the direction of government policies on environmentally friendly road construction. To this end, KEC has defined mid- to long-term environmental management objectives as well as a direction for implementation, and is actively adopting environmental management programs.

Environmental Management Objectives and Implementation Structure

● KEC is seeking to maximize the environmentally friendly nature of roads by removing potential risk factors in advance and improving ecological performance through environmental management. To achieve this goal, KEC has set mid- to long-term environmental objectives: "Create an environment that ensures the harmonious co-existence of mankind, the ecosystem and roads." It will make strenuous efforts to improve environmental management systems; carry out reorganization measures to ensure efficiency in environment-related work and integrate that work; and to implement innovative 'green' management.



Target

Create an environment that ensures the harmonious co-existence of mankind, the ecosystem and roads



Slogan

'Now-Eco 2015 Project' 'We need to focus on the environment now so that potential environmental issues can be resolved by 2015.'



Plan to Establish an Environmental Management System

Activities	Time of application
Strengthen the environment-related organization	Starting in 2007
Establish and implement corporate-level environmental management strategies	Starting in 2007
Implement corporate-level environmental management training programs	Starting in 2007
Build and apply environmental performance evaluation systems	Starting in 2008
Establish an environmental auditing scheme	Starting in 2008
Adopt and apply environmental accounting systems	Starting in 2008
Issue sustainability management reports	Issue continuously

Strengthening Environmental Organization ● To manage environment-related work, which has been carried out separately by each department, in a more integrated and systematic manner, KEC has established a plan to strengthen its environment-related organization, with a focus on the Construction Environment Office. The current '1 office, 1 team' structure will be changed to a '1 division, 3 team' structure in 2008 to operate environmental management systems and for integrated management of environment-related data at the corporate level. By establishing a mid- to long-term environmental management plan, the ecologically friendly management activities of each department and site can be managed. These internal changes are a part of a series of processes aimed at minimizing conflict with outside parties, and demonstrate KEC's strong will to ensure the mutual prosperity of external stakeholders.

Operating the Environmental Management System

● By putting priority on purchasing environmentally friendly products that have an eco mark and Good Recycling (GR) mark, KEC is actively implementing green purchasing. It will also phase in the adoption of a wide spectrum of programs to pursue environmental management. By doing so, KEC will establish a foundation to grow into an environmentally friendly road-related company.

KEC has established an environmental management roadmap for the successful implementation of 'green' management. It will establish this systematic environmental management scheme in two phases: a "Focused management of pending issues" phase, during which a foundation for environmental management is established, including the formulation of plans on environmental issues and implementation of research projects; and the "Focused management of potential environmental issues" phase, during which potential environmental risks are identified and solutions are explored.

Now-Eco 2015 Roadmap

	Focused management of pending issues phase (~2010)	Focused management of potential environmental issues phase (~2015)
Build environmental management systems	- Adopt environmental management programs and increase their scope	Implement mid- to long-term objectives of the environmental management system
Improve the daily living environment	- Establish measures to reduce noise - Carry out pilot projects on handling - Non-point pollution source areas - Establish plans on processing tunnel groundwater - Assess air quality and research cases of damage	Implement mid- to long-term objectives in relation to improving the daily living environment
Restore the natural environment	- Carry out research projects for detailed ecological assessments - Carry out projects to prevent roadkill on expressways - Protect endangered plants near expressways	Implement mid- to long-term objectives of natural environment restoration programs
Save/recycle resources	- Mandatory use of recycled aggregates - Conduct research on the reuse of sand and tree wastes - Carry out research projects on commercializing natural energy	Implement mid- to long-term objectives in relation to saving/recycling resources
Environmental management/services	- Formulate environmental management/monitoring plans - Overhaul the environment-related organization - Establish a scheme for environmental PR	Implement mid- to long-term objectives in relation to environmental management/services

Eco-Friendly Expressway

Composition and Activities of the Environmental Advisory Committee

As seen in the economic losses of KRW 510 billion and KRW 630 billion, respectively caused by the delays of the Mt. Sapae tunnel construction and the construction of a passage through Mt. Cheonseong, delays of large-scale government roadway projects have caused tremendous social losses. The Mt. Sapae tunnel construction was a good example where causes of conflict could have been avoided if the agreement of stakeholders such as pro-environmental organizations and Buddhist monks had been sought out during the initial planning phase.

To solve the fundamental problem of social and economic losses resulting from changes to planned routes, suspension of projects, etc. caused by environmental issues, and to achieve a consensus on the propriety of construction projects, stakeholder should be invited to participate in the initial planning stage and through the construction phases so that conflict can be avoided. Against this backdrop, KEC formed the Environment Advisory Committee, the first of its kind run by a public company where NGOs play a central role, and uses it as a conflict prevention mechanism.

The Environment Advisory Committee consists of 18 people from four areas (nine from NGOs, five from academic circles, three environmental experts, one from the Korea Environmental Institute), and holds regular meetings twice a year and interim meetings when there is a special matter to discuss.

The Environmental Advisory Committee works to come up with ways to minimize environmental damage due to road design or construction, to improve the environment-related laws and schemes, and to provide consultation on exceptional construction methods that reduce environmental pollution. Thanks to these activities by the Environment Advisory Committee, budget savings of KRW 114 billion were achieved in 2006 and construction delays were averted.

KEC will continue to enhance the expertise of environmental advisors and thereby secure its environment-related efforts. Also advice not only on construction but also on maintenance will be sought to firmly establish the significance of 'eco-friendly expressways'.



Activities of the Environmental Advisory Committee

Environmental Advisory Group
Field visit to the JCT section in Yangyang

Environmental issues

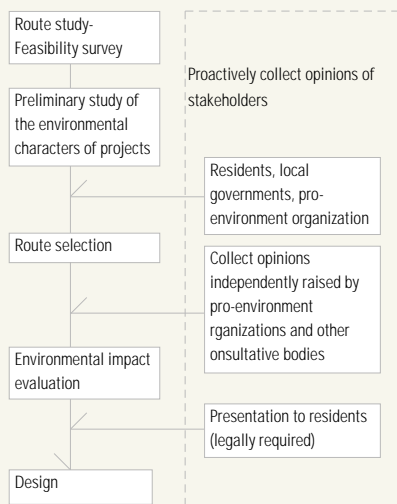
- Increased environmental complaints related to construction projects
- Ecosystem destruction resulting from construction
- Increased environmental requirements from the public
- Lack of response systems to environmental issues
- Enhanced environmental protection laws

Effects from operating the Committee

- Reduction of project costs through proactive environmental preservation
- Effective execution of national projects by facilitating participatory, interactive decision making
- Resolution of conflict causes by reaching a consensus about the propriety and necessity of construction projects
- Formation of partnerships with NGOs and enhancement of the innovative image as an environmentally friendly company working for the public



