

I'm happy with  
*Water, Nature & People*



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## K-water's Sustainable Management

K-water is dedicated to improving national standards and public welfare by developing and managing national water resources. We are committed to fulfilling our mission as a public company by providing advanced water services with optimal pricing through environmentally-friendly, fair and transparent management. This is how we pursue to achieve the sustainable management.

## Significance of Sustainability Report

This report, published as a report on our sustainable management over the last year, contains our sustainable management strategy, activities, and achievements as well as future plans covering all areas from economic performances and environmental management to social responsibilities. Reflected also in this report are recommendations of our Sustainable Management Advisory Committee, composed of external experts.

## Reporting Principles

We determined what to be included in the report based on the 2002 Sustainability Guidelines in the Global Reporting Initiative (GRI). We will apply the 2006 GRI Guidelines from "Sustainability Report 2007"

## Target Readers

This report was prepared for our stakeholders with customers, suppliers, non-governmental organizations, academia, and the press, who had been given a direct or indirect impact on our management activities.

## Scope and Period

This report contains efforts and progress made toward sustainable management in our 57 domestic offices and overseas projects in 10 countries from January 1 to December 31, 2005. Please refer to our homepage for further information about our domestic offices

## Changes on Report

There is no significant change. However, the results of promotion of overseas projects and the performance of R & D activities are added because of the increasing importance of the overseas projects and the necessity for our sustainable growth.

## Third-party Assurance

In order to enhance the credibility of this report, the selected contents were assured by a third-party, the Institute for Industrial Policy Studies (IPS), an independent institution, reviewed the sample data and paragraphs contained in the report. You will find details in the Third-party Assurance Statement (pages 80~81).

## Additional Information

You can find this Sustainability Report 2006 on our homepage (<http://www.kwater.or.kr>). If you wish to obtain more information related to this report and our sustainable management activities, please contact our Customer Relations Team in Management Innovation Office (Tel: +82-42-629-2367~8 / Fax: +82-42-629-2399).



*I'm happy with*  
**Water, Nature & People**

This phase represents our promise to promote a world where water, nature and people get along in harmony, and where all people can enjoy a happy life filled with hope. K-water has implemented sustainable management to take the lead in delivering happiness to everyone and presenting a beautiful and promising future to our children. We will create happiness for all to enjoy!

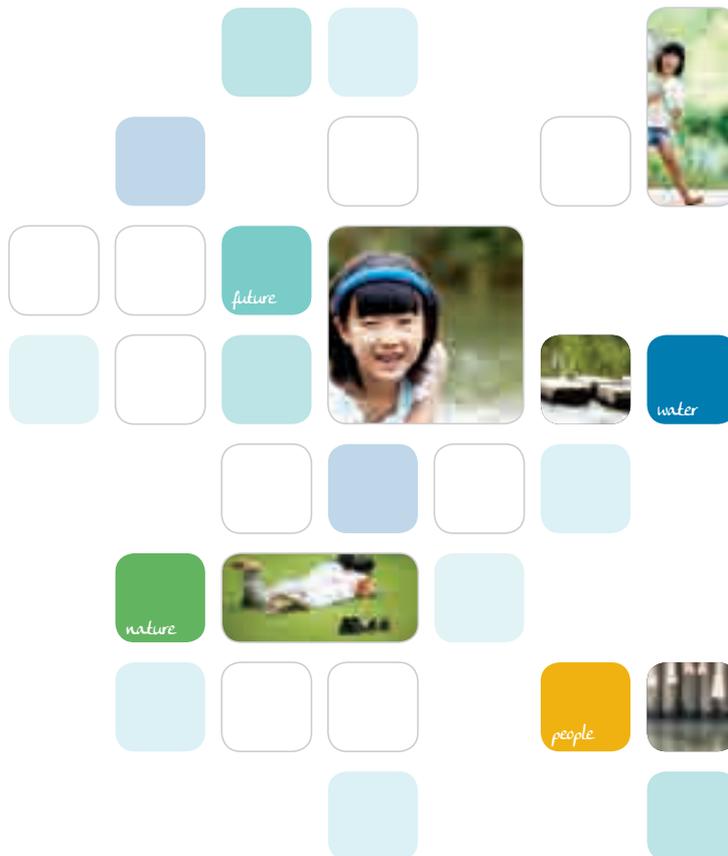
This report is also available on our homepage ([www.kwater.or.kr](http://www.kwater.or.kr)) for download in PDF file format. If you wish to have further details on our activities and achievements in sustainable management, please contact us at the address stated below.

We are very grateful for your concern about our sustainable management activities.

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## K-water will become a global water services company through sustainable management

We, all executives and employees at the Korea Water Resources Corporation (K-water), have committed ourselves to do our best to exert our knowledge and efforts in dealing with water, one of our most valuable resources. We will also work harder to develop our core technologies and capacity, as related to water business, while improving environmental performance for sustainable growth of people while never neglecting our duty to contribute to society.

To our valued customers and stakeholders that care about K-water:  
Above all, I, on behalf of all K-water employees, express my deep gratitude to you all for your affection and support offered to us throughout the 2005.  
We are now at the launching pad for another launching. So, we are required to re-adjust our goals and direction so as to realize our dreams and ambitions. Since the beginning of 2005, we have exerted ourselves to carry out 106 practical priorities towards "Sustainable Management" adopted as essential for our core business strategies. "Sustainable Management" is not only a mission imposed upon us to develop and control water resources comprehensively, but a commitment to future generations, which we take very sincerely.



## **We took the initiative towards a sustainable future by practicing ethical and environmental management.**

We are also working hard to improve our corporate culture by adopting ethical and environmental management as key principles in our management. We are making every effort to establish a solid foundation in ethical management to eliminate unreasonable elements within the Corporation and to enhance the level of business transparency. In the meantime, we will practice environmental management in the course of executing projects to develop and control water resources in an environmentally-friendly way so as to minimize the burden to the environment, while also contributing to local economic growth by providing local people with pleasant areas for relaxation and leisure.

## **We supply clean water stably by focusing of our management on our customers.**

We will perform our primary missions; management and supply of water resources, more sincerely to provide people with clean water on a stable basis. We have been working hard to eradicate suffering due to shortages of water in rural areas, as well as coastal areas and islets, and to help all people enjoy the benefits of water equally, wherever they live. As this service-oriented age begins, we will also try to remove all remnants of authoritarianism which once prevailed within the Corporation and to adapt ourselves to new concepts of customer-oriented service. Furthermore, as part of our efforts towards such change, we are implementing a "customer-oriented management," policy through which customers are the center of our efforts.

## **We are reinforcing our basis for growth for the future.**

We, as an organization specialized in water management, have broadened comprehensive management by basin, and expanded our activities to cover not only conjunctive management of multi-purpose dams and multi-regional water supply systems but also the hydrogeology of streams and rivers, water quality, management of ecosystems and the environment. We will enhance our image as a comprehensive water services company, based on K-water's ability and public trust. We have been developing practical techniques in water management to improve our competitiveness in the global market based on our roadmap for development of core technologies established in 2005.

## **We continue our innovative activities to make K-water the best water services company.**

Innovation is difficult to practice, and also difficult to yield beneficial results. It is an unavoidable challenge we have to face in order to keep up with global competition. Therefore, we have taken an initiative to promote continuously innovative activities and to develop our organizational structures and processes. We will accelerate to achieve the top level in such innovative activities on such framework.

To date, we have exerted most of our energy and efforts on a stable supply of water. It is time now for us to try to move towards our goals of optimized management of existing facilities by placing our emphasis on demand management, and by improving customer satisfaction as well as the quality of environmentally-conscious services to become one of three largest water service companies in the world. We will endeavor to fulfill our responsibilities towards making our society environmentally sound, while executing management adhering strictly to the principles necessary to improving environmental performance and systemizing our activities so that we can play a role as a key member of society. We hope this report will serve as a communications channel between you and us, through which we can present our activities in sustainable management and exchange opinions with you.

Thank you.

CEO & President Kyul-Ho Kwak



### Establishing a Sustainable Management System and Publishing “Sustainability Report 2005”

The Sustainability Report 2005 contained a summary of activities totaling 106 priorities, over 4 main categories, in order to implement our vision and strategies in sustainable management. The results obtained from such activities are arranged comprehensively from the economic, environmental and societal points of view respectively, assured by a third party in order to ensure the reliability of the report, and registered with Global Reporting Initiative (GRI) of the United Nations Environment Program (UNEP).



Sustainability Report 2005

### Ranked in Third Place in the National Customer Satisfaction Index (NCSI) as a Result of Practicing Customer-Oriented Management

We have made every effort to change the focus of all of our management activities onto our customers by establishing a medium-term plan and specifying strategic tasks in order to plant the root of the culture of customer-oriented management deeply in our organization. As a result of an evaluation of the customer satisfaction index conducted by our government for activities by public companies in 2005, we were ranked in third place among 9 organizations with 83 points, which placed K-water in the first level. In particular, we were honored with the first place in the corporate image category, which was a new component of the customer satisfaction index.



Customer Participation Committee Meeting

### Implementing Substantial Environmental Management and Establishing Computer Systems for Environmental Performance Evaluations (EPE)

We have encouraged each department to establish its own environmental target that are much higher than previously, and worked to make environmental management more substantial by reflecting the results from environmental performance evaluation on the internal evaluation for each department. The Environmental Performance Evaluation (EPE) System was computerized in 2005 to enable field managers to perform convenient management of environment performance. We were honored with the “Grand Prize for the most Environmentally-Friendly Company of the Year” in 2005, sponsored by Hwankyung Business Daily.



Honored with the “Grand Prize for the most Environmentally-Friendly Company of the Year” in 2005



Signing an Agreement for Actions towards a Transparent Society

### Striving to Put Ethical Management in Practice to Strengthen the Executive

We declared ethical management is a fundamental principle in our corporate strategy, and have since made efforts to increase all our employees' awareness of ethics. We also implemented cyber educational programs on ethics for all employees, published booklets on ethical management, and executed agreements on action for a transparent society with customers and contractors to establish ethical consciousness firmly.



Celebrating the first anniversary of the volunteers' organization

### Contributing to Society

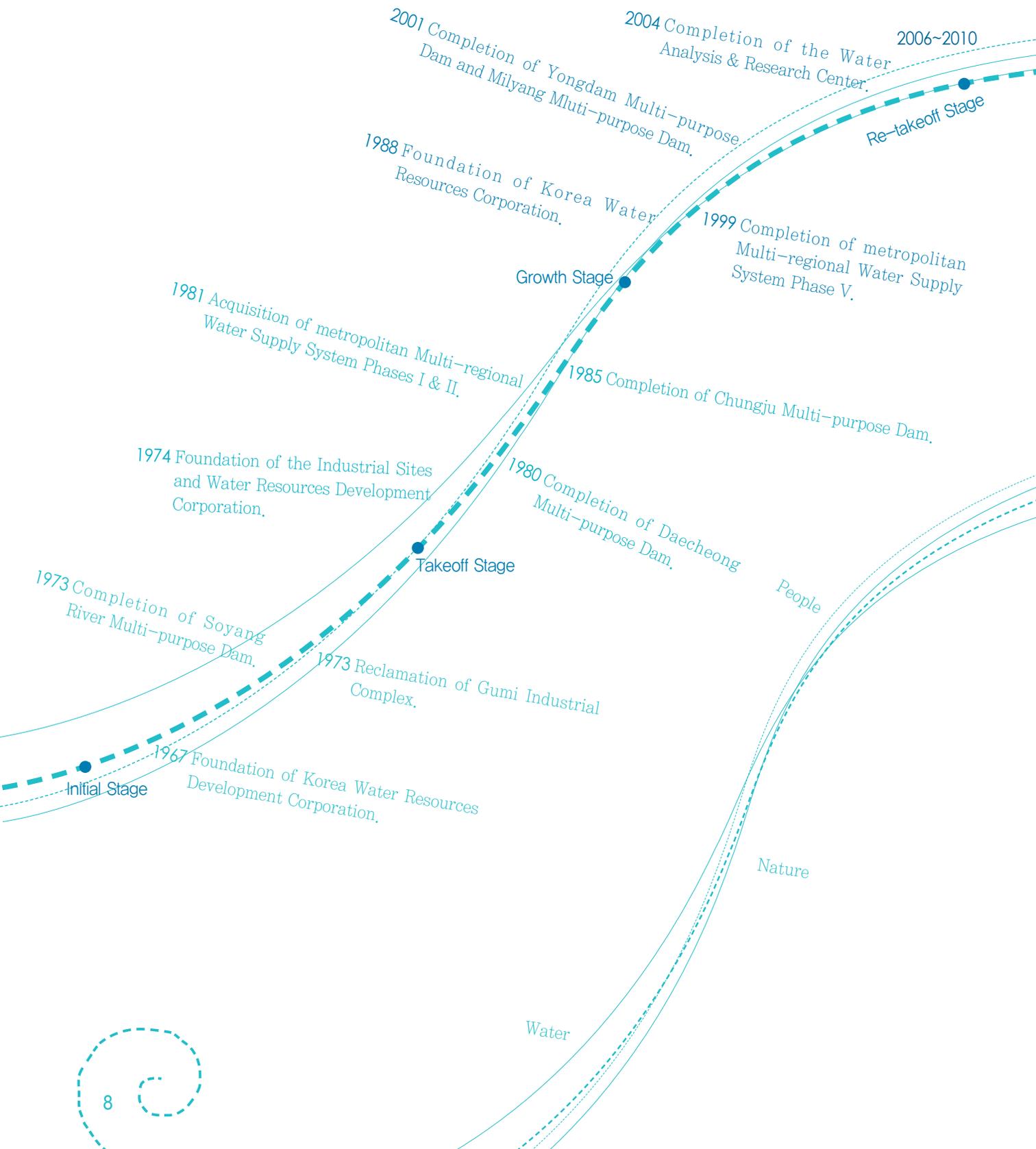
Activities for contributing to society have been conducted by employee social clubs and Company alike. The Company has conducted activities related to "water" to contribute to society, such as helping elementary and junior high schools to install water distribution facilities, and installing sea water desalination facilities. In the meantime, a volunteers' organization called "Water Love Volunteers (or "Mulsarang Nanumdan" in Korean)" was established with about 3,300 volunteers, 87% of all our employees.



Conducting Best Practices Contest

### Continuously Promoting Management Innovation

The measures taken for innovation in management include transferring 15% of our Head Office people to field offices, and delegating substantial power and authority to regional headquarters in order to strengthen field management and encourage our people to practice customer-oriented management. Additionally, the integrated dam and waterworks system, branding water management system (water-k), and Automatic Discharge Acquisition & Management System (ADAMS) for measuring water flow in real time have also been developed. We were ranked in third place among 212 organizations with 5th grade marked in the evaluation of innovation achieved by public companies during 2005. In addition, an application program called JOA (Join, Open, Advance) which adapts the GE workout program was introduced to meet our requirements so that we could establish a system for innovation activities to be performed regularly.



## **KOWACO (Korea Water Resource Corporation) begins its new era with its new brand “K-water,” moving closer to the public and our customers.**

### **Initial Stage: Korea Water Resources Development Corporation (1967~1974)**

The “Korea Water Resources Development Corporation” was founded in 1967 according to the national development plans for the heavy chemical industry and modernization of the national industrial infrastructure. Since its establishment, it has contributed significantly to the economic growth of the nation and the improvement of the living conditions by executing a number of projects for comprehensive development, use and preservation of water resources.



### **Takeoff Stage: The Industrial Sites & Water Resources Development Corporation (1974~1988)**

Reborn as the Industrial Sites & Water Resources Development Corporation, the company executed a number of large-scale national projects for development of national industrial complexes with its experience and technology accumulated through water resources development projects. During this period, it began management of the Ulsan water supply system and 6 other waterworks, while constructing national industrial complexes in Yeochon, Changwon, Onsan and Gumi, and commencing the new city projects in Ansan and Sihwa



### **Growth Stage: Korea Water Resources Corporation (1988~2005)**

With water consumption for various purposes on rapid growth in the 1980's, Korea was faced with the need to systematically manage and control water resources nation-wide. To meet this end, the Company was reorganized as the “Korea Water Resources Corporation” on July 1, 1988 in response to the needs of the time.



1988: Foundation of Korea Water Resources Corporation

1999: Completion of metropolitan Multi-regional Water Supply System Phase V

2001: Completion of Yongdam and Milyang Multi-purpose Dams

2004: Completion of the Water Analysis & Research Center



### **Acceleration Stage: K-water (2006~2010)**

We have reorganized, with a new corporate image, with the vision of “becoming a global top 3 water services company by 2010” and to establish our identity securely as a company specialized in water resources. On occasion of the announcement of its new corporate image, we will commit to pursue this goal steadfastly towards the “global leader of customer-oriented water services” and endeavor to establish the innovation system successfully.

· Sales target: KRW 520 trillion

· Business structure: Consolidation of Water Service Division (for providing total water solutions)





I'm happy with **Future**

**There is our hope for the future in a drop of water.**

There is no end to human efforts to have a society that is more advanced and in making the environment better.

Water, the source of life, is an invaluable resource vital not only for humans but also for all living creatures.

Proper management of water will lay a cornerstone for a beautiful future.

K-water will safeguard our dreams and hopes for the future, contained in a drop of water.

It is our goal to provide our customers with the best water and services, while also contributing to the sustainable prosperity of humans while taking future generations into consideration as well. We will realize our vision of becoming a global top 3 water services company by 2010 through the trust and respect of our stakeholders. With this we will seek to secure a leading role in global market and contribute to betterment of living conditions for our Koreans and the growth of Korea.

MISSION

Providing good water services for a sustainable future

VISION

Becoming a respected Global Top 3 water services company by 2010

VALUES

Integration

accountability

partnerships & communications

Respect & pride

STRATEGY

Establishment of sustainable management system

continuous management innovation

Development and management of environmentally-friendly water resources

Fulfillment of social responsibilities

PRINCIPLES

Customer - Oriented Management

Keeping in mind that our role is that of providing public services, we will strive to perform our role as a leader of innovation in the management of water resources, and we will make every effort to meet the needs by approaching such needs from our customers point of view.

Continuous Innovation

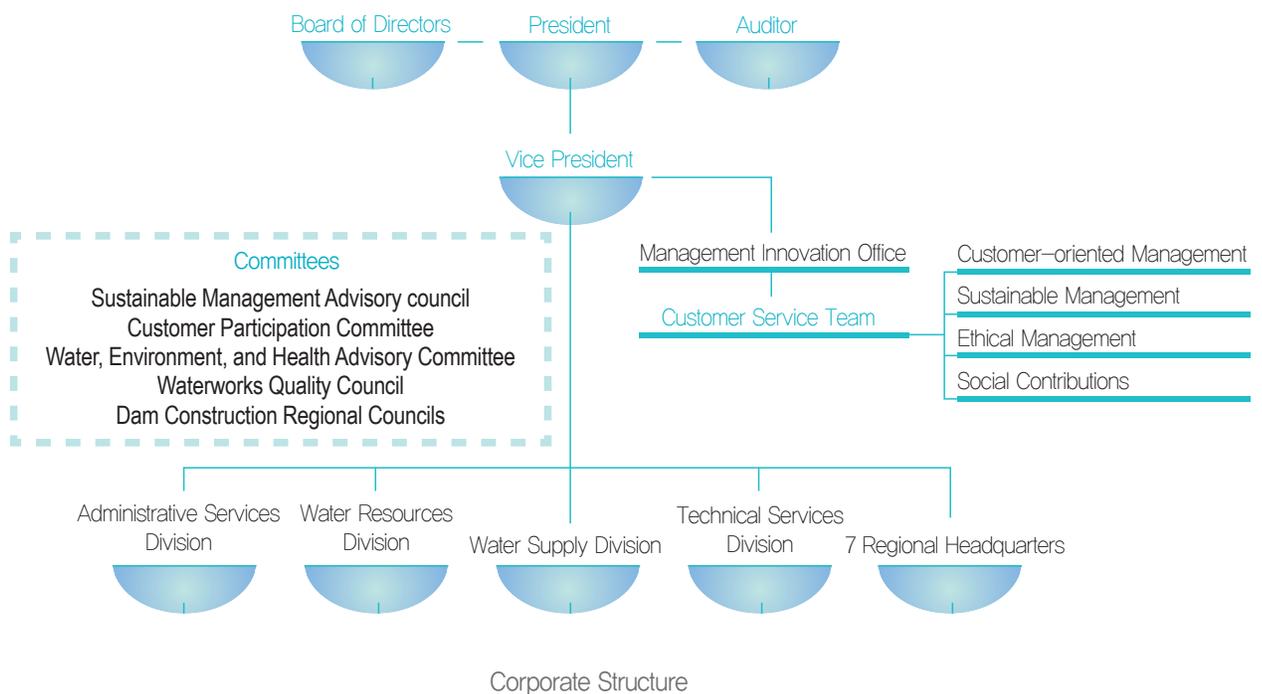
Activities for change and innovation will be systemized on a regular basis, while ethical management will be practiced as a fundamental value that all executives and employees must share and respect in all circumstances.

Global Challenge

With self-confidence and passion, without fear of change, we will secure global competitiveness in technology by sharing our vision for the future. We will also pursue sustainable and stable growth by developing new business areas based on such competitiveness.

## K-water serves as a channel for strengthening partnership with stakeholders.

K-water has 4 Divisions and 7 Regional Headquarters in its Head Office as well as 49 Regional Offices (including Construction Site Offices) located throughout the country for balanced development and management of water resources. Sustainable Management is promoted by our Customer Service Team (12 members) within the Management Innovation Office with the due authorization to coordinate environmental management, customer-oriented management, ethical management and social contributions of the corporation, and the sustainability report is prepared every year to provide information to stakeholders. This sustainability report performs its role of a channel for understanding the needs of stakeholders, and strengthening the partnership with them. In addition, advisory organizations such as advisory committees and councils are organized as various channels for communications, covering all areas including the economic, environmental and social aspects.



## Community Activities for Sustainable Development

K-water is actively involved as a member of the Korea Business Council for Sustainable Development (KBCSD) comprised of CEOs from various companies that are pursuing sustainable development from economic, environmental and social aspects. In September 2005, the KBCSD executed a "Voluntary Agreement for Overall Reduction of Greenhouse Gases and Air Pollutants" as a comprehensive agreement between the Ministry of Commerce, Industry and Energy and members of KBCSD. Additionally Mr. Kyul-Ho Kwak, President of K-water, was nominated as Independent Auditor for 2006. Exemplary cases of environmentally-friendly activities conducted by K-water were introduced in the "Environmental Management Report" published by the Korea Green Foundation, and our "Cases of Operation of Green Purchasing" were presented as an outstanding example conducted by a public organization at the presentation of purchasing activities for environmentally-friendly goods hosted by the Korea Eco-Products Institute.



**K-water aims to become a respected global top 3 water services company by promoting management strategy for both the medium and long terms.**

**Introduction stage (2004~2005)**



Reed Wetlands Park around Sihwa Lake

K-water published a sustainability report in order to establish detailed documentation and to encourage open communications with outside stakeholders, while publicizing its vision and strategy for sustainable management to people, both inside and outside of the company. Additionally, all activities promoted for environmental management, customer-oriented management, ethical management, transparent management and social contribution were integrated into sustainable management. Furthermore, the systems for the Environmental Performance Evaluation (EPE) and Green Purchasing have been computerized so that environmental performance can be managed systematically and the results can be reflected properly on the performance of the organization and individuals alike.

**Advancement Stage (2006~2007)**



Concert Hall at Chungju Dam

Efforts will be concentrated on utilizing resources effectively by increasing the recycling rate and considering both the efficiency in environmental investment and the productivity of resources through an environmental accounting system. The integrated water supply system will be expanded in order to pursue efficiency in the management of water resources and to lower the burden on the environment. We will also do our best to preserve the ecosystem in the areas adjacent to dams and build environmentally-friendly Eco-dams in order to improve the quality of environmental services and control environmental risks. Further, we will also implement a policy of accountability for the total process through strict management of water quality, while conducting Life Cycle Assessments (LCA) in the areas of waterworks and sewage systems. In an effort to comply with the Convention on Climate Change, projects for renewable energy including those from tidal, wind and small-scale hydro-power plants will be expanded, and the mechanisms, under the Kyoto Protocol such as the Clean Development Mechanism and emissions trading, will be utilized in full scale.

**Settlement Stage (2008~2010)**



Construction of Environmentally-Friendly Eco-Dam (Hwabuk Dam)

Social contributions activities will be more specialized and systemized, while the program for supplying clean water to remote underserved areas, as well as areas excluded from main water supply systems so far, will be carried out continuously. Management will be focused on the proper performance of the master plan for sustainable management in the medium and long terms, and continuous growth will be made by improving the implementation strategy according to the results from such implementation and creating new strategy. We will make K-water a respected global top 3 water services company by enhancing the value of its global brand through balanced economic, environmental and social development.

**Strategic and high-priority tasks were carried out during 2005 in order to implement the medium and long-term master plan for sustainable management as established in 2004. The emphasis was placed on expanding exchanges with stakeholders to systematically reflect their opinions on management and fulfilling corporate social responsibilities through ethical management and social contribution activities.**

### System

#### Establishing an organizational system for promotion of sustainable management

The Sustainable Management Team was organized to carry out the strategy and high-priority tasks as established, and the Advisory Committee for Environmental Management was organized with independent experts to promote substantial execution.

#### Conducting training programs and establishing corporate culture for sustainable management

JOA, a voluntary program, has been developed so that executives and employees can perform work connecting their duties with the corporate vision and to integrate innovation into the corporate culture.

#### Establishing an evaluation system for sustainable management

A framework was made for improving and managing environmental performance efficiently by establishing a computer system for Environmental Performance Evaluation that considers environmental issues on sustainable management comprehensively.

#### Publishing Sustainability Report

The Sustainability Report, assured by independent third party, is published as the most effective means for communications with stakeholders, after going through an assurance by an independent third party, and is registered with the Global Reporting Initiative (GRI) of the United Nations Environment Program (UNEP).

### Water

#### Strengthening customer-oriented management

All business activities have been changed to meet the requirements of customer-oriented management, and an action plan for customer-oriented management for the medium term has been carried out. The service standards in our customer charter have been implemented, and the infrastructure for customer satisfaction has been expanded to provide customer-oriented services of high quality in water supply and to listen to our customers.

#### Changes in business structure

Efforts have been made to carry out 5 main strategic tasks: diversifying business areas; establishing an integrated services system for water supply and river management; securing infrastructures for industrial water systems; expanding overseas projects; and promoting power plants and industrial complexes projects.

#### Improving core capabilities

IT-based "Water K" was released as the core technology applicable to operation of all waterworks. In addition, a roadmap for core technologies aiming at achievement of the vision was prepared, and 9 main strategic services as well as 14 core technologies were selected to be utilized as driving forces for future growth.

### Nature

#### Providing high-quality environmental services

Efforts have been also made to develop and put high technology used for water treatment to practical use, while conducting surveys and preparing map of ecosystems for preservation of the environment around dams and rivers nation-wide.

