Kwater

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Through Smart Water Management and Healthy Water Supply, K-water will make a much happier world



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Purpose of Publication

We publish the sustainability report in order to provide information on the corporate sustainable management openly to our stakeholders. K-water's sustainability report contains its sustainable business practices, responding to stakeholders' issues of concern, as the only state-owned water service company of the nation.

Publication Cycle

This, K-water 2015 Sustainability Report is the 11th report. K-water has **Amendments** published annually since 2005.

Reporting Standard

This report has been drafted in line with the GRI G4 Sustainability Reporting Guidelines (Core option).

Reporting Period

The period covered in this report is from January 1 to December 31, 2014 Productivity Center. while for qualitative performance the period covers up to July 2015.



Awards

- Apr. 2008 Korea Management Innovation 'Grand Prize' (Awarded by Korean Ministry of Knowledge Economy and Maeil Business Newspaper)
- Oct. 2008 Korea Social Contribution 'Grand Award' (Korea Journalist Forum) Oct. 2008 Sustainable Management 'Award of Highest Excellence'
- (Korean Ministry of Knowledge Economy and Korea Chamber of Commerce and Industry)
- Oct. 2008 Korea Eco-Friendly Company 'Grand Award' (Korean Ministry of Environment)
- Oct. 2008 Asian Most Admired Knowledge Enterprise (UK Teleos)
- Jan. 2009 Continuity & Creation Management Award in Environmental
- Management (Korean Ministry of Knowledge Economy and UN Global Compact) Oct. 2009 Low Carbon Green Growth Commendation
- (Green Growth Association and Korean Ministry of Environment) Oct. 2009 New Regeneration Energy Awards 'Prime Minister Commendation'
- (Korean Ministry of Knowledge Economy) **Oct. 2009** Asian Most Admired Knowledge Enterprise (UK Teleos)
- Dec. 2010 National Green Technology 'Grand Award' (Korean Ministry of Knowledge Economy and Korean Ministry of Education)
- Jun. 2011 Korea Green Management Award (Korean Ministry of Knowledge Economy and Korean Ministry of Environment)
- Jun. 2011 Eco-Star Eco-technology Award (Korean Ministry of Environment)
- Jan. 2012 The first public company to be awarded the 'Smart Work Superior Institute Award' (Korean Ministry of Public Administration and Security)
- Feb. 2012 The Most Admired Company In Korea (KMAC)
- Jun. 2012 Environmental Impact Management 'Grand Prize' (Korean Ministry of Environment)
- Jun. 2012 Global Social Contribution Institute of Excellence Commendation (Korean Ministry of Health and Welfare)
- Jun. 2012 Selected as an excellent company with an outstanding performance in 'Labor and Management Relations' (Korean Ministry of Employment and Labor)

Reporting Boundaries

This report basically covers business practices of the head office. 9 regional/business divisions and 60 branch offices. Business performances of oversea projects were included. It does not cover subsidiaries and affiliates, while for partnering companies in our corporate supply chain, their performances were partially included in relation with education service or subsidies for mutual growth over the corporate supply chain.

There were not any significant changes such as corporate structure and ownership during the reporting period when compared to the previous year. However, some figures were amended to reflect changes in calculation and application standards.

Report Assurance

Data and statements included in this report were verified by Korea

- Jul. 2012 Korea Digital Innovation Award 'Public Sector Grand Prize' (Korean Ministry of Knowledge Economy)
- Sep. 2012 Excellent enterprise with an outstanding performance in purchasing goods from small and medium enterprises (Small and Medium Business Administration of Korea)
- Oct. 2012 Family–Friendly Enterprise (Korean Ministry of Gender Equality and Family)
- **Oct. 2012** Top 100 Enterprise selected as 'Great WorkPlace' (GWP Korea)
- Oct. 2012 Asian Most Admired Knowledge Enterprise (UK Teleos)
- **Nov. 2012** Sustainability Grand Award, Innovation Management Award (Korean Ministry of Knowledge Economy)
- **Dec. 2012** State-owned Company Award 'Grand Prize' (Sisa Journal)
- Jul. 2013 13th Korean Digital Green Management Award (Korean Ministry of Science, ICT and Future Planning)
- Oct. 2013 Korea Green Architecture Competition 'Award of Excellence' (Presidential Commissions on Architecture Policy)
- **Oct. 2013** 'Commendation for Service' in Renewable Energy Supply Obligation System (Korean Ministry of Trade, Industry and Energy)
- Nov. 2013 The Natural Environment Grand Award (Korean Ministry of Environment)
- Nov. 2013 Asian Most Admired Knowledge Enterprise (UK Teleos)
- **Dec. 2013** Global Most Admired Knowledge Enterprise (UK Teleos)
- Feb. 2014 The Most Admired Company in Korea (KMAC)
- Aug. 2014 14th Korean Digital Award (Korean Ministry of Science, ICT and Future Planning)
- Aug. 2014 Carbon Trust Standard Achieved (UK Carbon Trust)
- Sep. 2014 IWA Project Innovation Award (IWA)
- Oct. 2014 Asian Most Admired Knowledge Enterprise (UK Teleos)
- Nov. 2014 Korea Quality Management Enterprise Award
- (Korean Ministry of Trade, Industry & Energy) **Nov. 2014** Advanced Public Enterprise in Mutual Growth Efforts (Korean Ministry of Trade, Industry & Energy)
- Dec. 2014 Korea Social Outreach Award Prime Ministers' Commendation (Korean Ministry of Government Administration and Home Affairs)
- Dec. 2014 Global Most Admired Knowledge Enterprise (UK Teleos)



- **1974** Korean Society of Civil Engineers
- 1976 Korea Electric Association, International Contractors Association of Korea
- **1993** Korea Water Resources Association
- 1995 Environmental Impact Assessment
- 1996 Korean Association of Academic Societies, Korean Institute of Landscape Architecture
- **1997** Korea Electric Engineers Association
- **1999** Korea Disaster Prevention Association
- 2001 Korea New & Renewable Energy Association
- 2002 Korea Water and Wastewater Works Association
- 2003 Korean Society on Water Environment
- 2005 Korea Engineering & Consulting Association
- 2006 Ethical Management Forum, River Association, Korea Society for Environmental Analysis
- 2007 Korea Society of Environmental Restoration Technology, American Water Works Association, International Water Association, UN Global Compact
- 2008 Korean Society of Environmental Engineers, Membrane Society of Korea. Korean Society of Environment and Ecology
- 2010 Korean National Committee on Irrigation and Drainage, Korean Society for Fluid Machinery
- 2011 Society of Air-conditioning Refrigerating Engineers of Korea 2012 Korea Environmental Policy and Administration Society
- 2013 Architectural Institute of Korea
- 2014 Korea Society of Mechanical Engineers. Korean Society of Climate Change Research, Korea Photovoltaic Industry Association, Korea Society of Quality Management, International Hydropower Association
- 2015 Korean Society of Ecology and Infrastructure Engineering, Korea Society of Hazard Mitigation

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"Open Communication for Positive Outcome"

K-water believes that when many people's ideas and knowledge are gathered, it can create a much more positive outcome for society and business. With this belief, K-water communicates with it stakeholders and practices open management.

I would like to express my deepest gratitude for your interest in K-water, and I am pleased to present to you K-water's 11th Sustainability Report

K-water, as Korea's only state-owned water provider, develops and manages water resources efficiently to protect people's lives and property from water-related disasters such as floods and droughts. Also, K-water continues to provide leadership to promote the nation's sustainable growth and the quality of all its citizens' lives as it has done for the last 48 years. However, K-water's business environment undergoes drastic changes. Due to climate change, drought and floods have become more frequent and intense throughout the world. This change is worsening water-related problems such as water shortages and water quality degradation, and thereby, escalating conflict between regions over water. On the other hand, the domestic water market is being saturated rapidly despite growth of the global market. As a state-owned public service corporation, K-water is required to meet customers' demands for both improved service quality and higher service efficiency. Under this circumstance, K-water is placing its best efforts on turning unfavorable changes into business opportunities and satisfying its customers.

First, K-water is leading the way in developing a new water management paradigm - the Smart Water Management Initiative (SWMI). K-water's SWMI is to provide "smart" water service to its customers by combining cutting edge ICT (Information and Communication Technology) with existing water management technology, which features the Integrated Water Resources Management (IWRM) and Healthy Tap Water supply. K-water enhances stability and efficiency of its water service through IWRM, responding to climate change, and supplies Healthy Tap Water, which contains balanced minerals that are good for human health, to meet individuals' growing demands on health care. In 2014, a pilot project of Healthy Tap Water supply has been successfully conducted in the city of Paju in South Korea with the result that the rate of tap water drinking increased from 1% to 19%. Moreover, detailed cooperation plans modelled on K-water's IWRM are being discussed with Peru, Indonesia and Algeria. K-water's SWMI facilitated the successful demonstration of K-water's competency to the world at the 7th World Water Forum which was held last April in Daegu.

With its competency based on the SWMI, K-water is making its way to the global water market beyond the domestic market for the company's sustainable growth. In last July, K-water established a mid & long term road map to become a leading company in the global water market with its SWMI practice. As well as the efforts to grow its business globally, K-water has put the utmost efforts to fulfill its duties as the only state-owned water service provider. Implementing business restructuring and management improvement to ensure its solid financial structure, K-water continues to invest for its water service to reach out to all members across the society including an extension of its multi-regional waterworks to unserved rural areas. Its efforts led K-water to the best rating in business performance evaluation for public service corporations.

In this, 2015 Sustainability Report, K-water details its efforts, preparation and results for becoming a global leader along with its plans for sustainable growth as per our mission, "Make a Happier World with Water". Going forward for another 50 years, K-water will endeavor to protect people from water risks and lead solutions to global water issues through open communication and participatory engagement of its stakeholders.

I thank you for your ongoing support and interest in K-water as we strive to become a globally renowned water supplier.

July 2015

K-water CEO Choi, Gye Woon 2 79 3

Water Cycle Process and K-water

• K-water endeavors to create sustainable value over the entire water cycle, from water sources to household taps, with its water service.



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K-water 2015 for a Sustainability Report

Corporate Overview (As of Dec. 31, 2014)



Regional Offices and Overseas Projects



Business Portfolio

K-water is a total water service provider, who leads a new water management paradigm – the Smart Water Management Initiative the Smart Water Management Initiative – in the global water industry.



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K-water, Total Water Service Providers

K-water's Growth, Accompanying the National Development

K-water has contributed to the nation's development with its growth by developing and managing the nation's water resources for the last 48 years. K-water has expanded its business territory to water supply business through multi-regional and local waterworks since the 1990s while the corporation relied on the sales of hydropower and industrial complex in the early stages of its establishment. As of 2014, the sales in water supply business accounts for over 50% of K-water's total sales.



[National Income vs K-water's Sales Trend]





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Water Business Environment

Water is no longer a resource that humankind can take for granted. Water is an asset which we must actively manage. Therefore, there is a need for futuristic smart water management to respond water crises and to survive in a competitive market.

Characteristic of Water Industry

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Water is vital element for the survival of every organism. Therefore, the water industry is a fundamental industry for humanity's welfare, requiring economies of scale.

Also, it is important that various industries knowledge and technology are integrated throughout the entire water circulation process. In particular, water related technology has a direct impact on the environment and individuals' health. Therefore, verified technological development is required. In addition, customer demands for the safety, taste and healthiness of tap water need to be satisfied.

Account needs to be also taken of the fact that countries and regions have differing water related laws and regulations as well as differing social and environmental aspects. Therefore, when entering an overseas market, these requirement must be met.

[Major Issues in the Water Industry]



Water Crises

Global warming and environmental pollution cause water shortages. Globally, water shortages are worsening, yet the demand for water is increasing due to the acceleration of urbanization. And while water demand is increasing, access and mobility to water resources is becoming more challenging. Therefore, there is a need for proactive approaches to overcome water crises.

- According to IPCC's 2014 report, the average temperature of the planet by the end of the 21st century (2081~2100)
- in its 10th Global Risk Report.

Within these global water crises, Korea has its own risk factors. Seasonal and regional rainfall changes can be dramatic, so water usage and management is challenging. Meanwhile, the deterioration of facilities causes a worsening distrust in regards to tap water. As a result, the tap water drinking rate is only 5.4%.

Business Opportunities in Water Industry

Acceleration of urbanization and climate change may be seen as challenges, but K-water also sees them as presenting business opportunities in the water industry. The OECD predicts that by 2025, the global water market will grow to be a KRW 1 quadrillion market. Due to the advancement of ICT (Information and Communication Technology), smart technology is proliferating in the water industry. In other words, the water industry is changing into an added value creation industry through a combination of existing water industry technology and advanced ICT. In addition, developed countries are leading the management and utilization of multi-purpose water and flood control purpose water with environmental ecology being included in the Integrated Water Resource Management paradigm. Due to this paradigm change, there is growing need for efficient water management from an integrated perspective.

• UN Water's research result showed that by 2012, 68% of countries in the world had adopted IWRM.

Smart Water Management Initiatives (SWMI) led by K-water

management and expand its business in the global water market. K-water provides total services in the whole water cycle process and has the most advanced ICT. K-water's new water management paradigm is based on a combination of K-water's 48 years of experience in water management and the application of the world's most advanced ICT. K-water is developing a smart water grid-based water management paradigm which will allow customers to access water quality information in real time.

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will be up to 4.8 Celsius Degrees higher and sea levels will be up to 82cm higher compared with the period from 1986~2005. • The World Economic Forum selected water crises as the most significant risk which can cause negative impact for global society







K-water's Sustainable Management

- 22_Sustainable Management with Stakeholders

Just as Nature Intended

Pure

Pure water, like K-water delivers nature itself in the form of healthy clean drinking water

- **22**_In Depth Analysis of Sustainable



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K-water places utmost effort on creating sustainable values to pursue a balance of environmental integrity and social responsibility based on economic efficiency.

Declaration of the new 'SMART management' to Become Future Global Water Supplier

In 2014, K-water led changes in the new paradigm for a holistic perspective of total water management, and also to play a future oriented role to respond to the global water market's sustainable growth. K-water established challenging and yet achievable goals to strengthen its role at smart new management.

[The need for changes in Management Paradigm]





Sustainable Management System

The Management Services Dept. under the Office of the Senior Executive Vice President is in charge of K-water's sustainable management, and has been annually publishing a sustainability report to provide reliable information to its stakeholders since 2005. Head office and each regional office prosecute business with economic, social and environmental perspectives in an organic manner and strengthen major competencies with consideration of business changes. In 2014, K-water introduced the Disaster & Safety Management Department under the Office of the Senior Executive Vice President in order to strengthen disaster and safety management. Also, an Organizational Culture Department was founded to conduct various organizational culture improvement activities. Along with these internal departments, K-water operates advisory committees and councils that takes into account stakeholders' various opinions.

[Sustainable Management Organization]



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Key Performance Indicators

To measure sustainable management performance and efficiently improve, 23 key performance indicators have been established. With these efforts, K-water's sustainable management received public acknowledgement of excellence in the Korea Business Index -Sustainability Management Evaluation, for four consecutive years.