Process of Strategic Environmental Evaluation



Strategic Environmental Evaluation System

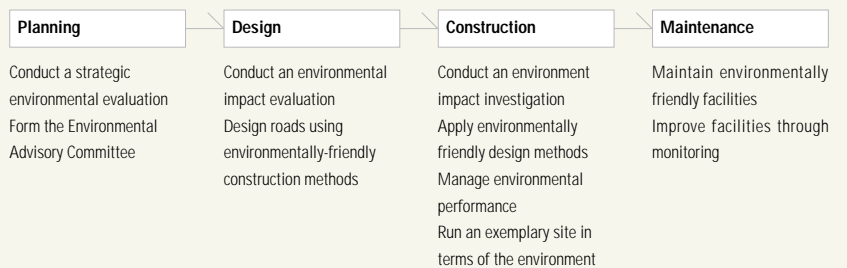
● To prevent construction suspensions and delays, strategic environmental evaluation makes it mandatory to consider eco-efficiency and collect the opinions of external stakeholder during the initial planning phase. KEC runs an Environmental Advisory Committee consisting of pro-environment & civil organizations, experts and professors, to receive field consultation and external opinions for strategic environmental evaluation. Opinions generated from the committee are proactively reflected in the design and construction of roads to secure environmental-friendliness. For instance, the original plan for the South Suncheon to Gwangyang Expressway (between Anpung Woljeon) would have taken it through the feeding grounds of hooded cranes (Precious Natural Treasure No. 228) in the Yeoja Bay area. A 600 meters deviation from the initially planned route allowed the section to go through while minimizing the impact of lights from cars on the cranes' feeding. Then 2.0 meter-high, light-blocking walls were installed to further minimize the impact of the traffic. In addition, a manual was written in connection with strategic ecological evaluation to clarify environmental management standards. The Information Book on the Ecosystem along the Roads is widely utilized to install ecosystem protection facilities that suit the local characteristics of the environment.

Information Book on the Ecosystem along the Roads

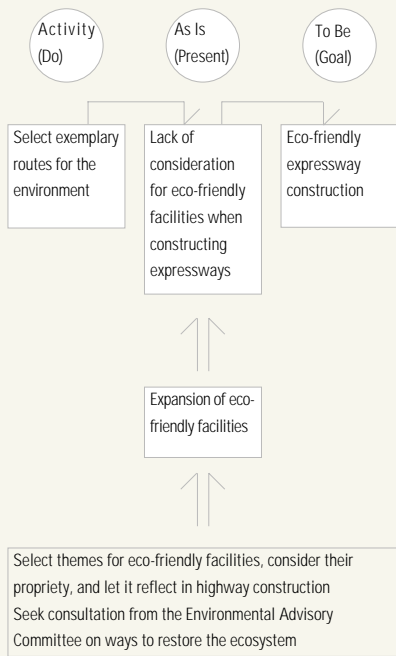
● The information Book on the Ecosystem along the Roads The Information Book on the Ecosystem along the Roads was published to explore ways to reduce the environmental impact by tailoring the advanced environmental damage reduction methods to suit the local characteristics, and to minimize the environmental damage of road construction.



Environmental Work Process by Phase



Directions for construction of environmentally friendly expressways



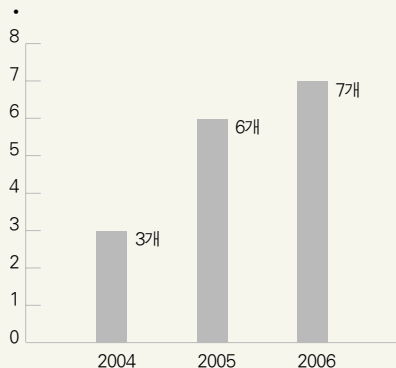
Environmentally Friendly Road Design

The construction of environmentally friendly highways can be more concretely thought out in the design phase. The design is developed by considering road structures that will minimize environmental impact, including various facilities to reduce environmental impact, and considering harmony with the surroundings. The construction of environmentally friendly highways at KEC has turned into a systematic process based on 'detailed guidelines for environmentally-friendly design' written in 2006. These guidelines require that design of the construction of facilities to protect biodiversity and reduce environmental pollutants, as well as the formation of environmentally friendly landscapes along the roads be fully considered from the design phase. The East Hongcheon to Yangyang route that goes through the Mt. Baekdu range is a good example where environmentally friendly facilities and construction methods are put to use.

The demands of external parties for KEC to protect the environment are ever increasing due to strengthened environmental laws, increased social demand on environmental preservation, etc. To respond to such intensified demand, KEC runs exemplary sites for construction of environmentally friendly expressways, which are conducive to the preservation of the natural ecosystem and surrounding environment. In 2006, the introduction of environmentally friendly facilities was considered for design at seven construction sites, and these cases were used as exemplary cases for other sites. Also various ways to reduce effects on the environment were explored to minimize the environmental impact of the construction phase.

Environmentally Friendly Road Construction

Status of exemplary project sites in terms of the environmen



Results at environmentally exemplary project sites

Eco-friendly soundproofing of walls

An Ecological pond

Field trip



Full use of landscaping design



• **Examination of the Impacts on Natural Landscapes of The Gyeongbu Route (section between Giheung and Pangyo) and the Resulting Landscape Design**

Landscaping and arrangement of eco-friendly facilities at the overpass

Environmentally Friendly Landscaping along Expressways

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KEC considers the impact of highway construction on the surrounding natural landscapes from the initial design phase in order to prevent damage to the natural surroundings or discord between artificial structures and nature. The Deliberation Scheme of Impact on Natural Landscapes estimates and analyzes the impact of construction projects on natural landscapes; comes up with ways to reduce their impact; and attempts to minimize harm to the natural surroundings. Through this scheme, social conflict regarding the impact on local landscapes can be prevented and methods for minimizing development-caused damage and preserving nature can be devised in the design phase. From the beginning of the design phase, the surrounding landscapes are considered to determine design, structural forms, the colors of soundproofing walls, etc. This environmentally friendly design is fully utilized at the construction phase to provide a pleasant driving environment by covering the surrounding walls with plants.

Follow-up management of the environment

-

Potential factors that can impact the environment are being removed through advanced examination of the environmental characteristics of road construction to select sites in the planning phase, and the evaluation of the environmental impacts of a route in the design phase. By further examining the environmental impact of the construction phase, onsite management and monitoring of the environment is thoroughly carried out to conform to the agreements of the environmental impact evaluation.

In addition, the satisfaction level of KEC's employees and outsourced workers at construction sites is investigated, and incentives are granted to cases of excellent management of the environment.

Follow-up management of the environment

-

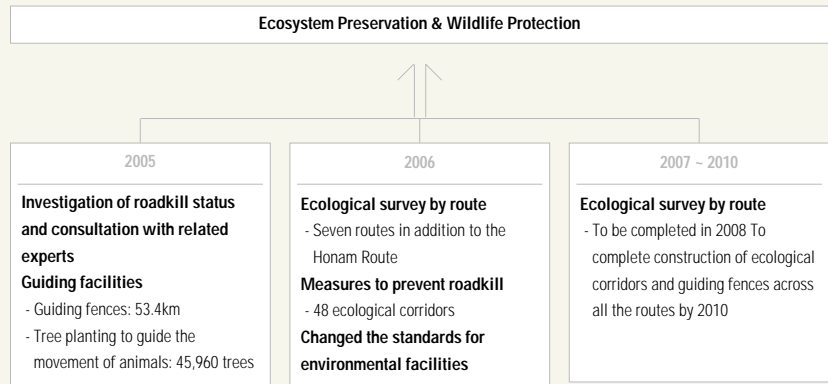
<p>Environmental system</p>	<p>Issued an environmental management manual Circulation-> 1,000 copies (Jul. '005) Set up an environmental management organization-> Give extra credits to construction companies if they assign a dedicated person Information sharing and cooperation scheme with pro-environment organizations and NGOs</p>
<p>Reinforced work processes</p>	<p>Strengthen field management and monitoring-> Improve the environmental checklist Put more emphasis on the writing-up and submission of ex post facto environmental management plans-> Identify environmental issues in advance to prevent civil complaints and environmental accidents Identify and publicize best cases such as ecological corridors, fences that guides the movement of wildlife, etc.</p>
<p>Reward & Disciplinary schemes</p>	<p>Put strict limits on things pointed out at field inspections Devise ways to control agencies outsourced to investigate environmental impact in an after-the-fact manner Grant incentives to sites that manage the environment with excellence</p>

