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A New Wind!

Unfolding Tomorrow with Hope

KEPCO KPS

KEPCO KPS Sustainability Report 2014



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About This Report

Purpose of This Report

This report describes the performance in sustainability management with regard to the economic, social, and environmental responsibilities of KEPCO KPS. Through this report, the stakeholders of KEPCO KPS can properly understand the overall sustainability management of KEPCO KPS.

Reporting Period

KEPCO KPS publishes sustainability report biennially, and reporting period for the report is from January 1, 2013 to December 31, 2014. In this report, performance prior to 2013 was also described in order to observe the changes over the the respective years. Some activities and performance in 2015 were also included. KEPCO KPS published its sustainability report for the first time in September 2007, and this report is the fifth publication.

Reporting Boundary and Scope

This report contains the economic, social, and environmental activities and performance related to the head office, 49 domestic offices, and 14 overseas offices and branches of KEPCO KPS.

Reporting Framework

This report was drawn up based on the Comprehensive option of GRI (Global Reporting Initiative) G4 Guidelines, and it follows the 10 key principles of ISO260000 and UNGC. The financial information contained in the report follows Korean International Financial Reporting Standards (K-IFRS), and the financial achievements were reported based on separate financial statements.

Assurance

In order to ensure fairness and legitimacy of publication procedure and data, the contents were confirmed by an independent third-party body. The assurance results are described in the third-party assurance statement.

Surrounding Changes

This report had added KPS operations related to the headquarter relocation to Naju, and it has specifically addressed the constant social issues of employee safety, information security, and nuclear stability. In addition, due to the emergence of a subsidiary company following the establishment of a foreign branch in the Philippines in 2013, a consolidated financial statement has been written in connection with KPS and KEPCO KPS Philippines Corp. starting April 2013. The consolidated financial statement is included in the appendix.

Distribution of this Report and Feedback

This report has been published in both Korean and English versions. You can read or download the report on our website, and this report is registered on GRI and UN Global Compact. We receive stakeholders' opinions on this report through various channels including email, mail, and fax as well as our homepage.

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A New Wind!

Unfolding Tomorrow with Hope

KEPCO KPS

We are on our way to becoming
the world's best provider of
general plant services!

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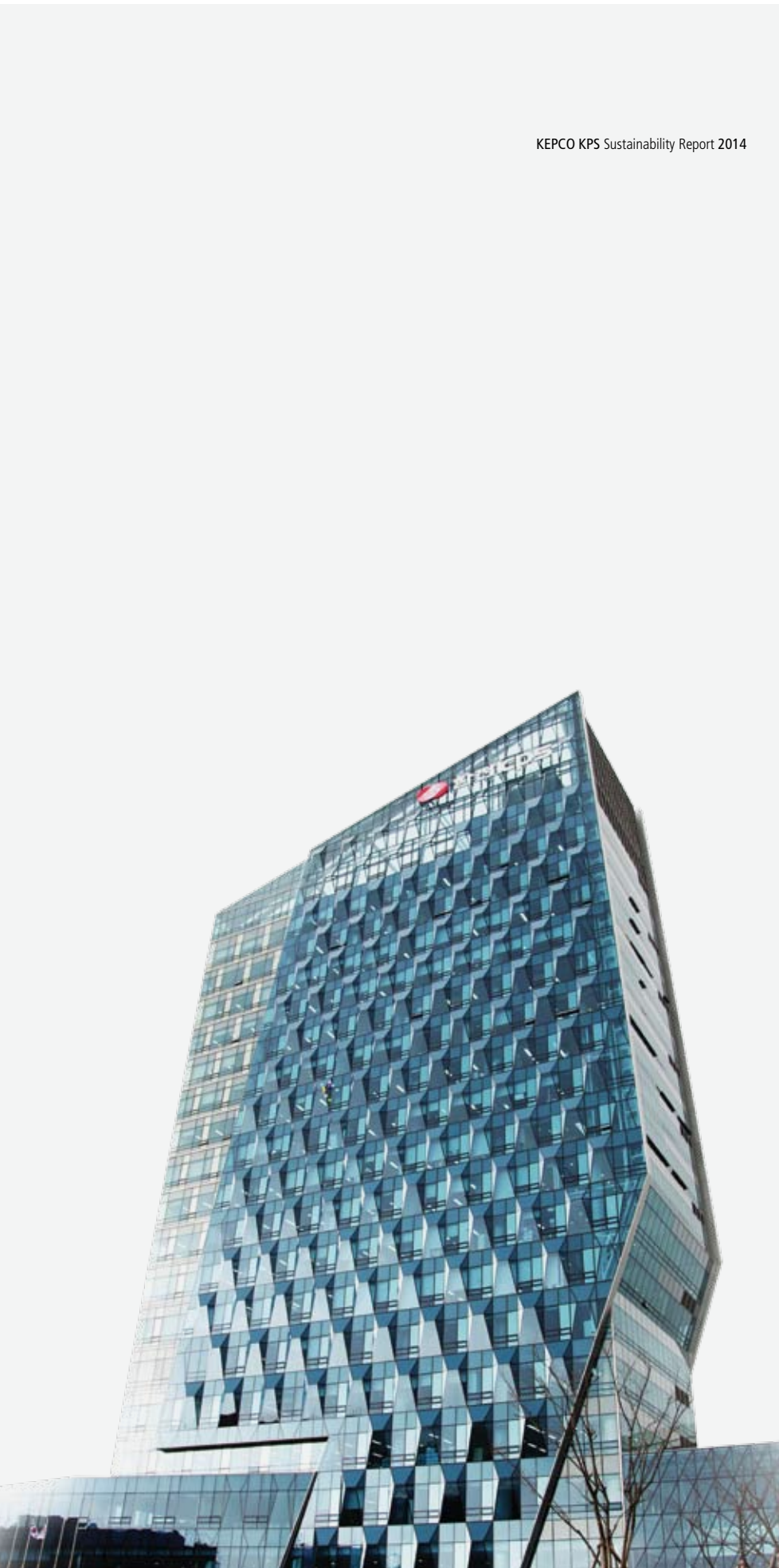
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2013~2014 Highlight

Maintaining Sales of Over KRW 1 Trillion (KRW 1.785 trillion)

KEPCO KPS posted KRW 1.0785 trillion in sales in 2014. By maintaining sales of over KRW 1 trillion since 2012, we have boosted the chances of realizing our long-term goal, VISION 2020, to take off anew as a global top-tier company by recording KRW 2.5 trillion in sales by 2020.



Ranked 1st in the Korea Quality Index for 3 Consecutive Years

In addition to achieving a "Grand Slam" in Quality Management Innovation, KEPCO KPS has been ranked first in Korea Standards Quality Index for three consecutive years and, for the first time, has been chosen as a top-quality competitive public company for 16 years in a row. It is ensuring customer satisfaction with differentiated power plant maintenance service.



Awarded the Grand Prize in the Korea Financial Management Awards

KEPCO KPS was awarded the financial structure grand prize in the public industries section in October 2014 in recognition of its excellence in safety, profits, activeness, growth, etc.



Chosen as the Best Company of DJSI Korea for 6 Years in a Row

KEPCO KPS has been chosen as the best company in the support service industries sector for six consecutive years since 2009, gaining recognition for sustainable business growth in both financial and non-financial areas.



Realized Defect-Free Maintenance for 10 Consecutive Years

KEPCO KPS has contributed to stable power supply through the realization of flawless maintenance for ten consecutive years with "Zero" outages. In 2014, it produced an extra 663,591 MWh by shortening the period of outage prevention maintenance construction by 98 days and contributed to the KRW 59.5 billion increase in profits of client companies.





Ranked 1st in Public Organization Integrity

KEPCO KPS was chosen as the best company in the public service sector group in general integrity, earning recognition for its infrastructure in terms of integrity and ethics. In addition, it was named the best organization in anti-corruption policies in 2014.



Contract for 500MW O&M Thermoelectric Construction in Bhavnagar, India

For two years in a row, KEPCO KPS has signed a contract with Indian government generator O&M following the ATPS thermoelectric power plant. In March 2014, a KRW-190 billion, 15.3-year O&M contract for a coal power plant was signed with Indian company BECL.



Awarded the CEO Award in the Internationally Certified Outstanding Company Awards

KEPCO KPS was selected as the first recipient of the "Best Management Award" in the International Certified Outstanding Company Awards hosted by the Korean Standard Quality Index.



Awarded the CEO Awards in the Korea Service Grand Prix

At the July 2014 "Service Grand Prix" hosted by the Korean Standards Association, KEPCO KPS was awarded the "Best Management Award" in recognition for its "servant leadership" symbolized by sharing and communication and contribution to the creation of customer service focused on on-site empathy.



Certified for Implementing Benefit Sharing Company

KEPCO KPS promoted simultaneous development with small businesses and implemented a results sharing policy. It was certified by the Large and Small Business Cooperation Foundation as a results sharing company for approximately two years from November 2012 to November 2014.

CEO Message



“
KEPCO KPS is
starting a new history with
the Bitgaram era in Naju, and we will not stop
challenging ourselves to make KEPCO KPS
grow into a company that exists for a century.
”

Our Most Valued KEPCO KPS Stakeholders!

KEPCO KPS has completed its operations in Bundang for the past 15 years and has begun a new chapter in business at Naju Innovation City as of this year. I would like to extend my heartfelt gratitude to all those who have shown unconditional love and encouragement toward KEPCO KPS. We will continue making a brighter tomorrow to prepare for the next century in Naju.

As a company specializing in the maintenance of power facilities that provide high-quality maintenance service for various power generation facilities including hydro-thermal power and nuclear energy power plant, renewable energy facilities, etc., as well as power transmission facilities, which make for a nationally important power network, KEPCO KPS has been trying its best to contribute to stable power supply. As the saying goes, “where there is a will, there is a way” -- all of our employees will continue to leap forward with patience.

“By regarding crisis as an opportunity, we will move forward by concentrating on the competency in creating a new KEPCO KPS.”

For the past few years, KEPCO KPS has experienced severe volatility and uncertainty due to the increased competition in the power generation facilities market and the government policy of normalizing state-owned companies; these posed obstacles to achieving the management goals of the company.

In order to have accurate perception of our current status, and for the continuous growth of the company, we have set our management goals for 2014 as follows: to raise our standards in maintenance technology, to initiate business diversification with internal stability, to acquire global competitive advantage, and to achieve sustainable management. Through these goals, we went about laying the foundation for consistent growth and achieving perfect maintenance for power generation facilities; thus becoming a global top-tier company once again. With the 5th sustainability report published this year, there were many changes and various performances that we were able to achieve throughout the reporting period from 2013 to 2014. Our sales and net profit, pegged at KRW 1.1217 trillion and KRW 151.5 billion, respectively, as of 2013, reached KRW 1.0785 trillion and KRW 166.8 billion, respectively, as of 2014. Since 2012, we have been constantly maintaining our KRW 1 trillion-level sales. In addition, we are maintaining our debt-free management practices through constant increase of operating profit. Our operating profit, which stood at KRW 183 billion in 2013, reached KRW 213.1 billion, increasing by 16.4%; our debt ratio also improved from 35.0% in 2013 to 32.6% in 2014. These performances have allowed us to maintain financial soundness as a blue chip public institution. I believe this is the fruit of all the efforts of stakeholders and constant acquisition of core maintenance technologies by prudent decisions and concentration in R&D as a reputable “technology company.”

“We Will continue hurdling challenges for sustainable development and strive to grow as a leading company in global sustainable management.”

In September 2007, KEPCO KPS joined the UN Global Compact (UNGC), a global initiative for social responsibility led by the UN, in order to realize sustainable management. Every year, we are reasserting our support for the ten major principles of UNGC including the principles in the areas of human rights, labor, environment, and anti-corruption. We have been recognized for valuing quality management, sustainability management, ethics management, etc., by credible institutions.

Last year, we have been named the most excellent company in DJSI KOREA for the 6th consecutive year, awarded the grand prize by Korea Financial Management, ranked 1st in integrity among public institutions, awarded the CEO award for being a globally certified company, selected as KS-QEI's No. 1 company for the 3rd consecutive year -- the first for a state-owned company -- awarded the 2014 Korea Service Grand Prize CEO award, etc. This year, we will continue with our various efforts to improve our financial structure and to execute government policies actively such as Government 3.0, thereby enabling our company to achieve continued growth. To make effective contributions in the economic, social, and environmental aspects, we have heeded the voices of our stakeholders through this sustainability report and selected the issues considered to be material so as to deliver our promises for each issue as follows:

We will operate quality-based maintenance systems for stable power supply.

In order to differentiate our quality and improve customer trust, we will change the paradigm of post-maintenance to pre-maintenance and establish a maintenance system in response to new, large-scale generator installations. Likewise, by providing performance diagnosis and enhancement services, we will improve customer satisfaction and strengthen workplace safety management for the “zerofication” of safety accidents as well as to implement a culture of safety.

We will discover and create new growth engines, and promote diversification of projects.

For the creation of a long-term maintenance business environment in the UAE nuclear power plant, KEPCO KPS will promote international-standard maintenance workforce and develop on-site, maintenance environment-focused procedures as well as establish management systems for domestic workers. Likewise, we will make all-out efforts to create new projects overseas and play a pioneering role in the foreign O&M market by forming business strategies for each country; thus stabilizing the overseas business. In addition, to achieve sustainable growth, we will establish a framework for the domestication of maintenance technology for gas turbine's high-temperature parts and parts production as well as for entry into the new market of nuclear power plant dismantling, thereby creating a growth engine for the future.

By developing environment-friendly maintenance technology, we will grow into a leading company at the forefront of the green energy service industry.

KEPCO KPS will minimize the effect of power plants on the environment by utilizing the most efficient maintenance methods. Likewise, through the comprehensive maintenance of nuclear power plants, we will increase power plant usage rates and continue to put our efforts into reducing greenhouse gas emissions.

We will secure global talents and core technology to achieve global competitive advantage.

In response to the age of endless competition and to create a differentiated KEPCO KPS, we will procure core technology, foster global expert talents, arm ourselves with quality service mindset, etc., and pour our efforts into R&D of profit models by combining technological superiority with trained experts in various fields.

We will realize sustainable management through commitment to society and responsible business administration.

By supporting small companies and strengthening cooperation, we will create an ecology of simultaneous growth and -- through various integrity and ethics activities -- lay a cornerstone for our growth. Furthermore, in accordance with the Naju age, we will strengthen communication and cooperation with the regional society, carry out suitable activities of service to society, and provide expert knowledge; thus contributing to regional development.

For the improvement of employees' happiness, we will improve welfare facilities, provide suitable services, and promote flexible working systems in order to create a pleasant workplace.

Through supportive labor and management relations, we will foster a mature company culture.

Through the active use of labor and management communication channels, we will resolve conflicts between generations and positions by strengthening labor and management partnerships and establish labor and management relations based on trust and cooperation by forming and operating a labor and management TF and analyzing the quality of communication.

We will continue to create a bright future through the combined will and strength of all KEPCO KPS employees to fulfill our vision of becoming the “pioneering industrial leader, providing the world's best power plant maintenance service” and put all our efforts into becoming a trusted company, toward a “New wind! A Bright Future!” Through this report, I promise once again to do the very best we can to deal with each issue one by one as assured to overcome the current obstacles and grow together with stakeholders in our new home, Naju.

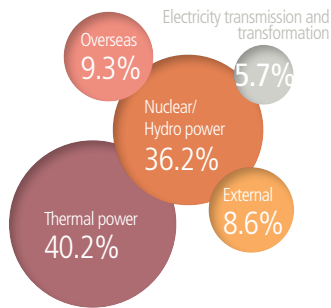
Thank you.

CEO Choi Yeu Geun

CHOI YEU GEUN

KEPCO KPS Profile

● Sales by Business Type



● Sales Progress (unit : KRW 100 million)

| Category | 2012 | 2013 | 2014 |
|----------|--------|--------|--------|
| Sales | 10,066 | 11,217 | 10,785 |

● Overseas Business Progress (unit : KRW 100 million)

| Category | 2012 | 2013 | 2014 |
|----------|------|------|-------|
| Sales | 796 | 931 | 1,006 |

KEPCO KPS Profile

KEPCO KPS is doing its best to become the world's top general plant service company.

General Status

KEPCO KPS is the world's best general plant service company offering maintenance services for overseas power generation facilities in foreign countries including India, not to mention domestic power generation and industrial facilities including hydro and thermal power, nuclear power, and electricity transmission and transformation. We also operate technology research centers developing comprehensive maintenance systems and core technologies for repairs of key components of power generation facilities. In addition, KEPCO KPS engages in the renewable energy business such as solar photovoltaic and wind power generation.

Business Areas

KEPCO KPS was established to contribute to the stable supply of electric power through the specialization of power generation facility maintenance technologies. Toward this end, we operate the following businesses and enhance brand values, reinforce corporate competitiveness, and improve technological prowess through overseas O&M (operation & maintenance) business in India, Pakistan, Madagascar, etc. as well as domestic power plant maintenance to grow into a true global company.

Maintenance of power generation facilities, and relevant structures

Inspection and maintenance of electricity transmission and transformation facilities

Gas turbine parts repair and nuclear reactor stability check

Renewable energy business including solar photovoltaic energy

Maintenance of other domestic and overseas power generation and industrial facilities

Vision

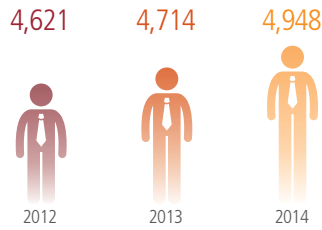
The vision of KEPCO KPS is to become the "creative leading company providing the world's best plant maintenance service." This vision includes providing top-quality, plant-specialized maintenance service such as generator and transmission maintenance, renewable-related businesses, and overseas and foreign business in tandem with parts design and production, consultations, etc., as well as becoming the market pioneering company through entry into new markets and diversification of business areas and creative diversification of key capabilities.

In order to achieve the goals set when it was established, KEPCO KPS has revised its vision to meet the duties and business achievements and expansion plans. Moreover, by adjusting the mid- to long-term strategy to suit the business environment, implementing capability for the strategic business plan has been secured.

● Vision and Strategy System

| VISION | Creative leading company providing the world's best plant maintenance service | | | |
|----------------------|--|---|---|---|
| Strategic Goal | Sales | Operating income ratio | Overseas/Foreign Sales | Overseas/Foreign Share |
| VISION 2020 | KRW 2.5 trillion | 16% | KRW 1.1 trillion | 45% |
| New&Best 2016 | KRW 1.5 trillion | 14% | KRW 458 billion | 30% |
| Strategic Directions | Competitiveness Consolidation of Existing Business | Globalization Expansion | Horizontal/Vertical Diversification of Related Industries | Establishment of Enabling System |
| Strategic Tasks | <ul style="list-style-type: none"> Bolstering the competitiveness of the power generation maintenance business Expansion of key capabilities in the nuclear power sector Expansion of key capabilities in the transmission sector | <ul style="list-style-type: none"> Enhancing overseas business Planning of nuclear energy export business Development of foreign nuclear power plant service | <ul style="list-style-type: none"> Activating engineering-based business Promoting the new green energy business Foreign business establishment and management | <ul style="list-style-type: none"> Improving the organizational operation system Building a competitive HR fostering system Establishing an enterprising corporate culture |

● Employee Status (unit: persons)



● View of the KEPCO KPS Head Office



Shareholder Composition

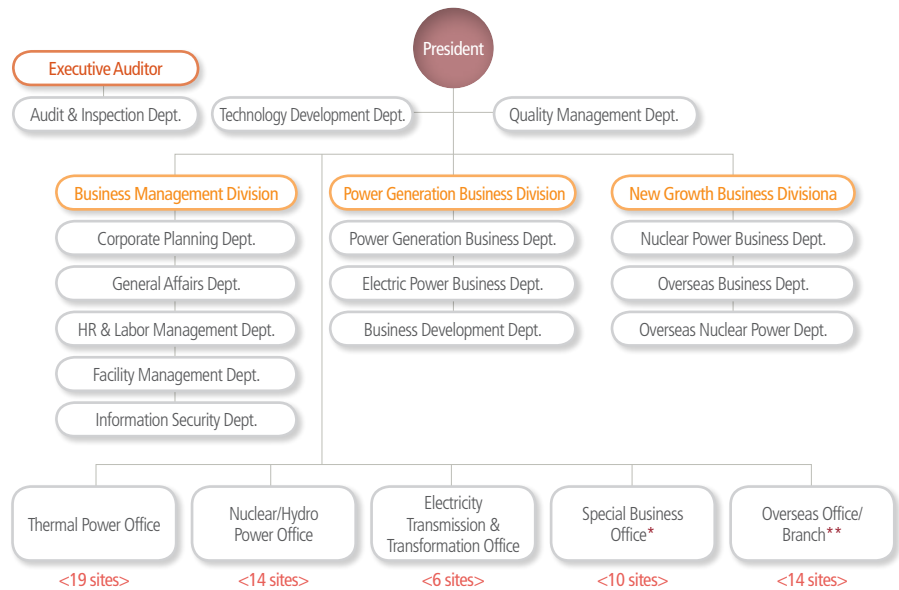
(As of Dec. 31. 2014)

| Category | Stocks | Share (%) | Explanatory Note |
|-----------------------|------------|-----------|--|
| Minority Shareholders | 13,886,316 | 30.86 | Including Employee Share Ownership Association |
| Largest Shareholder | 24,302,000 | 54.00 | KEPCO |
| Major Shareholders | 2,501,213 | 5.56 | National Pension Service |
| Other Shareholders | 4,310,471 | 9.58 | Over 1 % |
| Total | 45,000,000 | 100.00 | |

※ Employee Share Ownership Association: 182,391 stocks (0.41%)

Organizational Structure

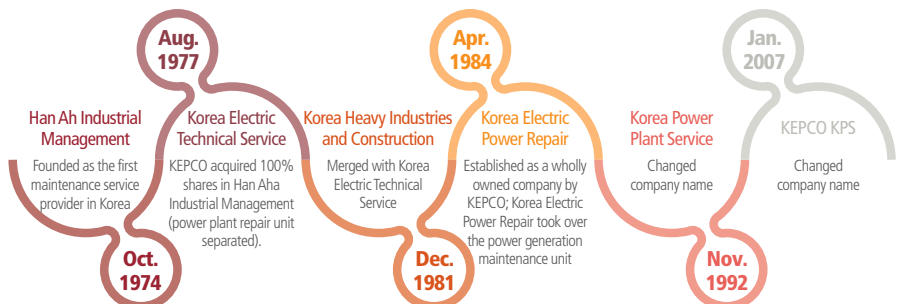
With its headquarter in Naju-si, Jeollanam-do, KEPCO KPS has three divisions and 14 departments at the head office, 49 domestic offices, and 14 overseas offices.



*Special Offices: Maintenance Technology Center (2), Training Center (2), Plant Business Center, Hwaseong, Anyang, Dongducheon, Technology R&D Center, Solution center

**Overseas offices (11) / branches (3): Chanderiya, Jharsuguda, Wardha, Ilihan, Daharki, Ambatovy, ATPS, Al-Manakher, Meghnaghat, BNPP test run, Bhavnagar, South Africa branch, UAE branch, India Branch

History



Business Performance and Goals

● Major Financial Performance Compared to the Previous Year

Financial Status (unit : KRW 100 million)

| Category | 2013 | 2014 | Change ratio |
|----------------------|-------|-------|--------------|
| Assets | 8,391 | 9,228 | 10.0% |
| Liabilities | 2,174 | 2,268 | 4.3% |
| Shareholders' equity | 6,217 | 6,961 | 12.0% |

Business Performance (unit : KRW 100 million)

| Category | 2013 | 2014 | Change ratio |
|------------------|--------|--------|--------------|
| Sales | 11,217 | 10,785 | -3.9% |
| Operating income | 1,830 | 2,131 | 16.4% |
| Net income | 1,515 | 1,668 | 10.1% |

Financial Ratios (unit : %)

| Category | 2013 | 2014 | Change ratio |
|---------------------------|------|------|--------------|
| Operating profit to sales | 16.3 | 19.8 | 3.5%p |
| Return on sales | 13.5 | 15.5 | 2.0%p |
| Return on Assets | 18.0 | 18.1 | 0.1%p |
| Return on equity | 24.4 | 24.0 | -0.4%p |

Management Performance and Goals

KEPCO KPS is actively participating in the government 3.0 plan and the public organization normalization policy and is doing its best to achieve the mid- to long-term strategic management plan "VISION 2020."

2014 Management Performance

Sales for 2014 stood at KRW 1.785 trillion. Likewise, thanks to efforts to increase stock values and active participation in aggressive business revision policies by the government, operating profits increased by KRW 30.1 billion (16.4%) to KRW 213.1 billion, and net profit during the term grew by KRW 15.3 billion (10.1%) to KRW 166.8 billion compared to last year.

● Status of 2014 Business Performance

(unit : KRW 100 million)

| Category | 2012 | 2013 | 2014 | Increase rate compared to 2013 (%) |
|---|--------|--------|--------|------------------------------------|
| Sales | 10,066 | 11,217 | 10,785 | -3.9% |
| Gross margin | 2,026 | 2,397 | 2,746 | 14.6% |
| Operating income (operating income ratio) | 1,422 | 1,830 | 2,131 | 16.4% |
| Net income | 1,179 | 1,515 | 1,668 | 10.1% |

● Performance in Each Business Sector

(unit : KRW 100 million)

| Category | 2012 | 2013 | 2014 | Increase rate compared to 2013 (%) |
|---|-----------|--------|--------|------------------------------------|
| Thermal power | 3,786 | 4,139 | 4,331 | 4.6% |
| Nuclear power | 2,865 | 3,813 | 3,906 | 2.4% |
| Electricity transmission and transformation | 586 | 574 | 614 | 7.0% |
| Foreign | 1,133 | 1,760 | 928 | -47.3% |
| Others (overseas) | 816 (796) | 931 | 1,006 | 8.1% |
| Total | 10,066 | 11,217 | 10,785 | -3.9% |

Thermal power sector

Following the rise in pipe and valve maintenance supplies and establishments, the thermal power sector recorded sales of KRW 433.1 billion, which is a 4.6% (KRW 19.2 billion) increase from last year.

Nuclear power sector

Given the increase in new contracts and rise in market wage costs, the nuclear power sector posted sales of KRW 390.6 billion; this is a 2.4% (KRW 9.3 billion) increase from last year.

Transmission and transformation sector

With the contract condition revision and rise in market wage costs, the transmission and transformation sector saw sales increase by 7% (KRW 4 billion) to KRW 6.14 billion compared to last year.

Maintenance technology sector

Following the reduction in supplies for the GT center and expedition center and the cancellation of solar power generator construction, the maintenance technology sector recorded sales of KRW 9.28 billion, which is a 47.3% decrease from last year.

Others sector

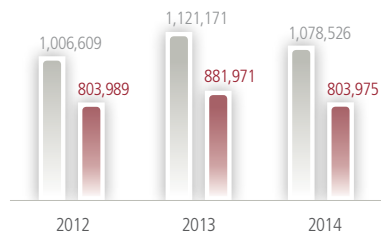
The others sector posted sales of KRW 100.6 billion -- a 8.1% increase from last year -- due to the increase in new overseas pipe and valve supplies such as Jordan, Al Manakher, Meghnaghat, etc.

Mid- and Long-Term Financial Plan Rolling

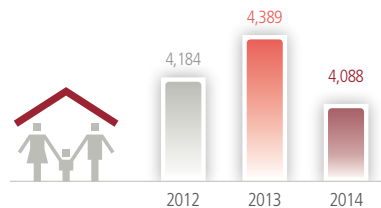
KEPCO KPS formulated a mid- to long-term financial plan (VISION 2020) in 2009. On this basis, response to changes in the domestic and foreign business environments has been fluid and reflective of the changes in the business environment and inspection of suitability of the mid- to long-term financial goals of VISION 2020. Moreover, financial plans have been internally stabilized by rolling them 3 times by 2014, and utmost effort is being made to secure financial integrity through improvements in profits and increase in sales. In addition, by establishing the mid-term financial plan (NEW&BEST 2016) in 2013 and by boosting efforts to reach the target, the mid-term goal was achieved with KRW 1.785 trillion in sales and operating profit rates of 19.8%.

Based on the 6th Strategic Supply and Demand Plans and promotion of strategic new projects considering internal and external profits, the mid- to long-term sales volume is projected to be KRW 1.4785 trillion in 2016, KRW 1.9423 by 2018, and KRW 2.4680 trillion in 2020. In addition, considering the increase in sales and reduction in expenses, operating profits are forecast to be KRW 216.9 billion in 2016, KRW 309.2 billion by 2018, and KRW 414.2 billion in 2020.

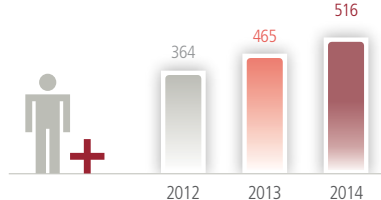
● Imports and Operation Expenses (unit : KRW 100 million)



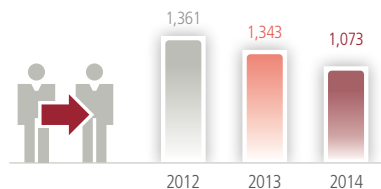
● Wage and Welfare Expenses (unit : KRW 100 million)



● Tax Expenses (unit : KRW 100 million)



● Local Community Investment (unit : KRW 100 million)



● Mid- and Long-Term Financial Plan

(unit : KRW 100 million)

| Category | 2013 (performance) | 2014 (performance) | 2016 | 2018 | 2020 |
|------------------------|--------------------|--------------------|--------|--------|--------|
| Sales | 11,217 | 10,785 | 14,758 | 19,423 | 24,680 |
| Operating income | 1,830 | 2,131 | 2,169 | 3,092 | 4,142 |
| Operating profit rates | 16.3% | 19.8% | 14.7% | 15.9% | 16.8% |

Direct economic value creation and distribution

Interest expense

KEPCO KPS has been maintaining non-borrowings management since 2001.

labor costs

Labor cost in 2014 stood at KRW 408.8 billion; excluding pensions of KRW 7.4 billion, however, it was KRW 401.4 billion.

Tax

Corporate tax expenses recorded on the income statement was KRW 51.6 billion in 2014, a 10.9% increase from last year.

Community Investment

2014 donations were pegged at KRW 1.1 billion (KRW 200 million reduction from last year) and were inclusive of charity for the poor, etc.

Government Subsidies

For the continued growth of the power industry and stable power supply and demand, KEPCO KPS has carried out power business and nuclear research tasks by receiving government commissions; specifically, it has been granted government subsidies for the "development and international recognition of a next-generation, automatic, non-destructive inspection of nuclear reactor for the export of nuclear power." In 2013, KEPCO KPS received KRW 1.1 billion for the inspection of the internal supporting structures and maintenance technology of nuclear reactors.

Moreover, in 2014, KEPCO KPS received KRW 400 million for "the 4th-year development and international recognition of a next-generation, automatic, non-destructive inspection of nuclear reactor for the export of nuclear power" and KRW 300 million for the "development of naked-eye steam generator inspection technology," for a total of KRW 700 million.

Currently, there are a total of six development tasks under operation; since the subsidies are managed directly in the RCMS* account rather than the company account, there will be no extra government subsidies according to the financial status lists since the subsidies received by the company will be recorded as commissioned task profits.

* RCMS(Real time Cash Management System) : Ministry of Trade, Industry, and Energy's Real-time combined research fee management system

Sustainability Management Strategy

● Code of Sustainability Management

Continuous growth

- One, we will search for new growth engines, enhance profitability, and boost corporate value through sound financial structure.
- One, we lead maintenance engineering technology development with incessant technological innovation.
- One, we improve management efficiency and secure competitive edge with routine and autonomous management innovation practice.

Righteous management

- One, we will enhance management transparency with strict business handling and openness based on ethical management.
- One, we will fulfill corporate social responsibilities through active sharing management.
- One, we will pursue the enhancement of values through partnership consolidation with all stakeholders.

Eco-friendliness

- One, we will strive to foster global talents possessing creativity and professionalism.
- One, we will strive to establish win-win labor-management culture and improve employee's quality of life continually through welfare enhancement.
- One, we will realize human rights management including employee's accident prevention, health enhancement, improvement of treatment of the socially underprivileged, and compliance with the prohibition on various forms of discrimination.

Valuing humans

- One, we will strive to foster global talents possessing creativity and professionalism.
- One, we will strive to establish win-win labor-management culture and improve employee's quality of life continually through welfare enhancement.
- One, we will realize human rights management including employee's accident prevention, health enhancement, improvement of treatment of the socially underprivileged, and compliance with the prohibition on various forms of discrimination.

Sustainability Management Strategy

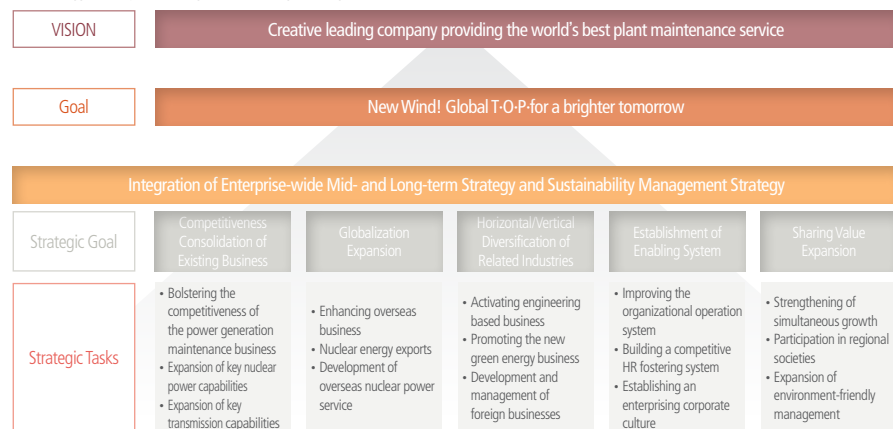
Under the vision of "Creative company providing the world's best power plant maintenance service," KEPCO KPS has chosen 5 strategic directions and 15 strategies to achieve the mid- to long-term strategy VISION 2020.

Strategy for Implementing Sustainability Management

To achieve sustainability management, KEPCO KPS has implemented 「New Wind! Global T-O-P for a brighter tomorrow」 as a goal, establishing and implementing actual policies reflecting the economic, social, and environmental aspects required by sustainability management as well as the will of the CEO for the realization of sustainability management.

* T.O.P (Transparency, Ozon-friendliness, Profitability)

● Strategy for Implementing Sustainability Management



Code of Sustainability Management

All our employees pledge to contribute to social, national, and human sustainable development by practicing sustainability management in the economic, environmental, social, and human aspects, helping fulfill the social responsibilities of KEPCO KPS as a leading power facility maintenance company and valuing all stakeholders. Likewise, we promise to grow continually and develop into the world's top comprehensive plant service company.