Church a ris D'		2013	201		
Strategic Direction	Key Performance Indicator(KPI)	Performed	Goal	Performed	Result
	 Dam reservoir water supply (100 million m³) Domestic and Industrial Water Supply is included, Total Water Supply through Dam is 12.2Billion m² 	55.0	55.7	55.2	
	• Flood control capacity (100 million m ³)	49.3	49.5	49.5	\odot
	• Industrial water sales (KRW 100 million)	198	243	249	:
eader of global water nanagement	Urban waterfront complex sales (KRW 100 million, Total)	5,623	9,915	10,407	\odot
	Clean energy supply (GWh)	3,040	2,854	2,209	\odot
	Overseas sales (USD 100 million)	9.9	58	10.1	\odot
	• Talent fostering Index (%)	40.5	40.0	41.3	\odot
	'Star Brand Technology' (Key-technology) project (number of cases)	4	4	4	\odot
	• Water supply (million m')	3,709	3,772	3,722	\odot
	• Global Water Quality Standard achievement rate (%)	99.99	99.62	99.73	\odot
	Retrofitted water pipes (km)	32.7	27.6	27.6	:
Vater welfare services vith national safety	Flow rate in pipelines of local waterworks (%)	81.4	80.0	82.1	\odot
	Level of risk management effort (points)	93.5	95.1	95.2	\odot
	Rate of accident prevention efforts (%)	0.52	0.46	0.69	(\vdots)
	Level of corporate integrity (grade)	Unsatisfactory	Outstanding	Outstanding	\odot
	Debt ratio (%)	120.6	121.6 points below	112.4	\odot
	Sales increase rate (%) * Excluding profit of private construction investment	37.9	6.7	16.6	\odot
Public company	Profit rate (%) * Excluding profit of private construction investment	16.7	12.5	11.8	
vnich is transparet ransparent and	• Trust management index (points)	66	69	56	
mpathizing vith customers	• Environmental performance evaluation index (point)	151	150 points above	153	:
	Social contribution activity index (point)	89.6	90 points above	92.2	:
	Public-service customer satisfaction index (point)	97.2	90 points above	96.2	:
	Level of creativity and innovation (%)	81.0	91.8	91.8	

Composition of Shareholders

The Korea Water Resources Corporation Act limits K-water's investors to the national government, local governments, and the Korea Development Bank (KDB). The law also states that "the national government must invest more than 50% of the total capital." As of 2013, K-water's shareholders are comprised of the national government (91.3%), KDB (8.6%), and local governments (0.1%).

Responsible Leadership through Internal External Open Dialog

K-water proposed the new SMART management direction for establishing K-water's future role and becoming global water supplier. K-water is establishing mutual understanding of the new SMART management direction through internal and external communication.

	Internal
Management Sharing	headquarter, on site tour meeting to share The new SMART Management
Communication Activities	Frequent Communication through Various Chann - "Knock-Knock Plaza" within CEO Portal (Anonymous Bulletin Board) Open - Junior Board of Directors comprised Employees with less than 10 years of joining the company - K-PUB (Working Practice Improvement Discuss Hold Regularly
	External
Expert's Advice	Future Management Forum for Management Improvement, Senior Policy Advisory and Technolo Policy Advisory Panels
Cooperation with Experts	Cooperation with Specialized Agency
Shared Cooperation Committee	Critical Expert Centered Water Management Confli Resolution

Role and Composition of Board of Directors

K-water's Board of Directors (BOD), its highest decision-making body, deliberates and passes resolutions on K-water's major issues

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for its management goals by taking into account economic, social, and environmental issues. The BOD also checks and supports the executives concurrently. K-water's Board of Directors is comprised of 15 directors: 7 executive directors and 8 non-executive directors. Various specialists are appointed as non-executive directors to improve various areas of management. More than half the members of the Board, Executive Recommendation Committee, and the Audit Committee are outside directors to ensure independence and the role of checks and balances.

Board of Directors' Remuneration Policy

The executive directors receive performance-based payments according to the results of government evaluations, which consider quantified and non-quantified outcomes and implementation efforts. Based on this remuneration policy, K-water's CEO was paid about KRW 176 million in 2013, three times more than the average employee compensation. The auditor was paid KRW 142 million and the executive directors were paid an average of KRW 148 million each. Non-executive directors were paid based on their attendance rates with payment not allowed to exceed KRW 30 million each.

[Board of Directors Status]

(As of August 2015)

Position	Name	Title
	Choi, Gye Woon	President
	Choi, Ho Sang	General Auditor
-	Lee, Hak Su	Senior Executive Vice President
Executive Director	Han, Kyu Beom	Vice President of Administrative Division
Director	CHoi, Byeong Seub	Vice President of Water Resources Business Division
	Kim, Jae Bok	Vice President of Water Supply Business Division
	Seo, Eul Seong	Vice President of Water and Human Settlement Division
	Kim, Kab Sung	Chairman/ Professor, Department of Urban Engineering, Yonsei University
	Kim, Won Tae	Professor, Graduate School of Public Policy, Hanyang University
Non-	Park, Seung Ki	President, Hyundai SNC Co., Ltd
Executive Directors	Lee, Won Suk	Committee Member, the Federation of Happy Smart Exercises
	Kim, Keun Sik	Policy Advisor, Yeuido Research Center of Saenuri Party
	Choi, Yun Ho	Secretary, ROTC Political Affairs Forum
	CHo, Young Jae	President, Seanuri Party Cities and Provinces Subcommittee
	Park, Woo ho	Chief Executive Officer, Seyoung Accounting Corporation



K-water Risk Management System

Risk is a broad concept of risk and dangers becoming reality. K-water's risk management can be divided into two major activities; preventive activities and risk response activities. K-water defines economic, environmental, social risk factors. K-water has three prevention systems to prevent risks occurring. K-water's Risk Based Internal Audit manages and mitigates risks in advance by auditing the Divisional Accounting System and the Financial Risk Management System, as well as the financial statements they produce. Also, if risk signs are detected during



monitoring, risk levels are evaluated based on an in-house policy (the Risk Management Policy) to enable company-wide action to be taken in accordance with the relevant manuals. Risks are divided into types and levels and then distributed to the governing departments and onsite departments so each can establish its emergency response office to take necessary action. If there is need for a company-wide response, the Chief Risk Officer calls the Risk Management Committee to oversee the risk. Also, when the state of crisis is ended, a follow-up management process is conducted.



Advancement of Risk Management System

To reflect Korean government policy, K-water selected 'advancing risk management' as one of its new SMART management strategic plans and in restructuring the organization. Also, economic, environmental, and social risk factors were identified and necessary measurements were put in place to prevent any risk occurrence

2014 K-water's Risk Management Key Performance





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Corporate level of risk management effort was scored 95.2 points above the goal (Goal, 95.1 points)

- Exchange rate, interest rate, liquidity, debt ratio Reduction in debt ratio & Global credit rating improved Mooy's credit rating improved $A1(2013) \rightarrow Aa3(2014)$
- Green tide, water quality accident caused change in water quality
- * Response Daily water quality (Feb) and green tide forecast web services (March, 2015) are introduced to take preventatives response for water quality in dam and river
 - Birds at dam reservoir (average annual chlorophyll a quality) reduction,

- Disaster (wind, flood, drought), conflict, customer information protection
- * Response Disaster and Safety Management Department introduced
 - Company-wide simulating training (May, October), Government joint training (May, June) are
 - Scientific, prediction-based dam and river integrated operations for prevention of disasters First public company to introduce LED electronic display and text message service to promote
 - 2014, Major 4 Rivers (Han River, Nakdong River, Keum River, Seomjingan) flood damaged areas

2014, Major 4 Rivers (Han River, Nakdong River, Keum River, Seomjingan)

Sustainable Management with Stakeholders

K-water's Stakeholders

K-water's stakeholders include customers that directly receive services from K-water, the Korean government, local governments, local residents, local communities which indirectly influence K-water's operations, academia which influences K-water's operations, suppliers involved in K-water's business processes, and its employees.

Due to nature of public business, various stakeholders exist during the business process. Therefore, conflicts are unavoidable. K-water defines stakeholders at each level of its supply chain. K-water places utmost effort to strengthen its open communication and cooperation with stakeholders to meet their needs and prevent any conflicts to operate efficiently. K-water hopes to make positive impact on the economy, the environment and society by establishing a multi-dimensional partnership with its stakeholders.





* connecting lines represent important effect and affect on stakeholders in different stages of the supply chain

Government	Operation Related Department/ Shareholder	Customer
Employees	Domestic and Internal Top-Management/ Employee/ Labor Union	Local Communit
Suppliers	Material Production/ Equipment/ Maintenance/ Construction Company	NGO, Academ

Customer	 (Domestic) local government (regional water supply system costs, regional water supply system outsourcing)/ tap water customer/ KEPCO/ Waterfront housing buyers (Overseas) Local governments / Residents/ Development Bank
Local Communities	Construction areas/ Operation areas/ Residents in other areas
NGO, Academia	 Academic Society and Association/ Non Profit Organization

Strengthen Open Communication and Cooperation with its Stakeholders

The water management paradigm has shifted from government led development to that of public-private partnerships, the involvement of local communities and a governance oriented management paradigm. In particular, local meetings have been introduced so K-water can communicate with its stakeholders when constructing dams in local communities, from the planning through to the construction phase.

K-water proactively communicates with its various stakeholders in response to and in order to lead these paradigm changes. K-water's stakeholders may participate indirectly/directly in its business processes through various communication channels.

【 2014 Shared Growth Cooperation Committee Meetings and Performance 】

Unit	Discussion Topic
First (February)	After national project, need for K-water changes and directly and the second se
Second (April)	Korea's water management policy direction
Third (May)	Dam business direction and process improvement
Fourth (July)	Water supply operation efficiency
Fifth (September)	Korea's water policy and K-water's reform
Sixth (November)	Seomjin River water supply operation plan

In particular, in 2014 K-water introduced its Shared Growth Cooperation Committee to collect various stakeholder's opinions and constructive criticisms. During the Shared Growth Cooperation Committee's general meeting, alternatives were suggested through discussion. In particular, customer oriented improvements were made in regards to dam construction processes.

Key Performances through Partnership with Various Stakeholders

2014 Government 3.0 Best Practitioner in government owned company

K-water places utmost efforts to create future water value by including various stakeholders in its governance. In particular, in order to stimulate public demand to enhance the value of its Waterfront development, K-water has been encouraging Waterfront tourism, culture and leisure activities in conjunction with various stakeholders including Ansan city and 11 other local governments, as well as public companies, private companies and the local arts and culture organization. This cooperation has resulted in promoting water culture and advancing the local economy along with other positive impacts.

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Sustainable Management Issues Identified by Stakeholders

Materiality Test Process

K-water selected "K-water's sustainable management materiality issues" based on the interests of internal and external stakeholders. K-water attempts to provide relevant information in this report. Materiality issues were selected during a three step materiality test process which included issue identification, material test and core issues selection.

[Step 1] Issue Identification

24 external environment trends issues and 38 operation impact issues were identified with consideration of the mid-long term business strategy, business process improvement, competitiveness analysis report, media analysis, competitors and global water suppliers' issues which related to K-water's sustainable management.





Sustainable Management External Environment: external economical social environmental changes which affect K-Water

** Sustainable Management Rifle Effect: economical, social, environmental changes which are effected by K-water

[Step 2] Materiality Test Assessment

62 issues were prioritized based on their relevance and importance using the ISO 26000 Sustainable Management Guidelines and the Global Report Initiative (G4) guidelines. K-water then analyzed the interests of its stakeholders and its own performance through an internal and external survey. K-water then prioritized the materiality issues which showed the interests of its stakeholders against K-water's lower performance on the issues (i.e. the gap between the interests of its stakeholders and K-water's performance). In this report, K-water identified important stakeholder issues each stage of K-water's supply chain (which was introduced in both the Sustainable Management with Its Stakeholders and In Depth Analysis of identified K-water's Sustainability Issues chapters). K-water then attempted to understand its stakeholder's demands and responded to them through K-water's 4 focus issues included in this report.

[Step 3] Selection of Materiality Issues

The internal materiality test (Step 2)* result is on horizontal axis and external materiality test (Step 2) result* is on vertical axis in the Materiality test diagram. K-water then provides a detailed report on the matters that both internal and external stakeholders answered as being the 10 most important issues in the Issue chart **

* Issues which K-water's performance were deemed to be unsatisfactory in term so of stakeholders' interests.

** K-water selected 10 issues which were above data point (gap = 0.50 between interests of internal stakeholders against K-water's performance, gap = 0.70 between interests of external stakeholders against K-water's performance) to ensure materiality issues were equally reflected in the results of materiality test for both internal and external stakeholders.



K-water's 4 Core Sustainability Issues

K-water selected 10 top issues in which K-water did not meet the interests of stakeholders. These issues were then redefined as 4 Core Issues 4 Core Issues and K-water then provide a detailed report on the matters that both internal and external stakeholders deemed to be the 10 most important issues.

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		t	GRI G4	Aspect Boundary		
Materiality Issues	Responsive Strategy	Category	Category Aspect		External	
Acceleration of technology development (water management core technology development)	Core Issue 1	Society	Customer safety and health	Domestic, Overseas	Customers	
Increased demand for safety of products and services (water quality)	Water Management's New Paradigm, Smart Water Management(Pages 30~39)	Society	Product and service labeling	Domestic, Overseas	Customers	
Intensity of business competition (technology	Core Issue 2	Economy	Economic performance Domestic, Overseas		Government (shareholder)	
others)	Sustainable Growth(Pages 40~46)	Economy	Indirect economic impacts	Domestic	Government, Local communities	
		Environment	Energy	Domestic	Local communities NGO·Academia	
Natural Resource exhaustion (water resource, mineral resource, fossil fuel)	Core Issue 3 Responding to Climate Change and Ensuring Environmental Protection (Parge 47-53)	Environment	Water	Domestic	Local communities NGO·Academia	
Environment protection (air, water quality soil pollution)		Environment	Emissions	Domestic	Local communities NGO·Academia	
		Environment	Waste water and landfill	Domestic	Local communities NGO·Academia	
		Economy	Procurement practices	Domestic, Overseas	Suppliers	
Increase in the demand for fair trading Increase		Society	Employment	Domestic, Overseas	Local communities	
in the demand for transparency corporation's transparency	Core Issue 4	Society	Welfare	Domestic, Overseas	-	
and ethical management	Transparency and Fairness Based	Society	Education and training	Domestic, Overseas	-	
Importance of securing talent Increase of interest in corporate governance (responsible	on Improved Stakeholders' Trust (pages 54–66)	Society	Diversity & Equal Opportunity	Domestic, Overseas	-	
management)		Society	Equal payment	Domestic, Overseas	-	
		Society	Anti-corruption	Domestic, Overseas	Government, Suppliers NGO, Academia	

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[Issues]

1	Increased demand for more transparent and ethical management	0.92
2	Importance of securing talent	0.92
3	Increase of interest in corporate governance (responsible management)	0.68
4	Natural Resource exhaustion (water resource, mineral resource, fossil fuel)	0.67
5	Increased demand for fair trading fair trading	0.67
6	Environment protection (air, water quality soil pollution)	0.65
7	Climate change	0.65
8	Acceleration of technology development (water management core technology development)	0.64
9	Intensity of business competition (technology development, patents, overseas business expansion and others)	0.63
10	Increased demand for safety of products and services (water quality)	0.63
11	Increased demand for employees welfare, rights (balanced lifestyle)	0.62
12	Demographic changes (aging, low birth rate and others)	0.51
13	Strengthening of environmental laws and regulations	0.51
14	Increase of health, eco-friendly, eco-social oriented customers	0.51
15	Increase in variety and strengthening of customer demand	0.47
16	Increase in unemployment rate of young generation and temporary workers	0.43
17	Increase in demand for fair competition	0.43
18	Expansion of supply chain's corporate social responsibility (CSR) (Environment, safety, labor practices, human rights)	0.39
19	Anti-corruption	0.33
20	Increase in the importance of shared growth with partner companies	0.33
21	Water Use	0.27
22	Increased demand for customer information security	0.22
23	Energy usage reduction (new and renewable energy production)	0.21
24	Economic performance (economic value creation and distribution)	0.19
25	Indirect economic effects through water resource development and supply	0.15

K-water's Core Issues



In Depth Analysis of Sustainable Management Issues Identified by Stakeholders



The interests of stakeholders has changed in terms of K-water's sustainable management issues over the past five years and these are explained below.



