



We design the land
from our future



Korea Land Corporation

About the Sustainability Report

Introduction and Structure

Korea Land Corporation, since its establishment in 1975, has been committed to developing the national economy and improving the public welfare. Today, we are doing our best to take good care of our precious land resources which we share with our successive generations, keeping in mind the philosophy that we serve as a "National Land Gardener".

This report contains Our corporate strategies, systems, activities and performance in each of the three pillars of sustainability management: economy, environment and society.

Improvements from our Earlier Sustainability Report

This report responds to feedback from our external stakeholders including NGOs (the Center for Corporate Responsibility) and academia on our <Sustainability Report 2006>(published in December, 2006) in the following areas

- we made sure that this report specifies whether it satisfies reporting guidelines of the Global Reporting Initiative (GRI) and duly describes our commitment to sustainability management. In particular, this report clearly states reasons for omission for those GRI guidelines indicators irrelevant with our operations.
- we have improved stakeholder engagement and feedback. We took into account our stakeholders' feedback on the Sustainability Report 2006 in producing this report and the results of our survey on stakeholders are available in this report.
- we improved users' understanding of and accessibility to data shown in this report by determining material issues from the perspective of stakeholders.

Reporting Principles

This report was drawn on the GRI guideline G3, giving top priority to objectivity of data and information used. In order to produce this report, we identified external trends in relation with sustainability issues, conducted internal investigations on our sustainability management and performed external internet monitoring, surveys and focus interviews to collate opinions from external and internal stakeholders and determine material issues.

Our third Sustainability Report is available both in Korean and English and the translation was performed on the finalized Korean version to guarantee the utmost accuracy of the English version of the report. We made sure that original meaning is accurately translated and no discrepancy exists between the two versions in important information such as statistical data.

Reporting Period

This report illustrates our sustainability management activities and performance from August 1 of 2006 to December 31 of 2007. Our first Sustainability Report was issued in 2005, which describes our sustainability management for the calendar year 2004 and the <Sustainability Report 2008> is our third Sustainability Report which illustrates our economic, environmental and social progress and our commitment to corporate social responsibility management.

Scope and Limitations

Data used in this report cover performance of all of our offices at home and abroad and were collated as of December 31 of 2007 unless stated otherwise. Most data present time-series trends of at least three years and denominated in Korean won.

External Assurance

We made sure that this report is assured by independent third parties as we drew up the report to enhance its reliability. The assurance statements which review the overall structure and contents of our Sustainability Report appear on page 86. Their conclusions and recommendations will be integrated into our future Sustainability Reports.

Additional Information

A wide range of information on our operations is available on our corporate website. Please visit our website and you can access this report and our earlier Sustainability Reports in 2004 and 2006 in the Sustainability Management section. We are disclosing current activities, future plans and performance in a transparent manner as well in the Management Disclosure section. If you have ideas or inquiries of our Sustainability Report or if you need additional information, please use the following contact information.

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Bundang-Gu Sungnam City, Gyunggi-Do
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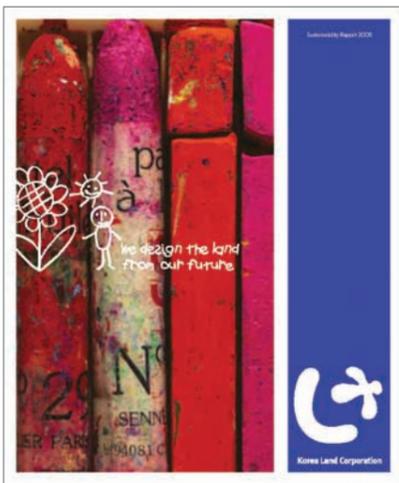
'We look forward to your sincere interest and support so that we can evolve into the best public corporation appreciated by the public.'

Sustainability Report



Corporate Philanthropy Report 2007





COVER STORY

We design the land from our future

Think about tomorrow, not today, and live for today to hope for tomorrow. This is our philosophy of designing our national land. Our strong future-oriented commitment to a living ground of tomorrow where everyone can live a happy life is expressed in vivid crayon colors and symbolic pastel images.

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Leadership+

We are to put transparency and integrity at the heart of our operations to evolve into a public corporation loved by the public and a global enterprise with international competitiveness.

Land+

We are to design our national land and create cities with long-term perspectives and big thoughts to build the living ground that can be happily shared by our future generations.

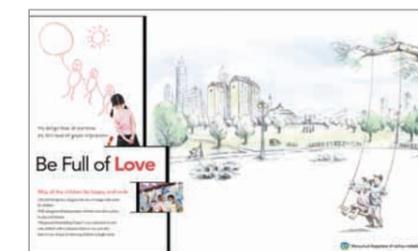
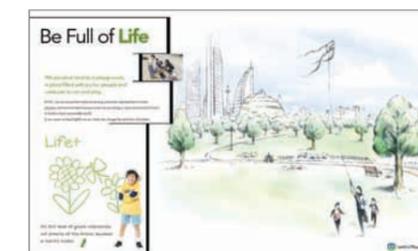
Life+

We are to help people live in a beautiful environment where our national competitiveness can improve and everyone's life can be enriched.

Love+

We are to put the spirit of love into practice to realize the true meaning of sharing and ensure everyone lives a happy life.

Be Full of Land





DEAR GLOBAL PARTNERS

We borrow the land from our future

A Message from Our CEO

Dear Our Respected Stakeholders

At Korea Land Corporation, we define sustainability management as our core value in our quest to become the world's best land service company. We are duly committed to meeting our economic, social and environmental responsibilities. After signing up for the UN Global Compact in October 2005, we have been voluntarily implementing its ten principles in the human rights, labor, environment and anti-corruption sectors. What's more, we have been taking the lead in living up to our corporate social responsibility serving as the vice chairman of the UN Global Compact Korea since September 2007.

We have provided 310.41 million m² of land for production purposes including industrial and distribution complexes in 67 sites to accommodate 13,000 companies over the last three decades. We have also contributed to expanding our nation's Social Overhead Capital (SOC) by investing 21 trillion won in carrying out public projects, fully doing our part in helping businesses enhance their competitiveness and laying the groundwork for promoting local economies over the same period of time. In addition, we have supplied 275.85 million m² of municipal land in 271 sites, which means that more than 1.5 out of every ten households in this nation are living in cities developed by us. Profits generated by such development projects have all been reinvested to promote the national interests and the welfare of the people including establishment of SOC, recreation of national land and free-of-charge land supply for low-income families.

Our core capacity as a Land Developer that we accumulated with support of the public is now contributing to improving Global Korea's competitiveness. We are witnessing a growing demand for Korean-Style public development models and this is demonstrated in a number of overseas projects to create world-class cities, build SOC and industrial complexes to assist industrial development and multifunctional administrative cities for balanced development. We are spearheading nation's efforts to practice resource diplomacy by going global under the name of Korea with our representative IT companies, construction companies, financial institutions and public energy corporations. I can proudly say that while we strive to meet our responsibilities to assist economic development, secure natural resources and encourage domestic businesses to go global, we are making substantial contributions to strengthening our national competitiveness on the global stage.

We need to engage and communicate to our stakeholders proactively more than ever as our public nature and reason for our existence is emerging as controversial social issues. This report is not only a demonstration of our willingness for sustainability management but also part of our efforts to evolve into an enterprise duly trusted by the public by disclosing all of our activities in a transparent manner. In addition, this report focuses on appropriately communicating to our stakeholders and the public the reason why we should exist and what we do as a public corporation carrying out national land policies.

We are to do our best to stabilize real estate prices and assist the national economy to grow further by supplying affordable and quality municipal, SOC and industrial land in a stable manner via Land Banking. Furthermore, we are to take good care of our national land as a living ground that should be shared with our future generations. We will also develop residential and industrial land for better living environments and resolve conflicts via mutual agreements. Another critical part of our mission as a company is to build trust with the public by protecting our environment and to create a climate of social consensus to nurture a beautiful ground.

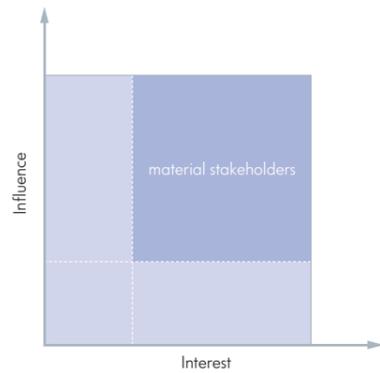
I sincerely promise you that we would grow into a company that contributes to national economic growth through sustainability management, a company that meets its social and environmental responsibilities, and a company that puts public interest before its own profitability. We are to spare no efforts to these ends so that our stakeholders and the public can truly feel positive changes taking place inside us.

Thank you.

July 2008

President Jong Sang Lee 이종상 이관상

Stakeholder Matrix



Stakeholder Communication

We define our stakeholders as customers (land buyers and compensation recipients), business partners, government organizations (government agencies and public organizations), local communities (local residents, NGOs, academia etc.) and employees and we considered influence, dependence, interest, representativeness, and political intension in identifying them.

We collate opinions from our customers via our website and customer satisfaction surveys, from business partners, government organizations and local communities via workshops and from employees via discussions, intranet and job satisfaction surveys and integrate them into our management operations.

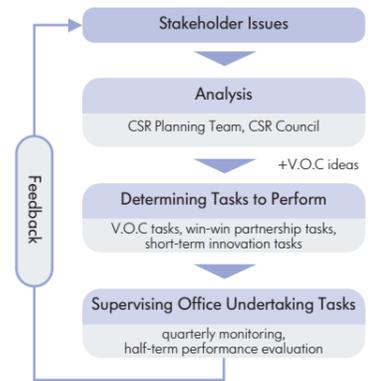
category	Customer	Business Partner	Government	Local Community	Employee
Stakeholder	<ul style="list-style-type: none"> Land buyers 143,515 Compensation recipients 123,326 	<ul style="list-style-type: none"> Companies doing business with us 3,912 Purchases worth 3,3477 trillion won in 2007 	<ul style="list-style-type: none"> the National Assembly the Central government local governments 	<ul style="list-style-type: none"> 12 regional divisions 6 project divisions 103 NGOs 	<ul style="list-style-type: none"> 2,982 (regulated by relevant government quota)
Communication Channel	<ul style="list-style-type: none"> Our corporate website (management disclosure, customer lounge, sustainability management participation, customer proposal system) Monthly land information magazine In-house journal Land Story Quality inspection team made up of customers Self-conducted customer satisfaction survey Public enterprise customer satisfaction survey Happy Call Presentation on compensation plans participated by local residents Advisory Committee made up of customers Sustainability Report 	<ul style="list-style-type: none"> Our website PMIS construction project management system Illegal Subcontracting Practice Report Center Win-win partnership management workshop Quality management workshop Complex development technology support project Sustainability Report 	<ul style="list-style-type: none"> the Council for the Korean Pact on Anti-Corruption and Transparency K-Pact for Public Corporation Regular BOD meeting Our website UN Global Compact Korea Network Anti-Corruption & Civil Rights Commission Win-win partnership management workshop Sustainability Report 	<ul style="list-style-type: none"> 103 NGOs Onnuri Volunteer Group Land Museum Our website Share Fund Ecosystem expedition for college students "One Division to Support One Welfare Facility" program Committee for Openness in Public Enterprises Committee for Green Society Committee for a Clean KLC Sustainability Report Inspection of government offices 	<ul style="list-style-type: none"> Quarterly labor-management council meeting Labor-management talks in each department Ombudsman system Employee satisfaction survey Dialogue with CEO Internal employee discussion Discussion to bridge the gap between generations Saeromteo Blueprint proposal system Briefing on management operation CSR meeting On-site discussion Education program to disseminate management activity information Change Agent workshop Sustainability Report
Participation in the Report	<ul style="list-style-type: none"> Sustainability Management Participation section on our website Survey section on our website 	<ul style="list-style-type: none"> Sustainability management and survey participation within PMIS construction project management system Sustainability Management participation section on our website 	<ul style="list-style-type: none"> Sustainability Management Participation section on our website Survey section on our website 	<ul style="list-style-type: none"> Sustainability Management Participation section on our website Survey section on our website 	<ul style="list-style-type: none"> Sustainability Report writing T/F Intranet survey

* In particular, we sincerely answered or responded to questions and opinions raised by NGOs about our Sustainability Report 2006 and made sure that they are integrated as much as possible in our management operations. We included material stakeholders from academia and NGOs as members of the Assurance Committee which is to secure objectivity of this report.

Engagement System for Our Business-Related Stakeholders

System	Function	Member composition	Results
MP system	Master Planners are commissioned from the early stages of development plan to systematically manage plans and design processes by performing land development and multi-dimensional construction plan altogether	3~4 members for each project site from the pool of experts	regular
Customer Committee	Identify and discuss problems with our operations and conclusions and recommendations for improvement areas are integrated as feedback into land development process	contractors in each project site, business partners and land buyers	Regular
Committee for Construction Cost Disclosure	Enhance reliability of pre-determined land development cost and review objectivity and fairness of the process used to calculate the cost	9 outside members (their names are not disclosed)	1
Committee for a Clean KLC	Review and make decisions to promote transparent and fair ethical management	3 outside members	1
Advisory Committee on Gaecheon Industrial Complex	Promote transparency and efficiency of the project by making North Korean specialists from various sectors of society participate in the Gaecheon Industrial Complex project	16 outside members	2
Committee for Green Society	Offer advice to enhance fairness, speciality and environmental-friendly images in carrying out social welfare projects	5 outside members, 4 inside members	2
Committee for Openness in Public Enterprises	Provide advice on management disclosure, customer satisfaction activity and corporate transparency	8 outside members	2
Management Policy Advisory Committee	Commission renowned specialists in various sectors to offer their advice on major management issues	13 outside members	1
Technology Deliberation Committee	Review appropriateness of turn-key or alternative bid projects, evaluate designs and discuss qualifications	Different members for different review issues from the outside expert pool	23

Integrating Voices of Our Stakeholders in Management



Our Commitment to Making Voices of Our Stakeholders Heard

Serial number	Stakeholder concern	Our efforts to make their voices heard	No. of page
1	Improve treatment of non-regular employees	Formulate and implement measures to improve treatment of non-regular employees including setting up a center to resolve complaints from non-regular employees	77
2	Put more efforts into fighting corruption and establishing a corporate culture of integrity	Launched the "Beautiful Promise Movement" with construction companies (May, 2007) and implement "Self-Evaluation of Ethical Management" (year-round program)	60
3	Disclose more information on housing land development costs	Increase the number of categories of development costs to be disclosed from 8 to 10	62
4	Cope with an increasing number of accidents in construction sites	Expand no-accident campaigns (year-round event), introduce KOSHA 18001 (safety and health management system)	76
5	Crack down on illegal construction practices	Introduce the "Haparazzi" system to report illegal subcontracting practices	61
6	Revise the Customer Charter	Integrate 9 advisory comments from the Committee for Openness in Public Enterprises including addition of standards concerning information provision services and 11 suggestions from customer requirement analysis (Nov. 2007)	65
7	Give development profits back to society	Promote local hiring and ensure participation of local resident associations in development projects, reinvest profits in to the concerned local community	32, 35
8	Cyber Hometown Exhibit	Build Cyber Hometown Exhibits first in 18 sites which are larger than 3.3 million m ² in size or require document preservation within the concerned area among 42 sites where construction has not begun yet	86

Make Their Voices Heard in Our Sustainability Report 2008

We recognize the Sustainability Report as the main communication channel between our stakeholders and us. Before issuing this report, we surveyed our employees, business partners and customers of the Sustainability Report 2006 to ensure clearer communications to our stakeholders.

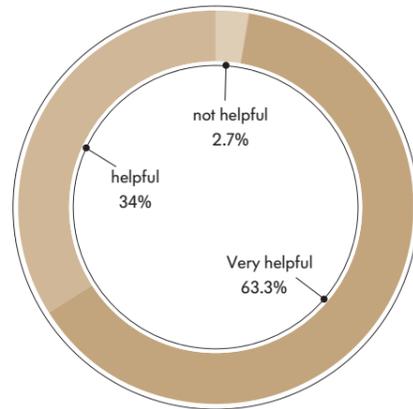
The survey was conducted of 991 stakeholders and results and feedback are as follows.

Stakeholder	No. of participants	Participation channel	Period	Plan
Employees	836	Survey	Apr.~May 2008	29.4 percent of the total of 2,841 employees responded
Employees of business partners	100	Survey	Apr.~May 2008	-
Local communities(customers and etc)	52	Survey	Apr.~May 2008	-
Experts	3	Advice and review	June 2008	-

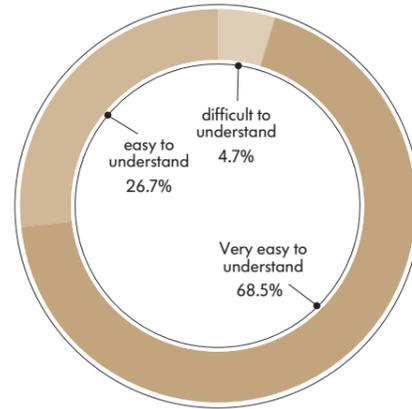
Survey Results

The results show that 63.3 percent of the respondents answered the Sustainability Report 2006 was very helpful in understanding our sustainability management practices, followed by 34 percent who said it was helpful and 2.7 percent not helpful.

Is this report helpful to you in understanding our sustainability management practices?



Is this report easy to understand?



Sections which were most informative ①economic performance ②social performance ③environmental performance ④introduction ⑤best practices in sustainability management ⑥sustainability management strategy

Sections which need most improvements ①social performance ②environmental performance ③economic performance ④introduction ⑤sustainability management strategy ⑥best practices in sustainability management

Feedback on Our Sustainability Report 2006

We made sure to integrate our stakeholders' recommendations for improvement and feedback into our Sustainability Report 2008 as you can see in the following.

Serial number	Feedback	Improvement	No. of page
1	Lack of information on what we do and why we should exist	Clarified the reason for our existence and our contributions to the national economy	10-17
2	Lack of information on transactions between us and our business partners	Disclosed the number of our business partners and purchase amount	6
3	Lack of detailed data on environmental index	Included more environmental data	39-53
4	Need to specify GRI Guideline indicators and reasons for omission	Specified GRI Guideline indicators and reasons for omission	90-97
5	Lack of data on labor index	Included data on labor index	73-79
6	Need to report on earlier CSR reports	Listed previously issued Sustainability Reports and Social Philanthropy Reports	2
7	Sustainability Report regarded as just another means of PR activity	Clarified the purpose of the report in a convincing manner	8
8	Lack of efforts to improve public's awareness of the report	Increased efforts to share the report with employees and raise public awareness of the report, updated our website	8
9	Need to summarize core messages and deliver facts as they are rather than listing unnecessary details	Summarized core messages briefly and focused on communicating facts as they are	1-98
10	Letters are too small and difficult to read	Enlarged letters for visual convenience	1-98
11	Feedback-Lack of CSR activities in project sites	Improvement-Build more Cyber Hometown Exhibits and improve reporting on playground remodeling projects	84, 86



LEADERSHIP

About L+

Introduction

Profile

Purpose of Establishment

Article 1 of the Korea Land Corporation Law stipulates that we were established to contribute to growing the national economy in a sound manner by promoting efficient usage of land resources and enhancing comprehensive utilization and development of the national land.