● Sustainability Management Organization



KPIs for Sustainability Management

In order to inspect periodically and revise the sustainable management goals and strategies, KEPCO KPS has drawn up and improved the lists of sustainable management key achievements by sector as follows, utilizing it for the decision and management of annual targets:

| Category | KPIs | Unit | Goal | | |
|---|--|--------------------|-----------|-----------|-----------|
| | | | 2014 | 2015 | 2016 |
| Competitiveness Consolidation of Existing Business | Sales | KRW 100 million | 11,815 | 12,619 | 14,758 |
| | Value-added Productivity per Person | KRW 1 million | 127 | 129 | 136 |
| | R&D Investment Ratio (to sales) | % | 5.0 | 5.0 | 5.0 |
| | Forced Outage of Company Imputations | Case | 0 | 0 | 0 |
| | Customer Satisfaction Improvement | Point | 90 | 90 | 90 |
| Globalization Expansion | Overseas Business Sales | KRW 100 million | 1,188 | 1,396 | 2,164 |
| Horizontal/Vertical Diversification of Related Industries | Sales from Renewable Energy | KRW 100 million | 185 | 278 | 452 |
| Establishment of Enabling System | Education Hours and Costs per Person | Hr/KRW 1 thousand | 80/1,800 | 81/1,900 | 82/2,000 |
| | Increase Rates of Female Managers | % | 5.0 | 10.0 | 15.0 |
| | Ratio of Hiring Disabled Employees | % | 3.0 | 3.0 | 3.0 |
| | Employee Satisfaction | Point | 82 | 82 | 82 |
| | Voluntary Turnover Rates | % | 1.5 | 1.5 | 1.5 |
| | Integrity Enhancement | Point | 9.7 | 9.7 | 9.7 |
| | Accident Rate | % | 0 | 0 | 0 |
| | Number of Information Security Lectures | Number | 2 | 2 | 2 |
| | E-procurement Ratio | % | 95 | 95 | 95 |
| | SMEs' Product Purchase Ratio | % | 83 | 86 | 90 |
| Sharing Value Expansion | Number of Social Contribution Activities and Hours | KRW 100 million/Hr | 11/49,000 | 12/50,000 | 13/51,000 |
| | Energy Use Reduction | % | 16 | 20 | 20 |
| | Reduction of Total Greenhouse Emissions | % | 16 | 20 | 20 |
| | Green Product Purchase Amount | KRW 100 million | 31 | 32 | 33 |

● UN Global Compact Support



● Selected as the Best Company in DJSI



UN Global Compact

KEPCO KPS joined the UN Global Compact in September 2007 to fulfill its social responsibilities and realize sustainability management. We declared support for 10 principles in such four fields -- human rights, labor, environment, and anti-corruption -- and presented Communication on Progress (COP) in November 2008. We actually reconfirm our support declaration annually.

By not only implementing these principles internally but also expanding their application to stakeholders such as customers, stockholders, government, small companies, part-time employees, regional companies, etc., efforts will be made to expand the paradigm of UN Global Compact to the entire society.

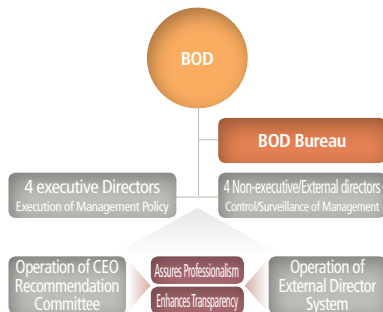
Incorporated into DJSI, Selected as the Best Company

We have been incorporated into DJSI (Dow Jones Sustainability Management Indexes) for 6 years in a row since 2009. We were also selected as the Industry Leader* for 2 years in a row in the support service field, and our sustainability management performance was certified externally. KEPCO KPS cyclically inspects the economic, social, and environmental responsibility implementation levels and improves the insufficient aspects continually.

* Industry Leader(Commercial Service and Supplies): Acquired the highest score (71 points) among a total of 41 companies subject to evaluation, Highest score among companies selected to DJSI World (65 points)

Corporate Governance

● Composition of the BOD



● Operational Process of the BOD

| | |
|------|---|
| D-20 | Prior demand survey of agenda |
| D-14 | Confirmation of the board meeting to be held |
| D-9 | Receipt of agenda |
| D-7 | Notice of convocation |
| D-3 | Prior explanation of agenda (email, reporting by visit) |
| vD | Holding of board meeting and notice of its results |

Corporate Governance

KEPCO KPS is doing its utmost to improve the company's competitiveness based on sound and transparent governance, and to earn the trust of its stakeholders and enhance their rights and interests.

Operation and Conflict Prevention Process

In accordance with the relevant articles and BOD regulations, KEPCO KPS deliberates and decides on major issues including its business goals, annual business plans, budget and closing accounts, major company rules, and key asset changes. The top executive body of KEPCO KPS approves aspects related to missions, strategies, policies, organizational goals and so forth, and receives the final report on aspects related to risk management. Key management issues related to sustainability are promoted through the implementation of mid-to-long-term strategic management plans, yearly business targets, etc. Also, with regard to pending issues, the planning team reports its findings in a BOD or separate executive director work report, and the top executive body conducts assessments in order to strengthen the policies and targets etc. related to economic, environmental and social aspects. In the event that any faults are identified in the reports, they are corrected in order to manage risks and, whenever necessary, associates participate in the BOD meetings to offer their opinions. Directors who have a special interest in BOD issues cannot by regulation vote on any decision pertaining to that issue. The proceedings of the BOD meetings are displayed on the home page and through the Ministry of Strategy and Finance's Alio systems to allow communication with the stakeholders. In order to prevent conflict of interest between the company and its directors, the latter are prohibited from engaging in any business that is of the same type as that of the company without the approval of the BOD, in accordance with the article of the commercial law that prohibits external work.

Board of Directors (BOD) and Shareholders Structure

The BOD is composed of eight members in total, including four executive directors (responsible for the execution of management policies) and four non-executive or external directors (responsible for the control/surveillance of management). External directors constitute 25% of the BOD, with the president serving as the chairman, as well as the CEO.

● BOD Composition

(All Male Directors, as of April 2015)

| Position | Name | Birthdate (M/Y) | Education / Career | Tenure |
|--|------------------|-----------------|---|-----------------------|
| CEO (Board Chairman) | Choi Yeu-geun | 02. 1953 | Public Administration Dept. of Dongguk University; Former Director of Business Management Division, KEPCO KPS | '13.11.08 ~ '16.11.07 |
| Executive Director (Head of Business Management Division) | Jeong Eui-heon | 10. 1955 | Masters Degree in Public Administration from Yonsei University; Former Head of Audit & Inspection Dept., KEPCO KPS | '14.01.28 ~ '17.01.27 |
| Executive Director (Head of; Head of Power Generation Business Division) | Maeng Dong-yeol | 01. 1958 | Electrical Engineering Major at Pohang; Former Head of Power Generation Business Division, KEPCO KPS | '14.12.09 ~ '17.12.08 |
| Executive Director (Head of New Growth Business Division) | Lee Seon-min | 02. 1957 | Majored in German Language and Literature at Sungkyunkwan University; Former Foreign Business Director, KEPCO | '14.08.22 ~ '17.08.21 |
| Non-executive Director | Lee Won-ju | 04. 1971 | Masters in Economics from the University of Colorado, Boulder, USA; Current Head of Energy Business at the Ministry of Trade, Industry and Commerce | '15.03.27 ~ '18.03.26 |
| Non-executive Director | Baek Seung-jeong | 08. 1954 | Masters in Economics from Kyungpook National University Graduation School; Current Head of Planning, KEPCO | '14.01.28 ~ '17.01.27 |
| External Director | Park Seon-gi | 03. 1954 | Masters from George Washington Law School; Current Professor at the International Graduate School, Sogang University | '14.01.28 ~ '17.01.27 |
| External Director | Lee Jae-gu | 11. 1951 | Masters in Industrial Information Management at Yonsei University Graduate School; Former Head of Technology, Korea Midland Power Co. LTD. | '14.12.09 ~ '17.12.08 |

Director Appointment Procedure

In order to appoint qualified directors equipped with expertise in the energy field and sound ethics, the CEO forms the CEO Recommendation Committee and recommends potential candidates at the general shareholder's meeting. Non-executive directors (with the exception of government directors), external directors and civilian members participate in the CEO Recommendation Committee, guaranteeing its independence. The executive directors ensure that policies are executed efficiently by appointing directors with the relevant qualifications, expertise and experience in the energy field. Also, non-executive and external directors are not viable for ineligibility as external directors and appoints directors with expert

● BOD Meeting

| Category | 2012 | 2013 | 2014 |
|---|------|------|------|
| No. of Meetings Held | 5 | 9 | 9 |
| Items to Decide | 15 | 22 | 24 |
| Prior Deliberation (%) | 100 | 100 | 100 |
| Items Reported | 7 | 6 | 7 |
| Attendance (%) | 79 | 78 | 84 |
| Statement Ratio of Non-executive Directors (%) | 91 | 100 | 95 |
| Management Proposals by Non-executive Directors | 12 | 14 | 15 |

knowledge in such fields as law, business, environment, economic, power industry etc. in order to maintain balance and contribute to the sustainable growth of the company through policy suggestions and business advice.

● Status of Business Consultations Based on the Expertise of Non-executive Directors

| Advice | Measures Taken |
|--|--|
| Active Management of Investment Bodies Following Stockholder Characteristics | Establishment of the 2014 IR Plan |
| Sincere Implementation of Normalization of Public Institutions | For the First Time among the affiliated companies Consultation with Labor and Management Concerning 14 Tasks Related to the Normalization of Public Institutions |
| Strengthening of Head Office Relocation Promotion | Release of the Company's 2015 New Year Commercial |
| Increase of Investment in Reinforcement of Information Security | Formulation of Measures for Strengthening Information Security |

Status of BOD Meetings

KEPCO KPS is actively identifying and introducing new business topics to the BOD for its stable operation. In 2014, nine meetings were held with an attendance rate of 84%. Notably, the agenda items are reported to the non-executive directors beforehand to increase their understanding of the issues involved. In 2014, non-executive directors delivered 95% of the statements during meetings.

Evaluation and Remuneration of the Board of Directors

The president signs a management contract with the Minister of Trade, Industry and Energy and is subject to management evaluations in the two categories of business management and key projects. Meanwhile, executive directors sign a management contract with the president, which includes key issues that must be resolved within the year; and the results of their work are evaluated according to the terms of the contract in an assessment conducted by the president. The board members' salary limits are decided at the general meeting of shareholders, and the wage standards and method of payment are decided by the BOD. In 2014, the wage of the highest paid person's at KEPCO KPS was 3.32 times the median wage of all employees. The wage standards of the president and the executive directors are decided by the BOD on the basis of the wage guidelines decided after deliberation by the Minister of Strategy and Finance with the public institution operative committee. Active wages are not offered to non-executive directors, government directors and KEPCO directors, whereas two external directors are granted active wages in line with the public institution wage limit guidelines.

* Median: In statistics, the median is the number separating the higher half of a data sample from the lower half

Board Activation and Role Consolidation

To ensure the efficient operation of the board, an annual board operation plan is established, and a support system is established and operated. The operation performance is assessed, and the result is reflected in the board meeting the following year. All in all, such an improvement program is in place at KEPCO KPS. The board operation assessment is conducted biannually; assessment is based on metric assessment criteria such as the director's attendance rate, the non-executive director's speech ratio, and the number of reported agenda items. Inadequacies are improved through feedback. To deepen the non-executive/external director's understanding of the company, we hold an onsite board meeting periodically to activate the board and offer management information via email. We also grant the right to access the corporate Intranet management information system to those directors. Non-executive/external directors not only deliberate on agenda items but also present policy suggestions, advise management by attending various committees within KEPCO KPS, act as judges for various contests within KEPCO KPS, deliver management lectures to employees, and contribute to KEPCO KPS's newsletters on key issues and policies. Overall, their roles have been strengthened through their active engagement in corporate management.

The Role Played by the Top Governance Body in Sustainable Development

The top administrative body of KEPCO KPS assists with the economic, environmental and social aspects through the Ethical Management Committee and the Commission for Corporate Partnership among other entities. Frequent communication with the stakeholders has been promoted through corporate meetings, the customer advisory committee, IR activities and the hosting of various meetings with similar organizations, thereby facilitating the regular discussion of economic, environmental, and social aspects. Furthermore, through the BOD, policies related to economic, environmental and social influences are periodically deliberated, with the related issues becoming key agendas, and the related risks, dangers and opportunities are assessed accordingly.

● Inspection of R&D Complex



● Inspection of Overseas Worksite



Risk Management

ERM



Business Environment Risks



Financial Risks



HR Risks



Risk Management

KEPCO KPS measures the various kinds of risks that can arise in its management activities in real time and operates the ERM system to manage them in an integrated manner at the enterprise-wide level.

Enterprise Risk Management (ERM) System

Through the process of core risk deduction, KEPCO KPS has identified the core risks as 'business environment', 'financial', 'human resource' (HR), and 'maintenance business' risks. The business environment risk is an indicator for monitoring the possibility of deviation by a major client and acceleration of the competition environment. As such, we manage our sales composition ratio, sales increase ratio, and private contract ratio. Financial risk is an indicator for managing the volatility of forecast sales and the forecast cost of sales; thus, we monitor the liquidity indicator through which we can identify the company's short-term liquidity risk. In particular, regarding the risk of exposure to various exchanges according to our plans for overseas business expansion, we measure and monitor the exchange risk using the VaR analysis technique. Finally, HR risk involves managing the technology qualification ratio, non-natural retirement ratio, and prescribed number of employees/current number of employees ratio in conjunction with the ERP system.

Investment Risk (PRM Deliberation Committee)



KEPCO KPS is promoting the achievement of the ambitious overseas and external business sales targets it has set to realize its VISION 2020. We have actually implemented a process designed to prevent and manage the various risks that may arise at each business stage and to promote systematic strategic business. At the investment project development stage, the Project Decision Committee and the Risk Management Committee cooperate to gather information and systematically analyse and assess the possible risks. Meanwhile, the PRM Deliberation Committee deliberates the validity of the project (suitability, profitability, risk), and the approval for investment reflects the mid-short term investment plans and funding plans in an effort to ensure both financial stability and profitability.

PRM Deliberation Committee

| Category | Details |
|--------------|---|
| Object | <ul style="list-style-type: none"> All projects involving annual fund allocation or investment Funds exceeding a certain volume (Buildings: KRW 1 billion/Information Business: KRW 1 billion/Industry: KRW 500 million) Securing of key funds requiring approval of the BOD Other projects requiring approval of the president, deliberation committee or chairman |
| Deliberation | <ul style="list-style-type: none"> Need for new investments, and risks Competitiveness and profitability Mid-long term investment sources etc. Suitability of investment period and volume Connectivity with the mid-long term management strategy, and importance |
| Validity | <ul style="list-style-type: none"> Strengthening of elastic investment adjustment ability ⇒ Reduction of fund allocation Efficient distribution of resources and enhancement of the investment effects by strengthening deliberations on financial validity Minimization of risk by assessments based on risk checklists by type (domestic or foreign investment) Improvement of response to potential dangers based on scenario analysis (Standard, optimistic, pessimistic) |

● e-Audit System



● Internal Control Assessment Network



● Results of Assessment of the Internal Accounting Management System (unit : cases)

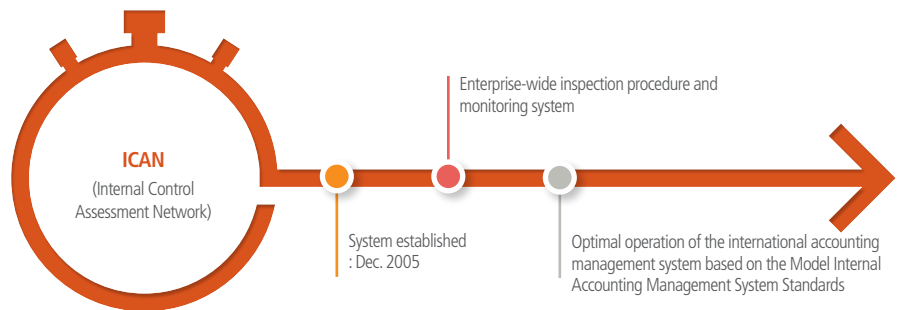
| Category | 2012 | 2013 | 2014 |
|--------------|------|------|------|
| Findings | 4 | 5 | 4 |
| Improvements | 4 | 5 | 4 |

Internal Audit

KEPCO KPS independently operates its internal audit organization as per the Act on Public Audits. The Audit & Inspection Department audits key executions or closing accounts and improves the business process through the consulting audit. This enables us to enhance corporate management efficiency and ensure reliability. The newly established audit infrastructure consists of an internal control system, an ethics management system, and an e-audit system to prevent risks in advance; in essence, we have built an institutional vehicle that guarantees the auditor's independence and professionalism. To prevent irrationality, we analyze audit information in various ways including internal accounting system assessment and result feedback, prior checking of notice documents and follow-up checks, prior auditing of key duties and budget execution, main accident investigation, e-complaint reporting center operation, and routine inspection. Thanks to this series of initiatives, we are able to identify risk factors and prevent risks in advance, as well as responding to crises and contributing to greater transparency.

Internal Control System

KEPCO KPS runs an internal control system to ensure transparency and reliability in the process of drawing up financial reports as per the Act on External Audits. It announces the company's operational status in annual business reports which it submits to the board and the auditors. To ensure transparent management through efficient operation of the internal accounting system and the voluntary risk control activities, we have carried out assessment management and certification using the Internal Control Assessment Network (ICAN).



Actions and Improvements Related to Internal Control Assessment

Following the internal accounting management system assessment conducted in 2014, five cases of control were added, with a total control case of 430, all of which were implemented at all our domestic business branches. As a result of the assessment, flaws in four cases were identified and the appropriate corrective measures were taken, and their recurrence was prevented by periodic inspections of the Internal Accounting Management System and enhancement of the capabilities of the managers through education.

Establishment of the Internal Accounting Management System According to the International Accounting Standards

We redesigned the internal accounting management system jointly with KEPCO-affiliated companies based on the international accounting standards and posted it to ICAN. This enables to actively address changes in the accounting environment including model internal accounting management system standards and the introduction of the International Financial Reporting Standards (IFRS).

Stakeholder Engagement

Results of Communication with Key Stakeholders



CEO Blog

In order to create an organizational culture of cooperation and communication based on the CEO's business philosophy, the CEO's blog (Sharing Happiness with the CEO) has been created to assist communication with employees in Korea and overseas.

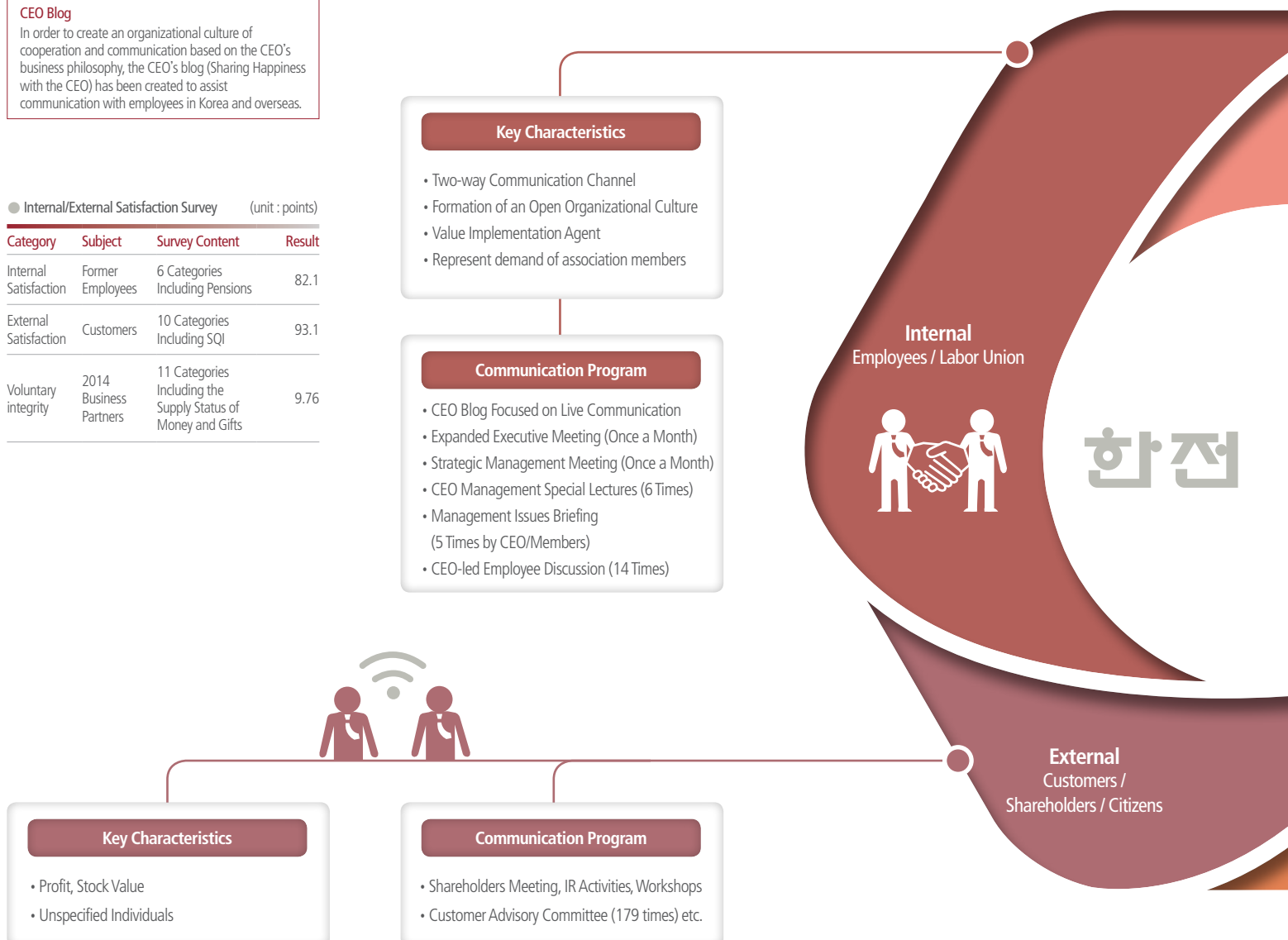
Internal/External Satisfaction Survey (unit : points)

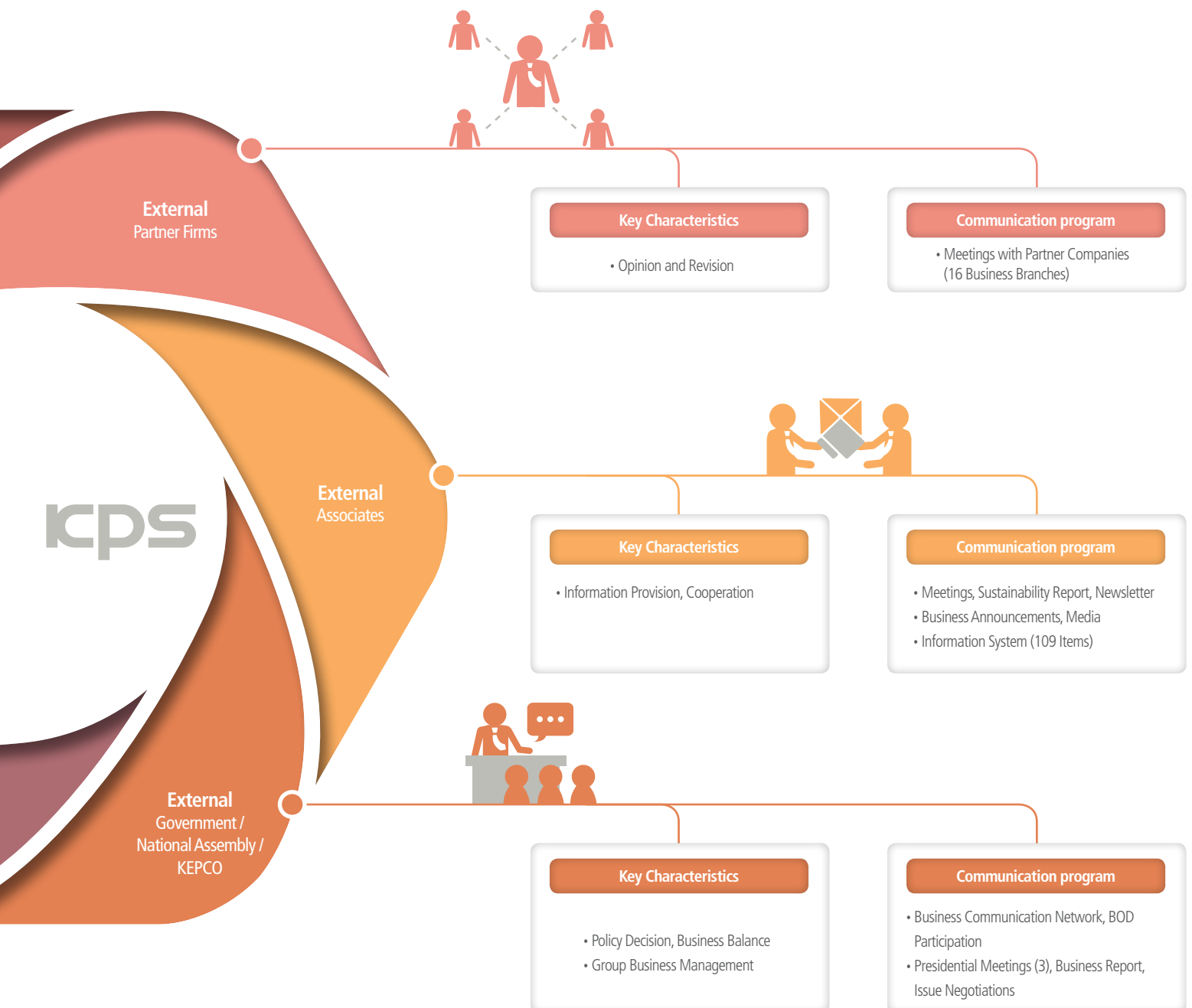
| Category | Subject | Survey Content | Result |
|-----------------------|------------------------|--|--------|
| Internal Satisfaction | Former Employees | 6 Categories Including Pensions | 82.1 |
| External Satisfaction | Customers | 10 Categories Including SQI | 93.1 |
| Voluntary integrity | 2014 Business Partners | 11 Categories Including the Supply Status of Money and Gifts | 9.76 |

Stakeholder Engagement

Based on the importance and influence of stakeholders upon its operations, KEPCO KPS classifies its stakeholders into employees, labor unions, customers, government, citizens, suppliers, and so forth. As active communication with the stakeholders has been identified as an important factor in the continued growth of the organization, the company is diversifying its means of communication through strategic management meetings and the CEO blog, etc.

Key Stakeholders of KEPCO KPS



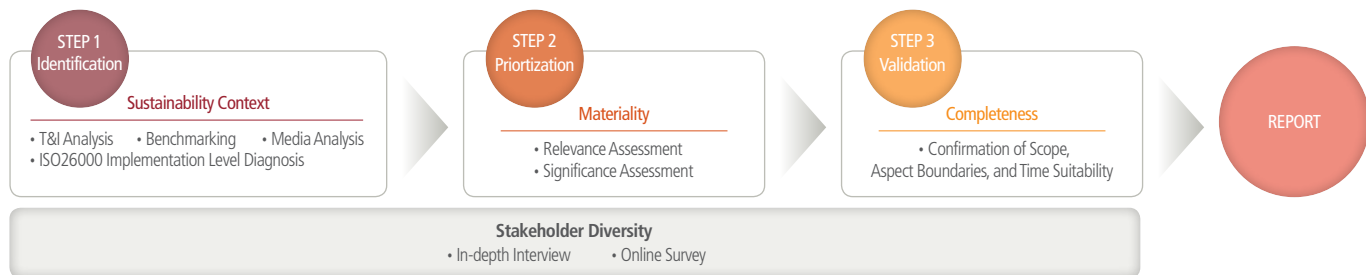


Materiality Analysis

Materiality Analysis

KEPCO KPS identified the various expectations and interests of its stakeholders, and initiated materiality analysis to identify sustainability issues. Whilst deciding on its sustainability priorities by implementing the GRI G4 guidelines regarding the materiality Analysis and the procedure provided by ISO26000, issues of interest raised by stakeholders were also reflected by using it in the mid-long term sustainability management strategy and the report's table of the contents.

● Process of Defining Material Aspects and Reporting Scope



STEP 1 Identification

In order to identify the related issues, KEPCO KPS conducted an analysis of its internal and external environments. In the process, KEPCO KPS conducted prior employee surveys, analysis of the issues reported by similar domestic and foreign companies, analysis of media articles released in the past seven years, in-depth interviews with stakeholders, analysis of the level of ISO26000 implementation, and relevance assessments based on the results.

STEP 2 Prioritization

The fifty-one issues identified to be of relevance to KEPCO KPS were sorted according to priority through an online survey of 107 stakeholders. The issues accorded priority were sorted in a Materiality Analysis matrix according to the stakeholders' interests and their effects on business.

● Status of Stakeholders' Responses

(unit : cases/%)

| Category | | Frequency | Percentage |
|----------|--|-----------|------------|
| Internal | Employees | 82 | 76.64% |
| | Labor Union | 5 | 4.67% |
| | Total | 87 | 81.31% |
| External | Government and Related Organizations | 1 | 0.93% |
| | Normal Shareholders and Investors | 1 | 0.93% |
| | Domestic Power Generation Firms (Power Rirms) | 15 | 14.02% |
| | Private Power Generation Firms (Other Customers) | 3 | 2.81% |
| | Total | 20 | 18.69% |
| Total | | 107 | 100% |

STEP 3 Validation

The validity of the identified sustainability issues was confirmed by an internal assessment and reflected in the report through feedback from stakeholders related to the sustainability management report, recommendations stemming from the ESG assessments of third parties, etc.

● Analysis of Related Issues

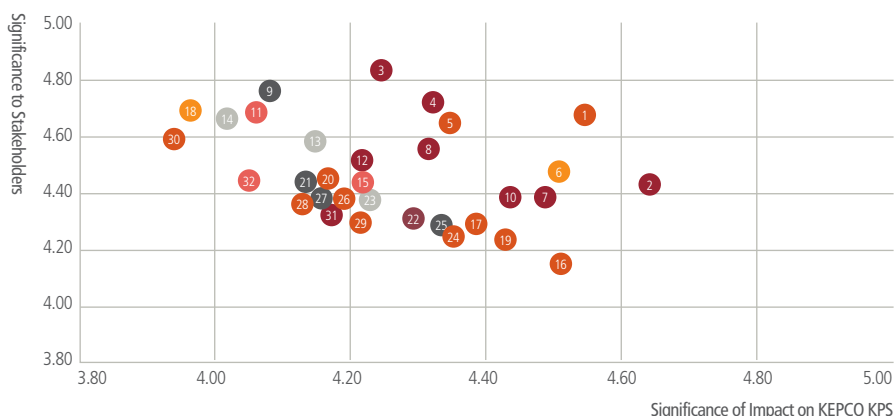
| | |
|---|---|
| TREND & IMPACT analysis | Survey on KEPCO KPS Employees |
| Benchmarking | Analysis of Issues Reported by Similar Domestic and Foreign Companies |
| Media Analysis | Analysis of Media Articles Released in the Past 7 Years |
| ISO26000 Implementation Level Assessment | Analysis of KEPCO KPS's Socially Responsible Management Standards and Identification of the Key Issues Based on an Analysis of the Level of ISO26000 plementation level diagnosis |
| In-depth Interview with Stakeholders | Designation of five Representatives among KEPCO KPS's Stakeholders and In-depth Interviews with Them |

● Trend & Impact Issues

| | |
|---|---|
| 1 Emphasis on the Importance of Talent Acquisition | 17 Non-discrimination |
| 2 Product and Service Labeling (Customer Satisfaction) | 18 Increase in the Rate of Compliance with the Regulations |
| 3 Increase in Demand for Customer Information Protection | 19 Increase in Demand for Employee Welfare and Rights |
| 4 Expansion of Nuclear Power Safety Problems | 20 Employment (Gender, New Recruits, Part-time) |
| 5 Labor/Management Relations | 21 Anti-competitive Behavior |
| 6 Increase in Demand for New Projects Related to Generators | 22 Compliance (Product Responsibility) |
| 7 Occupational Health and Safety | 23 Economic Performance (Profits, Government Subsidies) |
| 8 Increase in Demand for Product and Service Safety | 24 Anti-corruption (Strengthening of Internal Control and Protection of Internal Sources) |
| 9 Strengthening Importance of Cooperation Rights | 25 Local Communities (Social Contributions) |
| 10 Customer Privacy | 26 Increased Demand for Transparency |
| 11 Increase in Worldwide Connectivity | 27 Local Communities (Potential Influence) |
| 12 Diversification and Strengthening of Customer Demands | 28 Market Presence (Wages, Purchases, Employment) |
| 13 Responsibility for Voluntary External Agreements | 29 Respect for Employee Diversity and Equal Opportunities |
| 14 Falling Trust in Company | 30 Climate Change (Emissions) |
| 15 Saturation of International Power Plant Maintenance Market | 31 Marketing Communication |
| 16 Training and Education | 32 Globalization of Market, Competitiveness and Supply Network |

Results of the Materiality Analysis

KEPCO KPS chose 32 issues over the 4.25 average of the Materiality Analysis as the material issues of the company. The issues in which the employees and stakeholders were most interested in 2013/14 concerned the importance of discovering talents, the product and service labeling (customer satisfaction), the improvement of customer information security, and the expansion of nuclear safety problems.