[Changes in Interests of Stakeholders (2011~15)]

Economy Environment Society

	2011	2012	2013	2014	2015
1	Eco-friendly water resource development and dam and weir management	Eco-friendly water resource development	Eco-friendly water resource development	Sustainable Management Initiative	Increased demand for more transparent and ethical management
2	Climate Change Response, New renewable energy development	K-water's business portfolio	Business strategy and management system improvement	Shared Growth	Importance of securing talent
3	K-water's business portfolio	Business strategy and management system improvement	Quality of dam and tap water	New Market and New Business	Increase of interest in corporate governance (responsible management)
4	Business strategy and management system improvement	Quality of dam and tap water	Climate Change and Risk Response	Financial Performance	Natural Resource exhaustion (water resource, mineral resource, fossil fuel)
5	Quality of dam and tap water	Technology innovation and R&D	Customer satisfaction	Climate Change Response	Increase of demand in fair trading
6	Water bill	Customer satisfaction	New Business; Overseas Operation, New& Renewable Energy Business;	Local Community Contribution	Environment protection (air, water quality soil pollution)
7	Customer satisfaction	Climate Change Response and Risk Response	Technology innovation and R&D	Financial Soundness	Climate change
8	Ethical management	Corporate Governance, Ethical Management	PR and Social Contribution	Fair Personnel Policy	Acceleration of technology development (water management core technology development)
9	Technology innovation and R&D	New Business Creation	Stakeholders Communication	Social Contribution Activities	Intensity of business competition (technology development, patents, overseas business expansion and others)
10	Social contribution	Social Contribution and Cooperation	Ethical Transparent Management	Ethical Management	Increase of demand in safety of product and services (water quality)

K-water's Supply Chain and Interests of Stakeholders

[Stakeholders in the Supply Chain]



[Major Issues and K-water's responding]

K-water Responsive Strategy	
	3
Water Management's New Paradigm, Smart Water Management	Increase in demand for customer health and safety
	00
Strategic Plan to Achieve 100 Years of Sustainable Growth	Intensity of business competition (Technology development, patent and overseas business expansion
	000
Responding to Climate Change and Ensuring Environmental Protection	Climate change
	000
Transparency and Fairness Based on Improved Stakeholders' trust	Strengthen the importance of talent centered management
Business development and planning	Construction 2

K-water 2015 Sustainability Report



We alone were able to fulfill the technology needed to achieve our mission, and we will carry on our dream. We have created a standard for water technology, done our research, collaborated and achieved in making water available to everyone. Through it all, we have remained committed to the passion and inspiration that has made this all possible.

SUSTAINABLE VALUE EFFORTS

K-water's 4 Core Sustainability Issues

R

S

...

R

of Sustainable Growth



To Live with Ceaseless Inspiration

30_1st Issue Water Management's New Paradigm, **46_3rd Issue** Responding to Climate Change

40_2nd Issue Strategic Plan to Achieve 100 Years 54_4th Issue Transparency and Fairness Based

DMA(DISCLOSURES ON MANAGEMENT APPROACH)

Water Management's New Paradigm, **Smart Water Management**

• Why Is Smart Water Management So Important?

Water is a pivotal resource for every organism, and as the World Economic Forum's 'Global Risk, 2015 report' rightly points out, water crises are one of the most influential risk factors that the global community faces, largely due to climate change, with people's health and safety at risk. Water needs to be clean and supplied efficiently in a way that property and life is protected from any water shortages, whether it be due to a weather phenomenon, an energy and resource shortage, or an environmentalpollution issue. As the only company specialized in water supply in Korea, K-water has deep understanding of providing healthy and safe water to its customers and this is at the center of everything K-water does.

• How Does K-water Approach It?

In order to secure clean, safe and efficient water supply through advanced water management, K-water is currently pursuing Smart Water Management Initiative (SWMI) using advanced ICT technology to manage the entire water cycle.







Rate (%)



Smart Water Management Initiative (

What Is the Smart Water Management Initiative?



"Combining information communication technology with traditional water management technology will enable us to overcome the existing challenges." President Park Geun Hye, 7th World Water Forum opening ceremony (2015. 04. 12)

The Smart Water Management Initiative (SWMI) uses cutting-edge information and communication technology to efficiently manage the entire water cycle, from water sources to household taps. Existing water management practices are conducted separately at each facility and region, resulting in less efficient and effective water management, as per indices measuring quality and volume.

K-water hopes to improve the quality, safety and efficiency of water management through its Integrated Water Resources Management system, which is designed to manage water quality and quantity throughout the entire water cycle. Moreover, K-water is establishing a Smart Water Grid - combining the existing grid with advanced information technology - to minimize energy consumption throughout the entire water production and supply system and provide healthy tap water to its customers.

[Conceptual Diagram of SWMI]



K-water 2015 Sustainability Repor



Smart Water Management Initiative C

How K-water's Smart Water Management Initiative is progressing

K-water's smart water management initiative is based on a combination of technology, solutions, and services. K-water is developing customized water services to meet customer's demands by combining various advanced information communication devices. information communication technology and K-water's 48 years of know-how to collect and analyze data from the source of water to the tap in real time.



Global Effects of the changes will brought to humanity by SWMI



Healthy Water Service

Customer Oriented Healthy Water Service

As peoples' income levels increase, so does their interest in health. When choosing water, taste and the benefits of water are significant influences in water consumption. Implementing an advanced water treatment system with 250 water quality indicators, was much tougher than just complying with the government's 85 recommended water quality indicators. Despite the effort, Korea's tap water drinking rate is only 5.4% (2013 Tap Water Drinking Satisfaction Survey, from the Tap Water Promotion Association) - very low compared to countries such as the U.K (70%), the U.S (56%), and Japan (47%). Results of the 2013 Tap Water Satisfaction Survey shows that the reasons for not drinking tap water include "Concerns regarding old pipelines and water tanks" (30.8%), and "Concerns regarding the water quality of water conservation zones" (28.1%). Furthermore, 34.1% of individuals surveyed said they did not drink tap water because it had a disinfectant-type smell. Therefore, K-water places utmost effort to gain the public's trust in tap water by upgrading pipelines and water tanks, and by improving water quality management in water conservation zones, and minimizing any remaining disinfectant in tap water.

and Algal Bloom Response

K-water regularly inspects potential pollution sources in upper stream areas of dams to prevent muddy water and water-bloom. Also, in order to prevent pollutant inflows as well as sand and soil inflows, K-water has put in place wetlands, silt protectors and built water storage units. In particular, K-water has introduced a "saving gully" campaign designed to improve river environments for local residents. The Nakdong-river valley gully campaign was conducted in 2014.

With these, K-water established a real-time tidal current monitoring system, to proactively respond to water-blooms in water conservation zones. In addition, in partnership with the Ministry of Environment and the National Institute of Environmental Research, K-water has introduced a "Governmental Department Water-bloom Research Council" to advance water bloom suppression and elimination technologies. K-water uses eco-friendly methods to suppress and eliminate water blooms by discharging through coordinated weir and reservoir operations, as well as up-lift and surface combined collection. Through these efforts, the chlorophyll concentration was reduced by approximately 9.5% in 2014 across 29 dam reservoirs.

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Proactive Measure to Conserve Water Sources [Upstream Pollution Sources in Rivers improvements]

[29 Dam Reservoirs' Annual Average Chlorophyll-a Concentration Managed by K-water*] (Unit: mg/m')



* Each dam reservoir's annual average chlorophyll-a concentration figures are calculated on each dam's proportion of reservoir capacity in total dam reservoir capacity is multiplied



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Satisfying Global Water Quality Standards through K-water's Fastidious Water Treatment Processes

K-water applies the strictest standards among developed countries, including the WHO's standard and the redefined "global water quality standard". K-water manages all its water purification plants and processes with the aim of satisfying these global water quality standards. K-water places utmost efforts on producing healthy tap water by injecting the optimum amount of chemicals into water and by using its commercialized high pressure up-lift filtering technology and by establishing a response manual. As a result, 97.3% of water from K-water's purification plants satisfied the global water quality standards. Meanwhile, there was not a single violation of any related safety and health acts and regulations.

Supply Process Management

K-water continuously invests in the improvement of old pipe lines. Funds spent on old pipe lines are optimized through improvement methods with the inside of pipes cleaned to decrease water blooms and odors from remaining disinfectants, so as to create a safe water supply system.

Old Pipe Line Replacement

- (Multi regional water supply system) total 260 km, 27.6 km in 2014
- * KRW3.9 trillion will be invested by 2030 (Regional water supply system) total 1,204 km,
- 178km in 2014 * KRW 92.1 billion will be invested by 2024
- Inner Pipe Line Cleaning • (Regional water supply system) 79.1km
- cleaned (2014) • Muddy water is discharged in a proactive manner to ensure water quality and prevent civil complaints

0

0

- **Reduction of Disinfectants Odor**
- (Multi regional water supply system) remaining disinfect equalization was conducted to minimize disinfect odor at a total of 7 places * 16 places will be improved by 2016

[Old Pipe Line Improvement(multi regional water supply system level 1 line)]



Surface cleaning



Painting condition inspection



Remaining paint cleaning 🦳



Inner pipe painting

Smart Water City: K-water's Responsible Services

K-water is developing its Smart Water City projects including an improved tap water supply system and individually customized customer services. The Smart Water City project is K-water's new water management model to gain the public's trust in tap water by providing a water quality inspection visiting service, open access to water tap water quality information, and safe tap water insurance. In 2014, K-water's Smart Water City pilot project was successfully completed in Paju city, Kyongki province and K-water is planning to introduce Smart Water City on a nationwide basis.





K-water 2015 Sustainability Report



Preventative Perspective of Safe Water Management

Korea's average rainfall of 1,277mm is 1.6 times higher than average global rainfall of 807mm. But because of Korea's high population density, rainfall per person stands at only 2,629m', just 17% of the global average of 16,427m'. Indeed, Korea is a 'water stressed' country, with it difficult to use and manage water efficiently due to substantial seasonal and regional rainfall changes and the significant slope of its rivers, which causes water to move very fast towards the sea, resulting in both flood and drought challenges. In particular, the complexity and uncertainty in regards to water management increased due to frequent occurrence of localized heavy downpours and drought. K-water places utmost efforts to take preventative actions in regards to water quality accidents so as to stably supply water to its customers through total flood management, a total basin prediction system, preventative water disaster facilities, and by adhering to global standards in regards to water safety management.



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Korea has been categorized in the highest level of serious water stress condition amongst the 34 OECD countries OECD Environment Prediction 2050 (2014)

Flood Damage Reduction in Small-to-Medium Sized Rivers through Total Flood Management

In 2012, the National Assembly Budget Office stated that 87% of natural disasters over the five years of 2007 to 2011 were caused by localized heavy downpours and hurricanes - of which 98.7% occurred in small-to-medium sized river sites. Therefore, K -water is planning to establish a Total River Basin Flood Management System with local governments in Korea. In its first step to do this, K-water has shared its 48 years of experience with and provided technical skills to its partners to improve flood management in small-to-medium sized river areas. In 2014, flood management system improvement was conducted in Bonghwa and Jinan. K-water will continue to improve its flood management system in 17 areas with its local government partners to build its Total River Basin Flood Management System.

Also, in order to ensure the identification of flood situations and information sharing. K-water has enhanced its flood warning system by improving data collection network speed from 10 minutes to 10 seconds and replacing a total of 152 old alert facilities. With these, K-water has established a 'first response' manual and conducted flood response exercises with some 23 local governments to ensure appropriate actions can be taken



Establishment of major rivers water level standards

 Sluice observation facility improvement and remote monitoring drainage pup station and subsurface storage

 Establishment of disaster status control center. CCTV combined video observation and integrated pipes and sluice information

[2014 Flood Damaged Areas*]



* Each Water system (Han River, Nakdong River, Keum River, Seomiin River) flood damaged areas are divided by rainfall in flood season

within 2 hours. As a result, in August, 2014. K-water successfully prevented flood damages despite torrential rains in the southern part of Korea including the second highest number of rainfall days in history. Also, K-water places utmost efforts on minimizing inconvenience to the public through drought prediction. This enabled it to effectively manage dam reservoir levels and dam water supply levels in cooperation with related authorities, to support emergency water in drought areas during the worst drought situation from June to July 2014.

Preventative Water Management through the Total Prediction System

Precise prediction of current and water quality is an essential requirement for safe water management. In this regard, K-water developed and introduced a K-HIT package (2012) - which is a decision support tool with advanced ICTs - and linked it to individual water management technologies and SURIAN (Supercom-based River Analysis Network) - a supercomputing-based, three-dimensional water prediction response model. With these prediction technologies, since February 2014, K-water has been conducting daily water quality forecasts (with 6 Indicators: current, water temperature, biotic and chemical oxygen requirement, total nitrogen and phosphorus levels, and suspended solids) for dam reservoirs and 27 rivers in Korea, with the forecast information for the country's eight major dams being provided through K-water's website from March 2015.

Water Disaster Preventative Facility's Safety Enhancement





K-water 2015

Nakdong River 2 Multi Purpose Water System Dams through Flood Response Capacity and New Water Source Secured



From Water Conservation Zone to the Tap; K-water's Advanced Water Safety Management

All of K-water's water supply facilities have applied the WHO's Water Safety Plan (WSP) since 2012 to ensure the safety of tap water. K-water was the first water supplier to adopt this method and 36th company to apply the guidelines in the world. WSP is designed to identify hazards prior to the process of production and supply to ensure tap water quality and safety. Korea's WSP categorizes tap water safety levels on the Water Safety Index's (WSI) five levels of Excellent (0.9), Good (0.9~0.8) Fair (0.8~0.7), Marginal (0.7~0.6), and Poor (below 0.6) - with higher safety achieved as the numerical approaches 1.

In 2014, K-water's 37 multi-regional water works facilities were evaluated higher than the previous year, with the overall WSI average remaining Excellent across all water conservation zones, purification plants and water supply processes. These results represent K-water's continuous efforts for improvement across a total of 202 tap water quality hazard analysis indicators, including establishing a water quality accident response system covering water conservation zones, purification plants and supply processes; enhancing hazard substance inflow water conservation zone monitoring; managing disinfection by product in the purification process; reducing remaining disinfectant variability. K-water has placed utmost efforts to supply water to its customers safely and reliably by improving old water works facilities, double tracking tap water supply systems and amplifying emergency connectors from water quality accidents.

[Water Safety Index(WSI)]



[Water Outage Time]



100x outage time/ total pipelines

X(individuals experienced water outage (persons) x water outage time (minutes) / individuals received water supply (persons))

BEST PRACTICE



WSP Champion

In this issue, we feature Mr. Gyewoon Choi, CEO of K-water. K-Water public enterprise in the Republic of Korea. It plays a vital role to enhance water resources development and management, besides supplying safe water. Read the full interview here.

Water Satety Portal

Efficient Water Service

Energy and Resource Production Improvement

Energy consumption in K-water's business activities occurs during water intake, water supply and pump generation at booster stations, and in tap water production and supply. In 2014, total energy consumption was 12,843TJ (0.5% lower than the previous year), with direct fuel consumption accounting for 67 TJ and indirect electricity consumption accounting for 12,776 TJ. Compared with sales, energy intensity accounted for 3.47(TJ/KRW HudredMillion), 0.07 TJ less than the previous year.



* 2013~14 Energy reduction performances were collected in 2013

Low Carbon Tap Water Production Certification

Minimized greenhouse gas emission by less usage of raw materials by injecting the optimum level of purification chemicals and using light weight packaging materials → As of 2014, K-water's purification plants achieved a total of 10 certifications in low carbon tap water production

Establishing an Efficient Tap Water Supply System that Meets Global Standards

Implementing new and renewable energy (solar energy) and high efficiency equipment (LED) during tap water production and the supply process, and establishing an intelligent energy management system. ➡ First Korean water supplier to receive Energy Management System Certification (ISO 50001) (Keumsan purification plant, May, 2014)



Efficient water works through reservoir operation information sharing with 23 local governments (total 40 reservoirs) ➡ Total KRW 5.3 billion (electricity cost 4%) reduction per year

Water leakage exploration expanded by using endoscope, improving old and vulnerable pipes, and remote leakage monitoring. Regional water works leakage reduced by 1.5 million m3 (with a tap water production) cost reduction of KRW 4 billion reductions) in 2014, recorded highest water flow rate *Water Flow Rate: tap water ratio from the purification plant to the household through the water pipes. If the water flow rate is low, higher water leakage in the pipes occurs.