#### Improving eco-efficiency

The efficiency of existing facilities has been improved prior to development of new water resources. Environmental costs and benefits have been measured so that the results from such measurement can be referred to in investment and decision-making related to the environment.

#### Countermeasures against climate change and the production of renewable energy

A voluntary agreement for development of new renewable energy was executed with the Ministry of Commerce, Industry and Energy. Accordingly, it has become possible for the Corporation to produce environmental benefits additionally by commercializing renewable energy as Clean Development Mechanism (CDM) when developed.

#### Management of environmental risks

We have made efforts to guarantee the quality of water and provide real-time information about quality from production to consumption of tap water. In addition Life Cycle Assessments in water supply service were selected as a high-priority task.

### People

#### Ethical and transparent management

Educational programs relating to ethics, including cyber education, have been carried out to increase the employees' awareness of ethical business. Efforts have been made to establish a firm foundation for ethical management within the organization

#### Strengthening partnership with stakeholders

Internal and external communication channels have been expanded in order to meet the demands and expectations of stakeholders, and efforts have been made to make communications between our executives and employees more open.

#### Developing talented professionals for globalization and improving employees' satisfaction

We have prepared a scheme to develop talented professionals in order to increase the capabilities of our executives and employees' to the global standards, so that we can cope with our increasing number of overseas projects. Additionally, joint efforts between labor and management have worked to improve the condition of employees' welfare.

#### Expanding activities for social contribution

The spirit of sharing with the community is practiced through activities of the "Water Love Volunteers (or 'Mulsarang Nanumdan' in Korean)," while conducting activities related to supplying water to coastal areas, islands and schools in order to improve under-developed areas so that more people can share the benefits of water.





# I'm happy with **Water**



## **Water for cleaning and to build a brilliant life**

There are 5 billion people who drink water on our planet.

Electricity is produced with the power of water to lighten the darkness, and rain falls on the dry and barren earth to grow plants.

Sometimes we forget the preciousness of water because we can find it almost every time we need it.

K-water always remembers the value of water gratefully even when others forget the true value of water.

We are always together with water, mankind's closest friend.

**K-water will continue to develop and manage water resources sustainable so that everyone can enjoy the benefits from water equally.**

### Development, operation and management of water

We have constructed and operate 14 multi-purpose dams, which having multiple functions such as water supply, production of electricity and flood control in addition to 1 flood control, reservoir and 1 estuary dam on the Nakdong River. Projects for construction of small and medium size environmentally-friendly dams as well as the redevelopment of existing dams are underway in order to secure water resources more efficiently. In 2005, the construction of the Peace Dam was completed, the Jangheung Dam reservoir began to fill-up, and Water Culture Centers were built at existing Dams. Promenades and observatory platforms have been built around dams to provide the public with facilities for relaxation and cultural activities.



Completion of Peace Dam

### Operation and management of multi-regional water supply systems

K-water currently supplies water to local governments and consumers through 18 multi-regional water supply systems and 4 industrial water supply systems. We have been working hard to eliminate disparity in water supply between regions by building 8 more multi-regional water supply systems and 4 more industrial water supply systems, while also promoting projects for improving water supply systems in 6 regions, including the Seoul metropolitan area. Once all these facilities are completed, the capacity of our water supply systems equal 50.3% of the total capacity of water supply systems available in our country.



Jeonju Multi-regional Waterworks

### Efficient operation of local waterworks

A water service center opened in Nonsan, Jeongeub and Sacheon in 2004 and 2005, to carry out projects for improving the efficiency in operations of local waterworks executing works related to supply and management of tap water. We will strive to supply all our people with cleaner and safer tap water by linking local waterworks to multi-regional water supply systems.



Opening Ceremony at Sacheon Water Service Center

### Operation and management of sewage system

K-water also has been carrying out sewage system projects in order to supply cleaner water that will also improve the quality of water at reservoirs and in rivers. As of 2005, we entered into an agreement with 9 local governments, including Jinan-gun and Jangsu-gun, operate and manage 85 sewage facilities. Our business in sewage systems is expected to expand in the future because K-water is required to commission the construction of sewage treatment systems at the upper stream area of dams, as well as the operation and management of the system whenever we build a new dam.



Jinan Sewage Treatment Plant

## Industrial Complex Development Projects

Since 1974 when the construction of industrial complexes began, national industrial complexes have been constructed in Changwon, Onsan, Yecheon and Gumi, and also projects for new city development in Ansan and Sihwa Area have been carried out since 1977. At present, projects for construction of industrial complexes in existing areas and related areas are underway. Particularly, the Sihwa-Lake Tidal Power Plant is under construction as a means for developing clean marine energy and improving water quality. Furthermore, the Multi-Techno Valley (MTV) Project will be constructed as an industrial complex for cutting-edge venture industries in the Seoul metropolitan area which currently suffers from shortage of industrial areas. This project will commence in the second half of 2006. Additionally, the Songsan Green City Development Project will be initiated for construction of a marine city for tourism and leisure utilizing Sihwa Lake with a goal to have public notification of the development plan issued by the end of 2006.



Master Plan for Sihwa MTV Development Project

## Overseas Projects

K-water has also worked hard to enter into the overseas water market utilizing our technology, expertise and experience in the management of water resources accumulated over many years. As the importance of and demands for water have increased daily and there are increasing opportunities for investing in China and Southeastern Asia, as well in Latin America. We have been promoting related projects and are now conducting basic researches for entering into these markets. In addition, we are concentrating on looking for opportunities for new projects in overseas markets in the business areas of design management, construction and management of waterworks and sewage systems, as well as hydro-power plants. We were successful in performing overseas projects in 2005 as we were awarded with a contract for the design, construction and management of the Doyang Dam in India, while we also commenced a project for the modernization of waterworks and sewage systems in Arbil, Iraq and invested in the Helong Dam in Yenben, China.



Executing the Agreement on the Doyang Dam Project in India

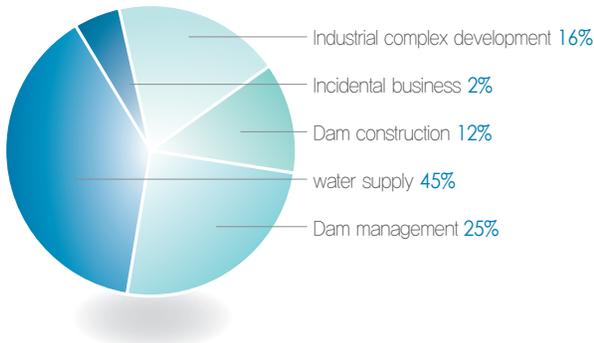
## Development of supplementary water resources

In order to mitigate shortages of water in coastal areas and islets, we have constructed seawater desalination projects under commissioning agreements executed with local governments since 2004. As of the end of 2005, we have 32 projects assigned to 8 local governments which supply water at prices as low as one-third to one-fifth of the previous prices charged. Further, we have been developing clean deep seawater from the seabed to prepare for the business of utilizing new water resources and high value-added industries. We now jointly participate in the research on a deep seawater development project sponsored by the Ministry of Maritime Affairs and Fisheries with the Korea Ocean Research & Development Institute. We are also developing a project jointly with the Gangneung municipal government.



Seawater Desalination Plant in Jabong Island, Yeosu

**Stability in water supply serves as a driving force for driving our economy.  
The benefits yielded from our business are shared with all our people.**



Composition of sales in 2005

**Performance of Business**

Total sales reached KRW 1,591 trillion, 70% of which was made from sales in water supply and dam management. Water supply business sales totaled KRW 711.7 billion, through supply of water equally 2.88 billion tons to 1,538 organizations through multi-regional water supply systems, and the sales from 4 local waterworks currently operated under commissioning agreements was KRW 7.1 billion. In the business of dam management, 4.63 billion tons of water was supplied and 2,206 GWh electricity was produced to create sales of KRW 388.6 billion.

(Billions in KRW)

Description	2003	2004	2005
Sales	1,481	1,493	1,591
Operating income	304	203	296
Net income	220	145	219
Total assets	10,645	10,732	11,121
Total liabilities	2,133	1,919	1,814
Total shareholder's equity	8,513	8,814	9,307

Description	2003	2004	2005
Debt ratio (%)	25.05	21.76	19.49
Interest coverage ratio	10.12	4.89	10.28
Return on assets ratio	2.16	1.35	1.97
Inventory turnover ratio	5.73	6.55	7.02

**Is Korea immune from water shortage?**

There have been opinions suggesting that Korea is a state that suffers from shortages of water. Some people counter such opinions saying that we have plenty of water flowing through the Han River all the times and thus the assertions of water shortage are really the government's attempts to build more dams. In fact, the average amount of precipitation in this country is 1,245mm per year, which is 1.4 times more than the global average. However, we have to consider factors other than the total amount of precipitation when estimating water consumption. In Korea, we have most rainfall during the period from July to September, and other factors such as the comparatively small area of the country, increasing population and continued economic growth expected in the future, indicates that water supply in our future is not so optimistic.

- Average amount of precipitation per year: 1,245mm (1.4 times of world average)
- Precipitation per person: 2,591m<sup>3</sup> per year (1/8 of world average)
- Renewable water resources per person per year: 146th place (among 180 nations)
- Water quality index for Korea: 8th place (among 122 nations)
- Water Poverty Index (WPI): 43rd place (among 147 nations)
- Water resource per person: 117th place
- Water consumption: 106th place

Source : Supplement to Master Plan for Management of Water Resources in the Long Term (Ministry of Construction and Transportation, 2006), UN World Water Development Report (2003), Journal World Development (WPI).

## Compensations for executives and employees

An annual salary system, along with a pay system based on competency and performance, is now broadly applied as the system for calculating compensation for our executives and employees. The annual salary system has been applied to executives, legally required employees, specialists, and General Directors since 1999, and then for Directors since 2000. The difference between basic annual salary and performance-based annual salary has increased and a survey on the level of satisfaction among employees was carried out. In 2004, we expanded the share of performance-based wages for employees with a salary-level system and prepared a reasonable scheme for improvement of the 5-day work system by collecting opinions through a joint team of labor and management. Basic research for application of the annual salary system to managers was conducted in 2004, and a collective agreement on application of this system was reached between labor and management in 2005 to implement the system from 2006 on.

## Fulfillment of the obligation to pay taxes

K-water as a public company fulfills its obligation to pay taxes sincerely. In 2005, we paid KRW 89 billion for corporate taxes including income tax, resident's tax and special tax for rural development.

## Dividends and interest expenses

K-water has distributed dividends to investors and paid its obligations to creditors from surplus earnings every year. The total amount of interest paid to creditors in 2005 was KRW 28.9 billion, while the total amount of dividends distributed to investors was KRW 35.3 billion.

## Internal Reserves

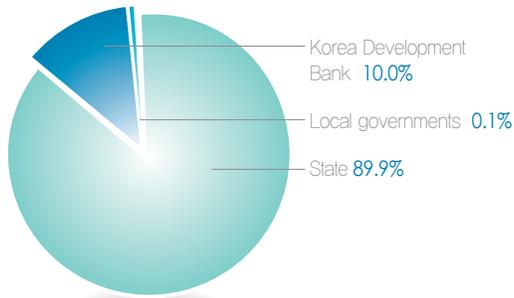
Internal reserves means the amount reserved internally after distributing the dividends to investors out of our net income for the corresponding term. The amount of reserves put aside internally, including legal reserves from retained earnings and other legal reserves, as well as discretionary reserves, increased as our net income increased in 2005. The increase of reserves was KRW 149.8 billion in 2004 and KRW 218.9 billion in 2005 respectively.

## Financial aids to residents in areas adjacent to dams

Financial aid totaling KRW 36.1 billion was given to residents in the areas adjacent to dams in an effort to increase their income, improve welfare programs and their environment (Please refer to page 71 for further details)



## K-water is strengthening the role of Board of the Directors and practicing open management through various participatory systems.



K-water Capital Structure

### A company for people

Major businesses of K-water have a significant impact on people's lives through construction of dams and waterworks facilities for the comprehensive utilization and development of water resources. Therefore, the "Korea Water Resources Corporation Act" restricts the investors to the state and local governments as well as the Korea Development Bank, and "the state shall invest at least 50% of its capital." The investors as of the end of 2005 are the state (89.9%), the Korea Development Bank (10.0%) and local governments (0.1%).

### Performance Based Connection System

As a public company, evaluations on the performance of business and the President are carried out annually. The performance indicators include environmentally-friendly management of water resources, appropriateness and rationality in management of human resources and other non-measurable performances. This means that the evaluation not only of quantitative performances but also of qualitative performances, is reflected on the compensations for executives.

Board of Directors

Category	Name	Title
Standing Directors	Kyul-Ho Kwak	President
	Hee-Il Yoo	Vice President
	Seung-Soo Jung	Executive Director of Administrative Services Division
	Woo-Ku Kim	Executive Director of Water Resources Division
	Hyung-Tae Jung	Executive Director of Water Supply Division
Independent Directors	Sang-Woo Kim	Executive Director of Technical Services Division
	Young-Jong Kim	President, Architects' Office
	Jin-Won Lee	President, Kiupsarang Movement Headquarters
	Chang-Rae Park	Senior Researcher, Samsung Press Foundation
	Young-Sang Kwon	Lawyer, Seoul General Law Firm
	Tae-Il Kim	Professor, Dept. of Political Science, Youngnam University
	Sang-Hyun Oh	Chairman, Korea Non-life Insurance Association
Byung-Sir Min	Former Auditor at K-water	

### Board of Directors

The Board of Directors is the highest decision-making body that deliberates on important issues related to management, makes decisions and monitors executive work. The Board is composed of 13 directors including 7 independent directors as of December 2005. K-water considers independence and expertise as the highest values. Therefore, the standing directors are appointed by the Minister of Construction and Transportation upon recommendation by the President of the Corporation, while independent directors are appointed by the Minister of Planning and Budget through a resolution of the Government-Invested Organizations Management Committee of the Ministry.

In 2005, K-water strengthened the role of the Board of Directors for participation in management, and made efforts to improve the system for utilizing expertise of independent directors. First of all, we opened an "exclusive webpage" in our homepage so that independent directors can inspect management information freely at any time to give their opinions. Second, we strengthened their advisory function in legal affairs and public relations for strategic management considering independent the directors' career and expertise. Third, we established subcommittees to solve current issues in management and look for alternatives through deep discussions and deliberations. Through such activities, independent directors perform their function of supervising and monitoring the management's works as they can have full knowledge about the agenda of the Board of Directors in advance and precisely understand the current status.

## Stakeholders' participation in management

In addition to the Board of Directors, K-water is implementing various other systems for external stakeholders to participate in its management. Outside stakeholders can participate at the stage of decision making and in the process of its business, thus conflicts that might arise can be prevented in advance and then corporate transparency and reliability can be secured.

Moreover, we have set up and run councils and committees to receive suggestions on management from the stakeholders, and we also run local councils to resolve conflicts that arise in the process of projects.

Advisory councils and committees are organized with representatives from non-governmental organizations, academia, research institutes and the press, while local councils in which experts, government officials and local residents participate for deliberation on local issues, have been expanding the opportunities for participation. We also cooperate closely with appropriate Ministries such as the Ministry of Construction & Transportation and the Ministry of Environment in establishing and implementing policies related to water resources.



Special lecture on Environment Day  
(Professor Il-Jung Kim)



Water, Environment and Health Advisory  
Committee



Waterworks Quality Council

### Committees / Councils

### Major Functions

Committees / Councils	Major Functions
Sustainable Management Advisory Council	Composed of representatives (total 18 persons) from academia, NGOs and the press in order to obtain expert opinions and induce national consensus, and held twice.
Customer Participation Committee	A consultative body (total 80 members) organized with consumers of dam water and service water to enhance the quality of water supply services, and held four times.
Water, Environment and Health Advisory Committee	Composed of experts and professors (total 11 members) specialized in water quality to secure the safety of service water, and held once.
Waterworks Quality Council	Composed of representatives from local academia, local governments and non-governmental organizations (each water supply site), and held 42 times.
Waterworks and Sewage Systems Advisory Committee	Organized for consulting and advising on matters concerning development and advancement of waterworks and sewage systems as well as improvement of the quality of people's life (total 9~12 members), and held 13 times.
Sihwa Sustainable Development Council	Organized for consulting on schemes on improvement of water pollution in Sihwa Lake and air quality in the industrial complex, as well as advising on plans for environmentally-friendly and ecological development in the Sihwa Area Development Project (total 38 members), and held 43 times.
Gulpo-cheon Regional Council	Organized to begin the commencing 2nd-phase Gulpo-cheon Spillway Project earlier and for discussing and resolving problems in the process of the project (total 10 members), and held nine times.

**Customers are at the heart of our management. We have redesigned all work processes to focus our management on the customer satisfaction, placing our highest priority on management principles that lead to customer satisfaction.**

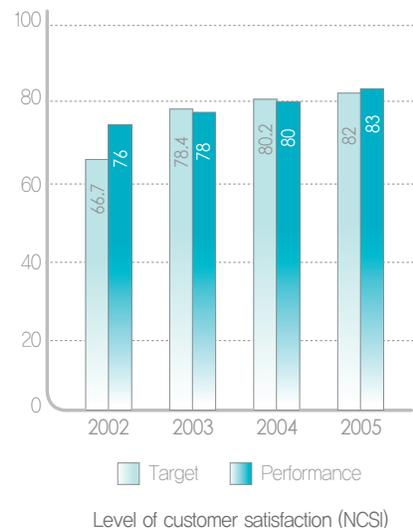


### A Customer-focused company

In order to make certain the direction and systems of customer satisfaction management, we have established a medium-term action plan for customer satisfaction and carried out the practical tasks for each year. A CRM system has been established to provide the best customer service by utilizing customers' information, obtained through various channels systematically and effectively. Management for of customer satisfaction has been promoted by implementing an evaluation system for customer-oriented performances reflecting the level of customer satisfaction as a major index for each department and executive.

### Raising customer-oriented mindset

In order to fulfill our CEO's commitment to customer satisfaction, various activities have been made to increase employees' commitment to customer satisfaction. Activities promoting customer satisfaction have been increased, and every effort has been made to develop employees' commitment to customer satisfaction through education programs provided by independent institutions, cyber educational programs and collective training courses. In addition, there are activities with various themes, such as suggesting ideas for services that improve customer satisfaction and rewarding exemplary cases of customer satisfaction.



※ The National Customer Satisfaction Index (NCSI) has been in effect since 1999 under the Ministry of Planning and Budget. The NCSI surveys the level of customer satisfaction for public companies from October to November annually and the results are utilized in an evaluation of each company.

### CEO message

Let us consider all issues from the customers' point of view, at all the times, and perform our duties wholeheartedly with commitment and a positive attitude so that we will provide services that customers desire without being asked to provide them. We shall do our work transparently and fairly with a customer-oriented mindset so that K-water can become a company respected and trusted by our customers.

Kyul-Ho Kwak, CEO & President, in celebration of the 38th anniversary of K-water on November 15, 2005

**K-water is working to provide products and services to customers conveniently by being through and improving systems as well as the quality of services to best meet our customers' needs.**

### Improving pricing policy and systems

The prices for dam water and service water were frozen in 2005 in order to relieve consumers' burden. A systematic method has been prepared to set unit prices at a reasonable level acceptable to customers by adopting the Cost Examination System and the Price Evaluation System. In addition, water supply systems have been improved to promote customer-oriented management by charging the penalty for late payment on a daily basis instead of a monthly basis, introducing a system for rewarding customers who report leakages of water, and reducing or exempting charges for beneficiaries of the protection of the government for minimum living standards.

### Providing high-quality service in supplying water

We expanded items evaluated in our water quality grading system include not only the water quality but also the taste, odor and other aesthetic factors. Moreover, a system for targeting water quality to the lower turbidity in industrial water has been introduced, and real-time information about the quality of water supplied through multi-regional water supply systems is available through our homepage. We also provide technical support and check-up services to local waterworks as well as water quality test services free of charge to water treatment plants run by local governments.

### Raising the quality of services in the local waterworks

We have introduced and operate an outside meter reading system for the local waterworks under our direct control in the areas of Nonsan and Jeongeub, utilizing PDAs and electronic water meters, to improve accuracy in reading meters while reducing inconvenience to customers. As well, customer information about billing has been more systematically managed through an Internet-based billing system for local waterworks. We have made efforts to improve systems to enable customers to make requests for work related to waterworks and to file civil petitions and complaints at home via our webpage.

### Converting dams into places for relaxation for local residents

We have initiated the "Forest Management Program" jointly with the Korea Forest Service to protect water quality and improve the landscape around dams. As part of such activities, lighting fixtures were installed at Daecheong Dam, a waterside park was constructed around the Nakdonggang Estuary, and the areas around dams have been modified in an environmentally-friendly manner to offer residents places for relaxation and cultural activities. These facilities have been received well by the public.

### Operating the monitoring systems for customer satisfaction

We have evaluated the quality of our customer services and have been given feedback through various research on the level of customer satisfaction, such as surveys on the level of customer satisfaction for multi-regional water and dam water supply (once a year), monitoring employees' responding to calls (four times a year), research on the level of satisfaction of local residents which measures the results of our cooperation and contributions to the local society (once a year).



Nonsan Water Supply Service Center



Sacheon Water Supply Service Center

- **The Cost Examination System:** Refers to the system under which we submit our financial statements, including accounting statements, to the Ministry of Construction and Transportation and the Ministry of Finance and Economy within 90 days after the end of each fiscal year to have our cost of water supply scrutinized.
- **The Price Evaluation System:** Refers to the system under which the water rate may be adjusted if a significant difference in rate calculation is found between the cost and demand at the time of rate determination and that shown on the financial statements.

K-water was ranked in the 1st class with 83 points in the evaluation of customer satisfaction in the public sector in 2005 and tied for 3rd place with another company among 9 organizations. Notably, we were ranked in 1st place in corporate image.

## Introduction of innovative systems spurs the activities for innovation.

Continuous innovation is another driving force for K-water as we become a global water service company. We have increased management efficiency, strengthened core competitiveness further through continuous innovative activities to systems and software, such as restructuring our human resources and introducing innovation working methods. Particularly in 2005, K-water concentrated on the establishment of innovative systems for utilization on a regular basis, changes to a customer-and-field-oriented organization, achieving world-class competitiveness in technology and increasing management transparency.

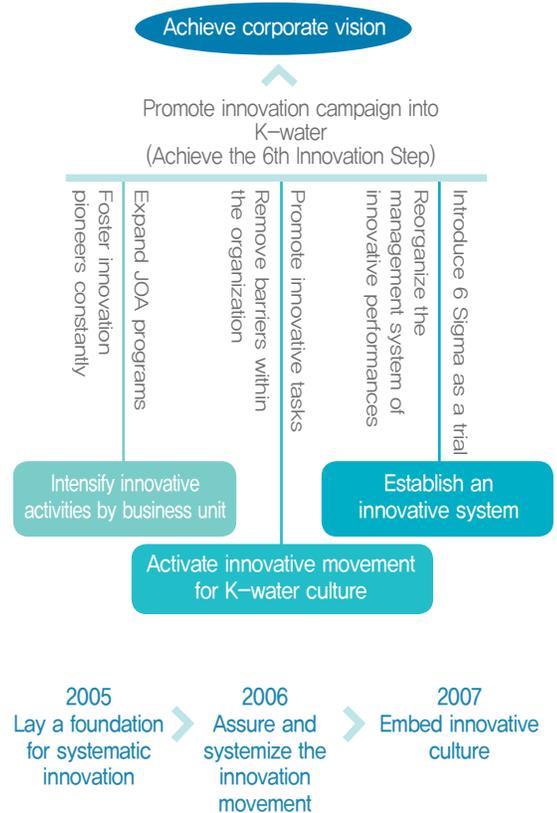
### Towards 6th Level Beyond 5th Innovation Levels

K-water is a leader in management innovation within the public sector, and as a result it was honored with 1st place in management innovation in 2002 and 2003. In 2004, we were recognized management innovation as the 5th step up of 6th step in top level. Nevertheless, there are some that still think innovation burdensome rather than beneficial. Thus it is required to encourage such employers to voluntarily participate. In order to cope with such a problem, we have been working hard to establish our corporate culture towards change and innovation through which the fruits of innovative activities are seen as beneficial to all.

### Major Performances from Management Innovation

To make our organization customer-and-field-oriented in 2005, we transferred 15% (or 109 persons) of our staff from Head Office to field offices, and delegated the authority to execute management of human resources and budgets to regional headquarters to strengthen field management further. As a result of customer-oriented management, the National Customer Satisfaction Index (NCSI) conducted by the government rated our performance as 83 points in 2005 higher than the 80 points achieved in 2004. A solid foundation for promotion of new projects for local waterworks management, river management and overseas business has been also laid by succeeding in development of our own technology used for branding and standardizing our water management system called Water-K, as well as development of the Real-Time Automatic Discharge Acquisition & Management System (ADAMS).

Main Direction in Driving Innovation



### Declaring our “Innovation Vision” during our 38th anniversary

On November 15, 2005, we held a ceremony for declaration of our “Innovation Vision” during K-water’s the 38th anniversary to declare our commitment to innovation and assuring all people of our determination in making K-water a global water services company. This ceremony, was not just an event but part of our innovation, was a chance to spur on all executives and employees towards innovation, by presenting a film containing unedited press reports showing the poor management and moral hazards prevalent throughout the public sector, as well as complaints and expressions of discontent from residents near dams, non-governmental organizations and water consumers. As well, all executives and employees recited a “Declaration of Vision” adopted as a practical code of conduct integrating with our existing code of ethics, customer charter and environmental management policy to establish a framework for innovation.



Declaration of Innovation Vision Ceremony

**Only those who succeed in innovation can survive, thus it is one of the most important items on our agenda. We put spurs to ourselves to achieve our vision.**

### The JOA Program as an Engine for Innovation

JOA (Join, Open, Advance) Program (and roughly translating to “enjoy” in Korea) is adapted from the GE Work-out Program to meet our unique requirements and situation, was introduced to carry out 139 improvement tasks in order to systemize a regular process for innovation. Innovation pioneers have been chosen to lead innovation throughout the entire organization spreading innovative mindset and practicing JOA Program.



Training innovation pioneers

The name of this program was chosen from among those suggested by employees through a contest in order to encourage them to participate in the program. Under this program, employees can submit their opinions, and executives in return can make an immediate decision on such opinions given. The advantage of this program is that employees can suggest original ideas freely without complicated communication channels. The “JOA” Program consists of three stages: Preparation; meeting; and follow-up management. “JOA Meetings” are the core of the JOA Program through which employees and executives work together to draw and adopt schemes for improvement through free discussions, with data collected and studied in advance, and thus it serves as a campaign for changes to the corporate culture while encouraging employee participation.