Composition of Report

| Table of Contents | | Key Issues | GRI G4 Aspect | Report Boundary | |
|---|---|--|--|-----------------|----------|
| Sub-contents | Detailed Contents | | | Internal | External |
| Introduction | | <ul style="list-style-type: none"> 13 Responsibility for Voluntary External Agreements 14 Falling Trust in Company 23 Economic Performance (Profits, Government Subsidies) | <ul style="list-style-type: none"> • Economic Performance | | ○ |
| Competitiveness Consolidation of Existing Business | <ul style="list-style-type: none"> • Flawless Maintenance • Establishment of a Culture of Safety in the Workplace • Reinforcement of Quality Management • Increase of Customer Satisfaction | <ul style="list-style-type: none"> 2 Product and Service Labeling (Customer Satisfaction) 3 Increase in Demand for Customer Information Protection 4 Expansion of Nuclear Power Safety Problems 7 Occupational Health and Safety 8 Increase in Demand for Product and Service Safety 10 Customer Privacy 12 Diversification and Strengthening of Customer Demands 22 Compliance (Product Responsibility) 31 Marketing Communication | <ul style="list-style-type: none"> • Occupational Health and Safety • Product and Service Labelling • Customer Privacy • Compliance • Marketing Communication | | ○ |
| Globalization Expansion | <ul style="list-style-type: none"> • New Projects / Stabilization of Overseas Projects • Stabilization of UAE NPP Maintenance Business | <ul style="list-style-type: none"> 11 Increase in Worldwide Connectivity 15 Saturation of International Power Plant Maintenance Market 32 Globalization of Market, Competitiveness and Supply Network | | | |
| Horizontal/Vertical Diversification of Related Industries | <ul style="list-style-type: none"> • Procurement of Core Maintenance Technologies • Promotion of R&D and Commercialization • Diversification of Generator Facility Business | <ul style="list-style-type: none"> 6 Increase in Demand for New Projects Related to Generators 18 Increase in the Rate of Compliance with the Regulations | | | |
| Establishment of Enabling System | <ul style="list-style-type: none"> • Nurturing of Global Human Capital • Creation of a Happy Workplace • Establishment of Supportive Labor-management Relations • Stable, Ethical Management • Eco-friendly Management Expansion | <ul style="list-style-type: none"> 1 Emphasis on the Importance of Talent Acquisition 16 Training and Education 17 Non-discrimination 20 Employment (Gender, New Recruits, Part-time) 28 Market Presence (Wages, Purchases, Employment) 29 Respect for Employee Diversity and Equal Opportunities 5 Labor/Management Relations 19 Increase in Demand for Employee Welfare and Rights 24 Anti-corruption (Strengthening of Internal Control and Protection of Internal Sources) 26 Increased Demand for Transparency 30 Climate Change (Emissions) | <ul style="list-style-type: none"> • Employment • Training and Education • Non-discrimination • Market Presence • Diversity and equal opportunities • Labor-management Relations • Anti-corruption • Emissions | | ○ |
| Sharing Value Expansion | <ul style="list-style-type: none"> • Simultaneous Growth • Social Contribution | <ul style="list-style-type: none"> 9 Strengthening Importance of Cooperation Rights 21 Anti-competitive Behavior 25 Local Communities (Social Contributions) 27 Local Communities (Potential Influence) | <ul style="list-style-type: none"> • Anti-competitive Behavior • Local Communities | | ○ |

※ The report's boundaries signify the location in which a related issue occurs (inside or outside KEPCO KPS, or both). The boundaries were only marked in the impact category among the identified key material issues

Special Issue : Successful Regional Relocation to Naju-si

● View of New Company Building



With Naju City, KEPCO KPS put into practice the '1 Company, 1 Mountain Care' project, signing an agreement to care for Baemesan Mountain, a landmark of the Innovation City, and is currently carrying out various community service activities

● Baemesan Mountain Forest Care Agreement Ceremony



● Baemesan Mountain Forest Care event



Why this is special issue

In December 2014, KEPCO KPS relocated its headquarters to the Gwangju-Jeonnam Innovation New City in Naju-si, Jeollanam-do under the special law on balanced national development and the plans for the regional relocation of public institution headquarters established by the government. The relocation of KEPCO KPS's headquarters and the construction of new company building was undertaken in keeping with the national balanced development strategy, otherwise known as 'Public Institution Regional Relocation', which is aimed at thinning the concentrated capital area and carrying out independent regional relocations. This process of relocation is of utmost importance, as it will become the cornerstone for the next 100 years of KEPCO KPS.

Relocation Procedure

KEPCO KPS obtained approval of the relocation from the Ministry of Land, Infrastructure and Transport in December 2007, and completed the purchase of land in Naju, a Gwangju-Jeonnam Innovation New City in Gwangju. Thereafter, construction began in January 2012 and was completed after 30 months in July 2014.

Plans for Successful Relocation

Following the change in the environment due to the relocation project, similar overlapping capabilities of the organization were eliminated, and measures for rapid decision-making and the improvement of work efficiency - such as shifting authority directly to the workplace - were implemented. In addition, by collecting the opinion of employees leaving their family behind in Seoul or employees moving with their family beforehand, and reflecting these in the relocation plan, employees' discomfort was minimized.

Green & Intelligent New Company Building

KEPCO KPS's new company building covers a total land area of 52,785.9m² and has total floor space of 37,039.68m². As a 19-story complex with an underground level, it possesses a main building sector, a technological research sector, and employee welfare facilities. It has been designed as a Green & Intelligent Building, earning top ratings in the categories of environmental-friendliness, energy efficiency, and green building, and obtaining certification as a high-speed information and communication building. Around 500 employees of the headquarters moved in November 2014, and officially ushered in the new Naju era by starting work in new company building on 1 December 2014, in an advanced work environment that allows employees to remain efficient and focused.

KEPCO KPS, Advancing Together with the Local Community

To make its second leap forward, using the headquarters' regional relocation as the springboard, KEPCO KPS will progress together with the Innovation City. By creating new jobs and recruiting strong talents, utilizing the region's special products and commercial superiority, and engaging in active community service, KEPCO KPS will communicate and unite with the regional community as part of the plans to boost the regional economy and promote co-development. Through such efforts, KEPCO KPS will advance beyond domestic boundaries to become a leading company in the world market.

Special Issue : Employees' Safety

● Safety Signals



● Inspection by Safety Patrol Team



● Safety and Health Management System Certification



Why this is special issue

The safety of its workers is something that KEPCO KPS considers to be of the highest priority. To create a healthy workplace, considerable effort is being poured into the prevention of accidents through the implementation of various incident prevention measures, and potential dangers are being identified and eliminated through safety education and training.

Establishment of a Safety Culture Based on Basic Standards and Principles

The safety culture of KEPCO KPS begins with "devotion to basic standards and principles". The basic safety conditions are being observed, including danger preventative training such as morning exercise, notification of team members of work information and dangers etc., and photo taking after putting on safety attire. Furthermore, by placing top priority in all work operations on safety, visual (safety stickers, safety posters, etc.) and auditory (safety mannequins, audio guidance systems, etc.) safety systems have been implemented, safe work guidelines have been standardized, and various activities for the establishment of a safety-oriented work culture - including mandatory authorization of the safety manager before conducting potentially dangerous works, etc. - are in progress.

In order to strengthen the safety management of vulnerable workers, they are given basic safety and health education and on-site safety education (1hr), and safety tests are conducted during hiring, in an effort to eradicate 'safety blind spots'.

Safety Education Customized for Worksites

In order to enhance the safety management ability of its members, KEPCO KPS carries out a series of systematic safety education activities including workshops for health and safety managers, crisis and accident control leadership education for management inspectors, and legal safety education for health and safety associates, etc. In addition, standard safe work guidelines are implemented during exercises in the Human Resource Development and Nuclear Maintenance Training center in attempts to form habitual safety procedures. And the use of an automated external defibrillator (AED) is being carried out by third-party experts. Notably, through a specialized safety package produced for KEPCO KPS, the company is distributing health and safety materials customized for each workplace's characteristics and seasonal situation, and various education materials and safety notes from the HQ's Head of Safety Management, as well as establishing and operating rapid accident report systems.

Active use of the Health and Safety Management System

KEPCO KPS is striving to practice systematic safety management by conducting inspections of workplace safety, operating third-party expert safety patrols, and standardizing its safety patrol policies from the management inspector, etc.; and, by increasing its assessment of hazardous work, it is identifying danger levels and causes of various work tasks, allowing the formulation and implementation of suitable responses. Starting with Gori, Samcheonpo in 2013, KEPCO KPS obtained the KOSHA 18001 certification, and, as of 2014, has acquired the KOSHA/K-OHSMS 18001 certification for business branches with fewer than 50 employees, and is continuing to promote safety management systems.

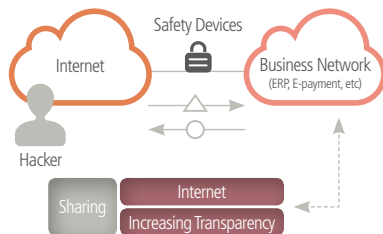
Special Issue : Information Security

● In-company Information Security Homepage

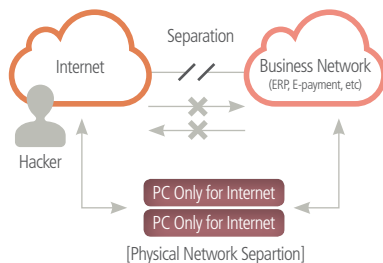


● Establishment of Physical Network Separation

Existing Web Environment
- Business Network Linked to Internet



Physical Network Separation
- Business Network Separated from Internet



● Data Processing Center



Why this is special issue

Due to the seriousness of cyber-terrorism, social interest in information security is increasing rapidly. KEPCO KPS is combating potential private and technological information leaks by internal and external employees by making consistent efforts to protect information and vital internal properties from advanced cyber-attacks and hacking, and is ultimately fulfilling its social duty as a public organization by adhering to the government's policies.

Revision of Related Policies

The company's guidelines on personal information protection have been set and revised in 2013 and 2014. With the implementation of new measures for strengthening the protection of personal information in 2014, we made efforts to prevent private information leak, strengthen support for business security management, and link channels to the development of technologies for the prevention of cyber-security incidents. Through the revision of a cyber-crisis response manual, a step-by-step response procedure for dealing with cyber-security incidents has been established.

Activities to Improve Awareness

Through the company's cyber information security activities, the changes in employees' awareness of information security and private information protection are being continuously managed. In 2013, inspections of the information security status of all the company's computers, email hacking simulation training, and inspections and complete maintenance of personal information (files) were carried out. In 2014, in-company homepage on information security was opened and breaches of the information security regulations were disclosed, and voluntary education on private information protection and the maintenance of private information files were carried out.

Stable Operation of Data Processing System

In 2014, KEPCO KPS invested approximately KRW 10 billion in the separation of its business network from its Internet network, and established a separation system for its data processing networks, while in January 2015 it initiated network separation in its business branches following the example of the head office. Through the operation of secure data processing systems, KEPCO KPS is earning public trust as a public organization, and is contributing to stable business management by preventing information leakage incidents via its internal technology, and to the strict management of private information. Also, since March 2015, the former Information Team has been promoted to the Information Security Center, where it is contributing to stable system operations.

KEPCO KPS's Efforts to Strengthen Human Security

Efforts for change, such as the strengthening of technological information security and policy revision etc., are most effective when conducted in tandem with efforts to raise the security awareness of employees, as the lack of awareness can lead to security incidents at any time. KEPCO KPS is doing its best to strengthen security by carrying out various types of information protection education for its employees on an ON/OFF basis, operating a new internal management performance evaluation index for compliance with cyber-security and increasing the penalty standards for those who breach the regulations, in order to give weight in responsibility.

Special Issue : Safety of Nuclear Power Plant

● Monitoring System



※ Grade Calculation Standards

| Breakdown Level | Score reduction |
|--------------------|-----------------|
| Major Breakdown | 5 points |
| Normal Breakdown | 1 points |
| Periodic Breakdown | 0.2 points |
| Minor Breakdown | 0 points |

● Integrated Preventative Inspection System



● Facility Information Management System



Why this is special issue

Despite the many innovative improvements made by the government and the nuclear power industry in the wake of the nuclear power problems that began with the 2011 Fukushima Tragedy, and continued with frequent breakdowns at domestic plants and the forgery of quality assurance documents, the people of Korea remain uncertain about the nuclear power problems. Maintenance efforts to ensure absolute nuclear safety are a vital task if the domestic nuclear power industry is to win back the public's trust and make progress once again.

● Recent Nuclear Power Plant Malfunction Breakdowns

(unit : cases)

| Category | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|------|------|------|------|------|
| Plants in Operation | 20 | 21 | 23 | 23 | 23 |
| No. of Breakdowns | 2 | 7 | 9 | 7 | 5 |
| Average no. of breakdowns (per plant) | 0.10 | 0.33 | 0.39 | 0.30 | 0.22 |
| HQ Imputation | 0 | 0 | 0 | 0 | 0 |

Efforts to Enhance the Nuclear Power Maintenance System

Based on the study of overseas models of nuclear power plants, implementation of onsite maintenance experience, government regulatory authority regulations, etc., KEPCO KPS operates maintenance management systems separated into seven categories including maintenance procedures, basic maintenance guidelines, maintenance operation plans, maintenance meetings (PJB), etc., to prevent sudden power outages. The workplace suitability of various maintenance support tools is being strengthened with the development of monitoring systems in order to strengthen the feedback from recent maintenance operations, and by standardizing the maintenance procedure manuals.

Establishment of a Integrated Preventative Inspection System

Existing preventative diagnosis systems were managed separately by each section such as vibration, oil analysis, current analysis, etc., making it difficult to obtain a combined, general diagnosis. Therefore, a combined preventative diagnosis system capable of providing information to a client firm before a general status inspection and breakdown occurred. Since 2014, all our business branches have installed this system.

Improvement of Anticipated Problems with Domestic Designs

Knowledge sharing among all nuclear power plants is achieved by researching defects that occur due to the deficient design of pumps and valves etc. aimed at new nuclear power plants and finding 29 cases by category, and feedback is being provided to the customers. In this way, any problems with designs can be detected in advance and rectified or improved upon.

Advanced Automated Maintenance Technology

KEPCO KPS has accumulated 35 years' experience of nuclear plant maintenance, and has ensured that 95% of its maintenance technology is independent due to technology cooperation with the original technology-owning companies. More recently, thanks to improvements in its own technology and the strengthening of R&D in order to become self-sufficient in original technologies, the implementing automated technology workplace is guaranteeing the safety of nuclear plants while at the same time reducing foreign exchange dependency by not relying on original technology and operating independently.

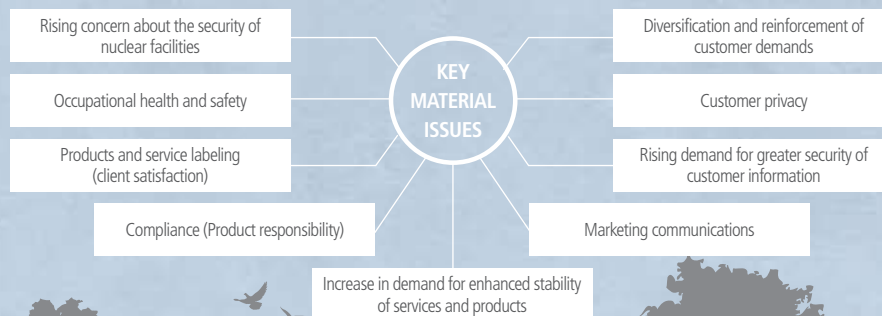
Competitiveness Consolidation of Existing Business

The Reason Why the Competitiveness Consolidation of Existing Business is Important for KEPCO KPS

KEPCO KPS's main mission is to "contribute to the stable supply of electricity to the nation by specializing in electric generation facility maintenance". To that end, increased competitiveness in the maintenance of thermal, nuclear and hydroelectric power generating facilities, along with the maintenance of facilities that transmit and transform electric power, is an essential task. KEPCO KPS aims to implement the necessary measures to consolidate the competitiveness of its existing businesses and fulfill its social responsibilities.

KEPCO KPS's Efforts to Accomplish the Competitiveness Consolidation of Existing Business

To promote its own development, KEPCO KPS has set itself the following strategic goals: execution of flawless maintenance, establishment of safety culture of maintenance site and enhancement of product quality and customer satisfaction management. In addition, responsible maintenance practices are achieved through timely execution of preliminary maintenance works to improve upon the operating ratios of its equipment, while preparing multiple scenarios and plans for responding to emergency situations in power generation facilities. KEPCO KPS also contributes to the creation of customer value while guaranteeing excellent quality and maintaining a competitive edge in the cutthroat competition of the global plant market.





KPS

- Established the 11 Rules of Workmanship
- Established a system for the maintenance performance process
- Implemented emergency restoration systems for individual areas

Flawless Maintenance

- Implemented KOSHA 18001 / K-OHSMS 18001
- Established systems in preparation for natural disasters

Establishment of Safety Culture at Maintenance Site

- Rated as the Korean company with the highest Quality Satisfaction Index for 3 consecutive years
- Selected as a company with top quality competitiveness for 16 consecutive years (first among public corporations)
- Enacted permanent 5S activities in all areas of maintenance
- Established the grounds for KEPIC quality

Enhancement of Quality Management

Enhancement of Customer Satisfaction Management

- Developed and implemented an App for an improved service manual for customer service

• No. of VOC measures 2,207



• No. of joint workshops with customers 53



• No. improvements to CS Quick-Win policy 275



• Customer Satisfaction Index(CSI) 93pts



● Interview

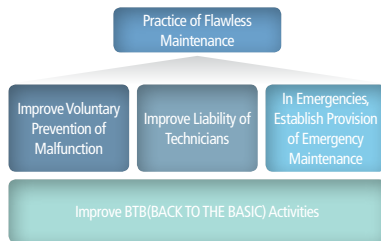
Jung Joo Back
Management Support Department Director
Ace Power Utility Service Co.,LTD



The generation maintenance sector is changing rapidly, as can be seen from the demand for differentiated services from clients, and the establishment of affiliated maintenance companies from power-generation companies. Therefore, a company-wide effort is needed to secure the competitiveness of KEPCO KPS in such areas as instilling all employees with a service-oriented spirit, improving production costs, and procuring advanced technology, etc. Also, since the generation maintenance sector is deeply related with the supply and demand for electricity, security measures and systems should be improved on a continuous basis with responsibility. I have high expectations for the future of KEPCO KPS as an excellent generation maintenance enterprise that maximizes customer satisfaction.

Flawless Maintenance

● Objectives of Flawless Maintenance



● The 11 Rules of Workmanship



● Declaration Ceremony for the 11 Rules of Workmanship



● Status of Overhaul Execution and Effect

| Category | 2012 | 2013 | 2014 |
|---------------------------|-----------|---------|---------|
| No. of plants overhauled | 105 | 89 | 99 |
| Time saved (days) | 290 | 86 | 98 |
| Reduction effect (MWh) | 2,045,974 | 760,409 | 663,591 |
| Avg. unit cost (KRW/kWh) | 90.32 | 87.73 | 89.62 |
| Cost reduction (KRW 100M) | 1,848 | 667 | 595 |

CONTEXT

It is expected that KEPCO KPS will become increasingly important given that the calls for greater security in nuclear plants have increased significantly since the Fukushima Tragedy. KEPCO KPS is focusing on enhancing the maintenance/support system by carrying out flawless maintenance works.

OUR APPROACHES & PROGRESS

Maintenance that Sticks to the Basics

Since man-made mistakes are the main reason for malfunctions in power-generating facilities, KEPCO KPS has drafted and implemented "The Eleven Rules of Workmanship" to prevent such mistakes and to conduct maintenance works that stick to the basics by enhancing the workmanship of its technicians.

● Establishment of the 11 Rules of Workmanship

| Progress of revising basic regulations | Efforts to establish distinct maintenance culture | | |
|--|---|--|--|
| | Declaration of Rules | Informing employees | Management |
| <ul style="list-style-type: none"> Brainstorming from HQ Maintenance tech team leaders conference Business leaders conference | Declaration Ceremony - July 19, 2013 | <ul style="list-style-type: none"> Permanent display Installation of banner and frames Stickers in all workplaces | <ul style="list-style-type: none"> Prepare self-diagnosis chart Recital of rules during morning exercise everyday Reward best cases |

KEPCO KPS's maintenance systems and man-made error prevention measures have been inspected by the INPO*; while the company itself has drawn up a mid/long-term maintenance enhancement plan aimed at improving its technicians' competencies and its service quality. It has also set 19 targets in 4 core areas, such as improving its technicians' capabilities, enhancing the maintenance process, strengthening the measures for man-made error prevention, and raising the standard of its technicians' overall workmanship.

Also, KEPCO KPS has standardized 6,208 procedural manuals, trained 17 professional man-made error prevention instructors, and created and issued a manual on the "100 basic rules of maintenance" for mechanics, electricity and measurement.

* INPO(Institute for Nuclear Power Operations) : A voluntary regulatory and inspection agency established

by nuclear businesses to share information and safely operate facilities as a result of the TMI nuclear power plant accident (1979) in the USA

Perfect Execution of Overhaul

Since overhaul of power plants is a large-scale procedure that includes the complete disassembly of parts in order to check and enhance the credibility and capacity of power generation facilities, KEPCO KPS has established a systemic procedure in which maintenance sheets are used for different items of equipment (turbines, boilers, electrical installations, measurement installations, etc.), capacities, fuels (wind, nuclear, complex, hydroelectric, etc.).

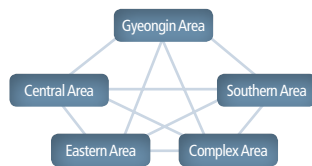
Also, in order to extend the performance periods and shorten the time required for maintenance works, KEPCO KPS has implemented maintenance liability, which includes the implementation of a support system for individual areas such as optimum process control, specialized maintenance offices, while including energy saving equipment. As a result of such efforts, flawless maintenance and time-efficiency has been achieved, thereby saving client firms approximately KRW 59.5 billion (assuming that average unit costs are 89.62/kWh).

Establishment of a Maintenance System for Stable Electricity Supply

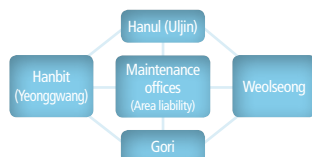
KEPCO KPS is the only professional maintenance firm with a national maintenance network comprising a headquarters and forty-three base facilities for preventing the malfunction of overhead connection wires (13,376km, 42,081 pylons). Through operation of eighty malfunction prevention patrol teams, execution of maintenance liability policy per line and incentives for efforts to prevent malfunctions, KEPCO KPS is operating the optimal system dedicated for the stable supply of electricity.

● Operation of Emergency Restoration Systems in Individual Areas

| Category | Base Facility | Regional Facilities |
|---------------|---------------|---|
| Thermal | | |
| Gyeongin Area | Pyeongtaek | Incheon, Seoul, Yeongheung |
| Central Area | Boryeong | Taeon, Seochon |
| Southern Area | Samcheonpo | Hadong, Yeosu, Honam, Jeju |
| Eastern Area | Ulsan | Busan, Yeongnam, Donghae, Dangjin, Ulsan Complex |
| Complex Area | West Incheon | Bundang, Ilsan, Gunsan, Yeongwol, Incheon Complex, Pyeongtaek Complex |



| Nuclear · Hydroelectric | | |
|-------------------------|------------|---|
| Gori | Gori1 | Gori2, Singori1, 2Sancheon, Samrangjin |
| Hanbit (Yeonggwang) | Hanbit1 | Hanbit2, Hanbit3, Muju |
| Weolseong | Weolseong1 | Weolseong2, Weolseong3, Yecheon, Cheongsong |
| Hanul (Ulsin) | Hanul1 | Hanul2, Hanul3, Yangyang, Cheonpyeong |



| Electric Transfer | |
|-------------------|-------------------|
| Area 1 | Seoul + Jaechon |
| Area 2 | Daejeon + Gwangju |
| Area 3 | Busan + Daegu |



Also, KEPCO KPS focuses on ensuring a stable supply of electricity through the operation of electricity supply teams in summer and winter, when power reserves are low; operates an expert general diagnosis service for the early discovery of facility faults; and carries out voluntary malfunction prevention activities such as the patrol of facilities during power generation.

In emergency situations, KEPCO dispatches a restoration task force to the facility in question to recommend optimum maintenance plans based on an analysis of the problem, and provides a restoration service through its superior personnel and networks, thus improving the use of equipment in client firms. In addition, analysis of the causes of accidents with are made for fundamental prevention and adjustment plans, and other offices are informed of such cases.

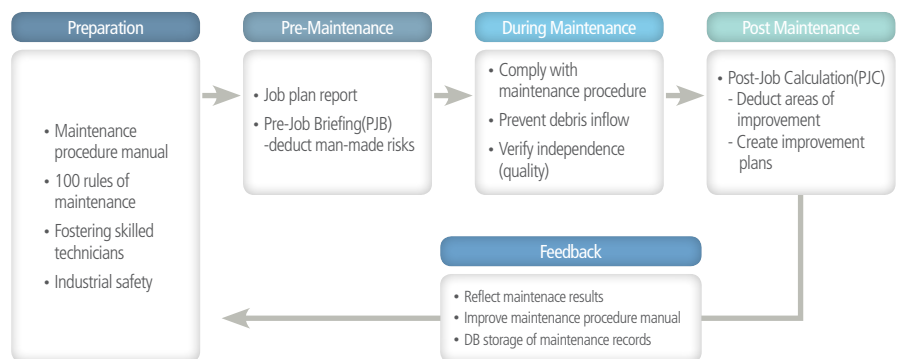
Procurement and Supply of New High-capacity Equipment Maintenance Technologies

KEPCO KPS is striving to ensure the stable operation of electric power facilities by securing new maintenance technology for the turbines and boilers of the nearly completed 1000MW high capacity generator (Samcheok Units 1 and 2; Dangjin Units 9 and 10; Sinboryeong Units 1 and 2), which is the first such generator in Korea. KEPCO KPS also supplies its superior maintenance expertise during overhaul and test operation maintenance by securing technological independence through education from foreign producers of turbines, boilers, and new gas turbines (M501J, Siemens).

Differentiation of Maintenance Quality

KEPCO KPS has established a maintenance process encompassing every step from preparation and pre- and post-maintenance to feedback based on its 40 years of accumulated power plant expertise.

● Maintenance Management System



KEPCO KPS will cooperate with private maintenance firms to establish and implement such maintenance systems, support the overall improvement of maintenance, and consolidate the competence of private maintenance firms.

KEPCO KPS is the only firm that possesses maintenance technology for power transmission wires (66kV~765kV), as well as possessing three new technologies for electricity-related maintenance, and forty industrial property rights. In addition, KEPCO KPS is playing a leading role in the development of overhead connection facility maintenance technology by developing a 765kV wire connection technology which enables making corrections without causing power failure, and a smart monitoring system that allows real-time monitoring of the construction site, etc.

NEXT STEP

KEPCO KPS also contributes to enhancing facility usage by providing a differentiated service including the voluntary prevention of malfunctions, preventative and predictive maintenance with regard to all-time peaks of power demand, and constant operation of a prompt restoration service among others. We will continue providing a flawless maintenance service to improve KEPCO KPS's image, and do our utmost to satisfy the needs of our customers.

Establishment of Safety Culture at Maintenance Site

Disaster and Safety Management



- KEPCO KPS, a company that is free from industrial accidents and disasters!
- KEPCO KPS, a company that respects human life and places human safety above all other considerations!
- KEPCO KPS, a company that provides a high-quality service with the utmost safety!

TBM-Toolbox Meeting Procedures



Safe Work Procedure



CONTEXT

In recent times there has been an increase in industrial accidents, which have served to hinder the sustainable development of companies. KEPCO KPS aims to implement diverse prevention programs to create a working environment that is free from every kind of accidents, disease, and disaster.

OUR APPROACHES & PROGRESS

Health and Safety Management System

KEPCO KPS is developing a wide range of safety measures based on its implementation of the KOSHA 18001 and K-OHSMS 18001 health and safety management systems. Danger assessments are conducted for every work operation in order to have the affiliated offices prepare for the dangers, while frequent monitoring is conducted to ensure that the safety measures are being implemented.

Also, a 'safety permission system', under which work can only start once the safety director has given the green light, and is conducted under active prevention and monitoring by supervisors, has been adopted.

Safety education is provided for everyone from new recruits to head executives, while such policies as TBMs (Tool Box Meetings), PJBs (Pre-Job Briefings), 'hazard' cautious' work orders, permission to use fire-related equipment, etc. also are implemented to prevent disasters.

Continuous Safety Management for Zero Accidents

KEPCO KPS's safety management team has established a safety package in the Enterprise Portal for the efficient implementation of a health and safety and disaster-prevention-support program based on cooperation. This package includes accident case studies, reports, procedure manuals, safety-related legislative information and educational materials (including videos, PT, hwp).

The company's workplaces are working to guarantee employee safety by utilizing the optimum safety education materials for different jobs, and by improving the eleven cardinal rules of health and safety, as well as implementing safe work procedures in daily operation.

Also, field visits for safety inspections/guidance along with education is supported. In particular, communication and information sharing between partners has been facilitated by providing various forms of support from safety gear to workplace safety manuals.

Major Indices for Occupational Safety

Incidents rates / No. of Incidents

(unit : %/case)

| Year | Industrial Incidents Rate | | | No. of Incidents |
|------|---------------------------|-----------------------|------------------|------------------|
| | KEPCO KPS | Construction Industry | Overall Industry | |
| 2011 | 0.03 | 0.74 | 0.65 | 7 |
| 2012 | 0.05 | 0.84 | 0.59 | 11 |
| 2013 | 0.04 | 0.92 | 0.59 | 12 |
| 2014 | 0.03 | 0.73 | 0.53 | 8 |

※ Incidents rate (converted disaster rates) = no. of victims/all-time workers × 100

● Safety Package System



● Safety Implementation System and Activities

Zero safety accidents by instilling safety awareness

Consolidate workers' safety awareness Reinforce management supervisor's safety management mindset

OHSMS activation

- KOSHA 18001
- Operation of safety patrol
- Operation of procedures/safety work standards
- Execution of threestrikes-out system
- Safety guidance inspection

Safety training substantiation

- Specialist training by hierarchy and power generation source
- Application of training center's practical training on standard safety procedure
- Activation of safety experience training
- Computerization of safety training data

Safety culture establishment

- Devising safety brand and catchphrase
- Making the 11 basic health and safety rules a habit
- TBM/PJB operation
- Observance of Safety Inspection Day
- Team leader's letter on safety

Fortification of accident safety management

- Prevention measure for seasonal accident
- Ensuring preparedness against natural disasters
- Participation in government's emergency training (Safe Korea Training)
- Execution of training to respond to crisis, organized by management

● Major Disaster Response Manual



Industrial Health and Safety Committee

KEPCO KPS operates an Industrial Safety and Health Committee composed of around nine people in each of fifty of its major offices, the labor-management union conducts this function at its smaller offices. These committees gather and implement the recommendations from each office to enhance the health and safety of workers.

Each Industrial Safety and Health Committee meeting is held every quarter to deal with such issues as the current status of health and safety at company work sites, and draws up plans for the prevention of industrial accidents and hazards. The results of the meetings are disclosed to all employees, and the efforts to create a safer and cleaner working environment are revealed.

Disaster Management Systems and Emergency Procedures

KEPCO KPS operate a drill-based training system to respond to seasonal natural disasters including typhoons and monsoons; while considering the time for construction. Also, closer communication among the Ministry of Trade Industry & Energy, power plants, and KEPCO has resulted in enhancing the company's capacity for information exchange and the drafting of situation reports, thereby strengthening disaster response capabilities.

Also, the role of control leaders is being strengthened by providing supervisors with control leader education for disaster situations, while the distribution of the Major Disaster Response Manual enables a systemized, efficient response to hazards.

Health Management

KEPCO KPS appoints a health manager at its twenty-two major offices to take responsibility for the provision of on-the-spot first aid and worker welfare, while its fifty other offices entrust the service to health management agencies. The management of individual workers' health data has enabled KEPCO to carry out improvements and implement more effective healthcare policies.

In addition, employees undergo special annual checkups deafness, while workers who are exposed to chemicals undergo liver and blood checks, etc. Also, workers' medical fees for comprehensive medical testing are covered, and nuclear plant workers are given annual radiation tests.

Workers diagnosed with illnesses can consult with the relevant agencies or health managers who compile workers' health records, allowing regular checkups of workers' health. In-house education is carried out for the prevention of musculoskeletal disorders, including stretching exercises and activities to help workers to increase the flexibility of their joints and muscles.

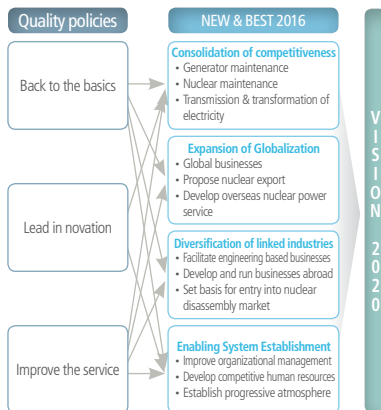
In addition, detailed customized exercise prescriptions are given to workers to increase their levels of stamina, while monthly "Sports Day" is designated to improve the health and fitness of workers.

NEXT STEP

KEPCO KPS will continue its efforts to develop its safety management practices by publishing its Major Disaster Response Manual, and settling an MOU with the Korea Occupational Safety and Health Agency (KOSHA). In addition, we will focus on creating an infrastructure that strengthens safety education and allows employees to work in a safe and healthy environment.

Enhancement of Quality Management

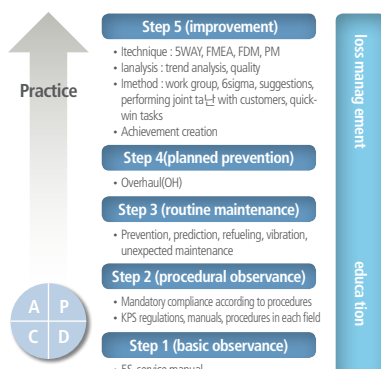
Quality Management Master Plan



Quality Policies



KPS-Way TPM Steps



CONTEXT

KEPCO KPS is aiming to 'lead customer value' through VISION 2020 and the quality management master plan, and thereby better meet management environments and customer needs.

OUR APPROACHES & PROGRESS

Quality Innovation Strategies

KEPCO KPS has declared its quality policies on the master plan as 'leading consumer value with the best service quality'. In order to realize this, detailed plans such as "back to basics," "innovation of quality," and "improving service quality" derived from the opportunities and threats of the company's SWOT analysis, while utilizing BIS* activities as the main means of implementation.

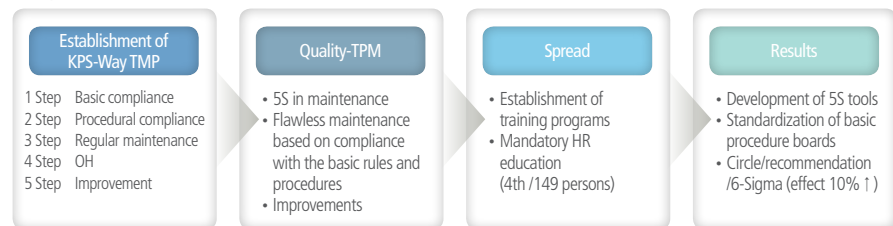
* BIS Campaign (Basic, Innovation, Service): As an activity to innovate service quality, this campaign is combined with guarantee work (Basic), improvement work (Innovation), and customer satisfaction work (Service)

Creative KPS-Way TPM Activities

In order to lead the power plant maintenance market, KEPCO KPS has improved upon the existing TPM and created the 5-step KPS-Way TPM, which consider companies without equipment. To spread the KPS-Way TPM throughout the company, we devised "strengthening capacity through TPM implementation" as a regular training curriculum. We also operate a mandatory training program linked to the personnel management system.