Energy Reduction through Joint Operation of Water Reservoirs with Local Governments

Recorded the Highest Water Flow Rate Achievement through Management Innovation in Regards to Regional Water Work Operations



Strategic Plan to Achieve 100 Years of Sustainable Growth

• Why Is the Strategic Plan to Achieve 100 Years of Sustainable Growth so Important?

K-water has faced the tough reality of saturation in the domestic water market, within the constraint of being a public company causing stagnation in its existing business and shrinking opportunities for new business. K-water started out as the Korea Water Resource Corporation 48 years ago, in 1967, before breaking through a difficult environment through the industrial estates in 1973, the development of multipurpose dams in 1973, and metropolitan water works in 1989, and regional water works in 2003. Based on K-water's 48 years of experience and competency, now is the time to for K-water to prepare for its growth over the next 100 years.

• How Does K-water Approach It?

K-water abandoned it previous domestic/government centered paradigm and took on the challenge of changing into a selfdeveloping, sustainable growth business. Towards this end, in January 2014, K-water announced its new SMART management system and Smart Management Water Initiatives, and how its mid-to-long term business strategy would be built around these. In December, 2014, as part of the efficiency drive aspect of SMART management practices, K-water reconstructed its business units and departments. And in July 2015, to become global water supplier, K-water announced its "Global Leading Strategies" initiative to all its employees.





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Financial Performance and **Recovery of Financial Soundness**

How Much K-water Earns and Where K-water Spends?

K-water generates income from a variety of operations, including the construction, operation and management of multipurpose dams, river weirs and other water resource facility constructions, as well as regional water supply facility outsourcing operations, waterfront and special zone developments, new and renewable energy production, and overseas businesses. As per the financial statements for the past 5 years, finalizing work on the four major rivers and the Keongin Ara water way, along with other investments, resulted in a decline in sales over 2012, before sales increased through K-water's waterfront business, and the development of its new and renewable energy business, along with asset-growth through the development of dam/water works facilities. While the investments saw K-water's debt rise, this was offset by the increased profitability of its new and renewable energy business. In 2014, development sales declined 33.2% against the previous year due to the extreme drought. However, total sales rose KRW 53 Billion through the sale of Waterfront installments, water sales generally, and regional water work sales - albeit with higher electricity costs in tap water production which accounted for 60% of total water production cost and higher other operating costs causing net profit to decline against the previous year. Of K-water's created economic performance, 91.7% was distributed to operating, labor, and capital costs. In particular, Approximately KRW 2.64 trillion was invested to improve the flood defense capability of dams, expansion of the water supply system, new and renewable energy facilities, and other indirect social investments in contribution towards Korea's economy along with the safety of its residents and the improvement of its environment.

[Comprehensive Financial Statement]

						(Unit: KRW in millions)
Perspective	Category	2010	2011	2012	2013	2014
Crowth	Sales	2,144,750	6,325,786	3,668,445	3,645,387	3,698,372
GIOWUI	Asset	18,484,424	23,425,915	25,016,383	25,603,907	25,439,099
Stability	Debt	7,960,714	12,580,936	13,777,921	13,998,452	13,461,435
Profitability	Net income	142,104	293,267	308,295	348,118	299,326
Productivity	Added value price	1,240,833	1,432,827	1,605,534	1,745,689	1,704,065

* Consolidated standard as per application of K–IFRS since 2011

[Economic Performance Creation and Distribution]

Category	Distributed to	2010	2011	2012	2013	2014
Created Economic Value(1)		2,167,345	6,354,088	3,694,659	3,682,884	3,739,658
a) Net Sales	-	2,144,750	6,325,786	3,668,445	3,645,388	3,698,372
b) Interest Income, Lease, Asset Sales others	-	22,595	28,302	26,214	37,496	41,286
c) Interest Income, Lease, Asset Sales others	-	4,309	236,679	298,786	309,286	317,196
Distributed Economic Value(2)		1,678,756	6,139,990	3,492,452	3,259,297	3,429,512
a) Operating Cost: Production Cost, Asset Purchase Cost	Partner	1,077,896	5,260,373	2,493,275	2,128,902	2,378,105
b) Wage and Welfare: Labor Cost	Employees	341,990	357,221	360,591	377,361	359,206
c) Capital Cost : Paid Interest, Dividend	Shareholders, Financial Institutes	160,662	399,552	501,674	541,310	537,615
d) Tax: Corporate Tax, Local Tax Payment	Government, Local Governments	37,708	68,159	73,677	138,349	79,636
e) Local Community Investment: Donation	Customers, Local Communities	60,500	54,685	63,235	73,375	74,950
Surplus Economic Value(1-2)		488,589	214,098	202,207	423,587	310,146

* Consolidated standard as per application of K-IFRS since 2011

K-water 201



(Unit: KRW in millions)

Financial Performance and Recovery of Financial Soundness

What Efforts Are in Place to Strengthen K-water's Financial Soundness?

K-water has placed utmost efforts on strengthening its financial soundness to become one of Korea's most trusted public companies. While the four major rivers project and the Kevongin Ara Water Way, along with other national policy and existing business investments

increased debt ratios, these are long-term investments whose cost will be recovered over time.

K-water has established a midterm financial management plan to reduce its debt to KRW 1.9 trillion by 2017. Through business restructuring, management improvements and other measures, debt was reduced by KRW 5370 Hundred Million or 8.2%. K-water's efforts in this regard were reflected in the Korean government's evaluation of public companies, with K-water categorized as 'excellent' in debt reduction.



[Effort to Reduce Debt]



Effort Towards Financial Soundness Will Not Impact K-water's Quality of Public Service and Business Growth

K-water is improving its fundamental structure so that its effort towards financial soundness will not impact the quality of its public service and business growth. Above all, K-water is eliminating inefficiencies in its fund raising and investment. K-water is improving its investment efficiency by thoroughly reviewing the value of waterfront developments, its new and renewable business, as well as other mid-long term investments, and restructuring its water management business - all aimed at fulfilling its role as a public company. Within these initiatives, K-water has established and is implementing systematic tools such as internal inspections etc., to manage its total investment setting.

Sustainable Development through the SMART new Management

Strengthen K-water's Business strategy for Global Competitiveness

K-water has established and is executing a mid-to-long term plan aimed at achieving 100 years of sustainable growth or K-waterwith the new SMART management and Smart Water Management Initiative being key pillars of this, through increased brand value. To achieve sustainable growth, the Smart Water Management Initiative in particular is revitalizing business opportunities. In addition, K-water has evaluated its internal and external business environment, including a business competitive analysis of other global water suppliers, the results of which have been reflected in K-water's overall business operations.

[Global Competitiveness Analysis's Indication]



Preparation for the Future through "the New SMART Management"

K-water is preparing for the future through business and functional improvement, with new SMART management being established in November, 2014. Meanwhile, new sales channels have been established in K-water's domestic operations, where there has been an increase in demand for our existing services. At the same time, overseas operations are helping to diversify business operations and methods, including in regards to raising private capital and financing local government businesses. In particular, to increase the company's brand value in the global market, K-water has established a road map and declared its "Global Leading Strategy" in July, 2015, as discussed in the next chapter.



K-water 2015 Sustainability Repo



Sustainable Development through "SMART New Management"

[Total Water Management Business]



(2022~2024)

To Become a Global Leading Company in Water Industry

The 7th World Water Forum and K-water

The 7th World Water Forum (WWF) at Deagu Keyongbuk declared to resolve global water crises at its successful closing in April, 2015. WWF is of the water industry's biggest global event with 170 countries and 46,000 individuals participating this year. At it, K-water, as a representative of the Republic of Korea, outlined its Smart Water Management Initiative as part of its contribution to the establishment of a global agenda and policy framework. K-water will use the experience of 7th WWF to expand its SMART Water Management Initiative and other water management businesses overseas, as part of its '100 Years of K-water' vision.



"Emphasis on Importance of Information Technology and Smart Water Management and Plan Combination" 7th WWF Minister Declaration, Keongju "Smart Water Management will play a key role in achieving UN Sustainable Development Goals" Benedito Braga. President of International Water Council. 7th Smart Water Management Launching Ceremony



K-water 2015 Sustainability Report

Water tour ADB Vice President, PDB President and other 410 visitors visit

To Become a Global Leading Company in Water Industry

K-water; A Global Leading Water Supplier

Following the 7th WWF, K-water is pursuing its "Global Leading Strategies" both internally and externally. "Global Leading Strategies" is K-water's road map to become a global water supplier and for sustainable growth in a challenging environment. Moreover, K-water is expanding its presence in the global market through a diversified business portfolio including local government's financial business involvement and technological

[Global Market Environment]



support. This is increasing K-water's brand value along with other measures such as the provision of global water specialist training, partnership with global financial institutes and other global companies for the establishment of international consultative organizations.

[Global Leading Strategies]



Responding to Climate Change and Ensuring Environmental Protection

• Why Are Responding to Climate Change and Ensuring Environmental Protection so Important?

K-water's business activities effect and are affected by climate change and environmental degradation/pollution. Climate changes including sudden heavy localized rain, extreme drought, water-blooms, water guality accidents and environmental pollution threaten K-water's safety of water service. However, K-water also produces green-house gases and landfill, and has an impact on water areas and geographical changes which may negatively impact the environment and the climate. Therefore, responding to climate change and environmental degradation/pollution is not only important to K-water's safety of water service, but also a social responsibility for K-water as a public company managing the public's water.

O How Does K-water Approach?





DMA(DISCLOSURES ON MANAGEMENT APPROACH)



Environmental Consideration in Entire K-water's Supply Chain

Climate change and environmental pollution have been caused by human activities since industrialization and global development. with every human being and all companies being directly and/or indirectly affected by it. K-water is pursuing management activities in consideration of not only K-water's environmental effect, but also the effect of its entire supply chain. K-water places utmost effort on improving environmental safety in K-water's plans, constructions, production, and facility operations, as well as its usage of materials from partner companies and its disposals.



K-water's Environment Overview







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K-water's Smart Climate Change Action

Achievement of Green House Gas Emission Reductions Goal for Three Consecutive Years

K-water is a participating public company in the Korean government's national green house gas (GHG) emissions reduction goal management, and has been fulfilling its commitments. Since introduction of the GHG emission reduction goal, K-water has met its annual targets for three consecutive years. In 2014, K-water's GHG emissions were reduced by 624,660 ton of CO2, down 1% on 2013 through energy and resource reduction efforts. K-water's directly emitted GHG is mostly from pump generation for tap water supply. and there is not biogenic GHG emission. GHG intensity was 16.9 (tonCO2/KRW Million), down approximately 0.4 tonCO2 on 2013.



* Criteria: Average emissions of past 3 years (for enhancing trust in calculation of emission)

* Reduction Goal Management has been conducted since 2014. Reduction Performance for 2014 reduction and early reduction are included

BEST PRACTICE

Best Company in Global Climate Change Response

In August 2014, K-water became the first Korean water works & water resource company to receive the Carbon Trust Standard (CTS) Certification. This certification is public acknowledgement of K-water's efforts in low carbon management. CTS is a certification system developed by Carbon Trust and it is global carbon management certification that is designed to publically acknowledge companies that systematically respond to climate change through energy management and GHG reduction activities. K-water has been placing its efforts in establishing a GHG inventory system (certified by DVN), improving its of water supply system through the adoption of high efficiency pumps, appointing a dedicated departmental carbon manager, and introducing 'carbon task' guidelines. As a result, K-water achieved a 4.5% reduction of GHG intensity in 2013 compared to 2011, resulting in its CTS certification.

CARBON CERTIFICATE OF ACHIEVEMENT Korea's Number 1 Clean Renewable Energy Company

In 2014, K-water operated a total of 90 various clean energy resourced power generation stations, producing 2,209GWh of clean energy equivalent to 3.77 Million barrels of crude oil or a reduction of 970 3.37 thousand tons of CO₂. In particular, K-water has been proactively pursuing leadership in new forms of non-environmental damaging, dean energy Million Barrels ton GHG businesses, with the Shiwa tidal power plant to be the world's largest by installed capacity, and the first floating PV generation system and thermal energy conversion plant. With this, K-water is planning to invest KRW 6,300 Billion on advancing hydropower system by 2032. K-water places utmost efforts on localized hydropower generation system planning and production technology and is entering the global market in partnership with small-to-medium sized companies in Korea through national R&D business participation, technology sharing and other forms of cooperation.

Profit Creation Through Clean Energy Production

The Korean government is proactively participating in global efforts to respond to climate change, and is introducing an emissions trading scheme and has announced a 2030 GHG reduction goal of 37% as submitted to the United Nations Framework Convention on Climate Change (UNFCCC). The emissions trading scheme is designed to buy and sell rights to emit GHG. Risk and opportunity coexist for the participating companies. K-water is developing new growth opportunities to profit from the emissions trading scheme through various GHG reduction efforts. K-water is the first government invested company to be involved in the Clean Development Mechanism (CDM) Project. And via the Sihwa tidal power generation station, 16 weir and small hydro power stations, and a total of 12 other large cases, the UNFCCC has recognized K-water's reduction of 530,000 tons of GHG. In September, 2008, 6,782 CERs rights from small hydro power projects were sold to ABN AMRO Bank. Currently a total of 477,319 CERs have been created generating approximately KRW 1.3 Billion in profit.

[Clean Energy Generation Facility Operation and Development] [CDM Business Registration]

$ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \$					As of Decemb	er 31, 2014				As of Decem	ber 31, 2014
CarbonContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsCapacity (MW)ContentsSilva <th< th=""><th colspan="2" rowspan="2">Category</th><th>Operation State</th><th>Facility</th><th>Development</th><th>State Facility</th><th>Name of Business</th><th>Subject</th><th>UN Registration Date</th><th>Annual Generation</th><th>CO₂ Reduction</th></th<>	Category		Operation State	Facility	Development	State Facility	Name of Business	Subject	UN Registration Date	Annual Generation	CO ₂ Reduction
Total-1,340.85.0Small hydro powerAndong, Jangheung, Seongman Dam 1st Plant, Seongman Dam 2nd Plant, Feb. 200713,9448,331PowerSmall hydro powerSmall hydro powerSihwa Wind Power Plant, and others (41 plants)1,000.6Small hydro powerSihwa Wind Power Plant, Nov. 20076,2934,013PowerShiwa Tidal Power (World's Biggest)72.8Yongdam-gosan, Donghwa PlantsNov. 20095,5572,997Tidal PowerSihwa Tidal Power (World's Biggest)254.0Small hydro power 3Seongluk, Kincheon Buhang Donghwa PlantsOct. 20104,9632,759Wind PowerSihwa Bangameori, Keongin others (3 plants)8.0Madan Guin, Kangeong Hydro power 7Sejong, Kongiu, Beakje, Sangiu WeirSep. 201057,54138,237SolarBonpo Solar Energy and others (25 plants)5.3Boryeong-susang, Deokso, Guni, Koseong Plants3.8Hydro power 8Nakdan, Guni, Ching, Kangjeong Sep. 2010Sep. 201057,54138,237Hydro thermal EnergyHakya Water Treatment Plant and others (11 plants)585RTJang			Contents	Capacity (MW)	Contents	Capacity (MW)	Sihwa tidal power	Sihwa Tidal Power Plant	June 2006	507,629	315,440
Hydro Power Soyang River Dam and others (in total, 9 dams) 1,000.6 - - Small hydro power 2 Deacheong, Juam, Dalbal, Seong and Dam 2nd Plant Feb. 2007 13,944 83.31 Power Sindi hydro power Sindi hydro power 3 Sindi hydro power 3 Sindi hydro power 3 Sindi hydro power 3 Kosan, Pankyo Plant Nov. 2007 6.293 4.013 Power Plant and others (41 plants) 72.8 Yongdam-gosan, Donghwa Plants 1.1 Sindi hydro power 3 Kosan, Pankyo Plant Nov. 2007 6.293 4.013 Tidal Power Sinwa Tidal Power 72.8 Yongdam-gosan, Donghwa Plants 1.1 Sindi hydro power 3 Kosan, Pankyo Plant Nov. 2007 6.293 4.013 Tidal Power Sinwa Tidal Power 72.8 Yongdam-gosan, Donghwa Plants 1.1 Sindi hydro power 3 Kosan, Pankyo Plant Nov. 2007 4.603 3.100 Wind Power Sinwa Tidal Power 25.40 - - Sindi hydro power 4 Paldang 3rd Intake Facility Aug. 2012 - 7.044 Wind Power Si pantsi Song Kong Kong Kong Kong Kong Kong Kong K	Total		-	1,340.8		5.0	Small hydro power 1	Andong, Jangheung, Seongnam Dam 1st Plant	Oct. 2006	13,490	8,103
Hydro PowerOthers (In total, 9 dams)Inters (In total, 9 dams)		Large Hvdro	Soyang River Dam and others (in total, 9 dams)	1.000.6	_	-	Small hydro power 2	Deacheong, Juam, Dalbal, Seongnam Dam 2nd Plant	Feb. 2007	13,944	8,331
Power power powerAndong Small Hydro Power Plant and others (41 plants)72.8Ilsan, Yongdam-gosan, Donghwa PlantsSmall hydro power 3Kosan, Pankyo PlantNov. 20095,5572,987Tidal Power (World's Biggest)254.0Small hydro power 4Seongduk, Kimcheon Buhang Dam PlantOct. 20104,9632,759Tidal Power (World's Biggest)254.0Small hydro power 5Angye, Hoengseong2Apr. 20124,6033,100Wind PowerSihwa Bangameori, Keongin Port, Kampo Dam and others (3 plants)8.0Witer works efficiency improvementPaldang 3rd Intake FacilityAug. 2012-7,044Hydro power 3SolarBonpo Solar Energy and others (25 plants)5.3Boryeong-susang, Deokso, Gumi, Koseong Plants3.8Hydro power 8Nakdan, Gumi, Chilgok, Kangjeong Dalseong Hapcheon Dang WeirSep. 201058,17038,654Hydro thermal EnergyHakya Water Treatment Plant and others (11 plants)585RT*Jangheung Dam40RTTotal828,193532,332TotalTotal532,332532,332532,332532,332532,332532,332532,332	Hydro Power	Power					Sihwa wind power	Sihwa Wind Power Plant	Nov. 2007	6,293	4,013
Hydro powerPlant and others (41 plants)72.8Holgdall'egosal, Donghwa Plants1.1Seengduk, Kimcheon Buhang Dam PlantOct. 20104,9632,759Tidal Power 		Small hydro power	Andong Small Hydro Power Plant and others (41 plants)	72.8	llsan, Yongdam-gosan, Donghwa Plants	1.1	Small hydro power 3	Kosan, Pankyo Plant	Nov. 2009	5,557	2,987
Tidal Power (World's Biggest)Sihwa Tidal Power (World's Biggest)254.0Small hydro power 5 (Water works efficiency improvement)Ange, Hoengseong 2Apr. 20124,6033,100Wind PowerSihwa Bangameori, Keongin Port, Kampo Dam and others (3 plants)8.0Hydro power 6Ipo, Yeoju, Kangcheon WeirOct. 201276,40650,772SolarBonpo Solar Energy and others (25 plants)5.3Boryeong-susang, Deokso, Gurni, Koseong Plants3.8Hydro power 8Nakdan, Gurni, Chilgok, Kangjeong Dalseong, HapcheonSep. 201058,17038,654Hydro thermal EnergyHakya Water Treatment Plant and others (11 plants)585RT*Jangheung Dam40RT40RTTotal532,332TotalTotal532,332532,332							Small hydro power 4	Seongduk, Kimcheon Buhang Dam Plant	Oct. 2010	4,963	2,759
Hadin Over(World's Biggest)254.0Wind PowerSihwa Bangameori, Keongin Port, Kampo Dam and others (3 plants)8.0Hydro power 6Ipo, Yeoju, Kangcheon WeirOct. 201276,40650,772SolarBonpo Solar Energy and others (25 plants)5.3Boryeong-susang, 	Tidal Pr	wer	Sihwa Tidal Power	254.0	_	Small hydro power 5 Angye, Hoengseong2		Angye, Hoengseong2	Apr. 2012	4,603	3,100
Wind PowerSiliva Baliganieon, Keorigin Port, Kampo Dam and others (3 plants)8.0-Hydro power 6Ipo, Yeoju, Kangcheon WeirOct. 201276,40650,772SolarBonpo Solar Energy and others (25 plants)5.3Boryeong-susang, Deokso, Gumi, Koseong Plants3.8Hydro power 7Sejong, Kongju, Beakje, Sangju WeirSep. 201057,54138,237Hydro power 7Bonpo Solar Energy and others (25 plants)5.3Boryeong-susang, Deokso, Gumi, Koseong Plants3.8Hydro power 8Nakdan, Gumi, Chilgok, Kangjeong Sep. 2010Sep. 201058,17038,654Hydro thermal EnergyHakya Water Treatment Plant and others (11 plants)585RT*Jangheung Dam40RTTotalTotalSep. 201079,59752,892TotalTotal532,332TotalSagang Sagang <td></td> <td></td> <td>(World's Biggest)</td> <td></td> <td></td> <td></td> <td>Water works efficiency improvement</td> <td>Paldang 3rd Intake Facility</td> <td>Aug. 2012</td> <td></td> <td>7,044</td>			(World's Biggest)				Water works efficiency improvement	Paldang 3rd Intake Facility	Aug. 2012		7,044
others (3 plants) Hydro power 7 Sejong, Kongju, Beakje, Sangju Weir Sep. 2010 57,541 38,237 Solar Bonpo Solar Energy and others (25 plants) 5.3 Boryeong-susang, Deokso, Gumi, Koseong Plants 3.8 Hydro power 8 Nakdan, Gumi, Chilgok, Kangjeong Sep. 2010 58,170 38,654 Hydrothermal Energy Hakya Water Treatment Plant and others (11 plants) 585RT* Jangheung Dam 40RT 40RT Total Sep. 2010 59,2010 57,541 38,237	Wind P	ower	Sinwa Bangameori, Keongin Port, Kampo Dam and	8.0	-	-	Hydro power 6	lpo, Yeoju, Kangcheon Weir	Oct. 2012	76,406	50,772
SolarBonpo Solar Energy and others (25 plants)Boryeong-susang, Deokso, Gumi, Koseong Plants3.8Hydro power 8Nakdan, Gumi, Chilgok, Kangjeong Sep. 2010Sep. 201058,17038,654Hydrothermal EnergyHakya Water Treatment Plant and others (11 plants)585RT*Jangheung Dam40RTHydro power 9Nakdan, Gumi, Chilgok, Kangjeong Dalseong, Hapcheon Haman, Seungchon, Juksan WeirSep. 201058,17038,654TotalTotal532,332			others (3 plants)				Hydro power 7	Sejong, Kongju, Beakje, Sangju Weir	Sep. 2010	57,541	38,237
Others (25 plants) Koseong Plants Dalseong, Hapcheon Hydrothermal Hakya Water Treatment 585RT* Jangheung Dam 40RT Forgy Plant and others (11 plants) 585RT* Jangheung Dam 40RT	Solar		Bonpo Solar Energy and	Bonpo Solar Energy and 5.3 Decks		3.8	Hydro power 8	Nakdan, Gumi, Chilgok, Kangjeong Koryeong Weir	Sep. 2010	58,170	38,654
Energy Plant and others (11 plants) Total Total 828,193 532,332	Hydrot	nermal	Hakya Water Treatment		Koseong Plants		Hydro power 9	Dalseong, Hapcheon Changnyeong, Changnyeong Haman, Seungchon, Juksan Weir	Sep. 2010	79,597	52,892
	Energy		Plant and others (11 plants)	20201	Jangi icui Ig Dal II	TUUT	Total			828,193	532,332

* Refrigeration Ton: capacity of cooling and heating system using hydrothermal energy

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K-water 2015



Local Communities' Environment Protection and Value Creation

Local Community Environment Protection and Value Creation

K-water studies its environmental impacts before beginning any development project and conducts environmental impact study/ evaluations through all key stages of business development. In 2014, K-water conducted environmental impact evaluations on the Choongju Dam flood control capacity improvement project, Seongduck Dam, Youngju dam, Pyeonghaui Dam, and Hantan River Dam.



* Environmentally sound and sustainable development (ESSD)

Environmental Reduction Improvement Plan and Post Environmental Impact Evaluation

K-water has established and conducted environmental impact reduction plans to minimize environmental damage on natural ecosystems, and to minimize the environmental effects of K-water's construction sites. Post environmental impact evaluation is an environment monitoring system designed to identify and evaluate any environmental impact during and after a project, and also able to respond to unpredicted environmental impact. The result of K-water's 2014 post environmental impact evaluation satisfied environmental standards across all of K-water's project sites (as per the results of K-water's post environmental impact evaluation in the appendix)

BEST PRACTICE

Ecological Passage

2014 Ministry of Environment 3rd Construction Management Best Company

K-water's Kimcheon Buhang and Hantan River dams have received public recognition of their efforts in 'budget reduction through new technology development and application towards residential conflict resolution", fulfillment of agreement to support the national environmental in harmonious construction for three consecutive years.

Fish Way





Floating Spawning Ground





Otter Habitat

Restoration of Ecosystem and Eco-network Creation

K-water is pursuing various restoration plans for ecosystems to ensure protection of various animals and plants' habitat in the surrounding area of dams (detailed information of ecosystem restoration is included in Appendix)



Ecological Culture Space with Water Creation

K-water conducts various organism restoration projects and minimizes ecosystem damage when conducting development projects. Furthermore, K-water is endeavoring to improve local resident's life by creating ecological culture spaces in dam reservoirs and surrounding areas that reflect local ecology, culture and history.





Gunnam Dam Durumi Theme Park

Gunwi Dam Multi Complex Culture Space

BEST PRACTICE

Success of Korean Golden Frog Habitat Restoration in Center of Ansan City

The Korean Golden Frog is a Class 2 endangered species that inhabits an area in the center of Ansan, around the old railroad's wetland area. However damage to the wetland as well has pollution and negated wastes have caused the population of Korean Golden Frog to decline. K-water has successfully restored Korean Golden Frog habitats through various environmental improvement efforts around the old railroad area.



The front view of project site

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K-water 20 Sustainability Re



Bohyon Mountain Dam Eco-friendly Downstream Park



Youngju Dam Cultural Experience Space

After Project



Kimcheon Buhang Dam Natural Ecology Walkway

Before Project

Ecology observation Preserve wetland Trail wetland







Experience play ground

Transparency and Fairness Based on Improve Stakeholders' Trust

K-water acknowledges that a key element in its value creation and sustainability is through open communication, transparency and acting in a fair manner towards both its internal and external stakeholders. Therefore, K-water places utmost efforts on gaining the trust of its stakeholders through ethical management, with talent centered management and shared growth.

• Why Are Transparency and Fairness Based On Improved Stakeholders' Trust so Important?

K-water, as a public service provider, understands the social cost burden when it fails to resolve disputes with its stakeholders. Also, when K-water fails to gain the trust of its employees, it can negatively impact the implementation of its strategic business plans. Therefore, gaining stakeholder trust through transparency and fairness in its business operations are fundamental elements for K-water's sustainable growth.

O How Does K-water Approach?

K-water is endeavoring to build trust and cooperation with its various stakeholders through stakeholder-centered ethical management, talent centered management, and shared growth with partner companies, such as in K-water's supply chain.



C K-water's Performance Management

Classification	Internal Inspection	External Inspection		
Ethical Management	Self-ethical index (KEX) 87.1 point in 2014 (87.2 point in 2013)	1st in Kobex-SM for four consecutive years Excellent Company in Anti-Corruption Policy Evaluation for 9 Consecutive Years.		
Shared Growth	Issuing Performance sharing confirmation note for performance sharing promotion model revitalization (19 notes in 2014, 8 notes in 2013)	Shared growth evaluation for two consecutive years by Ministry of Trade, Industry & Energy Commendation of President in public purchasing Commendation of Prime Minister for best company for shared growth		
Talent-centered Management	Talent foster index 41.3 point in 2014 (40.5 point in 2013)	Excellence award in high school recruitment essay contest by Ministr of Strategy and Finance Disabled employment quota achieved (3%) and others		

Ethical Management

K-water is placing utmost efforts on becomine thical management. $\mathbf{x} \neq \mathbf{x}$



Feasible Ethic Vision and Goal Integrated with K-water's Strategy Establishment

K-water is proactively pursuing ethical management by putting in place the highest standards for its business value system and establishing ethical goals that are integrated into K-water's strategies. In 2009, K-water included "pure" as its core value as of determination to live honestly and implement public value that embedded in water. In 2014, K-water enhanced implementation in management policy, strategic direction and strategic task in business strategy.

[Corporate Strategy Integrated with K-water's Ethical Management]



Code of Conducts, Implementation Organization, Implementation Diagnosis System

K-water has code of conduct in place, as well as promotion arrangements and has implemented a diagnostic system to ensure the achievement of its ethical goals. Codes of conduct include one for ethical standards, as well as a code of behavior for employees and a task integrity contract system for its employees. In 2014, K-water enhanced its overall ethical standards by implementing an internal informant protection system, and by extending its employee code of behavior to outsourced employees. K-water's ethical management is centered on its high-level Ethical Management Committee, which flows through to business management departments that supervise ethical management tasks, as well as audit and inspection which is responsible for anti-corruption and other integrity related tasks. Also, K-water employs departmental integrity leaders and a voluntary ethical implementation task system to ensure systematic voluntary ethical activities. In 2014, K-water established an organizational culture office to promote an ethical organizational culture. In particular, K-water has been monitoring and inquiring of various ethical issues through the Ethical Management Committee.

K-water 2015 Sustainability Report

K-water is placing utmost efforts on becoming a trusted sustainable company through transparent





[2014 Ethical Standards Enhancement]

Expanded to all employees work at K-water	
Demotion is included and restriction of promotion	
• When included documents are clear, criminal charge is obligated	
Internal corruption victims protection standards introduced	
V Ir	



Preventative Ethical Implementation Activities

K-water has been pursuing preventative ethical implementation activities such as through the CEO's ethical pledge, employees' task integrity contracts, and integrity training activities for employees. In 2014, the ethical pledge was expanded from K-water's management to all its employees, ethical oaths were introduced for new recruits. Also, in order to promote an ethical organizational culture, K-water has enhanced the ethical training of its management and integrity leaders.

	Existing	Improvement
Ethics Pledge	Conducting ethical management pledge and task integrity contract for executives	 (Management) Ethical management pledge and task integrity contract continue (New) Entire employee ethical practice pledge, new employee ethical oaths
Ethical Training	 Internal training for executives(2.0hr) Departmental integrity leader training program (7.0hr) Mandatory of ethic training in positional and task training 	 (Executive) external commissioned education and other executive training enhancement (10.0hr) (Integrity leader)Competency improvement through internal and external training (21.0hr) Continuous ethic training in positional and task training

Effort to Reduce Corruption Indicators and Monitoring System

K-water proactively conducts internal anti-corruption activities. Firstly, as a preventative measure, K-water regularly does a major system analysis to identify areas of potential corruption. Onsite departments identified by these indicators are regulated through an "e-Audit system". Also, in 2014, K-water published a 'task handbook' which contains various mock corruption cases and provides a check list to help employees identify and report potential corruption.

Also, a confidential in-house 'Integrity Help-Line' is being operated to encourage internal corruption reporting and systemically enhance standards for an effective response to corruption, as part of its strict zero-tolerance approach towards corruption. Moreover, K-water places utmost efforts on maintaining service discipline by operating a 'Joint Inspection Team' comprised of related departments, which conduct monthly inspections operated by the head of each department during corruption-vulnerable periods. K-water has also implemented an 'unreasonable practice' inspection and audit notice system.