#### Direction in Driving Innovation

- Vision and Strategy**
  - Introduce a program for change and innovation called the “UT Campaign” (A-1).
  - Expand stakeholders’ opportunities for exchange and participation (A-2)

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- Leadership**
  - Expand opportunities for participation by executives (B-1)
  - Establish and implement practical measures for ethical management (B-2)

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- Systemization**
  - Establish a department for innovation (C-1)
  - Reorganize the process for carrying out innovation tasks (C-2)
  - Improve the system for motivating and rewarding innovative activities (C-3)

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- Improving skills**
  - Monitor innovative activities and have active communication (D-1)
  - Introduce and run training programs for innovation (D-2)
  - Spread the need for innovation to all executives and employees (D-3)

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- Improving performances**
  - Expand the team system, public offering of job titles, and annual salary system (E-1)
  - Establish and implement special measures for improving customer satisfaction (E-2)



The best organization in innovation

### Branding our water management system: an OEM agreement with GE

Our efforts for branding our own water management system, Water K, have started to bear fruit. The “Software OEM Agreement for Water Management System Branding” was entered into with GE Fanuc Automation on July 15, 2005. This system delivers in screen with pictures and letters managers the information obtained from the equipments and instruments installed in field offices for monitoring and controlling systematically the water treatment process. Management of overall water treatment system and co-related works between engineering tools are programmed so that they can work together smoothly. This contract is expected to improve the competitiveness of our IT-based technology through the strategic cooperation in stable supply of software package for water management system.

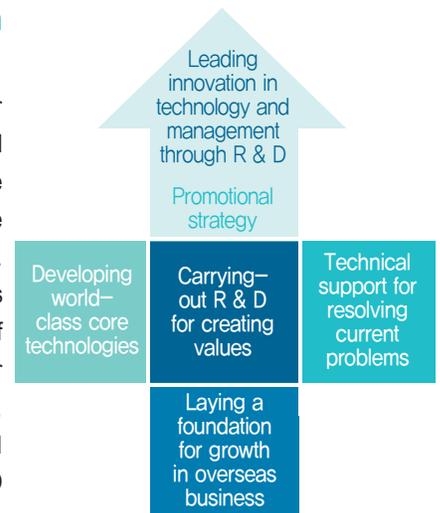


Operating system software (CD)

## R & D Innovation is promoted to achieve sustainable growth and to create new value.

### Promoting R & D in Long and Medium Terms Connected with Management Strategy

It is necessary for K-water to develop core technology for the future so as to realize our vision of becoming a global top 3 water services company, as well as to prepare an essential growth engine required for such to occur and to become globally competitive. Therefore, we have prepared a technology roadmap that will provide us milestones for development of core technologies, essential technologies and detailed essential technologies over the next 10 years. We are now focusing on supporting research on: Integrating and diversifying our businesses connected with strategy for changes in business structure; improving the competitiveness of our business connected with strategy for improving our core skills; and creating the customer values and customer satisfaction connected with sustainable management strategy. In addition, we are also promoting joint research of our core business with UNESCO-IHE (International Institute for Infrastructure, Hydraulics and Environmental Engineering) and CSIRO (Commonwealth Scientific & Industrial Research Organization) in Australia.



### Preparing a Technology Roadmap: 9 Major Strategic Services and 14 Core Technologies

Business Area	Strategic Service	Technology
Waterworks and sewage systems	<ul style="list-style-type: none"> <li>– Highly-efficient &amp; high-quality technology for water treatment and re-engineering of existing waterworks</li> <li>– Supplementary water resources</li> <li>– Networking waterworks and sewage systems</li> <li>– Integrated waterworks management</li> </ul>	<ul style="list-style-type: none"> <li>– Highly-efficient/Low-energy integrated water treatment technology</li> <li>– Technology for securing water safety</li> <li>– Technology for evaluating efficiency and improving the network of waterworks systems</li> <li>– Technology for improving and re-engineering existing waterworks</li> <li>– Technology for integrated waterworks management systems</li> <li>– Technology for developing and managing supplementary water resources</li> </ul>
	Water resources	<ul style="list-style-type: none"> <li>– Survey and design of water resources</li> <li>– Management of water quality and restoration of ecosystems</li> <li>– Integrated watershed management</li> <li>– Safety management of dam facilities</li> <li>– Securing cutting-edge facilities for power plants</li> </ul>

### The Water Analysis and Research Center accredited as an officially-recognized international dioxin-testing laboratory.

Subsequent to having been designated as a virus-testing laboratory in March 2003, K-water was recognized officially as the first international testing institution in May 2003, and completed the construction of Water Analysis and Research Center (WARC) in 2004. Featuring 270 pieces of cutting-edge testing instruments (125 different types) along with specialized professionals, it also can conduct analytical work on new pollutants as it was approved as a testing institution for protozoa in September 2004 and as an international testing laboratory for dioxin in November 2005. WARC conducts water quality tests free of charge at 411 (87%) of the 473 local waterworks nation-wide, and in 2005 provided 7 training courses to public officials (18 times in total) for analyzing water quality.

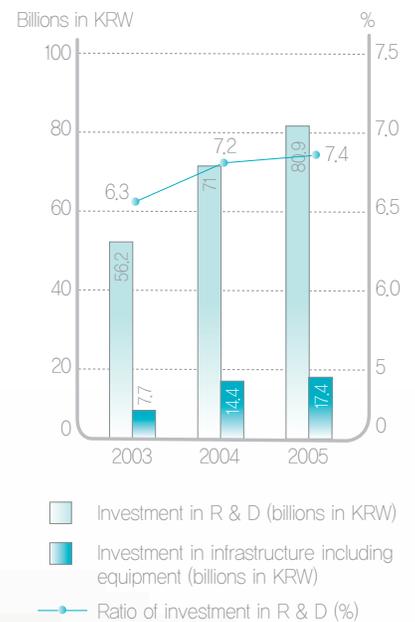


**K-water investing KRW 80.9 billion in R & D in 2005, a 14% increase over the previous year**

**Continuous Expanding of Investment in R & D to Create a Growth Engine**

K-water has increased R & D budget, and expanded its basic facilities for research in order to ensure ceaseless growth and to create a growth engine. R & D investment in 2005 amounted to KRW 80.9 billion, 14% more than the previous year. The ratio of R & D investment to total sales reached 7.4%. As a reference, the percentage of R & D investment recommended in 2005 by the Ministry of Science and Technology was 3.6%.

In addition, KRW 36.4 billion was invested in the Institute for Water Resources in the Daedeok R & D Area to build a 14,500 square meters research facility for waterworks and sewage systems to meet international standards in an effort to provide the best water services in the world. K-water will continue its activities in R & D in order to ensure an efficient and stable supply and management of water resources through development of core technologies and ultimately will become a global water services company.



An aerial view of the international research center for waterworks and sewage systems

## Expanding our role in the global water market on the basis of our experiences and capabilities accumulated so far

### Preparing a Platform for International Business: Restructuring the Overseas Business Department

Early in 2005, the Overseas Business Department was restructured in Head Office to prepare a platform for advancing into overseas markets. Capacity has been increase to compete with multi-national companies in the areas of the development of water resources, waterworks and sewage systems, as well as hydro-power generation, as it has accumulated technical power, career and experience while bringing up professionals and experts. Promoted areas as the most potential overseas business based on these internal competencies are technical support and consulting, development of water resources focused on hydro-power generation, waterworks system. Particularly, the area of operation, and maintenance are considered as the one on which K-water shall concentrate because the Corporation is the most competitive in that area. It is time now for the Corporation to expand its role to the world market emerging from its domestic market which is almost fully developed.

### Securing a Bridgehead into Overseas Markets

Beginning with the Fenhe River survey project in Shanxi Province, China in 1994 and the project for the development of water resources in the Republic of Vanuatu in 1996, K-water has promoted small projects in overseas markets mainly as commissioned by the Korea International Cooperation Agency (KOICA). As a result of the promotional activities conducted for overseas markets since 2003, it was discovered that there are increasing demands in overseas markets, and that it is important and essential to promote overseas business as our core business in order to help K-water grow into a global water service company.

In 2005, we succeeded in securing a contract for a project for the design, construction and consulting service for a hydro-power plant in India as the first project that exports our technology. This project gave us an opportunity to have our technical capacity recognized in the world market. Moreover, we have carried out many projects of various types successfully, participating in a project for the modernization of waterworks and sewage systems in Arbil, Iraq and investing in the Helong Dam Project in Yenben, China. We will make every effort to develop our markets throughout the world by varying the portfolio of overseas projects so that we can become a global water services company.



Entering into a framework agreement for the Helong Project in Yenben, China



Inspecting the local waterworks in Arbil, Iraq



Foreign trainees attending an educational course (field trip to Daecheong Dam)

## Promoting Overseas Projects for Securing a Growth Engine

Approximately 60 employees including those in the Overseas Business Department are currently either carrying out or preparing their missions to do so in 10 foreign countries, including Afghanistan. We dispatched 26 experts to the Arbil area in Iraq for technical waterworks and sewage system consulting projects in October 2005. We also provided international educational programs to about 390 trainees from 42 foreign countries including 22 countries in Asia, 13 in Africa, 4 in Latin America, 1 in Europe and 2 in Oceania as of the end of 2005, while disseminating our technical capacity around the world as we signed Memoranda of Understanding (MOU) with 27 institutions specialized in water resources, including the Ministry of Water Resources and Meteorology in Cambodia.

Making the best use of our expertise and technologies accumulated in dams (including hydro-power generation), waterworks and sewage systems, we are now planning to enter into the markets in China and Southeastern Asia by focusing on these projects as the markets now have rapidly increasing demands for infrastructure due to their increasing population and economic growth. There may be higher risks in overseas investments, and thus, we have a plan to examine the feasibility of each project from legal, financial and technical aspects and cooperate with private domestic companies to promote the projects with good economic efficiency.



Current Status of Overseas Projects as of the End of 2005

China	Entered into a framework agreement for investment in the Helong Dam, Yenben
Mongolia	Potable Water Development Project (for developing tubular wells and preparing a plan for management of underground water)
India	Doyang Dam & Power Plant Project in Nagaland Province for design, construction and consulting
Vietnam	Searching for new projects in Southeastern Asia
Cambodia	Research on the feasibility of developing the basin of the Krang Ponley River (Examining a plan for development of existing and new dams)
Indonesia	Feasibility tests and design management for the Karian Multi-purpose Dam (Total capacity of reservoir: 220 million m3)
Afghanistan	Istalf Small Hydro-power Plant Construction Project (Construction of a power plant / construction of a power-transmission network)
Iraq	Arbil Waterworks and Sewage System Modernization Project
Peru	Development of potable water resources and research on the feasibility of installation of waterworks system in Amarillis
Equatorial Guinea	Promoting a project for management and maintenance of waterworks and sewage systems





## I'm happy with Nature



We will protect water, the gift of nature.

Water is everywhere in the world: the heavens; the seas; and the earth.

Water also comes to us in a good rain for the dry and barren earth, the fear of a flooding river or the contaminated wastewater. We are warned that we confront the situation where the degree of pollution due to extravagant use of water along with the development of human society excels the extent that nature is capable of purifying for itself.

We are heeding the warnings from nature to preserve water and to keep it clean and safe.

## Environmental Management – A Keyword for All Our Services

### Environmental Management System (EMS)

ISO9001/14001 Certification was renewed on October 2005 with the validity extended to October 2008. We integrated ISO14001 (Environmental Management System) and ISO9001 (Quality Management System) standards into our corporate regulations to comply with these stringent standards. Each department performs its work on Environmental Impact Assessments, Environmental Goal-setting, Environmental Audits and Environmental Performance Evaluations in accordance with the process for environmental management provided in corporate regulations.

### Environmental Management Organization

Our Management Innovation Office is authorized to control and administer all work related to environmental management, including establishment of environmental goals and action plans, certification and follow-up work for ISO9001/14001, and introduction of various environmental programs, while the work related to environmental accounting are carried out by our Financial Management Department. As of December 2005, there were 327 environmental specialists, equivalent to 8.5% of all employees, working at dams, multi-regional waterworks, industrial complexes, sewage treatment plants, laboratories, water analysis & research center and water quality inspection offices at four major river basins to perform water quality management, water quality analysis and environmental impact assessment.

### Environmental Education and Training Programs

Reflecting the results of environmental performance evaluations on internal performance evaluation, we continuously remind employees of the importance of environmental management. Educational and training programs on ISO9001/14001, environmental audits and environmental impact assessments are also provided to employees in charge of environmental management at each field office. In addition, specialized educational courses are conducted by the Water Resources Academy. In 2005, the academy opened 13 special courses, such as basic environmental law and understanding of environmental impact assessments, and 185 employees finished these courses.



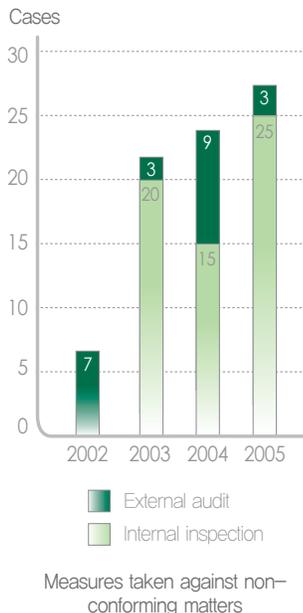
Environmental Management System and Programs

## Environmental Management Programs

A Variety of environmental management programs have been introduced to enhance environmental performance while reducing potential environmental risks.

### Environmental Audit

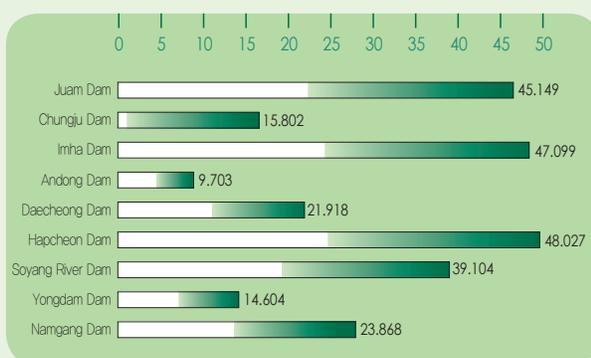
Environmental audits have been conducted for each business unit annually in order to inspect and improve the environmental management system. An internal inspection is conducted in all business units, except Head Office, and then business units representing each business division are selected at random by an independent verification institution to examine all aspects of environmental management system, including management processes, educational programs and emergency countermeasures. In 2005, 28 cases of noncompliance, 25 cases from internal audits and 3 cases were discovered through independent examinations and corrected accordingly.



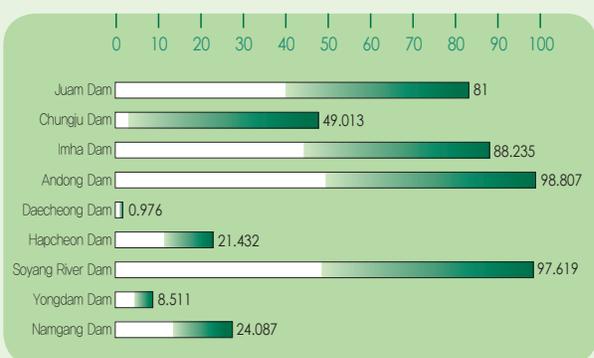
### Environmental Performance Evaluation

A program for environmental performance evaluation based on ISO14031 was introduced in 2003 to continuously improve environmental management activities. In the meantime, the results of environmental performance evaluations were reflected on 5% of the performance evaluation of each business unit to increase the reliability of environmental performance evaluations and to encourage competition among departments. In 2005, the proportion of the environmental performance in entire score increased in the range of 5% to 12% depending upon the individual cases for each business unit, and a computer system for environmental performance evaluations was set up to conduct internal evaluations.

## Applications of Environmental Performance Evaluation Results (Dam Group 1; 2005)



Proportions of green products purchased



Recycled floating wastes in the dams

The environmental performance evaluation system serves as a tool for each department to improve its shortcoming in environmental performance by comparing them with other departments.

The graphs illustrated above show the proportions of green products purchased by each office in Dam Group 1 and the recycling rate of flood debris in dams during 2005. The index showing the proportions of green products purchased is controlled as major indexes according to the government's policy to enforce compulsory purchase of environment-friendly products. The recycling rate of flood debris in dams is aimed to minimize the environmental risk from the floating wastes flowed into dams during flood season. Integrating the results of the environmental performance with the business performance evaluation conduces to improve environmental propperness.

## Green Purchasing

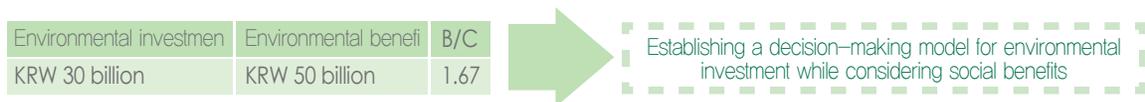
In an effort to boost green purchasing, we have reflected the green purchasing index on the environmental performance evaluation since 2004, re-arranged the process for green purchasing under the Financial Management System (FMS) to make it easy to source if a green products are available from the stage of placing a purchasing request since 2005, and improved the system to make it clear why a green product could not be purchased as we work to make green purchasing compulsory. In November 2005, our system was recognized as an excellent model in dealing with environment-friendly products by public institutions at the "Contest for Promotion of Purchasing Environment-Friendly Products 2005" hosted by the Korea Eco-Products Institute.

As a result of such efforts, the amount of green purchases in 2005 increased remarkably to KRW 3.3 billion or 110% when compared to the KRW 1.57 billion in 2004. The types of products purchased have varied significantly from products with environmental mark, Good recycled products and energy-saving products.

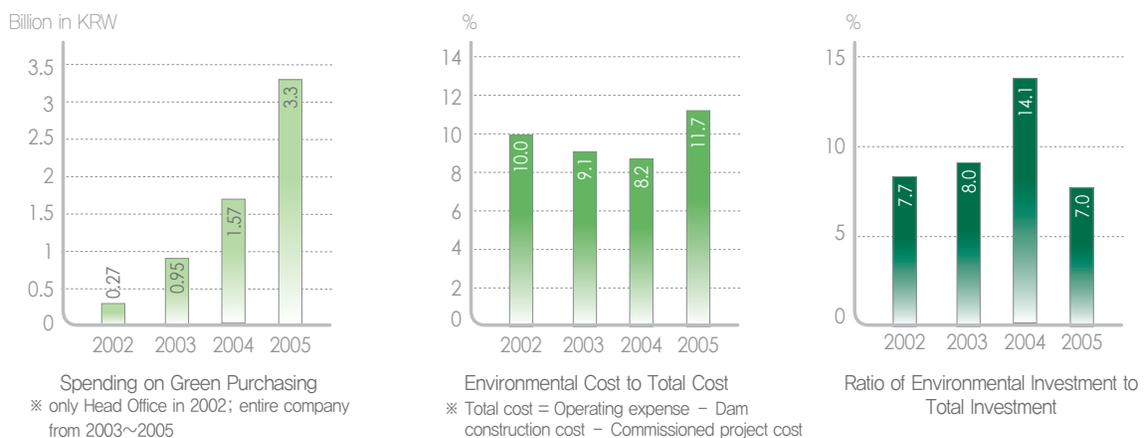
## Environmental Accounting

We have implemented an environmental accounting system in order to help make reasonable decisions on management and to furnish stakeholders with information in a transparent way by making it possible to measure our performance in environmental management. Taking advantage of participation in a pilot project for environmental accounting sponsored by the Ministry of Commerce, Industry and Energy, we established our own concepts and standards of environmental costs in 2003 to calculate the amounts of environmental costs and environmental investment per year since 2000. The environmental cost for 2005 was KRW 121.7 billion or 11.7% of our total costs, while the environmental investment for the same period was KRW 54.8 billion or 7.0% of our total investment.

In 2005, measurement of environmental benefit was made for the first time. The measurement of the environmental benefit was the first case in domestic industry, and the system for measuring environmental benefit, including social benefits, will be an accomplishment in developing local environmental accounting practices in Korea. As a result of the measurement of the environmental benefit, it was found that the direct benefit was KRW 17.7 billion in 2004. This was done through efficient use of water resources and by conserving energy, while the result of the measurement of social benefits from the "Sihwa Lake Artificial Wetlands Construction Project" showed that the environmental benefit to cost (B/C) is 1.67 times more than the environmental investment. We have plans to establish a computer system in 2006 to manage the results of environmental accounting more systematically. Also, we will develop systems to enable us to use the information produced from environmental accounting.



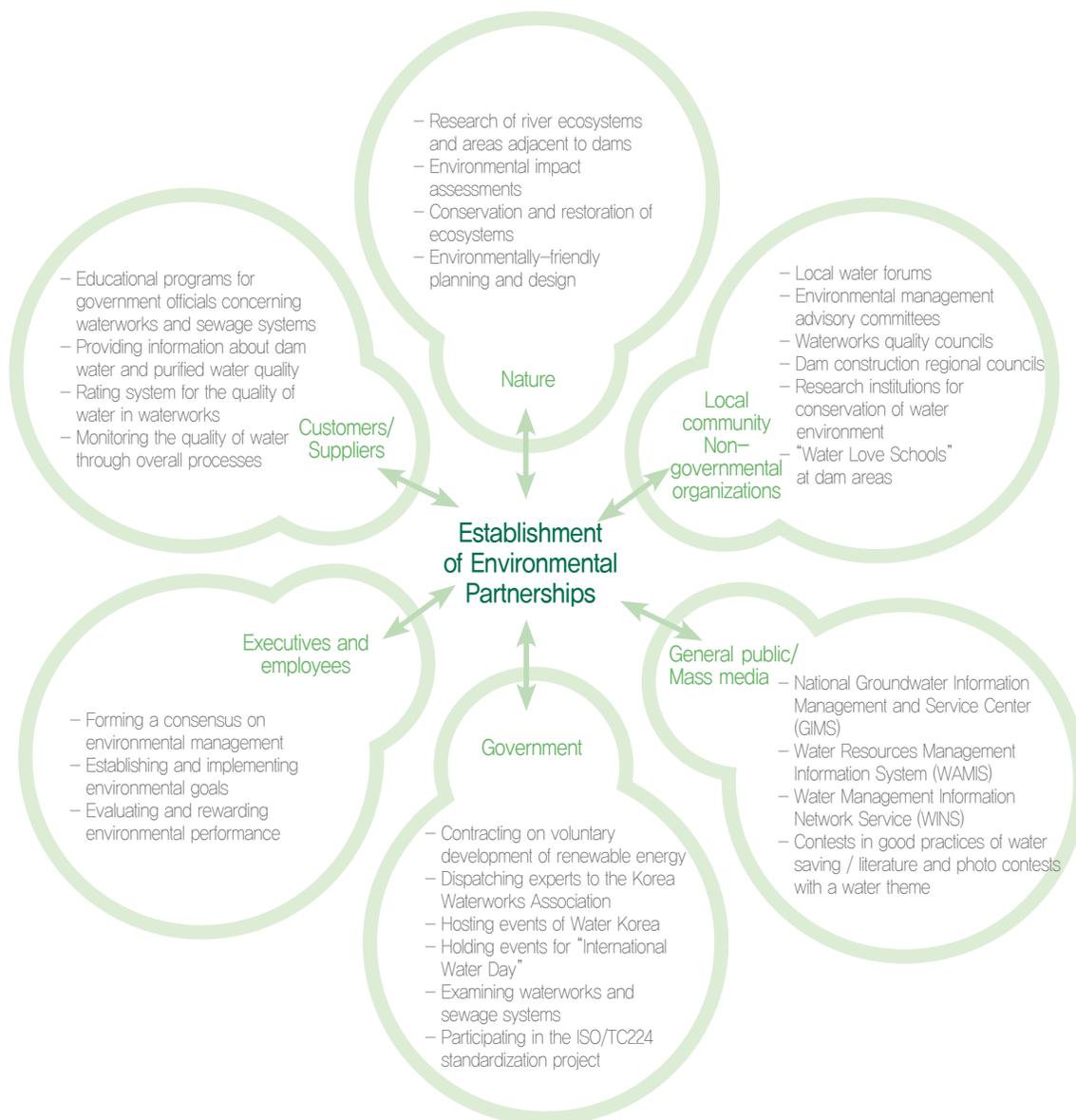
Results of Measurement of Social Benefits from Sihwa Reed Wetlands Park



## Environmental Communication

**Our Door is always open to stakeholders to ensure smooth communication.**

**We look forward to transparent disclosure and good communication through partnership in environmental activities.**



## Events of International Water Day 2005

K-Water hosted many events in celebration of the 13th International Water Day at KOEX Center in Seoul on March 22, 2005. The theme of the events was "Water for Life," to emphasize the essential nature of water for life. We held a variety of events including a photo exhibition with a water theme, academic events (such as forums and symposiums), a campaign for encouraging people to drink tap water with cooperation from non-governmental organizations, and a concert for water saving. The events on International Water Day helped to remind the public at large of the importance of water.



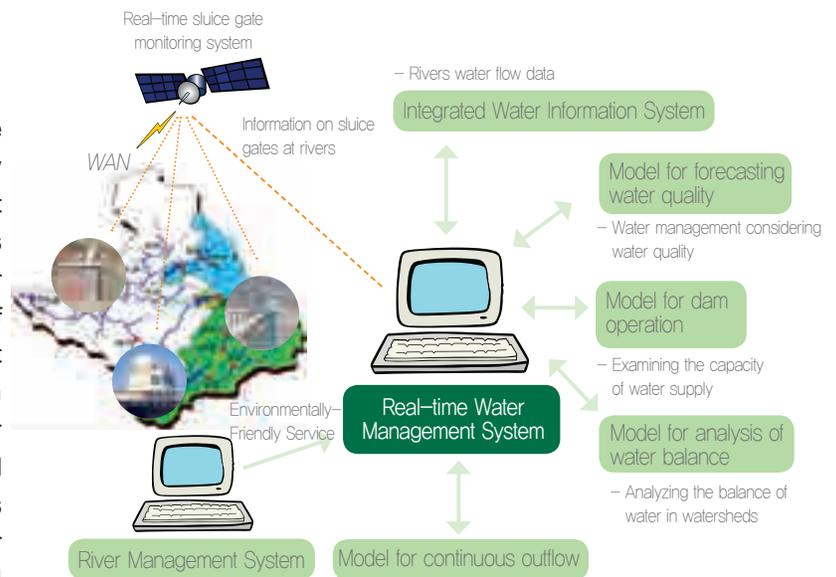
Concert for water saving  
(March 19, 2005)

## Efficiency in Use of Water Resources

Our Integrated Watershed Management System enables us to control and manage water resources efficiently.

### Integrated Watershed Management

Frequent occurrences of flood and draught due to recent abnormal climate changes and rapidly increasing demands for water make the environment for use of water resources worse. Further, it is also getting more difficult to develop new water resources due to arguments over conservation of the environment and protests against development of water resources. Thus, we have set up an efficient water management system, in which our dams are controlled and managed by watershed so that we can utilize the existing water resources more efficiently and optimize the use of water resources with respects to irrigation, flood control and environmental protection.