The KEPCO KPS-Way TPM is divided into the following five steps: Step 1. Basic Compliance; Step 2. Procedural Compliance; Step 3. Regular Maintenance; (predictive/preventative maintenance); Step 4. Overhaul (OH); and Step 5. Improvement.

Implementation of KEPCO KPS TPM



Invention of Standardized 5S Tools

KEPCO KPS conducts the M-Area (M: Maintenance Area, My Machine Area, My Area) activities as a form of TPM, i.e. the securing of individual areas of work and the keeping of liability for maintenance and 5S activities. This is a 5S activity that considers the fluidity and flexibility of the workplace, which requires 'mobility', 'storage', and 'convenience'. Also, ideas contests have been held, and test groups in offices are pilot testing experimental products.

Also, four types of frequently used 5S tools were manufactured and distributed (2,513 tools), and are now under the process of implementation in the work sites through monitoring. The "Plywood stickers" has been patented and secured as intellectual property.

● Patent for 5S Tools



● Standard Equipment for 5S Activities

Fences for Maintenance Area Parameters



Self-assembly Recycling Bins



Plywood Stickers



Equipment protection mats



● International Convention on Quality Control Circle 2014



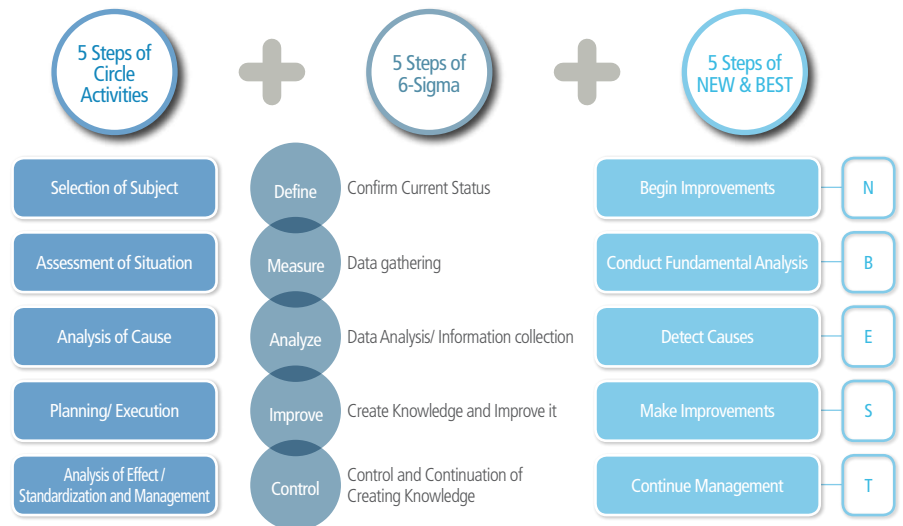
● KEPIC Certificate



Creative Improvements

The original improvement procedures including circle activities, recommendations, and 6-Sigma activities were inadequate for KEPCO KPS's unique environment, created organizational friction, and made it difficult to achieve positive results. After compiling the results of various tests and collecting diverse opinions, KEPCO KPS completed the KPS-Way of Improvement, an internally-created method that combines and simplifies three traditional methods, and which uses the five steps of 6-Sigma (DMAIC) and the five steps of NEW & BEST.

In this way KEPCO KPS was able to achieve solid results, as well as winning prizes (ranging from 1st~3rd) in numerous competitions. It also was elected as the representative in international competitions, and received an "Excellence Award" for two consecutive years at the International Convention on Quality Control Circle in 2013 and 2014.



KEPIC* Quality-based Establishment

KEPCO KPS carries out mock design, purchase, creation, construction and inspection procedures to participate in the manufacture of nuclear safety products.

It has also acquired the certification of all its procedures and documents from the Korean Electricity Association based on KEPIC compliance tests in 2012 and 2013, thus securing the basis for future development activities at KEPCO KPS including participation in the disassembly of nuclear power plants.

* KEPIC (Korea Electric Power Industry Code) : Specific conditions that stipulate the technical requirements (design, manufacture, construction, inspection) concerning the safety and quality of electric facilities and equipment

NEXT STEP

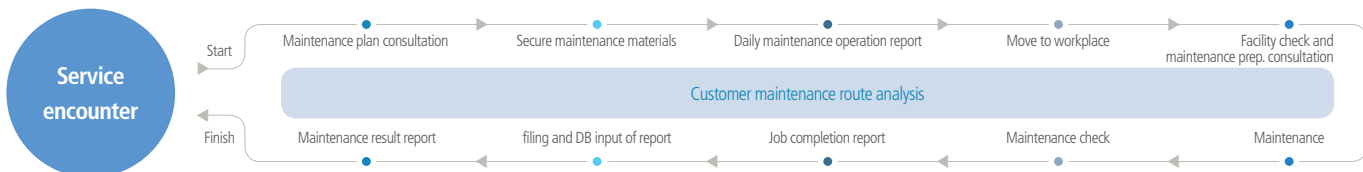
KEPCO KPS conducts 5S activities in the workplace at all times, which includes establishing the KEPIC quality base, etc. We plan to continue as the company with the highest rate of customer satisfaction with our quality by conducting internal diagnoses and pursuing continuous innovation and improvement.

Enhancement of Customer Satisfaction Management

Customer Charter



Service Encounter System



Service Practice Standards

| Service Practice Standards | | |
|----------------------------|--|--|
| Customer Charter | Core services | Customer service |
| | Information of: • Maintenance quality • Technological quality • Contracts • Customer service | <ul style="list-style-type: none"> • Basic manners • Responsive attitudes • Customer participation / recommendation • Standard for service encounters • Treatment and compensation for inadequate service |

Smartphone 'App' Development



CONTEXT

In order for KEPCO KPS to become a fully sustainable company, customer satisfaction is the most basic priority. To that end, KPS has established a service performance process, pledged to fulfill the Customers' Charter, and set the service identity(SI) to "Feel the Master's Touch!" This allows consumers to feel the world-class quality maintenance service offered by KEPCO KPS. Furthermore, the phrase is designed to appeal to the emotions and further enhance the company's image.

OUR APPROACHES & PROGRESS

Establishment of the Service Practice Standards

KEPCO KPS's customer service system consists of the Customers' Charter, the core service performance standard, and the standards for the customer service process. The core services standard includes a promise to provide only the finest service to customers, encompassing information on maintenance quality, technological quality, contracts, and customer service.

Customer Service Activity

KEPCO KPS has implemented a system of customer service that includes basic manners (communication), a responsive attitude (politeness in responding to consumers), participation and recommendations of the customers, service encounter standards (manners and appropriate attitude and responses during encounters), and the handling of and provision of compensation for inadequate customer service.

"Service encounters" covers the maintenance route of the customer and the handling of problems and complaints that can arise during maintenance, by providing the standards and the methods of responding to such situations. This system has shown positive results in terms of "customer satisfaction scores, cautions, and service tips."

In this way, problems can be resolved and KEPCO KPS can state its opinion, while keeping the position of the public firm with the highest customer satisfaction rates.

Maximization of Service Quality Manual Performance

KEPCO KPS has labeled the service quality manual (based on the service performance process) mandatory for all employees, and enhanced the accessibility of service encounters. The performance of the manual has been maximized by conducting quality audits, and is being used on a real-time basis through the development of a smart-phone app for employees.

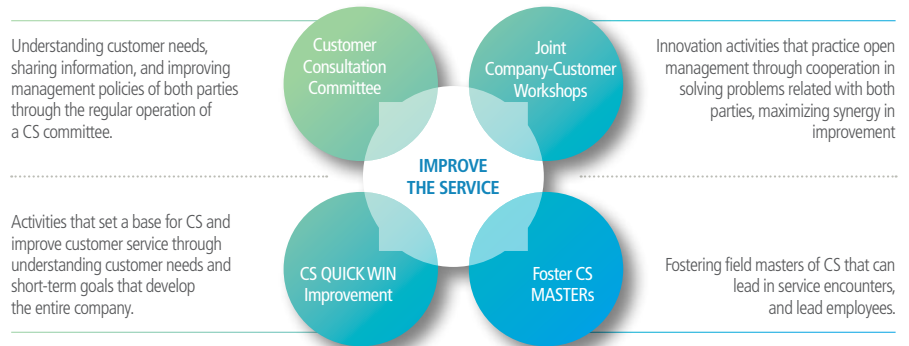
● Results of CS Quick-Win Improvements

| Category | 2013 | 2014 |
|---------------------------|--------------|--------------|
| No. of Improvements | 255 | 275 |
| Resulting Cost Efficiency | ₩227.749mil. | ₩497.809mil. |

Unique Deployment of CS Activities

KEPCO KPS has formed Customer Consultation Committees, operates Joint Company-Customer Workshops, pursues CS Quick-Win Goal Improvements, and fosters CS Masters through perfect maintenance service activities that enhance the value of both the company and the customers.

It achieved the highest-ranking results of 2,207 VOC actions in 2014, 53 joint workshops, and 275 improvements under the CS Quick Win plan.



● Customer Satisfaction

| Category | 2012 | 2013 | 2014 | avg |
|----------|------|------|------|------|
| CSI | 92.8 | 93.0 | 93.1 | 92.9 |
| SQL | 9.16 | 9.21 | 9.23 | 9.20 |

Customer Satisfaction Monitoring and Information Protection

KEPCO KPS conducts CSI and SQL research on a regular basis to monitor and improve customers' satisfaction with its service. The company's goal is to obtain a score of 90, which represents the highest level in the business. KEPCO KPS has consistently achieved a score of 93 for the past three years, which is the highest level in the industry.

In order to understand customer needs, KEPCO KPS has to utilize its customers' information. As a result, customer information is stored on ERP (under The Act on the Protection of Personal Information) only after receiving the customers' consent to the use of their personal information. Such information is protected by restricting the collection of data to names and contact information, while access to that information is restricted to authorized personnel.

CS Management Innovation Results

KEPCO KPS has achieved a "Grand Slam" in the area of quality management innovation by winning the National Quality Grand Prize, the National Hall of Fame for Service, and the National Quality Award - a first for a public firm.

KEPCO KPS is fulfilling its duties as an adventurous and benchmarking firm, earning designation as "the company with the highest quality satisfaction index" for three consecutive years.

Recognizing that customer satisfaction cannot be achieved in a day, KEPCO KPS is working tirelessly to become a leading company in the field of CS management innovation.

NEXT STEP

KEPCO KPS has also established and deployed a "customer satisfaction management system" with a one-stop service to "lead customer values." It is also aiming for a customer satisfaction score of 90 by 2015, by monitoring and improving customer satisfaction, establishment an emergency restoration service, and conducting a capacity diagnosis in order to create customer value.

● Grand Slam for Product Quality Innovation



Globalization Expansion

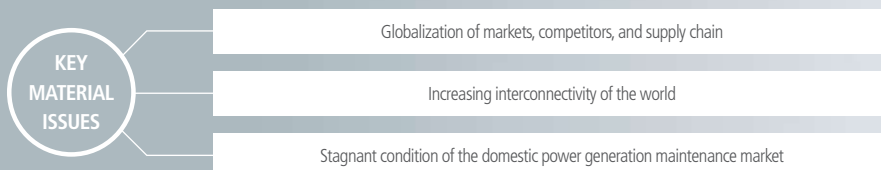
The Reason Why the Globalization Expansion is Important for KEPCO KPS

As the domestic power generation maintenance market remains saturated and global interconnectivity continues to increase, winning more business opportunities in global markets has become a matter of paramount importance.

In order to win more overseas project contracts, KEPCO KPS is systemizing its organization of department responsible for overseas business, forming strategic partnerships, and doubling its efforts to build infrastructure.

KEPCO KPS's Efforts to Accomplish the Globalization Expansion

Our mid- to long-term strategy, which consists in integrating our overseas business, leveraging our market dominance to expand into existing markets, and focusing on new countries with promising power industries, has enabled us to build a firm base for stable expansion of our revenues. We are currently commercializing our core technologies, including our EPC+O&M packaging, plant performance analysis and improvement, lifespan analysis, and lifespan extension technologies. In the mid to long term, we will develop our strategic overseas businesses, such as ROMM, and produce tangible results for our efforts to expand our pursuit of globalization.



● Interview

Min, Young-Jin
Senior Manager, Affiliated Company Management Team,
Power Market & Policy Department
Korea Electric Power Corporation (KEPCO)



As the domestic power generation market makes the transition to a competitive market system, KEPCO KPS must strive to maintain its position as the leading power generation maintenance company in order to meet the expectations of our shareholders. In the short run, we must prepare for competition in the domestic market and, in the long run, we must channel our capabilities into expanding our overseas business. This calls for substantial investments in R&D and human resource training. In addition, a public institution has to consider the public interest as well as the bottom line, which is why we need to think deeply about ways to contribute to the local community. With the relocation of the main office to Naju, I would like to see KEPCO KPS progressing together with the local community.



kps



Enrichment of New Business & Overseas Business

- KEPCO KPS won an O&M contract from Bhavnagar Energy Company of India and renewed the existing O&M contract with Chanderiya
- KEPCO KPS pursued a rehabilitation contract with Angat Hydroelectric Plant in the Philippines (Dec. 2014)

- Overseas business sales (KRW 100 million)



Stabilization of UAE Nuclear Power Plant Maintenance Business

- KEPCO KPS signs a fuel charging service contract with Angra NPP of Brazil
- KEPCO KPS signs an O&M contract with a US nuclear power plant (RCP O&M contract, fuel charging O&M contract)
- KEPCO KPS signs joint venture agreement for UAE nuclear power plant service (May 2014)

- Stabilization of the BNPP trial-run project (managed by the best team)



Enrichment of New & Overseas Business

● Significance of the Bhavnagar Energy Company O&M project

KEPCO KPS won power plant O&M contracts with Indian state governments for two consecutive years after successfully bidding for the ATPS O&M business.

These successful projects have provided KEPCO KPS with a stable operating base, enabling it to weather the shrinking market for privately owned power plants in India resulting from the general economic malaise currently affecting the country.

| | |
|----------------------|--|
| Client | Bhavnagar State Government |
| Power Plant Category | Coal-fired power plant |
| Facility Size | 500MW |
| Contract Amount | KRW 190 billion |
| Project Duration | 15 years and 3 months |
| Services | Operation, maintenance, material supply, trial run support |



● New Overseas Business

| | |
|--|--|
| Trial Run Project for Jorf Lasfar, Morocco | |
| Facility Size | 350MW×2 (Coal-fired power plant) |
| Project Duration | Aug. 2012 – Apr. 2014. |
| Contract Amount | KRW 13 billion |
| No. of project workers | 66 workers |
| Performance | The company's first turn key-based trial run of a coal-fired power plant |
| O&M for Afsin-Elbistan, Turkey | |
| Facility Size | 2,55MW |
| Contract Amount | KRW 1.3103 trillion |
| Scope of Service | Power Plant O&M and O/H |
| Progress to date | Currently under discussion |

● Overview of Mauritania Project

| | |
|---------------------|----------------------|
| Client | SPEG |
| Name of Power Plant | Nouakchott |
| Facility Size | 120MW |
| Contract Scheduled | in 2015 |
| Contract Amount | KRW 557 million |
| Project Duration | 8 years and 3 months |

EPC+O&M Packaging Business (Nouakchott, Mauritania Project)

| | | |
|------------------|----------------------|------------------------------------|
| KEPCO KPS O&M | Hyundai Rotem EPC | Hyundai Corporation Coordinator |
|------------------|----------------------|------------------------------------|

A consortium in which the advantages of different companies could be integrated organically

Strengthening of national competitiveness

CONTEXT

KEPCO KPS is pushing ahead with its overseas business as a new engine of growth due to the saturation of the domestic market and its transition to a competitive market system. To overcome the growth limits of the current O&M market, we aim to diversify our business by forming strategic partnerships. Globally speaking, there is increasing demand for the rehabilitation servicing of old power plants, and we are pouring our resources into building up our ROMM* business as our core overseas business strategy.

* ROMM (Rehabilitation, Operation, Maintenance, Management): Performance rehabilitation and operation business

OUR APPROACHES & PROGRESS

Status of Overseas Business Development

KEPCO KPS overseas business began with the 'Iraq BSPS Thermal Power Plant OH' project in 1982. We began to consider our overseas operations as a full-fledged part of our business upon signing an O&M contract with a GMR diesel power plant in India and realizing KRW 100 billion in sales. Indeed, our overseas business sales have gradually come to account for 10% of our total sales, and we are steadily expanding overseas business as our core strategic business.

● Status of Long-Term O&M Contract

(as of Dec. 31, 2014)

| Host Country | Project Name | Project Duration | Contract amount (KRW 100 million) | Facility Size (MW) |
|-----------------|---------------------------|--------------------|--------------------------------------|-----------------------|
| India | Chanderiya O&M | 2004~18 (14 years) | 741 | 248 |
| | Jharsuguda O&M | 2008~16 (8 years) | 846 | 1,215 |
| | Wardha O&M | 2010~20 (11 years) | 765 | 540 |
| | ATPS O&M | 2013~27 (15 years) | 910 | 250 |
| | Bhavnagar O&M | 2014~29 (15 years) | 1,900 | 500 |
| Jordan | Al Manakher O&M | 2013~39 (26 years) | 11,000 | 573 |
| Bangladesh | Meghnaghat O&M | 2013~19 (6 years) | 208 | 335 |
| Madagascar | Ambatovy O&M | 2009~17 (8 years) | 428 | 135 |
| The Philippines | Ililjan Maintenance | 2002~15 (13 years) | 518 | 1,200 |
| | Putting Bato O&M | 2014~20 (6 years) | 251 | 270 |
| Pakistan | Daharki comprehensive O&M | 2009~27 (18 years) | 822 | 175 |

Diversification of the Overseas Business Model

A. Business Package Diversification

Two forms of service models have come to dominate overseas markets. EPC+O&M is the current trend in maintenance servicing, but in developing countries with financial limitations, the BOO+O&M form of maintenance service remains popular. KEPCO KPS is diversifying its business model to meet the needs of both types of service models.

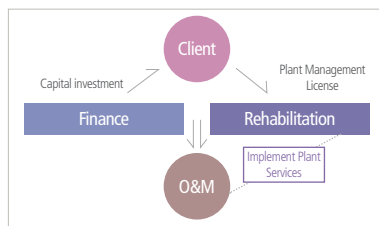
1) Development Status

| Business Model | Business Performance | Remarks |
|---------------------------------|---|--|
| EPC+O&M packaging | <ul style="list-style-type: none"> Won the comprehensive O&M contract for 532MW Tigre of Uruguay. Won the comprehensive O&M contract for a 120MW plant in Mauritania. | Formed a partnership with a Korean EPC company |
| Government commissioned project | <ul style="list-style-type: none"> Won the O&M contract for a 250MW ATPS in India. Won the O&M contract for a 500MW BECL in India. | Owned by the Indian government |
| Performance Analysis + ROMM | <ul style="list-style-type: none"> Won the rehabilitation project contract for Egbin power plant no. 4 in Nigeria. Won the rehabilitation project contract for Egbin power plant nos. 1 and 5 in Nigeria. | Service package |

● ROMM Business

Acquisition of Operating Rights of Aged Power Plant

- Investment and rehabilitation project
- Power plant performance enhancement
- Operate for a period of 15~20 years
- Revenue generation
- Transfer Power Plant BOT (Build-Operate - Transfer) business



● 5S Quality Certification from Jharsuguda, India



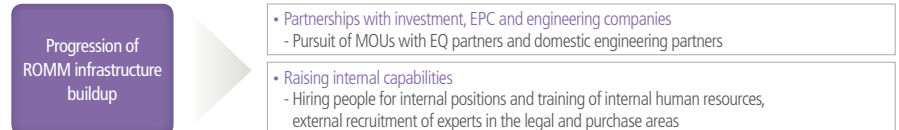
● Bird's-Eye View of Puting Bato Power Plant, Philippines



B. Strategic Considerations Behind our ROMM Business

KEPCO KPS is realigning its resources to target the overseas Retrofit and ROMM markets for strategic reasons because competition is heating up among current overseas O&M and trial-run businesses. By placing greater emphasis on Retrofit and ROMM, KEPCO KPS expects to increase its revenues while simultaneously raising its competitiveness in overseas markets. KEPCO KPS has set itself a specific overseas sales target under its VISION 2020 plan and is directing its resources toward achieving that goal.

1) Infrastructure Buildup



2) Business Performance

| Project | Business Scope | Main Non-Quantitative Performances |
|--------------------------------|---|--|
| Naga, Philippines | Turbine, Generator, Boiler | <ul style="list-style-type: none"> • Accumulation of experience in the design and assessment of rehabilitation projects by participating in the bids • Procurement of domestic/foreign materials suppliers |
| Morupule, Botswana | Turbine, Generator | |
| Egbin, Nigeria | Turbine, Generator, Ancillary Equipment | |
| Main Quantitative Performances | | Signs contract for project to rehabilitate Egbin No. 4 plant, Nigeria |
| Contract Details | | Contract Amount: KRW 7300 million, Project Duration: 45 days (End of 2014~) |
| Work Scope | | Materials supply, lifespan diagnosis, turbine/generator/boiler OH, generator recoiling |

Development of New Overseas Markets

Using detailed market analysis and systematic marketing, KEPCO KPS has diversified its overseas business away from its original focus on India, the Philippines and Australia to include South America, the Middle East and Africa, three regions where the company currently has long-term project engagements. In addition, KEPCO KPS is now engaged in an active sales campaign to diversify into Southeast Asia and Eastern Europe.

Global Success Stories

Since launching its overseas business, KEPCO KPS has won contracts worth 100 million KRW in 2007 and 150 million KRW in 2008. In 2012, the company completed a trial-run project for a thermal power plant in Morocco and won a KRW 1.1 trillion O&M project for an IPP3 600MW diesel power plant in Jordan, which was the largest ever overseas project to date at that time. In 2014, KEPCO KPS won an O&M project for India's Bhavnagar power plant and is continuing to build a stable business base in the global market.

In 2012, our O&M office in Jharsuguda, India, one of the company's flagship countries in terms of its overseas operations, was awarded the Grand Prize by India's Central Electricity Authority in recognition of its energy-conserving thermal power generation. In 2014, the company was awarded the 5S Excellence certification, the most prestigious recognition of quality in India.

In the Philippines, KEPCO KPS won an O&M project for the Puting Bato thermal power plant in 2014, which, following on from the Illijan maintenance project, fully confirmed the company's maintenance quality and technological superiority. The preventive maintenance project for the Bataan thermal power plant, which the company won in 2012, is still underway and is contributing to the solid reputation that KEPCO KPS enjoys in the Philippines.

NEXT STEP

KEPCO KPS is developing new business models in response to rapid ongoing changes in the overseas power plant market. We are preparing business plans and laying the foundation for proceeding with the ROMM technologies business and commercialization of core technologies such as plant performance analysis and improvement, plant lifespan analysis, plant lifespan extension, etc. We are also forming networks with key material supply companies for the procurement of important materials and equipment.

Stabilization of UAE Nuclear Power Plant Maintenance Business

Main Phases of the UAE Business

| Unit Category | -2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------|-----------|-----------|------------|------|--------|------|------|
| #1 | Trial Run | Trial Run | Completion | OH | Normal | OH | |
| #2 | Trial Run | Trial Run | Completion | OH | Normal | | |
| #3 | Trial Run | Trial Run | Completion | OH | | | |
| #4 | Trial Run | Trial Run | Completion | | | | |

Overview of BNPP Trial Run

| | |
|---------------------|-------------------------------------|
| Client | Korea Hydro & Nuclear Power Company |
| Location | UAE Barakah |
| Construction Period | April 1, 2015 – May 1, 2020. |
| Project Duration | August 1, 2013 – May 1, 2020 |

Selection and Training of HR

| | |
|--------------|---|
| Language | Internal: Maintenance terminology provided in English External: Language training is outsourced to an English education institute |
| Job Training | APR1400 System Training Certification upon completion of the JQC course Participation in the OJT maintenance of a nuclear plant |

UAE Project Preparation

Participation in a reference nuclear plant project to gain real field experience on APR1400 maintenance prior to UAE project

BNPP Trial Run Project Center

Safe completion ensured by employing workers with experience gained through the reference nuclear plant.

BNPP Routine Task Center

Provision of high-quality maintenance techniques capable of achieving early stabilization of the plant.

CONTEXT

As competition in the domestic nuclear power plant maintenance market is expected to intensify, KEPCO KPS needs to develop differentiable technologies in preparation for competition with private maintenance companies. The company is maximizing its efforts to retain its leadership of the Korean plant maintenance industry by continuing to rack up maintenance experience by enhancing its maintenance technologies and by investing in new technologies.

OUR APPROACHES & PROGRESS

Promotion of Overseas Nuclear Power Plant Maintenance Business

KEPCO KPS will manage the trial-run maintenance of the APR 1400 nuclear power plant until 2020. The company is currently negotiating a long-term routine maintenance agreement (LTMA) which will kick off when the plant begins commercial operation. For the maintenance business of nuclear power plants currently in operations, the operations center at KEPCO KPS for small nuclear power plants is responsible for selecting the strategic nations for business expansion considerations. Last year, KEPCO KPS was awarded the project for refueling Brazil's Angra nuclear power plant unit 1 and inspecting its nuclear control rod. The project, which will run until 2017, will set a good precedent for successfully developing the market for the maintenance of newly operating plants.

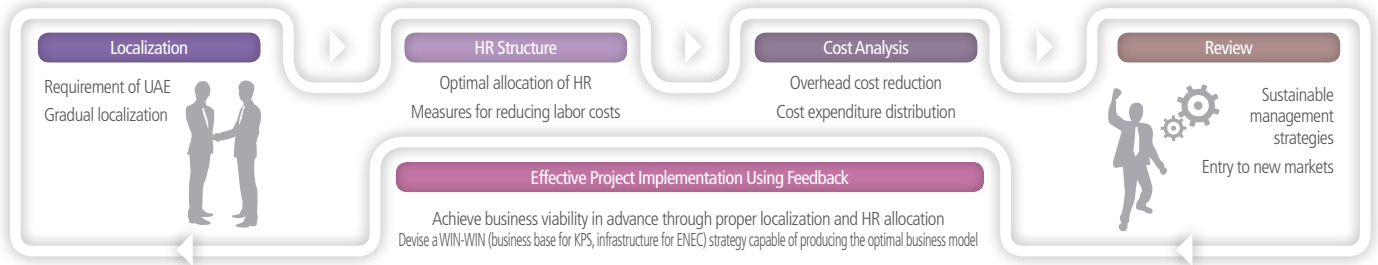
| Category | UAE nuclear power plant project | | Overseas nuclear power plant operation business | |
|---------------------------------|---|---|---|--|
| | Trial-run maintenance | Long-term routine maintenance | Maintenance of operating nuclear power plant | Education project |
| Related Organizations and Tasks | Project cost derivation / HR deployment planning / Development & management of subcontract / Standardization of maintenance | Cost derivation / Establishment of execution plan Establishment of proposal condition HR qualification requirement | Cost derivation / Establishment of execution plan Formation of HR pool Creation of local information DB Establishment of base for overseas sales | Analysis of customer needs Establishment of operating plan |
| | BNPP Trial Run Project Center | Development & management of subcontract Build of local infrastructure Training & certification | Nuclear Plant Maintenance Center | Nuclear Power Training Institute |
| 2014 Performances | Conduct project onsite Process management and reporting Local HR management Local 3 rd party vendor management | | Project support Procurement of required technologies | Schedule design and course development Curriculum & education material development Education program management |
| | <ul style="list-style-type: none"> Opening of the Trial Run Project Center HR training & deployment Development of procedure manual and translation into English | <ul style="list-style-type: none"> Launch of JQC course for OJT instructors Launch of skills enhancement course for UAE project workers | <ul style="list-style-type: none"> Pre-determination of strategic materials Enlistment of overseas agents Conduct related construction | <ul style="list-style-type: none"> Implementation of educational courses on BNPP and IAT Development of new educational programs and trained instructors |

Stabilization of UAE Nuclear Power Plant Maintenance Business

KEPCO KPS is setting up a mid- to long-term plan in two stages in order to stabilize the operation of BNPP nuclear power plants. In the 1st stage, KEPCO KPS will complete the flawless implementation of the trial-run maintenance project in order to make possible the successful completion of the first government-led nuclear power plant export business. For successful implementation of the project, KEPCO KPS has set up an SAT-based training and certification scheme, accumulated experience in the maintenance of the old APR1400 nuclear reactors, defined high-quality maintenance procedures, and completed all other relevant preparations. In November of last year, KEPCO KPS opened the BNPP business center and began operating the company's trial maintenance business in the UAE.

Under the 2nd stage, routine plant maintenance will begin in 2017. The goal of KEPCO KPS is to raise plant operational efficiency to the same high levels of Korean domestic power plants based on systematic routine maintenance of the facilities. Routine maintenance should act as the catalyst for the development of a domestic nuclear power plant maintenance infrastructure, one of the requirements of the UAE government from the outset. At the same time, through the routine maintenance project, KEPCO KPS would be able to create a business base in the UAE and gain access to a stable maintenance market for a significant duration. This in turn should result in the realization of a business model that meets the needs of both countries.

Measures for Effective Implementation of the UAE Nuclear Power Plant Maintenance Project



Overview of Nuclear Power Plant Fuel Charging Project at Angra

| | |
|---------------------|---|
| Client | Electronuclear (ETN) |
| Date of Contract | March 24, 2014 |
| Location | ETN main office, Rio de Janeiro |
| Project Description | During a five-year period, four pre-scheduled preventive maintenance services involving the disassembly and reassembly of the nuclear control rod will be provided. Refueling of the nuclear power generator and visual inspection of the nuclear control rod. |



Implementation of an Overseas Business Process for Sustainable Management

Building up of the nuclear power plant maintenance education business / Conclusion of contract with overseas agent / Successful completion of nuclear power plant maintenance in the UAE and overseas.

Networking with overseas clients / Network building through sales activities / Development of positive brand image

Intelligence gathering for newly-commissioned projects / Development of plan for raising competitiveness required to win more projects / Expansion of the overseas market for nuclear plant maintenance

Project contract award and successful completion / Higher chances of winning bids Analysis of bidding strategies / Establishment of global talent training system

BNPP Maintenance Expert Training Course Certification Award Ceremony (26.12.2014)



Mechanism Section (Hanbit 3 Business Center)



Instrumentation Section (Shin Go-ri Business Center)

Pursuit of New Overseas Nuclear Power Plant Projects

KEPCO KPS began its overseas plant maintenance business in the mid-1990s, and gradually applied the lessons learned from its overseas business experiences to the implementation of a process aimed at expanding its nuclear power plant maintenance business. In 2014, the company made a successful bid for the refueling and nuclear reactor inspection project contract for the Angra nuclear power plant unit 1 in Brazil, which until that time had depended on foreign companies for its maintenance. Last year, KEPCO KPS completed a 1-year refueling of the Angra plant, and this year the company is scheduled to conduct a 2nd-year refueling project.

In addition, KEPCO KPS is steadily promoting and marketing its education program for plant maintenance experts, a key strategic business for the company. We are methodically pursuing contracts for the maintenance of nuclear plants in South Africa, one of our strategic markets.

A. New Businesses in Strategic Markets



B. Pursuit of More Overseas Nuclear Power Plant & Related Businesses

Since 1993, KEPCO KPS has provided refueling and RCP maintenance services for nuclear power plants in Brazil and the U.S., and continues to actively seek out new projects. We will continue to seek out projects opportunities by keeping abreast of the prevailing trends in major countries, and will continue with our sales activities and increase communication with our customers in our pursuit of new orders.

| Category | Project Description | Plant Name | Project Duration |
|---|-------------------------------|--------------|-----------------------|
| U.S.A. Nuclear plant maintenance project | RCP maintenance service | Indian Point | February - March 2014 |
| | | Davis Besse | March - April 2014 |
| | Refueling maintenance service | Vogtle | March - April 2014 |
| | | ANO | April - June 2014 |

| Category | Project Name | Date of Contract | Remarks |
|------------------|---|------------------|---|
| Training Project | UAE ENEC *Summer Training Program | August 2014 | <ul style="list-style-type: none"> Additional contract awarded after successful completion of the first project Localization of maintenance technology in the UAE is a step towards creating a sustainable business model |
| | Familiarization Orientation Training Course | December 2014 | |
| | Brazil INB *Refueling Training Course | September 2014 | <ul style="list-style-type: none"> First education project conducted in an overseas nuclear generation plant → New business model |

* ENEC (Emirates Nuclear Energy Corporation): UAE Nuclear Power Plant project, The BNPP construction project is currently in progress

* INB (Industrias Nucleares do Brasil): Brazil's state owned commercial nuclear fuel supplier

NEXT STEP

KEPCO KPS is working hard to stabilize its UAE nuclear power plant maintenance business by standardizing its maintenance procedure, training the personnel of the UAE nuclear power plant, improving the job requirement classification scheme, and establishing a system for managing the strategic materials needed for maintenance of the UAE nuclear plant.

Horizontal / Vertical Diversification of Related Industries

The Reason Why the Horizontal/Vertical Diversification of Related Industries is Important for KEPCO KPS

The power generation maintenance market is faced with accelerating competitiveness – the advance of producers of power generation facilities and construction companies into the O&M market is being actively pursued. Consequently, KEPCO KPS is preparing to advance into new business areas by bolstering the capabilities of its core technologies, and is making efforts to secure unique competitiveness in order to consolidate its status as a pioneers of the domestic power maintenance market

KEPCO KPS's Efforts to Accomplish the Horizontal/Vertical Diversification of Related Industries

As part of its efforts to accomplish the horizontal/vertical diversification of the related business areas, KEPCO KPS is planning and executing the acquisition of core maintenance technologies, the revitalization and commercialization of R&D, and the diversification of businesses related to generation facilities. In addition, it has created synergic effects by localizing core GT components, developing original maintenance technologies, expanding orders for regular maintenance of power generation facilities in the private sector, seeking to improve the capabilities of power generation facilities and expanding orders regarding them. In the future, KEPCO KPS will strive to develop new business models consistently through the commercialization of intangible assets such as its know-how and intellectual properties in order to increase its recognition as a technological company.