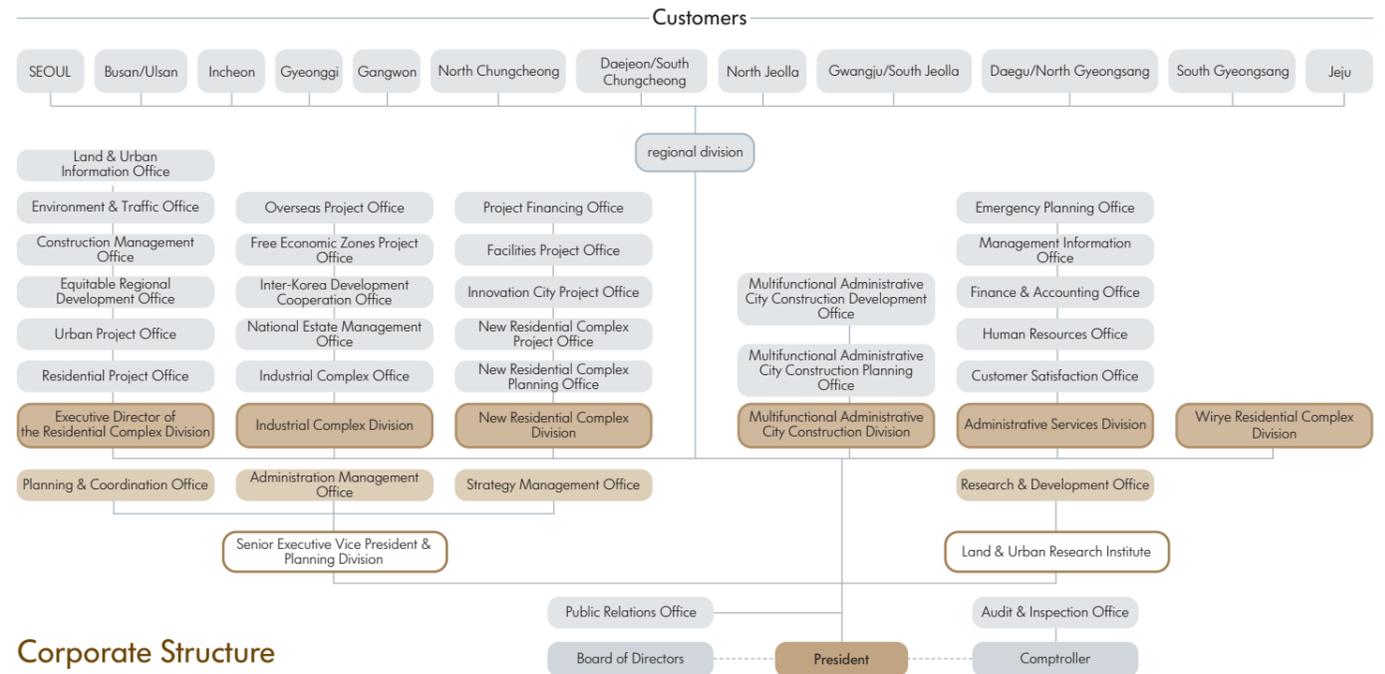
We are contributing to growing the national economy in a sound manner by promoting efficient usage of land resources and enhancing comprehensive utilization and development of the national land.

Supplying 586.26 million m² of Land in 338 Project Sites

We promote efficiency in utilizing our land resources by purchasing, managing, developing and supplying land and take integrated approaches in using and developing our land, making remarkable contributions to the national economy.

Financial Highlights

Organization Name	Korea Land Corporation		
Date of Establishment	April 1, 1975		
Business Category	Construction, Real Estate (general civil engineering, real estate transaction and leasing)		
CEO	Jong Sang Lee		
Total Assets	33,339,900,000,000 won		
Capital	6,304,600,000,000 won		
Liabilities	27,035,300,000,000 won		
Sales	6,806,300,000,000 won		
Employees	2,982(regulated by relevant government quota)		
Credit Rating	A2-Moody's, A-S&P AAA-National Information & Credit Evaluation AAA-Korea Ratings Corporation AAA-Korea Investors Service		



Corporate Structure

Six executive directors, one headquarters, one research institute
28 offices and centers, 12 regional divisions

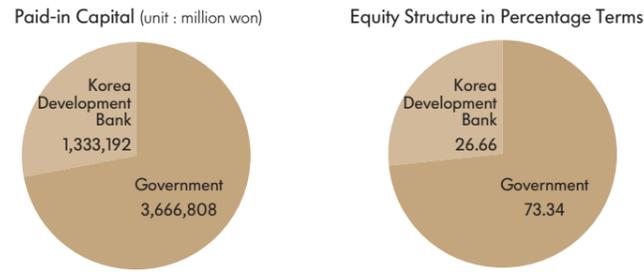
1975	1979	1988	1989	1996	1998	2000	2001	2002	2003	2005	2006	2007
Land Bank was established	reorganized into the Korea Land Development Corporation	undertook industrial complex development projects	built the first new cities under the government plan to provide housing to 2 million households	renamed into the Korea Land Corporation	performed public compensation trust operations, purchased corporate land to support corporate restructuring	started to manage national property	built the second new cities in Pangyo, Dongtan and Gimpo in the metropolitan area	engaged in the Gaeseong Industrial Complex project, expanded comprehensive regional development projects, appointed to build land information database	carried out free economic zone projects	engaged in building multifunctional administrative cities and innovation cities	the Korea Land Corporation Law was revised to promote efficiency in implementing national projects, engaged in building an international city in Pyeongtaek	construction began to build multifunctional administrative cities and innovation cities, completed the first-stage construction of the Gaeseong Industrial Complex

Subsidiaries

Company name	Capital (unit : 100 million won)	Equity owned by KLC in percentage terms
Korea Real Estate Investment Trust Co., Ltd.	2,524.8	39.61
Hannuri Co., Ltd.	70	47.14
Korea Construction Management Corporation Co., Ltd.	94.1	6.2
Korea Housing Guarantee Corporation Co., Ltd.	32,320	0.8
STX Construction Co., Ltd.	265.5	-
Green City Co., Ltd.	239	18.18
Junwave Co., Ltd.	330	19
Metapolis Co., Ltd.	528	19.9
Smart City Co., Ltd.	473	19.9
Smart City Asset Management Co., Ltd.	3	19.9
Morning Bridge Co., Ltd.	105	22.32
Morning Bridge Asset Management Co., Ltd.	3	19.9
Lake Park Co., Ltd.	180	19
Lake Park Asset Management Co., Ltd.	3	19
α dom City Co., Ltd.	2,400	19
α dom City Asset Management Co., Ltd.	5	19
Spaceplus Byeolnae1 Co., Ltd.	69	19.9
Spaceplus Byeolnae2 Co., Ltd.	49	19.9
Spaceplus Samsung Co., Ltd.	152	19.9

Composition of Capital and Shareholders

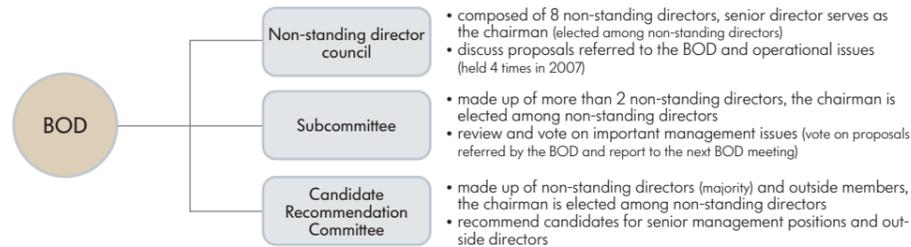
Being a state-invested organization, the government and the Korea Development Bank have 73.34 percent and 26.66 percent of KLC respectively. Our legal capital is worth 15 trillion won and paid-in capital 5 trillion, which means that we are capable of carrying out public projects without subsidies from the government and taxpayers.



Board of Directors

We have 7 standing directors including CEO and 8 non-standing directors as members of our Board of Directors. Our president serves as the chairman of the Board of Directors in accordance with Article 18 Clause 4 of the Act of Government-Invested Corporation.

All of our directors are appointed in conformity with the above Act. Issues regarding composition and operation of special subcommittees and management proposals made by non-standing directors are integrated into our corporate policies. Non-standing directors are encouraged to offer their ideas via small group discussions and other means to ensure that our Board of Directors plays a substantial role in making important policy decisions.



Position	Appointment process
President	Recommendation from the Candidate Recommendation Committee(multiple candidates)→vote by the Public Organization Operation Committee→nomination by the Ministry of Land, Transport and Maritime Affairs →Appointment by President
Comptroller	Recommendation from the Candidate Recommendation Committee(multiple candidates)→vote by the Public Organization Operation Committee→nomination by the Ministry of Strategy and Finance→appointment by President
Standing director	Recommendation from the Candidate Recommendation Committee(multiple candidates)→appointment by KLC president
Non-standing director	Recommendation from the Candidate Recommendation Committee(multiple candidates)→vote by the Public Organization Operation Committee→appointment by the Minister of Strategy and Finance

the Public Organization Operation Law

Article 18 Clause 4 : The chairman of the Board of Directors of quasi-privatized public corporations and quasi-government agencies shall be the head of the concerned organization.

Article 37 Clause 1 : Permanent members of management and other employees of public organizations and quasi-government agencies shall not be engaged in other operations that pursue profits than those undertaken by their organizations and agencies.

Decisions are made by approval of at least two thirds of the Board of Directors in accordance with Article 12 Clause 1 of the Board of Directors Operation Regulations.

Article 13 Clause 4 of the Regulations also says that decisions made by subcommittees shall be considered as the same made via Board of Director meetings.

BOD performance is evaluated by the index to assess efforts to facilitate functions of the Board of Directors and auditors and their results", which is one of the public corporation evaluation indices. As for non-standing directors, their performance is assessed before reappointment (one year term) decisions are made and the result is reported to the Ministry of Strategy and Finance.

CEO incentives are determined by the result of public corporation evaluation for the year. The final score is calculated by adding evaluation scores on the concerned public enterprise (full score 50) and on the president (full score 50) respectively. The incentives can range from 0 percent to up to 200 percent of basic salary. Standing directors are entitled to incentives of up to 100 percent of their basic salary. Their incentives are based on performance of the organization they work for and composed of evaluation on the president (full score 20), on the concerned public enterprise (full score 50) and internal evaluation(full score 30) by the competent office.

No. of BOD meetings

Category	2004	2005	2006	2007
No. of BOD meetings	13	12	13	14

Relevant laws and regulations

- the Act of Government-Invested Corporation
- KLC bylaws
- BOD Operation Regulations
- Candidate Recommendation Committee Managerial Regulations
- Non-Standing Committee Meeting Managerial Regulations

BOD members

Position	Name	Term of office	Responsibility
President	Lee Jong Sang	Jul.02, 2008 ~ Jul.01, 2011	President
Standing director	Um Tak Yuel	Jan.11, 2008 ~ Jan.10, 2009	Senior Executive Vice President & Executive Board Member
Standing director	Kim Ju Yul	Apr. 27, 2006 ~ Apr.26, 2009	Executive director of the Residential Complex Division
Standing director	Kye Yong Jun	Feb.27, 2006 ~ Feb.26, 2009	Executive director of the Industrial Complex Division
Standing director	Choi Young	Aug.09, 2006 ~ Aug.08, 2009	Executive Director of the New Residential Complex Division
Standing director	Rhu Sung Do	Jul.31, 2006 ~ Jul.30, 2009	Executive Director of the Multifunctional Administrative City Construction Division
Standing director	Choi Keum Sik	Dec.12, 2007 ~ Dec.11, 2009	Executive Director of the Administrative Services Division
Non-standing director	Sun Chae Kyu	Jun.30, 2008 ~ Jun.29, 2010	-
Non-standing director	Moon Han Sik	Jun.30, 2008 ~ Jun.29, 2010	-
Non-standing director	Hur Ik Koo	Jun.30, 2008 ~ Jun.29, 2010	-
Non-standing director	Ryu Ho Keun	Aug.02, 2005 ~ Aug.01, 2008	-
Non-standing director	Kim Yong Myung	Nov.14, 2005 ~ Nov.13, 2008	-
Non-standing director	Kim Young Jin	Apr.21, 2006 ~ Apr.20, 2009	-
Non-standing director	Han Jang Hee	Apr.21, 2006 ~ Apr.20, 2009	-
Non-standing director	Hwang In Sung	Jun.22, 2006 ~ Jun.21, 2009	-

* This table shows our incumbent BOD members as of July 2008.

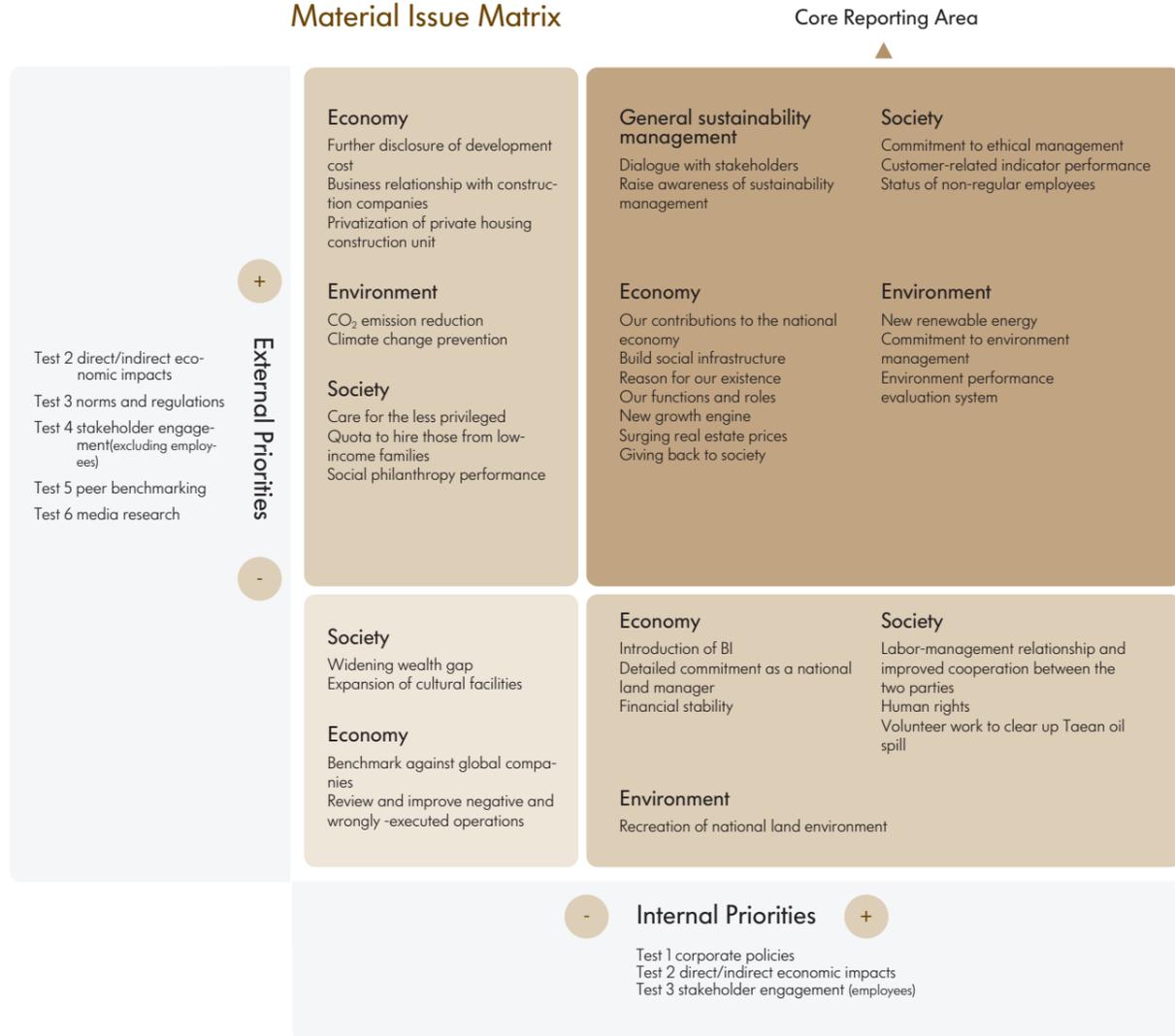
Materiality Test

Materiality test is to identify issues important to stakeholders, determine high-interest, high-risk issues and prioritize them so that the reporting organization can put more focus on most material issues when reporting. In determining material issues, we considered such external priorities as direct/indirect economic impacts, norms and regulations, stakeholder engagement (excluding employees), benchmarking and media research and such internal priorities as corporate policies, direct/indirect economic impacts and stakeholder engagement(employees).

Identification of Material Issues

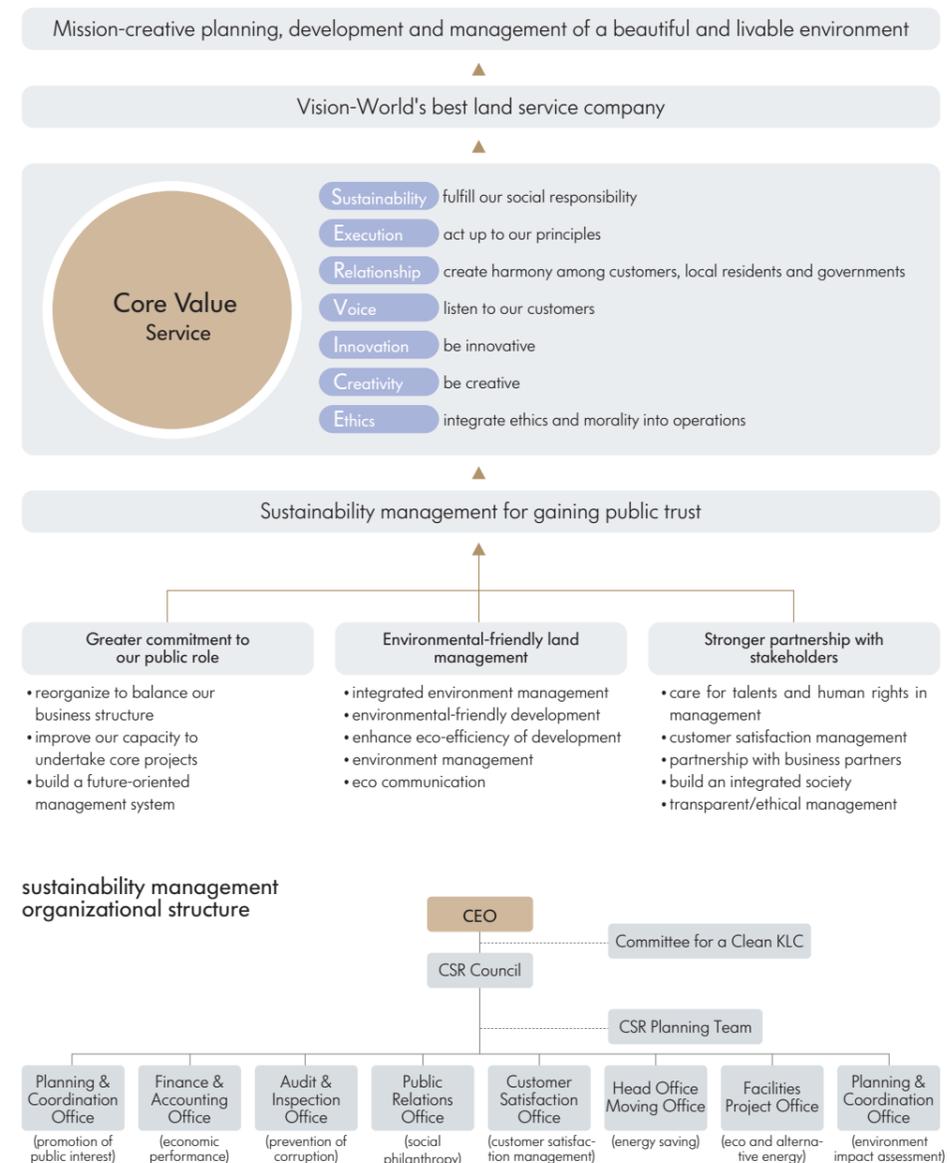
We identified high-risk material issues of sustainability management by taking into account corporate policies, direct/indirect economic impacts, norms and regulations, stakeholder engagement, peer benchmarking and media research in accordance with the IPS Materiality Test Model. We strived to fully describe material issues determined by the materiality test and are to integrate results of the test in establishing sustainability management strategies in the future.