Biodiversity Preservation

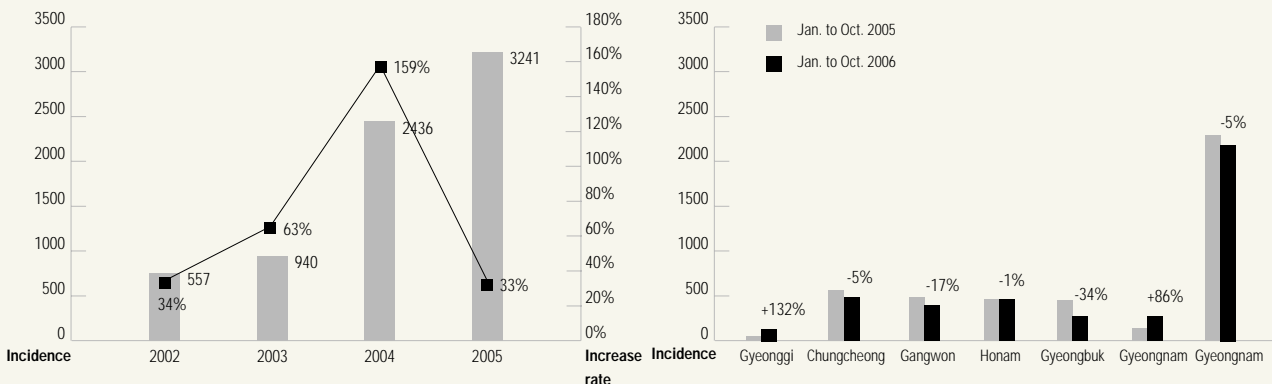
● KEC carries out a variety of activities to minimize the impact to wildlife, such as roadkill, that occurs during the construction and maintenance phases of expressways while preserving the environment. Since 1998, annual surveys of roadkill have been implemented, and since 2003, ecological surveys across all the routes have been conducted to secure habitats for wildlife that are disrupted due to highways. Also, mid- & long-term plans to prevent road kill have been established to promote the preservation of biodiversity along expressways as a core project. In this regard, ecological corridors, guiding fences, etc. are being installed that meet the geographical features and wildlife of the area. In addition, ecological corridors are monitored to find out those that are not actively used by animals and identify issues and solutions through joint investigations with experts.

To efficiently manage the incidence of roadkill, training sessions were held twice in 2006 to promote the sharing of environmental knowledge and improved environmental values and knowledge on roadkill-related work.

Thanks to these efforts to minimize the incidence of roadkill, KEC recorded an annual decrease of 5% in 2006. KEC will continue to strive to minimize the impact of highways on the ecosystem and to create roads where humans maintain harmony with nature.



Incidence of Roadkill





•
Ecological corridor for wildlife
Guiding fence
Soundproofing facility
Monitoring system

Wildlife has a right to live and we have a duty to preserve their habitats. Expressways may be for humans, but damaging nature just for the convenience of humanity is not what we intend. Nature provides us with many blessings and though there is not much we can give back, we can help nature to preserve itself.

KEC strives to build environmentally friendly expressways. Research on the environment along the roads is carried out to learn about geographical features, the kinds wildlife and their habits along the highways. In addition, the Information Book on the Ecosystem along the Roads was published to offer optimal ways to plan and build facilities during design and construction phases. Consequently, ecological corridors, guiding fences, soundproofing facilities, and other facilities have been constructed to offer safe passage and habitats to wildlife. As such, eco-friendly expressways are being constructed where humans and nature can live in harmony. Road kill can be prevented only when all related parties give due attention. Road users should take a keen interest in preserving nature. Drivers should observe the stipulated speed and maintain a distance between cars not only for their own safety but also for that of our friends in nature.

**Trails where you can feel the
wind, sunlight, and sound...
Though hidden from view,
this small trail makes a large contribution to
nature. KEC is creating a world where humans and
nature live in harmony**



• **Goseong Rest Stop Solar power generation system (Hanam, Tongyeong)** Solar power generation system built in the shape of a dinosaur

Response to Climate Change

● KEC is developing a new renewable energy system to join the global effort to preserve the environment and proactively conform to energy policies from home and abroad. A solar power generation system was built and is in operation at the Goseong Rest Stop (in the direction of Hanam and Tongyeong) maintaining the facility capacity at 50kWh, producing electric power of 164,290kWh per annum, and achieving savings of KRW 16 million. In 2007, air conditioning and heating systems using subterranean heat will be developed at the North Gwangju Operations office and the Manghyang Rest Stop, and as a result, annual heating savings will reach KRW 51 million in comparison to the previous system.

Construction of the new renewable energy system will be included in future business plans building more eco-friendly subsidiary facilities over several years in order to improve the environment along the expressways.

Energy Savings

● KEC saves logistics costs for the nation's backbone industries through various energy-saving projects. It operates energy facilities in a rational and economic way by changing light sources in tunnels to high-efficiency lamps and adjusting lighting at different times a day according to the intensity of brightness outside. To solve congestion or chronic delays at tollgates, the Hi-Pass system, a cutting-edge at-speed toll collection system that allows cars to pay tolls without stopping, has been installed at 20 tollgates in the metropolitan area including Cheonggye. By late 2007, it will be installed at 217 tollgates along highways across the nation to achieve savings of about KRW 815.7 billion in logistics costs by 2015.

Thanks to all these efforts to save energy, KEC won the prime minister's citation in the group category at the 28th Energy Saving Promotion Awards to become the only winner from the public sector. Also, an energy saving campaign was carried out in cooperation with the Korea Energy Management Corporation in November 2006.

Use of Environmentally Friendly Materials

● As part of its efforts to reduce the use of resources and their relevant costs, KEC has developed salt-proof concrete to improve the durability of its concrete structures. As a result, the service life of these structures has increased by 1.5 times, leading to a 20 billion won reduction in annual repair costs. It has also achieved environmental effects through the reduction of concrete wastes.

To promote environmentally friendly snow-removal work by minimizing chloride-related damage to farm areas near roads, KEC is continuously conducting research and development, reviewing the adoption of environmental friendly snow-removing materials and then applying them in the field. As a result of such efforts, KEC was able to witness a 50% - 80% reduction in the environmental impact on soil and water quality near roads.



• **Energy saving campaign** Energy saving campaign held at the Seoul Tollgate on Nov. 6, 2006

Develop Sustainable Salt-proof Concrete

	Current concrete	Salt-proof concrete
Details	- General concrete - Repaired after damage	- Uses compounds and implements change in the concrete mixing design - Preventive maintenance measures before damage through regular monitoring
Service life	Around 50 years	Around 75 years

Managing Construction Wastes, with a Focus on Recycling

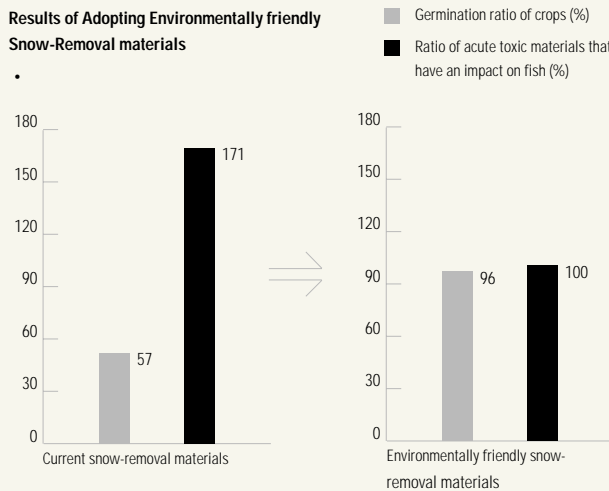
Recycling construction wastes has become extremely important due to the strengthening of waste-related policies and laws as well as the increase in social interest towards saving resources and preserving the environment. Accordingly, KEC is actively expanding the reuse of concrete, asphalt concrete, plastic and lumber wastes to increase the use of recycled aggregates. As a result of such efforts, KEC was able to enjoy a 4.3 billion won annual curtailment in construction waste treatment costs in 2006.