[Inspection Model for Anti-Corruption Induction Factor Elimination]



K-water 2015 Sustainability Repo

tion Bluation Control Activities Preventative/ Responsive Activities





Proactive Stakeholder-centered Ethical Management Practices

K-water is aware that in order to pursue proper ethical management, gaining various stakeholder's trust is needed.

In 2014, K-water carried out an 'ethical practice assignment' on each of its key stakeholders. In addition, K-water expanded its open access to information, as related to Government 3.0, whilst also taking measures to secure K-water's retained information. As a result, K-water received various public recognitions as an excellent company, such as in information disclosure from the Ministry of Land, Infrastructure, and Transport, and a commendation from the President as a National Cyber Security Excellent Company in 2014.

K-water's ethical practice assignments were also given public recognition as was its "Work Smart With Customer" declaration, new and renewable developments, and environmentally friendly ecological parks for local residents.

	Improvement	Performance
Contraction	Advance Information disclosure expanded (18 Cases), leading in government 3.0 by management announcement and self-inspection	• Excellent institution in information disclosure by Ministry of Land, infrastructure and Transport
Society	 Portion of employee's payment financed to socially disadvantaged group's waterworks improvement 	 Social contribution grand prize, Commendation of Prime Minister and others
Customer	• CEO work smart with customers declaration (61 assignments drawn)	 Excellence in shared growth by Ministry of Trade, industry & Energy achieved
Customers	Healthy Tap Water Supply Pilot Business (Paju Smart Water City)	Direct Tap Water Drinking Rate Improvement (1.0%->19.3%)
Freedowers	Organizational culture and task process improvement through dedicated team (26 innovation assignment conducted)	Grand prize in 100 companies of great work place for two consecutive years
Employees	Pursuing compensation employee integrity pledge (open to public) and other compensation satisfaction activities	Highest scored in integrity for compensation
	Cooperation with civil society and cooperation projects for K-water's pending issues resolution	Sustainable science prize in environment awarded
Environment	 New and renewable energy development and expansion of environmentally friendly ecological park for local residents 	• Grand prize in Korea's landscape (Kunnam)

Excellent Company in Anti-Corruption Policy Evaluation for 9 Consecutive Years

K-water places utmost efforts on establishing a company-wide anti-corruption and integrity culture, with its anti-corruption infrastructure being expanded by an integrity incentive system and internal inspections. As a result, K-water has received public recognition of 'excellence' in the Anti-Corruption Policy Evaluation from the Anti-Corruption and Civil Rights Commission of Korea for nine consecutive years, since 2006.

K-water's results on the 'external integrity index' and 'customer policy evaluation' increased on the previous year through customercentered business method improvements, a company-wide integrity campaign, and other external integrity awareness efforts. However, the results on the 'internal integrity index' declined given a need for more ethical management promotion efforts. K-water will place more efforts to create an ethical organizational culture.

Talent Based Management for Sustainable Growth

securing, fostering and retaining the best talent for K-water's sustainable growth.

Strategy integrated with Efficient Talent Operation Establishment

K-water's employment system is aimed at minimizing talent imbalances, recruiting high quality employees for project execution, and predicting requisite employee levels as sourced through various employment channels.

Requiting of employee prediction

 Reguisition Talent Prediction in Water Resource, Waterworks, Overseas Business Next 5 Years.

- (Water Source) Talents for New Dam Construction, Disaster Safety Enhancement
- (Waterworks) New Construction Business Prediction
- (Overseas) Indonesia, Georgia & other New Business

In particular, K-water has continuously employed high school graduates and new university graduates for the organization's vitality and long-term growth prospects.



Average 3 years 245 People are newly employed

Competency and Talent-Centered Open Employment

K-water has one of the most open employment policies amongst Korean public companies. Candidates, who hold official language results, can apply regardless sex, age, educational background and certifications. Based on this, new recruit's competency and personality are evaluated through K-water's Task Ability and Competency Inspection for high school graduates, experience essays and interviews, and internships. K-water places utmost effort on recruiting the most suitable talents. In addition, K-water operates a specialised recruitment system to recruit experts who have the requisite competency for particular fields.

Social Responsibility Fulfillment and Effort to Respect Diversity during Recruitment Process

As a public company, K-water provides a wide range of employment opportunities, including part-time employment and socially considered employment, as part of its social responsibility fulfillment. In relation to these efforts, in 2014 K-water exceeded its 3% employment obligation target, and received the Department of Veterans Affairs "Excellence" award in a high school employment essay contest organized by Ministry of Strategy and Finance.

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K-water's sustainable management starts with its people. With this belief, K-water places utmost efforts on



Talent Based Management for Sustainable Growth



Also, K-water diversifies working conditions to provide employment opportunity and also to proactively fulfill government guidelines. Part-time positions were identified through internal and external environment analysis and established operational standards. As a result of these efforts, 12 new part-time jobs were created in 2014.

K-water's Unique Function Planning	• 4 Functions: Water quality inspection, accounting, state-owned property management and discharged water treatment facility management.				
Part Time Employee's Operation Standard Establishment	• Same benefit in personnel evaluation treatment, welfare and others (time scale are applied in payment, tenure of office)				

"12 New Part-time Employees (3.4% of New Employment) to Proactively Fulfill Government Guidelines"

Constant Competency Development through Competency Based Talent Management



K-water has created a competency model and systemically manages competency based talents. K-water effectively operates and manages an information based "HR-BANK" designed for total management including personnel operation, payment, welfare, education



K-water places effort on fostering a balanced career development for its employees which reflects both the individual's and the organization's needs. K-water defines excellent talent through analysis of special expertise, appropriate attitudes, and high performance, and marries these up with K-water's own competencies. Through reinforcement plans to evaluate professional competency and systemically manage excellent talent, K-water effectively supports its employee's competency development.

[K-water Education System]

Dawle	Organizational	London Competency	Task (Laval	
Капк	Culture and Others	Leader Competency	Core Task Competency	Advance Task Competency	Levei
Level 1	Core Value	Newly Appointed Director	Negotiation and conflict resolution	Domestic and international outsourced training	Advance
Level 2	Innovation	Newly Appointed General Manager	Documenting and	K-water Expert Course	
Level 3	in no vacion	Newly Appointed Manager	reporting	Group training by business unit	Intermediate
	Customer Satisfaction	Newly Appointed Senior Assistant Manager	OS(Exel Power Point)		Beginner
Below	Subliction	Newly Appointed Junior Assistant Manager		Understanding of task cyber	
	Integrity	Recent Recruit	Languages		

This talent fostering system is to prepare for changes in the future and enhance work-force education for improving onsite problem solving. Total water management and other fields of education were chosen to proactively respond to changes in the future and foster talents through specialist courses. K-water is also enhancing safety and efficient operation management of facility training for operators. K-water provides a customized education system (3years) that is suitable for existing management positions; employee's other task knowledge and employee's career.

Also, K-water continuously operates a customized leadership training course - its "Leadership Academy" - for improved problem solving skills of future leaders. In 2014, "Change Management Training" was introduced to create sympathy and awareness of a leader's role and management direction.

[K-water Leadership Academy*]



* Leadership Academy: DC teaching method based case study oriented training course, various cases are developed and used ** Lack of Competency Development Training: Cyber training and books provided to improve areas of insufficient competency

K-water 2015 Sustainability Repor



Talent Based Management for Sustainable Growth

Motivation of Performance Improvement through a Fair Compensation System

K-water has a competency, position and performance-based compensation system. All of its employee's payment is decided based on their annual performance review. The management team sign a management contract with the CEO, and the rest of K-water's employees including the Vice President - are compensated based on an internal business performance review. Employees are evaluated in accordance with a Balanced Score Card, which includes evaluation indicators in relation to customers, finance, processes and learning and development.

K-water has improved the fairness and transparency in the way it deals with personnel by establishing clear performance review guidelines. K-water places utmost effort on operating its human resource policy in an efficient manner through the "Jeonbo Mileage Program". As a result of its efforts, K-water's 2014 Human Resource Satisfaction Index was 72.3 points, a 10.6% increase on the previous year.

K-water's Efforts towards Achieving a Balanced Life Style for it Employees

K-water's continuous effort to create a family friendly organizational culture has included the introduction of various programs and policies, including a female worker friendly system, flexible working hours, curtailment of a long-hours working culture, and a customized welfare system.

K-water was one of first state-owned companies to introduce a flexible working hour system and is endeavoring to improve the system. In 2014, in order to expand its flexible working hour system, K-water improved its flexible working hour policy and conducted an analysis of the flexible working hour operation which showed that there was a increase on the previous year. Also, K-water endeavors to ensure career continuity by reducing unnecessary overtime working hours, creating an efficient organizational culture through task process improvements, and easing the burden of childcare via a female worker friendly program. In particular, K-water has introduced and is operating a customized maternity leave system. In addition, K-water has improved its maternity leave system by introducing a concurrent substitute worker arrangement. K-water also operates various other programs including infertility leave, infertility treatment leave, prenatal diagnosis and a system to reduce the working hours of pregnant woman. (regular full pay is provided for 2 hours working) Maternity leave (90 days before/after birth) is guaranteed and



[Parental Leave Status]

	Classification	2010	2011	2012	2013	2014
	Number of employees applied for leave*	8	24	26	37	33
Total	Personnel on leave(people)	8	24	26	37	33
	Restatements Rate (%)	100	100	100	100	100
	Maintenance Rate** (%)	87.5	78.8	80.8	97.3	100
	Personnel on leave (people)	2	3	6	6	1
male	Personnel on leave (people)	2	3	6	6	1
	Reinstatement Rate (%)	100	100	100	100	100
	Maintenance Rate (%)	100	66.7	66.7	100	100
	Maintenance Rate (%)	6	21	20	31	32
Female	Personnel on leave (Number of people)	6	21	20	31	32
	Reinstatement Rate (%)	100	100	100	100	100
	Maintenance Rate (%)	83.3	81	85	96.8	100

childbirth assistance is provided. Employees give notice of maternity leave to ensure a temporary replacement for their position can be arranged. K-water also considers the period of maternity leave as employee's regular tenure of office for employees with more than 3 children and has introduced an inhouse kindergarten. As a result, the number of female employees retiring for the purposes of childcare has been reduced significantly.

Strong Female Presence in Management

K-water is endeavoring to break the 'glass-ceiling' via core task positioning for female talent. In particular, K-water has introduced a "Female Recruitment Goal", set at 30% of total new recruits, and has achieved this target for the past 5 years. Furthermore, female employees are now well represented in the various core functions of the business including planning, budget, audit, and personnel. As a result, in 2014 there was 22% increase in female managers compared with the previous year. As a result of its efforts, in 2014 K-water was commended for "Best practice in female talent management" by the Ministry of Gender Equality and Family. Salaries for females are basically the same as that for males, on the basis of position and joining year.

Employee's Needs Met through Various Welfare System Operations

K-water's business sites are spread across Korea, requiring [Employee's Needs Reflected Welfare System] some employees to work on a rotating basis. In order to solve employees' housing issues, K-water provides boarding rooms for single employees. K-water also endeavors to support employee's welfare with a strong belief that 'healthy employees will supply healthy water'. In this regard, K-water operates various health management programs including a smoking clinic, an obesity clinic and an "online mental health checkup" system which was introduced in 2014. K-water also provides annual health checkups to its all employees. The percentage of employees with medical issues in 2014 was 37.3%, similar to that of the previous year. K-water also provides various employee support programs including asset management, real-estate management and business establishment assistance for retiring employees to ensure they can prepare for the next chapter in their lives. K-water also operates various welfare programs to take into

account other needs of its employees, so that they know they are in great work place. All employees receive the same benefits.

K-water 2015



Significant reduction in number of female workers leave because of childcare (2013, 8 employees \Rightarrow 20014, 2 employees)

- r	Classification Operation System		Contents			
5		Medical	Operating customized medical checkup system			
/	Health	Checkup	 Provide discounts through arrangement with dentists and ophthalmologists near the office 			
ו /		Group Insurance	Cover fatal accident or death compensation, hospitalization, medical expense, cancer diagnosis expense, etc.			
5	Leisure	Recreational Facilities	 Operate two recreational centers Use recreational facilities at a discounted price by corporate membership 			
5		Leisure Club	 Initiate voluntary club activities and leisure activities of employee 			
1		Housing Support	 Operating boarding houses for single employees Operating housing support for employees with families 			
7	Stable Residence	Housing/Living Expense	 Lend housing loan expense to support residence of employees Lend 'Living Stabilization Expense' in emergencies that need money 			
_	and Living	Education for Children	 Operate a day care center in the workplace Tuition support for high school children 			
))		Expenditure for Congratulations and Condolences	 Support expense for congratulations and condolences (fund), childbirth grant, support expense for disabled children, etc. Support expense for flood and fire damage, etc. 			

Shared Growth

K-water endeavors to grow and develop with partner companies within its supply chain.



Presidential Citation of Public Procurement (Oct. 2014)

Best Shared Growth Company Prime Minister Citation (Nov. 2014)

Shared Growth System

K-water continuously endeavors to grow with small-to-medium sized companies. K-water's partner companies can be separated by way of raw material companies, and facilities inspection and maintenance companies.

K-water has introduced a merit



[Shared Growth Rating]

2012 2013 2014 0 O O Fxcellen

* 59 state owned companies evaluated: "Rating System Excellent-Satisfactory-Average-Improvement"

[Socially Disadvantaged Individual Protection and Preference Performance]



system to ensure support for socially disadvantaged companies (e.g. SMEs, companies owned by females, social-oriented companies) when outsourcing, K-water expanded its joint venture contract amount from KRW 8.7 billion to 26.2 billion in 2014. Regional contracts stood at KRW 90.99 billion, 8.8% of total contacts (KRW 833 billion).

Creation of Shared Growth through Improvements in Fair Trading Practices

K-water conducts various shared-growth activities such as developing its departmental growth plans in conjunction with an annual, onsite meeting of the "Construction Companies Shared Committee" which comprises 63 construction companies and subcontractor companies. K-water has also introduced a "System Improvement Team", including an external specialist, which identifies areas for improved fair trading practices. In 2014, 31 items in regards to fair trading practices were improved.

K-water has also established an "Unfair Trading Subcontract Conflict Resolution Center" to ensure 100% use of standard subcontractor contracts (with a total 81 projects and 329 cases being dealt with in 2014). To prevent payment delays to subcontractors, K-water was one of the first state owned companies to introduce a monitoring system in conjunction with various financial institutions (involving 9 Construction Projects worth a total of KRW 67.9 billion).

Partner's Company's Environmental Management System Creation Support

K-water's environmental responsibility expands from its own responsibility to its entire supply chain. In this regard, K-water supports small-to-medium sized partner companies to be environmental friendly. K-water's support includes environmental management training, an environmental technology support service, certification evaluation, certification fee support, and post management fee support to create eco-friendly partnerships.

Through these customized environmental management systems, K-water's partner companies gain in business performance such as in regards to compliance processes, risk management and response competencies, environment management infrastructure, and ecofriendly products and services. Environmental management gains are also expected to accrue in such areas as, productivity, sales and costs. K-water has supported 17 partner companies in regards to environmental management system certification, and will continue to enhance the environmental soundness of its entire business via an eco-friendly supply chain.

K-water's Unique Shared Growth Model; A One-Stop Support System

K-water has created and is operating a unique shared growth model; a "One Stop Support System" in accordance with K-water's midto-long term strategies to foster small-to-medium sized companies in the water industry. The One Stop Support System is designed to provide support from technology, to marketing, and financial support. K-water was the first Korean companies to announce a list of suitable technologies to develop SMEs (ranging across 13 technologies, and with associated financing of KRW 1.8 billion) and including a "Technology Development Notice System". Notably, with a dedicated assignment manager, and some KRW2.9 billion in technology development support, there was an 11% increase in customized technology development and technology transfer in 2014 versus that of the previous year.