Material Issue Matrix



Vision and Strategy

After declaring our Vision 2020 to evolve into the <World's Best Land Service Company> loved by the public and customers, we have been formulating and implementing strategies for sustainable growth and identifying concerns of our stakeholders, integrating them into our sustainability management strategies and practices.



Our core value "Service" lies at the heart of our sustainability management principles. We define sustainability management as meeting our economic, environmental and social responsibilities for the public and creating value and results continuously by improving our competitive edge.

Performance of Our CSR Council Meetings

Ordinal No. of meeting	Date of meeting	agenda
1 st	Sep. 27, 2007	Integration of CSR operations Identify and discuss related problems for each office and future directions
2 nd	Oct.30, 2007	CSR roadmap in conjunction with operations Index for customer satisfaction and social responsibility
3 rd	Jan.22, 2007	CSR implementation plan for 2008
4 th	Feb.15, 2007	Review social philanthropy plans for 2008
5 th	Mar.12, 2008	Establish systems for undertaking CSR operations Identify weaknesses for each business process Grant innovation mileages for CSR operations

LEADERSHIP

Sustainability



our participation in the UN Global Compact Leaders Summit
(We shared and diffused our CSR activities, July 2007)

Our Commitment to the Global Compact

We signed up for the UN Global Compact, the world's largest global corporate citizenship initiative to fulfill our social responsibilities voluntarily in October 2005. Since then, we have been committed to aligning our operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We encouraged other public enterprises to join the UN initiative in a move to promote corporate social responsibility, serving as the chairman of the K-Pact for Public Corporation during the year 2007. In addition, we became a sponsor member of the UN Global Compact Korea Network established in September 2007 and has been working as the vice chairman for the network.

Category	Principles	KLC regulations	GRI	Page
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights	[Human Rights Regulations Article 1] protection of and respect for human rights	· HR1 · HR2 · HR3 · HR4 · HR5 · HR6 · HR7 · HR8 · HR9	72
	2. Businesses should make sure that they are not complicit in human rights abuses	When contracting with business partners, [Charter of the Pact on Anti-Corruption and Transparency in the land development section Article 1]thorough compliance with laws and principles	· HR1 · HR2 · HR8	61
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	[Collective Bargaining Article 3 Clause 23]the principle of collective bargaining [Collective Bargaining Article 3 Clause 31]establishment of labor-management council [Collective Bargaining Article 3 Clause 34] meeting among various offices [Collective Bargaining Article 8 Clause 102]ban on unfair labor practices during labor disputes	· HR5 · LA4 · LA5	80
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor	[Collective Bargaining Article 2 Clause 10] ban on unfair labor practices [Labor Standard Law Article 7]compliance with ban on the use of forced labor	· HR7	72,80
	5. Businesses should uphold the effective abolition of child labor	[HR Regulation Article 10]detailed principles in hiring rank 5 employees, no history of hiring those under 18 since 1992 (including regular and non-regular workers, exception: one sport talent employee aged 17.11)	· HR6	73
Environment	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	[HR Regulations Article 9]principle of indiscriminate recruitment [HR Regulations Article 22]principle of fair promotion [Collective Bargaining Article 2 Clause 9]ban on discriminate treatment [Human Rights Regulations Article 2]provision of equal opportunities in hiring and treating employees, [Human Rights Regulations Article 3]care for social minorities	· HR4 · LA2 · LA10 · LA13 · LA14	73,74
	7. Businesses should support a precautionary approach to environmental challenges	Public organization with obligation to purchase environmental-friendly products [Environmental Regulations]regulations on employee commitment to environmental regulations and measures to preserve the environment and prevent environmental pollution from the project planning stages, [Environment Management Regulations Article 44 Clause 2]consideration of environment impact-related aspects in operations, products and services [Environment Management Regulations Article 56 Clause 1]regulations on precautionary steps in the environment area	· 4.11	38-40
	8. Businesses should undertake initiatives to promote greater environmental responsibility	Renewal of ISO14001 Environment Management System certificate(Jan. 26, 2007, Korea Productivity Center) [Environment Management Regulations Article 44 Clause 1]regulations on CEO responsibility for environment management, [Environment Regulations Implementation Measure]regulations on employee responsibility for environment management	· EN2 · EN5 · EN6 · EN7 · EN10 · EN13 · EN14 · EN18 · EN21 · EN22 · EN26 · EN27 · EN30	38,40
Anti-corruption	9. Businesses should encourage the development and diffusion of environmentally friendly technologies	[Environment Regulations]undertaking of initiatives to develop environmental-friendly technologies	· EN2 · EN5 · EN6 · EN7 · EN10 · EN18 · EN26 · EN27	38
	10. Businesses should work against corruption in all its forms, including extortion and bribery	[Recruitment Regulations Article 7]ban on receiving direct/indirect gifts, entertainment services or cash loans from stakeholders [Ethics Charter Article 1 Clause 1]ban on unethical favors or intermediary services when performing operations [Ethical Management Regulations Article 7]operation of Ethics Implementation Office and Anti-Corruption Taskforce Team [Ethical Management Regulations Chapter 3]specification of public interest reporting regulations and procedures [Code of Ethics Article 37]regulations on disciplinary measures against recipients of cash or entertainment services [the Pact on Anti-Corruption and Transparency Chapter 4 in the land development section]fight against corruption	· SO2 · SO3 · SO4	59,61

L+ Competitiveness

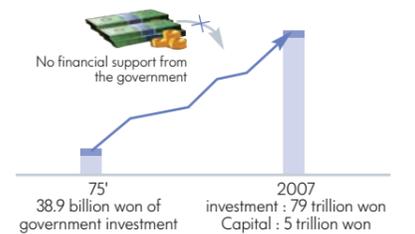
We are a leading public corporation who creates national wealth on our own without financial support from the government.

We reaped success in addressing issues previous governments struggled with by carrying out public projects.

- 1980's**
 - stabilized housing prices by developing the 1st new towns in Bundang and Ilsan
 - laid the foundation for unifying the two Koreas by building the Freedom Highway and the Unification Garden
- 1990's**
 - led the era of the West Coast by developing national industrial complexes in Namdong, Asan and Gunjang
 - Supported businesses in coping with the financial crisis by purchasing real estate for corporate restructuring
- 2000's**
 - improved local positioning and competitiveness via comprehensive regional development plans (free economic zones, happy cities and innovation cities)
 - Stabilized housing prices by taking the initiative to develop the 2nd new towns in Dongtan and Songpa

We started small with 38.9 billion won of government investment in 1975 but continued to expand our business to post 79 trillion in investment and 5 trillion won in paid-in capital and evolved into a leading public enterprise fully capable of undertaking national policy projects on our own without any financial support from the government and creating national wealth for the public.

*legal capital 15 trillion won



Our Role in Responding to National Economic Crisis

Period	Economic situation	Our role	Our economic contribution
Nov. 2001	Rising concerns over Hyundai Engineering & Construction's bankruptcy crisis and its possible ripple effects on the national economy	Offered commissioned services to sell Hyundai's reclaimed land in Seosan (63.48 millionm ²)	Supported the national economy by selling 33.05 millionm ² of farm land in just a year
Apr. 1998	Signs of combined economic depression Japan had faced due to abrupt cooling of the real estate market under the financial crisis	Invested around 3 trillion won in purchasing huge amounts of land for corporate restructuring (11.68 million m ²)	Promoted recovery of the economy and the real estate market, helped financial institutions greatly improve their financial structure (an 1 percent increase in their BIS ratio), concerned businesses saw their average debt ratio plummet by a whopping 87.8 percent(from 1,102 percent in 1997 to 223 percent to 1999 according to KDI)
Dec. 1997	Economic instability including a rising number of corporate bankruptcies at the end of 1997	Purchased land owned by housing construction companies, assisting them in improving their funding and financial situation (275,000 m ²)	Limited benefits due to low bond yields
May. 1990	Prevalent real estate speculation and rising inflation	Purchased non-operational land owned by businesses (2.67 millionm ²)	Stabilized the real estate market
Apr. 1989	Surging housing prices due to housing shortages which worsened after the Olympic Games in 1988	Successfully developed 4 new towns in Bundang, Ilsan, Pyeongchon and Jungdong	Land price increases: started to slow down during the 90's and turned around to post negative growths from 1992 Housing provision rate:69.4 percent (1998) to 79.1 percent (1993)

We run our business on profits we generate through development projects and bond issuance without financial support from the government. We receive government subsidies, however, in undertaking some projects to build infrastructure facilities and for other purposes based on relevant laws and regulations.

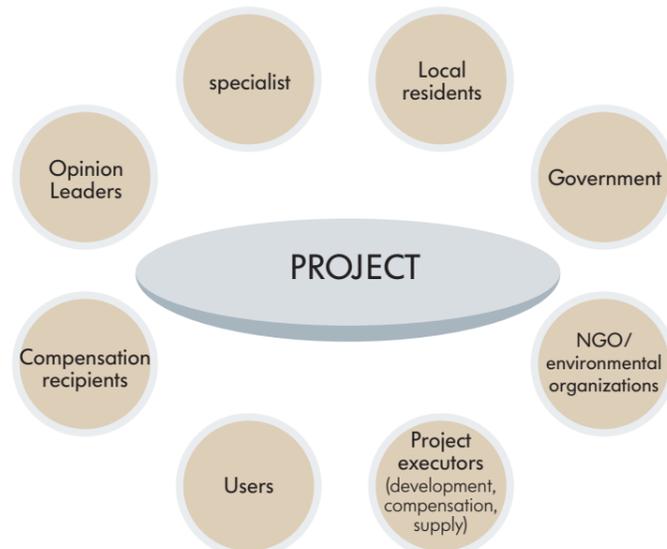
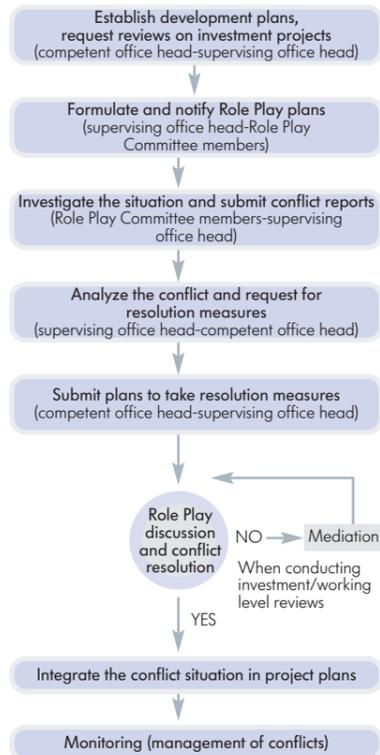
Government Subsidies

(unit: one million won)

Category	Grant detail	2003(cumulated)	'04	'05	'06	'07
Ministry of Land, Transport and Maritime Affairs	Industrial complex(for rent only)					975
	Support for infrastructure facilities in public rental industrial complexes	10,300	13,386	4,396		
	Road construction in distribution complexes	5,000	7,960	8,537	21,100	
	Investigation on cultural property in industrial complexes	1,450	80	650	350	
	Subtotal	16,750	21,426	13,583	21,450	975
Ministry of Environment	Establishment of sewage/wastewater treatment facilities in industrial complexes	105,360	3,780	9,256		
	Total	122,110	25,206	22,839	21,450	975

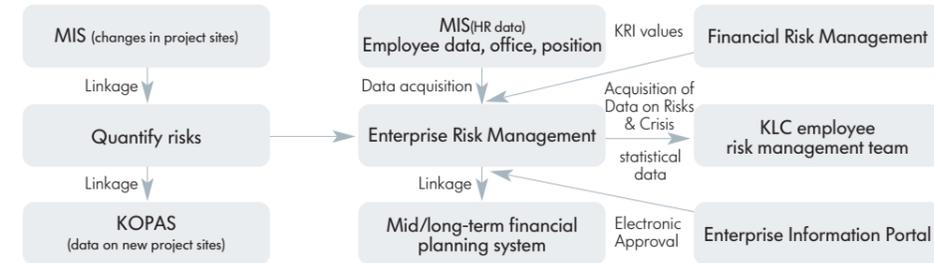
Conflict Management System to Address Obstacles to Operations

We felt an urgent need to appropriately manage conflicts with stakeholders in undertaking projects through case studies such as development of Daejisan Park in Jukjeon site in Yongin and protective measures for indigenous toad habitats near Wonheungi Dike in Sannam site in Cheongju. We have been implementing the <Role Play System> to deal with conflicts with stakeholders including local residents and to improve cooperation with them in carrying out projects. This system engages our working-level managers and stakeholder representatives in formulating and reviewing development plans. We witnessed a whopping 40 percent (2,343 cases) reduction in the number of complaints raised against us in 2007 from the previous year since we introduced the system.



Enterprise Risk Management

Growing uncertainty in the business environment is giving rise to the need to systemically manage a wide range of internal and external risk factors from corporate perspectives. Our risk management system consists of infrastructure and management process: the former refers to IT system, regulations and manual and the latter risk management procedures and methodology. We are to prevent risks even before they affect our operations and respond to them in a swift manner once they happen by operating the above risk management system.



Primary Brand



Our new name "L+" illustrates our commitment to creating value beyond national land development. Its core concept is to enrich the lives of the public by caring both people and the natural environment in developing and managing our national land and to look forward to the future with creative ideas.

- Leadership+** We are to put transparency and integrity at the heart of our operations to evolve into a public corporation loved by the public and a global enterprise with international competitiveness.
- Land+** We are to design our national land and create cities with long-term perspectives and big thoughts to build the living ground that can be happily shared by our future generations.
- Life+** We are to help people live in a beautiful environment where our national competitiveness can improve and everyone's life can be enriched.
- Love+** We are to put the spirit of love into practice to realize the true meaning of sharing and ensure everyone lives a happy life.

Our Brand by Project

Project	Brand	Detail
Free economic zone, industrial complex, logistics/distribution complex		Cities that offer abundant economic opportunities and industrial infrastructure and serve as vital economic hub
New town residential complex		Cities with livable and optimal living spaces where people, the natural environment and cutting-edge technology come together in harmony
Innovation city		Multi-functional cities that take the lead in promoting balanced development with competitive edge and presenting new visions



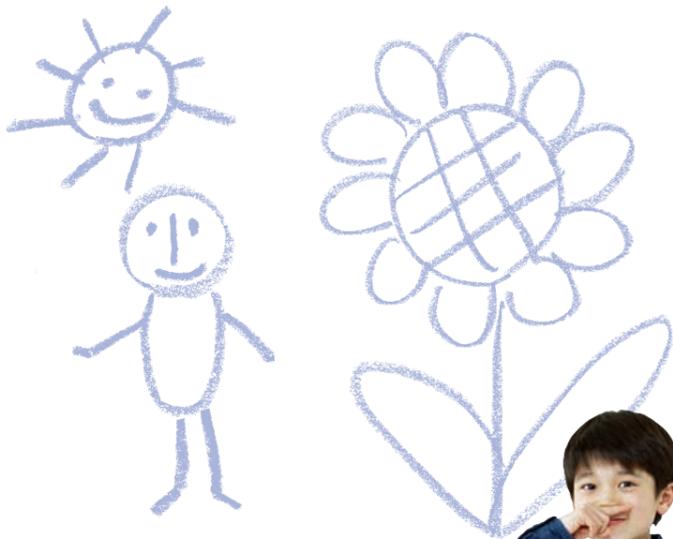
Be Full of Land



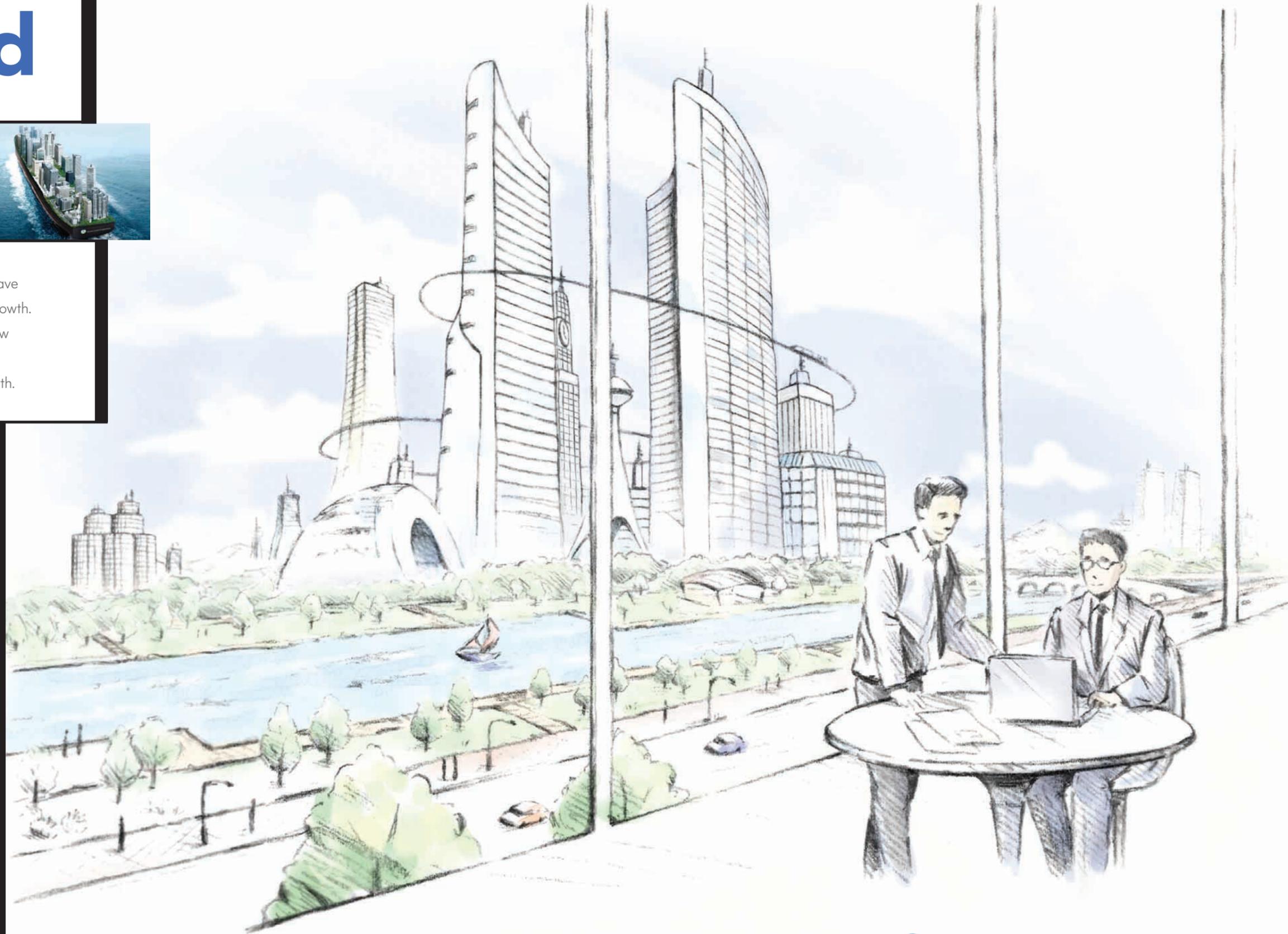
We Export Cities Around the World

You can see "Made in Korea" cities in many places around the world. We have always been there to assist our nation in achieving remarkable economic growth. Today, we help domestic businesses go global and contribute to securing new resources by building new cities in many corners of the world. We are to be the driving force behind our nation's renewed economic growth.