Moreover, KEC is making efforts to effectively process construction waste by providing training to employees and partner companies, with the aim of boosting an accurate understanding of recycling construction wastes and to disseminate information on appropriate treatment methods

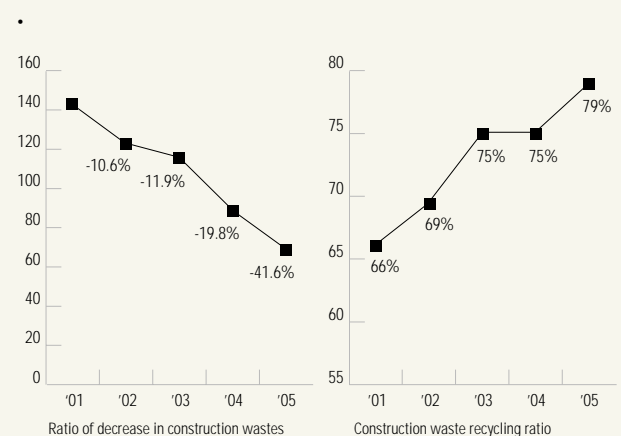
Training on Construction Wastes

Theme	Details
Construction waste treatment standards	Outline on outsourcing the treatment of construction wastes and improvement measures
Promoting construction waste recycling	Analyze the Act on Promoting the Recycling of Construction Wastes and directions of the policy Main content and usage method of the construction waste information management system
Onsite training on wastes	Training on laws related to construction wastes Appropriate waste treatment methods
Appropriate waste treatment methods	Definition of wastes, waste utilization methods, reporting of parties who discard wastes, subjects of division orders, outsourcing waste treatment, etc.
Safety training in relation to waste treatment	Training to prevent accidents that can occur during waste treatment

Results of Adopting Environmentally friendly Snow-Removal materials



ratio of Decrease in Construction Wastes and Recycling Ratio



Managing Water Quality

● KEC is setting up and operating a wide variety of water pollution prevention facilities to manage the quality of underground water and waterways. It is creating temporary waterways and grit chambers to conduct first-level treatment of pollutants, including sand and other floating matter that is generated during ground construction. KEC is also setting up and operating wastewater treatment facilities at tunnel construction sites, barcher plants and crusher sites to fulfill its responsibilities related to wastewater generated at road these sites. It is also conducting thorough investigations of non-point pollution sources, which are the cause of potential water and soil pollution, and taking great strides to prevent pollution by installing relevant facilities.

In addition, roads constructed on top of waterways have an impact on water flow, change water routes, and lead to the outflow of tunnel groundwater. This can result not only in significant damage to the ecosystem, but in water pollution as well, resulting from the loss of the self-cleansing capabilities of waterways. To prevent such things from happening, KEC is moving waterways while retaining their natural form and acquiring sites for the natural flow of waterways, thereby preserving the ecosystem and preventing potential water pollution.



Measures to Reduce Water Pollution at Construction Sites
Left: Waste water treatment facility at a barcher plant
Right: Non-point pollution source treatment facility



Measures to Manage Water Channels & Water Supply
Left: Move waterways, retaining their natural form
Right: Acquire sites for the natural flow of waterways: set up environmentally friendly bank-protection blocks

Flying dust is generated in large volumes due to construction vehicles, and waste gases from these vehicles are causing air pollution. To prevent such sources of air pollution, KEC has set a speed limit to these vehicles on construction sites. It is also reducing air pollutants by covering cargo, setting up temporary dustproof fences, and operating vehicle-washing facilities and sprinkler trucks. In order to reduce the concentration level of various hazardous materials and carbon dioxide inside tunnels, KEC has made it mandatory to install ventilation holes in tunnels and is planting trees for landscaping around tunnel entrances and exits.

Managing Air Quality



Measures to Reduce Air Pollution at Construction Sites
Operate vehicle-washing facilities
Temporary dustproof fences

Managing Noise & Vibration

● Expressway-related noise can be categorized as construction noise generated during the construction phase and traffic noise generated during expressway use. Noise and vibration, including noise from blasts, are generated by construction equipment during the construction phase. To reduce such noise, KEC is setting up temporary sound absorbing walls and facilities that reduce noise from blasts. Moreover, KEC considers the installment of soundproof facilities starting from the road design phase, in order to reduce traffic noise. It is also actively setting up additional soundproof facilities during the construction phase in areas that are deemed necessary. KEC is continuously setting up and repairing these facilities around both new expressways and existing expressways. When disputes arise from noise, KEC makes efforts to resolve these disputes with the people who raise them.

KEC will establish mid- to long-term traffic noise measures and actively incorporate them into expressway construction in order to reduce the number of disputes that arise from traffic noise, and make more efforts to resolve traffic noise disputes.



● **Measures to Reduce Noise & Vibration on Expressways**

Soundproof tunnel

Equipment to reduce noise from blasts during tunnel construction

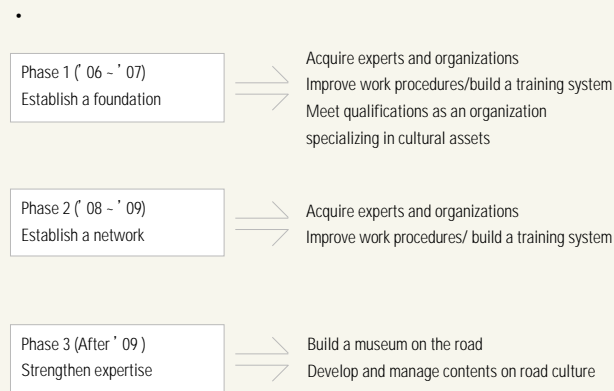
● **Environmental Disputes and Lawsuits related to Expressway Traffic Noise**

	CasesIn progress		Results	Notes
Total	32	9	23	Period: 2002 - Jan 2007
Lawsuits	15	8	7 (6 won; 1 settled)	People who raised complaints: 16,218 persons Demand for compensation for damages: 8 billion won
Disputes	17	1	16 (10 won; 6 dismissed)	Demand for soundproof equipment: 101.6 billion won

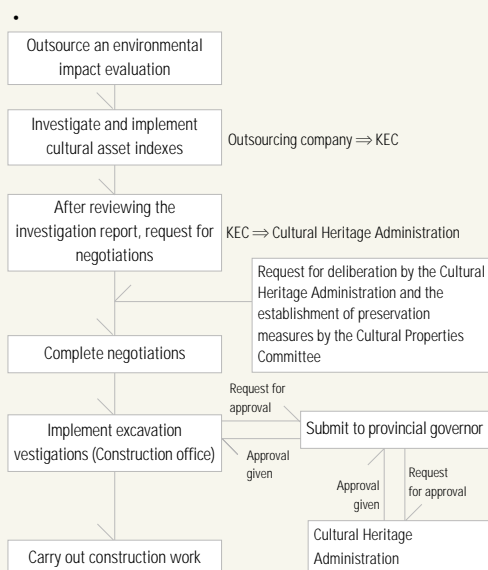
Manage Cultural Assets

When establishing expressway construction project plans, KEC conducts investigations to preserve cultural assets, such as those to determine whether there are relics buried in the construction area. KEC is also engaging in negotiations with the Cultural Heritage Administration to change routes and implement other measures to preserve Korea's cultural assets. KEC has come up with a roadmap to innovate work related to cultural assets, and is improving its work process to ensure efficiency by securing experts on cultural assets and building a database of cultural asset handling results.