[Cooperation to Improve Fair Trading Practices]



System Improvement Team

• K-water, 69 construction companies and subcontract companies Including onsite departmental annual shared growth plan, shared growth activities

and feedback





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K-water 2015 Sustainability Repo



Shared Growth





(Regulation Reform) 32 key national facility waterworks, dam sites Test-bed opened and provided *Test-bed provide vitalization through Internal Evaluation (Government recommendation policy- SME fostering) integration

(Market Expand) 11 optional contract confirmations issued and optional contract KRW 11.6 billion(352% 1 compared with previous year)

(Financial Support) 115 companies to KRW 50.7 billion support through Water + Ioan (445% ↑compared with previous year)





The Trickle Down Effect Harmony in creating pure water

Water flows down from high places, and with soil, water creates and sustains new life. Just as water trickles down, so does the virtue of K-water's service, which reaches from the often overlooked segments of our society, all the the way to mutual growth with our stakeholders.

SHARE SUSTAINABLE V

Appendix

68_2014 Economic, Envir Performance Summary79_Third Party Assurance82_GRI G4 INDEX

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onment, and Socia

85_ISO 26000

36_Code of Ethics, Green Management Policy, Customer Charter Statement, Innovation Vision Statement 38_UN Global Compact 10 Principles Support

00 2014 Economic, Environment, and Social Performance Summary

Economic Performance

Financial Performance

[Statement of Financial Position]

	Category	2010	2011	2012	2013	2014
	Current assets	3,431,065	4,352,289	5,213,014	5,785,518	5,631,464
Asset	Non-current assets	15,211,945	19,073,626	19,803,369	19,818,389	19,807,635
	Total	18,643,010	23,425,915	25,016,383	25,603,907	25,439,099
	Current liabilities	1,085,573	1,351,280	2,722,666	3,358,548	2,161,443
Liabilities	Current liabilities	6,999,797	11,229,656	11,055,255	10,639,904	11,299,992
	Total	8,085,370	12,580,936	13,777,921	13,998,452	13,461,435
	Capital stock	6,672,837	6,694,987	6,815,621	6,898,731	7,016,965
	others	3,875,964	4,140,105	4,411,461	4,697,176	4,945,222
Equity	Equity attributable to owners of the Company	10,548,801	10,835,092	11,227,082	11,595,907	11,962,187
	Non-controlling interest	8,839	9,887	11,380	9,548	15,477
	Total	10,557,640	10,844,979	11,238,462	11,605,455	11,977,664

* Consolidated statement as per application of Korea-International Financial Reporting Standards (K-IFRS) since 2011

[Condensed Income Statement]

(Unit: KRW in millio								
Category	2010	2011	2012	2013	2014			
Revenue (Sales)	6,399,217	6,325,786	3,668,445	3,645,387	3,698,372			
Cost of sales	6,059,690	5,843,977	3,117,070	2,989,350	3,178,494			
Selling, general and administrative expenses	94,638	115,403	117,048	123,920	129,419			
Gross profit	244,889	366,406	434,327	532,117	390,459			
Other income	26,685	242,315	296,308	315,516	323,280			
Other expenses	6,221	8,881	3,856	43,087	6,826			
Other gain	-947	-2,557	-5,296	2,078	-13,221			
Financial income	136,673	87,393	195,182	97,870	91,264			
Financial costs	213,929	317,628	515,371	449,185	400,656			
Share of profit of equity accounted investees	-2,451	219	395	1,565	33,248			
Profit before income tax	184,699	367,267	401,689	456,874	417,548			
Income tax expense	36,551	74,000	93,394	108,756	118,222			
Net profit	148,148	293,267	308,295	348,118	299,326			
Other comprehensive income	-103,968	-7,251	13,386	-9,901	18,874			
Total comprehensive income	44,180	286,016	321,681	338,217	318,200			
Profit attributable to owner of the company	148,148	293,333	308,247	346,443	298,554			
Profit attributable to non-controlling interest		-66	48	1,675	772			

* Consolidated statement as per application of Korea-International Financial Reporting Standards (K-IFRS) since 2011

Sustainable Growth through Innovation









[Patent and Research Projects Achievement]



(Lipit: I/D)// in millions)

K-water 2015 for a Sustainability Report

(Unit: KRW in millions)

Sustainable Growth through Innovation

[Employee Education Status]



[Average Time of Education per Person]



[R&D specialist management]



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2014 Economic, Environment, and Social Performance Summary (Environmental Performance

Enhanced Environmental Management over the Entire Corporate Supply Chain

【Input】



* Energy reduction result from 2013 to 2014 is collected in 2013

[Output]

	Category		2010	2011	2012	2013	2014	Discharge standard*
	Drinking waterworks	BOD(mg/ℓ)	1.8	2.1	2.1	2.0	1.7	10 and less
Quality of		COD(mg/l)	3.8	4.1	4.1	3.3	3.4	20 and less
		SS(mg/ℓ)	3.1	3.2	3.2	2.4	1.6	10 and less
	Sewage treatment plant	BOD(mg/ℓ)	1.9	2.6	1.9	1.5	1.8	5 and less
uischargeu water		COD(mg/ℓ)	3.8	7.7	6.9	6.8	6.6	20 and less
		SS(mg/ℓ)	2.1	2.8	2.6	3.0	2.5	10 and less
	Waste water	BOD(mg/ℓ)	6.8	6.5	7.0	6.0	6.3	20 and less
	processing facility	$SS(mg/\ell)$	6.9	6.5	6.8	5.4	6.0	20 and less

* Applied highest requirement standard in "Water Quality And Aquatic Ecosystem Conservation Act" and "Sewerage Act"

	Category	2010	2011	2012	2013	2014
Croop bourse gas	Emission(tonCO ₂)	527,666	549,711	583,655	631,431	624,660
Green nouse gas	Reduction(tonCO ₂)*	-	-	69,154	79,702	60,551
	PM-10(kg)	224	218	244	226	220
	SOx(kg)	1,527	1,495	1,678	1,628	1,443
Air pollution	CO(kg)	4,019	3,446	3,533	4,568	4,223
Substance	HC(kg)	1,042	883	896	1,197	1,106
	NOx(kg)	10,280	8,924	9,235	11,566	10,892

 * Introduced green house gas emission reduction target since 2012

(Unit: hour)

K-water 2015 for a Sustainability Report





2014 Economic, Environment, and Social Performance Summary **Economic Performance**

		Category	2010	2011	2012	2013	2014
		Generated amount (ton)	104,976	131,615	111,414	110,027	110,397
		Amount of sludge generated per 1m' water processed(g/m')	61.9	73.1	59.5	54.2	55.3
	Drinking	Recycling rate(%)	100	100	100	100	100
	water works sludge	recycled to Cement raw materials	56.4	76.7	77.5	83.8	40.0
		recycled to Cover soil, fill materials	28.2	2.5	3.6	12.4	57.0
		recycled to Green soil, Pebble and etc.	15.4	20.8	18.9	3.8	3.0
	Sewage sludge	Generated amount (ton)	36,347	44,288	42,876	39,565	42,083
		Recycling rate(%)*	36	40	46	49	59
		Generated amount (ton)	371,194	583,519	471,366	496,260	520,149
Waste		Waste concrete generated	225,726	312,996	272,580	255,578	258,881
		Waste asphalt generated	97,469	187,295	114,453	121,827	218,061
		Wood waste generated	12,345	20,315	50,649	69,669	1,646
		Synthetic resin generated	1,169	10,166	2,709	1,314	183
	Construction	Mixed waste generated	34,485	52,747	30,975	47,873	41,377
	waste	Recycling rate **	95.8	93.8	94.8	96.8	98.9
		Waste concrete recycled	99.5	100.0	97.7	98.9	99.5
		Waste asphalt recycled	100.0	100.0	99.0	99.2	99.7
		Wood waste recycled	79.2	98.4	100.0	100.0	100.0
		Synthetic resin recycled	16.6	0.8	0.0	14.1	100.0
		Mixed waste recycled	68.1	51.6	53.1	76.7	91.5

** Waste processed by an authorized waste treatment company in accordance with the "Wastes Control Act"

Effort to Improve & Protect Local Environment



[Floating debris collection in dam reservoirs and rivers]



(Unit: m')

[Post Environmental Impact Study on Construction Sites]

Dallaneh	Water	Category	Hantan River Dam	Gin Buh	ncheon- ang Dam	Seongdeo Dam	k	Youngju Dam	Boheonsan Dam	Environmental standard*
	_ quality	BOD (mg/l)	1.2	-	1.2		2.2	1.5	1.5	3 and less
		COD (mg/l)	2.2		2.9		3.6	2.3	2.9	5 and less
	Atmospheri	Category	Hantan River Dam	Gin Buh	ncheon- ang Dam	Seongdeo Dam	k	Youngju Dam	Boheonsan Dam	Environmental standard*
e e	environmer	nt PM-10 (µg)	51		44		44	53	36	100 and less
		NO ₂ (ppb)	12		13		14	18	7	60 and less
Noise /		Category	Hantan River Dam	Gin Buh	ncheon- ang Dam	r- Seongdeok Youngju m Dam Dam		Boheonsan Dam	Environmental standard*	
	Vibration	Noise (dBA)	48	44 49 45		51	65			
		Vibration (dBV)	19		13		24	25	27	65
Animals and	d plants	Category	Hantan River D	Dam	Gimcheon-E	Buhang Dam	Se	ongdeok Dam	Youngju Dam	Boheonsan Dam
An Mar	-	Total (species)		16		11		15	14	12
		_egally protected species		1		2		2	2	2
	ich -	Total (species)		40		14		19	23	17
	l	_egally protected species		5		0		0	1	0
Dor	-	Total (species)		26		10		12	13	13
Star Kel	Legally protected species		3	0			0	0	0	
J Di	irde -	Total (species)		71		57		43	68	45
	lius l	_egally protected species		7		6		1	7	2

Anima	ls and plants	Category	Hantan River Dam	Gimcheon-Buhang Dam	Seongdeok Dam	Youngju Dam	Boheonsan Dam
	Mammal	Total (species)	16	11	15	14	12
	IVIdI I II Idi	Legally protected species	1	2	2	2	2
	Fich	Total (species)	40	14	19	23	17
C FISH	Legally protected species	5	0	0	1	0	
Å	Doptilos	Total (species)	26	10	12	13	13
Keptiles	Legally protected species	3	0	0	0	0	
Birds	Total (species)	71	57	43	68	45	
	Legally protected species	7	6	1	7	2	

Ecological Restoration Measures Taken



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K-water 2015 for a Sustainability Report

Beyond Customer Satisfaction

[Customer Satisfaction]





(Unit: point)

[Customer Communication]



[Customer Information Protection]



Equal Partnership, Vertical Growth

[Local Business, Contract Amount]



[Socially Disadvantage Protection, Preferential System Operation Result]



With Local Community

Together with Local Communities





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K-water 2015 for a Sustainability Report





Fair and Diversified Workplace

[Distribution of employees]

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[Age in Positions, Sex Composition Ratio]



* Rate(%) Employment Type, Sex Composition Rate

[Minority Employment]

		201	2010		2011		2012		2013		14
Category		Number of people	Ratio (%)								
Total new	/ recruits	212	5.1	173	4.1	222	5.1	252	5.7	261	5.7
	Female	36	0.9	32	0.8	40	0.9	47	1.1	42.25	0.9
	Physically challenged person	2	0.1	19	0.5	2	0.1	4	0.1	7.5	0.2
Minority groups	Engineer	164	3.95	128	3.1	136	3.1	134	3.0	146	3.2
	Regional talent	104	2.51	107	2.6	128	3.0	161	3.6	175.5	3.8
	High school graduate	19	0.46	13	0.3	51	1.2	71	1.6	86	1.9

* Ratio(%): current number of employees based

[Non-Regular Employment]

Category		2010	2010년		2011년		2012년		2013년		2014년	
		Number of people	Ratio (%)									
Total non	- regular employees	342	7.5	426	9.3	364	7.8	414	8.5	403	8.1	
	Fixed-term employees	342	7.5	355	7.8	293	6.3	340	7.0	322	6.5	
Minority groups	Short-period employees	-	-	71	1.6	71	1.5	74	1.5	66	1.3	
	Short-period employees	-	-	-	-	-	-	-	-	15	0.3	

* Ratio(%)=Non-regular employee (non-regular employee+ non-fixed-term contracted employees+ regular employees)

[Turnover]



* Ratio(%): Calculate based on current number of employees

K-water 2015 for a Sustainability Report

(Unit: person)

(Unit: person)

2014 Economic, Environment, and Social Performance Summary Social Performance

Happy Workplace where Work and Family are Harmonized

[Creating Corporation Culture to Harmonize Work and Family]

Flexible work extension	 Smart work center expansion and telecommuting on alternating workdays Part time, introduction of various flexible working
Work practice Improvement	 Introduction of Family day (every Wednesday) Conducting shut-down and PC-off program on weekdays after 9PM, PC-off on weekend Improve task efficiency through improving work conduct Meeting culture improvement
Respond to childbirth policy	 Parental leave notice system In-house daycare operation (reintroduction of empty office space to daycare facility, increase number of children)
Work and Family balanced	 Couple coaching, father school and other family related education Various leisure clubs, culture and show support, additional recreation facilities

[Workplace Safety]

(Unit: comparison with current number of employees. %)

(Unit: Person)

Category	2010	2011	2012	2013	2014
Injury	0.31	0.14	0.23	0.22	0.16
Occupational disease	0.00	0.00	0.00	0.00	0.00
Industrial accident ratio	0.25	0.12	0.22	0.08	0.06
Prevalence rate	6.4	9.2	7.1	7.0	6.7

[Flexible Working Status]

						(
	Category	2010	2011	2012	2013	2014
Part-time	New (recruits)	0	235	551	620	465
employment	Change	0	0	9	9	28
	Flexible working hours	0	360	525	662	858
	Alternative work schedule	0	0	0	0	0
FIEXIDIE WORKING	Compressed work	0	0	3	3	3
	Discretionary work	0	0	0	0	0
Telecommuting	Telecommuting	0	4	0	0	0
	Smart work	0	1	0	7	0

* Ratio(%): calculated based on current number of employees

[Labor Union Relationship]



[Labor Practices Grievance Process Performance]

				,	Unit. Case)
Category	2010	2011	2012	2013	2014
Total cases	78	73	78	63	56
Resolved cases	56	52	56	53	50
Cases which received last year but resolved in following year		_		13	10
Processing rate(%)	71.8	71.2	71.8	84.1	89.3

Third Party Assurance

Independent Assurance Statement for "K-water Sustainability Report 2015"

To K-water's stakeholders

K-water commissioned the Korea Productivity Center (the "Assurer") to provide an independent assurance of its Sustainability Report 2015 (the "Report").

Responsibility and Integrity

K-water is responsible for the reliability and accuracy of all information and opinions presented in this "Report". The Assurer holds the responsibility that lies solely in providing third party verification of the content in the "Report". As an independent assurance agency, the Assurer was neither involved in the process of preparing this "Report" with K-water nor in any conflicts of interest that may undermine our independence.

Assurance Standards

The independent verification process was planned and performed in accordance with the AA1000AS (2008) Assurance Standard to provide Type 2 moderate level of assurance. This is achieved through the evaluation of the organization's adherence to the AA1000APS Accountability Principles (2008) of Inclusivity, Materiality, and Responsiveness. Additionally, the assurance was performed to ascertain the organization's adherence to the Global Reporting Initiative (GRI) G4 Guidelines.

- of the AA1000 standard.

Assurance Limitations

Based on the aforementioned assurance standards, the Assurer performed verification of the organization's sustainability performance and credibility during 2014. As for some environmental data such as greenhouse gas emissions and amount of water usage, we deliberated on materials which were submitted to the Independent Assurance agency. As for economic data such as financial data, financial statements, which was audited by auditing institutions, the data on ALIO were checked. In terms of social data, we checked the moderate level of the verification by using Type 2 and sampling. Site inspection was performed at the head office in Daejeon. Therefore, the Assurer clearly states that any additional verification conducted in the future may issue varied results.