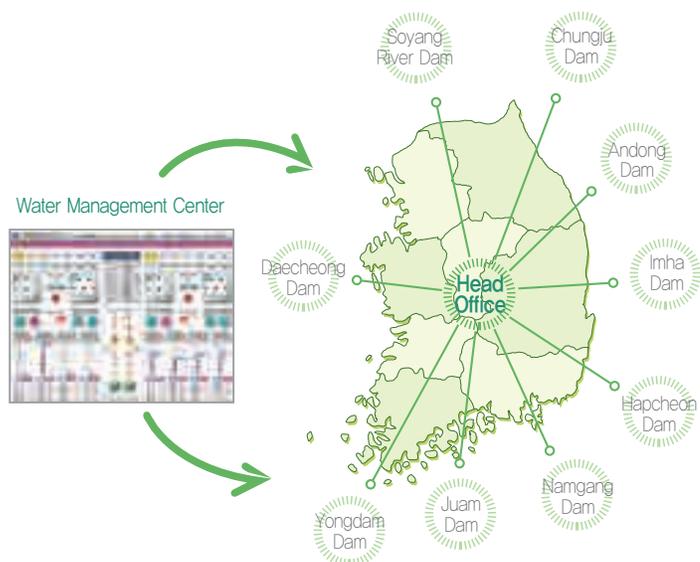


Integrated Watershed Management Concept Map

### Integrated Power Plant Management

An integrated power plant management system was installed at the Water Management Center in our Head Office in order to monitor and remotely control 9 hydropower plants on 4 major rivers. Through this system, 33 power generators nation-wide are operated or shut-down remotely and as a result the power generation output is directly controlled.

The introduction of this system has helped us to improve productivity through standardization and simplification of power generating facilities and operations. The system has also enabled us to perform water management and power generation more efficiently by establishing a plan for highly-efficient power generation, while also better utilizing the function of multi-purpose dams to control floods and supply water.

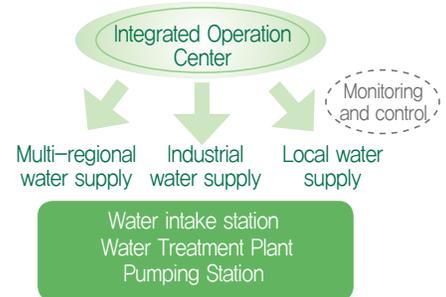


Integrated Power Plant Management

## Integrated Multi-Regional Water Supply by Area

The adjustment of water supply systems is a project we have carried-out to maximize the utilization of multi-regional water supply systems by switching surplus water from one area to other areas. Also, we have been integrating waterworks by area dividing S. Korea into 12 areas since 2002. In 2003, we completed a project for adjusting the water supply system from the Southern Geum River region and the lower Han River region, and began a project in the northern Geum River region in 2004. Once the integrated water supply system by area is completed by 2011, 600 million m<sup>3</sup> of additional water per year (2.06 million m<sup>3</sup> per day) is expected to be secured and the facilitation rate of our facilities is expected to increase at least 13%.

In addition, we have been developing a project for an emergency network among 19 multi-regional water supply systems, as well as among 24 multi-regional and local water supply systems, in order to secure stability in water supply. We are now also working on an integrated water supply system based on IT automation technology by re-organizing 12 regional water supply systems to put them under control of 7 regional headquarters, which will integrate and manage all unit facilities by region. At present, the integrated system is completed and operating in the Jeollabuk-do region, while the systems for the Seoul metropolitan, Chungcheong and Jeollanam-do regions are still under construction. The integrated management center in each area will manage a round the clock remotely all water supply units in the area and control all the processes from production to supply of water. Moreover, most of the facilities, except for some core facilities such as purification facilities, are unmanned, and thus we can redistribute some surplus manpower and budget to other works such as the maintenance of waterworks and facility inspection through this integrated system.



## Efficient Management of Local Water Supply Systems

We have been operating a project to improve efficiency of local water supply systems since 2003 in order to provide higher-quality water supply services and to improve the revenue water rate. Beginning with the opening of the Nonsan Water Service Center in April 2004, we opened water supply service centers in Jeongeub in April 2005, Yecheon in November 2005, and Sacheon in December 2005, and they are now carrying out all work related to supply and management of water. In addition, we are about to complete service implementation agreements with local government such as Jinhae, Goryeong and Cheonan (for industrial water), and we have already signed MOUs with 37 other local governments, including Pohang. Through these projects for improving efficiency in management of local supply systems, we will work to supply clean and safe water to the public at a lower price, and also increase our global competitiveness in water supply business by connecting multi-regional and local water supply systems, which will help to bring in an age of advanced water services.

Municipality	Population (in thousands)	Capacity (m <sup>3</sup> /day)	Distribution rate (%)	Revenue water rate as of Dec. 2005 (%)	Revenue water rate as of Dec. 2005 (%)	Date taken over
Nonsan	136,503	25,400	54.0	54.9	60.0	'04.4
Jeongeub	133,018	15,000	84.6	54.0	57.5	'05.4
Sacheon	113,217	13,000	84.9	47.9	-	'05.12
Yecheon	53,311	11,000	48.3	59.0	-	'05.11

Current Status of Local Water treatment plants in Operation (2005)

## Environmentally-Friendly Development of Water Resources

We build environmentally-friendly water resources facilities to provide local residents with places for relaxation and cultural activities.

In order to minimize environmental impact that might be caused by dam construction, we strived in 2005 to restore vegetation on the rear slope of the Jangheung Dam in compliance with the “Guidelines for Design and Planning of Environmentally-friendly Dams,” and installed various facilities, such as fish ways and eco-corridors that take the environment and ecosystem into account.

### Vegetation of the Slope at Jangheung Dam

We sought to minimize the damages caused by dam construction to the natural environment. Reviving the natural vegetation on the downstream slope of the Jangheung Dam, we have worked to increase the variety of species and afforest the slope eco-healthy and environmentally-friendly. The vegetation on the dam slope has been restored with a willingness to make it a model for water resources management in harmony with culture and nature in dam construction. Moreover, we have tried to build an environmentally-friendly dam that can be beneficial for nature and people through continuous management and care.



Dam slope vegetation

### Preservation and Restoration of Jidong Village

Jidong Village, once a small rural community with a long tradition, was saved from being demolished due to the construction of Jangheung Dam and is preserved as an example of traditional culture. Traditional houses and stone walls at the entrance of the village were restored. It is now utilized as a place for relaxation and education, to show visitors life in a farming village.



Preservation of Jidong Village

### Construction of Fish Ways at the Downstream of the Dam

Research to protect fish in the area of the Jangheung Dam was conducted from 2000 until 2002 so as to build the dam in an environmentally-friendly manner and minimize changes in the stream ecosystem. Based research finding, a fish-way was built at the downstream of the dam. Serving as a corridor for migratory fish to move around, this fish way plays a role in conservation of the surrounding ecosystem and to protect valuable fish, illustrating the preferred model for development of rivers.



Fish-way downstream of a dam

### Spawning Beds for Fishes

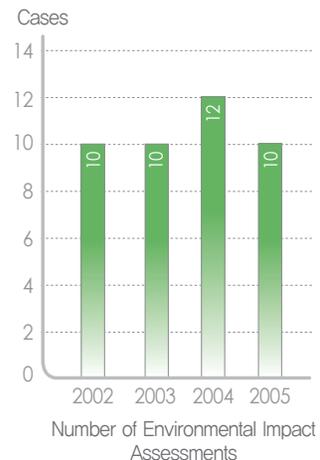
As a measure for protecting fishes, artificial floating beds with man-made roots anchored under the water, which can respond to the changes in water levels in the dam reservoir on Tamjin River, were installed to help fishes spawn. Additionally, aquatic plants such as reeds were planted at the surface of the water to promote natural purification of the water and to improve wildlife habitats, as well as the environment and landscape.



Fish spawning beds

## Environmental Impact Assessment

Preliminary examinations of environmental feasibility, along with environmental impact assessments, were conducted in 2005 in order to minimize damage to the environment which might have been caused by the projects for road construction at the Buhang Dam and the Hwabuk Dam, construction of the Gunnam Flood Control Reservoir and construction of the Gulpocheon Spillway. Strategic environmental impact assessments were also introduced to long-term planning in dam construction for the first time in Korea. This was to ensure that the most environmentally-sound alternative can be reflected in long-term planning for dam construction by assessing environmental impact of various alternatives from the initial stage of planning. A plan for reducing environmental impact will be established in concert with representatives from the central government, local governments, residents and environmental organizations through the environmental impact assessment. This will continuously manage related projects not only during the construction period but for 5 years after completion of the project.



## Improvement of Environment of the Areas Surrounding Dams

In an effort to boost the economy of areas surrounding dams and to prevent imprudent development, we are reflecting the opinions of stakeholders from various fields into our projects so as to improve the environment in the areas adjacent to dams. Theme parks for tourism, artificial wetlands and waterside parks are constructed in areas surrounding dams to provide places for recreation and cultural activities and to make the most of the uniqueness of each community by linking the areas with existing facilities for cultural activities and tourism. Projects for improving the environment have been executed simultaneously from the initial stages of the construction projects for the Jangheung, Pyeongrim and Hwabuk Dams, which are currently under construction, as well as the Buhang and Seongdeok Dams, which are still in the planning and designing stages. Master plans for improving the environment in areas surrounding dams and reservoirs were established for the 14 existing dams initially and are now being executed. Comprehensive plans for improvement of the environment had been also established at 8 dams, including the Soyang River Dam by 2005, and the remaining 6 dams will have such master plans for implementation by the end of 2006.



Observatory Deck at the Andong Dam



Promenade at the Daecheong Dam



Ecological Park downstream of the Pyeongrim Dam

## Taking Care of Forests around Dams



We began a Forest Management Program in 2002 jointly with the Korea Forest Service (KFS). We are responsible for establishing master plans for the 26 existing dams and for 12 new dams, while KFS is responsible for design management and execution of the work. This program has been carried-out over 1,600 hectares around the Jangheng Dam and 1,700 hectares around the Daegok Dam to date. We have established master plans for the areas surrounding 7 additional dams, including the Soyang River Dam.

The effects of this program include increasing the function of the forest to contain water resources, promoting ecological soundness, and preventing turbidity of water and water contamination by erosion of earth due to floods. The forests will also serve as a green dam to keep moisture in the soil during the dry season.

## Maintenance of Clean Water Sources

Cleanness of tap water depends upon strict management of water sources.

We work hard to improve the quality of water in the rivers flowing into dams and in water at the dams.

### Management of Pollution Sources around Dams

In order to dispose of domestic wastewater and livestock wastewater causing pollution of water at dams, 79 sewage treatment plants were constructed and maintained in the upper areas of the Yongdam, Daecheong, Jangheung and Chungju Dams. Particularly, an integrated monitoring and control system was installed in the upper area of Yondam Dam to integrate management and operations of 64 sewage treatment plants, in 3 different counties, for the first time in Korea to improve the quality of water in the dam reservoir, enhance the efficiency in operations, increase the reliability of the quality of treated water, and curtail the costs for maintenance and operations.



Small sewage facility in the upper area of a dam

Non-point pollution sources, a main cause of water pollution in dams, flow into dams due to agriculture in the upper areas of dams and makes up 40~50% of the total pollutant load. In 2005, we constructed 17,890m<sup>2</sup> of artificial wetlands and an islet full of aquatic plants for preventing green algae in the streams in the upper area of the Daecheong Dam, and operated several models for environmentally-friendly agriculture in arable lands around the Soyang River, Daecheong and Andong Dams.

### Management of Quality in Dam Water at Dams

The use of good-quality dam water is the best way to save on purifying chemicals and energy for improving the quality of water. We installed 333 aerators to promote water circulation at 19 dams which serve as sources of water supply throughout the country, while inhibiting algae growth and eutrophication at dams. Furthermore, we measure water quality on a real time basis from the surface to the bottom of the reservoirs.



Rope dam to block debris

### Prompt Disposal of Flood Debris

Trash trees and plants flow into dams in a large quantity every year during the rainy season. In order to prevent this water pollution, rope dams have been installed at the mouths of rivers to remove it before the debris can spread into other areas. The debris collected in 2005 amounts to 32,067 tons in total. Employees at 6 dams processed this debris to make sawdust, compost and firewood and distributed these products to residents in the neighborhood of the dams.

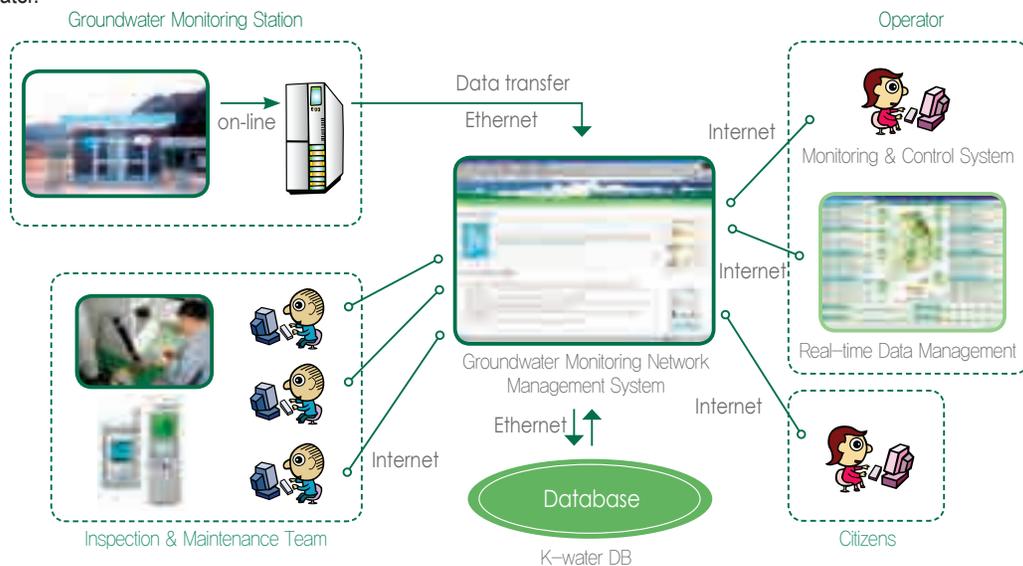
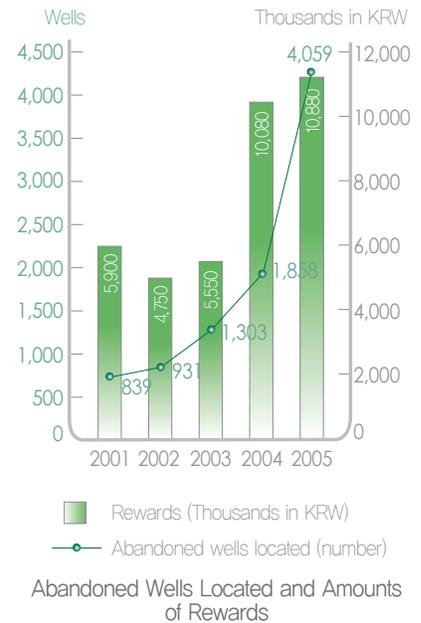
### Construction and operation of sewage treatment plants in the upper areas of dam: Increasing the installation rate of sewage systems by 5.5% in the upper areas of dams

The sewage treatment rate throughout the country in 2005 was 83%, although the sewage treatment rate in the upper areas of dams was about 47.3% (41.8% in 2004). In order to improve the quality of water in dams, it is essential to install sewage treatment facilities so that the pollutant load flowing into dams can be reduced. We have expanded and operated sewage treatment plants in the upper areas of the Yongdam, Jangheung and Daecheong Dams from 57 plants in 2004 to 86 plants in 2005. Especially, the Boeun Sewage Treatment Plant in the upper area of the Daecheong Dam was selected as the best sewage treatment plant (in the category of plants operated by private companies) for two years consecutively by the Ministry of Environment.

## Activities to Prevent Pollution of Groundwater

K-water completed the installation of national groundwater monitoring networks in 320 places throughout the country and began full operation for preservation and management of groundwater, an invaluable clean water resource for the future. The national groundwater monitoring network measures the level, quality and temperature changes of groundwater everyday and conducts water quality analysis to pass inspection of groundwater for domestic use twice a year. Our data obtained from the monitoring of groundwater are provided on a real time basis to the public through the groundwater monitoring network management system. In 2005, detailed inspections were conducted at monitoring stations where reduced of water levels and groundwater pollution are anticipated to prepare effective countermeasures.

In addition, a nationwide campaign, "Searching Abandoned Wells," has been promoted to locate abandoned wells, and rewards are paid to local residents to encourage them to report such wells voluntarily. As a result, 4,059 abandoned wells were located in 2005, and the total number of abandoned wells located from 2001 until last year was 8,990. The rewards paid for the abandoned wells reported by 2005 amounted to KRW 37 million in total. We have requested local governments concerned either to restore the abandoned wells to their original states or to reuse them so as to prevent pollution of groundwater.



National Groundwater Monitoring Network Management System

## Information about locating abandoned groundwater wells (Tel : 080-654-8080)

Once groundwater is polluted, it is difficult to restore it to the original state and may cause severe damages to broad areas. K-water is now operating a team exclusively dedicated to surveying abandoned wells in order to maintain clean groundwater, and promoting a campaign searching for abandoned wells. We also have an exclusive toll-free telephone line for reporting abandoned wells and pay rewards to encourage local residents to report such wells. We increased the reward from KRW 50,000 to KRW 80,000 per reported well in 2006 to encourage participation.

## Strict Water Treatment

Advanced techniques have been applied to water treatment to improve the quality of water.

### Improvement of Water Treatment Processes



Renovated settling pond

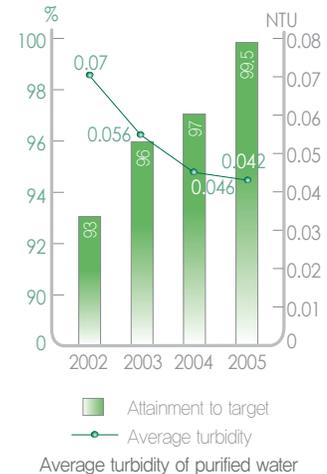
In order to meet the increasing demands from the public for higher-quality water and together standards for water quality, we have established a “Master Plan for Improvement of Water Treatment Processes”. According to this plan, we will improve facilities, and introduce new technologies to improve 5 major items for water quality (including turbidity, taste, odor, residual chlorine, disinfection byproducts and pipe corrosion) that people can readily notice. Under this plan, we will invest KRW 130 billion annually to improve the existing processes and to install cutting-edge facilities to produce higher-quality water. In particular, an advanced technology for a combined application of CO<sub>2</sub> and calcium hydroxide was introduced in 2005 to prevent corrosion inside of pipes, and an analysis on the effect of this new technology will be conducted from 2006 onward.

### Application of Advanced Water Purification Techniques



Pilot membrane-filtration plant in Gongju

The most advanced purification processes, such as treatment by ozone or granular activated carbon, dissolved air flotation, and membrane filtering have been introduced to remove taste, odor, disinfection byproducts and algae as it was hard to remove them by conventional treatment process. In 2005, a plan was established to introduce more advanced water purification process to 18 water treatment plants according to the needs of each plant, and that processes will be applied to 7 plants in the Seoul metropolitan area as a first step. The membrane filtering process is a technique simpler and easier for automation than existing water treatment processes, and K-water was the first company to introduce this technique when it was applied at the Siheung in 2004 as a trial for the first time in Korea. Due to the success of this K-water is planning and designing using its own technology, a water purification plant having a treatment capacity of 30,000 tons per day with membrane filtering process in 2005, which is now under construction in Gongju.



### Implementation of a Water Quality Rating System

Since 2003, K-water has implemented a water quality rating system for its water purification facilities. Under this system 5 items, including turbidity, residual chlorine, taste, odor, and disinfection byproducts are examined. The purpose of the rating system is to induce competition between water treatment plants so that they are encouraged to improve their facilities on their own and to improve their operations and management. As a result, rates of achievement in levels of 0.1 NTU or lower were 99.5%, while the average turbidity of purified water was 0.042 NTU which produced water ten times better than the legal standard of 0.5 NTU.

Category	Turbidity	Target turbidity
Legal standard	0.5NTU	95% to the level of 0.3 NTU or lower
K-water standard	0.1NTU	95% to the level of 0.1 NTU or lower
Result in 2005	0.042NTU	99.5% to the level of 0.1 NTU or lower

## Strict Management of Water Quality

We supply safe water to our customers through strict quality testing and monitoring of water quality throughout the entire process.

### Strict Water Quality Analysis

Taking into consideration the instruments and human resources necessary for analyses, the water quality tests are conducted in 3 steps (1st step by 34 water treatment plants; 2nd step by 4 regional water quality analysis centers; and 3rd step by the Water Analysis & Research Center), and there are 250 items to be tested in accordance with international standards. Each plant conducts a water quality analysis as required for its process management daily, each regional water quality analysis center conducts a monthly test utilizing advanced analysis technology as required legally, and the Water Analysis & Research Center monitors hazardous trace substances to be controlled for supply of safer water.

### Monitoring Water Quality throughout the Entire Process

Various kinds of real-time water quality monitoring equipment are installed and operated that cover the entire process of water supply from dams and treatment plants to distribution reservoirs of local governments. Particularly, automatic measuring instruments to measure turbidity and residual chlorine are installed to monitor on a real time basis at 125 points, including junctions of pipelines and local water distribution reservoirs, to control water quality more strictly in addition to the conventional method of visiting each point in person once a month. Moreover, the data for quality of dam water and purified water supplied by us are disclosed on a real time basis in order to improve the reliability of our information, and the data for water quality in the supply process will be disclosed on a real time basis in the near future.

### Replacement and Corrosion Prevention Treatment for Worn out Pipes

We have replaced worn out water pipes to minimize leakage and also taken preventive measures against secondary contamination of water that might be caused by pipe corrosion. In 2005, 14.2 km of total length of old pipes were replaced with new ones with an investment of KRW 13 billion in total. 12 regional offices, including Jeollabuk-do regional headquarters, have identified 35 km of water pipes that require replacement or repair from 1,080 km in total pipe length. As a consequence of the projects for replacing worn out pipes and preventing corrosion, the average revenue water rate for multi-regional water supply systems maintained by K-water was recorded at 99% or higher since 2001.

Water quality test (250 items)



Step 3 : Water Analysis and Research Center

Step 2 : Regional water quality analysis centers (4 centers)

Step 1 : Water treatment plants (34 plants)



Seongnam, Deokso, and Suji	
Seongnam	Purified water : pH:7.1 turbidity:0.03NTU residual chlorine:0.06
Deokso	Purified water : pH:7.0 turbidity:0.04NTU residual chlorine:0.91
Suji	Purified water : pH:7.2 turbidity:0.05NTU residual chlorine:0.95

Providing real-time water quality information



Facilities for applying calcium hydroxide and CO2 as a corrosion prevention measure in water pipes

## Safety Control for Water Resource Facilities

We take every possible measure for safety control at dams and Waterworks.

### Safety Control at Dams and Waterworks

We have prepared detailed manuals for preventing and counteracting any disaster or accident that may occur at any of the 48 dams and water supply systems under our control. As we have established an emergency information system with which we can share information with the National Emergency Management Agency and other authorities concerned, we can take prompt measures at any time, even when extraordinary event such as an earthquake occurs.

We have also conducted close safety examinations in 9 facilities, including the Juam Dam with KRW 6.3 billion invested, have conducted a detailed inspection at 48 facilities twice annually, and continue to proactively seek ways to prevent and eliminate causes that may bring about an accident or disaster.



Welding work being performed inside water supply pipes

### Projects for Increasing Flood Control Capacity of Dams

In preparation for abnormal heavy rains and improvement to safety at existing dams, we have carried-out projects that increase flood control capacity at 24 dams nation-wide. The projects improve the safety of dams against localized torrential downpours and have been completed using various methods, such as construction of supplementary spillways at existing dams, and installation of sluice gates or expansion of spillways at natural overflow type dams. Construction work began at 6 dams including the Soyang River Dam first by 2005, and will begin 4 additional dams including the Daecheong Dam in 2006. Work on the remaining dams is being designed or in planning. We believe these projects will help protect Korean lives and property from severe floods.



Aerial view of the emergency spillway at Daecheong Dam (night view)



Safety Controls under Construction



Facilities Safety Controls

## Energy Conservation

We strive to save energy through continuous management of electric power consumption and improvement of facilities.

### Consumption of Energy

The total consumption of energy in 2005 increased to approximately 242,000 TOE, or 5.7% more than the previous year, due to the expansion of water supply in the metropolitan area and other factors. Most of the consumed energy consisted of electricity used for intake and supply of water, as well as operation of pumps in water boosting stations. Carbon dioxide emissions from consumption of electricity, diesel oil and gas amounted to approximately 425,000 CO2 tons.

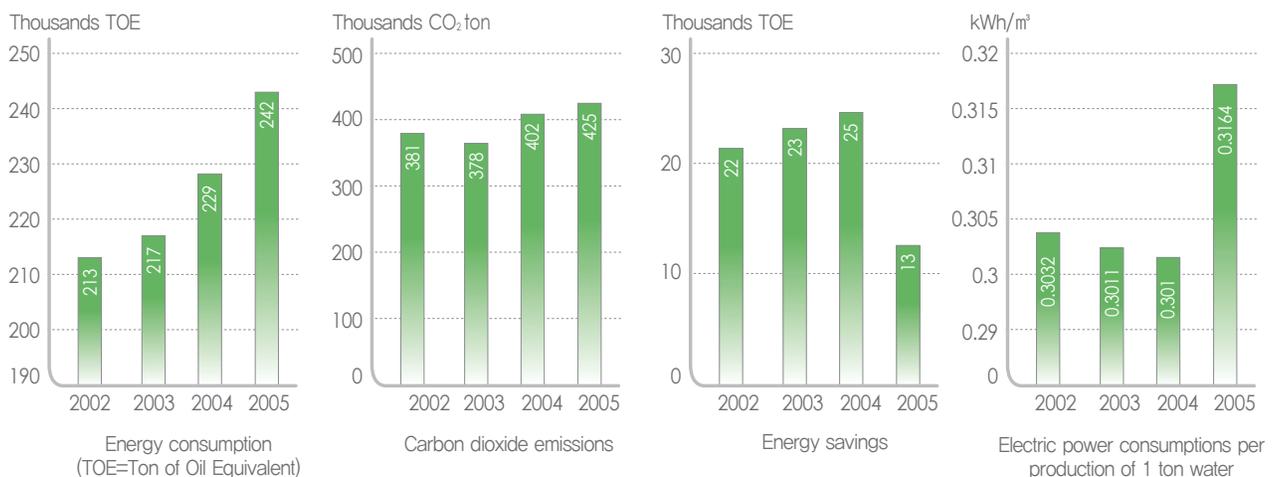
### Efforts for Saving Energy

Saving energy is very helpful for improving air quality, reducing costs of water production, and as a result raising our competitiveness. In order to enhance the efficiency of our energy consumption system, we have evaluated the efficiency of energy usage through a series of surveys and design reviews of various facilities, and we have also intensified our management of electric power consumption at existing facilities. In particular, we have concentrated our efforts on strict management of electrical power consumption as this is the largest portion of our costs in the water supply business. Nevertheless, electrical power consumption increased by 5.1% in 2005 over the previous year. The increase was in due to expansion in water boosting and pumping stations (Nakyang Boosting Station) in the Seoul metropolitan area and the increased operating rates at the Hyeondo Intake Station downstream of the Daecheong Dam due to lower quality of water in the dam reservoir.