Roadmap of Strategies to Innovate Cultural Asset Related Work

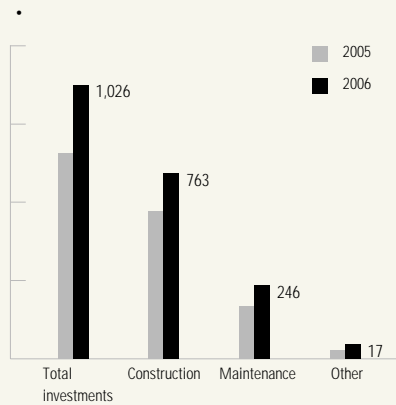


Process of investigating cultural assets

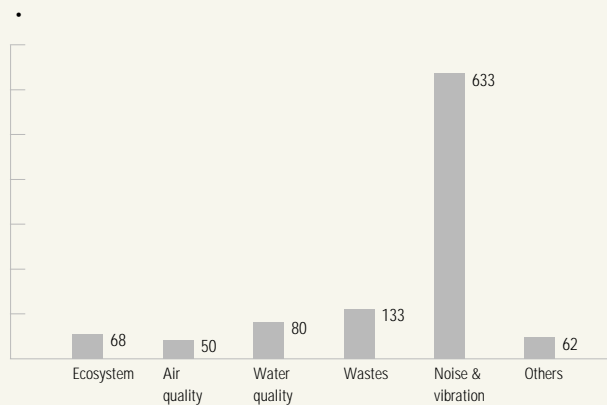


Increasing Investments in the Environment Efforts to strengthen the environmental nature of roads are analyzed based on investment costs and the results of analysis are being used as a standard for making improvements in environmental services provided by roads. In 2006, environmental management costs amounting to 102.6 billion won, which is a 51% increase annually, were invested, and were used for the construction and maintenance of environmentally friendly roads.

Details of Environmental Investment Costs



Breakdown of Environmental Management Costs <Unit: 100 million won>



Area	2005		2006	
	Environmental management costs	Ratio (%)	Environmental management costs	Ratio (%)
Total	679	2.3	1,026	3.2
Construction	478	1.8	763	2.7
Maintenance	188	6.3	246	10.0
Other	13	-	17	-

Ratio (%): Environmental management costs compared to the total implemented budget

Operating an Environmental Management System

KEC is operating an environmental management system (integrated information system) to effectively carry out environment-related work and to objectively manage environmental performance. The environmental management system manages data on substances that cause environmental load in real time in order to minimize environmental risks that can arise during road construction.

The system manages the results of and agreements from environmental impact assessments; details of the ex post evaluation of environmental characteristics; the assessment and management of cultural assets; the status of construction wastes and their handling; and the results of managing sections and outsourcing companies.



• Create Ecological Parks at Environmentally Friendly Rest Stops

Building Environmentally Friendly Subsidiary Facilities



KEC seeks to create a space where mankind and the ecosystem can live in harmony by constructing environmentally friendly expressways. To this end, both roads and subsidiary facilities, such as rest stops, should also be environmentally friendly. Once ecological parks and surrounding groves are established at rest stops, these rest stops will become more than simply locations that offer convenience to road users. They will become a space to enjoy time in the natural environment. The Naerin Rest Stop became the first expressway rest stop to implement the procedures required to set up environmentally friendly facilities. It will become an environmentally friendly rest stop with an ecological park, groves, facilities to reduce environmental load, such as polluted water and wastewater, and facilities that use solar energy.

KEC seeks to create a space where mankind and the ecosystem can live in harmony by constructing environmentally friendly ex-

pressways. To this end, both roads and subsidiary facilities, such as rest stops, should also be environmentally friendly. Once ecological parks and surrounding groves are established at rest stops, these rest stops will become more than simply locations that offer convenience to road users. They will become a space to enjoy time in the natural environment. The Naerin Rest Stop became the first expressway rest stop to implement the procedures required to set up environmentally friendly facilities. It will become an environmentally friendly rest stop with an ecological park, groves, facilities to reduce environmental load, such as polluted water and wastewater, and facilities that use solar energy.

Carrying out PR to Promote Environmentally Friendly Activities



To enhance awareness among NGOs, the local society and road users towards building an environmental community, KEC has created a PR pamphlet on environmentally friendly expressway construction and is carrying out a waterway preservation campaign as well as purification activities. The PR pamphlet introduces engineering methods for environmentally friendly expressway construction and cases of environmentally friendly facility installation. It was created to enhance awareness of environmental preservation among citizens by enabling them to experience environmentally friendly facilities while driving on expressways.

To enhance awareness among NGOs, the local society and road users towards building an environmental community, KEC has created a PR pamphlet on environmentally friendly expressway construction and is carrying out a waterway preservation campaign as well as purification activities. The PR pamphlet introduces engineering methods for environmentally friendly expressway construction and cases of environmentally friendly facility installation. It was created to enhance awareness of environmental preservation among citizens by enabling them to experience environmentally friendly facilities while driving on expressways.

Moreover, KEC is carrying out an environmental preservation campaign with NGOs, and setting up signs to enlighten construction participants on environmental preservation. KEC will continuously join efforts with local autonomous bodies and NGOs to fulfill its role as a corporation that has the citizens' best interests in mind.

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• Distribute Pamphlets to Publicize Environmentally Friendly Construction Pamphlet



Distribution of pamphlets



• Campaign to Preserve Waterways near Yangpyeong Bridge on the Namhan River Set up signs



Namhan River purification project

Eco Communication

Strengthening External Activities

● KEC is conducting a wide range of external activities, such as participating in environment-related seminars, contributing articles to the media and producing & broadcasting PR videos on the importance of environmentally friendly activities.

KEC made a presentation on the "Status and measures against roadkill on expressways" during the "Environmentally friendly road construction seminar" that was held by the Korea Institute of Construction Technology. It was participated in by the Ministry of the Environment, Ministry of Construction and Transportation and the Korean Foundation for Environmental Movement as well as officials from the academic, industrial and research sectors.

KEC is also making its will to construct environmentally friendly roads widely known by contributing articles to the media that mostly deal with KEC's efforts to restore the ecosystem, such as the status and prevention measures for roadkill on expressways, as well as its measures and implementation plans for environmental management. In addition, KEC created a CD on the construction of environmentally friendly roads, which is being distributed to customers who visit exemplary project sites in terms of the environment.