Land+



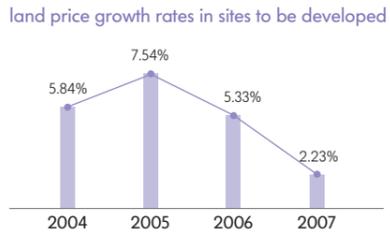
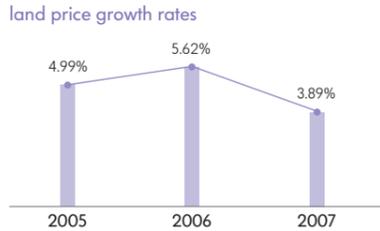
We realize any value that you can imagine on our precious land—yesterday, today and tomorrow.



LAND

Economic Progress

Economic Responsibility



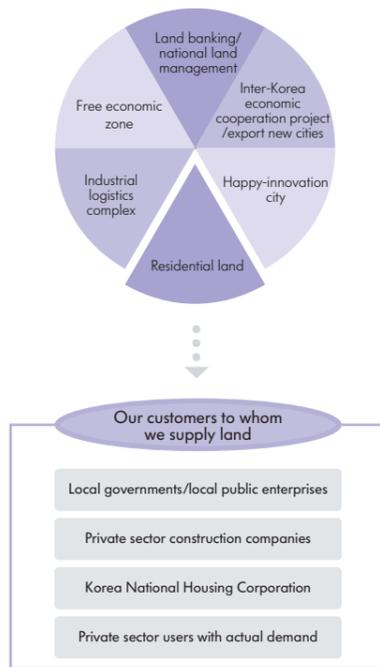
We believe that at the heart of our economic responsibility is the pursuit of interest of the public, our most important stakeholders, by running our business. All the profits we make are spent on stabilizing the real estate market and meeting public welfare needs such as building SOC, recreating our national land and supplying land to low income people free of charge.

Material Issues

We identified and prioritized issues our stakeholders are concerned about and found the following material issues that we need to report first in the economic sector: the reason for our existence, our contributions to the national economy, social infrastructure establishment and skyrocketing real estate prices. This section is to clearly communicate our economic progress to stakeholders, focusing on issues material to them. We are proud to say that our efforts to stabilize real estate prices resulted in a mere 3.89 percent growth of land prices in 2007. In particular, we have been under criticism that we should be held accountable, in part, for surging real estate prices by failing to adequately manage land prices in candidate project areas. We took actions including the Land Provision Compensation System to address the concern and witnessed a three percentage point drop to 2.23 percent in land price growth in those candidate project sites in 2007.

Key Projects

We supply land for living and production purposes to a wide range of customers such as the government, local governments and private sector buyers with actual demand, committing ourselves to national economic development.



Core Function	Project Category	Objective	Project Detail
Land Development	Supply land for production purposes	<ul style="list-style-type: none"> Land/regional development project inter-Korean/Northeast Asia cooperation project 	<ul style="list-style-type: none"> Develop national land and local regions & build production base Happy/innovation city, industrial complex, R&D special zone distribution complex, regional development, North Korea, free economic zone project and etc.
	Supply land for living purposes	<ul style="list-style-type: none"> Residential/municipal environment development project 	<ul style="list-style-type: none"> Build stable residential environments and advanced municipal environments Residential land, new town, public rental complex, city development, city rejuvenation(renovation) project and etc.
	Overseas project	<ul style="list-style-type: none"> Overseas project 	<ul style="list-style-type: none"> Improve our nation's global competitiveness and create national added-value Overseas land development project and etc.
Land Management	Land banking	<ul style="list-style-type: none"> Land banking 	<ul style="list-style-type: none"> reserve and purchase general land, corporate land, sites to be occupied by newly relocated organization, general property, Special Account for the Balanced National Development, and Green Belt land
	Support national land policies	<ul style="list-style-type: none"> National land management project land information database projects public support project 	<ul style="list-style-type: none"> information DB project including land use regulation, land plan and usage, real estate transaction management, and GB public trust services, research project

Free Economic Zone Project

We aim to attract foreign investors, strengthen our national competitive edge and pursue balanced development of different regions by improving business and living environments for foreign-invested companies and foreign residents.

Project Portfolio

	Incheon Free Economic Zone	Busan-Jinhae Free Economic Zone	Gwangyang Bay Area Free Economic Zone
Location	Songdo, Youngjong, Cheongra in Incheon	Gangseo-gu in Busan, Jinhae City in South Gyeongsang Province	Yeosu, Suncheon, Gwangyang in South Jeolla Province, Hadong in South Geyongsang Province
Area	209km ² (63.36 million pyeong)	104.1km ² (31.54 million pyeong)	88.98km ² (26.91 million pyeong)
Development concept	International operation, air logistics, IT, BT, leisure	Logistics, maritime affairs, parts and materials	Logistics, chemical, parts, marine leisure
Period	To be completed by 2020	To be completed by 2020	To be completed by 2020
Development plan			

Incheon Free Economic Zone



New Town Construction Project

Our nation has been experiencing chronic shortages of housing due to heavy concentrations of population in the metropolitan area after industrialization. In response to this, we built the first 4 new towns of Bundang, Ilsan, Pyeongchon and Jungdong in the metropolitan area. As we develop our second and third new towns, we play an essential role in spurring national and local economic development by generating production and creating new jobs. In addition, we are living up to our historical commitment to be a "Land Designer" by building self-sufficient cities where cutting-edge ubiquitous information environment and environmental-friendly eco system coexist in harmony.

Our 3rd New Town Construction Plan

	Dongtan 2, Hwaseong	Wirye(Songpa)	Geomdan, Incheon	total
Area (unit=1,000m ²)	23,982	6,788	11,239	42,009
Target population (unit=1,000 people)	260	123	177	560
No. of houses(unit=1,000)	105	49	66	220
period	2008~2015	2007~2013	2008~2014	-
executor	KLC, Gyeonggi Innovation Corporation	KLC	KLC, Incheon Urban Development Corporation	-

Gaeseong Industrial Complex Development Plan by Phase

Phase 1 (industrial complex: 3.3km²)
 labor-intensive industries including sewing, footwear and bag
 Offer preferences to SMEs in selling first-sale lots
 Help SMEs cut their way through economic Difficulties
 Build the foundation for inter-Korean economic cooperation

Phase 2 (industrial complex:5km², hinterland cities: 3.3km²)
 technology-intensive industries including machinery, electricity and electronics
 Reorganize the industry structure, develop in conjunction with the metropolitan area
 Nurture world-class export bases

Phase 3 (industrial complex:11.6km², hinterland cities: 6.6km²)
 cutting edge technology complex including IT and bio technology
 Attract renowned global businesses and large corporations
 Develop into a stronghold in Northeast Asia

Production and North Korean Employee at the Gaeseong Industrial Complex



Inter-Korean Economic Cooperation Project

The Gaeseong Industrial Complex Project could be called the most outstanding case that demonstrates reconciliation and cooperation between the two Koreas. It is the first-ever large scale inter-Korean cooperative investment project to build infrastructure and also represents an inter-Korean economic community model where viable legal infrastructure is being experimented with. This project not only presents an alternative to SMEs in the South who are losing their competitive ground due to rising costs but also revamps North's failed efforts to address economic problems, improving lives of North Koreans facing economic difficulties.

Gaeseong Industrial Complex Project Portfolio by Phase

Category	Area	Expenditure (unit-100 million won)			Period	Status
		total	KLC	Government fund		
phase 1	3.3 million m ²	2,641	1,131	1,510	Jun. 2004-Dec. 2007	• Construction completed in Dec. 2007
phase 2	3.97 million m ²	3,709	1,979	1,730	Dec. 2007-Dec. 2012	• Survey and other basic investigations are under way

The project covers a total of 65.7km² in Gaeseong City in North Hwanghae province (factory areas: 26km² (8 million pyeong) living, tourism and commercial areas: 40km² (12 million pyeong)) to be developed in 3 phases.

Price for First-Sale Lots

Category	Sihwa Industrial Complex	China (Chingdao)	Vietnam	Gaeseong Industrial Complex
(1,000 won/m ²)	454	145	121	45

Wage

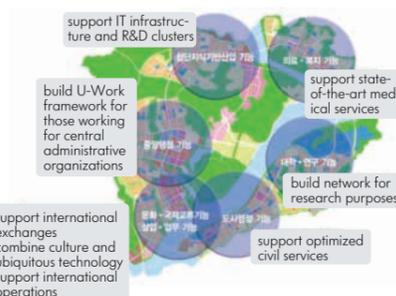
Category	South Korea	China (Chingdao)	Vietnam	Gaeseong Industrial Complex
Minimum wage(\$/month)	642	100	60	52.5

Minimum wage:US \$52.5/month, social insurance premium:15 percent of monthly wage

Multifunctional Administrative City (Sejong) Project

We are engaged in building a multi-functional administrative city to spearhead efforts to fundamentally resolve overcrowding in the metropolitan area and strike a balance in regional development. We invested a total of 3.8822 trillion won by Dec. 2007 and compensation was completed for 99 percent of land and 93 percent of obstructs in the project site. We held the ground-breaking ceremony on July 20 2007 and site development works are underway now.

We are to create a cutting-edge industry complex to make Sejong City self-sufficient and maximize benefits of balanced regional development. The high technology industry complex is to be linked with Daedeok Innopolis, the Osong Bio Complex and the Ochang Science Park and an international science business belt (Sejong Valley) is to be built.



Innovation City Construction Project

We build future-oriented innovation cities which offer not only quality environments for residential, educational and cultural purposes but also optimal innovation conditions to promote close cooperation amongst public organizations to be relocated to local areas, industry, academia, research institutes and government agencies.

Category	Gangwon	North Gyeongsang	North Jeolla	Gwangju-South Jeolla	Daegu	Ulsan
Location	Bangok-dong, Wonju City, Gangwon Province	Nam-myeon and Nongso-myeon, Gimcheon City, North Gyeongsang Province	Jeonju City and Iseo-myeon, Wanju County, North Jeolla Province	Geumcheon-myeon Naju City, South Jeolla Province	Sinseo and Dongnae Districts, Dong-gu, Daegu City	Ujung-dong, Jung-gu, Ulsan City
Area	3,603,000m ² (1,090,000 pyung)	3,803,000m ² (1,150,000 pyung)	10,145,000m ² (3,069,000 pyung)	7,264,000m ² (2,197,000 pyung)	4,216,000m ² (1,275,000 pyung)	2,984,000m ² (903,000 pyung)
Public organizations to be relocated	12 agencies including the National Health Insurance Corporation	13 agencies including the Korea Highway Corporation	14 agencies including the Korea Land Corporation	17 agencies including Korea Electric Power Corporation	11 agencies including the Korea Gas Corporation	11 agencies including the Korea Labor Welfare Corporation
Target population	31,200 (12,000 households)	25,000 (10,000 households)	29,000 (9,667 households)	50,000 (20,000 households)	27,000 (9,200 households)	19,000 (6,857 households)

Overseas Land (New Town) Development Project



We are committed to securing natural resources in a stable manner and increasing our national wealth by developing new towns abroad in order to implement national policy projects such as resource diplomacy and generate profits. Our success in such global cooperative projects can assist domestic construction companies in building a beachhead to grow their global reach and SMEs in entering new overseas markets, reducing their risks associated with going global. We signed MOUs to enhance exchange and cooperation with 7 organizations in 5 countries around the world and our efforts are underway to consolidate the foundation to grow our business via technology support and human exchange before we fully engage in doing business in those countries.

Comprehensive Regional Development Project

We stick to the principle of 'plan first, development later' and it means that we work together with local governments and local residents to come up with long term development plans and city space plans. It also means that diverse city development projects covering residence, industry, distribution and local issues are carried out in conjunction with one another, improving each local community's unique self-sufficient capacity. In addition, our development projects are differentiated from others in that generated profits are reinvested in the concerned local community, seeking balanced regional development.

51 local municipalities who signed an agreement with us

Metropolitan area	Namyangju City, Goyang City, Youngin City, Hwaseong City, Bucheon City, Paju City, Pocheon City, Hanam City, Yeoncheon County, Dongducheon City, Uiwang City, Anseong City, Ganghwa County, Pyeongtaek City, Icheon City, Yeosu County, Gimpo City.
Local area	Cheongan City, Sacheon City, Gangwon Province, Busan City, Jeonju City, Chungju City, Gyeongsan City, Chilgok County, Ulsan City, Jinhae City, Wanju City, Daegu City, Youngcheon City, Ulleung County, Gimhae City, Buan County, Mokpo City, Jeongeup City, Gimcheon City, Daejeon City, Jeju Island, North Jeolla Province, Naju City, South Jeolla Province, Jecheon City, Gwangju City, Gongju City, Pohang City, Masan City, North Chungcheong Province, Sokcho City, Cheolwon County, Jangseong County, Goseong County, Changwon City.

(Data in the above table are as of Dec. 2007)

Previous regional development approaches put too much focus on quantitative aspects of the situation, simply developing and supplying housing land. As a result, they gave rise to reckless development practices in many corners of the metropolitan area and a growing developmental gap in local areas. We are working to address such issues that cities are facing and to promote balanced development among different regions by introducing comprehensive regional development, a new way of doing business together with local governments.

50 local municipalities are to be reborn as attractive cities

- Jecheon City, North Chungcheong Province**
 The city is to evolve into a city with leisure, recreation and livable natural environments by combining leisure facilities, seniors' villages and training towns with its beautiful natural landscape
- Goseong County in Gangwon Province**
 It is to be developed into a hinterland area for inter-Korean exchange and cooperation in conjunction with the Trans Siberian Railways and a tourism complex with unique themes will be built in connection with Mt. Geumgang development project. In addition, infrastructure facilities for mass settlement areas in Goseong are to be expanded.
- Ulleng County in North Gyeongsang Province**
 Ulleng-do is to be developed in conjunction with Dok-do and a tourism complex with different seasonal themes, high-end marine leisure activities such as yacht and skin scuba diving, and a complex (research lab and experience zone and etc) which takes advantage of deep sea water are to be created.

Residential Complex Development Project

We have developed 275,852,000m²(supply area) of housing land to accommodate 6.56 million residents in 271 project sites by December 2007, committing ourselves to improving residential welfare of the public.

Residential Land Project Districts (cumulative data)

	No. of sites	Area (1,000m ²)	Expenditure (one billion won)
total	271	406,701	103,804
Completed	227	209,133	34,354
Under works	44	197,568	69,450

(based on project area)

Year	Purchase		Development		Supply	
	Area	Amount	Area	Amount	Area	Amount
-2003	227,462	197,549	191,590	131,795	221,134	519,509
2004	16,037	29,156	6,793	10,248	10,620	52,197
2005	32,062	20,237	10,895	18,441	9,899	52,942
2006	70,959	86,409	17,028	27,432	9,816	66,260
2007	35,905	70,821	17,853	29,306	24,383	164,806
Total	382,425	404,172	244,159	217,222	275,852	855,714

* Data in the above table include housing land development projects, city development projects, public rental complexes, new town projects, multi-functional administrative city projects and innovation city projects.

Industrial Complex Development Project

We are building environmental-friendly and innovative industry cluster complexes, taking into account changes in industry environments toward knowledge-based cutting edge technology and needs raised by local residents, businesses and local governments.

Some 96 percent of those industrial complexes are supplied at affordable prices which are no higher than development costs. We invested 9 trillion won to build 52 such complexes in vast areas 50 times larger than Yeouido, creating jobs for 750,000 people and 7,000 businesses.

Our Performance in Building Industrial Complexes

(unit : 1,000m², 100million won)

Category	No. of sites	Area	Expenditure	Remarks
Total	52	151,828	91,031	-
Completed	41	118,740	61,007	-
Under works	11	33,088	30,024	-

Distribution Complex Development Project

We are creating distribution complexes in central inland areas including Cheonan, Eumseong, Ulsan and Andong in a move to curb surging logistics costs by establishing an advanced logistics system in key point areas around the nation.

National logistics bases, local inland logistics complexes and logistics centers are being developed in conjunction with one another to build a logistics network which ensures speedy and accurate movement of goods.

Distribution Complex

(unit : 1,000m², 100 million won)

Category	Cheonan Distribution	Pungam, Gwangju	Jinjang, Ulsan	Eumseong Distribution	Jangdong, Jeonju	Andong Distribution	total
Area	465	555	467	283	193	228	2,191
Project expenditure	1,518	637	1,025	348	239	177	3,944

Public Compensation Trust

To respond to growing demands for specialized compensation services as a way of efficient budget management, we are offering a wide range of commissioned services in the fields of development, sales, project, cultural property investigation and quality test in addition to compensation trust services. We have been engaged in a variety of commissioned services while leading the compensation trust market and are now fully capable of carrying out related operations successfully.

Our Public Compensation Trust Performance (unit: 1,000m², 100million won)

Category		'98-'00	'01	'02	'03	'04	'05	'06	'07	계
Public compensation trust	No. of projects	32	27	24	18	24	7	10	11	153
	area	12,242	7,279	15,312	23,443	8,746	4,476	5,250	7,135	83,883
	amount	5,220	3,772	3,885	4,626	4,835	3,387	1,338	1,599	28,662

Land Banking

We purchase and keep idle land, underused land, and land with expected future demands and supply them to customers with actual demand. By striking the right balance between supply and demand, we are contributing to a stable real estate market. We also directly engage in developing and supplying land by making comprehensive and phased evaluation on land needs such as assistance for corporate restructuring, making our real estate market healthier and more stable.

Purchase of Reserve Land to Support Government Policy (unit: 1,000m², 100 million won)

Category	Purchase		Sale	
	Area	Amount	Area	Amount
A total of 6 purchases	119,947	30,690	119,647	39,310

National Land Management (Purchase of Green Belt Land)

We are commissioned by the Ministry of Strategy and Finance to manage national property in accordance with Article 32 of the National Property Law and Article 33 of the Ordinance (management area: 4,010 lots, 16,280,000m², 478.3 billion won)

We are also in charge of purchasing and managing land used for Restricted Development Zone by the Ministry of Land, Transport and Maritime Affairs, which is to prevent undisciplined expansion of cities and preserve national environments in suburb areas.