KEY MATERIAL ISSUES

Increase in demand for advance into new areas of the power generation business domain

Increase in costs of compliance with regulations

● Interview

Hak-Moo Lee
Senior Analyst, Korea Research Center
Mirae Asset Securities



From the perspective of an investor, the saturation of the domestic power generation maintenance market and the increasing competitiveness of the power generation market have compelled KEPCO KPS to respond actively to the market. As the power generation market is directly affected by changes in the number of power plants, it is important to understand the consequent positive and negative effects beforehand and to prepare for them. In this respect, the closing of power plants is a good example of pioneering new business fields within ongoing businesses. It is felt that preparing a method of reusing components obtained from the intermediate process would also address the issue of the environment, which is being heavily emphasized these days. We expect KEPCO KPS to become an exemplary company and a pioneer of the industry.





KPS

Related Issues

Performance Index



Core Technology Acquisition

Establishment and operation of an ideas bank program to identify the need for technological development

| | | |
|--------------------------------------|------|-----|
| No. of core maintenance technologies | 2013 | 13 |
| | 2014 | 17 |
| No. of intellectual property rights | 2013 | 214 |
| | 2014 | 274 |



R&D Promotion and Commercialization

| | | |
|----------------------------------|------|-----|
| R&D investment (KRW 100 million) | 2013 | 561 |
| | 2014 | 539 |



Generation Facility Business Diversification

| | | |
|---|------|-------|
| Sales from maintenance center (KRW 100 million) | 2013 | 811 |
| | 2014 | 772 |
| Sales from foreign businesses | 2013 | 1,555 |
| | 2014 | 795 |

Core Technology Acquisition

● Sensor for Examining Boiler Tubes



● Domestic Development of SMS 501D5 Blade



CONTEXT

KEPCO KPS selected three areas of core maintenance technology in order to respond to changes in the domestic and foreign environments, including increased competition in the domestic and foreign power maintenance markets and changes in governmental policy on national energy consumption, in order to ensure consistent expansion of the market share of existing businesses. We also aim to bolster our technical competitiveness by undertaking consistent improvements in these areas.

OUR APPROACHES & PROGRESS

Development and Securement of Core Maintenance Technology for Producing Growth Engines

In order to solidify the existing business and to acquire the maintenance technology for latest models, KEPCO KPS has taken actions to develop the following areas: 1) "maintenance technology for facilities with large-capacity energy and combined cycle power facilities" in order to consolidate its existing business lines and acquire maintenance technologies for new devices; 2) "gas turbine regeneration maintenance technology and component development" in order to secure independence from foreign producers in the gas turbine sector and improve technological autonomy; and 3) "development of automated machine for power plant maintenance" in order to improve the maintenance reliability of power plants currently in operation and reduce radioactivity. Also, professional training is being carried out in order to secure core maintenance technical capabilities in each field, producing a synergic effect with private companies and group of corporations by promoting cooperation.

A. Process for Securing Core Technical Capabilities



● Test Robot for Nuclear Reactor Head Tube



B. Major Core Maintenance Capabilities in 2014

| Technological Area | Development Outcomes |
|---|--|
| Maintenance technology for energy and combined cycle power | Development of technology for boiler tube test sensor design - Patent registered (Oct. 2014 -2014-0155653) |
| | Development of technology for standard power combustion analysis |
| | Development of application for the operation of digital protective relay |
| Gas turbine regeneration maintenance technology and component development | Development of technology for producing the SMS 501D5 blade cooling system |
| | - Installation of Dongseo power generation Ilsan combined cycle power plant (verification test ongoing) |
| Development of automated machine for power plant maintenance | Development of reverse-design and localization technology for DLN-B type combustor basket components |
| | Production of nuclear reactor head tube test robot |
| | Production of a test device for secondary manual visual inspection of power plant steam generators |
| | Development of a cleaning system for first heat transfer pipe of steam generators |
| | - Physical Cleaning End Effector |

● Professional R&D Organizations

| Name | Major tasks |
|---|--|
| Technology Research & Development Institute | Development of robot and automated technology |
| Technology Solution Center | Development of generation facility for Retrofit technology |
| Nuclear Power Technology Service Center | Development of power plant maintenance technology such as power plant decontamination, disassembly, etc. |
| GT Technology Service Center | Development of gas turbine component reverse-design and localization technology |

● Research Task Management System



Establishment of Infrastructure to Reinforce the Competitiveness of Maintenance Technology

KEPCO KPS is making diverse efforts to develop the workforce, establish an R&D system, and develop technologies, etc. with the goal of becoming a "creative leading company the world's best plant maintenance service."

KEPCO KPS selects outstanding company employees to run a professional R&D organization in order to nurture experts in each area of generation facilities. For consistent improvement of the capabilities of its personnel, KEPCO KPS gives them priority for participation in research development and overseas training, and is making efforts both to secure the technology it lacks and to spread its own technology by employing skilled experts from outside.

To ensure the efficient performance and management of R&D, KEPCO KPS is pursuing advancements in the research task process. In April 2014, it improved its research task management system to minimize the reduction of efficiency and other errors that arise during the management of personnel-based research tasks, and unified the outcome management system based on the research tasks. In addition, it established a research outcome management system to obtain measurement of objective utilization method and to protect its technological assets.

In order to provide its high-quality maintenance service promptly, KEPCO KPS created a comprehensive system for managing its major maintenance materials and technological information. In 2013, it created a workforce group to solidify the company's concept of technological classification, operating system, security, etc. In 2014, it accepted opinions from personnel throughout the company for reflection in its detailed plans, with the goal of completing the system by the first half of 2016.

In order to nurture global human resources prepared for expansion into foreign markets such as the UAE and India, KEPCO KPS began planning the R&D Complex in 2013 with the goal of completing it by 2017. KEPCO KPS also aims to respond actively to changes in the technological environment by creating synergic effects through organic connections between R&D and HRD*.

* HRD : Human Resources Development

Nurturing a professional workforce

- Operation of professional organization, recruitment of skilled workers
- Provision of consistent opportunities for self-development

R&D Complex (2017)

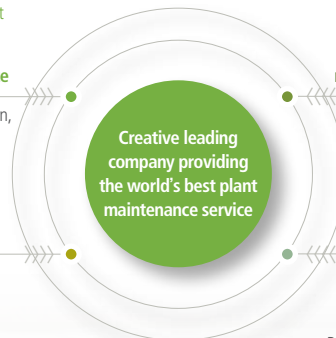
- Formation of organic connections between R&D and HRD
- Nurturing of global leaders

Improvement of research task management system (2014)

- Improvement of work efficiency
- Systematic management of outcomes

System for managing maintenance data (2016)

- Comprehensive management of maintenance information and technological information
- Provision of a high-quality management service



● R&D Complex

| | |
|---------------------|--------------------------------|
| Location | Naju-si, Jeollanam-do |
| Size | 129,344m ² |
| Budget | Approximately KRW 59.8 billion |
| Date of completion: | May 2017 |

NEXT STEP

With the goal of enhancing the system of technological development by 2020, KEPCO will make consistent efforts to ensure the efficient operation of power generation facilities and to provide a stable supply of electricity. These initiatives are reflected in the internalization of technology planning and process improvement by 2014, the establishment of a comprehensive management system for maintenance data and technology information by 2016, and the construction of an R&D complex by 2017, etc.



R&D Promotion and Commercialization

● Mid-term Plan for Technology Development



Major Content

| | | |
|---------------------------|----------------------------------|--------|
| Period | Aug. 2013 ~ Dec. 2012 (10 years) | |
| Tasks | 115 | |
| Budget (KRW 1 million) | Development costs | 59,039 |
| | Technological cooperation | 1,360 |
| | Software | 1,174 |
| | Training | 2,467 |
| | Equipment purchase | 14,488 |

● Idea Bank



● Utilization evaluation process

- Selection of evaluation committee members
- Evaluation by the evaluation table
- Evaluation : topic 8 topics including accomplishment rate of utilization plans for R&D outcomes, economic performance resulting from utilization, etc

CONTEXT

National R&D policies are shifting from supplier-centered to consumer-oriented policies, and from closed strategies to open strategies based on cooperation. Consequently, improvement of the system is called for in order to maximize R&D performance.

OUR APPROACHES & PROGRESS

Mid-term and Long-term Technological Development Plan and Reflection of Need for Technological Development

KEPCO KPS modified its mid-term and long-term technological development plans by adding the three strategies of "R&BD", "order-type R&D", and "cooperation with professional organizations" to its existing R&D strategies for the revitalization and commercialization of R&D.

● KEPCO KPS R&D Strategy

| | |
|--|--|
| R&D → R&BD* | R&D not solely for research purposes but for economic benefits such as personnel reduction and reduction of duration |
| Order-type R&D | Improved applicability of outcomes by reflecting the needs of end-users and on-site needs at the planning stage of tasks |
| Cooperation of professional organizations | Creation of synergic effects by connecting and integrating the operation of R&D, solutions, training, business, etc. |
| Mid-entry strategy | Produce results in the minimum amount of time by introducing basic research outcomes in and out of the country, taking into consideration industry, budget, acquired resources, etc. |
| Amalgamation and convergence of technology | Reduction of unit costs through amalgamation and convergence of traditional maintenance technologies, operating technologies of electric facilities, and IT technology |
| Advance of technological planning | Mutual association of various plans such as budget, training, devices, workforce, as well as consistent policy improvements |
| Roadblock patents | Securing of original technologies through cross-licensing with producer companies armed with original technology for core patents |

* R&BD (Research & Business Development) : Research and business development

By establishing the "Ideas Bank System," a means of identifying technological development needs customized for consumers, KEPCO KPS reflects the technological development needs of all its employees from the planning stage. As a simple operating system, all personnel can participate in the "Ideas Bank." Technological development needs thus identified were developed by professional research organizations from each field in order to improve the on-site applicability and utilization rate of the outcomes.

In addition, to objectively measure the utilization of research outcomes, a utilization evaluation is being conducted on tasks for which the research ceased three years ago. According to the results of the evaluation, factors of success or failure are analyzed with feedback when planning new research tasks, in a drive to improve the utilization of research outcomes.

● Result of Utilization Evaluation of Research Tasks

(unit : cases)

| Category | Outstanding | Satisfactory | Fair | Unsatisfactory | Poor | Total |
|----------|-------------|--------------|------|----------------|------|-------|
| 2013 | - | 9 | 4 | 1 | 3 | 17 |
| 2014 | 1 | 2 | 2 | - | - | 5 |

Development of a Higher-value Added Business Model

In the wake of the Fukushima catastrophe, the stable operation of power plants became a huge social issue, and opportunities to participate in the power generation facility project 'Retrofit' have been increasing, as manifested by the performance improvements and facility replacements etc due to the aging of domestic generation facilities. Accordingly,

● Robot for Secondary Manual Visual Inspection of Steam Generators and Removal of Foreign Substances



● Fixed Coiling of Power Generator



● Contract for Technology Transfer



KEPCO KPS departed from its personnel-based maintenance service model, encompassing device examination, simple replacement, etc., and opted for a higher-value added business model based on engineering.

First, to revitalize the automated service business for the maintenance of power plants, automated examination, manufacturing, and welding technologies for highly radioactive locations are developed. Also, existing technologies have been utilized to conduct examinations aimed at securing the safety of major facilities in domestic power plants and at removing foreign substances.

● Performance of KEPCO KPS's Automated Power Plant Service

| Year | Performance |
|------|---|
| 2013 | Kori Plant 2 Steam Generator Lancing and Projection |
| 2014 | Hanvit Plant 2 Steam Generator Foreign Substance Removal Hanvit Plant 3 Stream Generator Sixfold TSP Foreign Substance Examination |

Regarding the Retrofit, the power generation facility, professional Retrofit personnel for turbines, power generators, and boilers - such as the engineering team in 2013 and the Retrofit team in 2014 were created in order to acquire design, interpretation, and evaluation technologies, and consistent investments in R&D, training, and equipment purchase were made. Notably, in 2014, a technological cooperation contract for power generator Retrofit was signed with an outstanding small business in Korea, establishing a unified system for businesses such as the development of non-metal materials, the manufacture of components, sales, etc. In addition, a device supply contract was signed with SEL, a producer of high-quality digital protection relays, resulting in tangible accomplishments such as the establishment of a stable supply chain for devices required for Retrofit* electrical facilities.

* Retrofit (Replace minor equipment that is worn or faulty) : Construction to regenerate power plants by replacing and improving major devices with the aim of increasing their output, efficiency, and lifespan or converting the fuel

● Performance of Generation Facility Retrofit (2013~2014)

| Area | Performance |
|-----------|---|
| Generator | 26 generators including Boryung Fire Plant Unit #4 stator rewinding |
| Boiler | 19 boilers including quality improvement works on Seoul Thermal Power Plant Unit #5 |

Also, thanks to the technological transfers and mutual patent registrations it has carried out on behalf of blue-chip small businesses, KEPCO KPS is emerging as a renowned engineering service company by seeking joint growth with small businesses and profits from (their) technologies.

● Performance of Technological Transfer

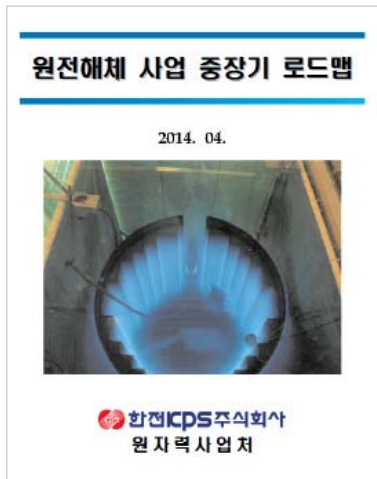
| Category | Name of technology | Subject company |
|----------|---|---|
| Patent | <ul style="list-style-type: none"> • Impedance test device for generator rotor (10-1039175) • Bolt heating-induced system (2 cases including 10-1447106) • Nuclear reactor stud bolt cleaning device (3 cases including 10-1173818) • Steam generator secondary dual-type lancing device (3 cases including 10-1103820) • Metal tower reinforcement technique (10-1319784) | Daimyung Scada DIK Moojin Keeyeon E2S Youngjin Construction |

NEXT STEP

KEPCO KPS is focusing the capabilities of all of its departments on developing technologies with the potential to lead the future power generation maintenance market. By seeking cooperation with related institutions, KEPCO KPS will take initiative to create synergic effects through sharing of newest technological trend and prevention of overlapping prevention in R&D.

Generation Facility Business Diversification

Roadmap for Disassembly of Power Plants



Process for Disassembling Roadmap



CONTEXT

Due to the aging of domestic power generation facilities, opportunities for participating in new businesses such as performance improvement, facility improvement and replacement, and the disassembly of power plants are increasing. Accordingly, strategies for fostering new growth engines and addressing various needs for the status of facilities, devices, the nurturing of a professional workforce, and skills-based businesses are needed.

OUR APPROACHES & PROGRESS

Preparation for the Power Plant Disassembly Business

The future nuclear reactor generation market is expected to see expansion in the disassembly sector rather than the new construction sector. Thus, as a future growth engine, increased competition in terms of seizing market shares is predicted. KEPCO is establishing a mid-and long-term roadmap in order to prepare foundations for the power plant disassembly business.

| Category | Implementation Strategies |
|------------------------------|---|
| Mid-term strategies (~2023) | <ul style="list-style-type: none"> Treatment of large-scale radioactive waste Signing of MOUs with experienced foreign companies Formation of relationships based on business cooperation with domestic companies and local governments. |
| Long-term strategies (2023~) | <ul style="list-style-type: none"> Power plant disassembly business Formation of relationships based on business cooperation with domestic and foreign companies as well as local governments. Participation in the operation of a comprehensive treatment system for the disassembly of power plants. |

Siemens W501D5 Localized Blade



KEPCO KPS selected 11 major agendas and 34 detailed technologies for engineering, decontamination, cutting, and waste management. As of December 2014, a reactor coolant system and a machine decontamination technology are being developed under the "agreement for carrying out national tasks for the design of a power plant disassembly technology." Furthermore, an MOU for cooperation on comprehensive research on reactor disassembly was signed with Gyeongsangbuk-do, and cooperative relations with foreign professional reactor disassembly companies were established. In January 2014, a reactor disassembly team was formed, and various domestic and foreign training programs as well as the relevant technology workforce are being developed.

Secure Global Competitiveness in the Gas Turbine Sector

In order to become a leading company in gas turbine generation maintenance and production, KEPCO KPS has consistently conducted its own R&D in-house. As a result, it has succeeded in localizing the core component of the W251B gas turbine rotor; achieved technological independence in the field of examination; and conducted the soundness check for the W251B rotor by itself for the first time in Korea.

Also, by forming a consortium with a number of power generation companies and small businesses, it has succeeded in producing single, double, and triple blades, the core components of the W501 D gas turbine, and laid the foundation to advance into the components market which previously relied solely on foreign producers. Consequently, an expansion of the engineering business based on production as well as a foreign currency reduction effect worth approximately KRW 6.6 billion is expected.

- Dec. 2010** Established of long-term and short-term business for business sites (localization of 501D5 GT component)
- June. 2011** Composed consortium for component development (KEPCO KPS, East-West Power, STX, Korea Electric Power Research Institute)
- Jan. 2013** Completed detailed casting of single, double, and triple blades (KEPCO KPS-STX Heavy Industries)
- Jan. 2014** Completed detailed machine manufacturing of single, double, and triple blades (KEPCO KPS)
- Aug. 2014** Discussed installation verification test (KEPCO KPS – East-West Power)
- Oct. 2014** Examined balancing initiation after installing blade (GT Maintenance Center)
Self-development production blade, rotor installment

● Examination of W251B Gas Turbine Rotor



A. Production of Siemens W501D5

- **Research period/development costs :**
Sept. 2011~Oct. 2014 / KRW 1.93 billion (KEPCO KPS:KRW 1.43 billion / STX:KRW 500 million)
- **Participants :** KEPCO KPS (production), STX Heavy Industries (casting),
East-West Power (verification test), Korea Electric Power Research Institute (quality check)
- ※ **Verification test :** Nov. 2014~Nov. 2016(2 years), Ilsan Complex #5, two single~triple blades



B. Reduction of Foreign Currency Spending

- **Soundness Check of the W251B Rotor (for one rotor)**

| Category | Reward | Notes |
|----------------------------|-----------------|--|
| Technology service fees | KRW 375 million | • Payment of technology service fees for similar devices |
| Localization of components | KRW 216 million | • Unit price from producer: KRW 528 million / localized unit price : KRW 312 million |

- **Expected Foreign Currency Reduction Effect for Core Components of 501D**
KRW 224 million/component x 27 components = 6.05 billion/year

Enforcement of Renewable Energy Business

KEPCO KPS is making efforts to expand the supply of green energy facilities, and is making efforts for 'low-carbon green growth' in line with the national policy of nurturing renewable energy businesses and reducing greenhouse gas emissions. Currently, a comprehensive supply chain consisting of the planning energy (solar power, wind power, etc.), design, examination, construction, review, and maintenance of renewable energy facilities is also being established.

In addition, KEPCO KPS is carrying out proactive business along with local governments due to the relocation of its headquarters to Naju; while its participation in government's project for "the construction of an energy-independent eco-friendly island" is being reviewed.

A. Major Performance in the Renewable Energy Business Sector

- 1) Construction and operation of a 25MW Solar Photovoltaic Power Plant in Geogum
- 2) Construction of a 40MW Solar Photovoltaic Power Plant in Yeongwol

B. Renewable Energy Business Performances by Year

(unit : KRW 1 million)

| Category(sales) | 2012 | 2013 | 2014 | Total |
|-----------------|-------|--------|-------|--------|
| Solar power | 4,675 | 81,436 | 3,710 | 89,821 |
| Hydropower | 216 | 280 | 352 | 848 |
| Total | 4,891 | 81,716 | 4,062 | 90,669 |

C. Construction in Geogum



Construction site



Module installment



Construction completed

Development and Operation of External Businesses

Based on the technical capability of its existing maintenance business, KEPCO KPS is establishing a system of O&M business development and cooperation for existing and new IPP businesses in accordance with recent entries by domestic construction companies in the power plant industry. In addition, participation through IPP shares is being reduced due to the government's policy of normalizing public institutions, which was implemented in 2013. Accordingly, KEPCO KPS is developing various business methods.

A. Major Performance

- 1) Order for regular maintenance works of the Dongducheon Dream Power generation facility (Oct. 2014, KRW 33.3 billion)
- 2) Order for Daewoo Pocheon CCPP O&M (March 2015, KRW 41.8 billion)
- 3) Order for the Songdo Resources Environment Center's incineration heat power generation EPC and O&M (June 2013)
 - EPC business: Construction fee of KRW 7.8 billion
 - O&M business: Contract period of 12 years, construction fee of KRW 6.1 billion



Mutual supply agreement with GS Power



Contract with Daewoo Pocheon

Retrofit Construction

KEPCO KPS has selected facility improvement works, whereby the performance of aged power plants (efficiency, output, lifespan) is improved through facility repair and maintenance, as its future-oriented higher-value added business. To that end, KEPCO KPS is converting its business system into a technology-centered engineering system, and possesses competitive advantage through its differentiated technical skills with private maintenance companies.

A. Major Performance

- 1) Generators : Conducted fixed recoiling construction for Boryung Unit #4 (Stator rewinding 500MW) (2013)
Received order for core lamination construction for Bucheon ST for the first time in Korea (2014)
- 2) Boiler : Performance improvement works for GS E&R Banwol Unit #1 boiler (2014)
- 3) ECMS : Advanced to business in the performance improvement sector (2013)

B. Business Performance

(unit : KRW 100 million)

| Category | 2013 | 2014 | Total |
|------------------|------|-------|-------|
| Generators | 79 | 128 | 207 |
| Turbines | 25 | 31 | 56 |
| Boilers | 24 | 63 | 87 |
| ECMS | 5 | 0.1 | 5.1 |
| Speed regulators | 5 | 8 | 13 |
| Total | 138 | 230.1 | 368.1 |

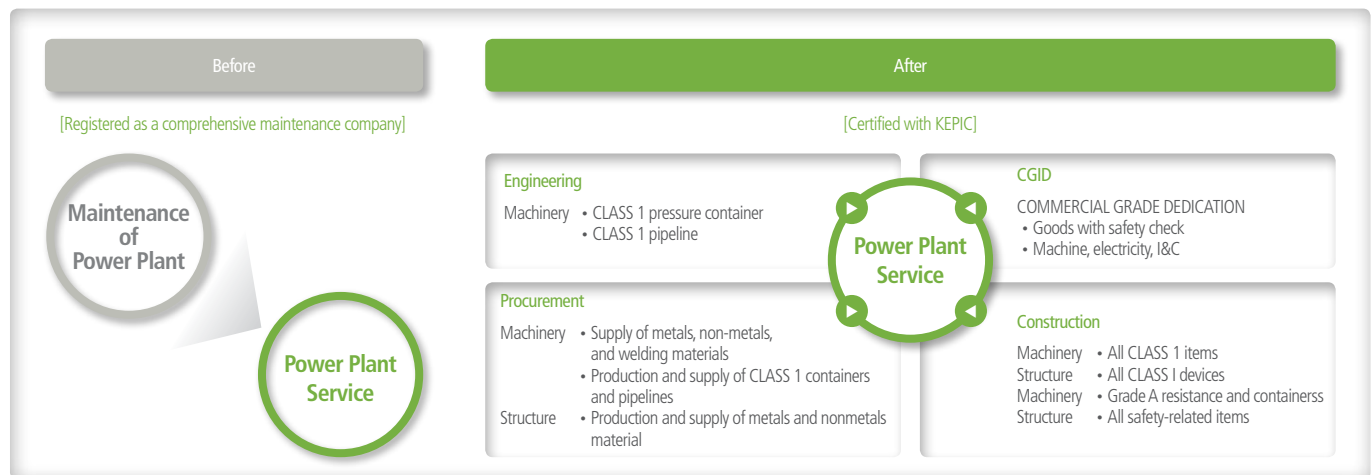
● Comprehensive Service Center

| | |
|--------------------|---|
| Location | Gyeongju-si, Gyeongsangbuk-do |
| Size | 33,000m ² |
| Major facilities | Office building: 6,477 m ² (Gross area) SHOP: 9,091 m ² (Gross area) |
| Investment scale | Approx. 35.6 billion |
| Date of completion | Nov. 2016 |

**Business for New Growth Engines and Strengthened Capabilities**

KEPCO KPS established the SHOP service system with the emphasis on on-site power plant maintenance and the production and construction of various facilities, in order to establish future growth engines and to strengthen its capabilities. It plans to construct a comprehensive service center by 2016 as a strategic headquarters to prepare for the needs of mid-term and long-term technology as new growth engines. Through the comprehensive service center, KEPCO KPS plans to conduct specialized businesses, and is carrying out its operation with the goal of discovering fifty new businesses and expects to generate new revenues of KRW 166 billion by 2025.

In addition, the EPC concept of design, delivery, and construction was added to the existing maintenance system. In order to secure a platform for autonomous EPC, KEPCO KPS acquired the KEPIC constructor's (machine, electricity, structure, climate control device) certificate in 2012, the producer's (machine) certificate in 2013, and quality verification for regular-size goods by the Korea Hydro & Nuclear Power Company, to facilitate the delivery of a total service.

**NEXT STEP**

KEPCO KPS is diversifying its business portfolio into the power generation maintenance business to lay foundations for sustained growth and to emerge as a global service that reflects the national reputation and technological competitiveness in the power generation maintenance industry. As well as strengthening the competitiveness of its existing power generation maintenance business, KEPCO KPS is committed to discovering future growth engines by developing renewable energy and overseas business.

Furthermore, based on these business foundations, KEPCO KPS aims to realize sustainable growth as a single-cycle service supplier encompassing construction, device production, facility improvement and replacement as part of its maintenance business.

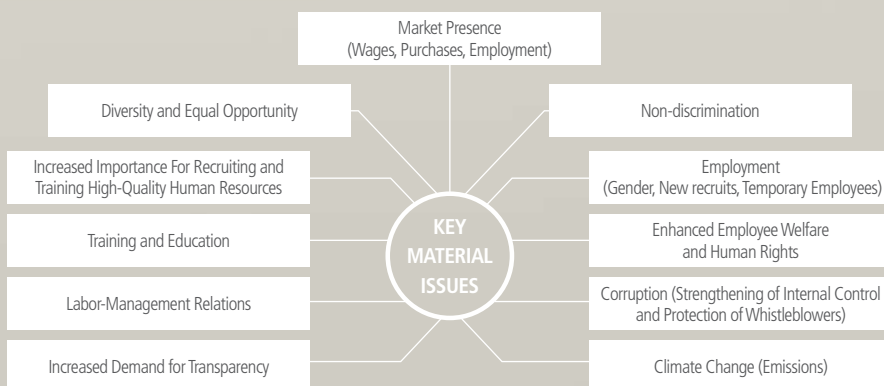
Establishment of Enabling System





The Reason Why the Establishment of Enabling System is Important for KEPCO KPS

Among the internal and external changes, including globalization and increased competition among corporations, the importance of employing and nurturing human capital with the required capabilities in order to become a sustainable company is increasing. Furthermore, along with managerial activities, recognition of corporate responsibility for minimizing corporate impact on the environment, which our future generation will inherit, is increasing. In order to respond to these requirements, KEPCO KPS intends to establish the enabling system with the aim of improving its human capital, labor-management relations, ethics management, and eco-friendly management, thus fulfilling its role as a corporation for the people that leads the sustainable power generation maintenance industry.

KEPCO KPS's Efforts to Accomplish the Establishment of Enabling System

KEPCO KPS has set itself a number of strategic tasks for establishing responsible management, fulfilling its social responsibility, and creating a happy workplace in order to realize sustainable management. As well as introducing a system of ethics management for operation of the "Crystal KPS" program and promoting a voluntary culture of ethical workplace practices, we pushed ahead with ethics management practices in connection with individual stakeholders. In addition, mid-term and long-term plans for the development and utilization of eco-friendly maintenance technologies have been established, along with the development of technology for minimizing the environmental impact and the effects of technology on communities situated near power plants.



| Related Issues | | Performance Index | |
|---|---|--|---|
|  | Nurturing of Global Human Capitals | Employment of Female Human Capital | 21 |
| | | Percentage of Disabled Employees | 3.36% |
| | | Re-employment of Retired Persons | 92 |
| | | Total Education Budget | KRW 9.1 billion |
| | | Total No. of Education Recipients | 22,015 |
|  | Establishment of Close Labor-management Relations | Analysis of Satisfaction with Labor-Management Communication | Total Score of 4.2 (5-point scale) |
|  | Ethics Management Internalization | Evaluation of Integrity by Anti-Corruption & Civil Rights Commission | First in 'Other Public Institutions Type I' |
| | | No. of Recipients of Education on Ethics/Anti-Corruption/Integrity | 28,260 |
| | | Disciplinary Actions Taken on Corruption | 100% |
|  | Eco-friendly Management Expansion | Investment in Environmental Issues | KRW 41 million |
| | | Rate of One Trouble-Free Cycle | 97.6% |

● Interview

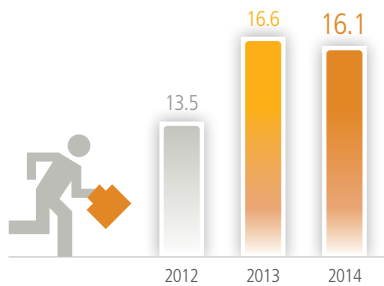
Gwon, Yong Gyun
 Assistant Director, Electric Power Division,
 Ministry of Trade, Industry & Energy



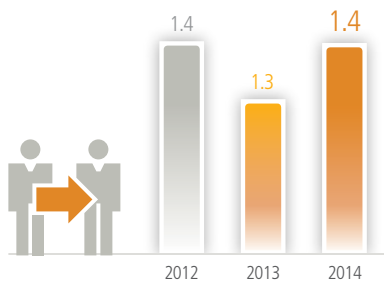
As a public institution, KEPCO should seek both profitability and publicity when conducting its business. As a result, it needs to perform activities aimed at strengthening ethical management, such as establishing a system for preventing corruption, in order to earn the trust of the general public. Also, it should not settle for being the best public institution within the industry, but should prepare for competition with private institutions, which will become more intense in the future, by developing its core capabilities. I hope that KEPCO KPS will rise from first in the nation to first in the world by improving its corporate value from the long-term perspective and by pursuing sustainable development.

Nurturing of Global Human Capitals

● Average No. of Working Years (unit : years)

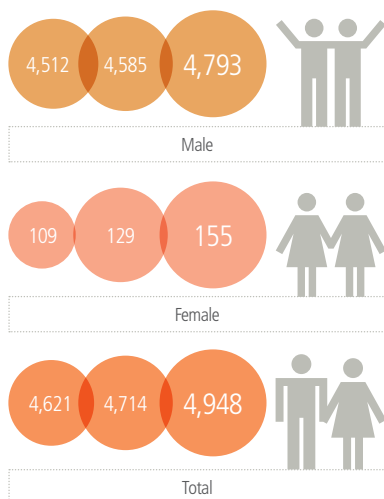


● Turnover Rate (unit : %)



※ Turnover rate=(No. of employees who take voluntary retirement/Total no. of employees)

● Employees by Gender (unit : persons)



CONTEXT

A more efficient and systematic operation of personnel and organization is essential if KEPCO KPS is to maintain its status as the nation's best power generation maintenance company. Therefore, KEPCO KPS is targeting efficiency in its business operations, the establishment of a more effective system of mid-term and long-term personnel management, the recruitment of outstanding human resources, the nurturing of a professional workforce, and the strengthening of its personnel policy under a company-wide and multidimensional initiative.

OUR APPROACHES & PROGRESS

Composition of Employees

As of the end of December 2014, KEPCO KPS had 4,948 employees, with an average employment record of 16.1 working years. The number of employees is consistently increasing thanks to the expansion of our business lines overseas due to globalization, the expansion of new businesses through business diversification and so on. The turnover rate has remained at around 1% thanks to our efforts to help new employees settle at the company under a mentoring policy, the provision of opportunities for self-development in diverse areas, and the operation of a rational welfare system. As of 2014, there were no local workers*.

* Local workers: Individuals who are born in the vicinity of a local business site or have legal rights of permanent residency (naturalization or permanent visa)

● Current Employees and New Employment (unit : persons)

| Category | 2012 | 2013 | 2014 |
|---------------------------------|-------|-------|-------|
| Total no. of employees | 4,621 | 4,714 | 4,948 |
| Female | 18 | 34 | 21 |
| Disabled employees | 4 | 10 | 6 |
| Local employees | 145 | 294 | 187 |
| New employment | | | |
| High school graduates | 71 | 156 | 86 |
| Specialized high schools | 17 | 44 | 28 |
| Natural sciences or engineering | 142 | 246 | 197 |
| Total | 207 | 425 | 275 |

Diversity and Equal Opportunities

A. Open Employment

KEPCO KPS prohibits discrimination based on individual characteristics such as university background, gender, age, religion, etc. It also employs high school graduates with limited competition, accords advantages for disabled people, those subject to employment protection, and local people, in order to recruit an outstanding workforce and to practice open employment. Notably, in order to expand employment opportunities for disabled persons, who are usually disadvantaged in terms of employment, they are granted extra points when recruiting new employees. Thus, the employment rate of disabled people is increasing steadily and currently exceeds 3.0% in accordance with the law.

● Employment of Disabled People (unit : persons/%)

| Category | 2012 | 2013 | 2014 |
|--|------|------|------|
| No. of disabled employees (person) | 161 | 176 | 201 |
| Employment rate of disabled people (%) | 2.88 | 3.17 | 3.36 |

※ Mandatory employment rate for disabled people in 2014: 3.0% (including dayworkers and contracted workers)

● Status of Maternity Protection Policy (unit : persons/%)

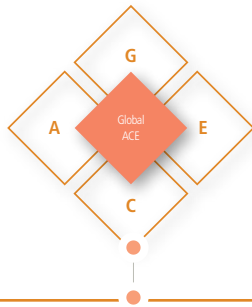
| Category | 2012 | 2013 | 2014 |
|--|------|------|------|
| Perinatal holidays | 11 | 10 | 11 |
| Maternity leave | 10 | 10 | 10 |
| Flexible work arrangements | - | 35 | 62 |
| Reinstatement rate after maternity leave | 100% | 100% | 80% |

※ For female workers

● Regular Retirement and Reemployment (unit : persons)

| Category | 2012 | 2013 | 2014 |
|-------------------|------|------|------|
| Retired people | 66 | 67 | 86 |
| Reemployed people | 41 | 38 | 13 |

● The Right People of KEPCO KPS



- Globally Advanced :
Secure competitiveness ahead of the competition with continuous innovation.
- Customer-centered :
Think from the customer's perspective in advance and meet the customers' needs.
- Expertise :
Secure top-tier expertise and professionalism in the plant service field with incessant learning and technological refinements.