● Seminar on Environmentally Friendly Road Construction
Seminar on environmentally friendly road construction



● Strengthening External Activities
Contributing articles to the media

Create a CD

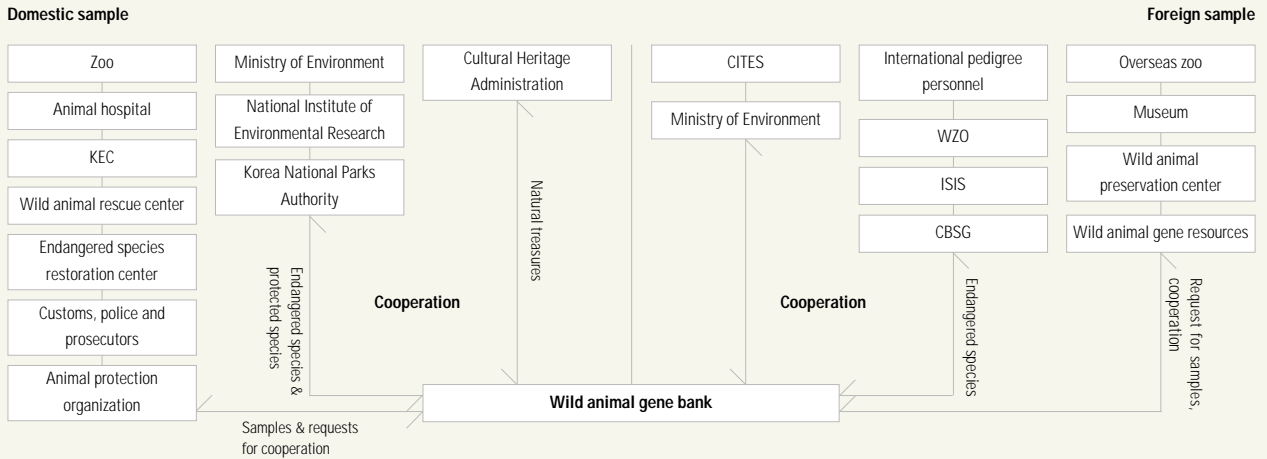


• **Provide Genes of Wild Animals and Training on Ecological Information**

Wild animal gene bank

Sample gene provided

Training



● **Supporting National Projects**

In order to contribute to the government's efforts to preserve biological diversity and to share assorted ecological information with external research institutions, KEC has established a cooperation program with the Center for Genome Research and Bio-computing (CGRB). It provided 83 sample genes of wild animals that were killed on roads, such as those of moose, raccoons and weasels. It is aiming to contribute to the preservation of national biological resources by sharing ecological information on wild animals.

● **Establishing an Environmental Education System**

The e-learning system that is currently under operation is being used to provide professional environmental knowledge and information to employees in online content. The environmental education system provides an assortment of content under such categories as air quality, water quality, wastes, noise & vibration and non-point pollution sources. KEC is providing information on how to reduce the environmental impact under each category.



• **Operate an Environmental Education System**

e-learning services provided in the second half of 2006

Environmental education based on the e-learning system enables education on environmentally friendly construction and maintenance, without limitation to time or space, and allows for step-by-step environmental management education in connection with practical work conducted in the field.

Appendix



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Review opinions of external experts

Economic aspects



The importance of sustainability management for a public corporation is growing with each passing day. The sustainability management activities of KEC have been performing a key function as a public corporation and appropriately so as it connects the government and its customers, the citizens. Having received significant praise for such initial endeavors, KEC is now publishing a sustainability report for the first time that details the current status and achievements of sustainability management during 2006.

KEC categorizes this report into economic, social and environmental sections, presenting an appropriate model of sustainability management in all these areas. Remaining true to its core values of ethical business behavior and corporate social responsibility, KEC is continuing to place importance on mankind and the environment, and attempt to achieve harmony between profitability and public interests.

First, in terms of economics, this report is a measure for KEC to adopt an added value concept that incorporates public interest generated by the construction of expressways and to implement a model for quantifying sustainability practices. In order to ensure that such efforts lead to tangible results, KEC needs to analyze detailed measurement results and reflect on & apply these results to future expressway construction.

Second, in terms of social aspects, what grabs my attention is the strategic development of human resources and the strengthening of the e-learning system. There is a growing demand for human resources with either general or special skills, leading to strategies that involve scouting out experts rather than cultivating such experts internally. The strategic development of human resources is therefore extremely important. As such, there will be a need to develop internal training programs that ensure the strengthening of the required expertise and skills by job type to strategically develop human resources.

Third, in terms of environmental protection, KEC has achieved the greatest success in its history. The strengthening of the environmental management scheme, the implementation of step-by-step environmental business processes from planning to maintenance phases, as well as the implementation of a strategic environmental evaluation scheme will play a pivotal role in building environmentally friendly expressways. KEC needs to make efforts so that these business and evaluation schemes are integrated into the Enterprise Resource Planning (ERP) system.

Professor of economics at Sungkyunkwan University
An Jong-beom

Profile

Professor of economics at Sungkyunkwan University
Senior member of the Labor-Management Relations Reform Committee
Member of the Korea Institute of Public Finance

Social aspects



Make details of activities to pursue growth and sustainability management clear and disclose quantified performance analysis information:

The key to a sustainability management report is to extract core content and provide accurate information. In its sustainability management report, KEC made efforts to communicate how it made its activities more strategic and systematic, and strengthened its internal systems for sustainability management.

In terms of social aspects, KEC talks about various topics, including the development of human resources, health & safety, welfare, management that considers home life, social contributions and contributions to the development of the local society. However, a more detailed classification should be carried out to provide more details on relevant activities. In addition, performance analysis results should be quantified whenever possible. There is a need for greater efforts to add to the content so as to communicate information on what kind of effects various programs and policies have had on corporate performance and sustainability.

KEC should also consider having its sustainability report present analytic data that focuses on making comparisons to industrial norms or international standards, rather than being vague. Moreover, in terms of corporate governance, KEC needs to provide more details on its efforts to ensure corporate transparency, which is required of domestic public corporations; operate its BOD according to international standards; enhance transparency in management information; and boost participation by shareholders.

By so doing, KEC will be able to provide more analytic and detailed information to its shareholders, thereby allowing them to evaluate and have confidence towards the company's growth potential and possibility of sustainable development.



Professor of business administration at Kyunghee University
Chang Young-cheol

Profile

President of KABE
Vice President of the Korean Association of Personnel
Administration
Professor of Business Administration at Kyunghee University

Environmental aspects



Great strides forward towards becoming a global corporation

KEC is attempting to move away from its past image as a company that builds and manages expressways, and become a company that creates social and cultural value. In particular, its efforts to innovate itself into an international caliber company that puts importance on the people and the environment, rather than profits, do not lag behind any other company at home and abroad. It is my understanding that this corporate innovation initiative reflects the business mindset of KEC as well as the professional expertise and passion to become the best, as shown in its symbol, EX. KEC will become a global, innovative company that is trusted by the citizens when it fulfills all of its social responsibilities, such as business management that ensures customer satisfaction and environmentally friendly activities.

The need for investments and sympathy from corporate members

Now that KEC has an outstanding plan for sustainability management, it needs to implement that plan to achieve its objectives. In order to become an environmentally friendly company, the continuous interest and will of top management is required as well as the sympathy of all employees. If ecological parks are created near expressways, as part of environmentally friendly management, these parks will play an important role in removing pollutants from the environment and will be used as a space for rest and relaxation by citizens. Once paths that can be used by wild animals without danger are created, KEC will be able to establish an environment where mankind, the ecosystem and roads co-exist in harmony. What is required is a more detailed implementation plan so that active investments can be made into environmentally friendly projects, to ensure that such projects are not used for PR purposes only.