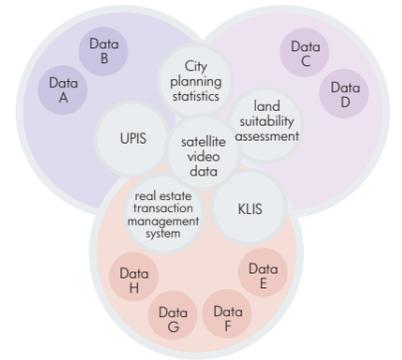
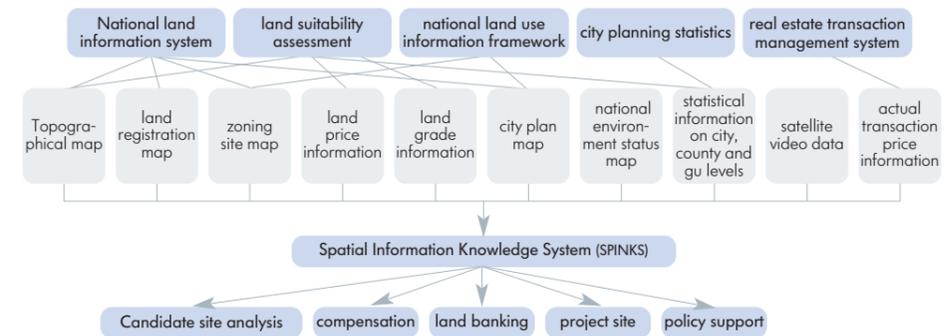
Agreed Purchase of Green Belt Areas on a Yearly Basis

Category	No. of lots	Area	Amount
		(1,000m ²)	(million won)
2004	155	1,455	32,713
2005	190	3,806	55,719
2006	112	3,219	48,115
2007	205	3,786	68,027
Total	662	12,265	204,574

The amount for the year 2008 is estimated at 63.7 billion won

National Land Information Project

We build database on our operations and relevant documents on land, land register and city planning and organically connect such information to provide land services to the public. This is aligned with our move to utilize and manage our national land more efficiently. We are also undertaking land information projects whose core missions are to build and manage systems and DB on land and city planning-related administrative operations. This is to ensure efficient utilization and development of our limited land resources on a national level.



Creation and Distribution of Economic Value

Major Financial Performance

Our financial statement for the year 2006 says we posted 25 trillion won in assets, 20 trillion won in liabilities (7 trillion in financial debts), 5 trillion won in capital, 583.1 billion won in net income and 135.2 percent in financial obligation ratio. The same statement for 2007 tells us that our assets and liabilities increased to 33 trillion won and 27 trillion won (financial debts rose to 10 trillion) respectively and we had 6.8 trillion won in sales, 969.2 billion won in net income and 164.6 percent in financial obligation ratio, which is an improvement from the previous year. A closer look at the liabilities for 2007 says 15 trillion is for advance payment for land purchases, 10 trillion won for bond issuance and 2 trillion won for short term financial debts.

Key Financial Indicators (unit : 100 million won, %)

Year	Assets	Liabilities (financial debts)	Capital	Sales	Net income	Debt to equity ratio (financial obligation ratio)
'04	153,825	109,356(41,690)	44,469	42,339	4,867	245.9(93.8)
'05	173,994	123,868(37,138)	50,126	42,714	6,078	247.1(74.1)
'06	249,719	195,016(73,944)	54,703	53,740	5,831	356.5(135.2)
'07	333,398	270,352(103,765)	63,046	68,063	9,692	428.8(164.6)

*For more financial information including operating cost, wage and welfare, capital cost and tax, please visit the following websites. www.lplus.or.kr, www.alio.go.kr

Supply Performance

Total Investment Results and Area Supplied

Category	No. of sites	Investment	Area	Benefits generated
Total	338	79,357 trillion won	586.26 million m ²	-
City development	271	62,1394 trillion won	275.85 million m ²	6.56 million residents moved in
Industrial complex and others	67	17,2176 trillion won	310.41 million m ²	12,794 businesses moved in

Areas Supplied on a Yearly Basis

Category	2003(cumulated)	2004	2005	2006	2007
Area(1,000m ²)	246,208	19,185	17,643	22,080	45,990

Distribution of Economic Value

We create profits on our own every year without financial support from the government. Part of them are spent to make dividends to the government and the Korea Development Bank and others to make reinvestments. Since our establishment, we have made dividends worth 642.4 billion won to the two shareholders. The rest 3.1849 trillion won has been spent for reinvestment purposes including multifunctional administrative city development (earned surplus reserve, business expansion reserve fund)

How Our Development Profits(Net Income) Are Used

(unit: 100 million won)

Year	Development profits (net income)	Reinvestment funds	Earned surplus reserve	Business expansion reserve funds	Dividends			Note
					Subtotal	Government	KDB	
	(A=B+E+F)	(B=C+D)	(C)	(D)	(E)			(F)
1998	1,219	1,219	406	813	0	0	0	-
1999	1,556	363	121	242	34	24	10	1,159(accumulation of accounting changes)
2000	1,160	923	308	615	86	62	24	151(modification of balance brought over from the last account)
2001	1,076	988	329	659	88	64	24	-
2002	3,720	3,631	1,210	2,421	89	65	24	-
2003	4,384	4,204	1,401	2,803	180	132	48	-
2004	4,867	4,381	4,381	0	486	356	130	-
2005	6,078	4,820	560	4,260	1,258	922	336	-
2006	5,831	4,488	0	4,488	1,343	985	358	-
2007	9,692	6,832	2,277	4,555	2,860	2,097	763	-
total	39,583	31,849	10,993	20,856	6,424	4,707	1,717	1,310

Management Evaluation by the Government

Year	2003	2004	2005	2006	2007
Ranking	4	3	1	8	5
Score	79.37	79.08	83.39	77.40	78.01

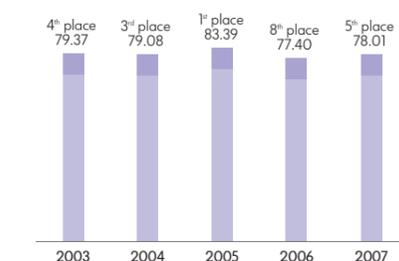
Innovation Evaluation on Public Organizations

Year	2004	2005	2006	2007
Level	3	5	5	5

Recognition

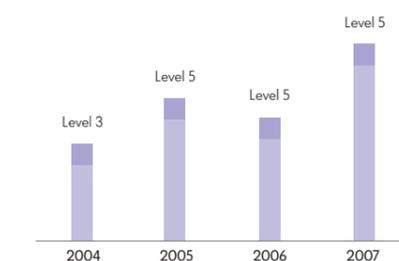
Year	Award	organizer
2002	Minister of Environment Award for Environmental Management Excellence	Ministry of Environment, Maeil Economic Daily
	Jury Prize at Public Sector Innovation Competition	Ministry of Planning and Budget
	Management Innovation Excellence Award	Ministry of Planning and Budget
2003	Presidential Award for Korea Management Productivity Excellence	Ministry of Industry and Energy, Korea Productivity Center
	Prime Minister's Commendation for Contribution to Environmental Protection	Ministry of Environment
2004	SMBA Award at Precision Tech Promotion Contest	Ministry of Industry and Energy, SMBA, the Korea Economic Daily
	Minister of Environment Award for Ecological Landscaping & Afforestation Excellence	Ministry of Environment, KEPLA
	Environment CEO Award	Ministry of Environment, Maeil Business Newspaper
	Korea Cultural Heritage Award, Cultural Heritage Administrator Award	Cultural Heritage Administration
2005	Hankyung & Wesley Quest Award for Excellence in BSC	The Korea Economic Daily, Wesley Quest
	Wesley Quest Award for Excellence in Productivity Enhancement	Ministry of Industry and Energy
2006	Pro-environment Management Excellence Award	The Korea Economic Daily
	4th Forbes Award in Leadership	The Korean Society for Quality Management
	1st Creative Manager Award for Sustainability Management	KRIMA
2007	Best State-funded Organization in management performance for 2005	Ministry of Planning and Budget
	Korea Green Management Excellence Awards	Korea Management Association
	Ecological and Green Landscape Architecture Award for excellence	Ministry of Environment, KEPLA
	1st award in the environmental preservation sector of Social Contribution Corporate Awards 2007	Korea Economic Daily
	Award of Excellence in Safety Management Grand Award 2007	Korea Economic Daily
	Korea Civil Engineering Construction Technology Award	Maeil Business Newspaper
	Presidential award in the public sector of Korea Logistics Award	Korea Logistics Association, Maeil Business Newspaper
7th Herald Economy Times Green Residential Culture Grand Award"	Herald Business	

Management Evaluation by the Government



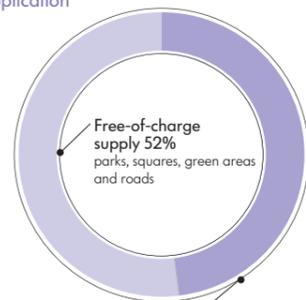
* This is for the government to rank 14 state-invested organizations (Korea Minting & Security Printing Corporation, Korea Electric Power Corporation, Korea Coal Corporation, Korea resources corporation, Korea National Oil Corporation, Korea Trade-Investment Promotion Agency, Korea Expressway Corporation, Korea National Housing Corporation, Korea Water Resources Corporation, Korea Land Corporation, Korea Rural Community & Agricultural Corporation, Korea Agro-Fisheries Trade Corporation, Korea Tourism Organization, and Korea Railroad) under the Public Organization Management Law in terms of management performance.

Innovation Evaluation on Public Organizations



* According to the Act of Government-Invested Corporation, the evaluation committee assesses 248 public organizations for their innovation level on an absolute scale of one to six. We have been evaluated to be at level 5, which means that we started to integrate innovation practices into our management for three consecutive years between 2005 and 2007. Our level of innovation activities in 2007 turned out to have made improvements from the previous year.

Our Total Project Areas Categorized by Application



- Free-of-charge supply 52% parks, squares, green areas and roads
- For-profit supply 48 percent
 - 15% are under development costs (60~90% of development costs) public rental apartments, schools and etc.
 - 19% are around development costs small apartments and public facilities
 - 11% are at estimated prices large apartments and single-family houses
 - 3% are through competitive bidding commercial land

(as of July 2007/unit : m²)

Category	Project site	Gross floor area
Museum	Pangyo, Seongnam	4,408
Culture & welfare center	Dongtan, Hwaseong	27,967
	Hopyeong, Namyangju	5,880
Cultural heritage exhibit	Hyangnam, Hwaseong	2,961
	Dongbaek, Yongin	2,757
Outdoor concert hall	Jukjeon, Yongin	1,714
	Dongtan, Hwaseong	2,200
Library	Neunggok, Siheung	3,523
	Hyangnam, Hwaseong	1,619
	Heungdeok, Yongin	7,348
	Jukjeon, Yongin	4,964
	Suji, Yongin	3,834
	Dongbaek, Yongin	5,559
	Pangyo, Seongnam	10,370
Dongtan, Hwaseong	8,500	

※ KLC shouldered 10 billion won of the 13.56 billion won to build the Culture & Welfare Center in Hopeong, Namyangju

Giving Back to Society

When developing Ilsan, one of the 1st new cities we built, we invested 540 billion won to construct 19.2km of subway lines and 4 km of roads including the Freedom Expressway, which illustrates our efforts to reinvest profits in the concerned project area to expand its infrastructure. We took the same approach for our 2nd new city project in Pangyo, spending all of the development profits in building roads, schools, subway lines, libraries and other public facilities in the area.

We are aware of the misunderstanding in some sectors of our society that we are making excessive profits out of managing real estate transactions but this stems from a superficial comparison between highly expensive land such as industrial land which is sold via open competitive bidding and compensation prices that we offer without adequate understanding of the residential land supply system.

We supply 52 percent of the total including parks, squares, green areas and roads free of charge and make profits on the rest 48 percent only including apartments, single-family homes, shopping centers and schools. We are rather losing money on the land that we provide for profit as it is supplied at or under development costs and we generate profits only by selling single-family home sites (11 percent) or shopping center sites (3 percent). What's more, such development profits all go back to society.

How We Have Expanded SOC (since establishment~2007)

SOC	2005		2006		2007		Since date of establishment to 2007	
	Facility capacity	Amount (100 million won)	Facility capacity	Amount (100 million won)	Facility capacity	Amount (100 million won)	Facility capacity	Amount (100 million won)
Roads	6km	6,061	15km	8,924	74km	44,777	602km	116,464
Subway/railroads	-	517	5km	1,043	42km	13,360	164km	37,278
Tap water facilities	70,000 ton/day	222	-	-	510,000 ton/day	4,137	3.71million ton/day	11,330
Sewage facilities	20,000 ton/day	396	-	461	350,000 ton/day	5,814	5.3 million ton/day	24,334
Waste treatment facilities	430,000 ton/day	251	40,000 ton/day	347	7.07 million ton/day	3,545	3,612 ton/day	8,609
Others	Traffic facilities and others	749	Traffic facilities and others	413	Traffic facilities and others	-	Traffic facilities and others	10,885
Total	-	Total	-	Total	-	Total	-	208,840

Infrastructure Investments and Service Provision to Promote Public Interests

We develop infrastructure facilities such as main roads and sewage treatment facilities and cultural facilities such as parks and libraries to provide a more convenient and comfortable living environment to local residents free of charge. We also have been supplying more than 52 percent of our project sites to be used as public facility site.

How We Have Improved Living Environments (average ratio of public facility establishment)

(unit: %)

category	2004	2005	2006	2007
Establishment of public facilities	49.9	47.1	51.4	48.3
Roads	19.0	22.4	23.9	18.5
Green park areas	24.4	22.1	20.0	26.6
Squares	1.5	0.1	0.0	0.7
Others	5.1	2.5	7.5	2.6

Supply of Residential Land at Affordable Prices

We contribute to more stable living conditions for the public by developing massive amounts of residential land and supplying them in the metropolitan area.

Supply of Land for Multi-Family Housing (under 85m²)

(unit : 1,000m², 100 million won)

Year	2004		2005		2006		2007	
	Area	Amount	Area	Amount	Area	Amount	Area	Amount
Under 60m ² (rented or sold)	1,036	5,246	448	3,199	645	4,127	1,819	21,284
60~85m ² (rented or sold)	1,633	12,178	1,864	20,855	920	9,398	2,762	42,833

Land for Rental Housing Construction
Rental houses under 60m² are provided for 60 percent of development costs and those between 60~85m² are for 60~85 percent (metropolitan area) of development costs.

Houses for sale under 85m² which is the size of citizen's house
Our supply of such houses depends on size and region and they are provided for prices between 80~110 percent of development costs

Construction of Public Rental Residential Complex

We took the initiative to develop public rental residential complexes in the metropolitan area in accordance with the relevant special act in a move to help those houseless enjoy stable living conditions and have a home of their own by supplying quality housing land.

Supply of Land for Multi-Family Housing(under 85m²)

(unit : 1,000m², 100 million won)

	Site name	Area (1,000m ²)	Expenditure (100 million won)	Current status and future plan
Total	8 sites	17,837	132,789	
Under works	Pungsan, Hanam	1,016	6,925	Construction began in Jul. 2004, to be completed in Dec. 2008
	Neunggok, Siheung	969	3,519	Construction began in Feb. 2005, completed in Jun. 2008
	Byeolnae, Namyangju	5,092	39,648	Construction began in Dec. 2007, to be completed in Dec. 2011
	Samsong, Goyang	5,069	44,554	Approval issued in Nov. 2007, construction began in Mar. 2008
	4 sites	12,146	94,646	
Newly launched	Jicheuk, Goyang	1,174	7,445	District designated in Jun. 2006, development approved in Jun. 2008
	Hyangdong, Goyang	1,178	8,500	District designated in Jun. 2006, development approved in Apr. 2008
	Bibong, Hwaseong	1,338	6,002	District designated in Apr. 2007, development to be approved in Sep. 2008
	Jigeum, Namyangju	2,001	16,196	District designated in Dec. 2007
	4 sites	5,691	38,143	



Economic Responsibility

Positive Impacts of Our Investment in Constructing New Town

Category		Total	Bundang	Ilsan	Pyeongchon	Sanbon	Jungdong
Production generated (100 million won)	National	310,403	110,648	94,565	33,979	28,986	42,225
	Metropolitan area	235,522	84,015	71,952	25,630	21,832	32,093
Added-value created (100 million won)	National	118,995	42,342	36,223	13,077	11,120	16,223
	Metropolitan area	90,069	32,129	27,516	9,801	8,349	12,274
Jobs created (1,000 people)	National	1,738	619	529	191	162	237
	Metropolitan area	1,249	445	382	136	116	170

Free Economic Zone Status

Category	Total investment	Production generated	Added-value created	Jobs created
Total	102.36	377.4	157.8	908
Cheongra site, Incheon	31	114	48	227
Youngjong site	71	258	108	627
Distribution complex in western Busan	0.3	4	1.3	3
Namyang site in Jinhae	0.06	14	0.5	1

(unit: 1 trillion won, 1,000 people)

When our development projects in those 4 sites are completed, we are expecting to post 377 trillion won in production generated, 157 trillion won in added-value created and 908,000 in the number of jobs created as a result of investing 102 trillion won (including direct investment).

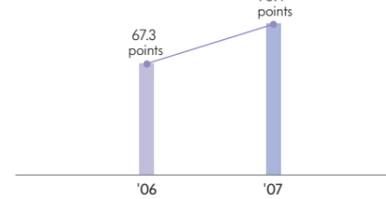
Promotion of Economic Benefits by Encouraging Foreign Direct Investment

We have been engaged in free economic zone projects since 2003 and are developing 37.996 millionm² of land for international finance, air transportation, logistics and cutting edge industries in 4 project sites. We are also under consultation for foreign direct investment attraction.