● System for Fostering of Global Talents of KEPCO KPS



B. Protection of Human Rights and Gender Equality

Currently, KEPCO KPS employs 155 female workers, accounting for 3.2% of the entire workforce. KEPCO KPS has established fair employment criteria and does not discriminate with regard to employment, promotion, and wage calculation for female employees. In order to ensure gender equality, KEPCO KPS practices various policies such as increasing the number of female employees, assigning female workers to core departments, and strengthening the leadership training for females, etc. KEPCO KPS complies with the child labor and forced labor prohibition regulations of the Labor Standards Act and the International Labor Organization (ILO). It fulfills its corporate social responsibility and protects the human rights of the native workforce by complying with the local laws and regulations. Thanks to these efforts, zero cases of human rights violations, child labor, and forced labor have been reported. In addition, KEPCO KPS ensures that all of its employees receive regular biannual education sessions on the prevention of sexual harassment in order to raise employees' awareness of human rights and to protect their human rights.

C. Maternity Protection Policy

KEPCO KPS has implemented a perinatal holiday and maternity leave policy to prevent childbirth and childcare from interrupting the career of female employees. Starting in 2013, flexible work arrangements were introduced in order to create a more flexible and convenient work environment that allows women to work and to nurture their children.

Protection of Temporary Workers

KEPCO KPS makes diverse efforts on behalf of its temporary workers, such as improving the employment system for temporary workers, strengthening welfare, consistent raising of the standard wage for temporary workers so as to provide good remuneration without discrimination, operating a rational and fair wage system that follows that of the company's regular workers, operating online education for developing business capabilities, making incentive payments (KRW 900,000 per year), and distributing optional welfare points (worth up to KRW 300,000 per year).

Support for Retired People

KEPCO KPS endeavors to improve its employees' satisfaction by assisting them in designing a new post-retirement life through the retirement preparation program. By offering education/training on re-employment, business startup, and self-development, we conscientiously support retirees' second life preparations. Meanwhile, through the Senior Master system (operated since 2009), KEPCO KPS has re-employed excellent employees armed with valuable technological competencies from among retired people to maximize HR utilization, boost their pride as permanent members of the KEPCO KPS family, and assist them in leading a stable post-retirement life.

Fostering of Global Talents

A. System for nurturing human capital and desirable human resources

KEPCO KPS has developed and established a process for nurturing the workforce in order to accomplish its vision as a "creative leading company that provides the world's best plant maintenance service" by nurturing its Global ACE. Also, in order to discover and nurture global human resources armed with passion for business and consummate professionalism, it has established a model for acquiring the right people, namely, "Global ACE" (Globally Advanced Customer-centered Experts), and is making efforts to implement this model by improving employees' know-how, business aptitude and capabilities.

● Process for Enforcing Competitive Workforce Nurturing System



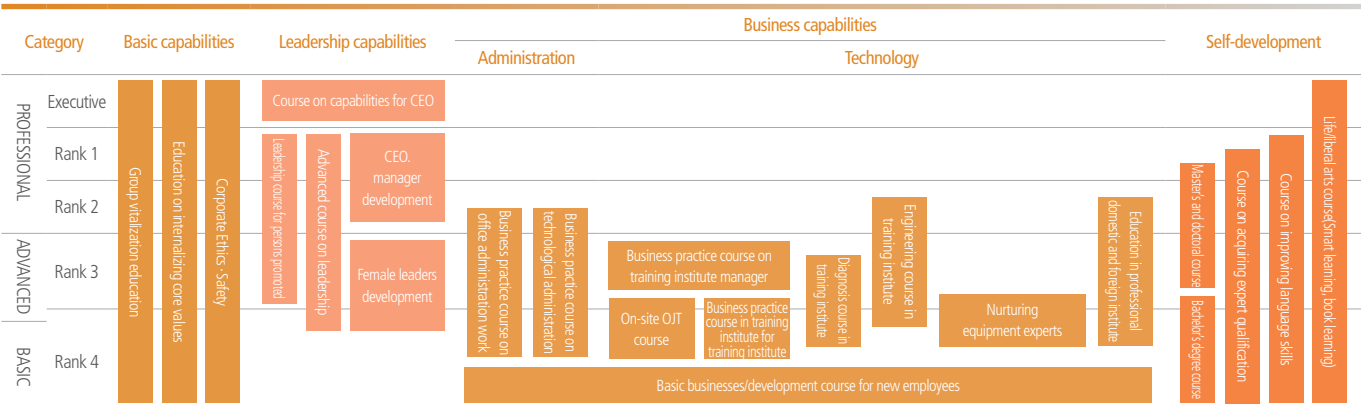
B. Fostering of Core Global Talents for Each Professional Field

1) Mid-term and long-term plans for education and training

In accordance with its mid-term and long-term plans for technological development and its plan for operating the workforce, KEPCO KPS has re-established its mid-term and long-term education and training plan (7th edition, 2014) in connection with its corporate strategy, and is also nurturing the important human capital necessary for accomplishing its management goals.

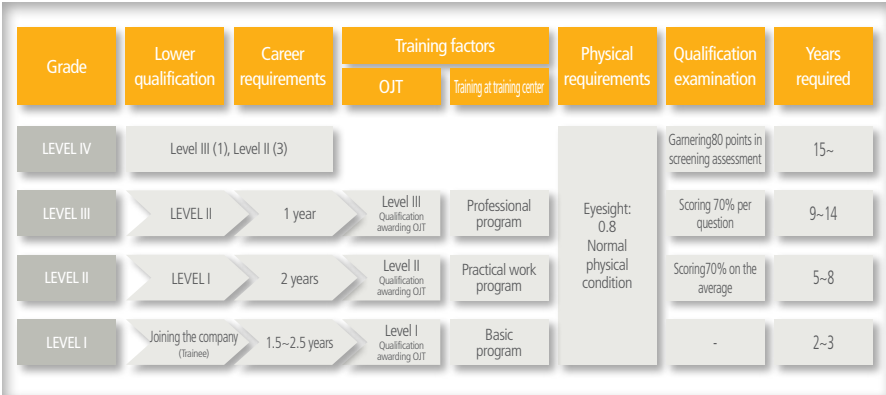
2) Training system

KEPCO KPS's education and training system comprises 455 courses designed to nurture professional technicians. The courses are categorized into business capabilities, basic capabilities, leadership capabilities, and self-development.



3) In-House Qualification System

KEPCO KPS has introduced a government-accredited in-house qualification system which it operates in conjunction with training on maintenance quality and the systematic fostering of maintenance personnel based on the job performance of qualified personnel at each power generation facility.



4) New Job Qualification Card (JQC) System

In order to strengthen employees' maintenance professionalism with the emphasis on practical business and to develop skilled workers on a consistent basis, the company's Level I businesses have been diversified into 98 areas in order to establish a system for nurturing technicians equipped with diverse skills. In addition, the company operates an in-house qualification system based on JQC.

● Certification of ISO18436 Training Institution



● Training Time per Employee by Year (Unit : time)

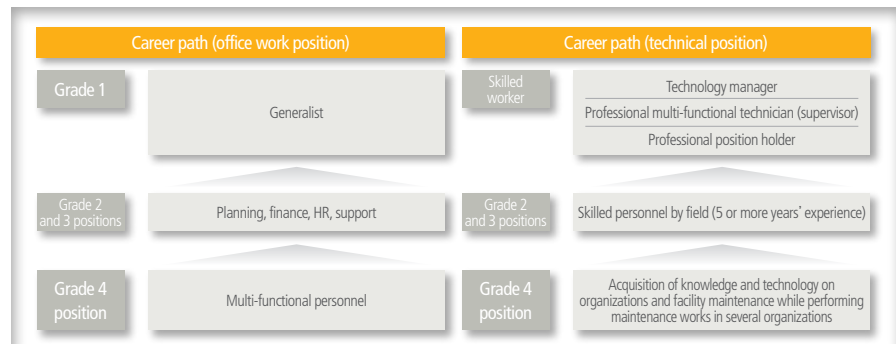
| Section | 2012 | | | 2013 | | | 2014 | | |
|----------------------------|---------------------------|-------|------------|---------------------------|-------|------------|---------------------------|-------|------------|
| | Total number of employees | MD | Average MD | Total number of employees | MD | Average MD | Total number of employees | MD | Average MD |
| Gender | | | | | | | | | |
| Female | 162 | 1454 | 8.98 | 191 | 1514 | 7.93 | 225 | 1387 | 6.16 |
| Male | 4974 | 40476 | 8.14 | 4959 | 35008 | 7.06 | 5167 | 39225 | 7.59 |
| Employment range | | | | | | | | | |
| Executive management board | 5 | 57 | 11.40 | 5 | 54 | 10.80 | 5 | 23 | 4.60 |
| Intermediate manager | 296 | 3156 | 10.66 | 312 | 2108 | 6.76 | 336 | 2254 | 6.17 |
| Professional job | 104 | 1121 | 10.78 | 109 | 752 | 6.90 | 118 | 1275 | 10.81 |
| Technical job | 3740 | 33285 | 8.90 | 3807 | 30282 | 7.95 | 4025 | 34334 | 8.53 |
| Office job | 272 | 3497 | 12.86 | 276 | 2623 | 9.50 | 293 | 1809 | 6.17 |
| Special government service | 204 | 613 | 3.00 | 205 | 579 | 2.82 | 171 | 567 | 3.32 |
| Contracted worker | 515 | 201 | 0.39 | 436 | 124 | 0.28 | 444 | 350 | 0.79 |

● Performance Evaluation and Career Development

KEPCO KPS performs regular performance evaluations and career development evaluations for all its employees in order to encourage and promote systematic career development.

5) Career Development System

KEPCO KPS has established a systematic career development system according to each position and job. Office workers are promoted to generalists, and technicians are promoted to supervisors or to professional positions, or they can advance to the position of technology manager via promotion.



C. Employee Education Performance

The 2014 education budget amounted to KRW 9.1 billion, showing an increase of 23% over the budget for 2012 (i.e. KRW 7.4 billion). The number of people receiving education increased by 101.4% from 10,932 in 2012 to 22,015 in 2014, while the total number of education courses increased by 24.5% from 339 to 422. KEPCO KPS will continue doing its utmost to nurture creative human resources.

Establishment of a Reward System Based on Employees' Capabilities and Performance

A. Fair Performance Evaluation System

KEPCO KPS runs a fair performance evaluation system by evaluating its employees' performance of their tasks and business operations in an objective way in order to reward them in a just and equitable way. The performance evaluation system largely consists of a group evaluation and an individual evaluation. For the group evaluation, the KPI (Key Performance Index) is calculated based on the BSC (Balanced Score Card). According to the rate of accomplishment, an individual employee's contribution to the group is evaluated and reflected in the reward system.

For the individual evaluation, individual accomplishment goals are set at the beginning of the year using the MBO method, and the process of goal accomplishment is managed within the year. The performance evaluation is conducted in consideration of the importance and difficulty of performing a goal or target by the end of the year, and the result is reflected in the basic wage. To improve the reception of the performance evaluation and assists its stable establishment, a policy of formal objection which allows employees to raise an objection after being notified of their evaluation result is in place. Various monitoring systems such as the survey personnel system and the task force for improving the policy, etc. are also being operated.

B. Rational Reward System

In order to strengthen the reward system, consistent policy improvements - such as the improvement of ranks, and the increased weight of performance rewards, all of which are based on the evaluation of business value - are being carried out. The initial wage for new college graduates was KRW 29.057 million in 2014, and it was 222% higher than the domestic minimum wage.

NEXT STEP

Based on KEPCO KPS's philosophy that human resources are its future, KEPCO KPS is dedicated to employing and nurturing the appropriate human resources. To that end, the company will strengthen its education courses designed to nurture creative human resources and realign the system of fair rewards. Furthermore, KEPCO KPS will strengthen its internal capabilities in line with its aim of becoming a 'top global power generation maintenance company' by consistently expanding its professional workforce.

Creation of a Happy Workplace

CONTEXT

Employees' happiness in the workplace is returned as increased motivation and productivity throughout the entire company. KEPCO KPS has devised and implemented various policies aimed at increasing the happiness of its employees, and is encouraging its employees by improving its welfare infrastructure.

OUR APPROACHES & PROGRESS

Program to Increase Employees' Happiness

In order to boost employees' pride, the practice of complimenting and encouraging the employees has been established throughout the company. The Human Resource Development Center runs a number of programs designed to increase employees' happiness, such as the "7 principles for an effective life class," with the aim of improving employees' sensitivity to themselves. The company also holds various events including the "Remembering Special Anniversaries" and "Secret Santa" programs in order to promote friendship and improve employee relationships within the company.

Improvement of Welfare System

In order to improve the infrastructure of the working environment, gyms have been set up in the headquarter and at 23 business sites in order to contribute to improving employees' physical health after work. There are also a non-smoking clinic and non-smoking funds, as well as the EAP (Employee Advice Program), which is designed to alleviate and manage employees' stress and manage their health. Meanwhile, subsidies, accommodation, vehicles, and extra vacation days are provided to employees who are working diligently at our overseas business sites in order to provide a better working environment.

Publication of Welfare Guidebook and Guidebooks for Retirees

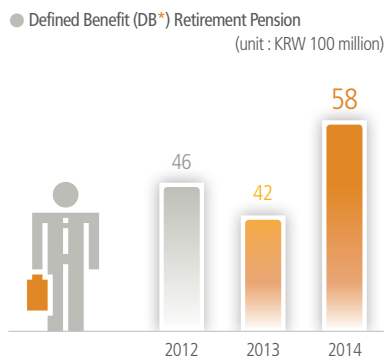
The Welfare Guidebook, which contains a detailed explanation of the overall welfare policy and the provision and use of business conveniences, and "The Guidebook for Retirees" which offers guidance to retiring workers on how to live a stable post-retirement life have been published. Furthermore, the company's retirement pension policy, which aims to secure and stabilize the life of retirees, has been introduced in order to improve their satisfaction with the welfare offered by the company.

A Welfare Program for Happy Families

Various family-friendly welfare programs such as the Happy Family Day (which allows employees to spend time with their family after leaving work early every Wednesday), the expanded operation of flexible working arrangements, and annual holidays have been implemented in order to promote employees' family happiness and to improve their work-life balance.

Retirement Pension Program

KEPCO KPS's severance pay system was converted to a retirement pension system in 2011. With the mandatory retention rate of external contributions, we uphold employees' right to receive retirement benefits. Under this system, KEPCO KPS has laid solid foundations for the fund in the future. Since 2012, KEPCO KPS has operated a defined benefit retirement pension system and expanded the options (defined benefit, defined contribution) of system operation.



* Defined benefit retirement pension: Policy of accumulating the financial resource for payment of retirement pension to an external financial institution so that a pre-determined retirement pension will be paid to a retiring employee in consideration of working years, etc., by the financial institution in the form of pension or lump sum allowance

NEXT STEP

The most important resource of KEPCO KPS is its human resources. By maintaining an effective and generous welfare system, KEPCO KPS will increase the happiness of its employees and their families and strengthen the foundations for consistent growth.

Establishment of Close Labor-management Relations

● Strategy for Advancing Labor-management Relations



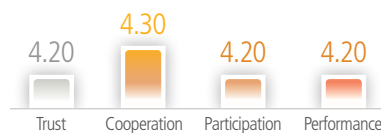
● Conference on the Union of Labor and Management



● Joint Labor-management Briefing Session on Management Issues



● Survey on Satisfaction with Communication between Labor and Management



| Diagnosis name | Topic |
|----------------|-------------------------|
| Trust | Sharing goals |
| Cooperation | Cooperation |
| Participation | Communication |
| Performance | Fulfillment, Evaluation |

● Governmental Commendation for Labor-management Cooperation in 2014



CONTEXT

Recently, distinct forms of labor-management relations have emerged, along with the consequent occurrence of social issues, making the establishment of future-oriented labor-management relations that focus on growth and creativity a critical factor. KEPCO KPS has established strategies for advancing labor-management relations and is conducting various activities aimed at further developing its unique corporate culture of win-win relations between labor and management.

OUR APPROACHES & PROGRESS

Establishment of a New Labor-management Culture Based on the Advancement of Labor-management Relations

KEPCO KPS develops and implements strategies for advancing labor-management relations by reflecting changes in the managerial environment. It has established four strategic directions for cooperative, rational, trustworthy, and field-oriented labor-management relations, and is endeavoring to establish a new labor-management culture by holding a conference on the union of labor and management, expansion of diagnosis of satisfaction with communication between labor and management, and the provision of feedback.

Establishment of Legal and Rational Labor-Management Relations

KEPCO KPS has been establishing legal and rational labor-management relations in accordance with various labor-related laws and group agreements such as the Labor Standards Act and the Labor Union and Labor Relations Adjustment Act, under which all of the employees of KEPCO KPS are guaranteed labor rights, the right to form a labor union, and freedom of assembly. As of December 2014, 3,994 employees, or 80.7% of the employees, had joined the labor union, and there are two active double labor unions.

Guarantee of Participation in Major Changes in Business

KEPCO KPS guarantees the participation of labor unions in major changes in business with the potential to influence the employment of employees. According to a collective agreement, major changes in the working quota or in the group itself have been given the green light following discussion with the labor union. If an employee has to be dismissed from work due to inevitable managerial reasons, the relevant information and the criteria for avoiding dismissal must be given in writing and should be notified to the labor union 60 days before the date of dismissal, to allow for sincere discussion of the matter, as specified in the collective agreement. Such is part of the huge effort to stabilize the employment of the company's employees.

Major Performances

Thanks to its consistent efforts to secure win-win labor-management relations, KEPCO KPS obtained an outstanding score of 4.2 out of 5.0 for its company-wide diagnosis of employees' satisfaction with labor-management communication. KEPCO KPS provides feedback by conducting the labor-management partnership program based on the results of the diagnosis according to each business site. Such a diagnosis of labor-management relations has become a norm form every year, for which the relevant data is preserved via systematic management in the database. In addition, the chairman of KEPCO KPS' s labor union has been awarded with a commendation for labor-management cooperation by the Ministry of Labor in recognition of his contribution to win-win and cooperative labor-management relations.

NEXT STEP

KEPCO KPS plans to expand its unique corporate culture of seeking communication and cooperation. Also, in accord with the government's policy for sustainable growth, KEPCO KPS will establish a culture of productive negotiations and consistently strengthen the competitiveness of its labor-management relations.

Ethics Management Internalization

● Ethics Management Brand



● System for Enforcing Ethics Management

Enforcement norms

Ethics Charter, behavioral charter for employees, behavioral charter for affiliates, integrity regulation on contracted operation for employees

Training program

Education for integrity administrator, education on life-cycle (new employees, manager, etc.), integrity academy (business sites with poor performance, etc.)

Enforcement group

[Decision-making]
committee of ethical management
[Supervision]
audit agency, chief officer of behavioral charter
[Practice]
planning center, ethics keeper, etc.

Reporting system

Reports on irregularities, report on inconveniences of companies in transaction, whistle-blowing, online ethics center (dilemma consulting, etc.)

● Result from Integrity Evaluation by the Anti-Corruption and Civil Rights Commission

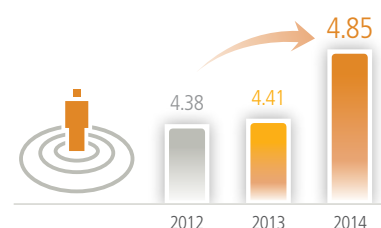
1st place out of "other public institutions" evaluated under the jurisdiction of Ministry of Industry

| Institution name | Overall integrity rating |
|------------------|--------------------------|
| KEPCO KPS | 8.73(Grade 1) |
| A | 8.52(Grade 2) |
| B | 8.41(Grade 3) |
| C | 8.23(Grade 3) |
| D | 7.80(Grade 5) |
| E | 7.67(Grade 4) |
| F | 7.65(Grade 4) |

● Online Ethics Center



● Result of Ethical Awareness Diagnosis (Unit : scores)



CONTEXT

Based on the Public Service Ethics Act, KEPCO KPS was designated as a public service-related institution as of December 31, 2012. Accordingly, it seeks to practice global-level ethical management by recognizing that creating a transparent corporate culture based on the promotion of ethical awareness and a culture of integrity as a public institution is a necessity for sustainable development of the company.

OUR APPROACHES & PROGRESS

Ethics Management System

KEPCO KPS conducts its ethical management activities under the ethical management brand known as "Crystal KPS." We have enacted the Code of Ethics, the rules of conduct, and practice guidelines as ethical standards that must be observed by all of our employees. We operate ethical management organizations whose role is to propagate systematic company-wide ethical management, and we systematically execute ethical management education in order to form bonds of sympathy with regard to ethical management and to improve ethical awareness among our employees.

Major Ethics Management Activities and Achievements

A. Ranked first in the integrity evaluation carried out by the Anti-Corruption and Civil Rights Commission

In the integrity evaluation of public institutions conducted by the Anti-Corruption and Civil Rights Commission in 2014, KEPCO KPS ranked first out of nineteen I-type public service-related institutions including Korea Electric Power. This is a reflection of KEPCO KPS's consistent efforts to improve managerial transparency and integrity, and is the best result achieved by any organization in its first year as a subject of evaluation.

B. Ethics Program by Stakeholders

All our employees have confirmed their willingness to practice transparent management by taking an oath to engage in ethical behavior. KEPCO KPS is actively seeking to establish a culture of integrity and ethics by running various programs for stakeholders such as the conference on integrity resolution, and discussion with trading companies, etc.

● Program for Ethics Management by Stakeholders

Internal (employees)

- Oath to practice ethical management by all employees (Jan. 2014)
- Campaign to discourage the acceptance or provision of gifts on national holidays
- Briefing session on anti-corruption and integrity policies (May 2014, 27 sites)
- Operation of anti-corruption and integrity days (monthly)
- Hosting of conference on integrity resolution (Sept. 2014)

External (trading companies, etc.)

- CEO makes oath at the B.E.S.T. Forum (March 2014)
- Discussion with trading companies (May 2014)
- Oath for fair transactions and mutual growth with suppliers (June 2014)
- Disclosure of anti-corruption and integrity data on the company website (56 cases)

C. Ethics Management Website and Ethics Management Counseling Center

We operate an ethical management home page through which both internal employees and the general public can easily understand our ethical management policy, ethical norms, achievements, and status. As part of an active solution to employees' ethical conflicts, we run an Ethical Management Consulting Center and provide solutions to any breaches of ethical management and ethical dilemmas. In this way, we are strengthening our status as a company that practices ethical management.

D. Ethical Awareness Diagnosis

In order to analyze employees' awareness of the company's overall ethical management, KEPCO KPS identifies and analyzes vulnerable areas and determines appropriate means of improvement. It has also analyzed the ethical awareness of its employees since 2012 in order to actualize Crystal KPS. The analysis is conducted by rank, department, and working year, and the results thereof are reflected in the company's methods of enforcing ethical management, thereby raising ethical awareness throughout the entire group.

● Education on ethics Management and Anti-corruption/Integrity (unit : times/persons/hours)

| Category | 2012 | 2013 | 2014 |
|--------------------------------------|-------|--------|--------|
| Number of training | 146 | 226 | 540 |
| Total no. of education recipients | 7,504 | 16,677 | 28,260 |
| No. of hours of education per person | 5.50 | 6.05 | 6.74 |

● Outcome of Evaluation on Anti-corruption Policies

| 1 st place out of "other public institutions" evaluated under the jurisdiction of Ministry of Industry | |
|---|--------------------------|
| Institution name | Comprehensive evaluation |
| KEPCO KPS | Outstanding (Grade 2) |
| A | Average (Grade 3) |
| B | Average (Grade 3) |
| C | Average (Grade 3) |
| D | Unsatisfactory (Grade 5) |

● Appointment Ceremony for Integrity Ombudsman



● K Help Line



● Sinmungo



The analysis will be performed annually in order to pursue the consistent growth of ethical awareness, based on trend analysis and the improvement of weaknesses.

E. Customized Education on Integrity and Ethics

Executives and major managers have received integrity and ethics education in order to establish leadership with integrity and to internalize ethical awareness within the group with top-down management. In addition, an online ethical education program has been launched for all of the company's employees. The amount of ethics education provided at our business sites has increased significantly, showing that the interest in overall ethical-integrity education at KEPCO KPS is increasing consistently.

Anti-Corruption Policy

KEPCO KPS is consistently strengthening the criteria for its anti-corruption activities by improving its anti-corruption policy. We make it a rule not to offer money, gifts, or entertainment to influential people, public officials, or politicians in the hopes that they will do something for us. We make it obligatory for employees not to receive or give special benefits to a specific person in connection with the company business. We make employees sign contracts honestly and fairly and fulfill our contractual obligations faithfully. Finally, we make it a rule not to offer illegal political funds to a political party or a politician. Additionally, in the event of a breach of the ethical norms, KEPCO KPS operates a punishment system according to the reward/punishment regulations. In this way, KEPCO KPS calls its employees' attention to the results of corruption and strives to prevent the recurrence of corrupt activities.

Furthermore, an integrity ombudsman has been created along with the participation of external experts in vulnerable points of corruption. KEPCO KPS has joined domestic and foreign anti-corruption initiatives such as the UN Global Compact and the B.E.S.T. CEO Club in order to manifest its anti-corruption policies, and is discovering exemplary cases for use in its anti-corruption activities.

Reporting Policy and Countermeasures

We operate an internal tip-off system and the e-Complaint Center (Shinmungo, Customers/Suppliers' Inconvenience Reporting Center, Irregularity Tip-off Center) as channels for the reporting of unethical and corrupt acts. The system can be used by anyone including both our employees and external stakeholders. In addition, the K-Help Line, an anonymous tip-off system for corrupt activities has been established, and a protection policy for public reporters has been introduced in order to improve the situation of the reporters and to encourage reporting activities.

● Operation of Reporting System

(unit : cases)

| Category | 2012 | 2013 | 2014 |
|--|------|------|------|
| No. of reports to the e-Complaint Center | 30 | 23 | 22 |
| No. of cases addressed | 31 | 23 | 22 |

KEPCO KPS guarantees a strict response to all suspected cases of corruption. In 2014, three cases of corruption were discovered, and disciplinary actions were taken on each occasion.

● Disciplinary Actions

(unit : cases)

| Category | 2012 | 2013 | 2014 |
|----------------------------|------|------|------|
| No. of cases of corruption | - | 1 | 3 |
| Disciplinary actions | - | 1 | 3 |

NEXT STEP

Refusing to settle for being the best only in the integrity evaluation conducted in 2014, KEPCO KPS will continue striving to be the top-ranked institution in future evaluations of anti-corruption policies, thereby leading the practice of ethical management and spreading awareness of the importance of public ethics in accordance with its role as a public institution.

Eco-friendly Management Expansion

● Certificate of Environmental Management



● Comprehensive Information System on National GHG Emissions - <http://gov.gis.go.kr/index.html>



● Environmental Information Notification System



CONTEXT

The exacerbation of global environmental problems such as global warming and destruction of the ecosystem requires a proactive responses on the part of major corporations. KEPCO KPS has established a company-wide environmental management system in order to increase its efficiency and objective reliability. Furthermore, it is rising as an eco-friendly management company that practices leading environmental management based on the proactive participation of its employees and improvement of the related regulations such as responding to climate change by minimizing greenhouse gas emissions, and realizing eco-friendly management through technological development, etc.

OUR APPROACHES & PROGRESS

Environmental Management System

KEPCO KPS has acquired the relevant certification for its integrated quality environment management system (ISO 9001 & 14001) at the enterprise-wide level to comply with the Low Carbon, Green Growth Basic Act. KEPCO KPS develops various activities including campaigns for the recycling of scrap paper, handling of toners, separate collection of rubbish, and collection of waste paper in keeping with its corporate culture. The GT Maintenance Center - where it has its facilities - has built and implemented an environmental management system independent from the customers, while KEPCO KPS has acquired the international EMS, ISO 14001 certification for the GT Technology Service Center.

Response to Climate Change

KEPCO KPS has set goals for energy consumption and greenhouse gas reduction in order to respond to internal and external demands and to fulfill its responsibility for future generations with sincerity. With the announcement and enactment of the Guidelines on Public Sector GHG and the Energy Target Management System in January 2011, pursuant to the Low Carbon, Green Growth Basic Act, KEPCO KPS posted the figures for its GHG emissions and energy consumption on the GHG General Information System (concerning the fuel consumption of all its vehicles and company buildings) for proper management. In addition, KEPCO KPS draws up implementation plans and reflect them in the internal management assessment in order to achieve our GHG and energy use reduction targets. Furthermore, having set the reduction target for the GHG emissions of our vehicles and company buildings, KEPCO KPS makes efforts to monitor, manage, and improve those targets. Based on the mean data for three years (2007~2009), KEPCO KPS implements the target it has set, i.e. to mitigate GHG emissions by 4 percent each year for five years from 2011 to 2015, aiming for a total reduction of 20 percent by 2015.

Although the company's performance concerning the reduction of greenhouse gas emissions has improved steadily since 2012, the magnitude of the reduction is diminishing, raising the need to diversify our methods of reduction by departing from the initial policy which emphasized mere improvement. Thus, KEPCO KPS plans to reduce its greenhouse gas emissions consistently by actively adopting new technologies, expanding the purchase of electric cars, which emit only half the amount of CO₂ compared to petrol-driven automobiles, using rechargeable batteries that use renewable energy sources such as solar power, and using V2G, etc..

*V2G (Vehicle to Grid) : Service industry that resells the electricity stored in electric automobiles

● Energy Use and GHG Emissions by KRW

| Category | Unit | 2012 | 2013 | 2014 |
|---------------------------------|---|------|------|------|
| Energy use by KRW | GJ/ KRW 100 million | 0.39 | 0.40 | 0.35 |
| Greenhouse gas emissions by KRW | tCO ₂ eq/ KRW 100 million | 0.44 | 0.40 | 0.36 |

※ The value by KRW was calculated based on the sales for each year (KRW 100 million)

● Energy Consumption (Buildings)

| Category | | Unit | 2012 | 2013 | 2014 | Name of business sites |
|-----------------|-----------------------|------|---------|-----------|---------|---|
| Direct energy | Kerosene (Indoor) | L | 4,917 | 5,024 | 5,973 | Head office, Busan, Daegu, Gwangju, center for internaitonal policy |
| | LNG (City gas) | m³ | 7,895 | 6,478 | - | Head office, Busan, Daegu, Gwangju, center for internaitonal policy |
| | Gasoline (Automobile) | L | 91,799 | 64,612 | 71,831 | Head office (department, room), fire power (1,2,3,4,district) |
| | Diesel (Automobile) | L | 837,360 | 1,031,996 | 838,986 | Nuclear power (districts 1 and 2), electrical power transmission center |
| Indirect energy | Electricity | MW | 3,751 | 3,021 | 3,216 | Head office, Busan, Daegu, Gwangju, center for internaitonal policy |
| | Steam | TOE | 843 | 582 | 631 | Head office, Busan, Daegu, Gwangju, center for internaitonal policy |
| Total | | GJ | 3,904 | 4,462 | 3,754 | |

● GHG Emissions

| Category | | 2012 | 2013 | 2014 |
|----------------------------------|------------------|----------|----------|----------|
| Direct GHG emissions (Scope 1) | CO ₂ | 2,423.57 | 2,872.80 | 2,369.82 |
| | CH ₄ | 3.98 | 4.11 | 3.64 |
| | N ₂ O | 42.94 | 49.18 | 41.47 |
| | Subtotal | 2,470.49 | 2,926.09 | 2,414.94 |
| Indirect GHG emissions (Scope 2) | CO ₂ | 1,850.60 | 1,478.40 | 1,496.31 |
| | CH ₄ | 58.15 | 40.21 | 0.36 |
| | N ₂ O | 97.22 | 67.51 | 2.69 |
| | Subtotal | 2,005.97 | 1,586.12 | 1,499.37 |
| | Total | 4,476.46 | 4,512.21 | 3,914.30 |

※ No emission of HFCs, PFCs, and SF6

Minimization of Environmental Impact

A. Management of Waste and Harmful Substances

The household and industrial wastes generated by KEPCO KPS are treated according to the legal disposal procedure, i.e. based on volume reduction and separate collection in the waste generation process. Regarding the use of harmful chemicals, KEPCO KPS only uses them after registering them on the Material Safety Data Sheet (MSDS)* at the procurement stage. KEPCO KPS also registers the remaining volume. In this way, KEPCO KPS practices thorough management of harmful substances according to the established controls and procedures of environment control personnel. As a result, no accidents involving leaks of waste, oil or harmful substances from KEPCO KPS's business sites have been recorded in the past two years.

* System of Material Safety Data Sheets, MSDS : Data sheets for recording the names of chemical substances or materials that contain chemical substances, their physico-chemical characteristics, hazardousness, method of treatment in the event of fire/explosion, environmental impact, etc

B. Use of Raw Materials

KEPCO KPS does not use raw materials procured separately, and only uses the raw materials provided by its customers.

C. Recycling

KEPCO KPS commissions a specialist recycling company to handle its scrap iron to ensure the full recovery of scrap iron generated by its business. It also operates a system wherein the materials provided by its customers are returned to them for recycling. In addition, the chips and replacement goods for maintenance processed by its GT Technology Service Center are recycled as scrap iron.

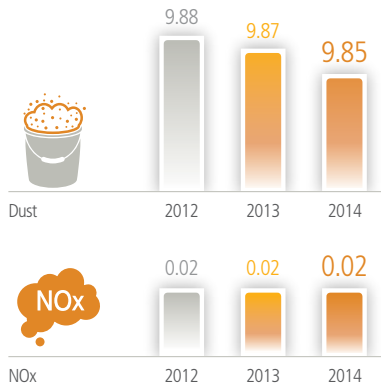
● Use and Recycling of Scrap Iron

(Unit : kg/%)



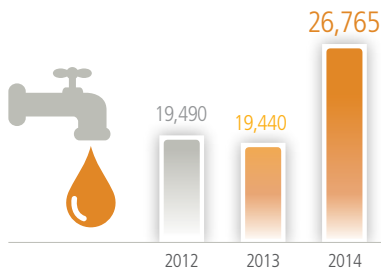
※ All KEPCO's scrap iron is recycled and reused

● Emission of Air Pollutants (unit : tons)



※ The emission of air pollutants will be ascribed only to the GT Technology Center, which has its own plant
 ※ Zero emissions of soil pollutants

● Use of Water Resources (unit : tons)



※ The water consumption shown in the data is limited to that used by the head office and the GT Maintenance Technology Center

● Construction of Renewable Energy and Eco-friendly Facilities

| Category | Specification |
|--------------------------------------|---|
| Solar Thermal Power Plant | Used for providing underground hot water |
| Solar Photovoltaic Power Plant | Reduces 10 % of the total electricity usage |
| Heat Storage-Type Geothermal System* | Used for air-conditioning system in summer and heating system in winter |
| Underground Daylight Duct System* | Replaces twelve 40W lamps per system |
| Rainwater Reuse System | Used for providing landscaping trees and eco ponds |
| LED Lighting System | Reduces 60% of energy compared to fluorescent light |
| Hybrid Security Lighting System* | Used for the company's landscape lighting at night |

* Heat Storage-Type Geothermal System: This system produces and stores cold water at nighttime and uses water for air-conditioning in daytime

* Underground Daylight Duct System: This system provides natural lighting to underground at sunrise

* Hybrid Security Lighting System: This system stores solar light (sunlight) at sunrise and converts the sunlight into self-charged electricity to be used for landscape lighting after sunset

D. Substances That Cause Air and Soil Pollution

KEPCO KPS's power generation facility maintenance service is its flagship business, targeting six power generation companies and privately-funded power plants. As a "type four" atmospheric control workplace, the GT Technology Service Center operates a dust collection facility to minimize the discharge of materials into the atmosphere during work processes. The center systematically measures and controls the working environment on a biannual basis.