A leader in sustainability management

Sustainability is a way of living a life of wisdom and a way of self-restraint, which prevents one from throwing away a valuable asset for immediate and insignificant profits. To ensure the success of sustainability management, the competencies of top management as well as the employees need to become more systematic so that even the smallest tasks can be thoroughly implemented. In addition, relevant indicators need to be developed and measurements should be made in line with international standards. There is also a need for PR programs so that implemented projects are actively publicized at home and abroad. I hope that KEC becomes a global company by operating the best environmentally friendly management system in Korea and a company that is benchmarked by many with regards to sustainability management.

Director of the Korean Environmental Sciences Society
Jeong Gyeong-hun

Profile

Director of the Korean Environmental Sciences Society
Environmental preservation advisor of Gwangju Metropolitan City
Professor of Environmental Engineering at Chosun University

GRI Performance Indicators

KEC has established performance indicators required by the Global Reporting Initiatives (GRI) and managed its results against these indicators. The GRI performance indicators will be provided transparently to stakeholders through annual sustainability reports.

Perspective	Performance indicator	Unit	Results		
			2004	2005	2006
Economy	Managed expressway routes	km	2,804	2,850	2,874
	National Customer Satisfaction Index (NCSI)	Points	80	74	83
	Labor productivity	Won/person	3.8	3.2	3.8
	Logistic cost savings	KRW 100 million	-	1,826	1,996
	Savings from purchasing SME products	KRW 100 million	930	1,047	6,562
	Ratio of local people hired	%	46.4	45.0	45.7
Society	Annual average education	Hours per person	26	20	30
	Amount of Investment in social contributions	KRW 1 million	767	1,270	1,533
	No. of industrial accidents	No. of cases	41	50	36
	Ratio of accidents in the field	%	0.53	0.65	0.48
	Ratio of female employment	%	3.99	4.36	4.82
	Ratio of hiring the disabled	%	-	2.28	2.6
	Level of corporate integrity evaluation	Points	8.21	7.65	9.01
Environment	Newly recycled energy generation	kWh	-	164,290	109,774
	Ratio of "green" purchases	%	31	52	84
	Occurrence of roadkill	No. of animals	2,436	3,241	2,930
	Direct investments in environmental management	KRW 100 million	-	679	1,026

GRI Content Index

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	Primary brands, products, and/or services
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2.4	18
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2.7	26, 30-31
	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)
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	Scale of the reporting organization, including number of employees, net sales (for private sector organization) or net revenues (for public sector organizations), total capitalization broken down in terms of debt and equity (for private sector organizations), and quantity of products or services provided
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3.2	Front Cover Page
	Date of most recent previous report (if any)
3.3	Front Cover Page
	Reporting cycle (annual, biennial, etc.)
3.4	Front Cover Page
	Contact point for questions regarding the report or its contents
3.5	Front Cover Page
	Process for defining report content, including determining materiality, prioritizing topics within the report, identifying stakeholders the organization expects to use the report
3.6	Front Cover Page
	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)
3.7	Front Cover Page
	State any specific limitations on the scope or boundary of the report
3.8	Front Cover Page
	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	83
	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report
3.10	Not Applicable Since It is the First Report
	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)
3.11	Not Applicable Since It is the First Report
	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report GRI Content Index
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	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight

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4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)		20
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		20
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		20-22
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		20-22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		20-22
4.7	Processes in place for the highest governance body to ensure conflicts of interest are avoided		20
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		15, 23-24
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles		21-22
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		22
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		30
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		16
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		Not Applicable
4.14	List of stakeholder groups engaged by the organization		26
4.15	Basis for identification and selection of stakeholders with whom to engage		26
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		26
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		27

	GRI	Indicators applied to KHC	Page
Economic performance indicators			
EC1	Creation & distribution of direct, economic values (Revenues, operating expenses, employee wages, contributions, local community investments, retained earnings, investor/government remunerations)	Sales, profits, operating expenses, labor costs, welfare costs, capital expenses, taxes, contribution amounts in arrears	18, 27, 35
EC2	Climate change's financial impacts, and risks and opportunities for business activities	Climate change's impact on business activities and performance	64
EC3	Scope of welfare support	Retirement grant scheme and accumulation results of allowances for retirement grants	47
EC4	Results of receiving government aid	Results of receiving government aid	35
EC5	Ratio of new employees' wages to the main business sites' local legal minimum wages	(Not Available Data)	-
EC6	Main business sites' local purchasing policy, practices, and ratios	(Not Applicable Available Data)	-
EC7	Main business sites' procedure to give priority to locals in employment and ratios of high-ranking managers from local communities	Priority on hiring local people and ratio of local people in the staff Effects of building an integrated transportation information system	77
EC8	Infrastructure investment and service support activities and effects that put priority on public interest		33
EC9	Understanding and explanation of indirect economic ramifications	Effects of saving logistics costs, telecommunications costs, and time spent on the road	30, 33

GRI	Indicators applied to KHC	Page
Environmental performance indicators		
EN1	Amount of materials used based on the weight or volume	(Not Available Data) -
EN2	Ratio of renewable materials used	Ratio of renewable materials used 65
EN3	Amount of direct energy consumed by primary energy sources	Amount of energy used 64
EN4	Amount of indirect energy consumed by primary energy sources	Amount of electric power used 64
EN5	Energy savings through saving and improved efficiency	Saved amount through energy saving measures 64
EN6	Effort to provide energy-efficient or renewable energy-based products/services, and the energy savings achieved as a result	Results of using solar energy 64
EN7	Projects to save indirect energy and their results	Results of "green" purchases including the purchase of high-efficiency machinery and materials 65
EN8	Total water withdrawal amount by supply source	(Not Available Data) -
EN9	Supply sources of water greatly impacted by water withdrawal	Environmental impact by use of water 66
EN10	Total amount and ratio of water reused and recycled	(Not Available Data) -
EN11	Locations and sizes of lots owned, leased, and managed in ecosystem protection areas and neighboring areas	(Not Available Data) -
EN12	Impact of business activities in ecosystem protection areas and neighboring areas	Impact of business activities in areas designated to protect the ecosystem and marshes 60-63
EN13	Habitats protected or restored	(Not Available Data) -
EN14	Biodiversity management strategies, current measures, and future plans	Field management plan, roadkill incidence 62
EN15	No. of endangered species in areas impacted by projects and their probability of extinction	(Not Available Data) -
EN16	Total emission amount of direct and indirect greenhouse gases	(Not Available Data) -
EN17	Emission amount of other indirect greenhouse gases	(Not Available Data) -
EN18	Projects and results of reducing greenhouse gases	Results of using solar energy 64
EN19	Emission amount of ozone-destroying substances	(Not Available Data) -
EN20	NOx, SOx, and other main atmosphere emissions	(Not Available Data) -
EN21	Total emission amount of wastewater and water quality by the final location of emission	(Not Available Data) -
EN22	Emission amount of wastes by type and treatment method	Amount of construction wastes 65
EN23	No. and amount of spills of major harmful substances	(Not Available Data) -
EN24	Amounts of wastes transported, brought in, brought out, and treated as prescribed under the annex of the Basel Convention, and ratio of wastes taken out overseas	(Not Available Data) -
EN25	Names, sizes, and protected status of waters and related habitats impacted by emissions of waste water by the reporting organization, and the value of biodiversity in those areas	Environmental impacts by emissions of sewage and foul water from project sites and the head office 66
EN26	Activities and results of reducing the environmental impacts of products and services	Environmentally friendly design activities 60
EN27	Ratios of products sold and related packaging materials reused	(Not Available Data) -
EN28	Penalty amounts resulting from violating environmental regulations, and the no. of non-monetary restrictions	Penalty amounts resulting from violating environmental regulations, cases of compensations due to arbitration by the National Environmental Dispute Resolution Commission 67
EN29	Important environmental impacts resulting from transportation of products and raw materials, and commuting by the employees	(Not Available Data) -
EN30	Costs and total investment amounts for environmental protection	Environmental costs and investment amounts including waste treatment costs 64