Innovation towards highly-efficient energy consumption systems  
Developing facilities for saving energy from the stage of survey and design  
Strict management of target power consumption in existing facilities



Direction of Energy Saving



## Production of Clean Energy

Our development of clean energy will contribute to the prevention of global warming.

### Production of Hydro-power Energy

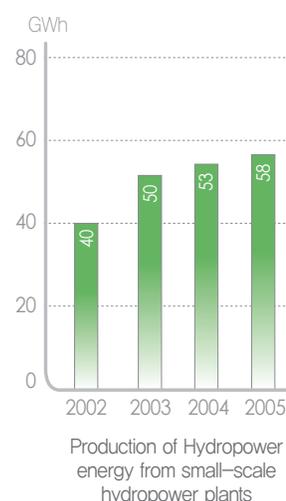
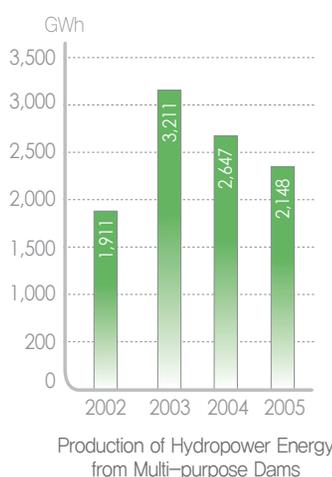
The total power generation capacity from multi-purpose dams and small-scale hydropower plants was at 1,014.9 MW or about 1.6% of the total electric power generation in Korea. This amount was at 26.1% of the hydropower generation in Korea as of the end of 2005. In 2005, we produced 2,206 GWh of hydropower energy (including energy from small-scale hydropower plants), equivalent to 42.5% of the total domestic hydropower production in 2005.

### Development of Renewable Energy

K-water executed a Renewable Portfolio Agreement (RPA) in July 2005 with the national government, and will invest KRW 32.8 billion in projects for development of renewable energy equally 8,730 KW from facilities, including small-scale hydropower and wind power plants, solar power systems. Small-scale hydropower plants for effective use of water resources began with operations in Daegok and Janheung in 2005 which increased their total power generation capacity to 13,074 KW and an annual power generation of 57,722 MWh.

■ Sihwa Tidal Power Plant: The construction of the Sihwa Tidal Power Plant, the largest plant in the world, commenced in 2004, and is currently undergoing technical review for the foundation works and power generation facilities, with a goal of starting commercial operation, by 2009.

■ Small-scale hydropower plants: Small-scale hydropower plants have a capacity of 3,000 KW or less, but they are recognized as a practical resource for development of clean energy. We will establish plans for development of hydropower plants for medium and long terms based on the results of a survey of proper sites for such development conducted in 2005.



Category	Project Name	Capacity (kw)	Commencement	Completion
Under construction	Daecheong Dam	800	2004	2007
	Juam Dam	1,000	2005	2007
	Dalbang Dam	170	2005	2007
	Unmun II	700	2006	2007
	Seongnam II	360	2006	2007
Planning	Juam II	600	2007	2008
	Soyang River Dam	800	2007	2008
	Hwabuk Dam	400	2008	2009
	Seomjin River Dam	1,400	2007	2008

Plan for Construction of Small-Scale Hydropower Plants

### K-water signed the Renewable Portfolio Agreement (RPA)

As a measure to prepare ourselves for rapidly changing international energy environment as a consequence of dramatically increasing oil prices and the enforcement of the Kyoto Protocol as of February 16, 2005, we have executed an agreement for participation in the supply of renewable energy with the Ministry of Commerce, Industry, and Energy in July 2005. Under this agreement, the government will provide us with the price difference in power generation and loans for the next three years, as well it will give us administrative and financial support including governmental rewards and incentives for good performance. The agreement states that K-water will develop renewable energy totaling 8,800 KW, including small-scale hydropower generation, solar energy and wind power, over three years. K-water will contribute to expanded development of domestic renewable energy by expanding development of small-scale hydropower generation, solar energy and wind power generation.



Carrying out the RPA with the Ministry of Commerce, Industry and Energy

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**We are committed to developing renewable energy, such as tidal power, small-scale hydropower and wind power, as CDM (Clean Development Mechanism) projects.**

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### Application of CDM to Our Business

The Kyoto Protocol allows for the utilization of flexibility mechanisms, including the CDM, with the aim of achieving targets for reductions in green house gas emissions more easily. In May 2005, K-water started development of tidal power and wind power in Sihwa, as well as small-scale hydropower plants as CDM projects for the first time in Korean's public sector. These projects are the first cases independently executed by a domestic company without investment from any foreign country among the CDM projects in Korea.

In January 2006, we successfully obtained approval from the government for the Sihwa Tidal Power Plant Project, and we will apply for registration of the CDM project to United Nations Framework Convention on Climate Change (UNFCCC) in March. With this project, we expect to secure CO<sub>2</sub>emissions right for 345,850 tons per year in total.

In order to comply with the Climate Change Convention actively as a countermeasure against global warming, we will increase the economical efficiency of renewable energy businesses through CDM projects and lead in the dissemination of the philosophy of the sustainable development.

#### Sihwa CDM Tidal Power Plant Project Milestones

- Dec. 2004: Established a sustainable management strategy
- May 2005: Decided on basic policy
- Aug. 2005: Prepared the Project Design Document (PDD)
- Oct. 2005: Verified the feasibility (DNV, Norway)
- Nov. 2005: Applied for an approval to the government
- Jan. 2006: Obtained the approval from the government
- Mar. 2006: To apply for registration to UNFCCC
- June 2006: To register with UNFCCC



Cross-section of the tidal power turbine generator

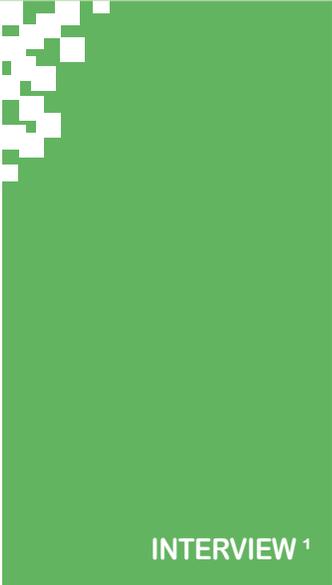


Construction site of Sihwa Tidal Power Plant

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## A state that can rule water will be the world power in the future.

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### INTERVIEW 1



### It is time for us to prepare against global warming.

According to a report by National Geography, a renowned magazine, the thickness of glaciers in the northern hemisphere have been reduced by about 40% over the last 30 years, while it is expected that the glaciers in the central and eastern parts of the Himalayas will disappear permanently by 2035. The seriousness of the problem consists not only in the disappearance of the glaciers but in the depletion of water, the very source of life.

There are no glaciers in Korea, but there have already been various signs of climate change. According to the National Fisheries Research & Development Institute, the temperature of seawater around the Korean Peninsula has increased by 0.008 degrees Celsius over the last 60 years. The temperate forests that have lasted on the Korean Peninsula for several hundred million years have been disappearing gradually, while subtropical forests replace them. As we have read from newspapers, cuttlefish are caught in the water of the West Sea, while damselfishes are caught in the East Sea and increasing numbers of malaria patients are found near the Demilitarized Zone. A lot of Walleye Pollack, once abundant enough to be a favorite theme in Korean traditional melodies, have long been imported from foreign countries.

It is foreseeable that the problems of water arising from global warming will be fatal to human life in many aspects. Global warming, along with climate changes, can threaten the existence of the human race by causing depletion of groundwater, worsened water quality, frequent occurrence of floods, frequent disasters, and shortages of water. In Australia, one of the most vulnerable areas to climate change, the problem of water is so serious that they can supply water to people properly only if they can succeed in reducing the water supply for each person by 25% within the next 10 years.

It is time for us in Korea to pool our efforts to preserve water and to produce a proper quantity of water. From this point of view, it is required that we recognize that K-water is not here only to supply water, but its mission is very important in that it helps people sustain their lives. We have to remember all the times what the late John F. Kennedy, the former U.S. President, once said in 1960s: "A state that can rule water will be the world power in the future."

Written by Professor Jeong-In Kim, Department of Industrial Economics, Chung-Ang University

## Prevention of Water Pollution

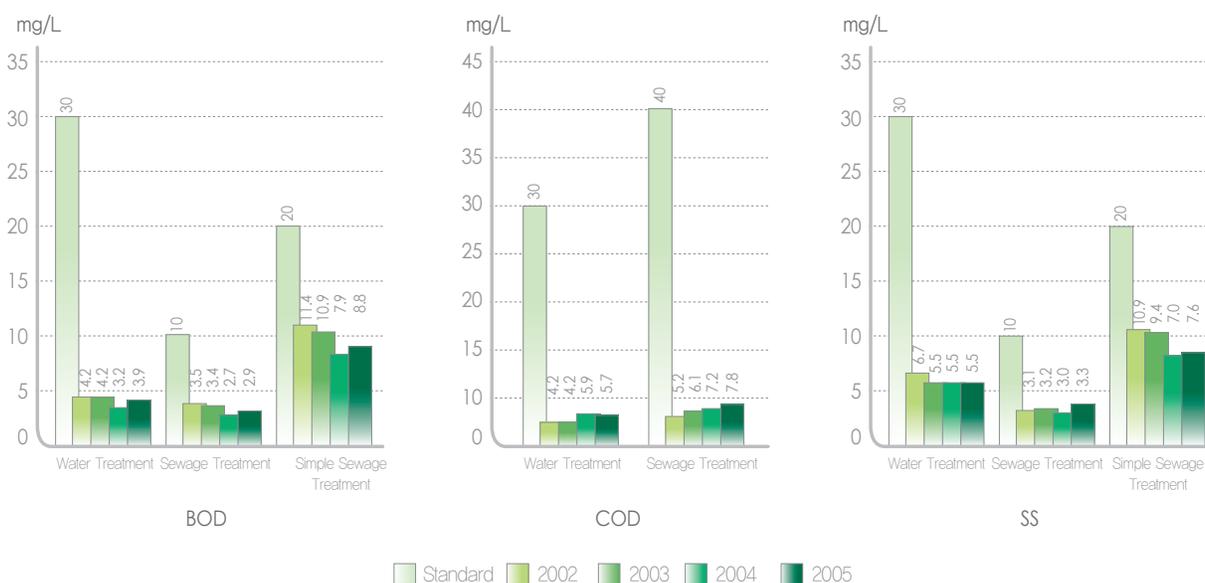
We have enforced our own environmental standards which are far stricter than the corresponding legal standards in our management.

### Quality of Discharged Water

The water discharged from water treatment plants and sewage treatment plants have a substantial impact on the quality of water in rivers. As a result, we have applied our own standards, which are stricter than the corresponding legal standards, in our management. The quality of discharged water has been reflected in the evaluation of performance for each office since 2004, when we adopted the quality as a core index for environmental targets and environmental performance evaluations of each water treatment plant and each dam operated sewage treatment plant.

The following show the current status of the quality of discharged water in 2005.

Water Treatment Plants	The average quality of water discharged by water treatment plants was BOD 3.9 mg/L, COD 5.7 mg/L and SS 5.5 mg/L, which is 13%, 19%, and 18%, respectively of the standards for imposing Effluent Charge: BOD 30 mg/L; COD 30 mg/L; and SS 30 mg/L.
Sewage Treatment Plants	The average quality of water discharged by 12 sewage water treatment plants was BOD 2.9 mg/L, COD 7.8 mg/L and SS 3.3 mg/L, which is less than 33% of the legal standards: BOD 10 mg/L; COD 40 mg/L; and SS 30 mg/L. With a scheme for optimized operations through a sewage treatment program called (PASS2) developed by K-water, we lead in improvements of the quality of discharged water.
Simple Sewage Treatment Facilities	The average quality of water discharged was BOD 8.8 mg/L and SS 7.6 mg/L, representing less than 44% of the legal standards: BOD 20 mg/L; and SS 20 mg/L.



Targets and Achievements in Management of Discharged Water Quality

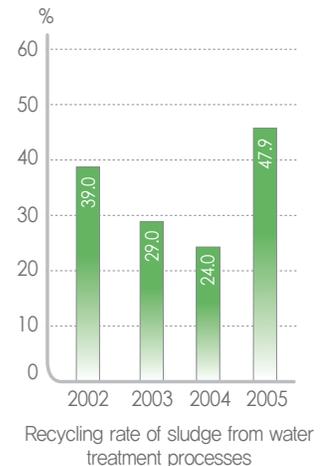
## Recycling of Resources

We work to reduce wastes while improving the recycling rate.

### Sludge from Waterworks and Sewage Treatment Systems

The total quantity of sludge produced in the water purification process in 2005 amounted to 100,174 tons, 47.9% of which was recycled. In order to substantially reduce the quantity of sludge, we have improved the water purification process and discharged water treatment facilities and increased the efficiency of management to lower the water content of sludge. The sludge produced in the course of water treatment of 1<sup>l</sup> was 74 g in 2005. As the amendment in 2006 to the Prevention of Marine Pollution Act prohibits ocean dumping of sludge produced from water purification process, the sludge treatment process applicable to water purification facilities has been limited only to recycling methods in order to increase the recycling rate since January 2005. The quantity of sludge produced from sewage in 2005 was 8,300 tons and 2,036 (24.5%) tons out of this were recycled into raw materials for cement and planting soil.

In order to increase the recycling rate of sludge pursuant to the amendments to the "Prevention of Marine Pollution Act" that prohibits ocean dumping of sludge, various recycling methods including raw material for cement, building materials and ground-filling materials will be examined from 2006.



Producing wood chips from forest tree waste

### Recycling of Construction Waste

As construction waste has been produced in larger amounts from construction sites, we have tried to promote recycling of construction wastes and wood waste proactively.

In 2005, construction waste totaling 88,533 tons was produced from construction sites at the Daecheong and Jangheung Dams and also from construction sites at water supply systems in southern Jeollanam-do and Gyeongsang regions. This waste was utilized as recycled aggregate for use at building sites, road construction and park areas.

9,557 tons of wood waste produced from constructions sites and removed as floating matters from dams, which would have been destroyed in the past, was also processed into wood chips to be distributed to local residents for compost and firewood for heating.

At the Pyeongrim Dam, 127m<sup>3</sup> of concrete mixed with recycled aggregate was used for the project as a cornerstone for the active recycling of construction waste.



Producing recycled aggregate from demolished concrete

### Preferred Rate for Customers having Water Recycling Systems

As the government has encouraged people to use water recycling systems for a method to manage the demands for water throughout the country, we have implemented a policy to charge a preferred rate to customers who have installed water recycling systems. In other words, we provide a 30% discount to customers in order to encourage recycling of water. With such a policy, we help to prepare for reuse of water the conservation of water, and reduce water pollution.

Discount rate: K-water (30%), Busan City (10%), Incheon City (10%), Ulsan City (10%)



## Protection of Bio-diversity

We give thoughtful consideration to the environment to minimize environmental changes in and to maintain a sound ecosystem.

## Protection of Ecosystems

We have performed various activities to minimize damages to the natural environment inflicted in the course of the development of dams, water supply and sewage systems and industrial complexes, preserve ecosystems and even restore damaged ecosystems to the original state. All work, from the stage of design to execution and follow-up management, has been performed in an environmentally-friendly manner. For the Seongdeok Dam in the planning and designing stages, we made efforts to preserve the habitats of otters, developed natural streams, and made floating spawning beds. Biotopes, wildlife corridors and fish spawning beds were built at the Buhang Dam, while we have a plan to develop natural streams and wetlands into Gulpocheon Spillway Project. Fish ways and spawning beds have been prepared for protection of fish, wildlife corridors have been built for habitats of animals where passages are disconnected by new roads, and biotopes have been provided for otters. At the same time, we have planted trees and shrubs in harmony with surrounding vegetation groups on dam slopes to restore ecosystems.



Biotopes at Andong Dam



Spawning beds at Imha Dam

## Research on Ecological Environments around Dams

As part of our efforts to preserve the variety of abundant wildlife in the areas adjacent to dams, we have conducted ecological researches on existing dam reservoirs and their adjoining areas. We have made surveys on ecological environments of 8 multi-purpose dams and their adjoining areas from 2001 to 2005, and have discovered habitats of hawks and otters; natural monuments in Korea. We have also found that there are species designated by the Ministry of Environment as species under protection of the government or in danger of extinction, such as hawks and otters at the Boryeong and Buan Dams while conducting our surveys. With the results from ecosystem surveys conducted at Daecheong Dam, we published an ecological environment map containing detailed information about animals, plants and fish around the dam for use in ecology tours for students.



Wildlife corridor

## We Published a Protection of Wildlife Guidebook in December 2005.

As there is little information available on domestic research on "Plans for Development of Habitable Environments for Wildlife", we published a guidebook for the public with specific knowledge and cases obtained through our field experience.



- Birds: Most birds prefer environments with abundant feed and proper space for resting and the right height for feeding. However there is a large variety of preferred environments depending on the types just as with people. Thus, we suggested guidelines for design of habitats by species group so that more appropriate care can be given to the birds.
- Mammals: Although research on mammal, the animals most adaptable to the environment, is still in early stages, this guidebook contains information about chiropters (bats) and tetrapods among mammal living in water environments, which is our area of expertise.

***We built an ecological park that will serve to purify water and provide a place for field study to learn about nature in the upper reaches of Sihwa Lake.***



**Is there anybody who has ever been to the Reed Wetlands Park around Sihwa Lake?**

There is a place you should not miss when you go to Ansan or Siheung city: the Reed Wetlands Park around Sihwa Lake. Sihwa Lake, once a synonym for pollution in the past, has been changed to an ecological park where migratory birds love to stay. The Reed Wetlands Park has been constructed along the point where three streams, the Banwol, Donghwa and Samhwa, flow into Sihwa Lake after meeting together. This park will serve to purify water and provide a place for field studies to learn about nature.

This park is situated in the area of Bono-dong, Ansan and Bibong-myeon, Hwaseong. There are about 82,000 m<sup>2</sup> of reeds planted in the wetlands, and water flows through the wetlands, and provides birds and fishes with shelter to dwell in. You can see a wide variety of birds, wild animals and wild flowers here. Especially, the scenery of the park in autumn is remarkable.

The observatory decks where you can watch birds

without interrupting them, a bird shelter that treats injured birds and helps them increase their adaptability, habitats and fish ways for various species of fish, and the Environment & Ecology Center: These are all places worth a visit.

In its early stage, the park was constructed for the purpose of purifying water flowing from three streams into Sihwa Lake, but it has now changed into a paradise for migratory birds and wildlife and a place for field classes where you can learn much about natural ecosystem.

Last year, an environmental report detailing the past, present and future of Sihwa Lake was published. This report contains our desire and dream to revive the lake to create a Korean Leman Lake (Switzerland), where we can be proud of correcting our mistakes and errors made in the past and overcome the conflicts and schism we face.



Ecosystem Promenade



Environment & Ecology Center at Sihwa Lake



Bird Observatory Deck



Old tree Perch

**Overview of the Project**

- Location: Confluence of Banwol, Donghwa and Samhwa streams
- Construction Cost: About KRW 30 billion
- \_ Construction Period: September 1997 ~ October 2003
- Total Area: 1,037,500 m<sup>2</sup>
- Area of Wetlands: 816,302 m<sup>2</sup>

## Practical Targets for Environmental Management

We set up practical targets for environmental management, and continuously improve our environmental performance.

Having achieved 75% of our 20 practical targets in 2003 and 93% of 30 practical targets in 2004, we have continued our efforts to expand our targets for management and raise our achievement rate. In 2005, we set up 33 environmental targets in 7 major areas and achieved 96% of them.



Achievements of Environmental Management in 2005

### Environmentally-friendly development and management

12 cases of Design for Environment (DfE) / 31 cases of Environmental impact assessment by project / 7 cases of environmentally-friendly development / 8 cases of environmentally-friendly management of facilities / 99% achieved in management of revenue water rate

### Reduced consumption of resources and reduction of pollution

Reduction in cost of chemicals for production of water (KRW 5.56/m<sup>3</sup> in unit requirement of chemical) / Reduction in water consumption (38.89 m<sup>3</sup>/person/year)

Reduction in power consumption (3.5 GWh in power generation; KRW 19.48 in unit requirement of electricity for water supply; 7.2 GWh/year in electricity consumed for office use) / Recycled use of water (recycled water of 6,300 m<sup>3</sup>)

Reduction in energy consumption for office use (Gas 463,000 m<sup>3</sup>; diesel oil 619,400 liters; Kerosene 406,900 liters) / Recycling of construction waste (94%), office waste (51.2 tons) / Management of discharged water (purification of wastewater: BOD 8.2 mg/L, SS 7.5 mg/L; Discharged water treatment facilities: BOD 3.9 mg/L, SS 5.5 mg/L or less)

Reduction in discharge and recycling of food waste: Total quantity recycled for livestock feed / Reduction in production of backwashing water for filters (1.6% comparing with the quantity of filtered water)

Reduction in discharge of sludge from water purification plants (0.07 kg/ m<sup>3</sup>) / Recycling of sludge from water purification plants (Sludge recycling rate: 49%)

### Supply of clean water

Improvement of quality of dam water (12 dams among 14 dams maintain 2nd grade) / Improvement of water quality (Purified water: 0.1 NTU 99.5%; settled water: 1 NTU 88.1%)

Operation and maintenance of aerators in dams (302 units in 17 dams) / Construction of sewage treatment plants (5 plants), Sewage treatment rate in upstream of dam (41.8% ⇒ 47.3%)

Turbidity analysis at a point within 100m of the aggregates extracting point (twice a month) / replacement of worn out pipes (14.2 km)

Improvement of reliability of purified water: 8 Drinking fountains; supply of water of 4.6 million bottles; 42 council meetings; 36,945 cases of information about water quality; 8 water purification plants disclosing water quality to the public

### Production and consumption of environmentally-friendly products

Production of hydropower energy (2,206 million kWh) / Green purchasing (KRW 3.3 billion; increased by 110%)

### Public health & Safety control

Compliance with environmental laws; disaster prevention (2 violations; penalty KRW 8 million) / Noise and vibration control: 60 dB or less (Pumping station: 90 dB or less); Proper management against environmental risks (Education on environment, safety and public health: 10 hours/person)

### Strengthening ties with civil society

Conducting voluntary activities for contribution to the society (85 clubs with 3,300 members) / Implementing cooperative programs with non-governmental organizations (operating councils)

### Other programs implemented for environmental management

Promoting Forest Management Program (established master plans for 8 dams) / Public relations activities for raising our corporate image (holding water tours and events)

Development of environmentally-friendly techniques and technologies (preparing a roadmap for core technologies)





# I'm happy with People

Born from water with a fate to return to water: People are water

70% of the body consists of water.

A human is already one with water while in the womb.

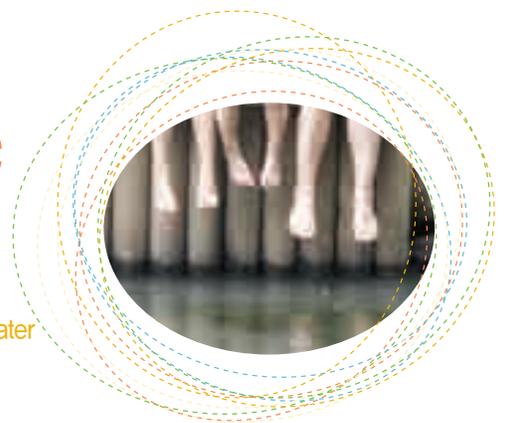
Each of us uses 53 tons of water and drinks 6 tons during a lifetime of 80 years.

Even after we pass away, the water in our body is passed on to the environment.

Water is something more than an important resource and the basis of human life.

There is a philosophy associated with flowing water and some believe it is possible to discover the true meaning of life through water's perpetual motion.

Water is the Mother of humanity as it awakens the souls and minds of people.



## Clean Water, Clean Compny Corruption Zero! Transparent as water: That is how we implement ethical management in practice.

### Firm Establishment of Ethical Management Systems

K-water has implemented ethical management as a major undertaking for successfully maintaining its fundamental values and carrying out a strategy for sustainable management. We have systemized ethical management through a Code of Ethics and Code of Conduct, enforceable to our executives and employees alike, so that it can sink its roots deep into our organization. The Code of Conduct is established as a part of our corporate regulations and so our executives and employees are obliged to comply with it. Along with these measures, we continue improving corporate transparency through intensifying educational programs on ethics for our executives and employees, as well as disclosing information about our management practices to the public. K-water's integrity score, as published by the Korea Independent Commission against Corruption in 2005, was 8.58 points out of 10 which continues the upward trend experienced in recent years.

### Ethical Management Organization

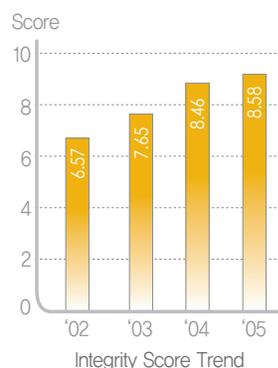
Our Ethics Committee is comprised of our Executive Vice President as the chairperson and the ten heads of the major departments as its members. Its role is to make decisions on important matters while ensuring ethical management is reflected. In 2005, the committee prepared a scheme for implementation of ethical management and an agenda for improvement of systems. Organizations exclusively dedicated to ethical management, such as the Management Innovation Office, have been either expanded or been newly established, and ethical management has been implemented in an efficient manner by established medium-sized groups, such as the Innovation Pioneers, connecting head office to the branch offices.

### Intensifying Educational Programs

As a measure for ensuring all employees understand ethical management readily and to help ethical management further flourish, cyber education programs on ethical management have been provided to all employees. 3,283 employees, 99.6% of 3,295 employees eligible for the programs, have completed their courses, and their satisfaction level was about 80%. According to a survey, 90% of all employees are aware of what has been promoted in ethical management. In addition, a booklet explaining the contents of cyber education programs on ethical management was published and distributed to employees so that they were better able to keep up and refer to it at any time.

### Transparent Disclosure of Information

K-water is working to improve the transparency of management by delivering various kinds of information to stakeholders promptly. As part of such efforts, we continue to post our public announcements on management concerning 45 items on our homepage. This is 10 items more than recommended by the government.



#### Results of the Sessions of the Ethics Committee in 2005

- 4th (Apr.2005) Ethics management promotion plan, anti-corruption measures, plan for a convention for eliminating corruptive practice, and recommendations for improvement of systems in the public sector.
- 5th (June 2005) Promotion of agreement (draft) for a transparent society, results of Integrity Guardian Workshop, and status of cyber education on ethical management
- 6th (Aug.2005) Results of a meeting of institutions related to anti-corruption, plans for measuring integrity score, promotion of ethical management for the second half of the year, and the scheme for complying with the Code of Conduct for executives and employees during Chuseok holidays.