D. Water Use

Regarding KEPCO's water usage, no water supply sources are affected by our water intake via public waterworks; and the wastewater discharged at our business sites is treated by us directly at the site. Any wastewater that cannot be treated by KEPCO is treated by a professional treatment company. Also, the quality of the discharged water discharged its treatment as wastewater is measured and managed every half year by a professional water quality measurement agency. The quality of the discharged water is managed to ensure that it remains below 80% of the legal allowance for discharge. Substances that destroy the ozone layer, such as CFCs, are not used at all, while waste materials regulated by the Basel Accord are not discharged. No violations of the environmental regulations were reported in the period covered by this report.

Costs Related to Environmental Issues

● Cost of Evaluating Ex Post Management for the ISO 9001 & 14001 Certifications (unit : KRW)

| Category | 2012 | 2013 | 2014 |
|-------------|-----------|-----------|-----------|
| Expenditure | 4,280,000 | 4,708,000 | 8,415,000 |

● Cost of Treating Environmental Waste (unit : KRW)

| Category | 2012 | 2013 | 2014 |
|-------------|-------------|------------|------------|
| Expenditure | 231,325,966 | 41,610,305 | 33,472,901 |

※ Company-wide treatment costs

Eco-friendly Management

A. Mid-term and Long-term Plans for Technological Development

Among the many types of power plants, it is the highest priority of nuclear power plants to protect workers from radiation and to minimize the leakage of radioactive substances to the outside. Accordingly, KEPCO KPS has established its "KPS 2020 mid-term and long-term plans for technological development," and has either finished or is working on 48 areas of automated technology for power plant maintenance, thus contributing to the reduction of working hours in highly radioactive regions, the prevention of exposure to radiation, and the improvement of maintenance reliability.

● 2020 Mid-term and Long-term Plans for Technological Development – Power Plant Maintenance Automation (Unit : cases)

| Large classification | Medium classification | Small classification | | | | |
|--|--|----------------------|-------|-------------|-----------|-------|
| | | New | Plans | In progress | Completed | Total |
| Automated technology for power plant maintenance | 1. Reactor | 3 | 3 | 6 | 4 | 16 |
| | 2. Steam Generator | 7 | 2 | 3 | 3 | 15 |
| | 3. Primary maintenance of other power plants | 4 | 0 | 2 | 1 | 7 |
| | 4. Chemical, decontamination, closure | 2 | 3 | 1 | 0 | 6 |
| | 5. Secondary maintenance of power plants | 0 | 1 | 2 | 1 | 4 |

● CO₂ Emissions by Plant Category (Unit : g/kWh)

| Category | Emission Amount |
|--------------------|-----------------|
| Coal | 991 |
| Gas | 549 |
| Oil | 782 |
| Water Power | 8 |
| Solar | 57 |
| Photovoltaic Power | 14 |
| Nuclear Power | 10 |

※ Source: IAEA, 2006

● Building Dedication Ceremony for Solar Energy Power Plant for the Geogeu Energy Theme Park



● Rate of One Cycle Trouble Free (unit : %)

| Category | 2012 | 2013 | 2014 |
|---------------------|------|------|------|
| Fire power | 92.3 | 100 | 100 |
| Nuclear power/water | 93.8 | 81.8 | 87.5 |
| Total | 92.6 | 96.6 | 97.6 |

B. Enforcement of Business for Renewable Energy

KEPCO KPS constructed the solar power plant at the Geogeu Energy Theme Park, located in Goheung, Jeollanam-do. Having developed a muck field that lay fallow for thirty years into a complex for developing renewable energy, the power plant contributes to vitalizing the regional economy and reducing carbon emissions. In consideration to the situation of Korea, which lacks natural resources, KEPCO KPS makes consistent efforts to prevent damage to mountains in the small national territory and to improve the exploitation of the national territory by using wild land.

C. Contribution Effect for Eco-friendly Maintenance

KEPCO KPS minimizes the environmental effects of environmental facilities at power plants while guaranteeing the maintenance reliability of power plants by securing advanced maintenance technologies and a professional technical workforce, and by using high-tech maintenance equipment as a labor saving measure. In order to reduce the failure of power plant facilities and to optimize their maintenance, KEPCO KPS has acquired an advanced maintenance management system to stabilize the operation of power plant facilities. Also, it minimizes failures and improves the utilization rate of power plant facilities by improving or overhauling poor or antiquated facilities. As a result, the rate of 'one cycle trouble free'* for one cycle of 2014 stood at 97.6%, showing a 5.0% increase over 2012.

*One Cycle Trouble Free, OCTF: All facilities from the power plant, including environment-related facilities are operated without failure from the time an overhaul is completed until the next overhaul

NEXT STEP

KEPCO KPS aims to achieve its targets for reducing waste and greenhouse gas emissions at its business sites by applying an eco-friendly management system to the overall business, improving employees' awareness of environmental issues, and encouraging their participation. In addition, the ongoing development of automated technology for power plant maintenance is due to be completed, and will further contribute to reducing greenhouse gas emissions based on the safe operation of power plants. This will also expand the companies technological developments and businesses in the field of renewable energy, ultimately accomplishing the goal of making green growth possible.



Sharing Value Expansion

The Reason Why the Sharing Value Expansion is Important for KEPCO KPS

The competition is expected to become even fiercer following the opening of the power generation maintenance market. Acquiring industrial competencies beyond our existing power plant servicing capacity and leading the marketplace require us to build on our various competencies by strengthening our relationships with suppliers and realizing growth through them. Also, developing credibility in the local community through pro bono social contribution activities will play the role of strengthening our business competency while raising awareness about and improving the reputation of the company. Therefore, mutual cooperation with the suppliers of KEPCO KPS and contributions to the local community are more important than ever.

KEPCO KPS's Efforts to Accomplish the Sharing Value Expansion

Under the goal of "realizing systematic win-win growth through mutual cooperation" in the power plant facility servicing market, KEPCO KPS has set strengthening the basis for win-win growth and promoting win-win growth projects as its two major strategic areas, while carrying out various initiatives to lead win-win growth based on thirty specific agendas. In addition, an initiation system for social contribution activities that factor in the characteristics of the company has been established, and policies aimed at integrating partnerships with expert institutions and encouraging employee participation are being carried out.



● Interview

Seo, Dong-Hyuk
Senior Manager, Instrumentation & Control Team,
Korea Hydro & Nuclear Power Co., LTD
(KHNP) Wolsong nuclear power site



Thanks to the know-how it has developed from its long experience in power generation maintenance and its competent human resources, KEPCO KPS is already recognized as a holder of world-class prowess in the servicing of power plants. However, as a leading company in the industry, it should not become complacent about its current status, but should rather lead the standardization of the maintenance process. In addition, one of the most important factors for the growth of companies in the power generation industry is honest communication with the local community. KEPCO KPS must set and execute policies that pursue harmony with the community while actively utilizing the talents of the company to proactively carry out social volunteer work activities. The company must also strive to fulfill its social responsibilities by facilitating emotional communication with the local community.



Related Issues

Win-win Growth



Social Contribution

Performance Index

| | |
|---|--------------------------------------|
| No. of Registered Suppliers | 253 |
| No. of MOUs for Cooperation in Overseas Business | 5 |
| Ratio of Products Purchase Manufactured by SMEs | 82.1% |
| Amount of Products Purchase Manufactured by women owned company | KRW 36.3 billion |
| Mutual Entry with High Performing SMEs | 13 companies / KRW 2.54 billion |
| No. of Private Sector Jobs Created | 3,141 |
| Fun Donation Activities | 1,963 participants / KRW 1.1 million |
| Pro Bono Activities | 742 /21,113 hours |
| Making Livelihood of Hope | 133 |



Win-win Growth

CONTEXT

The maintenance of a power plant requires many strengths ranging from power generation facility parts, maintenance technology, and talented people.

These strengths come together which in turn becomes an endless light shining on the world. KEPCO KPS walks alongside its suppliers today for the light that we can benefit from each other.

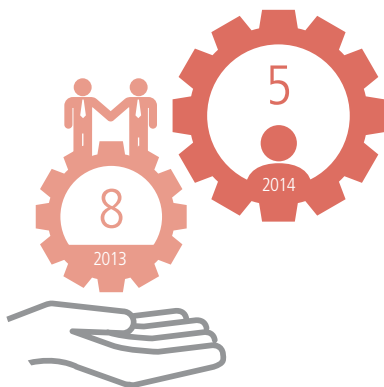
OUR APPROACHES & PROGRESS

Mutual Growth Initiation Strategy

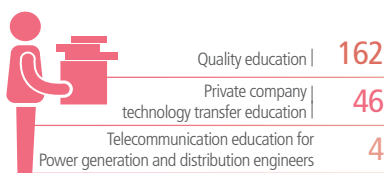
KEPCO KPS has established five major initiation strategies in the categories of technology development, sales channel support, fostering of human resources, financial support, and performance sharing; and has been carrying out specific execution agendas to achieve the goal of systematically initiating mutual growth on the basis of mutual cooperation. The progress of these agendas is monitored through meetings with suppliers, briefing sessions for mutual growth, review and analysis of support projects, and surveys.

| Goal | Systematic Initiation of Mutual Growth through Mutual Cooperation | | | | |
|---------------------|--|---|--|---|--|
| Initiation Strategy | Technology Development | Sales Channel Support | Fostering of HR | Financial Support | Performance Sharing |
| Execution Agenda | <ul style="list-style-type: none"> Cooperative R&D Support for acquiring certification Technical materials escrow | <ul style="list-style-type: none"> Joint entry to local and global markets Support for participation in exhibitions Extension of public purchasing | <ul style="list-style-type: none"> Quality guarantee training Technology transfer to private companies Support in fostering experts | <ul style="list-style-type: none"> Granting advance payment Support for loans Mutual cooperation fund management | <ul style="list-style-type: none"> Transfer of technology in possession Approval of patent rights Designation of products to be developed |
| Monitoring | Suppliers Meeting | Briefing Sessions for Mutual Growth | Review and Analysis of Support Projects | Mutual Growth Survey | |

● Technology Support Agreements (unit : cases)



● HR Development Education Performance (unit : persons)



Strengthening the Basis for Mutual Growth

Every year, agreements for mutual growth and fair trade are signed with around forty suppliers that are operational maintenance subcontractors in order to exchange ideas, promote mutual understanding, and reach a consensus. In addition, through briefing sessions for mutual growth (with approximately 40-50 companies) and meetings with companies we do business with (approximately 300 companies), the support projects are introduced and an opportunity to hear about the difficulties experienced by SMEs is provided. The basis for mutual growth is being strengthened by identifying new projects through ideas competitions and such like.

Strengthening the Capacity of SMEs to Become Independent

A. Joint R&D

Cooperative R&D is being carried out to facilitate the success of research and development by working together with SMEs with excellent design and manufacturing technologies. In 2014, we were able to achieve KRW 2.94 billion by signing 110 contracts with 46 companies to manufacture various products such as an IPB inspection robot status surveillance system. Through such measures, we are augmenting the insufficient technology capacity through SMEs' participation in R&D to bring about optimal results.

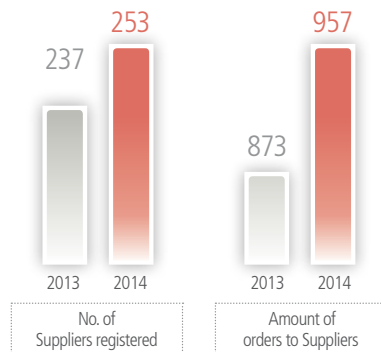
B. Education Support

Quality education is carried out on an annual basis to support SMEs' efforts to acquire quality competitiveness and to strengthen their competency. Since 2014, education related to the latest issues in the maintenance market - such as the current status of the external environment - and a special lecture on the fabrication of purchasing-related documents have been provided, and measures to prevent such issues from occurring have been implemented. Also, we are enhancing

● Financial Support Performance (unit : cases/KRW 1 million)

| Category | No. of cases | Amount of support |
|--------------------------------------|--------------|-------------------|
| Support for advance payment | 9 | 1,198 |
| Public purchasing loans | 6 | 632 |
| Loans for suppliers | 4 | 1,546 |
| Operation of mutual cooperation fund | - | 44 |

● Extension of Opportunity to Register as Suppliers
(unit : case/KRW 100 million)



● Nuclear Energy Related Company Joint Exhibition of SME Products



the SMEs' practical competencies by signing agreements for technology support and interacting with and transferring maintenance technology to SMEs. In addition, support is provided to enhance their expertise through cyber-education and thereby enable them to acquire professional certifications, to enable them to acquire the ISO and safety and health management system certification, and to apply for intellectual property rights.

C. Financial Support

To resolve SMEs' financial difficulties and improve management security, we have implemented a policy aimed at supporting them with up to 50% of advance payment and set up fund loans such as public purchasing loans and loans for suppliers. In addition, through the mutual cooperation fund, investments have been made in small and medium-size venture companies in the electric power and electricity industries, thereby contributing to developing the foundation of the electric power industry.

Mutual Cooperation Efforts

A. Increased Opportunities to Register as Suppliers

In order to increase the opportunities for companies to register as our partner companies, we have allowed applicants to register on a rolling basis since February 2014. Also, by extending orders to registered suppliers, the amount of orders increased by 9.6% from KRW 83.7 billion in 2013 to KRW 95.7 billion in 2014.

B. Joint Local and Global Business Entry

We are contributing to enhancing SMEs' global competency by jointly entering global markets with companies that possess excellent technological competency but which experience difficulties in tapping into overseas markets (11 companies in 2013, KRW 2.34 billion / 13 companies in 2014, KRW 2.54 billion). Through joint participation in the domestic maintenance business, we are supporting the practical growth of SMEs. (5 companies in 2013, KRW 64.73 billion / 6 companies in 2014, KRW 41.08 billion)

C. Support for Local and Global Exhibition

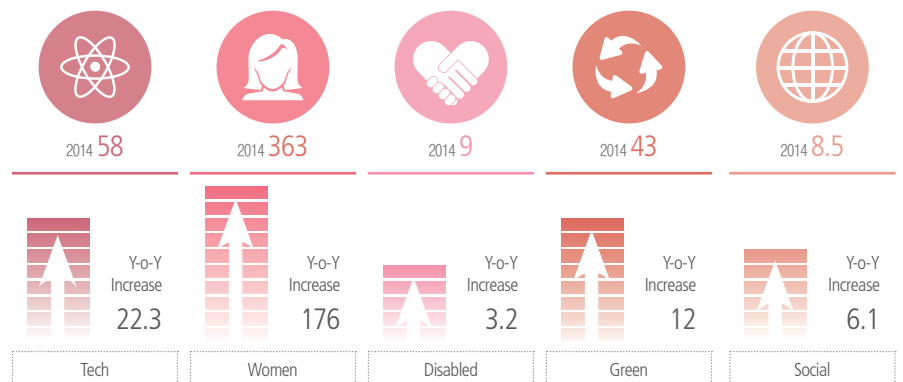
During the 19th Pacific Basin Nuclear Conference 2014, we jointly exhibited products made by SMEs with nuclear energy-related institutions. We supported four companies and provided them with opportunities to interact with experts in the nuclear energy industry. Around 150 buyers visited our expo, enabling us to negotiate contracts amounting to KRW 2 billion.

D. Increase of Purchases from Socially-Disadvantaged Companies

We are carrying out activities to promote an increase of public purchasing as well as to conduct in-house and external training throughout the year. In 2014, the purchase of products made by companies run by women increased significantly, amounting to KRW 36.3 billion worth of products.

● Record of Purchasing from Socially - Disadvantaged Companies

(unit: KRW 100 million)



Establishment of Performance Sharing Culture

In order to develop a culture of mutual cooperation based on fair performance sharing, we have been gradually establishing a performance sharing culture ever since we implemented our performance sharing policy in 2012. In 2014, we carried out a total of three agendas including the transfer of technology in our possession (registration and patent rights applications), and the joint application of intellectual property rights, etc. On the basis of these efforts, we are promoting technology cooperation with SMEs and are striving to strengthen their corporate competency through commercialization in the related fields.

Creating a Fairer Society

By limiting purchase of the business site to under KRW 500 million, we have succeeded in restricting certain regional corruption factors in advance. In order to enhance the transparency of contracts concluded through negotiations, we have set the standard whereby over half of the proposal assessment committee must be composed of external committee members. Furthermore, we disclose the latest bidding information via Alio, a public institution management information disclosure system, on a daily basis. Meanwhile, through our website, we transparently disclose related information such as the status of all the private contracts we make at the beginning of each month. As a result of such efforts, there was not a single case in which KEPCO KPS received legal sanctions for actions related with unfair competition or monopoly in 2013 and 2014.

Creation of a High Quality Workplace

KEPCO KPS has established a system of creating jobs in the private sector which is integrated with the purpose of business establishment as well as its mid-to-long-term management strategy. By expanding the outsourcing of non-core maintenance tasks, increasing the orders for investment projects and strengthening private sector partnerships, we are inducing the creation of high-quality jobs in the private sector. Furthermore, in 2014, 289 new jobs were created through the construction of Youngheung corporate housing and the new headquarters building. By jointly winning orders for power generation facilities and entering global markets together with private companies, we improved our performance by 15% over 2013 through the creation of 38 jobs at the Egbina thermal power plant in Nigeria, etc.

● Job Creation in the Private Sector (unit : persons)

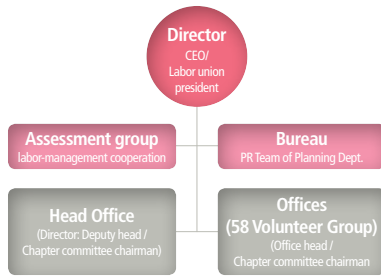
| Category | 2012 | 2013 | 2014 |
|-----------------------------|-------|-------|-------|
| Outsourcing | 2,905 | 3,033 | 2,648 |
| Investment project orders | 75 | 139 | 289 |
| Private sector partnerships | 18 | 94 | 204 |
| Total | 2,998 | 3,266 | 3,141 |

NEXT STEP

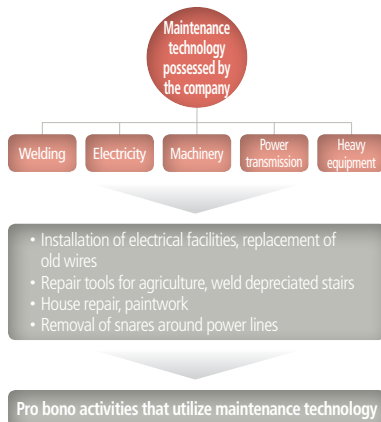
By extending its cooperation system, KEPCO KPS is increasing the opportunities for SMEs to cooperate with us, while also planning to increase the purchase of products made by SMEs and by companies run by women. In addition, by identifying non-core tasks and outsourcing them, we will create new jobs in the private sector and actively correspond to social issues, thereby fulfilling our responsibilities as a public institution.

Social Contribution

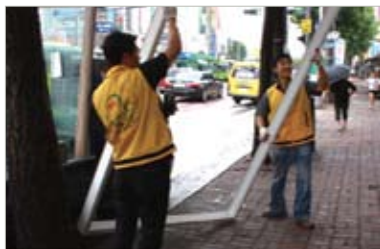
● Hanmaum Volunteers



● Hanmaum Campaign Activity Structure



● Making Livelihood of Hope



● Fun Donation Activity Status

(unit : persons/KRW 1 million)

| Category | 2012 | 2013 | 2014 |
|---------------------|-------|-------|-------|
| No. of participants | 1,771 | 1,786 | 1,963 |
| Amount of fund | 96 | 101 | 110 |

CONTEXT

Recently, corporate social contributions have seen a switch from the distribution of economic performance to the creation of shared values (CSV) within the value chain through activities integrated with corporate characteristics.

KEPCO KPS has developed social contribution programs specialized in maintenance technology which help facilitate mutual cooperation with the local community. Synergy is being created by building credibility among the local community and undertaking joint efforts.

OUR APPROACHES & PROGRESS

Execution Strategy and Initiation System for Social Contributions

As a public company that efficiently manages and provides high-quality maintenance services for electric power facilities, global and local power generation facilities, facilities for the transmission and transformation of electric power, and industrial facilities, among others, KEPCO KPS carries out social contribution activities in order to fulfill its social responsibilities. KEPCO KPS founded the Hanmaum Volunteers in 1995, and now runs diverse social contribution programs across 60 business sites located nationwide, under the slogan 'Sharing Love, The World Becomes One', to support neighbors and local communities in difficulty. Furthermore, it carries out various social contributions activities that utilize the company's maintenance technology prowess, including pro bono volunteer work, fund sponsoring, education and cultural activities.

● Social contribution activity strategy



Contributing to community development through social responsibility

Specialized Social Contribution Activities

A. Making Livelihood of Hope

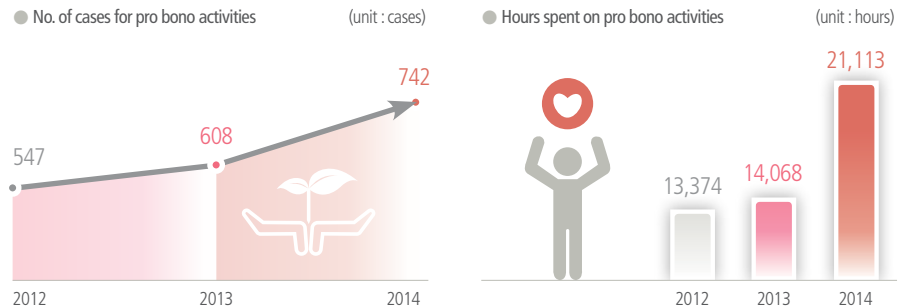
'Making Livelihood of Hope', a project initiated by KEPCO KPS and the Children's Foundation, is aimed at improving the environment of children's facilities, including electricity, heating, and the installation of safety facilities with the various maintenance technologies possessed by KEPCO KPS, in order to give hope to and nurture the dreams of children, who are our hope for the future. From 2010 to the end of 2014, KEPCO KPS raised a total of KRW 1.138 billion in funds and completed environment improvement projects in 419 children facilities located nationwide.

B. Affiliation Campaign (Fun Donation)

KEPCO KPS encourages its employees to take an interest in children who need help and is actively promoting sponsorship campaigns. Nine sponsorship programs including 'Meal Alone' are currently in operation. Under the sponsorship program in which participants can voluntarily choose the amount of their donation (i.e. KRW 5,000 or more per account), 1,771 participants raised a total of KRW 96 million in 2012; 1,786 participants raised KRW 101 million in 2013; and 1,963 participants raised KRW 110 million in 2014. The funds thus raised were used to support children from low-income households in Korea and overseas.

C. Pro Bono Activities

KEPCO KPS's pro bono activities are a type of volunteer work in which its maintenance technologies and the knowledge of its employees are used for public purposes. The company's pro bono activities, which are delivered through talent donation activities by the employees, and utilization of its maintenance technologies for power generation facilities and the equipment in its possession, are the very foundations of 'Making Livelihoods of Hope', a representative social contribution program of KEPCO KPS.



● Hanmaum Volunteers Rice Scooping Event



● Talent donation



Heart volunteer work - Call Healthcare Service delivered by in-house nurses and activities to improve the surrounding environment for senior citizens living alone

Education and Cultural Activities

Among the company's education and cultural activities is a program titled 'Nuclear Energy One-day Lecturer,' which aims to enhance children's understanding of nuclear energy and provide safety training in relation to electricity. Furthermore, we provide scholarships to students from socially-disadvantaged backgrounds in the local community and help local children to achieve their dreams through a power plant experiential learning program, as well as providing support for books in remote island areas.

Strengthening Ties with Local Communities

KEPCO KPS is striving to strengthen its ties with local communities. We lead the integration and development of local communities by forming sister affiliations and sponsoring welfare facilities located near our business sites in order to protect vulnerable groups such as senior citizens, the disabled, and children, and by operating various volunteer work programs integrated with the local government's volunteer work center. As part of our ecology recovery activities, we are not only carrying out a mountain fire prevention campaign and other activities designed to protect the sea, mountains and rivers, but are also carrying out activities to remove traps and snares in mountainous terrain.

Fund Sponsor

Our fund sponsoring program consists of financial support activities that contribute to resolving the economic problems of underprivileged neighbors and to developing the local community. The collected funds are transferred to welfare centers, local government volunteer work centers, agricultural villages and schools. The funds are collected from the voluntary participation of employees (Angel Fund), donations from the company (matching grant), regional cooperation project fees, and the Children's Foundation's sponsorship program (Fun Donation) on a personal level.

| Social contribution activities initiation performance (unit : cases/persons/hours/KRW 1,000) | | | |
|--|-----------|-----------|-----------|
| Category | 2012 | 2013 | 2014 |
| No. of activities (cases) | 3,669 | 4,039 | 4,512 |
| No. of participants in the activities (no. of persons) | 14,995 | 17,577 | 21,857 |
| Activity hours (hours) | 49,109 | 49,398 | 71,607 |
| Activity hours (no. of hours/no. of volunteer workers) | 9.7 | 9.5 | 13.1 |
| Amount raised by activities (KRW 1,000) | 1,137,721 | 1,178,220 | 1,259,499 |

● Installation of electrical facilities at India Jharsuguda Special School for the Disabled



● Construction of Bethany School in Madagascar



● Bethany School entrance ceremony



● Free meal (rice scooping) event



● Pakistan Daharki Sponsorship of Goods



Global Social Contribution Activities

KEPCO KPS operates fourteen overseas business sites in India, the Philippines, and South Africa among others. Pro bono activities which utilize the professional maintenance technologies of the company - including the inspection of electrical facilities near power generation centers and the installation of electricity supply facilities - are carried out at these overseas sites. These activities enable us to communicate with the local residents, and to spread the sharing culture of Korea. Just as it does in Korea, KEPCO KPS strives to become a company that gives hope to and nurtures the dreams of its neighbors at its overseas business sites.



Case of global social contribution activity: Installation of electrical facilities at the Jharsuguda Special School for the Disabled, India

The region of Jharsuguda in India lacks a stable supply of power, leading to frequent blackouts. Special schools for disabled children also have weak electrical facilities in the classrooms and dorms, making school life inconvenient due to the lack of an emergency power supply in the event of a blackout. KEPCO KPS has installed additional lighting in the Jadeswari Special School for the Disabled, and has also carried out the maintenance of wiring and electrical facilities. Furthermore, emergency power supply facilities were installed to cope with blackouts. In addition, we supported a special school for the mentally disabled (Asha Kiran) with specially made beds for the disabled in order to resolve the inconvenience of disabled children sleeping on a concrete floor.

Case of global social contribution activity: Support for construction of new classrooms at Bethany School, Madagascar

This project consisted in building new classrooms for Bethany School, which is located near an overseas business site in Ambatovy, Madagascar. By constructing three new classrooms with a combined floor space of approx. 264.5 square meters, we helped to create a better environment for the children to study in. Also, through a free meal (rice scooping) event in which local field staff from the overseas business site and staff from the headquarters participated together, we enjoyed a genuine experience of sharing together.

Case of global social contribution activity: Providing goods to India, Pakistan and Jordan

KEPCO KPS strives to co-exist harmoniously with the local residents of overseas business sites. When the local mosque at Nani Cher Village (located near the power plant in ATPS, India) was modified, we supported the community by providing tiles, cement, and vehicles used at the business site, as well as labor. At our business site at Daharki, Pakistan, we supplied cooking materials including flour and cooking oil to the local residents. In Al Manakher, Jordan, we sponsored goods to the orphanage in the neighborhood.

NEXT STEP

KEPCO KPS is planning to constantly identify and initiate social contribution activities that will enable us to utilize our corporate characteristics while simultaneously carrying out our ongoing social contribution activities including those of the Hanmaum Volunteers. Furthermore, by identifying the needs of the local communities around the world in which we operate, and by contributing to regional development, KEPCO KPS will spread the culture of sharing.

Appendix

Financial Information

Third-Party Assurance Statement

ISO 26000 Implementation Level Diagnosis Report

GRI G4 Index

UN Global Compact

Major Awards and Associate Members

Glossary

Reader's Opinion Questionnaire



Financial Information

Financial Statements

Comprehensive Income Statement

(unit : KRW)

| Category | 31 st | 30 th |
|---|-------------------|-------------------|
| Sales | 1,078,525,831,068 | 1,121,717,251,936 |
| Cost of goods sold | 803,975,266,293 | 881,971,705,998 |
| Gross profit | 274,550,564,775 | 239,745,545,938 |
| Selling, General, and Administrative Expenses | 61,483,669,839 | 56,711,402,397 |
| Operating income | 213,066,894,936 | 183,034,143,541 |
| Non-operating income | 14,634,455,013 | 18,842,477,516 |
| Non-operating expenses | 9,266,871,648 | 3,845,215,175 |
| Earnings before tax (expenses) | 218,434,478,301 | 198,031,405,882 |
| Income tax expense | 51,587,118,141 | 46,507,697,166 |
| Net income | 166,847,360,160 | 151,523,708,716 |

※ 31st period as of December 31, 2014 / 30th period as of December 31, 2013

Statement of Financial Position

(unit : KRW)

| Category | 31 st | 30 th |
|--------------------------|------------------|------------------|
| Current assets | 461,749,549,513 | 438,271,262,436 |
| Non-current assets | 461,093,846,983 | 400,795,401,320 |
| Total assets | 922,843,396,496 | 839,066,663,756 |
| Current liabilities | 181,870,880,098 | 182,871,384,979 |
| Non-current liabilities | 44,902,632,011 | 34,532,858,742 |
| Total liabilities | 226,773,512,109 | 217,404,243,721 |
| Capital stock | 9,000,000,000 | 9,000,000,000 |
| Capital surplus | 687,069,884,387 | 612,662,420,035 |
| Total capital | 696,069,884,387 | 621,662,420,035 |
| Total assets and capital | 922,843,396,496 | 839,066,663,756 |

※ 31st period as of December 31, 2014 / 30th period as of December 31, 2013

Consolidated Financial Statement

Consolidated Statement of Comprehensive Income

(unit : KRW)

| Category | 31 st | 30 th |
|---|-------------------|-------------------|
| Sales | 1,085,530,566,527 | 1,125,801,668,803 |
| Cost of goods sold | 807,862,253,855 | 884,960,205,599 |
| Gross profit | 277,668,312,672 | 240,841,463,204 |
| Selling, General, and Administrative Expenses | 61,862,318,096 | 56,863,614,900 |
| Operating income | 215,805,994,576 | 183,977,848,304 |
| Non-operating income | 14,689,167,174 | 18,852,200,301 |
| Non-operating expenses | 9,337,299,807 | 3,863,734,339 |
| Earnings before tax (expenses) | 221,174,240,950 | 198,962,456,048 |
| Income tax expense | 52,878,633,146 | 46,922,969,569 |
| Net income | 168,295,607,804 | 152,039,486,479 |

※ 31st period as of December 31, 2014 / 30th period as of December 31, 2013

Consolidated Statement of Financial Position

(unit : KRW)

| Category | 31 st | 30 th |
|---|------------------|------------------|
| Current assets | 465,362,071,141 | 440,887,701,624 |
| Non-current assets | 460,181,975,427 | 400,214,264,485 |
| Total assets | 925,544,046,568 | 841,101,966,109 |
| Current liabilities | 182,620,500,959 | 184,504,389,773 |
| Non-current liabilities | 44,902,632,011 | 34,532,858,742 |
| Total liabilities | 227,523,132,970 | 219,037,248,515 |
| Capital stock | 9,000,000,000 | 9,000,000,000 |
| Capital surplus | 689,033,512,136 | 613,177,859,879 |
| Other capital | (12,692,406) | (113,173,112) |
| Capital belonging to the owner of the dominant firm | 698,020,819,730 | 622,064,686,767 |
| Non-dominant capital | 93,868 | 30,827 |
| Total capital | 698,020,913,598 | 622,064,717,594 |
| Total assets and capital | 925,544,046,568 | 841,101,966,109 |

※ 31st period as of December 31, 2014 / 30th period as of December 31, 2013

Third-Party Assurance Statement

To the Management and Stakeholders of KEPCO KPS:

Introduction

The Korean Standards Association ("KSA") has received a request for independent assurance of the KEPCO KPS Sustainability Report 2014 ("the report") from KEPCO KPS ("KPS"). Therefore, KSA reviewed the data, performance results, and evidence and feasibility of the relevant systems as contained in the report drawn up by KEPCO KPS to offer an independent third-party assurance opinion. KEPCO KPS is responsible for collecting, analyzing, and organizing the information and performances required to generate the report and all the claims made therein.

Independence

Other than offering third-party assurance on the report, KSA is independent and autonomous from any influence and businesses of KEPCO KPS and its stakeholders. It does not have any relationship with KEPCO KPS, which might affect its independence or association for profit-making purpose.

Assurance Standards and Level

KSA has performed the assurance by applying GRI G4 guidelines and ISO 26000, focusing on the AS1000AS 2008 assurance standards. According to the assurance requirements of AA1000AS (2008), KSA has checked the scope of adopting the inclusivity, materiality, and responsiveness and reliability of this report. The credibility of the information in the KEPCO KPS Sustainability Report has been verified with a moderate level of assurance.

Assurance Type and Scope

KSA has performed assurance that falls under Type 2 in compliance with the AA1000 assurance standards (AA1000 AS). Type 2 assurance means that the accuracy of the claims of KEPCO KPS and performance information in the report has been assessed. The assurance scope has been based on the period Jan. 1, 2013 ~ Dec. 31, 2014. KSA has carried out assurance focusing on systems and activities such as sustainability management policy and goal, business, standard, and performance. Likewise, KSA has conducted assurance on environmental and social data and financial data on economic performance in a broad sense. The intervention of the assurance provider (KSA) in stakeholder engagement has been limited to reviewing the materiality analysis process.