GRI		Indicators applied to KHC	Page
Labor performance indicators			
LA1	Employment contracts by employment type and manpower status by region	No. of employees (current employees at the end of each year), status on employees by job type and regional headquarters, irregular employees (contract & period-based employees)	18
LA2	No. and ratio of employees leaving the company (by age, sex, and region)	(Not Available Data)	-
LA3	Welfare benefits provided only to full-time employees (by main business site)	Welfare benefits provided only to regular employees	47
LA4	Ratio of employees subject to collective bargaining	Ratio of joining the labor union	49
LA5	Minimum notice period for important business changes (including whether to include in collective bargaining)	Advance notice on importance business changes	49
LA6	Ratio of employees represented by the Health and Safety Committee jointly run by labor and management	(Not running the health & safety committee)	-
LA7	Injuries, occupational diseases, no. of working days lost, absence from work, no. of work-related disasters (by regions)	No. of employees on leave, no. of injuries suffered at work (no. of working days lost), ratio of disasters occurring on the site	45-46
LA8	Education, training, consultation, and prevention, risk management programs for employees, their families, and local communities regarding serious diseases	(Not Available Data)	-
LA9	Health and safety matters subject to formal agreements with the labor union	Agreements with the labor union regarding health and safety	49
LA10	Annual average education time per person by employee type	Annual average education time per person	44
LA11	Functional training and lifelong learning programs for continuous employment and support for retired employees	Lifelong education program	45
LA12	Ratio of employees subject to regular performance evaluation and career development review	(Not Available Data)	-
LA13	Composition status of the BOD and employees (sex, age, minorities, etc.)	Ratio of hiring the disabled and women, ratio of female employees at the third grade or higher	48
LA14	Ratio of basic pay between male and female employees by employee category	(Not Available Data)	-
Human rights performance indicators			
HR1	No. and ratio of important investment agreements that include human rights protection provisions or are investigated for human rights	(No Agreements during 3 years)	-
HR2	Ratio of human rights investigations on main suppliers and contractors	(Not Available Data)	-
HR3	No. of education sessions for employees on human rights policies and procedures related to work	No. of human rights education sessions on sexual harassment and other related subjects	42
HR4	Total no. of discrimination cases and measures taken in response	No. of complaints handled regarding discrimination against employees	49
HR5	Work areas judged to have the possibility of severely damaging freedom of association and collective bargaining, and measures to protect these rights	Measures to protect small groups of employees such as the disabled, women, and managers	48
HR6	Work areas with a high risk of child labor, and measures to put an end to child labor	Provision to prohibit employment of minors	49
HR7	Work areas with a high risk of forced labor, and measures to put an end to forced labor	Provision to prohibit forced labor	49
HR8	Ratio of security manpower trained in human rights policies and procedures	(Not Available Data)	-
HR9	No. of infringements on the rights of original residents, and related measures	Measures to protect the rights of local communities	52

GRI		Indicators applied to KHC	Page
Social performance indicators			
S01	Characteristics, scope, and effectiveness of programs that evaluate and manage local community impacts at the commencement, operation and completion of work	Regulations on implementation of various impact evaluations	59, 61
S02	No. and ratio of business units which are analyzed for corruption risks	(No Analysis of Corruption Risks)	-
S03	Ratio of employees educated on anti-corruption policies and procedures	Results of integrity education	42
S04	Measures against corruption cases	Anti-corruption measures	42
S05	Stance on public policies, participation in the establishment of public policies and lobbying activities	No. of dispatched employees, results of holding NGO forums, results of operating the Open Public Company Committee	58-59, 71
S06	Total amount of cash and goods donated to political parties, politicians, related organizations of each country	(No Violation of Laws)	-
S07	No. of legal measures against unfair competitive and monopolistic acts and their results	(Not Available Data)	-
S08	Penalties resulting from violating laws and regulations, and the no. of non-monetary restrictions	(No Violation Resulting in Serious Penalty)	-
Product responsibility-related performance indicators			
PR1	Step on the lifecycle where the impact of products and services on health and safety are evaluated, ratio of main products and services on which health and safety evaluation is conducted	Cases of conducting evaluations of health and safety impacts on the use step	58, 64-65
PR2	Restrictions related to customers' health and safety on the lifecycle of products and services, and no. of violations of these rules	Effort to observe laws and regulations on customers' health and safety	66-71
PR3	Required information types on products and services, and ratios of main products and services that fall under such information qualifications	Provision of road transportation-related booklets	59
PR4	Restriction on product/service information and labeling, and no. of voluntary violations of rules	(No Violation of Laws)	-
PR5	Customer satisfaction activities such as surveys on customer satisfaction levels	Activities to increase customer satisfaction, results of surveys on customer satisfaction including one on public companies' customer	36-37
PR6	Laws, standards, and programs to voluntarily observe rules regarding marketing and communications such as advertising, promotion, sponsorship, etc.	(No internal Regulations)	-
PR7	Restriction, standards, and no. of voluntary violations of rules regarding marketing and communications such as advertising, promotion, sponsorship, etc.	(No Violation of Laws)	-
PR8	No. of complaints raised in relation to violations of protection of customers personal information and loss of customer data	No. of civil complaints and handling results	53, 67
PR9	Penalty amounts resulting from violating laws and regulations on supplies of products and services	Effort to observe laws and regulations regarding supplies of products and services (no. of violations included)	60, 67

Process of creating the report

Before creating the sustainability report, KEC conducted a survey of its employees to expand sustainability management. KEC established the objectives and implementation strategies of sustainability management by benchmarking the sustainability practices of advanced companies at home and abroad, and by diagnosing internal management activities.

In order to boost the credibility of the content, a taskforce team comprising of employees from headquarter offices and divisions was formed. Information included in the report is based on data provided by each department. The information was finalized after being edited by the management. In addition, outside experts in the field of sustainability management were invited as advisors and review members to ask for advice on carrying forward with sustainability management. Their opinions after review are stated in this report.

Self-declaration of the GRI G3 application level



The "2006 KEC Sustainability Report" has been created according to the GRI G3 guidelines. As a report that has thoroughly incorporated the G3 guidelines of GRI, KEC is self-declaring and publicly announcing the application level of this report.

Among the A, B and C levels of the "GRI G3 Application Levels Criterion," this report fully satisfies the quantitative and qualitative requirements of Level A. As such, KEC self declares that the GRI G3 application level of the 2006 KEC Sustainability Report is at Level A.

● GRI G3 Application Level Grid

Report application level		C	C+	B	B+	A	A+
Standard disclosure	G3 profile disclosures Output	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report externally verified	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report externally verified	Same as requirement for Level B	Report externally verified
	G3 management approach disclosures Output	Not required		Management approach disclosures for each indicator category		Management approach disclosures for each indicator category	
	G3 performance indicators and sector supplement performance indicators Output	Report on a minimum of 10 performance indicators, including at least one from each of: social, economic, and environmental		Report on a minimum of 20 performance indicators, including at least one from each of: economic, environmental, human rights, labor, society, product responsibility		Respond on each core G3 and sector supplement indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission	

The hearts of the
people come together to
create roads

Footsteps come together to create roads that
connect the hearts of the people.

Companies can only become global,
top-tier companies when we come
together to create a path for them.

Based on your hopes and encouragement, KEC will create roads for all.