**Integrity Guardian**

- Composed of employees at manager level from 57 offices
- Suggest ideas for promotion of ethical management and publicity
  - Selecting the tasks for improvement of ethical management through regular workshops

**Innovation Pioneer**

- Playing the role of innovation leader and promoter (managerial level)
- Implementing the JOA program for promotion of innovative activities, and studying 6-Sigma
  - Increasing innovative thinking through collective education and learning innovative methods

## Broadening of Ethical Consciousness

In order to develop corporate consensus on ethical management, K-water introduced various programs on ethical management, such as providing awards for integrity and monthly theme activities. All employees at K-water are now required to carry with them at all times a business pocketbook containing the guidelines for the practice of ethical management.



Handbook on Ethical Management (JOA morals)

## Operation of Reporting Centers

The Internal Corruption Reporting Center operates so that employees can report to the company any corrupt behavior or wrongdoings by employees. Employees may access the Internal Corruption Report on our homepage and give such information anonymously. The whistle-blowers who report such unlawful conducts will be entitled to a reward to a maximum of KRW 20 million.

The Clean Report Center operates to protect our employees from external temptations. If an employee receives or is forced to give money or other valuables against his will in exchange for his/her service, he/she may inform the center of such a wrongful exchange voluntarily by telephone, fax or via our homepage. Such money or other valuables reported are returned to the person offering it, if identified, or used as a fund for contributions to society through prescribed due process.



Website of Clean Report Center

## Extending of Ethical Management

In order to extend ethical management, which has been implemented throughout the entire company, to our vendors, we have executed an "Agreement for a Transparent Society in the Water Resources Industry" with 30 vendors having a relationship with us, in July 2005. Through this agreement, we now make joint efforts with our vendors to establish a foundation for ethical management, transparent management and anti-corruption activities.

Performances of the Reporting Centers in 2005

Internal corruption report	Punishment of 7 cases, such as use of company vehicle for private purpose
Clean report	2 cases of voluntary report of gift certificates returned or donated
Unfair conduct report	10 cases settled after receiving information about conflict of interest and other problems.

## Commitment to Ethical Management

In the 2nd half of 2005, we surveyed 528 employees about their awareness of ethical management. This was done to examine vulnerabilities within the program relating to the current system. Reflecting on the weak points discovered by the survey, we have selected projects related to the establishment of ethical management to be implemented as priority projects throughout the company. We are committed to establishing a corporate culture with ethical management as the main management principle, and to implement our management transparently and clearly, like water, through the execution of a fair contracting system and elimination of corruption and all illegal practices.

Contents of Agreement for a Transparent Society in the Water Resources Sector

Ethical management	Establishing the Code of Ethics, operating the organization, intensifying corporate awareness of social responsibilities
Transparent management	Securing transparency in the work processes Transparency in disclosing information and accounting
Anti-corruption	Activating corruption reporting system, and intensifying the standards for punishment of corruptive practices

## People are our core asset!

We, the executives and employees together, will endeavor to create a happy workplace.

We make an effort to create a happy workplace through fair personnel management and management of a labor-management joint council, while providing all our employees opportunities for lifelong education and training.

### Employees Status

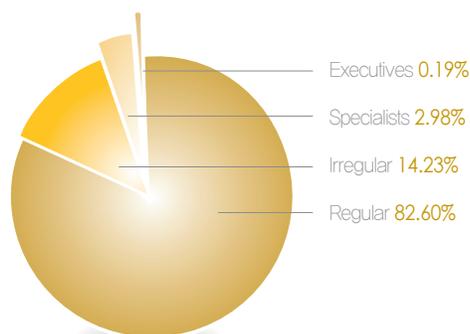
The number of employees increased to 3,880 full-time workers as of the end of 2005, 0.8% more than as of 2004. The number of employees increased mainly due to the government's drive to relieve unemployment of young people and an increase in people transferred following our take-over of local waterworks. The number of new employees was 239 persons, with 195 persons, or 82%, recruited through an open competition. On the other hand, the number of employees who left the company totaled 61 in 2005, showing the turnover rate as low as 1.6%.

### Salary Peak System

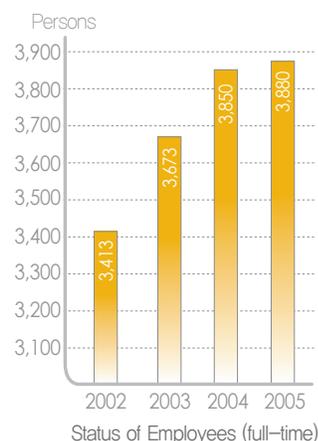
In order to adapt ourselves effectively to social changes, such as the trend towards an aging society and youth unemployment, we introduced a "Salary Peak System" for the first time among government funded organizations in July 2004. This system was put into effect after successive deliberations for one year between labor and management. With this system, an employee can choose between an earlier retirement with a financial incentive or to transfer to another job three years before his prescribed retirement age. If an employee chooses to transfer, the amount of his salary will be reduced, but one is allowed to continue his employment on a contract basis or as a supportive employee. In 2005, such option was chosen by 24 employees (13 employees in 2004), while we also worked to establish a system helping to support outplacement after retirement and introducing the "evergreen education system" for retiring employees.

### Outsourcing of Non-Core Jobs

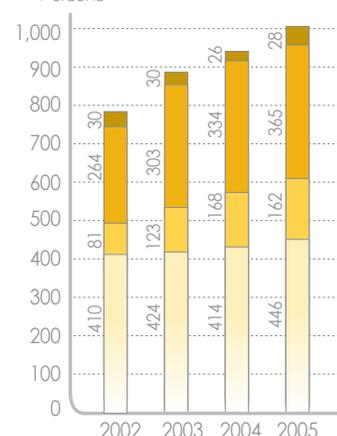
Since 2001, we have outsourced non-core works, such as facilities maintenance, security, office administration and information management, while concentrating our business resources on major areas in order to improve our competitive strength. 1,001 persons were outsourced from independent contractors in 2005, including 446 persons for facilities management, and they have performed work for K-water. With respect to the majority of outsourced work, we are able to control the quality of services by analyzing the effects of such outsourcing regularly.



Executives and Employees (full-time) in 2005



Persons



Information Management Security Office Administration Facilities maintenance

Status of Outsourced Manpower

## Lifelong Learning for Creative Human Resources

### Employees plan their own future, and K-water helps them develop their abilities

#### Educational and Training Programs

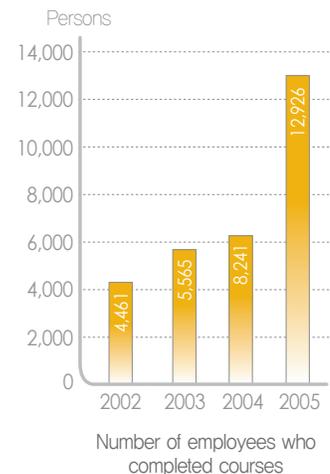
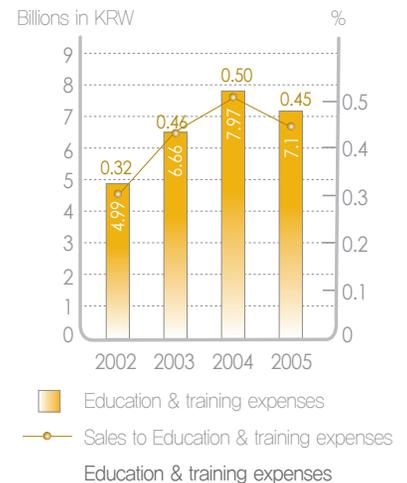
K-water helps employees fully develop their competencies by providing quality training programs. We succeeded in obtaining a patent for a program called “Competency Reinforcement Plan,” which motivates employees to develop professional expertise. The CRP program was selected as an exceptional model at the “Contest for Development of Human Resources” hosted by the Korea Management Association in 2004. The number of educational courses has expanded from 272 to 340 over the last three years, and we have also provided opportunities for self-education and advanced education at home or abroad to further increase expertise. The number of employees who completed educational programs, including ethical management, global education and job training courses, totaled 12,926 persons, about twice the number of 2003.

#### Support for Self-Development

As employees are now able to spend much more time on themselves owing to the implementation of the five-day workweek system, K-water has implemented a system of “support for self-development” and has provided them weekend courses for obtaining various licenses.

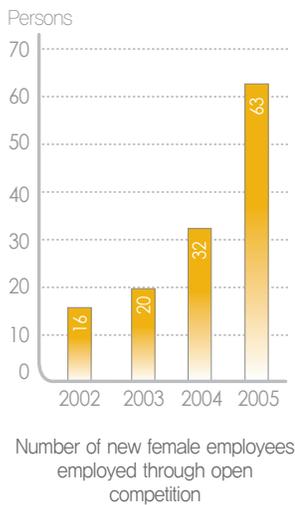
We have also implemented a “Sabbatical for Self-Development” for employees who have worked at K-water for 15 years or longer. K-water provides an opportunity for the employees to map out their future and to recharge themselves.

In addition, we have a Flexible Time System, which employees can use to adjust their starting and finishing hours, in order to build up a creative and dynamic corporate culture, and to provide them with an atmosphere for motivating self-development. In 2005, we changed the system so that they can have a wider variety of options under the system, accepting requests from weekend couples (those posted in separate cities). We will continue to support our employees and to expand various systems for helping employees self-develop so that they can improve their abilities and skills to the utmost.



## Fair Personnel Management

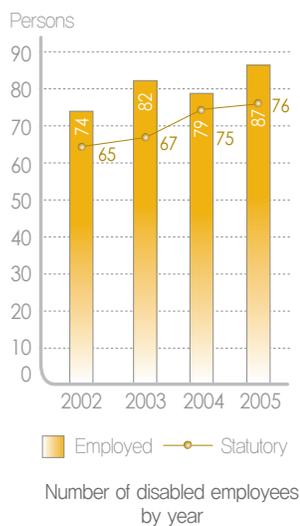
We changed our corporate culture through the employment of open competitions and personnel management based on competency and performance.



### Employment

We have lifted restrictions in order to employ people based on competency. We abolished educational bias in January 2004; removed age restrictions in January 2005; and lifted limitations on qualifications for job application in December 2005. In addition, we redesigned our employment system to reduce the importance of factors such as proficiency in foreign languages and academic achievements so as to establish business competency-based recruitment system. As a result of these innovations, 8 high-school graduates and 2 two-year college graduates for the first time passed the examination for full-time employment in 2005.

Female employees totaled 27% of the newly hired in 2005 as we expanded job categories within our system, and also set a target for females hired. Particularly, 38% of new employees in the job categories of administration, environment, civil engineering and computer science were female, surpassing the target of 30% set for those job categories. The current ratio of female employees is 8.2% (309 persons), and we expect women's roles and importance within our organization to continue to become more significant and wider in scope. We have also employed disabled people every year since 2000, more than 2% as set by the government as a statutory minimum percentage of disabled people. 87 disabled people (23%) work for K-water as of the end of 2005. Furthermore, we grant bonus points to a maximum of 5% for disabled persons on the written examination for hiring.



### Personnel Movement

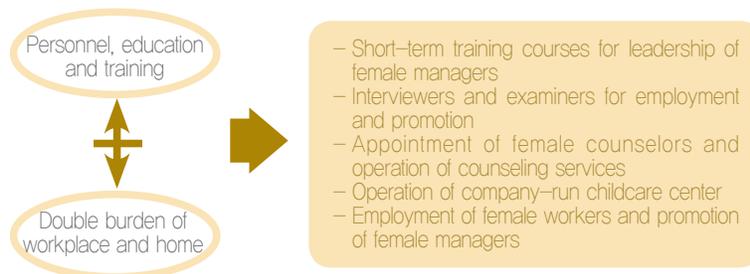
Employees can apply for different positions via a fair review procedure based on their performance and competency. Particularly, in 2005, the job transfer system was extended to seven regional headquarters to establish a foundation for field-focused human resources management and the execution of local water supply projects, while also improving the level of employee satisfaction and productivity as preferences for postings in a certain locality is considered as one of the most important factors. Newly promoted employees are transferred to field offices initially to improve their skills in dealing with business in the field and to strengthen the role of the field offices. The scope of human resources management has been expanded further by promoting the exchange of personnel between technical departments and administrative ones. In addition, positions publicly offered have expanded to 20 positions at the managerial level and 25 positions at professional levels in order to give more opportunities to perform jobs based on the employees' preferences and competencies.

### Fairness in Promotion

K-water has eliminated seniority-based elements for promotion. We have expanded the promotion candidate pool to give more opportunities for promotion and given additional points to employees at field offices. The performance evaluation method was upgraded to be a more multifaceted and complete evaluation in order to focus on competency and performance. Particularly, the assessment for promotion to Management Level is conducted by a Promotion Review Committee in order to ensure a balanced promotion system among employees assigned to head office, field offices and regional headquarters. 25% of the Promotion Review Committee members are selected from other job categories, and two observers are nominated by each regional headquarters to allow for a fair review.

## Gender Equality Program

K-water was the first Korean public sector company to embrace the principle of gender equality in 2004. Since then we have initiated various gender equality programs, such as the expansion of female employees and the provision of equal opportunities for transfers and promotions, in addition to operating a temporary manpower pool for employees leaving for maternity leave or childcare. We have examined the role of female employees and sought ways for the enhancement of productivity at a meeting with female employees. Further, four female managers have completed a special education course on the leadership of female managers. These female managers are participating as committee members for employment, promotion and various task force teams. Additionally, K-water is providing counseling services to female employees. We operate our own child care center called "Mulsarang," and have implemented a flexible working hour system in order to mitigate the burden of working couples. The number of female managers in the entire workforce was recorded at 10 persons in 2005.



Mulsarang Childcare Center

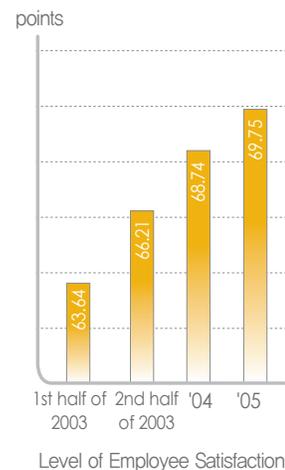
## Ombudsman Program for Employees

K-water continues to work towards improving working conditions and productivity by utilizing an ombudsman system. We have selected counselors given special education to positively resolve employees' concerns. We also began in 2005 an on-line ombudsman center on OASIS, an intranet portal system used by all employees, which is available at any time by e-mail. As a result, 31 cases (70%) that required urgent action among the 43 cases reported as occurred particularly at the time of regular transference have been solved, but the remaining cases are still pending due to insufficient quota of the desired departments will be reconsidered at the next regular transference.

## Efforts to Improve Employees' Job Satisfaction

The level of our employees' job satisfaction has improved continuously since we conducted the first survey in that kind in 2003. The survey on the level of the employees' satisfaction is one of the schemes implemented by means of internal questionnaire in November every year for monitoring the level of our employee's satisfaction qualitatively as they are the forefront in customer-satisfaction management, and so improving the level of external customers' satisfaction.

We are now preparing a variety of programs for improving our employees' job satisfaction. We will begin Employee Assistance Program (EAP) in 2006 in order to improve job satisfaction and productivity by answering for complaints from employees about their health and mental stress.



K-water treats its employees with dignity, trust and affection while guaranteeing their rights to religious and political faith, as well as their privacy. We ensure all employees are guaranteed their rights and freedoms in the workplace and that no wrongs are committed.

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## A Variety of Welfare Programs for Employees

We provide various welfare programs to improve our employees' quality of life.

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**K-water offers various benefits to employees, in addition to the 4 major social insurances which are the National Pension, Health Insurance, Employment Insurance and Worker's Compensation Insurance, so that they can concentrate on their work.**

### Company Housing for Stability at Home

We manage dormitories using apartment complexes near workplaces for those who are transferred to areas away from their families. Additionally we provide deposits for house rentals or to subsidize home buying for first time owners.

### Support of Children's Education and Employee's Self-Development

K-water operates a tuition subsidy and loan system for employees with children attending middle and high schools or universities and also for employee self-development.

### Support for Welfare Facilities and Leisure

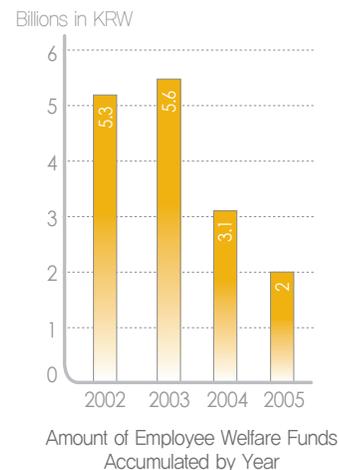
We have a dental clinic, an oriental medicine clinic, a dispensary and an English language clinic inside our corporate head office. K-water also subsidizes dental and oriental clinic fees for field office workers. We have condominiums at resort areas that are either rented or owned for our employees' leisure activities and we offer our employees weekend farm programs. We also encourage employees to enjoy various types of leisure activities such as meditation and martial art.

### Employee Welfare Fund

As part of our efforts to improve our employees' welfare, K-water has contributed part (less than 5%) of our profit before tax to an employee welfare fund. We have established the "Employee Welfare Fund Council" to transparently operate and manage the fund. Employees can select welfare benefit items from various welfare programs according to their needs, and receive support from the Employee Welfare Fund.

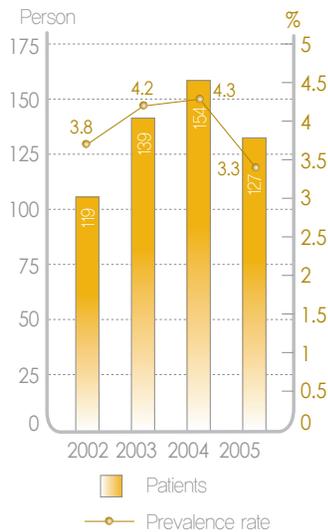


Dental Clinic at Head Office



## A Safe and Healthy Workplace

K-water helps employees to work safely and in good health.

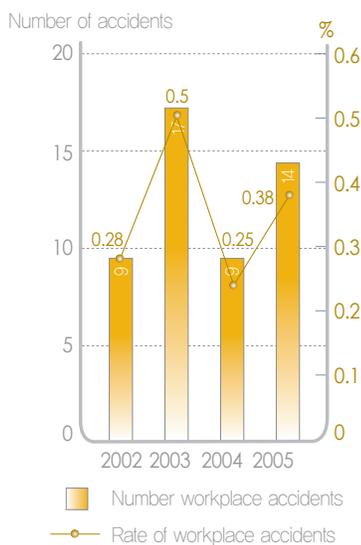


Number of Patients and Prevalence Rate by Year

### Health Management

K-water operates a comprehensive health management system which integrates the health data of all workers and performs comprehensive medical examinations annually for all employees and their spouses. It is very important to find and treat diseases in their early stages. We have expanded medical examination procedures to provide for more thorough and accurate examinations. In 2005, the number of patients and the prevalence rate were significantly lower when compared to those of 2004. The decrease resulted from the improved health consciousness by the patients of diseases such as high blood pressure and diabetes as well as the provision of counseling services.

- Professional counseling program: As work loads have increased due to continuous implementation of innovation in management and the downsizing of the company, the number of employees on sick leave has increased. So, as a result, K-water is preparing to introduce the Employee Assistance Program with which the company will provide professional counseling services to help employees solve problems by themselves.



Number and Rate of Workplace Accidents by Years

※ Rate of Workplace Accidents: Number of the insured / total number of employees

### Minimization of Workplace Accidents

In preparation for systematic device for prevention of workplace accidents, K-water provides the workplace accidents on line. We are also intensifying training programs while paying closer attention to the prevention of workplace accidents. The cases and rate of workplace accidents increased in 2005 over 2004. The cause of the increase was mainly accidents that occurred during company sports events (from 2 cases in 2004 to 10 cases in 2005), and thus we are required to pay more attention to such events.

- Compensation for workplace accidents : K-water also provides compensation for workplace accidents. If any of our employees are subject to criminal accusation during the execution of their work, or if there is an unavoidable accident, we will compensate for all expenses. Furthermore, K-water expands its compensation coverage to include those other than our employees due to accidents inside the company. We also provide compensation for accidents caused by our facilities, accidents that take place in the course of our company's tasks or during volunteering, as well as for diseases that have sufficient relevance to the workplace.

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## **An Established Labor-Management Culture of Participation and Cooperation**

### **Labor and management develop a new culture of participation and cooperation based on mutual trust.**

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#### **Labor Union**

K-water's labor union was established on November 12, 1987, and has 2,837 employees or 79% of all employees, as of the end of 2005. Labor and Management hold Labor-Management Conference meetings on a regular basis to discuss management issues. Both labor and management pursue common interests at such meetings and alleviate conflicts through explanation, mutual understanding, improved productivity and the improved welfare standards of all employees.

#### **Labor-Management Relations for Mutual Benefit**

We have many channels established for consultation between labor and management so as to have cooperative labor-management relations. With joint participation and the co-hosting of various company events for labor-management relations, we have broadened the spectrum of mutual understanding. Representatives from labor participate in the Investment Review Committee, the Review Committee on Knowledge & Suggestions and the Management Executive Meeting to present employees' ideas on important issues. K-water Labor and Management have held joint workshops twice to exchange opinions on how we can establish advanced labor-management relations and gain fruitful results from Labor-Management bargaining. Furthermore, a wide variety of sports and cultural events, such as athletic competitions, concerts, temple-stays and English practice camps have been held to promote conciliation between labor and management, where employees and their families realize that labor and management are in the same boat.

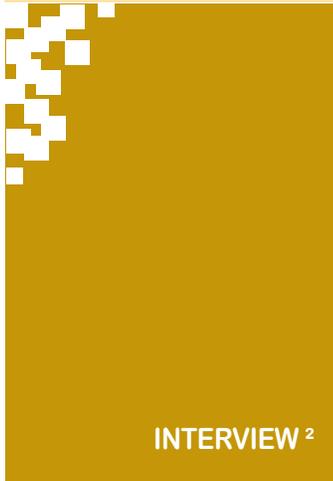
#### **Mutual Efforts for Resolving Current Issues**

We have built a firm partnership between labor and management by jointly looking for solutions to critical issues concerning the company. The 3rd Ad Hoc Committee on System Improvement was launched in 2005 and prepared a plan for introduction of a regional transfer system in order to solve the instability in housing arising from nationwide transfers and a plan for improvement of the job-title system as a countermeasure to the imbalance in promotions between job categories and classes. This committee has been run for three years based on K-water's original concept, and was recognized by the Ministry of Labor in December last year as a model case for conciliation between labor and management. We have built up cooperative labor-management relations by organizing a special labor-management joint team that will carry out activities in relation to promotion of our new corporate culture, activities for contribution to society, and improvement of the environment in water supply business units as well.



Athletic Competitions for Better Relations between Labor and Management

Only earnest conversations and sincere attitudes between labor and management, based on mutual respect and truthfulness, can ensure K-water's sustainable growth and success.



## The starting point of mutual respect and truthfulness is the respect of human dignity.

Since its establishment, with the purpose of the protection of the interests and rights of workers to help make its members' life better, K-water's labor union, having faith that the union is the axis of management for the company, has worked hard to accomplish its goals. Particularly, the 7th labor union has tried its best to improve the conditions of the workplace, using the slogans "Strong Union," "Honest Union, and "One Union," though it was launched under very difficult situation in many aspects.

Cooperation between labor and management is a basic requirement in creating a solid workplace, where the goals the labor union pursues can be achieved: Continuous growth of the company and individuals alike; the best welfare standards; a globally-recognized advanced company; and a comfortable workplace. Only honest communication and earnest attitudes between labor and management, based on mutual respect and truthfulness, can ensure K-water's sustainable development and success. The reason we work is not because we love labor, but because we have a duty to fulfill as a member of society and that we are entitled to prosper. Therefore, the starting point of mutual respect and truthfulness is a respect of human dignity.

No system or law can be tolerated that ignores human dignity, and I believe that the principle of "human dignity is given top priority" shall be a basic principle in the sustainable management of labor-management relations, too.

Sincerely yours,



Hong-Muk Choi, President of K-water Labor Union



Gathering with families

Left: Saturday Lecture (Pastor Kyeong-Dong Jang)

Center: Saturday Lecture (Seung-Deok Koh, lawyer)

Right: English Practice Camp for elementary school children

## Sports Team Activities

K-water has sports teams that promote people's awareness of health

**We have sports teams that help contribute to the promotion of sports and interest in healthy lifestyles. K-water sports teams are committed to improving competitiveness through scientific management of physical strength and systematic training programs.**

### Athletic Team and Cycling Team

K-water formed its athletic team and cycling team in 1977. The athletic team has won championships at international competitions, as well as marathons sponsored by daily newspapers such as the Dong-A Ilbo and Chosun Ilbo. The cycling team has also contributed significantly to increasing our national prestige as it has won the championships twice at international competitions and thirteen times at the Asian Games.



### Rowing Team

K-water also has a rowing team. Jeong-Uk Ham, a member of the team, was selected by the Korea national team for the upcoming Olympic Games. All team members have given blood, sweat and tears to become the best team in Asia.

Field	Established in	Coach	Player	Major achievements in 2005
Cycling	1977	2	3	2nd and 3rd place at Chuncheon Marathon 2005 sponsored by the Chosun Ilbo
Cycling	1977	2	6	1st at scratch race in the 25th Asian Cycling Championship Competition (Dec. 2005) 1st place in individual road racing at the 22nd National Cycling Competition (Apr. 2005)
Rowing competition	2002	1	9	1st place in double sculls at the 4th East Asia Competition (Nov. 2005) 1st place at coxswainless fours at the 21st National Boat Race Competition (July 2005)
Total		5	18	



## We share our love with our neighbors to have a world in harmony.

### Social Activities Systems

There is a bipolarization phenomenon in water services. Although the water services rate of tap water across the country has reached 90%, there are still 10% of Koreans that do not benefit from clean water. To solve this problem, K-water set as a goal of social activities to become a "company that contributes to regional communities where all people can enjoy the benefits of water equally," and has prepared to become an organization with resources for such activities. As Korea's leading company specialized in water resources, we will do our best to create a world where all people can live together in harmony by using our expertise and accumulated experience to develop the top priorities, in relation to providing equal water services.