Methodology

KSA has collected the necessary information, data, and evidence related to the assurance scope and performed assurance using the following methods:

- Investigation and analysis of reported media articles with regard to the sustainability management of KEPCO KPS for the past two years
- Investigation of related reported issues of the company as selected through the discussion with KEPCO KPS
- Visit to KEPCO KPS head office, interview with the staff in charge of sustainability management and issue manager
- Review of the management system and process used for improving sustainability management performance and drawing up the report
- Review as to whether the audit report and disclosure data match the financial performance data and financial statements
- Track review of internal documents and basic data

Findings and Opinions [on the assurance principle/process dimension]

KSA has reviewed the draft report and presented opinions on it, with the report revised as necessary. Based on our assurance activities, major errors or inappropriate descriptions have not been found in the details of the report. KSA presents the following opinions on the KEPCO KPS Sustainability Report 2014:

Inclusivity Has KEPCO KPS included stakeholders in the strategically responding process on sustainability?

KSA has checked and found that KEPCO KPS recognizes the importance of core stakeholder engagement in implementing sustainability management and makes an effort to acquire and operate various channels of communication. Furthermore, KSA has not discovered any significant stakeholder that has been omitted from this process. KSA recommends that KEPCO KPS strengthen the role of the supreme governance group for sustainable development in order to reflect the needs of the stakeholders on the strategies and activities of KEPCO KPS for sustainable management, including reporting specific cases on how the reflection of opinions by the management board and the decision-making process have been conducted.

Materiality Does the report contain material issues for the wise judgment of stakeholders?

KSA judges that KEPCO KPS has not omitted or excluded information material for its stakeholders. KEPCO KPS has identified the issues of stakeholders through internal and external environmental analyses and made reports based on this result. KSA recommends that KEPCO KPS continue discovering issues that reflect its industrial characteristics and establish a management system that enables clear reporting of business opportunities and risks of the company on the discovered issues with significance.

Responsiveness Has KEPCO KPS properly responded to stakeholders' demand and interest?

KSA has confirmed that KEPCO KPS has reflected the opinions of stakeholders in order to make efforts to reflect the requests of stakeholders and to respond to their interests. Moreover, KSA did not find any evidence that the response activities by KEPCO KPS on significant issues for stakeholders have been reported inappropriately. KSA recommends that KEPCO KPS strengthen its system so that the KPI for managing significant issues by stakeholders will be diversified, and strategic tasks and detailed assignments for sustainable management will be carried out systematically in the pertinent departments.

Review on GRI G4 Application Level

KSA has confirmed that this report was drawn up in accordance with the comprehensive option of GRI G4, and that the following contents on general standard disclosures and specific standard disclosures are true based on the data provided by KEPCO KPS:

General Standard Disclosures

KSA has confirmed that this report is in accordance with the requirements of general standard disclosures of comprehensive option and has reviewed the following indicators:

G4-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58

Specific Standard Disclosures

KSA has confirmed DMA on the material aspects that have been derived through the decision process of reported areas and has reviewed the following indicators:

G4-EC1, EC2, EC3, EC4, EC5, EC6, EN15, EN16, EN17, EN18, EN19, EN20, EN21, LA1, LA2, LA3, LA4, LA5, LA6, LA7, LA8, LA9, LA10, LA11, LA12, HR3, SO1, SO2, SO3, SO4, SO5, SO7, PR3, PR4, PR5, PR6, PR7, PR8, PR9

Opinions in Each Area and Recommendation for Improvement [Execution Results/Issues]

KSA recommends a review of the following so that KEPCO KPS can lay the foundation for responding consistently to issues through the consolidation of sustainability management strategies at the enterprise-wide level:

Economic

Stable financial structure is the outcome of qualitative growth that accompanies the consistent operating profit of KEPCO KPS. Likewise, KEPCO KPS seeks to achieve its mid- to long-term financial plan (VISION 2020) by consistently discovering new business areas and proactively pioneering foreign markets through the development of core human capital and technological management. Such growth should be pursued with consistent risk management so that growth accompanying stable financial structure such as the present will be accomplished, not just quantitative growth.

Environmental

KEPCO KPS shows outstanding result in sections reflected on the internal management evaluation, since it has established and operated a company-wide environmental management system in accordance with global standard and has established specific goals and fulfillment plan for reducing the emission of greenhouse gases. In the future, KEPCO KPS should fulfill its responsibility of explanation by making reports on specific improvement activities such as efforts by employees with regard to energy reduction, replacement with high-efficiency facilities, use of alternative energy source, etc., and by clarifying why any huge difference compared to the previous year has occurred.

Social

KEPCO KPS has taken the initiative in creating shared values within the value chain by carrying out social contribution activities that utilize the industrial characteristics and professionalism through the establishment of specific strategies and executive tasks for accompanying growth with partner companies, establishment and operation of a monitoring system, creation of a shelter of hope for the participation and development of the community, and running of pro bono activities as well as global social contribution activities. In the future, corporate activities are expected to be accompanied by criteria for measuring the impact on the community so that the activities by KEPCO KPS for creating shared values will be maximized through consistent measurement, management, and improvement.



AA1000
Licensed Assurance Provider
000-70

May 2015

KSA Chairman Baek, Soo Hyun

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The Korean Standards Association is a special corporate body established pursuant to the "Law on Korean Industry Standardization" enacted in 1962. As an intelligence service institution that supplies and expands industrial standardization, quality management, sustainability management, and KS/ISO accreditation to companies, KSA is also a national administrative organization for ISO 26000, a designated educational institution for GRI guidelines, an AA1000 assurance institution, and an operational institution of the Korean Sustainability Index (KSI). It is an organization that runs the UN CDM, an assurance institution that controls the objective systems for greenhouse gas energy; in other words, it is an institution that fosters our society's sustainable development.

ISO 26000 Implementation Level Diagnosis Report

Standard

KSA has developed a checklist to diagnose the level of social responsibility implementation based on an international standard, ISO 26000, for social responsibility as part of the project undertaken by the Korean Agency for Technology & Standards affiliated with the Ministry of Knowledge Economy. This diagnosis report is the result of diagnosing the seven core themes in KEPCO KPS's sustainability management processes and performance according to KSA's diagnosis checklist.

Scope

KSA has diagnosed processes and implementation performance with regard to the social responsibilities of KEPCO KPS. Toward this end, KSA has diagnosed the mid- and long-term strategies and activities, stakeholder engagement, and social responsibility activities.

Methods

KSA has conducted the following activities to collect appropriate data based on standards for ISO 26000 implementation level diagnosis:

- Review of internal data on the activities and performances of socially responsible management
- Interview with the staff in charge of issues regarding socially responsible management

Diagnosis Results of Each ISO 26000 Social Responsibility Program

The diagnosis results in the process sector show overall improvement compared to 2013. KEPCO KPS shows noticeable improvements in the areas of "recognition of social responsibility" and "priority setting and establishment of executive strategy and plan." This

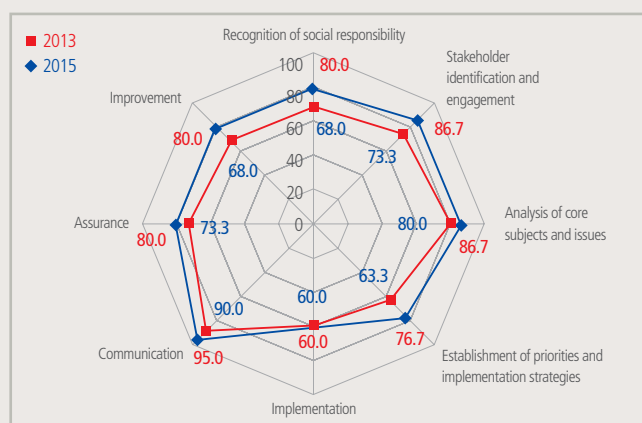
is because "integration within the company-wide strategy for sustainable management and improvement of strategic system for enabling integration," a task for improvement derived from the 2013 diagnosis of the social responsibility process, has been reflected actively. For the integration of company-wide strategy and strategies for sustainable management, KEPCO KPS established the foundation for sustainable growth by re-establishing mid-term and long-term plans for strategic management in March 2014. "Expansion of Sharing Value," a strategy for sustainable management, has been added to company-wide strategy; "strengthening of accompanying growth," "participation in the community," and "expansion of eco-friendly management" were selected as related issues for this. The selection of detailed executive tasks for each issue and assignment by pertinent departments had been completed as well. Such activities are expected to make a huge contribution to the settlement of the system for sustainable management of KEPCO KPS. On the other hand, KEPCO KPS needs to improve its "executive" part, where it shows relative weakness. In order to increase the executive power of sustainable management, improvement of awareness on the materiality of social responsibility by not only the pertinent departments but also employees and all members of the company needs to be accomplished. The contents of social responsibility management activities being conducted by individuals and pertinent departments need to be shared throughout the company. Only when a bond of sympathy on its materiality is shared will a truly socially responsible management be accomplished. KSA recommends that KEPCO KPS conduct regular education and seminar on socially responsible management so that all members of the company will understand the importance of socially responsible management and practice it.

Diagnosis Results of the Seven Core Subjects of ISO 26000

Organizational Governance | The "Sustainable Management Committee" under the executive group for sustainable management should be materialized, and its activities should be regularized. It is hoped that committee activities being conducted at individual levels by the board of directors, committee of ethical management, customer advisory board, etc., will be operated within an integrated platform of the "Sustainable Management Committee."

Human Rights | Because of the saturation within the domestic power generation market, KEPCO KPS is operating foreign business as its new growth engine. KEPCO KPS should go beyond understanding labor-related regulations in foreign countries and local corporate bodies when advancing into foreign countries and conduct due diligence based on human rights risk when carrying out businesses in foreign business markets. Moreover, policies for respecting human rights should be established within the group, and policies of respecting human rights in partner companies should be supported.

Labor Practices | Citizens' demands with regard to safety are increasing nowadays. In accordance with the demands by the citizens and the government, KEPCO KPS has expanded the safety department of the head company from team-oriented organization to executive organization and created professional groups called safety administration departments at each business site. In addition, the range of applying safety rules within the company includes not only those within the company but also contractors and on-site laborers. KEPCO KPS also monitors and manages the hazard rate of subsidiaries consistently. For foreign business sites, KEPCO KPS exercises socially responsible management in a passive range, i.e., merely following the local regulations. Considering the poor working conditions in the foreign business sites of KEPCO KPS such as India, Bangladesh, Philippines, and Pakistan, KEPCO KPS should use a stricter standard than



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|---|--|
| Recognition of social responsibility | Review the current status of organization based on the top management's commitment |
| Stakeholder identification and engagement | Review stakeholders' interests and needs and establish an engagement strategy |
| Analysis of core subjects and issues | Draw up a dispute list based on dispute review and analysis of organizational internal capacity |
| Establishment of priorities and implementation strategies | Establish priorities of disputes to be resolved, goals, and implementation plans considering the organizational capacity |
| Implementation | Execute strategies, goals, and plans and cyclically monitor social responsibility performance |
| Communication | Communicate with stakeholders by drawing up a performance report |
| Assurance | Activities and report to enhance reliability of performance |
| Improvement | Cyclically review performance and link it with continual improvement |



the local regulations in order to minimize safety accidents in foreign business sites and establish advanced labor customs.

Environment | All scrap metals generated from businesses (100%) are recycled. As a positive aspect, the amount of wastes, source of pollution, amount of water consumption, and energy consumption are consistently monitored and reported. Also highly laudable is the fact that harmful chemical substances are used by recording them on MSDS from the stage of purchase, with even the remaining substances managed. Note, however, that the substances used by each business site are different, and their types are varied. Therefore, there is a need to reorganize the current situation wherein each business site sets its chemical substances and manages them independently. The chemical substances used by the organization need to be managed in accordance with domestic and global laws at the level of the head office as well as the level demanded by stakeholders, and the contents of the management should be disseminated to all employees through education.

Fair Operating Practices | In 2014, the committee of ethical management discussed the "amendment of code of conduct for employees and partner companies," "evaluation on anti-corruption policies," and "policies on integrity incentive" through five management meetings and materialized related items. Furthermore, the section on "ethics on rival companies and trading companies" has newly been added in the ethics charter. Laudable is the fact that the code of conduct for employees has included not only the employees

but also the dispatched laborers within the company, and that the code of conduct for partnering companies has included the employees of the company as well as agents and contractors. It is requested that KEPCO KPS show outstanding customs so that related small organizations will conduct fair operation of management and provide consistent support in order to improve their awareness and to prepare related policies.

Consumer Issues | KEPCO KPS created and amended policies on personal information in 2013. That same year, it separated the business network and the Internet network within the company in order to prevent leak of personal information through strict management of personal information. According to the business characteristics, although the direct customers of KEPCO KPS are power generation companies, the final customers of power generation and maintenance service are the citizens who are supplied with electricity. Therefore, KEPCO KPS should make consistent efforts to provide factual and impartial information to citizens regarding electricity and to ensure the safety of the citizens by performing faultless maintenance.

Community Involvement and Development | KEPCO KPS conducts active community service activities through its "one-heart community service group" and provides direct help such as examination of electric facilities and installation of electricity supply facilities near the business sites. KEPCO KPS should be commended for providing active help in resolving problems of food, clothing, and housing for the local community as it expands its business areas to foreign regions. KSA recommends that, when KEPCO KPS conducts social contribution activities and participates in the activities of the local community, it make plans by first investigating the potential effects on the local community -- alleviating the negative effects and optimizing the positive effects.

Conclusion

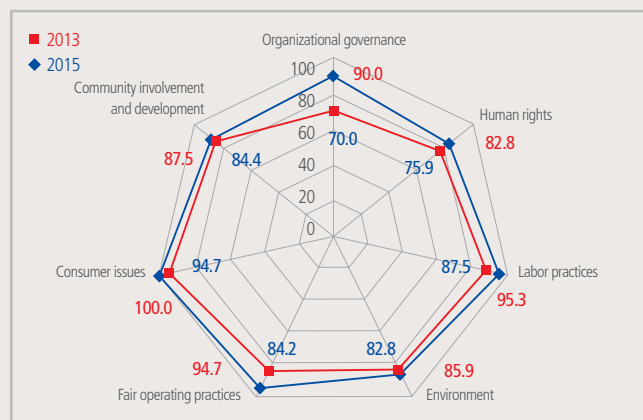
As a result of diagnosing the ISO 26000 response level of KEPCO KPS, the company scored 290 points out of a total of 360 points in the process aspect and 580 points out of a total of 640 points in performance. With total score of 870, KEPCO KPS has been assessed to fall under the IV level. KEPCO KPS has diagnosed the organization through consistent ISO 26000 diagnosis and has revised and improved its weak parts proactively. At this point, KEPCO KPS needs to share and expand its well-prepared system of sustainable management throughout the company in order to internalize it within the group culture. Along with this, KEPCO KPS is expected to perform its role as conveyor of socially responsible management to various organizations that it deals with through its business activities.

May 2015

KSA Chairman Baek, Soo Hyun



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|---------------------------------------|--|
| Organizational governance | Activities that uphold social responsibility principles and integrate them into existing systems, policies, and practices |
| Human rights | Activities that respect, protect, and realizing human rights within the organization and organization's sphere of influence |
| Labor practices | Policies and practices affecting workers' labor environment targeting KEPCO KPS and partner firms |
| Environment | Activities carried out in an integrated manner considering the organization's decisions and activity's meaning to reduce the organization's impacts on the environment |
| Fair operating practices | Activities promoting ethical acts between KEPCO KPS and other organizations such as KEPCO KPS and partners and suppliers |
| Consumer issues | Consumer rights protection activities including consumer education, fair and transparent marketing information and contracting, sustainable consumption promotion |
| Community involvement and development | Activities aimed at recognizing, respecting community rights and maximizing support and opportunities |

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GRI G4 Index

| GENERAL STANDARD DISCLOSURES | | | |
|---|--|---------------|------------------------------|
| General Standard Disclosure | | Page | Omissions External Assurance |
| Strategy and Analysis | | | |
| G4-1 | Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | 4-5 | ● |
| G4-2 | Provide a description of key impacts, risks, and opportunities. | 4-5 | ● |
| Organizational Profile | | | |
| G4-3 | Report the name of the organization | 6 | ● |
| G4-4 | Report the primary brands, products, and services. | 6 | ● |
| G4-5 | Report the location of the organization's headquarters. | 7 | ● |
| G4-6 | Report 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. | 7 | ● |
| G4-7 | Report the nature of ownership and legal form. | 7 | ● |
| G4-8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | 6 | ● |
| G4-9 | Report the scale of the organization, including: - Total number of employees - Total number of operations - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) - Quantity of products or services provided | 7,52 | ● |
| G4-10 | a. Report the total number of employees by and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | 52 | ● |
| G4-11 | Report the percentage of total employees covered by collective bargaining agreements. | 57 | ● |
| G4-12 | Describe the organization's supply chain. | 67 | ● |
| G4-13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain. | Cover | ● |
| Organizational Profile: Commitments to External Initiative | | | |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization. | 14 | ● |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | Cover, 11, 84 | ● |
| G4-16 | List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization. | 85 | ● |
| Identified Material Aspects and Boundaries | | | |
| G4-17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. | Cover | ● |
| G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content. | 18-19 | ● |
| G4-19 | List all the material Aspects identified in the process for defining report content. | 18-19 | ● |
| G4-20 | For each material Aspect, report the Aspect Boundary within the organization, as follows: * Report whether the Aspect is material within the organization * If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material * Report any specific limitation regarding the Aspect Boundary within the organization | 18-19 | ● |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organization, as follows: * Report whether the Aspect is material outside of the organization * If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified * Report any specific limitation regarding the Aspect Boundary outside the organization | 18-19 | ● |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | Cover | ● |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | Cover | ● |
| Stakeholder Engagement | | | |
| G4-24 | Provide a list of stakeholder groups engaged by the organization. | 16-17 | ● |

| GENERAL STANDARD DISCLOSURES | | | | |
|--|---|-------|-----------|--------------------|
| General Standard Disclosure | | Page | Omissions | External Assurance |
| Stakeholder Engagement | | | | |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage. | 16-17 | | ● |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | 16-17 | | ● |
| G4-27 | Report 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. | 16-17 | | ● |
| Report Profile | | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided. | Cover | | ● |
| G4-29 | Date of most recent previous report (if any). | Cover | | ● |
| G4-30 | Reporting cycle (such as annual, biennial). | Cover | | ● |
| G4-31 | Provide the contact point for questions regarding the report or its contents. | Cover | | ● |
| Report Profile: GRI Content Index | | | | |
| G4-32 | a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines. | Cover | | ● |
| Report Profile: Assurance | | | | |
| G4-33 | a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. | 76-77 | | ● |
| Governance | | | | |
| G4-34 | Report 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. | 13 | | ● |
| G4-35 | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | 10 | | ● |
| G4-36 | Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body. | 12 | | ● |
| G4-37 | Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body. | 10 | | ● |
| G4-38 | Report the composition of the highest governance body and its committees by: - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments, and the nature of the commitments - Gender - Membership of under-represented social groups - Competences relating to economic, environmental and social impacts - Stakeholder representation | 12 | | ● |
| G4-39 | Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement). | 12 | | ● |
| 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 members, including: - Whether and how diversity is considered - Whether and how independence is considered - Whether and how expertise and experience relating to economic, environmental and social topics are considered - Whether and how stakeholders (including shareholders) are involved | 12 | | ● |
| G4-41 | Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders. | 12 | | ● |
| G4-42 | Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts. | 12 | | ● |
| G4-43 | Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics. | 12 | | ● |
| G4-44 | a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice. | 13 | | ● |

GRI G4 Index

| GENERAL STANDARD DISCLOSURES | | | | |
|-------------------------------|---|-------|-------------------------------|--------------------|
| General Standard Disclosure | | Page | Omissions | External Assurance |
| G4-45 | a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities. | 12 | | ● |
| G4-46 | Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics. | 12 | | ● |
| G4-47 | Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities. | 13 | | ● |
| G4-48 | Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered. | 10 | | ● |
| G4-49 | Report the process for communicating critical concerns to the highest governance body. | 12 | | ● |
| G4-50 | Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them. | 13 | | ● |
| G4-51 | a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives. | 13 | | ● |
| G4-52 | Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization. | 13 | | ● |
| G4-53 | Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable. | 13 | | ● |
| 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 (excluding the highest-paid individual) in the same country. | 13 | | ● |
| G4-55 | Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country. | - | Not Reporting | ● |
| Ethics and Integrity | | | | |
| G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | 58 | | ● |
| 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. | 58-59 | | ● |
| 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. | 59 | | ● |
| SPECIFIC STANDARD DISCLOSURES | | | | |
| Material Aspect | DMA and Indicators | Page | Omissions | External Assurance |
| | Category: Economic | | | |
| | Generic DMA | | | |
| Economic Performance | G4-EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED | 9 | | ● |
| | G4-EC2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE | 60 | | ● |
| | G4-EC3 COVERAGE OF THE ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS | 56 | | ● |
| | G4-EC4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT | 9 | | ● |
| | Generic DMA | | | |
| Market Presence | G4-EC5 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE AT SIGNIFICANT LOCATIONS OF OPERATION | 55 | | ● |
| | G4-EC6 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY AT SIGNIFICANT LOCATIONS OF OPERATION | 52 | | ● |
| | Category: Environmental | | | |
| | Generic DMA | | | |
| Emissions | G4-EN15 DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1) | 61 | | ● |
| | G4-EN16 ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2) | 61 | | ● |
| | G4-EN17 OTHER INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 3) | - | It is not managed by KPS. | ● |
| | G4-EN18 GREENHOUSE GAS (GHG) EMISSIONS INTENSITY | 61 | | ● |
| | G4-EN19 REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS | 62 | | ● |
| | G4-EN20 EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS) | 62 | No ozone-depleting substances | ● |
| | G4-EN21 NOx, SOx, AND OTHER SIGNIFICANT AIR EMISSIONS | 62 | | ● |
| | Category: Social | | | |
| | Sub-Category: Labor Practice and Decent Work | | | |
| | Generic DMA | | | |
| Employment | G4-LA1 TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION | 52 | | ● |
| | G4-LA2 BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION | 56 | | ● |

| SPECIFIC STANDARD DISCLOSURES | | | | | |
|---------------------------------|--------------------------------------|---|-------|-------------------------------------|--------------------|
| Material Aspect | DMA and Indicators | | Page | Omissions | External Assurance |
| Employment | G4-LA3 | RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE, BY GENDER | 53 | | ● |
| | Generic DMA | | | | |
| Labor/Management Relations | G4-LA4 | MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS | 57 | | ● |
| | Generic DMA | | | | |
| Occupational Health and Safety | G4-LA5 | PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS | 29 | | ● |
| | 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 | 28 | | ● |
| | G4-LA7 | WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION | 29 | | ● |
| | G4-LA8 | HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS | 29 | | ● |
| | Generic DMA | | | | |
| Training and Education | G4-LA9 | AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY | 55 | | ● |
| | G4-LA10 | PROGRAMS FOR SKILLS MANAGEMENT AND LIFELONG LEARNING THAT SUPPORT THE CONTINUED EMPLOYABILITY OF EMPLOYEES AND ASSIST THEM IN MANAGING CAREER ENDINGS | 53 | | ● |
| | G4-LA11 | PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER AND BY EMPLOYEE CATEGORY | 55 | | ● |
| | Generic DMA | | | | |
| Diversity and Equal Opportunity | G4-LA12 | COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY | 53 | | ● |
| | Sub-Category: Human Rights | | | | |
| | Generic DMA | | | | |
| Non-discrimination | G4-HR3 | TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN | 52 | | ● |
| | Generic DMA | | | | |
| | Sub-Category: Society | | | | |
| | Generic DMA | | | | |
| Local Communities | G4-SO1 | PERCENTAGE OF OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS | 69-71 | | ● |
| | G4-SO2 | OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES | 69-71 | | ● |
| | Generic DMA | | | | |
| Anti-corruption | G4-SO3 | TOTAL NUMBER OF LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES AND THEIR OUTCOMES | 59 | | ● |
| | G4-SO4 | COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES | 59 | | ● |
| | G4-SO5 | CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN | 59 | | ● |
| | Generic DMA | | | | |
| Anti-competitive Behavior | G4-SO7 | TOTAL NUMBER OF LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES AND THEIR OUTCOMES | 68 | | ● |
| | Sub-Category: Product Responsibility | | | | |
| | Generic DMA | | | | |
| Product and Service Labeling | 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 | | ● |
| | 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 | - | No Violation | ● |
| | G4-PR5 | RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION | 33 | | ● |
| | Generic DMA | | | | |
| Marketing Communications | G4-PR6 | SALE OF BANNED OR DISPUTED PRODUCTS | - | No Violation | ● |
| | G4-PR7 | TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION, AND SPONSORSHIP, BY TYPE OF OUTCOMES | - | No Violation | ● |
| | Generic DMA | | | | |
| Customer Privacy | G4-PR8 | TOTAL NUMBER OF SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA | - | No Violation | ● |
| | Generic DMA | | | | |
| Compliance | G4-PR9 | MONETARY VALUE OF SIGNIFICANT FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES | - | It is specified by business report. | ● |

UN Global Compact



KEPCO KPS joined

**the UN Global Compact, the UN-led international agreements on corporate social responsibility
and is fully complying with its ten principles in the four areas of human rights, labour standard, environment and anti-corruption.**

| Principle | | Page |
|-----------------|--|-----------|
| Human Rights | Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and | 5, 11 |
| | Principle 2 make sure that they are not complicit in human rights abuses. | 5, 11, 57 |
| Labour | Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | 57 |
| | Principle 4 the elimination of all forms of forced and compulsory labour; | 53 |
| | Principle 5 the effective abolition of child labour; and | 53 |
| | Principle 6 the elimination of discrimination in respect of employment and occupation. | 52 |
| Environment | Principle 7 Businesses should support a precautionary approach to environmental challenges; | 60~63 |
| | Principle 8 undertake initiatives to promote greater environmental responsibility; and | 60~63 |
| | Principle 9 encourage the development and diffusion of environmentally friendly technologies. | 62, 63 |
| Anti-Corruption | Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery. | 59 |

Major Awards and Associate Members

Status of External Awards Received and Qualifications Acquired

| Date | Content | Institution |
|------------|---|---|
| Nov. 2012 | Received the Silver Pagoda Industrial Medal in the 38th National Quality Management Convention | Korean Standards Association |
| Nov. 2012 | Won the Labor and Employment Minister's Prize in the labor-management cooperation sector during the 2012 Korea Sustainability Management Awards | Korea Evaluation Institute of Sustainability Management |
| Sept. 2013 | Selected as the best KS-QEI public institution for the 2 nd consecutive year, the first among Korean public institutions | Korean Standards Association |
| Oct. 2013 | Selected as the most outstanding company for DJSI KOREA for the 5th consecutive year | Korea Productivity Center |
| Jul. 2014 | Awarded the CEO Award during the 2014 Korea Service Grand Prix | Korean Standards Association |
| Sept. 2014 | Selected as the best KS-QEI public institution for the third consecutive year, the first among Korean public institutions | Korean Standards Association |
| Oct. 2014 | Awarded the financial structure grand prix in the 15th Korea Financial Management Grand Prix | New Industry Management Academy |
| Oct. 2014 | Selected as the most outstanding company for DJSI KOREA for the 6th consecutive year | Korea Productivity Center |
| Nov. 2014 | Awarded the CEO Award as one of the internationally certified outstanding companies | Korean Standards Association |
| Dec. 2014 | KEPCO KPS, 1st in the 2014 integrity evaluation among public institutions | Anti-Corruption & Civil Rights Commission |

Membership of Organizations and Associations

| Year of Membership | Society/Association Name | Purpose of Membership |
|--------------------|---|---|
| 1984 | Korea Electric Association | Propelling promotion and development in the electricity business |
| 1984 | Korea Atomic Industrial Forum | Knowledge and information exchange on nuclear power generation |
| 1996 | Korea Co-Generation Association | Order taking increase and new business expansion through information exchange of combined cycle thermal power plant facilities |
| 2004 | Korea District Heating Association | Contribution to the government's embodiment of collective energy industry policy including energy savings and environmental conservation |
| 2005 | Korea New and Renewable Association | Exchange of information on intellectual property market needs and trends |
| 2006 | Business Ethics and Sustainability Management for Top Performance | Ethical management dissemination and corporate culture establishment through learning from best practices of ethical management |
| 2008 | Korea Powerplant Maintenance Association | Research on measures to consolidate the power generation maintenance industry's competitiveness |
| 2011 | Korea Nuclear Association for International Cooperation | Analyses of Korean-style nuclear power plant export and overseas nuclear power plant trends; mutual collaboration and information exchange in the nuclear power generation industry |
| 2012 | Korea Nuclear Equipment Advancement Association | New technology information exchange and training engagement related to nuclear power generation materials and equipment |
| 2013 | Korea Engineering Asset Management Association | Contribute to cooperation for promoting the proper development and expansion of technology and learning as well as establishment of upright government policies |
| 2015 | Korea Temporary Equipment Association | Contribute to the development of temporary industries by ensuring the safety and economic effects of temporary works. |
| 2015 | Korea Railway Electrifications Technical Association | Contribute to the development of railway electrification technology by fostering talented technicians and performing periodic inspection of electric railroad-related facilities |
| 2015 | Public Audit Forum | Share the direction of the government's policy and support to accomplish the business goals of the organization |

Glossary

| | |
|---|---|
| • APR1400 (Advanced Power Reactor 1400) | Advanced Power Reactor 1400 |
| • BOO (Build, Own, Operate) | One type of power generation project wherein private companies in foreign countries are utilized through consistent process from construction to operation, with transfer of facilities not conducted even after the contract |
| • DB (Defined Benefit) | Policy wherein a company accumulates the resources for paying pensions at an external financial institution so that the financial institution will operate the fund and pay the predetermined amount in the form of pension or lump sum by considering the working years, etc., of the retiring laborer |
| • EPC (Engineering, Procurement, Construction) | A turn-key method wherein the contractor manages all stages from purchase of engineering materials to construction |
| • ERM (Enterprise Risk Management) | A new type of risk management method for minimizing the loss of a company by integrating the management of tangible and intangible risks |
| • GT (Gas Turbine) | Gas turbine |
| • IPP (Independent Power Producer) | Independent licensee of power generation |
| • JV (Joint Venture) | A method of foreign investment wherein companies, individuals, or governmental agencies from more than two countries participate in the joint operation of business |
| • KEPIC (Korea Electric Power Industry Code) | Detailed requirements that provide comprehensive technical information regarding design, production, construction, examination, etc., in order to ensure the safety and quality of the facilities and devices from the electric power industry |
| • MSDS (Material Safety Data Sheet) | Sheet that records information necessary for using and managing chemical substances safely |
| • O&M (Operation&Maintenance) | Operation & Maintenance |
| • PJB (Pre-Job-Briefing) | Briefing (meeting) before work starts |
| • Retrofit | Construction for replacing and bolstering major devices and vitalizing the power plant for the purpose of increasing output, improving efficiency, increasing the lifespan, or converting the fuel of power generation facilities |
| • RCMS (Real time Cash Management System) | Real-time Cash Management System for research cost, administered by the Ministry of Trade, Industry, and Energy |
| • R&BD (Research & Business Development) | Research & Business Development |
| • VaR (Value at Risk) | Cost that predicts the maximum expected loss in case of risk occurrence under certain condition |
| • V2G (Vehicle to Grid) | Service industry that resells electricity that has been stored in the electric vehicle |

Reader's Opinion Questionnaire

We welcome your invaluable feedback on our Sustainability Report 2014.

Rest assured that your opinions and suggestions are reviewed and fully reflected on our next sustainability report.

You can e-mail (sustainability@kps.co.kr) or fax us to present your candid opinions.

To Fax. 061-345-2133 KEPCO KPS Business Management Team of the Corporate Planning Dept.

From Name _____ Gender _____ Occupation _____

1. To which of the following groups do you belong?

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Customer | <input type="checkbox"/> Investors/Shareholders | <input type="checkbox"/> Business Partners | <input type="checkbox"/> Local Citizens |
| <input type="checkbox"/> Civil Organizations | <input type="checkbox"/> Employees of KEPCO-Affiliated Companies | <input type="checkbox"/> Research Institutes | <input type="checkbox"/> Government Officials |
| <input type="checkbox"/> Media | <input type="checkbox"/> Employees of KEPCO KPS | <input type="checkbox"/> Others () | |

2. How did you learn about KEPCO KPS Sustainability Reports?

- | | | |
|--|---|---|
| <input type="checkbox"/> KEPCO KPS Corporate Website | <input type="checkbox"/> Seminars/Lectures/Exhibits | <input type="checkbox"/> Newspapers/Magazines |
| <input type="checkbox"/> Other Websites | <input type="checkbox"/> KEPCO KPS Employees | <input type="checkbox"/> Others () |

3. Which of the following did you find most interesting in this report?

- | | |
|---|--|
| <input type="checkbox"/> Introduction | <input type="checkbox"/> Competitiveness Consolidation of Existing Business |
| <input type="checkbox"/> Globalization Expansion | <input type="checkbox"/> Horizontal / Vertical Diversification of Related Industries |
| <input type="checkbox"/> Establishment of Enabling System | <input type="checkbox"/> Sharing Value Expansion |

4. Which of the following do you think should be improved in this report?

- | | |
|---|--|
| <input type="checkbox"/> Introduction | <input type="checkbox"/> Competitiveness Consolidation of Existing Business |
| <input type="checkbox"/> Globalization Expansion | <input type="checkbox"/> Horizontal / Vertical Diversification of Related Industries |
| <input type="checkbox"/> Establishment of Enabling System | <input type="checkbox"/> Sharing Value Expansion |

5. How do you evaluate this report?

- | | | | | | |
|-----------------------|--|---------------------------------------|----------------------------------|--|---|
| Ease of Understanding | <input type="checkbox"/> Highly Satisfactory | <input type="checkbox"/> Satisfactory | <input type="checkbox"/> Average | <input type="checkbox"/> Dissatisfactory | <input type="checkbox"/> Highly Dissatisfactory |
| Amount of Information | <input type="checkbox"/> Highly Satisfactory | <input type="checkbox"/> Satisfactory | <input type="checkbox"/> Average | <input type="checkbox"/> Dissatisfactory | <input type="checkbox"/> Highly Dissatisfactory |
| Overall Satisfaction | <input type="checkbox"/> Highly Satisfactory | <input type="checkbox"/> Satisfactory | <input type="checkbox"/> Average | <input type="checkbox"/> Dissatisfactory | <input type="checkbox"/> Highly Dissatisfactory |

6. Please feel free to give your comments about the KEPCO KPS Sustainability Report.

A New Wind!

Unfolding Tomorrow with Hope
KEPCO KPS



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