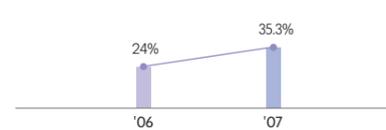
Creative Innovation Performance for 2007

Detailed goals	Innovation strategy	Innovation task	KPI	2007		
				Goal	result	
Product results that the public can recognize	Innovate the way we do business	Improve integration of V.O.C into management and feedback	Time taken for complaint resolution	3 days	2.8 days	
		Expand industrial complex for rent	Ratio of performance achievement in stage 1	95%	98%	
	Enhance customer value	One-stop service of national land comprehensive information	Statistics on the number of daily access	10,000 people	15,000 people	
		Improve project implementation process to ensure local residents' participation and fair compensation	Relocation measures for single-family houses	5 measures	7 measures	
	Expand customers' participation into business process	Improve city environments by ensuring local residents' participation	The number of support cases for the Committee for Green Society	30	48	
		Give back development profits created by real estate financing	The ratio of amount given back as measured against development profits	25%	32%	
	Transparent and responsible management	Improve ethical/transparency management	SPINK to analyze spatial information	SPINKS system configuration rate	More than 90 percent	100%
			Introduce a pool system to share main facility construction costs and set up reasonable criteria of sharing the financial burden	Cost reduction	100 billion won	127.6 billion won
		Enhance self-regulation function	Formulate comprehensive management measures for potential project sites	Land price increase rates in potential project sites	4%	2.3%
			Conclude Strategic partnership with financial institutions and undertake joint projects	The number of SPC pilot projects in developing complexes	2	2
Streamline HR/organizational management		Improve feedback by introducing indices for self-assessment of ethical management	Participation rates of self-assessment	A	A	
		Improve appropriateness of development project expenditure and cut costs	Cost reduction	100 billion	127.6 billion	
Integrate innovation culture into management	Streamline management of compensation and budget	Business integrity agreement system	The number of agreements reached	10	10	
		Reorganize corporate structure according to changing business environments	Reorganization	1	1	
	Create innovation culture where everyone can participate	Improve workforce efficiency by expanding public recruitment	The number of employees hired via public recruitment	30	57	
		Promote internal expert group activities	The number of new internal expert groups	15	22	
Compensate for high performance/promote organizational learning	Increase the weight of innovation performance in compensation system	Rewards	30 million won	32 million won		
	Encourage innovation sponsor/Co-sponsorship	The number of sponsorships made	7	7		
Improve support for innovation by senior management	Promote happy innovation	More active communication between generations	Internal communication channel	5 channels	10 channels	
		Establishment of KLC-style GWP	Completed	Completed		

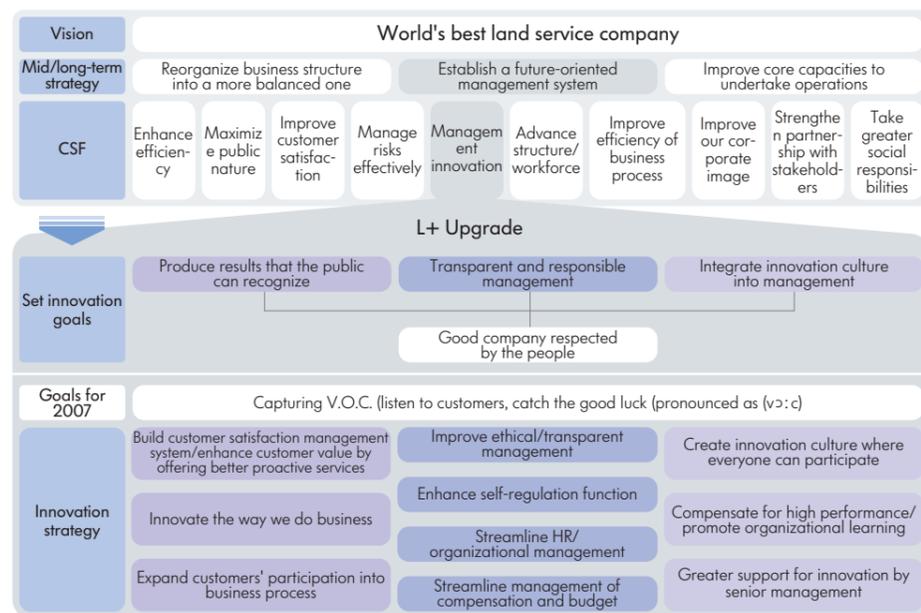
Employee awareness of the need for innovation



A 47 percent increase in the rate of proposals put into practice after introducing a new integrated management system to cover prognosis, task identification, implementation and assessment

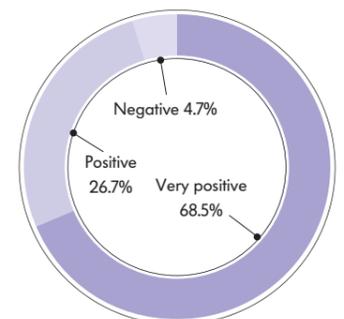


Creative Innovation



Stakeholder Survey on Our Sustainability

We posed a question to our stakeholders of whether we can grow into a sustainable company in the future based our previous economic achievements. We found out that 68.5 percent of the respondents said we can grow and evolve in a sustainable way. In particular, 86 percent of stakeholders working for our business partners were positive about our sustainability as a company.

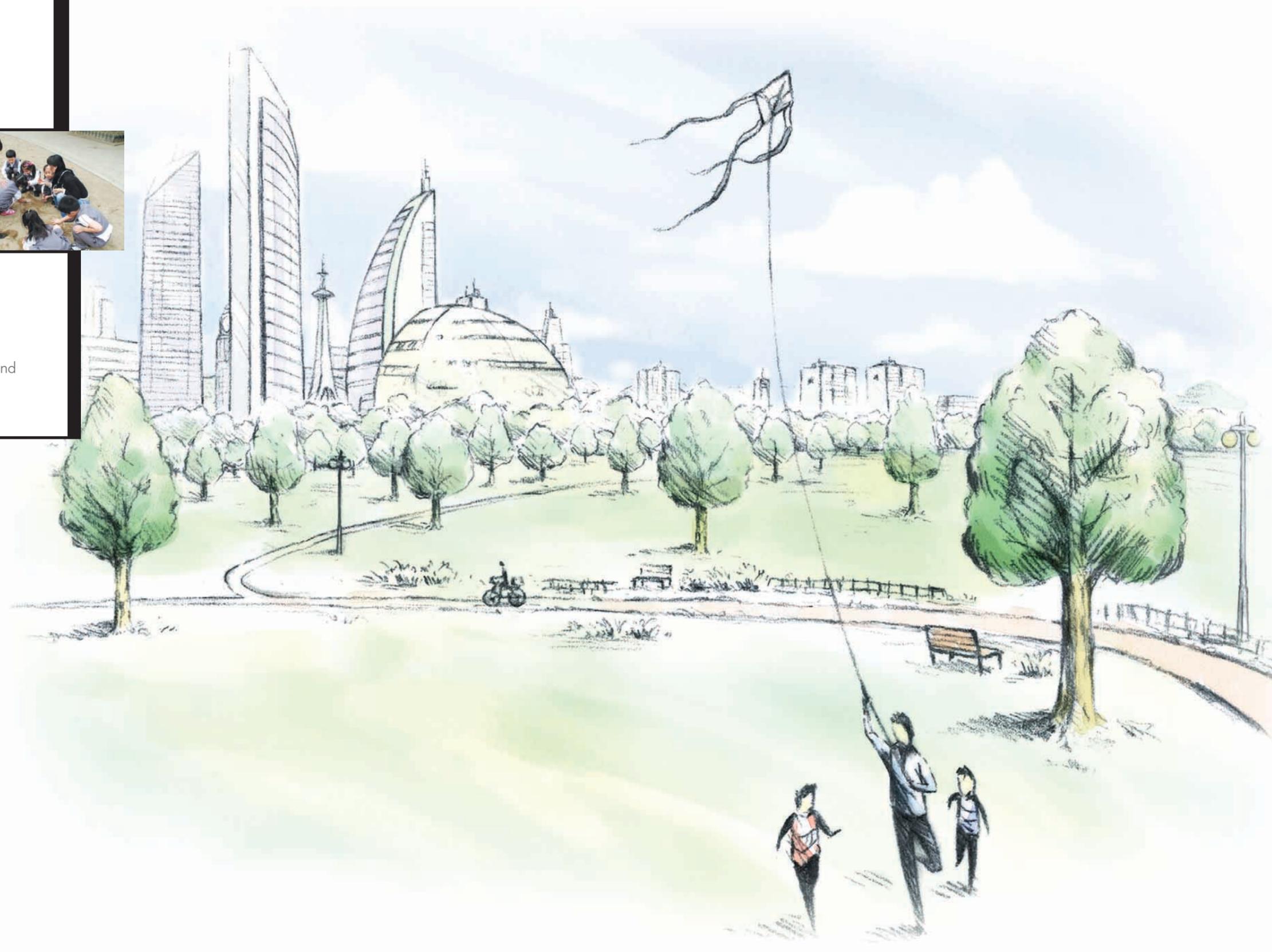


Be Full of Life

We perceive land as a playground, a place filled with joy for people and creatures to run and play.

At KLC, we pursue perfect balance among economic development, human progress and environmental preservation by providing a clean and beautiful land to build a more sustainable world.

In our quest to tread lightly on our land, we change the world for the better.



Lifest



At this land of great inspiration, our promise of the future becomes a reality today.





Environmental Progress

Environmental Responsibility

Material Issues

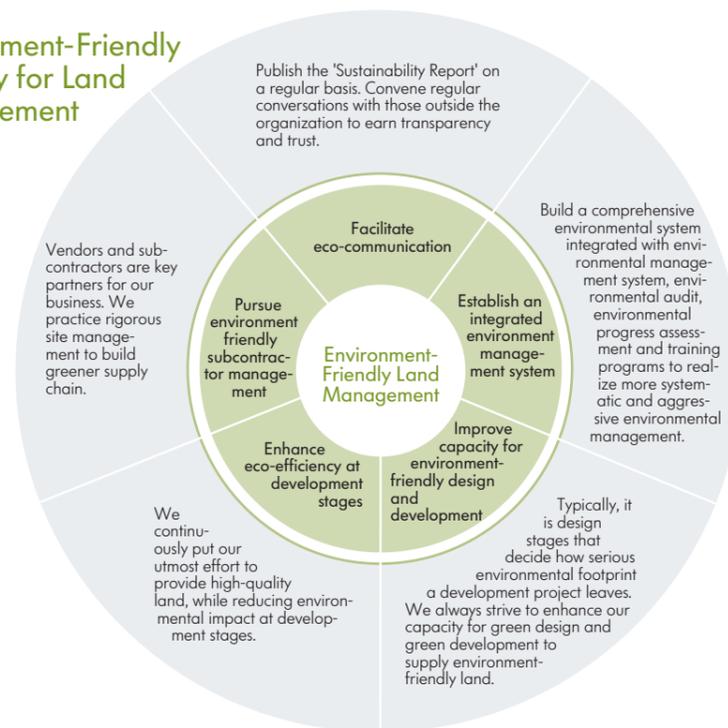
As a state-owned land manager and developer, our green practice for land management might have been the only issue that stakeholders associate with environment friendliness. However, with mounting concerns on global warming and the UN Framework Convention on Climate Change and growing national needs for energy savings, our endeavor to expand alternative energy has started to draw attention. In particular, in recognition with its great environmental benefits, our CDM or Clean Development Mechanism project has been selected as Best Practice. Seeking to take the best advantage of renewable energy, the project has marked a significant milestone in building more sustainable KLC and Korea. This section will introduce our achievements in expanding renewable energy and our efforts to minimize environmental impact at construction stages.

Year	Details
Jul 1996	Declared policies on environment & quality
Nov 1996	Received the ISO 14001 environmental management certification for the first time as a state-owned corporation
Aug 2004	Implemented strategies on sustainability and integrated environmental management
Apr 2005	Completed registration of the Sustainability Report (GR under UNEP)
Apr 2005	Established sustainability strategies and distribute detailed action plans to offices
Aug 2006	Incorporated sustainable management in mid & long-term strategies Established environmental progress management system
Aug 2007	Established environment accounting system

- In November 1996, we acquired the ISO14001 certification for environmental management, the first such certification for a state-owned company in Korea.
- In 2005, we established an integrated environmental management system and laid out sustainable development strategies that embrace both the environment and social sectors.
- In 2006, we incorporated sustainable management into our three major mid-to-long-term strategies. We also introduced environmental progress assessment system to build more efficient and sustainable environmental management system.
- Furthermore, we established environment accounting system to estimate environment costs and manage environment-related investment and performance.

Environmental Management

Environment-Friendly Strategy for Land Management



We seek to incorporate environmental considerations into every business that we involve. In particular, we have vigorously established and carried out five major strategies to realize more eco-friendly land development.

Environmental Progress Management System

We developed performance index to assess environmental progress and to improve environmental management in a systematic manner.



Category	PI	2004	2005	2006	2007
Greening of supply chain	Contract price reflecting environmental factors	568,744	1,080,998	777,515	1,399,852
	Green purchasing	-	23%(1,857)	37.3%(7,517)	40.9%(10,700)
	Use of eco-friendly materials	-	1,440	-	10,470
Enhancing internal environmental capacity	% of employees completing environment training	15.4%	21.8%	-	29.2%
	R&D investment in environment (1 million won)	6,967	6,240	1,286	2,586
	Awareness in environment management (on a 1 to 5 scale)	2.55	2.7	-	2.98
Eco-friendly Design	No. of cases applied with green development plans (No. of sites where such plans are approved)	456(11)	318(11)	-	338(46)
	Environment investment	-	-	-	95,352
	Degree of pleasantness*	71	72	83	-
	Park greenery ratio	24.4%	22.1%	20.0%	26.6%
Green partnership	Efficiency of resource utilization (1,000 won/m ²)	200	153	160	194
	BAR (1,000 won/m ²)	-	-	-	27.7%(15,216)
	Free contribution of public amenities (%)	49.9%	47.1%	51.4%	48%
	Investment in SOC expansion (100 million won)	13,064	8,196	11,039	75,689
	No. of events engaged with local communities	-	-	-	137
Society/Environment	No. of cooperation projects with civic society	-	-	-	107
	Investment for social contribution (1million won)	1,001	1,199	2,838	4,395
	No. of public complaints raised regarding environment	-	-	542	424

* degree of pleasantness: from customer satisfaction survey on public corporations since 2007.

R&D Investment in Environment

Year	No. of cases	Amount (1million won)
2007	14	2,586
2006	6	1,286
2005	6	5,011

Environment-related projects

Year	Project Details
2007	Research on establishing environment accounting system to manage progress in environmental management. Guideline on reutilizing treated water to create creeks and research on stream monitoring of Dongbaek site, Yongin
2006	Research on establishing directions and PI for sustainable town development Research to develop eco-friendly planning process and PI for land development Research on ecological restoration methods for damaged areas
2005	Research on developing eco-friendly indicators for sustainable city development Research on traffic calming techniques in residential land development Research on classifying construction debris by characteristics for effective recycling and disposal
2004	Research on measures to reduce environmental impact of complex development project Development of base technologies for creating eco-friendly space Research on measures to control fugitive dust and construction debris

Endeavor to Enhance Environmental Effectiveness

Taking the Best Advantage of Environment Impact Assessment (EIA)

We proactively undertake environmental impact assessment at the field with on-site heads, supervisors and environment managers taking strong ownership. By investigating environmental concerns and assessing their potential impacts, we have effectively prevented critical environmental impacts from occurring.

Furthermore, as a part of our efforts to clear up institutional ambiguity of EIA and realize more efficient and effective management of the system, we have conducted various researches including development of vegetation map for environment-friendly complex planning, methods to predict and prevent traffic noises, environmental review of development projects and ways to minimize traffic noise during city development.

In order to minimize environmental impact throughout the entire process of land development, we continuously assessed and improved environmental standards. Our investment has gone up continuously to create more eco-friendly living environment and to build eco-friendly land where people live in perfect harmony with the nature.



As of January, 2007, we renewed our ISO 14001 certification after passing the renewal test of Korea Productivity Center Quality Assurance. The certification is a recognition of the company's excellence in operating environmental management system, achieving objectives and complying with relevant laws.

	2005		2006		2007	
	No. of sites	Total size (1000m ²)	No. of sites	Total size (1000m ²)	No. of sites	Total size (1000m ²)
PER	21	33,197	9	28,629	5	9,258
EIA	4	2,616	7	11,207	14	52,462
Natural landscape assessment	0	0	1	976	9	41,774
Total water pollution load	2	971	4	9,155	10	41,190
Plans on non-point pollution	4	2,616	7	11,207	14	52,462

Research on Vegetation Map for Environment-Conducive Complex Planning

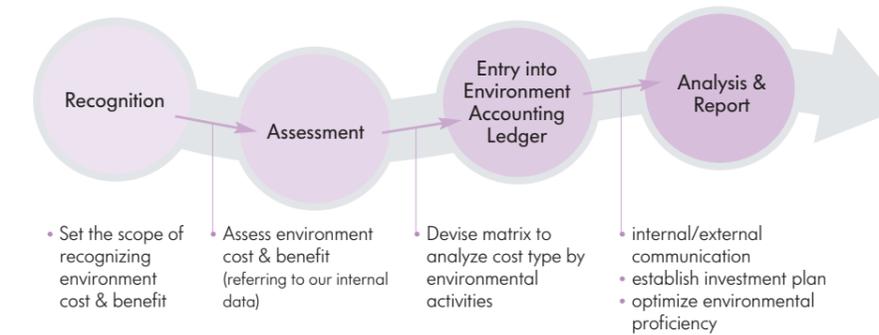
The traditional methods for grading the degree of green naturality (DGN) heavily relied on subject observations of an investigator. To address this shortcoming, we conducted a research for objective, reasonable and quantitative DGN grading criteria. The new criteria help preventing degradation of well-preserved vegetation, resolve disputes arising from EIAs among project operators, the government and environmental groups, and expedite the execution of development projects.



Environment Accounting System

At KLC, efforts are now in full swing to build environment accounting system. The system is to recognize and assess environmental cost and benefits arising from various efforts to reduce or deal with environmental impact of business activities. The system will disclose such information to stakeholders inside and outside.

Process of Applying Environment Accounting



Research on Environmental Review of Complex Development Projects

Bringing together working-level experts from the Ministry of Construction & Transportation, the Ministry of Environment and the corporation, we have established a working-level council to review and analyze various problems related with prior environmental review (PEI) and EIA. The working group has also developed EIA guidelines and policies and completed research to build effective and objective criteria.



Environmental Audit

Once a year, we receive an external audit from the Korea Productivity Center Quality Assurance. Four offices of Headquarters (Administration Management Office, Customer Satisfaction Office, Environment & Traffic Office, Quality Control Office) as well as regional divisions and branches are subject to the audit and are examined in several criteria including 1) continued operation of quality and environment management system, 2) modifications in organizational structures, systems and document templates and 3) compliance with environmental laws and regulations. In our continuous pursuit of foolproof environment management and quality control, we also conduct internal environmental audit every year to monitor status and performance of environmental management on a regular basis.

Receiving Environment Awards for Six Years in a Row



Compliance

Throughout our entire management process, we adhere to every law and regulation relating environment and continuously seek to raise our bar for compliance. For example, if problems occur regarding downstream water quality, we apply more stringent standards on water discharge than what is required by laws. In 2007, penalties imposed with the violation of environmental laws remained at 900, 000 won with no non-monetary punishment.



Progress in Energy Saving

Energy Consumption

Over the past three years, energy consumption and GHG or green house gas emissions have constantly increased due to ever-expanding volume of development projects.