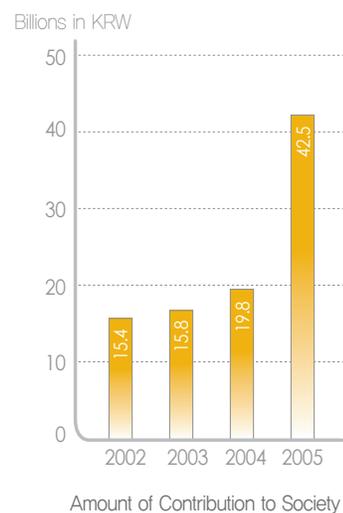


### Corporate Citizenship Activity Fund

K-water has increased funding for corporate citizenship annually; the company spent KRW 42.5 billion for corporate citizenship activities in 2005. K-water employees voluntarily raised funds for those who are less fortunate and promoted the "Fund of Love" campaign, through which the company participated by matching the total raised by our employees. In 2005, we raised KRW 600 million for those less fortunate. Additionally, our employees established a donation system called the "Small Love Suggestion" for poor children, and donated money to feed undernourished children.

### Publication of a Report on Social Activities

K-water has collected information about the social welfare activities being conducted by our branches across Korea and published a White book, "With the World," detailing these activities in 2005. In this book, we reflected upon the activities we had performed and articulated our commitment to share more with those in need in the years to come.



## Sharing Benefits of Water Evenly

We will help to bring the benefits of water to everyone.

### Water of Love

K-water endeavored to fulfill its responsibilities in supplying water services by providing emergency water supply services to areas where people suffer from shortages of water supply due to climatic and geological conditions. We have supplied more than 10 million bottles of water since 2003. Also, we have provided emergency supply services with bottled water and other necessities to areas suffering hardship due to natural disasters, forest fires or where interruptions of water supply have occurred. We have transported drinking water by large water-tank vehicles to areas where water supply is insufficient. Moreover, we are currently building a new plant in Cheongju to meet the increasing demands for bottled water, and it is expected that more water will be supplied to areas stricken by disasters and to areas where people have suffered from chronic water shortages.

Category	Description of Supports in 2005	Millions in KRW
Water of Love	Purchasing 15-ton water-tank vehicles (4 units)	344
	Supporting with the production of bottled water (4,636,000 bottles)	816
Water of Hope	Installation of water supply systems for elementary and secondary schools	5,000
Water of Life	Installation of desalination plants in coastal areas and islands	1,816
Total Amount		7,976

Supports with water-related infrastructures to local communities

### Water of Hope

K-water is also carrying out the "Water of Hope" campaign, in which we will invest KRW 20 billion to install water purification equipment at about 500 schools throughout Korea by 2007. These schools are places where students have been drinking groundwater that is unsuitable for consumption. We have installed membrane filtration systems and ultraviolet sterilization equipment at 103 schools as of the end of 2005. We additionally have plans to install water purification equipment with a further investment of KRW 5 billion at selected schools. These efforts were recognized by the Minister of Education and Human Resources by the awarding of a medal of gratitude in December 2005.

### Water of Life

We have carried out another project called the "Water of Life," in agreement with 8 local governments, for a stable supply of water to 32 coastal areas and islands by the end of 2005. Most coastal areas and islands lack sufficient water sources and they are unable to operate existing facilities due to a lack of sophisticated techniques and unskilled manpower. Unfortunately, these areas have not been provided with proper water supply services. For example, the residents of Janggo Island, Boryeong had to pay about KRW 23,750 for every 10 tons, 5 times more than normal charges in Korea. As K-water is now commissioned to operate all seawater desalination plants for coastal areas and islands, it is expected that we will solve the shortages of water in such areas and reduce the residents' burden caused by the cost of expensive water supply.



Emergency water supply in Andong



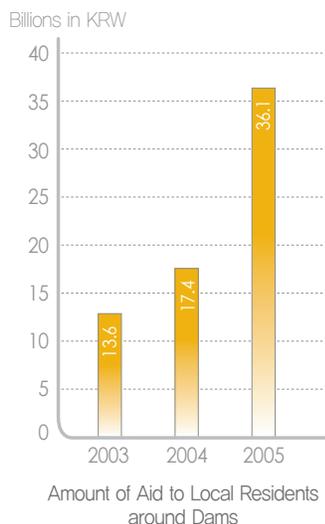
Supplying potable water to schools



Medal of Gratitude in recognition of our efforts to supply potable water to schools

## Support to Areas Adjacent to Dams

We will make dams valuable assets for local residents by developing tourism at dam sites.



### Active Support for Areas Adjacent to Dams

K-water has exerted great effort towards supporting various projects for the residents living in the neighborhood of dams. These projects provide direct benefits to the local region and help improve the local economy. In order to improve the living conditions of residents in areas where dams are under construction, K-water invests from KRW 30 billion to 50 billion annually to establish infrastructure for production, welfare and culture. In 2006, we plan to invest KRW 46.7 billion for the purpose of subsidizing medical expenses and school tuition costs for the affected residents. We have also constructed water culture centers and waterside parks for the local residents to relax at and enjoy their leisure.

### Water Culture Center as a Place for Relaxation

K-water is building Water Culture Centers that are designed to reflect the regional culture and natural ecosystem. In July 2004, we opened water culture centers, first at Daecheong Dam and the Nakdong River Estuary Dam, and in December completed the design work for centers around the Buan and Andong Dams. In 2005, we commenced construction on the Water Culture Centers at Hwengseng, Miryang, Yongdam and Andong Dams, with renovation of water culture centers at existing dams. We are planning to complete renovation of water culture centers at 10 additional dams, including the Juam Dam, for use as places showcasing local culture from 2006 onward.



Water Culture Center at the Daecheong Dam

### Support for Development of Environmentally-Friendly Agricultural Complexes

K-water is promoting environmentally-friendly agricultural complexes around dams by preventing water pollution in reservoirs. In 2005, K-water designated 463,000 square meters of upstream regions as environmentally-friendly agricultural complexes along the Soyang River, and at the Daecheong and Andong Dams. In 2006, we will develop 16 environmentally-friendly agricultural complexes at 14 dams, including the Soyang River Dam, and we will help local residents secure markets for their environmentally-friendly products.



Environmentally-friendly Farm Tour  
(Homemakers' Class)

### Construction of Welfare Centers for Provision of Benefits to Familyless Senior Citizens

As one of our welfare projects for senior citizens residing around dams, K-water is building welfare centers for familyless senior citizens. The Welfare Center for Familyless Senior Citizens at the Hapcheon Dam is expected to open in June 2006. The center will provide welfare services, including the dispatch of nurses to homes, provision of daytime activities and care, as well as classes for senior citizens. The goal of this project is to help the senior citizens residing near dams to live in more comfortable conditions, in addition to providing them with care and optimism for the future.

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## Sharing Compassion with the Local Community

All our employees work to share their compassion with local residents.

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A small music concert on an early summer night

### Opening our Facilities to the Local Community

We removed the wall around our head office building and renovated some areas of the head office compound to make it accessible to the public. We also made these facilities available to local residents as spaces usable during their leisure time. K-water installed a fountain, an open-air theater and other facilities for public enjoyment and has held various cultural events. Last summer, we hosted events such as the “Small Music Concert with Poetry on an Early Summer Night” and the “Rock Concert Together with Local Residents” and which were enjoyed by the public.



Testing and repairing electric equipments for farmers

### Technical Services for Rural Area

As part of our efforts to mitigate difficulties agricultural families face, K-water performs technical services for rural areas using new technologies and equipment in areas around dams and water supply service offices. We have tested and repaired electric equipment for farms, as well as electric home appliances, community facilities and the quality of water in wells free of charge. We provided support to 2,371 households in 2004 and 3,974 households in 2005 respectively.

### Supports for Computerization

As part of our social activities, K-water has provided used computers and delivered them to local residents, orphans and disabled people near dams and water supply service offices. These computers are first repaired and upgraded to improve their performance in information technology for local communities. We delivered 470 PCs to local communities in 2005, the total number of PCs we delivered since 2002 is now 1,490 units.

### Development of Theme Parks for Local Residents

K-water has developed theme parks to improve local residents' living conditions and leisure time. We developed the Ansan Lakeside Park by developing the existing reservoir and surrounding landscape. In addition, we installed reed wetlands, wildflower areas, a water fountain, outdoor stage, grass soccer field and an in-line skating link. Okgu Park has been also developed, using an area of 33 hectares, in the Sihwa Area to provide citizens with a place for relaxation and sports, including archery and Korean Wrestling, along with a promenade and observatory.



Panoramic View of Ansan Lakeside Park

## Supports for Recovery from Disasters

We share the suffering of area residents and provide support for recovery.



Support activities for cleanup of damages due to heavy snowfall

### Supports for Recovery from Heavy Snowfall in Jeolla Province

An unpredicted heavy snowfall hit Jeolla Province at the end of 2005. The snow which totaled 45 cm in just one day blocked roads, collapsed greenhouses and houses, and paralyzed the community. As a result, K-water quickly volunteered to participate in disaster recovery activities. We provided 6 graders and 2 excavators, along with 4 15-ton dump trucks to areas including Gwangju and Naju, to help remove snow. In addition, we dispatched 6,000 bottles of water to Jeongeub and Gochang to help the local resident.



Dispatching of emergency water vehicles (15-tons)

### Emergency Water Supply to Areas Affected by Disasters

K-water has an emergency water supply system to supply water to areas affected by disasters and when water supply is insufficient. We have deployed 7 large water vehicles to supply water to fight forest fires, alleviate draught, and to provide water supply in affected areas. In 2005, we supplied about 4.6 million bottles of water. Particularly, in 2004, we delivered drinking water to the area devastated by an explosion in Yongcheon, North Korea, and we sent 10,000 bottles of water to areas destroyed by an earthquake in Pakistan as part of our international aid activities and disaster relief support.



Support to Pakistan by sending bottled water

Sending bottled water to an area destroyed by an earthquake in Pakistan

- sent Bottled water to the area destroyed by a large earthquake (Dec, 2005)
- provided 10,000 1.8-liter bottles of bottled water via the Korean Parliamentary League on Children, Population and Environment
- offered international relief activities as a global water resources organization

Emergency support to the area devastated by forest fires in Yangyang

- Conducted relief activities in areas destroyed by forest fires in Gangwon Province (Jan, 2005)
- Bottled water (20,000 bottles), 15-ton water-supply vehicles (2 units), bread (203 boxes) and instant noodles (300 boxes)
- Delivered aid to the Yangyang local authority emergency team in Naksan Park Administration Office

Emergency water supply to the highlands of Buan

- Supplied bottled water to highlands residents suffering from interruption in water supply during the Korean New Year (Jan, 2005)
- Covered Area: 330 households in 38 villages over 8 rural districts.
- Supplied 10,000 bottles via the Buan Water Supply Business Unit and the rural district office

Emergency water supply to areas suffering from draught in Gangwon Province

- Supplied bottled water to the areas suffering from a lack of drinking water due to extreme winter draught (Jan, 2005)
- Covered area: 17 districts in 11 cities
- Supplied 10,000 bottles of water along with 15-ton water vehicles through the Chunchen Water Supply Office.

## The Comprehensive Agreement with the Republic of Korea National Red Cross

K-water held a celebration commemorating the first anniversary of “Water Love Volunteers.” We signed an agreement towards a partnership for contributions to society with the President of the Republic of Korea National Red Cross. This was the first such agreement made by the Republic of Korea National Red Cross with any company. Under the agreement, K-water will support the Republic of Korea National Red Cross with bottled water, large water vehicles and corporate voluntary activities. In return the Red Cross will provide us with information and educational programs relating to relief activities for better recovery from disasters.



## Care for Our Rivers

We work to inform the public of the value of “Clean Waterways”

### Revitalization of Creeks and Streams

K-water supports the movement to restore polluted streams into ecological streams which can provide citizens with pleasant places for leisure. We have campaigned jointly with local residents, schools and NGOs to revive streams. We have worked to revive life in 17 streams and creeks across the country.

### Stocking Rivers with Young Fish

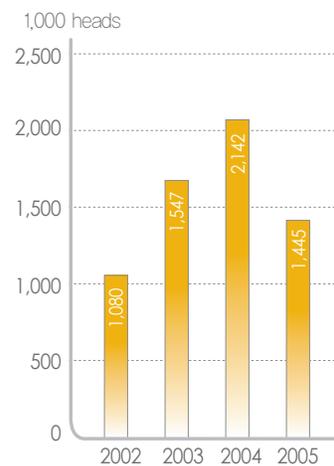
K-water continually stocks rivers with fingerlings in an effort to revive native species of fish facing extinction. We have selected native species, such as carp, crucian carp, catfish and Korean bullhead, as well as migratory species, such as sweetfish, pond smelt and eel as the main species for stocking. We have also selected mandarin fish as the secondary species for stocking, taking the need for a variety of species into consideration as the total number of fish is also rapidly decreasing. In 2005, we stocked 1,445,000 fingerlings and 260 million fertilized eggs.

### Development of Artificial Wetlands in the Upper Regions of Dams

We have developed wetlands so that water flowing into dams from the upper streams can be purified naturally. The wetlands will play the role of natural purifiers of water discharged from non-point pollution sources and sewage treatment facilities in the upper areas before the water flows into the dam reservoir. This will provide the effect of lowering the load factor for environmental pollution and improving the quality of water in lakes and marshes. The wetlands also serve as places for protection and sanctuary for wild domestic aquatic plants which are facing extinction due to changes in environment and water pollution. These wetlands also serve as a prototype of the ecosystem where migratory birds can thrive.



Cleaning otter habitats (Nam River Dam)



Stocking Rivers with Small Fries

Artificial wetlands up stream of the Jangheung Dam



Wetlands at Sinpung-ri



Wetlands at Yongmun-ri



Wetlands at Bonrim-ri

## National Campaign for Water

K-water is helping future generations understand the importance of water.



Ecological survey of the source (Ddeunbong Spring) of the Keum River



Hwangji, the source of the Nakdong River



Waterway tour at Juam Lake

### Conservation of Rivers

K-water is cooperating with stakeholders in recognizing the importance of water and operating a “Environmental Conservation Research Center” at each dam across the country. This center allows citizen groups and experts from areas adjacent to dams to attend and share information. Especially, the “Daecheong Lake Conservation Campaign Office” at Daecheong Dam is monitoring pollution in nearby rivers and carrying out research and investigations on the protection of the environment.

### Water Tours

K-water has provided stakeholders opportunities to learn about water by visiting areas adjacent to dams and water treatment plants. In 2005, people from 427 organizations, totaling 19,774 people, including water experts, citizens, representatives from environmental organizations, students and local residents, visited water management centers, the International Water Analysis Center, dams, water culture centers, water treatment plants, and reed wetlands.

### Water Love Campaign

K-water has provided educational programs to students, local residents, members of social organizations and other citizens so that they can better understand the importance of water. In 2005, K-water offered public water education to 16,400 persons. We also designated 34 elementary schools around dams as “Water Love Schools.” K-water also provided a special program called the “Water Love Science Camp” for schools around dams to teach young Koreans the importance of water through scientific experiments, field trips and observation of our facilities.

Furthermore, we hosted open competitions in writing, photography and exemplary practice using the theme of water, as well as an open contest for advertisements created by university undergraduates. Particularly, for the first time in 2005, we hosted an open competition for posters and distributed the best posters.

## Successful Restoration of the Stream in the Sihwa

K-water has improved the quality of water in four main water channels at the Sihwa Industrial Complex. We have implemented countermeasures aimed at improving the water quality, such as a complete survey of pollutant sources, dredging of polluted soil from streams, repairs to improper pipe connections, and educational programs and campaigns concerning the environment. These activities have been actively supported by local residents (especially through the Sihwa Sustainable Development Council) for one and half years, beginning in August 2004. As a result, water quality has significantly improved from COD 1,970 ppm, as of March 2004, to COD 20 ppm or less, as of May 2005. We have restored the water, which used to be sent to a sewage treatment plant in the past, allowing it to flow back into the original stream.





## Volunteers Sharing Water with Love

Our employees participate in volunteer activities enthusiastically to share our compassion with our neighbors.

### The First Anniversary of the Volunteers' Organization

The Water Love Volunteers has grown to 85 clubs within the company, totaling 3,300 members, or 87% of all employees, in just one year. These volunteers work enthusiastically to deliver compassion and hope to our neighbors. K-water encourages its employees to participate in volunteering during business hours once a month by integrating operating guidelines for the Water Love Volunteers into corporate regulations providing support for the expansion of future volunteer activities.

### We share hope

The affectionate sharing of the Water Love Volunteers works to help less fortunate people and places in the following ways: people abused due to their disability or poverty, remote villages which are losing their vitality due to migration to urban areas and damaged nature which is losing its beauty. The Water Love Volunteers focus their activities on those who are in need to make a world where these less fortunate people can live with hope.



An event for enjoying the sunshine with the disabled people



Social activities together with our CEO



The first anniversary of the Volunteers' Organization for Sharing Water with Love



Busan Volunteers' Club honored with an award for their social welfare services

### Filling hearts with affection as pure as water

Eun-Yeong Kim of the Management Innovation Office: She is in charge of the planning and administration of our volunteers' activities to help the less fortunate and family-less neighbors. She carries out these activities as they fill the K-water Volunteers with compassion.

"I felt confused and it was hard to carry out this work when I began this job. As well, the beneficiaries perceive the same way, too. In early stages, it was far harder than my expectations. But, I became more familiar with the work and we started to do basic, easier things such as cleaning and dishwashing. If love remains locked in your heart, it will probably get tainted just like water stagnates. Therefore, you have to make sure your love flows out continuously by showing your warm heart to your neighbors. Then, don't you think your heart will be filled with fresh love again in the future? When I feel tired, I feel rejuvenated simply by hearing our neighbors say, 'Thanks. You were much help to us.' The beautiful spring sunshine made Ms. Kim's face glow with happiness as she talked about the warmth her job brings to others.



**We work to encourage and bring hope to the hearts of the less fortunate and give confidence to them to help overcome their predicament.**

INTERVIEW <sup>3</sup>

**Contributions to society help fulfill Corporate Citizenship responsibilities.**

It is advantageous for K-water to introduce sustainable management to better perform its obligations. It is important for K-water to supply clean water to Koreans because water is the source of human life. With a goal of "Sharing Water, and a World in Harmony" K-water has worked to protect nature, keep water clean, and create a beautiful world while embracing socially alienated people. To be a water company trusted by Koreans, I believe that it is necessary for K-water to perform its business sincerely and to deliver hope and courage to less fortunate neighbors. I know very well that all K-water employees actively participate in volunteering. I sincerely hope that all their contributions to society give the less fortunate encouragement and help them to overcome their predicament.

Wan-Sang Han, President of the National Red Cross of the Republic of Korea



### **Our Commitment to Creating a World in Harmony**

An aging rural population has become a big social issue. Thus, K-water has sought to establish a new plan that will contribute and provide help by developing projects for family-less senior citizens in areas adjacent to dams.

We have systemized our Water Love Volunteers activities by region, while also promoting the activities made jointly with specialized organizations, such as the Republic of Korea National Red Cross. K-water's oriental medical doctor and dentist will also participate in volunteering by utilizing their expertise.

The efforts we have made are small efforts made toward the countless numbers of people neglected by our society. Nevertheless, such small efforts will have a big impact if such small efforts are made everywhere in the country K-water gladly takes the initiative in making such efforts.

# Social Services Provided by the Water Lover Volunteers



1. May I share my hands and feet with you?
2. Happy Birthday to you, Grandma and Grandpa!
3. We are the best at building a house!
4. I brought a meal for you, Grandma!
5. We are here to show you around the zoo.
6. Look how beautiful the cherry blossoms are!



# We continue the joy of sharing!



1

1. Do you continue your service even on rainy days?
2. How about on a snowy day?
3. We help our people with emergency water supply systems and water-supply vehicles.
4. Let's make delicious food for our poor neighbors!
5. Here are briquettes for you!
6. We are here to help you weed the bean field, Grandma!
7. You look very handsome when you work at weeding the rice paddy.



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## Third Party's Assurance Statement

### To the readers of the K-water Sustainability Report 2006

The Institute for Industrial Policy Studies (The "Auditor") was engaged by K-water to review its 2006 Sustainability Report (The "Report") to provide independent third-party assurance on its contents. The Korea Water Resources Corporation ("K-water") is responsible for the collection and presentation of all information within The Report as well as the maintenance of the underlying data collection system and internal controls.

The key objectives of our review were to provide independent assurance that all statements and data cited in The Report were free of material misstatement or bias and that the data collection systems used were robust. On the basis of the above, The Auditor presents the following third-party statement of assurance.

#### Context and Scope

In The Report, K-water describes efforts and progress made toward sustainability management as well as plans for the future. The Auditor's review examined the following.

- Reasonable assurance on whether : the data on financial performance specified in Section III of The Report is properly derived from K-water's audited Annual Report 2005;
- Limited assurance on whether : the data specified in Sections II, III, IV and V of The Report is stated adequately and in full and is free of material misstatement or bias.
  - ※ Reasonable assurance constitutes a higher level of assurance than limited.

#### Our Independence

The Auditor was not involved in the preparation of any part of The Report, and with the exception of this work has no other affiliation with K-water that might compromise its independence or autonomy or place it under K-water's influence, giving rise to possible conflicts of interest. The Auditor has no relationship with K-water regarding any of K-water's for-profit operational activities.

#### Our Assurance Team

Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the areas of business ethics, corporate social responsibility and sustainable management since 2002. Our team is mostly comprised of university professors from Korea's top schools with majors in business management, accounting, environment etc., as well as consultants with professional accreditation and extensive experience in sustainability management.

#### Standards and Criteria

- The Auditor reviewed whether The Report was written in accordance with the "core" and "additional" indicators outlined in the Global Reporting Initiative's 2002 Sustainability Guidelines (GRI) regarding environmental, social and economic performance.
- The Auditor also reviewed whether The Report was in compliance with the AA1000 Assurance Standard's (AA1000 AS)\* assurance principles of materiality, completeness, and responsiveness as well as local BSR Guidelines (B.E.S.T Sustainability Reporting Guidelines)\*\*.

\* AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-based Institute of Social and Ethical Accountability in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, Accountability aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.

\*\* The BSR Guideline (B.E.S.T Sustainability Reporting Guideline) was developed to encourage more local businesses to carry out sustainability reporting. It represents a localized guideline for Korean companies that incorporates the realities of local businesses into universal global guidelines. This guideline allows companies to choose from five sets of indicators (Level 1 ~ 5) with differing levels of reporting rigor so that companies can report against indicators of their choice.

#### Work Undertaken

The Auditor reviewed the materiality, completeness, and responsiveness of The Report through the activities outlined below:

- ▷ a review of external media sources relating to K-water
- ▷ a review of information contained in The Report as well as the underlying data collection system
- ▷ an intensive review of key statements in The Report: K-water's internal policies, documentation and information systems after sampling data and assessing areas of high risk
- ▷ on-site visits to operations including the Headquarter office and K-water's Gwacheon regional office
- ▷ interviews with managers and staff in charge of sustainability management and reporting, as well as persons responsible for The Report's source information
- ▷ interviews with senior executives in charge of sustainability management
- ▷ a review of the internal sustainability organization, system and activities
- ▷ a reconciliation of financial information stated in The Report

- with the audited Annual Report
- ▷ survey of expert opinion on sustainability

## Conclusions

■ Based on the above, the Auditor did not find The Report to contain any material misstatement or bias. All material findings of The Auditor are included herein, and detailed conclusions and follow-up recommendations have been submitted to K-water in the form of a document titled, "Management Recommendation Letter."

▷ Materiality : Does The Report cover economic, social and environmental issues of the greatest importance to K-water?

We do not believe that K-water has omitted or excluded any information of great importance to itself. Thanks to input from its diverse committees, K-water has been able to identify and keep informed on material issues facing its organization. Furthermore, its process for assessing materiality appears improved from last year's report. The Report does not contain all-inclusive information on suppliers, however, suggesting that stakeholder engagement on which K-water bases its judgment of what is material for inclusion in The Report is carried out on a limited basis on certain issues only. Consequently, we are unable to make a complete assessment of whether all issues of materiality are being identified and reported upon by K-water.

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

The Auditor finds K-water's internal data collection systems including OASIS used to measure its sustainability performance to be complete and robust, and the data generated thereof to be reliable. In particular, we noted that the system for measuring sustainability performance is becoming increasingly more sophisticated with environmental performance now reflected to a greater extent in the performance indicators of respective business departments. We would further suggest, however, that K-water expand its scope of sustainability management to include social aspects, and recommend that the system for measuring and evaluating social sustainability performance be supplemented.

▷ Responsiveness : How well does The Report address information of importance to K-water stakeholders?

The Auditor determined that K-water is making efforts to identify information of great importance to its stakeholders by gathering input from diverse stakeholder committees and employing numerous communication channels on

environmental issues. However, because K-water did not present how the results of its stakeholder dialogue are actually utilized in determining the materiality and responsiveness of various issues to judge what will and will not be included in The Report, we suggest K-water further address this point.

■ Pursuant to the BSR Guidelines, The Auditor believes The Report belongs to Level 3 (from among Level 1~5) in terms of the level of reporting rigor and intensity of information provided.

## Issues for Future Consideration

In our opinion, The Report, which represents the second sustainability report published by K-water, appears much improved from the first report last year in terms of the reporting system, scope, and intensity. In the interest of continued qualitative improvements in sustainability performance and reporting, the Auditor would like to make the following recommendations.

- Strengthen the materiality assessment criteria to reinforce the materiality and responsiveness of the report contents, and disclose the criteria and results as footnotes to The Report.
- Include suppliers in the scope of stakeholders relevant to sustainable management, and broaden disclosure of what information was obtained through stakeholder dialogue as well as how the information was applied. Notably, disclose how information acquired through stakeholder engagement is utilized in assessing the materiality of information to strengthen the completeness of The Report.
- Expand the scope of sustainability performance on which K-water collects data and conducts assessments to be more inclusive of social issues. This will improve K-water's systems of data collection and reporting on social performance.
- Publish future reports in accordance with the GRI G3 Guidelines.

October 27, 2006  
Cheol-Ho Shin Chairman, IPS

*Cheol-Ho Shin*



### Code of Ethics Preamble □

K-water is a corporation of people focused on enhancing people's life and contributing to national development by developing, managing and conserving Korea's water resources in an environmentally, economically and socially sustainable manner while also providing the highest quality products and services to our customers. With confidence and pride, K-water has committed to complying with the following to establish it as a global leader in water services entering into the "Age of Water in the twenty-first century":

- We will endeavor to fulfill our mission with creative thinking and a spirit of creativity, while performing our duties in an upright and fair manner, and by putting transparent management into all our management practices;
- We will practice environmental management as we recognize that the Earth's environment is one our most valuable assets and that it is the foundation for a healthy and happy life, both now and for future generations;
- We will provide the best products and services to our customers and practice the "Customer-First" principle through our management, pursuing customer satisfaction and the creation of new values;
- We as a member of the local community will respect the traditions and culture of the community and contribute to its growth by helping citizens enjoy a more prosperous life;
- We will observe moral and legal values, respect the market order of free competition, and pursue fair competition;
- We will respect the human dignity of individuals, abstain from discriminatory treatment, and support the individuality and creativity of individuals;
- We will pursue common prosperity with a conscious effort towards unity between labor and management and thus build a partnership that is based on mutual trust and accord.