Assurance Methodology

The assurance was undertaken by following the methodology specified below.

- 1. Verified compliance with the requirements for Core Options in the GRI G4 Guidelines.
- methodology.

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K-water 20

AA1000AS (2008): Enacted by Accountability, the AA1000 Assurance Standard (2008) is a global standard for verification and provides methods for reporting issues on sustainable management by assessing the operation of organization for management performance, compliance with principles, and credibility of information on performance * AA1000APS (2008): Enacted by Accountability, the AA1000 Accountability Principles Standard (2008) is a global standard for verification and provides the principles for the foundation

2. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.

3. Verified the appropriateness of identifying key issues and the responsiveness to the content presented in the Report by the various analysis

4. Verified the appropriateness of the report content with other sources and searched for incorrect information through comparative analysis. 5. On-site verification at the head office and plant has been conducted to confirm evidence for key data and information as well as internal processes.

Third Party Assurance

Findings and Conclusions

It is the Assurer's opinion that the Report fairly and accurately presents the sustainability efforts and performance of K-water. It is also verified that the Report complies with the requirements for Core Options in the GRI G4 Guidelines. In terms of General Standard Disclosures, the Report is found to comply with the requirements for Core Options. For Specific Standard Disclosures, Disclosure on Management Approach (DMA) and indicators for material issues drawn by the decision process, the items for the Report are as follows.

Contents	Material Aspect	DMA & Indicators
New Prospect in Water Management, Smart Water	· Customer Health and Safety	DMA, PR1, PR2
Management	Product and Service Labeling	DMA, PR3, PR4, PR5
Now Crowth Power for 100 Years of K water	· Economic Performance	DMA, EC1, EC2, EC4
New Growth Power for 100 fears of K-water	· Indirect Economic Impacts	DMA, EC7, EC8
	· Energy	DMA, EN3, EN6, EN7
	· Water	DMA, EN8, EN9, EN10
Respond to Climate Change and Environment Protection	·Biodiversity	DMA, EN13
	· Emissions	DMA, EN15, EN16, EN19, EN20, EN21
	· Effluents and Waste	DMA, EN22, EN23, EN24
	· Anti-corruption	DMA, SO4, SO5
	· Employment	DMA, LA1, LA2, LA3
	· Occupational Health and Safety	DMA, LA6
Transparency and Fairness Based Stakeholders' Trust Gain	• Training and Education	DMA, LA9, LA10, LA11
	· Diversity and equal opportunity	DMA, LA12
	· Equal remuneration for women and men	DMA, LA13
	Procurement Practices	DMA, EC9

1. Inclusivity: Stakeholder Engagement

The principle of inclusivity articulates that organizations should include stakeholders in developing and achieving an accountable and strategic response to sustainability. K-water divides its stakeholders into six groups: employees, customers, government, local communities, NGOs & academia, and partnering companies to ensure full compliance with its diversity rules. Through its communication channels for each group, K-water introduces its commitment to actively responding to any issues brought to its attention. As part of its efforts to discuss the matters that require its immediate attention, K-water has organized the Mutual Growth Committee to listen to its stakeholders' opinions on water, and this is considered as one of its best practices.

2. Materiality: Selecting and Reporting Major Issues

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. In addition to its internal activities and sustainable management performance, K-water uses external environmental analysis to introduce the importance of key issues. The importance evaluation starts based on the premise that issues with a large gap between the levels of concern and performance from both internal and external perspectives are important. This is a new approach to identifying key issues that are formed based on the DMA, such as their selection background, internal approach and key performance. It is, however, advised that plans for the future are included as a way to evaluate the approach to key issues.

3. Responsiveness: Responding to Issues by the Organization

The principle of responsiveness articulates that organizations should be responsive to issues that may have impacts on stakeholders' performance. K-water prepares its report under four different themes: environmental analysis, response process, strategy, and performance. As a result, the company is demonstrating its commitment to each subject in a transparent manner. When introducing its objectives, K-water stresses the importance of water, encouraging stakeholders to take a more in-depth approach to issues related to water.

Recommendations

The Assurer commends K-water for carrying out a variety of efforts to improve sustainability and resulting performances, and presents the following recommendations to enhance future sustainability reports and sustainable management.

- instead of relying on surveys.
- able to present its future plans and goals in its next reports.



D.S. Lim

Kim Dong-su, Director of Sustainability Management Center

Park Tae-ho.

Team Leader

K-water 201

1. K-water uses various communication channels in the process of identifying its issues while actively undertaking its response activities. It is essential to manage its stakeholders' interests and expectations more efficiently by further developing these systems. It is advised to establish a reporting system and process to incorporate various issues and disclose the result of communications with stakeholders

2. To make sure that stakeholders truly understand K-water's internal activities for sustainable management, it is necessary to disclose more information about its future plans and goals. To do this, K-water needs to build an official process for collecting and managing data as part of its on-going performance management system. If performance is reviewed continuously under this process, K-water will be

> July 2015 Chairman Korea Productivity Center Hong Sun-jik

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Park Ju-mi, Expert advisor

Lee Chang-hyun, Researcher

The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by Accountability, which established AA1000, the international standards for Stakeholder engagement and verification, and has qualifications to perform independent assurance engagements. Our Assurance Committee is also comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and completed the relevant professional training.



General Standard Disclosures

Aspect	Indicator	Contents of index	Page	Note	External Verification
Strategy and	G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	4~5		
analysis	G4-2	A description of key impacts, risks, and opportunities	12~13		\checkmark
	G4-3	The name of the organization	8		\checkmark
	G4-4	The primary brands, products, and services	9		\checkmark
	G4-5	The location of the organization's headquarters	8		
	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	8		
	G4-7	The nature of ownership and legal form	8, 19		√
	G4-8	the markets served including geographic breakdown, sectors served, and types of customers and beneficiaries	8		\checkmark
Organizational	G4-9	The scale of the organization	8		\checkmark
Profile	G4-10	Report the total number of employee	59~60, 76~77		√
	G4-11	The percentage of total employees covered by collective bargaining agreement	78		√
	G4-12	The organization's supply chain	27		√
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain No changes	2		
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	20~21		
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	88		
	G4-16	List memberships of associations and national or international advocacy organizations in which the organization	3		\checkmark
	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	2		√
Identified	G4-18	The process for defining the report content and the Aspect Boundaries. how the organization has implemented the Reporting Principles for Defining Report Content	24~25		
Material	G4-19	List all the material Aspects identified in the process for defining report content	25		\checkmark
Aspects and	G4-20	For each material Aspect, report the Aspect Boundary within the organization	25		\checkmark
Boundaries	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	25		
	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	2		\checkmark
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	2		\checkmark
	G4-24	A list of stakeholder groups engaged by the organization	22		\checkmark
	G4-25	The basis for identification and selection of stakeholders with whom to engage	22		
Stakeholder	G4-26	The organization's approach to stakeholder engagement	22~23		√
Engagement	G4-27	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. Report the stakeholder groups that raised each of the key topics and concerns	26~27		
	G4-28	Reporting period for information provided	2		~
	G4-29	Date of most recent previous report	-	2014. 7	~
	G4-30	Reporting cycle	2		
Report Profile	G4-31	The contact point for questions regarding the report or its contents	89		
	G4-32	Report the 'in accordance' option the organization has chosen	2		~
	G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	2		~
	G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	19		\checkmark
	G4-38	Report the composition of the highest governance body and its committees	19		√
Governance	G4-39	Report whether the Chair of the highest governance body is also an executive officer	19		\checkmark
Governance	G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body member	19		
	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees	19		
	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	55~58		
Ethics and Integrity	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	55~58		
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	55~58		

Specific Standard Disclosures

Aspect	Indicator	Contents of index	Page	Note	External Verification
Category: Econo	omy				
	G4-DMA	Generic DMA	40		\checkmark
Direct	G4-EC1	Direct economic value generated and distributed	41		\checkmark
Economic Impacts	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	12~13		\checkmark
	G4-EC4	Financial assistance received from government	41		
	G4-DMA	Generic DMA	40		
Indirect Economic	G4-EC7	Development and impact of infrastructure investments and services supported	41, 75		\checkmark
Impacts	G4-EC8	Significant indirect economic impacts including the extent of impacts	41, 75		\checkmark
Procurement practices	G4-DMA	Generic DMA	54		
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	75		
Category: Enviro	onment				
	G4-DMA	Generic DMA	47		\checkmark
Faarma	G4-EN3	Energy consumption within the organization	49, 71		\checkmark
Energy	G4-EN6	Reductions in energy requirements of products and services	39, 49, 71		\checkmark
	G4-EN7	Reductions in energy requirements of products and services	39, 49		\checkmark
	G4-DMA	Generic DMA	47		\checkmark
	G4-EN8	Total water withdrawal by source	71		\checkmark
Water	G4-EN9	Water sources significantly affected by withdrawal of water	-	Non of the water sources significantly affected by withdrawal of water in Domestic Operation	\checkmark
	G4-EN10	Percentage and total volume of water recycled and reused	71		
Dia di varaite e	G4-DMA	Generic DMA	47		
BIODIVERSILY	G4-EN13	Habitats protected or restored	52~53, 73		
	G4-DMA	Generic DMA	41 40 41, 75 41, 75 54 75 47 49, 71 39, 49, 71 39, 49, 71 39, 49 47 71 - 71 47 52~53, 73 47 50, 71 50, 71 50, 71 47 47 47 47 47 47 47 47 50, 71 50, 71 47 47 47, 11		
	G4-EN15	Direct greenhouse gas(GHG) emissions (Scope1)	50, 71		\checkmark
	G4-EN16	Energy indirect greenhouse gas(GHG) emissions (scope 2)	50, 71		\checkmark
Emission	G4-EN19	Reduction of greenhouse gas(GHG) emission	50, 71		\checkmark
	G4-EN20	Emissions of Ozone-depleting substances	-	No emissions of Ozone- depleting substances	
	G4-EN21	NOX, SOX,and other significant air emissions	71		
	G4-DMA	Generic DMA	47		
Effluents and	G4-EN22	Total water discharge by quality and destination	49, 71		
Waste G4-EN23 Total weight of waste by type and disposal method 72 G4-EN24 Total number and volume of significant spills -	G4-EN23	Total weight of waste by type and disposal method	72		
	-	No significant spills	\checkmark		

Wate K-water 2015 for a Happier Sustainability Report World



Specific Standard Disclosures

Aspect	Indicator	Contents of index	Page	Note	External Verification
Category: Social Labor p	practices and c	lecent work			
	G4-DMA	Generic DMA	54		\checkmark
E se la sus el	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	59, 76~77		
Епроупен	G4-LA2	Benefits provided to full time employees that are not provided to temporary or part-time employees, by significant locations of operation	62~63		\checkmark
	G4-LA3	Return to work and retention rates after parental leave by gender	62~63		
	G4-DMA	Generic DMA	54		
and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	78		
	G4-DMA	Generic DMA	54		
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	61, 70		
Training and Education	G4-LA10	Program's for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	60~61		
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	60~61		
Diversity and Ferrel	G4-DMA	Generic DMA	54		
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gen, age, group, minority group membership, and other indicators of diversity	63, 76~77		
	G4-DMA	Generic DMA	54		
Equal Payment	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	63		
Grievance Mechanisms	G4-LA16	Number of grievance about labor practices filed, addressed, and resolved through formal grievance mechanisms	78		
Category: Human rights					
Investment	G4-HR2	Total hours of Employee Training on human rights policies or procedures concerning aspects of human rights	57		
Category: Society					
	G4-DMA	Generic DMA	54		
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	55~58		
	G4-SO5	Confirmed incidents of corruption and actions taken	57~58		
Compliance with Regulation	G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non- compliance with laws and regulations	-	None	
Category: Product Resp	onsibility				
	G4-DMA	Generic DMA	30		
Customer, Health	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	31~35		
and Safety	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-	None	
Product and Service Labeling	G4-DMA	Generic DMA	30		
	G4-PR3	Type of product and service information required by the organization's Procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	31~35		
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	None	\checkmark
	G4-PR5	Results of surveys measuring customer satisfaction	35, 74		
Customer Information Protection	G4-PR8	 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data 			
Compliance with Regulation	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	None	

ISO 26000

ISO 26000 is an international standard guideline on seven core topics about corporate social responsibility based on basic principles using the method of integrating social responsibility throughout the organization with the recognition of social responsibility, identification, and participation of stakeholders. The following are reported contents of K-water about seven core topics of social responsibility.

Core topics	Issues	Page
Governance	Decision making process and structure	19
	Duties with special attention	58, 63, 88
	Threats to human rights	20~21,88
	Avoidance to public participation	63~65, 88
thurses whether	Grievance settlement	78, 88
Human rights	Discrimination and disadvantaged group	75, 77, 88
	Civil political rights	88
	Economic, social, and cultural rights	88
	Basic principles and rights in workplaces	59~63, 88
	Employment and employment relationship	59~60, 77, 88
	Working condition and social protection	59~63, 78
Labor practice	Social conversation	59~63, 86~88
	Health and safety in workplace	78
	Human development and education in workplace	60~61, 70
	Pollution prevention	47~53, 71~73, 88
- · · ·	Use of sustainable resources	47~51, 71~72, 88
Environment	Mitigation and adaptation to climate change	47~51, 71~73, 88
	Protection and restoration of natural environment	52~53, 73, 88
	Corruption prevention	55~58, 86
	Responsible political participation	88
Fair operation custom	Fair competition	64~66, 86
	Activation of social responsibility in value chain	64~66
	Respect for property rights	86
	Fair marketing, real and fair information and fair contract custom	87
	Health and safety protection of customers	33~35, 87
	Sustainable consumption	31~35
Consumer issues	Customer service, support, complaint and dispute solution	74, 87
	Customer information protection and privacy	74
	Access to mandatory services	31~39
	Customer citizen education and recognition	33~35
	Community Participation	75, 87
	Education and culture	60~61, 70, 87
	Development of employment and function	60~61, 77, 87
Participation and development	Development and access to technology	65~66, 69, 87
actophich	Creation of wealth and profit	41~46, 68~69, 87
	Health	63, 87

K-water 2015 for a Happe Sustainability Report WOT





K-water will make best efforts to practice customer-oriented management by approaching its customers based on the management philosophy 'The values of customers are our values.'

We will provide water and territory of best quality that customers can trust in a stable manner

We will provide information and services for the safety and ownership protection of customers even before customers request them.

We will always be open to the advice and suggestions of customers, regularly accept opinions, and use them for improvement of customer services.

We will perform our tasks without any discrimination to any customers and will secure the profit of customers to the maximum by seeking the most efficient management.

We promise that we will set the best service performance standards that K-water can provide and practice them in order to realize ideal goals on the side of customers.

K-water 20



Innovation Vision Statement

We declare the following in order to provide clean and safe water to citizens, protect the lives and properties of citizens from water-related disasters, and to become the best water service organization through continuous changes and innovations.

We place customer-satisfaction management first in everything we do, we ensure customer-oriented values are embedded in our values, our code of conduct, and systems.

In order to become a trusted public enterprise, we process tasks in an honest and fair manner without violating conscience, common sense, or the law, and actively participate in social contribution activities in order to be together with the local community.

With confidence and passion that do not fear change, we will secure global-level competency to accomplish the vision and establish a continuous and stable foundation for growth.

We recognize the importance of nature for health, life, and sustainable growth of future generations and make efforts in order to preserve this.

By putting this declaration into action, we focus all of our capabilities to make K-water a business that does its job well, a business that has competitiveness, and a business that is loved by the citizens.





You can download this report in PDF format from K-water's website. Please contact us with the following contact information if you want more detailed information about sustainable management activities of K-water. Thank you for your support on our sustainable business practices.

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