Description	2005	2006	2007
Fuel consumption of business vehicle (gasoline ℓ)	99,161	113,680	130,981
Fuel consumption of business vehicle (Light oil ℓ)	215,342	270,342	329,400
TOE	255.34	312.56	375.27
TCO ² Emission	769.12	942.60	1132.51

Energy Consumption at Project/ Regional Divisions

Year	Total floor area(m ²)	Heating/cooling area(m ²)	Direct Energy consumption		Total (TOE/yr)	Energy Cost			Unit cost/TOE (won/TOE)
			Fuel (TOE/year)	Indirect Energy consumption Elec (MWh/yr)		Fuel	Electricity	Total	
2004	163,659	99,474	854	10,041	3,013	458	974	1,432	475,178
2005	181,485	109,499	1,045	11,281	3,470	547	1,101	1,647	474,667
2006	181,485	108,787	1,038	11,357	3,480	629	1,186	1,815	521,579
2007	193,510	120,652	987	13,066	3,797	628	1,405	2,032	535,216

Our executives and staff rolled up their sleeves and carried out various campaigns to manage facilities effectively to save energy: wearing simple suits to work during summer and using knee rugs during winter, establishing windscreen at the major entry of headquarters building, maintaining air temperature no lower than 28°C and no higher than 18°C for summer and winter respectively, cleaning and removing rust once a year for refrigerators and heat exchangers to enhance thermal efficiency, selecting energy-efficient equipment when replacing, utilizing latent heat and operating heating/cooling equipment for less hours. As a result, we were able to reduce direct energy consumption by 5% despite 11% increase in cooling and heating area.

In addition, we conducted a test to figure out how much energy is consumed and GHG is emitted during commuting hours by 892 cars registered at headquarters. According to the investigation, our energy consumption reached 551.39TOE and GHG emission 1641.24TCO². We are committed to reinforcing our efforts to prevent air pollution and conserve energy, including "No-Drive Campaign" where a driver designates one of weekdays not to drive a car, expanding carpooling and introducing commuter bus service. In addition, "odd-even driving restriction" is currently under review for implementation, which bans cars on alternate days depending on whether their number plates end in odd or even numbers.

We have pursued multifaceted approaches to reduce energy consumption. We have carried out various research works to find more efficient ways to utilize resources including:

- 1 Research on clustering of basic environment facilities (complete)
- 2 Research on planning processes to introduce new and renewable energy to Sosabeol site, Pyungtaek (complete)
- 3 Research on Sosabeol CDM project, Pyungtaek (ongoing)
- 4 Research on energy-efficient city development (complete)
- 5 Research to build and introduce renewable energy criteria (planned)
- 6 Research on CDM project for innovative cities
- 7 Research on renewable energy adoption for Innovation Cities (planned)

Major contents in proposals to develop energy-efficient cities include

1. Promote new and renewable energy in various city development projects and make planning process more resource-circulating
2. Increase government subsidies in establishing renewable energy facilities
3. Support CDM (Clean Development Mechanism)
4. Reinforce criteria to assess eligibility of bidders
5. Improve collective energy project laws to cluster energy resources
6. Take effective follow-up after the introduction of wastewater reclamation system
7. Devise methods to secure stable energy sources by utilizing new cities we have built abroad.

To establish energy policies for the current Lee, Myung-bak administration, we established and proposed "Ways to Build Energy-Saving Cities". In addition, through constant consultation with central and local governments, we proposed basic concepts and directions for energy-efficient city development.

Efforts to Save Energy

Various energy-saving campaigns were carried out at the corporation, including wearing simple suits to work for the summer season, making sure to turn out lights during lunch and turn off all electronic devices before leaving the office, using office lighting as least as possible, bringing knee rugs during winter, establishing windscreen at the major entry of headquarters building, maintaining recommended air temperature to prevent excessive heating or cooling (28° C for summer and 18° C for winter), turning on only half of lights, introducing energy-efficient luminaries, removing rust and corrosion of refrigerators and heat exchangers to enhance thermal efficiency, selecting energy-efficient device for replacement, utilizing latent heat and running HVAC equipment (heating, ventilation & air-conditioning) for less hours. As a result of such extensive efforts, the headquarters were able to reduce energy consumption by 470 TOE from normal operation. Compared to rated operation, it was 12% or 25kgoe/m² energy saving, assuming that 1 TOE of a public building amounts to 40kgoe/m² annually. In addition, we developed various plans to improve energy efficiency including bringing specialists to conduct energy diagnosis, dividing cooling and heating area at headquarters to smaller areas, reviewing ventilation status to minimize power load of heating and cooling equipment and managing standby power.

Energy Savings by Project Sites

In 2007, we reduced carbon gas emission by 662,000TC and energy consumption by 1,078,000 TOE. Such a monumental achievement was possible thanks to our efforts to encourage project sites to establish plans to make better use of energy. We are now pushing up with our efforts to build eco-friendly cities by promoting new and renewable energy and energy-efficient devices.

Efficient Energy Use- at Project Sites

Category	Description								
Methods and equipment to ensure more efficient use of energy	• Certification for energy-efficient buildings			• Gas boiler with high energy efficiency					
	• Motor inverter			• Automatic building control					
Waste heat recovery & recycling	• Machineries certified with energy efficiency			• Balancing valve					
	• Thermostat for heating & cooling			• Energy-efficient motor					
New & renewable energy	• Energy-efficient ventilation equipment that recovers waste heat								
	• Heat pump to recover heat from sewage								
	Solar heat	Solar light	Thermal system	RDF	Digestion gas	Waste incineration heat	Fuel cell	Total	
	17	16	16	1	1	5	1	57	

Amount of Energy Savings

- Annual energy reduction reaching 1,078,170 TOE
- Savings for energy bills: 729 billion won per year

• **Energy Savings**
708,426TOE/yr x 7.41 barrel/TOE x USD85.05/ barrel x 907 won/USD 1=404.9 billion won

→ Won-USD exchange ratio: 907 won / USD1 (as of November 02, 2007)
→ Dubai oil price: USD85.05/ barrel (as of November, 02, 2007)

Amount of Carbon Saving

- Around 662,551TC emission cut per year
- Savings for energy bills: 16.6 billion won per year(20)

• **CO₂ Reduction**
398,663TC/yr x 25,000 won / TC =10 billion won / yr
→ ITC = EUR20 x 1250 won / EUR = 25,000 won

Energy Savings in 2007

Site	Building area	Energy saving (TOE/yr)	Carbon reduction (TC/yr)
Gimhae Jinyoung 2	975,713	3,447	2,179
Ulsan, Hyomun	385,180	2,070	1,285
Administrative city	72,908,221	442,207	277,954
Hyangnam, Hwasung	3,181,804	38,628	24,012
Gimpo, Yangchon	10,837,004	91,074	57,785
Shinseo, Daegu	4,216,496	50,035	31,640
Woojeong, Ulsan	2,877,615	43,130	27,004
Yullyang 2, Cheongju	1,810,223	7,040	4,454
Gwangju	7,295,000	74,318	30,648
Goyang Samsong	5,068,759	50,187	31,821
Gimcheon,	3,803,000	18,289	11,504
Sosabeol, Pyeongtaek	3,019,031	29,518	18,695
Wonju, Gangwon	3,603,048	37,891	23,966
Songjeong, Ulsan	1,440,150	11,050	7,017
Okjeong, Yangju	7,295,760	80,679	50,569
Jeonju,	10,144,755	30,841	19,487
Technopolis, Daegu	7,265,636	67,766	42,531
Total	146,127,395	1,078,170	662,551

*TOE (Ton of Oil Equivalent) : The ton of oil equivalent (toe) is a unit of energy: the amount of energy released by burning one tonne of crude oil. Referring to 10 million kcal produced from 1 ton of crude oil, or 7.41 barrel, 1TOE is equivalent to 1.150m³ of natural gas or 1.55 tons of oil.

*TC (Ton of Carbon Equivalent) : A unit to convert CO₂ emission based on weights of carbon to compare GHG emission from various sources with GWP, or global warming potential.

New & Renewable Energy

We adopted a wide variety of measures to expand new and renewable energy such as turning debris into fuel, recovering energy from waste incineration and utilizing digestion gas.

Category	Description	Usage
Conversion of waste into fuel	Collect only flammable materials from garbage and pressurize them into pellet types to generate heat	Utilized as heat source at the Multifunctional Administrative City
Heat recovery from waste incineration	Utilize waste heat generated from a nearby incinerator for a combined heat and power plant	Utilized as heat source at Daegu Innovation City
Digestion gas	Process food waste with sewage sludge to generate methane gas. Turn the gas into heat through combustion	Utilized as heat source at the Multifunctional Administrative City

With our firm commitment to building energy-efficient cities, we promoted and expanded the use of new and renewable energy by Signing MOU with various local governments, in particular those selected as Innovation Cities, including Sinseo in Daegu, Woojung in Ulsan and Gwangju in Jeolla province.

local government	Concept	MOU parties	Date of Signing
Woojung, Ulsan	Energy-efficient city with beautiful landscape	Ulsan municipality, KEMCO (Korea Energy Management Corporation), KLC	Apr 16, 2007
Sinseo, Daegu	Solar-powered city	Daegu municipality, KEMCO, KLC	Apr 9, 2007
Gwangju, South Jeolla	City of green energy	Gwangju municipality, KEMCO, KLC, South Jeolla provincial government	Dec 11, 2007

Energy-Efficient Devices - Adopted at Project Sites

Purpose	Relevant energy-saving devices
Enhance energy efficiency	Certification of energy-efficient building, automatic building control, thermostat for heating, high-efficient gas boiler, balancing valve, equipment and materials certified with their energy efficiency, motor inverter
Recover waste heat	Energy-efficient ventilation equipment for waste heat recovery, heat pump to reclaim heat from wastewater

We laid out a guideline, titled "Detailed Guideline to Promote New & Renewable Energy by Districts". The guideline stipulated mandatory promotion of new and renewable energy not only to public sectors but also to private housing including single and multi-family housing such as apartments. We plan to expand this policy throughout our entire project sites.

Reducing Energy Use

We achieved an 8.6% year-on-year decrease in energy consumption for city development (a 76% drop from base figure) and 10.0% cut for industrial complex development. In our quest to build energy-saving complexes, we plan to target 0.2 TOE for city development and 0.4 for industrial complex. By effectively dealing with recent oil price hike and proactively responding to climate change and the UNFCC or the UN Framework on Climate Change, we vigorously guard ourselves for the case when mandatory emission cut might take a toll on our business.

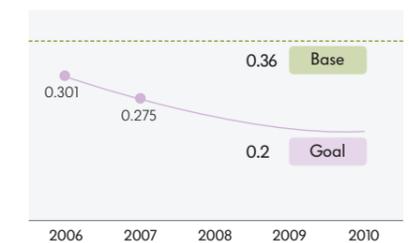
Pursuing CDM Projects by Developing Energy-efficient City

With the UNFCC and Clean Development Mechanism projects in full swing, the global community applies more and more stringent rules on climate change. Though such restrictions are not directly related with our business, we realized that we can turn climate challenge into a great business opportunity, as we develop and provide land for energy-guzzling buildings. Under such realization, we have developed models to build energy-efficient cities and pursued CDM projects. In particular, our strategic focus lies with developing and expanding new and renewable energy in line with government policy directions and environmental considerations. Despite its huge capital expenditure and upfront investment, we believe our engagement with renewable energy will yield a significant financial benefit at least from 2012, given that the markets for emission trading and CDM projects are now worth as high as USD150billion.

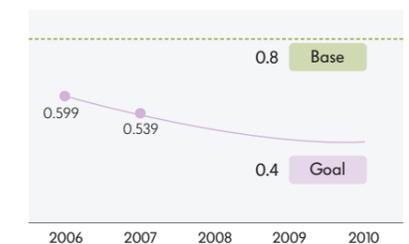
Development Model for Energy-Efficient City

We established a model to develop energy-efficient cities that save energy and reduce carbon gas emission by tapping into various renewable energy sources, such as solar power, solar heat, thermal cooling/heating and fuel cells. Taking Sosabeol, Pyeongtaek as an example, the city has been selected as a pilot city for a renewable energy project. We signed a contract with the Ministry of Knowledge and Economy to supply new and renewable energy for the project. The project aims to strengthen energy independence and proactively respond to the UNFCC by promoting the use of new and renewable energy. The site is now making full-fledged efforts to become a true "SolarGeo city" by making better use of energy and reducing GHG even from the initial stages of land development.

Urban Development (TOE/yr. 10m²)



Development of Industrial Complex (TOE/yr. 10m²)



Solar Power Generation

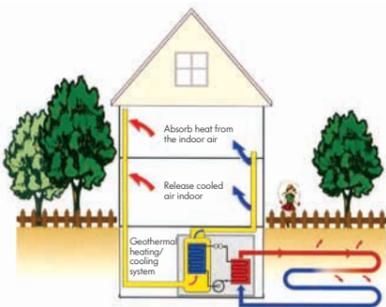


Solar Heating

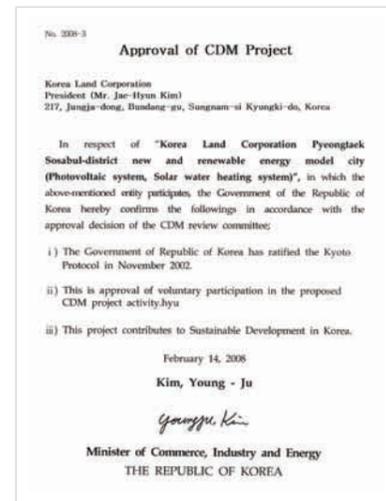


Geo-Thermal Cooling/Heating

Utilize air and water for heating and cooling. Absorbed heat is discharged through underground pipes, using ground as a heat sink.



Certificate for CDM Project



Introduction of New & Renewable Energy at Sosabeol District, Pyungtaek

(Unit : MWh/yr)

Category		subtotal	Solar power	Solar heat	Thermal heat	Fuel cell
Housing	Single family housing	3,796	1,790	2,006	-	-
	Multi-family housing	3,415	3,415	-	-	-
Public Facilities	School	10,501	254	224	10,023	-
	Government authorities	19,720	622	483	18,615	-
	Theme park	175	175	-	-	-
	Symbolic towers	2,114	83	-	-	2,031
	Total	39,721	6,339	2,713	28,638	2,031

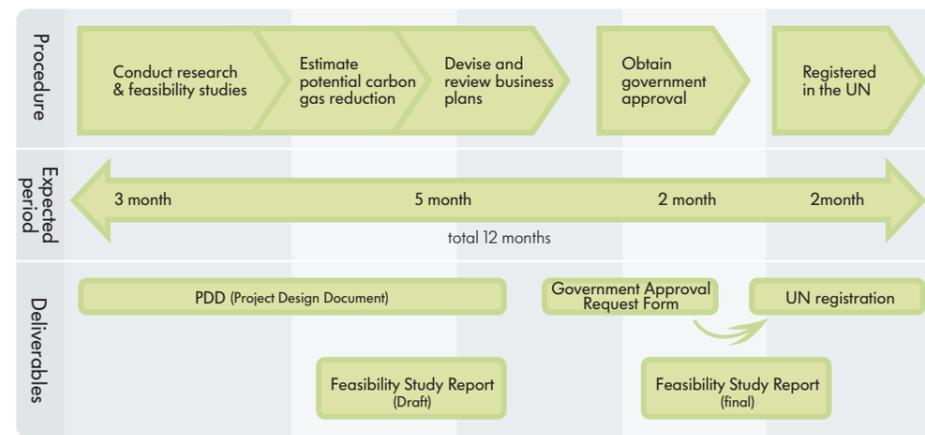
With the introduction of new and renewable energy systems, around 39,721MWh of energy is expected to be saved, representing 5.5% of total energy consumption.

*The government aims to expand renewable energy adoption to 5% by 2011.

CDM Projects Utilizing New and Renewable Energy

On November 13, 2007, we requested an approval for a CDM project to introduce solar power and solar heating to Sosabeol project site in Pyeongtaek. The approval came on February 14, 2008, which allowed annual 3,838 ton of GHG emission including 2,688 ton for solar power generation and 1,150 ton for solar heating.

We now seek UN approval for CERs-Certified Reductions to aggressively respond to climate change. To prepare for the situation when Korea joins Annex-1 countries with mandatory emission cuts, we work hard to enlarge our capacity to cut GHG and develop new and renewable energy independently.



In the future, we plan to register this CDM project and another CDM for geothermal heating and cooling to the UNFCCC to become the first company that brings new and renewable energy development projects for land and residence development to the CDM project list, a significant boost to become a leading champion for environmental protection.

Efforts to Reduce Raw Materials and Manage Waste

A series of large-scale national construction projects have launched since 2006, which pushed up the consumption of raw materials and compartments: Free Economic Zone, New Residential Complex Development, Inter-Korean Cooperation Project, Multifunctional Administrative City Development, Overseas Development, and Innovation City Development. We have continuously tracked down the use of materials for each product category and monitored materials flow cost to see how efficiently materials are used. While promoting and expanding global resources conservation, we aggressively pursued less intensive and more efficient use of materials.

Consumption of Major Construction Materials

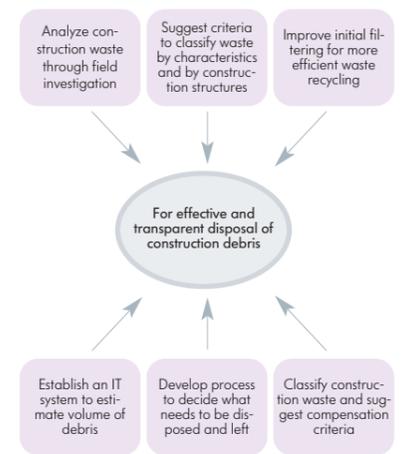
Raw materials	2004	2005	2006	2007	Unit
Concrete mixer	263,941	285,659	1,236,941	866,252	m ³
Ferroconcrete	349,520	40,507	124,423	190,030	Ton
Asphalt concrete	799,293	691,481	738,802	2,072,997	Ton
Porous concrete	14,955	70,661	60,057	79,961	m ³
Boundary pavement block	291,440	358,287	307,477	978,175	M
Small high-pressurized pavement block	730,009	365,187	245,711	818,166	m ²
Concrete pipe	159,927	173,192	147,088	302,856	M
Main iron pipe	29,929	83,292	74,019	162,232	M
Steel pipe	27,392	106,171	60,260	294,535	M
PE pipe	95,991	34,911	71,667	124,710	M
Aggregate	1,379,233	1,222,158	1,008,222	5,002,038	m ³

Soil is the most heavily used resources in civil engineering. We supplied soil for construction by recycling soil created at the field. Soils are brought from outside, only when the recycling volume can not keep up with the demand.

Description	2005	2006	2007
Embankment volume at construction sites(m ³)	18,268,204	14,811,382	15,848,512
Volume of recycled soil from soil-cutting(m ³)	13,443,070	10,786,104	10,700,073

CDM (Clean Development Mechanism)

The Clean Development Mechanism is an arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment (called Annex 1 countries) to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries.



Description	2005	2006	2007
Debris treatment cost (million won)	10,392	16,854	10,564



Environmental Responsibility

Recycling % of Construction Debris

2005	2006	2007
20.17%	14.34%	32.29%

Discharge and Recycling of Construction Debris

Debris (ton)	2005		2006		2007		Remarks
	Discharge	Recycling	Discharge	Recycling	Discharge	Recycling	
Face concrete	307,786	63,899	427,423	48,276	445,840	225,780	
Porous concrete waste	89,060	7,184	127,600	32,240	263,571	22,272	
Waste concrete	15,625	0	29,358	0	31,246	0	
Waste resin	22,842	8,541	17,273	0	15,994	117	
Waste timber	5,374	10,039	5,783	6,545	21,599	8,427	
Sundry construction debris	2,077	0	0	0	14,830	0	
Waste metal	267	64	167	167	419	90	
Asbestos	21	0	854	0	1,502	0	Hazardous
Total	443,051	89,727	608,458	87,228	795,001	256,687	

Major construction debris including face concrete, waste porous concrete and general concrete wastes are recycled as aggregate for road pavement and others. Waste metals are also collected for reuse. In 2007, around 32.29% of construction debris was recycled.