※ You can find the detailed information in code of ethics and action plans on our homepage.

### Environmental Management Policy □

K-water is well aware that we are required to try our best to promote sustainable development in harmony with our surroundings in order to keep our environment pleasant and inhabitable.

K-water is specialized in dealing with water, the source of all life, and therefore we, including all executives and employees at K-water, hereby affirm our environmental management policy. This action confirms our commitment and efforts towards making K-water into a leading environmentally-friendly company, which is both trusted and respected by all Koreans. Thus, we pledge the following:

- We will take initiative in the preservation of the purity of water and air as well, as the habitat of our natural environment;
- We will make every effort to ensure all our activities are in harmony with environmental conservation in advance by carefully assessing the impact on the environment caused by the development and management of water resources, and by continuously promoting the conservation of the natural ecosystem, prevention of pollution and improvement of the environment;
- We will develop societal norms for consumption that save and recycle materials and energy, as well reinforce the commitment to detail so as to prevent harm to the environment that may be caused by our inattentiveness;
- We will endeavor to increase the reliability of K-water and its transparency in business by surveying opinions from our stakeholders with an eye towards using this information to establish environmentally-friendly plans whenever possible and to the disclosing of information and data to the public wherever possible.
- We will take responsibility and assume our obligation to prevent environmental pollution before it occurs, and we will make all possible effort to adequately resolve any problems regarding environmental pollution resulting from our corporate activities;
- We will continuously conduct educational programs on the environment so that our actions can serve as an ethical norm, and we will renew our commitment to research and development focusing on the conservation and improvement of the environment.

All of the executives and employees at K-water promise to work to put this declaration into practice so that we can all enjoy prosperity in a pleasant environment, generation after generation.

## Customer Charter Preamble □

K-water will do its best to implement customer-oriented management so as to get closer to our customers based on our management philosophy of “Our Customers’ values are our values”.

- We will establish standards for service performance that reflect our commitment to conducting business from our customer’s point of view whenever possible.
- We will put transparent management into practice by disclosing as much information as possible when requested by our customers.
- We will listen to our customers’ complaints and advice carefully, in addition to collecting their opinions on a regular basis to improve performance.
- We will reasonably compensate our customers for any damages sustained by them due to our non-compliance with our standards of performance of service as promised.
- We will not discriminate against any customer when carrying out business, and we guarantee to provide maximum benefits to all of our customers by pursuing the most economical and efficient management practices.

## Declaration of our Vision for Innovation □

We pledge the following in order to provide all Koreans with clean and safe water, to protect both lives and property from water-related disasters, and to become a leading organization in the water services field through continual development and innovation:

- We will make customer satisfaction a top priority, and change our values to focus on our customers and practices;
- We will carry out our work honestly and fairly while upholding fairness and a commitment to law along with active participation in volunteering so that K-water will be recognized as our nation’s most reliable public company;
- We will be globally-competitive in order to achieve our vision with self-confidence and enthusiasm, without fear of change, and establish a firm foundation for sustainable and stable growth;
- We will do our best to conservation the environment, as we recognize the importance of our environment for healthy lives and for sustainable growth for future generations.
- We will be committed to the development of K-water so that it will be recognized as the best company in providing services to all Koreans, the most competitive company, and the most respected organization nation-wide.

GRI Index reporting degree : ● Fully reported , ● Partially reported , ○ Not reported , ◇ N/A

Category		Index	Index Contents	Page	Reporting
1. Vision & Strategy		1.1	Statement of the organisation's vision and strategy.	12	●
		1.2	Statement from the CEO describing key elements of the report.	4~5	●
2. Profile	Organisational Profile	2.1	Name of reporting organisation.	9	●
		2.2	Major products and/or services, including brands if appropriate.	18	●
		2.3	Operational structure of the organisation.	13	●
		2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures.	13	●
		2.5	Countries in which the organisation's operations are located.	30~31	●
		2.6	Nature of ownership; legal form.	22	●
		2.7	Nature of markets served.	20, 22	●
		2.8	Scale of the reporting organisation:	20~21	●
		2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation.	23, 37	●
	Report Scope	2.10	Contact person(s) for the report, including e-mail and web addresses.	Intro, 92	●
		2.11	Reporting period (e.g., fiscal/calendar year) for information provided.	Intro	●
		2.12	Date of most recent previous report (if any).	6	●
		2.13	Boundaries of report (countries/regions, products/services, divisions/ facilities/joint ventures/subsidiaries) and any specific limitations on the scope.	Intro	●
		2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.	Intro	●
		2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations.	–	◇
		2.16	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement(e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	6	●
	Report Profile	2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	Intro	●
		2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	37	●
		2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information.	–	○
		2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	Intro	●
		2.21	Policy and current practice with regard to providing independent assurance for the full report.	Intro	●
		2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information (if available).	92	●
3. Governance Structure and Management Systems	Structure and Governance	3.1	Governance structure of the organisation, including major the board of directors that are responsible for committees under setting strategy and for oversight of the organisation.	22	●
		3.2	Percentage of the board of directors that are independent, non-executive directors.	22	●
		3.3	Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities.	22	●
		3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	22	●
		3.5	Linkage between executive compensation and achievement of the organisation's financial and non-financial goals .	22	●
		3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	13	●
		3.7	Mission and values statements, codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.		
		3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	–	○
	Stakeholder Engagement	3.9	Basis for identification and selection of major stakeholders.	37	●
		3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	23, 25, 27	●
		3.11	Type of information generated by stakeholder consultations.	–	○
		3.12	Use of information resulting from stakeholder engagements.	23~25, 27	●

GRI Index reporting degree : ● Fully reported , ◐ Partially reported , ○ Not reported , ◇ N/A

Category			Index	Index Contents	Page	Reporting
	Overarching Policies and Management Systems		3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	13, 34	●
			3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	13, 82–83	●
			3.15	Principal memberships in industry and business associations, and/or national /international advocacy organisations.	13	●
			3.16	Policies and/or systems for managing upstream and downstream impacts	34–35	●
			3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	37	●
			3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	Intro	●
			3.19	Programmes and procedures pertaining to economic, environmental, and social performance.	14, 18~19, 34~36	●
			3.20	Status of certification pertaining to economic, environmental, and social management systems.	34	●
4. GRI Content Index			4.1	A table identifying location of each element of the GRI Report Content, by section and indicator.	84~87	●
5. Performance Indicators	Economic Performance Indicators	Customers	EC1	Net sales.	20	●
			EC2	Geographic breakdown of markets.	31	●
		Suppliers	EC3	Cost of all goods, materials, and services purchased.	36	◐
			EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	–	○
			EC11	Supplier breakdown by organisation and country.	–	○
		Employees	EC5	Total payroll and benefits broken down by country or region.	21, 60	◐
		Providers of Capital	EC6	Distributions to providers of capital	22	●
			EC7	Increase/decrease in retained earnings at end of period.	21	●
		Public Sector	EC8	Total sum of taxes of all types paid broken down by country.	21	●
			EC9	Subsidies received broken down by country or region.	–	○
			EC10	Donations to community, civil society, and other groups	21, 71	●
			EC12	Total spent on non-core business infrastructure development.	70	●
		Indirect Economic Impacts	EC13	The organisation's indirect economic impacts.	71	◐
	Social Performance Indicators : Practices and Decent Work	Employment	LA1	Breakdown of workforce, where possible, by region/country, status, employment type, and by employment contract. Also identify workforce	60	●
			LA2	Net employment creation and average turnover segmented by region/country.	60, 88	●
			LA12	Employee benefits beyond those legally mandated.	64~65	●
			LA3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country	66	●
LA4			Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring).	66	●	
LA13			Provision for formal worker representation in decisionmaking or management, including corporate governance.	66	●	
Health and Safety		LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.	65	●	
		LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	23, 46	◐	
		LA7	Standard injury, lost day, and absentee rates and number of work-related fatalities.	65	◐	
		LA8	Description of policies or programmes on HIV/AIDS.	–	○	
Labour/Management Relations	LA14	Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems.	63	◐		
	LA15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.	60, 66	◐		
	LA9	Average hours of training per year per employee by category of employee.	61	◐		
Training and Education	LA16	Description of programmes to support the continued employability of employees and to manage career endings.	60	●		
	LA17	Specific policies and programmes for skills management or for lifelong learning.	34, 61	●		

GRI Index reporting degree : ● Fully reported , ● Partially reported , ○ Not reported , ◇ N/A

Category		Index	Index Contents	Page	Reporting
Social Performance Indicators : Human Rights	Diversity and Opportunity	LA10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	62~63	●
		LA11	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate.	62~63	●
	Strategy and Management	HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	62	●
		HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	–	○
		HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	–	○
		HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	61	●
	Non-discrimination	HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations.	62~63	●
		HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures /programmes to address this issue.	66	●
		HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue.	–	○
	Forced and Compulsory Labour	HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue	63	●
	Disciplinary Practices	HR9	Description of appeal practices, including, but not limited to, human rights issues.	63	●
		HR10	Description of non-retaliation policy and effective, confidential employee grievance system	63	●
	Security Practices	HR11	Human rights training for security personnel.	–	◇
	Indigenous Rights	HR12	Description of policies, guidelines, and procedures to address the needs of indigenous people.	23, 37, 69	●
Description of jointly managed community grievance mechanisms/authority.			23, 37, 69	●	
HR13		Share of operating revenues from the area of operations that are redistributed to local communities.	69	●	
HR14					
Social Performance Indicators : Society	Community	SO1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes this issue, including monitoring systems and results of monitoring.	23,37,69~79	●
		SO4	Awards received relevant to social, ethical, and environmental performance.	6, 76, 90	●
	Bribery and Corruption	SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.	59	●
		SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.	82	●
	Political Contributions	SO5	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.	–	◇
		SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	–	◇
			SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.	58
Social Performance Indicators : Product Responsibility	Customer Health and Safety	PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue	44~46,55	●
		PR4	Number and type of instances of non-compliance with regulations concerning customer health and safety.	24, 44, 45	●
		PR5	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.	25	●
		PR6	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.	90	●
	Products and Services	PR2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	25	●
		PR7	Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties or fines assessed for these breaches.	–	○

GRI Index reporting degree : ● Fully reported , ● Partially reported , ○ Not reported , ◇ N/A

Category		Index	Index Contents	Page	Reporting
Environmental Performance Indicators	Advertising	PR8	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction.	24~25	●
		PR9	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising.	—	○
		PR10	Number and types of breaches of advertising and marketing regulations.	—	○
	Respect for Privacy	PR3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	—	○
		PR11	Number of substantiated complaints regarding breaches of consumer privacy.	—	○
	Materials	EN1	Total materials use other than water, by type.	—	○
		EN2	Percentage of materials used that are wastes from sources external to the reporting organisation.	—	○
	Energy	EN3	Direct energy use segmented by primary source.	47	●
		EN4	Indirect energy use.	—	○
		EN17	Initiatives to use renewable energy sources and to increase energy efficiency.	52, 55	●
		EN18	Energy consumption footprint of major products.	—	○
	EN19	Other indirect energy use and implications.	—	○	
		Water	EN5	Total water use.	—
	EN20		Water sources and related ecosystems/habitats significantly affected by use of water.	53	●
	EN21		Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources.	—	○
	EN22		Total recycling and reuse of water.	55	●
	Biodiversity	EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats.	40, 53~54	●
		EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments.	53	●
		EN23	Total amount of land owned, leased, or managed for production activities or extractive use.	—	○
		EN24	Amount of impermeable surface as a percentage of land purchased or leased.	—	○
		EN25	Impacts of activities and operations on protected and sensitive areas.	40, 53~54	●
		EN26	Changes to natural habitats resulting from activities and operations and of habitat protected or restored.	—	○
		EN27	Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas.	53	●
		EN28	Number of IUCN Red List species with habitats in areas affected by operations.	53	●
	Emissions, Effluents, and Waste	EN29	Business units currently operating or planning operations in or around protected or sensitive areas.	—	○
		EN8	Greenhouse gas emissions.	47	●
		EN9	Use and emissions of ozone-depleting substances.	—	◇
		EN10	NOx, SOx, and other significant air emissions by type.	—	◇
		EN11	Total amount of waste by type and destination.	52	●
		EN12	Significant discharges to water by type.	52	●
		EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	—	○
		EN30	Other relevant indirect greenhouse gas emissions.	—	◇
		EN31	All production, transport, import, or export of any waste deemed "hazardous" under the terms of the Basel Convention Annex I, II, III, and VIII.	—	◇
		EN32	Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.	—	○
	Suppliers	EN33	Performance of suppliers relative to environmental components of programmes and procedures.	35	●
Products and Services	EN14	Significant environmental impacts of principal products and services.	38~43	●	
	EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	52	●	
	EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	53	●	
Transport Overall	EN34	Significant environmental impacts of transportation used for logistical purposes.	—	○	
	EN35	Total environmental expenditures by type.	36, 89	●	

	GRI	Indicators	Unit	2002	2003	2004	2005
Economy	EC01	Total Sales	Millions in KRW	1,543,924	1,480,979	1,493,084	1,590,951
	2.8	Dam Water Supply	Million m <sup>3</sup>	4,241	4,281	4,443	4,616
		Service Water Supply	Million m <sup>3</sup>	2,648	2,667	2,838	2,881
	2.8	Unit Price for Dam Water Supply	KRW/m <sup>3</sup>	35.12	35.12	41.70	47.93
		Unit Price for Service Water Supply	KRW/m <sup>3</sup>	231.57	231.57	259.10	286.60
		Accounted for Water Rate (Multi-Regional Waterworks)	%	99.14	99.03	99.24	99.00
	EC06	Interest Paid to Fund-Providers	Millions in KRW	4,135	3,372	4,481	2,894
	EC06	Dividends Distributed to Investors	Millions in KRW	1,028	2,395	2,201	3,528
		Operating Income to Sales	%	24.7	23.1	14.7	18.7
	EC08	Tax Amount Paid	Millions in KRW	10,054	8,465	5,892	7,673
	2.8	Number of Dam Water Customers	Sites	140	130	125	108
	2.8	Number of Service Water Customers	Sites	1,271	1,303	1,397	1,538
	PR08	Customer Satisfaction Index	Points	76.0	78.0	80.0	83.0
	Society	EC05	Total Number of Employees	Persons	3,413	3,673	3,850
HR04		Total Number of Female Employees	Persons	212	230	266	309
		Labor Hours (Statutory Labor Hours)	Hours/week	50.25(44)	50.25(44)	46.75(40)	46.75(40)
LA02		Number of New Employees	Persons	120	110	271	239
LA02		Number of Exiting Employees	Persons	44	45	46	61
LA09		Number of Trainees	Persons	4,461	5,565	8,241	12,926
HR05		Labor-Management Agenda and Consensus	Cases	8	23	23	14
LA07		Industrial Accidents	Cases	9	17	9	14
LA07		Industrial Accident Rate	%	0.28	0.5	0.25	0.38
LA07		Patients	Persons	119	139	154	127
LA07		Prevalence Rate	%	3.80	4.20	4.30	3.30
EC10		Aid to Local Communities around Dams	Billions in KRW	12.4	13.6	17.4	36.1
EC10		Investment in Social Activities	Billions in KRW	15.4	15.8	19.8	42.5

	GRI	Indicators	Unit	2002	2003	2004	2005	
Environment	EN08	Total Carbon Dioxide Emissions	tCO2e	380,644	377,565	402,043	424,844	
	EN03	Total Energy Consumption	TOE	212,854	217,237	229,027	242,113	
	EN03	Power Consumption for Production of Water	MWh/m <sup>3</sup>	0.3032	0.3011	0.3010	0.3164	
	EN17	Power Generated from Multi-purpose Dams	GWh	1,960	3,290	2,708	2,457	
	EN11	Total Sludge from Water Treatment Plants	tonnes	91,157	93,509	103,622	100,174	
	EN11	Sludge Recycling Rate from Water Treatment Plants	%	38	27	23	47.9	
	PR02	Turbidity of Purified Water	NTU	0.070	0.056	0.046	0.042	
	EN22	Quantity of Recycled Water (Head Office Consumption)	m <sup>3</sup>	5,475	6,000	6,576	6,300	
	EN27	Sites with an Established Master Plan for Conservation and Restoration of Ecosystem	Sites	4	5	8	8	
	EN27	Stocking of Small Fingerlings	1,000 fries	1,080	1,547	2,142	1,445	
	EN12	BOD of Water Discharged from Water Treatment Plants	mg/L	4.2	4.2	3.2	3.9	
	EN12	COD of Water Discharged from Water Treatment Plants	mg/L	4.2	4.2	5.9	5.7	
	EN12	SS of Water Discharged from Water Treatment Plants	mg/L	6.7	5.5	5.5	5.5	
	EN12	BOD of Water Discharged from Sewage Treatment Facilities	mg/L	3.5	3.4	2.7	2.9	
	EN12	COD of Water Discharged from Sewage Treatment Facilities	mg/L	5.2	6.1	7.2	7.8	
	EN12	SS of Water Discharged from Sewage Treatment Facilities	mg/L	3.1	3.2	3	3.3	
			Replacement of Worn-out Pipes (Length)	km	21.8	25.4	18.4	14.2
			Replacement of Worn-out Pipes (Cost)	Millions in KRW	2,924	9,746	17,852	13,046
			Water Quality Control Cost per Ton (Unit Requirement of Chemicals)	KRW/m <sup>3</sup>	5.09	4.3	4.8	5.56
	EN35		Investment in Environmental Facilities	Millions in KRW	57,594	75,320	117,801	54,812
	EN35		Environmental Investment to Total Investment	%	7.66	8.01	14.10	7.0
	EN35		Environmental Cost	Millions in KRW	107,583	86,756	89,477	121,705
	EN35		Environmental Cost to Project Cost	%	9.98	9.06	8.22	11.70
	3.9		Follow-up Management and Review for Maintaining Integrated Certification of ISO14001/900	Cases	1	1	1	1
	3.13		Environmental Impact Assessment	Cases	10	10	12	10
	3.13		Preliminary Environmental Feasibility Review	Case	4	7	4	3

- Sep. 1996    Obtained ISO9001Certification (LRQA)
- Oct. 1998    Selected as a Specialized Safety Inspection Agency (Ministry of Construction and Transportation)
- May 1999    Received the Grand Prize for Management Innovation in the Korean Public Sector
- Dec. 2000    Received the Grand Prize for Safety Management (Ministry of Labor)
- Dec. 2000    Selected as a Good Model for Energy Conservation (Ministry of Commerce, Industry, and Energy)
- 1999~2000    Ranked to the Top Corporation in the Management Evaluation for Korean Public Sector Companies
- Dec. 2001    Selected as a Model Company for Resources Conservation (Government Procurement Service)
- Oct. 2002    Received the Grand Prize for Human Resources Management (Korea Management Association)
- Oct. 2002    Obtained Integrated ISO9001Certification
- Nov. 2002    Recognized as a Good Corporation based on the Purchasing Record of Recycled Products (Ministry of Environment)
- 2002,        Ranked as the Top Corporation in Management Evaluation of Korean Public Sector Companies
- Mar. 2003    Selected as a Virus Testing Agency (National Institute of Environmental Research)
- Apr. 2003    Accredited as an International Testing Agency (Korea Laboratory Accreditation Scheme)
- June 2003    Received the Grand Prize for Environmental Management (Ministry of Environment, Maeil Business Daily)
- Oct. 2003    Received the 6th Kang Young-Guk Technology Award
- Nov. 2003    Received the Grand Prize for Knowledge-based Management (Maeil Business Daily, Booz Allen & Hamilton)
- July 2004    Received Award for Gender Equality in Employment (Ministry of Gender Equality and Family)
- Sep. 2004    Designated as a Protozoa Testing Agency
- Oct. 2004    Received the Grand Prize for Corporate Social Activities (Korea Economic Daily)
- Oct. 2005    Received the 2005 Grand Prize for Environmentally-Friendly Management (Environment Media)
- Oct. 2005    Received Integrated ISO9001/14001 Certification (Renewal)
- Nov. 2005    Designated as an International Dioxin Testing Agency
- Nov. 2005    Received the Grand Prize for Ecosystem Green Landscaping (Ministry of Environment, Korea Environmental Planning & Development Association)

**Convention on Climate Change** An international convention organized to prevent global warming by regulating greenhouse gas emissions including carbon dioxide.

**Membrane Filtering** Technology widely applied to production of ultra-pure water for industrial and domestic use. This advanced water purification and treatment technology is applied to produce clean water by filtering raw water containing pollutants through a high polymer membrane. It is very effective in eliminating turbidity and micro-organisms.

**Non-point Pollution Source** A pollution source having an irregular discharge route, unlike point pollutants sources, such as human populations or livestock having regular points of discharge. This source pollution is calculated by the pollution load arising from land use in watersheds (including paddies, fields and forest), and usually discharged to water system by rain.

**Biotope:** A compound word made of Greek words, bios (life) and topos (territory). It refers to a common habitat of various species including human being, animal, and plant.

**New and Recyclable Energy** Three kinds of new energy including hydrogen, fuel cell, and liquefied coal gas and eight kinds of recyclable energy including solar heat, solar light, bio energy, wind power, hydro-electric power, terrestrial heat, marine energy and energy from waste.

**Sludge** Sediments produced from sewage treatment or water purification process.

**Prevalence Rate** The number of patients divided by total population surveyed at a certain region at a certain time

**Revenue Water Rate** Total charged amounts of service water consumption, measured by meters installed for consumers, divided by the amount of water produced, and supplied by the water service provider, shown in percentage.

**Protozoa** A division in classification of animal, referring to a simple parasitic organism that lives on animal in sea water, fresh water, soil or rotting organic matter.

**Life Cycle Assessment (LCA)** Technique for evaluating environmental impact of a product or service by quantitatively measuring the substances and energy consumed and discharged in an entire process of the product or service.

**Environmental Impact Assessment** Estimations, analyses and assessments of the impact of Social Overhead Capital (SOC) facilities, such as roads, ports, railroads, airports and industrial complexes, as well as reclamation projects, on the environment

**Seawater Desalination** Technology for production of potable water by removing salt and other chemicals from saline water. Most small or medium sized facilities use the Reverse Osmosis Method, a type of membrane filtering method, as it is preferable in the aspects of energy consumption and maintenance

**Deep Seawater** Seawater flowing at depths 200 meters from the surface of the sea where sunlight cannot reach, recently

there is increasing demand for this by many industries, such as fisheries, food producers, beverage companies, cosmetics and pharmaceuticals.

**BOD (Biochemical Oxygen Demand)** Amount of oxygen required for microorganisms to decompose pollutants contained in water. Higher BOD levels indicate higher pollution amounts.

**BSC (Balanced Scorecard)** Performance management system consisting of comprehensive indexes that enables to measure mission and strategy of an organization.

**CDM (Clean Development Mechanism)** One of the Kyoto Mechanisms under which developing countries can participate in the reduction of greenhouse gas emissions.

**COD (Chemical Oxygen Demand)** Amount of oxygen consumed by oxidizing pollutants contained in water by an oxidizing agent. Higher levels of COD indicate higher water pollution amounts.

**DAF (Dissolved Air Floatation)** Innovative water treatment technology, distinctive from the conventional settling method, that separates floating matter by attaching fine air bubbles to the matter. It is a water treatment method that can provide remarkable effects in removing algae and turbid matters (substances causing taste and odors) from the water in lakes and marshes, the major water sources in Korea.

**ESCO (Energy Service Company)** A System of energy-related business, under which an investment and its return can be recovered by the cost and expenses reduced by energy savings achieved by the investment.

**GEF (Green Energy Family)** Voluntary and national movement organized to contribute to prevent global warming and reduce energy consumption by promoting the distribution of high-efficiency energy saving equipment.

**GRI (Global Reporting Initiative)** Organization founded with the support of the UNEP in 1997 to develop the guidelines for "Sustainable Management Reports."

**ISO14001** International environmental management system standards as prescribed by the ISO (International Organization for Standardization).

**NTU (Nephelometric Turbidity Unit)** Unit of turbidity of water samples measured by the intensity of light dispersed on the sample.

**SS (Suspended Solid)** Particles of 0.1 $\mu$ m or larger floating in water, which cause turbidity.

**TOE (Ton of Oil Equivalent)** Amount of energy consumed such as electricity, gas and oil converted into the quantity of crude oil (in tonnage).

**UNFCCC** A convention organized to regulate artificial emissions of greenhouse gases for prevention of global warming. Its full name is the United Nations Framework Convention on Climate Change).

### **Listening to Our Readers**

Your comments will be of great help to us in promoting our activities for sustainable management.

We are looking forward to receiving your comments and suggestions regarding this Sustainable Management Report, as well as our activities for sustainable management. We appreciate your comments and suggestions very much and will include them, when possible, in our next report.

Please fill out the questionnaire attached and send it to our Customer Relations Team in the Management Innovation Office via fax (+82-42-629-2399) or e-mail ([sustainability@kwater.or.kr](mailto:sustainability@kwater.or.kr)).

I'm happy with **Water, Nature & People**

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From.

Name

Adress

E-mail  @

Tel  )  -

Fax  )  -



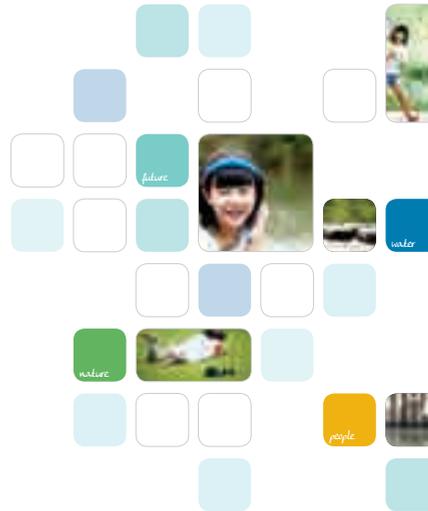
To. K-water CSR Team

560 Sintanjin-Ro, Daedeok-Gu, Daejeon,  
Republic of Korea, 306-711

Tel : 82-42-629-2367 Fax : 82-42-629-2399

E-mail : sustainability@water.or.kr

# I'm happy with *Water, Nature & People*



## K-water's Sustainable Management Report 2006

### 1. Which of the following would best describe you?

- ① Investor/Shareholder      ② Vender      ③ K-water employee      ④ Local resident  
⑤ Non-governmental organization      ⑥ Scholar      ⑦ Journalist      ⑧ Other (      )

### 2. What brought your attention to K-water's Sustainable Management Report 2006?

- ① K-water's homepage      ② Newspaper or magazine      ③ Internet search engine  
④ Recommendation by K-water staff      ⑤ Other (      )

### 3. Which section was the most interesting?

- ① Introduction      ② With Future      ③ With Water  
④ With Nature      ⑤ With People      ⑥ Appendices

### 4. Which section do you think needs improvement?

- ① Introduction      ② With Future      ③ With Water  
④ With Nature      ⑤ With People      ⑥ Appendices

### 5. Please feel free to give us your comments about the overall structure and contents of this report or our activities.