Minimizing Environmental Impact at Construction Stages

We developed our own specifications for subcontractors and business partners which include rules on Construction Environment Management. In accordance with the rules, we spared no efforts to leave as little footprint on construction sites as possible by taking various measures including plans to tackle air and water pollution and mitigate noise and vibration.

Prevention of Air Pollution

Striving to minimize adverse environmental impacts caused by particle matters and dust from vehicles visiting construction sites, we make it mandatory for suppliers and contractors to install vehicle and tire washing equipment on site. In addition, vehicle speed limit is imposed during earthworks to prevent the creation of fugitive dust at the source. In order to prevent the generation of arsenic acid dust, we require contractors to obtain permission or approval in accordance with relevant laws and regulations before they build and operate aggregate storage and batch plants. Also, we install temporary dust nets around a construction site and regularly spray water to areas affected by air-borne dust and particles.

Air-born Pollutant Emission at Our Project Sites

Nox(kg/kw,h)			PM(kg/kw,h)		
2005	2006	2007	2005	2006	2007
6,625	9,595	7,527	134	197	158

*Calculated based on 2007 Criteria to Estimate Volume of Atmospheric Pollutant Emission & the Standards of Construction Works Measurement.

GHG Emission and Energy Consumption for the Use of Construction Machinery

Description	2005	2006	2007
Fuel Consumption(ℓ)	15,145,383	21,646,368	17,063,089.5
TOE	12,797.85	18,291.18	14,418.31
TCO ₂	39,276.60	56,135.63	44,249.79

Water Pollution Prevention and Management

Taking into consideration extreme difficulty of identifying which water source leaves significant impact on water intake and the use of water pipe, the Report on Water Consumption reflects only tap water consumption at project and regional divisions. Wells located and used at construction sites are not included in the report, since their supply volume remains minimal with negligible impacts.

Year	Number of Staff	Tap Water Consumption (m3/yr)	Water Consumption	
			Annual water consumption (m3/yr)	Increase/decrease ratio (%)
2004	2,798	89,185	31.87	76.427
2005	3,077	95,140	30.92	-2.996
2006	3,263	102,429	31.39	1.524
2007	3,381	102,775	30.40	-3.164

*Number of staff includes regular and irregular workers.

Description	2005	2006	2007
Drainage consumption (m ³)	50,885	54,112	650,211
Wastewater reclamation consumption (m ³)	-	-	1,470

Prevention of Soil Pollution

Throughout 2007, not a single case was reported on soil and underground water pollution caused by waste oil leakage on construction sites. We took various measures to ensure foolproof prevention of waste oil leakage and soil contamination, such as installing and establishing waste oil storage facilities in the vicinity of field office, paving roads with water-proof materials like cement and asphalt, preventing run-off inflow from outside or walls, attaching signs on waste oil storage facilities and tracking down records of waste oil storage and release. In addition, we revised specifications to allow only eco-friendly preservatives for wooden equipment. For the designs already made with CCA preservatives, we modified the design to become non-hazardous.

Bicycle-Only road (Gimpo New City)

Decrease in Traffic Congestion Cost	7.4 million won (if 1.2% passenger cars are replaced with bicycles)
Decrease in Pollution Level(Decrease in Air Pollutants)	48 million won (Sox, NOx, CO ² , air-born dust)
Annual Total Benefit	7.88 million won

Volume & Ratio of Reused or Recycled Water

Year of Construction Complete	2005	2006	2007	
Treatment Facilities	Neunggo k Water Quality Recovery Center, Siheung	Pangyo Water Quality Recovery Center, Sungnam	Jinjeob Water Quality Recovery Center, Namyangju	Chungbuk Water Quality Recovery Center, Pyungtaek
Sewage (m ³ /day)	7,000	47,000	14,000	8,200
Recycling volume (m ³ /day)	Heavy water	2,000		
	Water for stream maintenance	29,000	14,000	2,500
	Process water remaining at treatment facilities			
Others	720			
Total	720	31,000	14,000	2,500
Proportion	10%	66%	100%	30%

(Unit: 1 million won)

We provided significant amount of purified water to prevent drying-up of streams and preserve eco-system. For sewage treatment facilities not handed over from KLC to owners, processed water was used only for the facilities, leading to only a negligible consumption. Therefore, the table above presents the volume of water processed and recycled at the facilities already handed over to local governments.

Noise & Vibration Control

To reduce noise caused by operating vehicles, we devised a variety of measures including vehicle speed limits and the adjustment of operating hours of construction machinery. In addition, we guide and support subcontractors to develop vibration and noise mitigation plans concerning the use of explosives, dosage, blasting schedule and technique. Furthermore, noise control panels are installed at areas vulnerable to damage. We regularly check noise level and develop appropriate response measures.

Environment & Safety Training

We provide regular one-hour safety training at least once a month to ensure health and safety of our employees and subcontractors working at the field. During the trainings, participants learn the corporation's environment policy, site targets and what cause major environmental impacts and renew their commitment to minimizing environmental footprint.

Content of Environment Education for subcontractors

- Our environment policies & site goals
- major environmental impact
- roles and responsibilities
- relevant laws and regulations
- emergency tips

Endeavor to Preserve Biodiversity

Preserve Wildlife Habitats within a Project Site

We seek to preserve forests with high biodiversity so that they will continuously serve as a wildlife habitat and a carbon sink, which helps us combat global warming and provide pleasant living environments to our customers, local residents.

Green Parks Designated for Preservation within Project Sites

	Size of parks designated for preservation (1000m ²)												Total
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Housing area	140	35	395	48	180	-	170	433	1,490	564	1,879	1,179	6,513
Industrial complex	-	-	-	430	-	-	39	830	263	-	278	124	1,964

Tidal flats located at the southern Yongjongdo site, Incheon are important stopover sites for migratory birds including shorebirds that pass Korea during spring and summer. In particular, detention ponds near the tidal flats serve as important resting and feeding places for migratory birds. In developing the area, we brought in specialists to develop ways to preserve the tidal flats. In addition, around the Han River waterfront is a major habitat for a bean goose and a white-fronted goose located. The habitat provided places for feeding, wintering and rest. While undertaking the Gimpo New City Project, we designated the habitat as an ecological park and preserved it. A bean goose and a white-fronted goose are designated as endangered species by the Ministry of Environment.



We signed "Multilateral Agreement of Corporate Supporters for Wetland Preservation" on March 8, 2007 to support successful convening of the 10th Ramsar COP in 2008 and among 16 signatories, we made first sister agreement with an elementary school to conserve Hwapo wetland. In addition, we engaged in preservation efforts for Woopo marshland, Hwapo wetland and Joonam reservoir as a corporate supporter. Korea has eight wetlands registered on the Ramsar List, which span in total 81.2 km² (6 for inland wetlands and 2 for shore wetlands). We have not executed even a single project within these protected wetlands.

Examples of Habitat Protection and Restoration

One of our residence complex development sites, Sanam3 site in Cheongju had a feeding and spawning ground for Wonheungi, an indigenous toad species. To protect the site, we built a "Wonheungi Dike" in partnership with "Wonheungi Life & Peace Convention". Spanning around 35,266m², the dike consisted of two ecological parks, three alternative wetlands and two ecological corridors. The dike received the 7th Prize of Ecosystem Restoration and Greening in 2007. Furthermore, joining hands with the Chungbuk Civil Environment Research Institute, we conducted precise ecology investigations between August 2007 and February 2008 to monitor ecological changes in the Mt. Guryong. The mountain is an important habitat for a toad and its ecosystem. Utilizing investigation results, we will establish measures to ensure consistent protection of toads.



Tapping into Ecosystem Preservation & Cooperation Fund, a contribution that a developer must bear, we created an ecology education park for elementary school students residing in project sites to offer them with hands-on experience for their surrounding ecosystems and the nature.

	2006	2007
Number of sites (No. of projects)	3	7
Projects	Mini-ecosystem for Dongbaek Elementary School	Mini ecosystems at five elementary schools
	Mini-ecosystem for Dongmak Elementary School	Eco-forest for Guyoung Elementary School, Ulsan
	Mini-ecosystem for Baekhyun Elementary School	Ulsan Wildflower Learning Center
Size (m ²)	2,244	8,905
Amount (1 million won)	681	1,194

To preserve ecosystem from any potential damage occurring in the process of developing cities and industrial complexes, we create naturalized streams to maintain existing streams to the maximum and to protect the surrounding ecosystem.

Project Site	Related streams	Size of streams returned to the original state	Project period
Suwan site, Gwangju	Pungyoungjung stream	202,616	Aug 2006~Jul 2008
Yonghyun site, Sacheon	Bugok stream	5,763	May 2007~Nov 2009
Mulgeum site, Yangsan	Saedeul creek	56,823	Jan 2007~Feb 2008
Scientific industrial complex, Busan	Jisa creek	43,968	Nov 2002~Dec 2005
Pangyo development site, Sungnam	Unjung creek, Geumto creek, Hasan creek	245,700	Jul 2007~Jan 2009
Goeup site, Yangju	Sabsa stream, Geumgok stream	719	Jun 2007~Oct 2008
Jinjeob site, Namyangju	Jugok stream	30,361	Jan 2008~Sep 2008
Hopyung site, Namyangju	Homan creek, Jisa creek, Guryong stream	49,879	Mar 2001~Apr 2008
Suji site, Yongin	Jeongpyung stream	38,400	Nov 1998~Dec 1999
Chuncheon site, Suwon	Seoho stream	55,650	Jun 2002~Dec 2002

Annual Green Space Ratio of Parks

2004	2005	2006	2007
24.4	22.1	20.0	26.6

*green space ratio: the ratio of green surface against total land size.

*leaf coverage ratio: the ratio of the surface area covered by leaves divided by total size of areas within the visible range of one person.

We worked with dedication to develop eco-friendly sites by constantly enlarging green space areas within project sites. However, followed by the announcement of government "Initiatives on Stabilizing Real Estate Market" in November 2006, we could no longer continue our efforts to expand green space area. Yet, never ceasing our quest to provide pleasant green environment for customers, we shifted our efforts to improve leaf coverage ratio, such as establishing a forest stand on a pedestrian road, developing street furniture, planting retaining walls, and establishing noise control panels.



Originally, the reed creek in Paju Book City was planned for reclamation. However taking into consideration, its ecological value as a unique lotic wetland and its multifunctional role as a wild bird habitat and an ecological connection with the Han River, we investigated potential ecological implications that our development project would bring in terms of existing flora, plant community and wild birds. Finally, we changed our decision to preserve original shape of streams.

Meanwhile, in partnership with "Bundang Citizens' Association for Environment", we monitored environment and ecosystem surrounding Pangyo New City Development project site. Beginning from November 2006, the research continued for three years. We also launched investigation on flora and fauna in Cheongra project site in Incheon to predict environmental impact of the project and establish response measures to minimize it. In addition, with regards to Sky City Development Project in the Yongjeong site, we carried out one-year investigation on the surrounding flora and fauna and monitored birds and small frogs living in the area to predict environmental implications in the habitats. Based on investigation, we will devise effective management and preservation plans.

Love Toward Environment +

Endeavor to Preserve Our Land

In response to a massive oil spill crisis that blackened the whole area of Taean, southwestern coast of Korea, 300 of our employees joined their hands together in a campaign to remove crude oil from the beach. Starting from the headquarters, the campaign spread to regional divisions of Gyeonggi, Chungcheong and Jeolla provinces. We provided around 100 units of loaders and cargo trucks as well as 100 million won of monetary support to purchase 4,000 boxes of absorbent cloth and 3,000 protective cloths. In addition, extending helping hands to the victims of the typhoon, Nari in Goheung and Jeju, 100 KLC workers participated in housing and road restoration campaigns and offered 70 million won with restoration equipment.



Engagement in Environment Protection Activities

(Unit: 1mil won)

	2006	2007
Playground Remodeling Project	300	550
North Korea forestation project	-	164
Green Society Movement (ecology preservation and urban environment improvement)	100	1,506
A campaign for one regional division to carry out one environment program	837	122
A project to creating an eco pond at a school	41	176

Conservation and Clean-up of the Nature	<ul style="list-style-type: none"> • Forestation movement: cleanup of Tancheon stream and planting trees in the Mt. Bulgok (Apr. 2006) • Clean-up activities: clean-up of climbing path of Mt. Bulgok (Sep 7)
One Company Preserve One Mountain Campaign	<ul style="list-style-type: none"> • Wildfires prevention campaign: putting up banners to take precautions against forest fire in the Mt. Cheonggye (Nov 2002) • Nest Installation Campaign: install nests at the Mt. Cheonggye
Sister Partnership and Educational Support	<ul style="list-style-type: none"> • Sign sister partnership with Bukchon Grade School, Jeju. -provide science books, laboratory equipment and monetary support for environment training (twice) -monetary support for environment training programs conducted by Jeju chapter, Korean Federation of Environment Movement • Provide a science magazine for children to Unchi Grade School, Gosung in Gangwon province and Baebok Grade School, Goheung in south Jeolla province
2007 Ecosystem Expedition for Univ. Students	<ul style="list-style-type: none"> • Period: Jun 26~Jul 6 (total 10 nights 11 days) • Area: 21 areas designated for environment preservation or as Happy City. • Participants: selecting 80 university students • Sponsor: Ministry of Construction and Transportation, Ministry of Environment, Ministry of Maritime Affairs & Fisheries, National Park Administration Agency
Partnership to Feed Wildlife	<ul style="list-style-type: none"> • Area: habitats for white-naped cranes at the Han river estuary (Jan 12) • Korean Federation for Environment Movement & Association of Wild Bird Conservation • Campaign to feed white-naped cranes and learn about migratory birds •Suncheon city government, National Fisheries Research and Development Institute, Upo Ecosystem Education Center



Utilizing Waste Heat to Build a Local Welfare Center

When developing Dongtan site in Hwaseong, we encountered strong opposition from local community, who claimed that the Clean Energy Center, a garbage disposal facility scheduled for construction at the area, would create malicious odor. However, through constant consultation with the local community, we built the energy center underground and established a local welfare center, turning the project into a success.



Turn Our Society into Green, Partnership with NGO

We initiated "Green Society Movement" to overcome adverse impacts of rapid urbanization and to pursue economic growth in harmony with the nature. For the movement, we launched the Committee for Green Society, consisting of outside experts from media, academic and civic communities. The committee receives project proposals from NGOs regarding ecosystem restoration and urban environment improvement for the socially marginalized. Among them, 20 projects were put into practice by the committee in 2006 and 46 in 2007 respectively.





Our Engagement with Green Projects in 2007

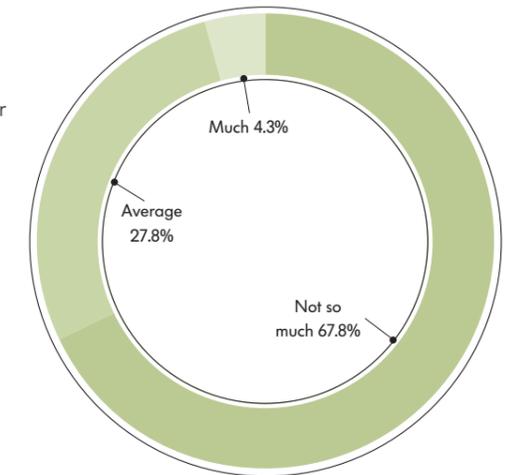
No	Related agency	Project details
1	Forrest of Life Movement	build ecological forest paths around new towns and programs for resident participation
2	Cheongju Chapter, Korean Federation for Environment Movement	Create a toad village by restoring ecosystem for toads as well as a toad eco park in Sannam 3 Site in Cheongju
3	North Jeolla, Forest for Life	Connect Dulae Mountain and Gulae River in an eco-friendly manner
4	Jeju Solidarity for Participatory Environment	Changing the World for the Better, Imagination for Jeju-Green Plus in Jeju project
5	Green Consumers Network	Establish eco-friendly apartments and programs involved with residents
6	Citizens for Decent Housing	Improve urban environment for the marginalized
7	Ansan Consumers Network	Provide environment education and training programs to nurture citizens as environment educators
8	Movement for Pedestrian-friendly Society	Improve street environment through public and private partnership for Doksan 3-dong, Geumcheon-gu. Create a street museum for citizens to rest and play
9	Association for the Construction of Eco-Friendly Rural Community	Restore rural communities where children can enjoy nature
10	Gwangju, Green Street Movement	Build greener pedestrian roads for urban improvement
11	Energy Sharing and Peace Movement	Create job opportunities for the energy-poor in partnership with new and renewable energy company
12	Seongnam Chapter, Federation of Korean Artists	Carry out 2nd project to improve cultural environment for old and marginalized areas "Our Village where Art Blooms with a Wall-Painting Museum"
13	Movement for Jobless People	"Gardens with Stories", a campaign to bring green forest to schools
14	Suncheon YMCA	"Buzz Urban design", an old downtown renewal project
15	Ansan YMCA	Carry out a project to transform slums into pleasant living environment
16	Wonju Citizen' Coalition	Improve urban environment by utilizing Hanji, a local traditional paper "Build Beautiful City, Road and Theme Parks" campaign
17	Jinju Chapter, Korean Federation for Environment Movement	Create green spaces in residence areas
18	Agency of Culture and Art Education for Young People	Establish development model for traditional markets
19	Korean Federation for Environment Movement	"Eco-Friendly Playground Project"- a pilot project to create eco playgrounds in apartment complexes with public engagement
20	Green Family Movement Association	Educate teenagers to become an environment educator
21	North Chungcheong Chapter, Federation of Korean Artists	Create a warm rural community with citizens' participation
22	Songpa Coalition for Environment Movement	Carry out a campaign to promote the adoption of damaged trees at the Mt. Cheongryang. Offer "Environment Guardian Program", an environment training for teenagers
23	Geoje YWCA	"Guardian of the Geoje Sea", an environment education program for young students
24	Goyang Green Consumer Coalition	Protect wetlands in Mt. Gobong and provide environment education
25	Dobong Citizen's Association	Restore the Mt. Choan, a small mountain located in the city
26	Bucheon Environment Education Center	"CO ₂ Diet Campaign", Green Society Movement
27	Friend of Wetland and Birds	"Weekend Eco-School" for the Nakdong estuary. Create an ecology map for the estuary
28	Spa Stream Network	"2007 Spa Stream, Stream of Life" a campaign to restore spa streams
29	Ulsan Forrest of Life	Conduct 1 st leadership program to preserve school forests in Ulsan
30	National Green Family Movement Association	"Nurture Green Life Educator", a campaign to create resource-circulating local community

No	Related agency	Project details
31	North Jeolla Chapter, Korean Federation for Environment Movement	Carry out a movement to designate eco-landscape areas
32	Cheonan, Asan Chapter, Korean Federation for Environment Movement	Research and hold international symposiums to create green paths in abandoned rail sites
33	Green Life & Peace Center	Study, investigate, promote and act on preventing damages to pine forest along the Eastern coast
34	Busan Parents Association	"Life-Long Preservation for Nature and Ecosystem", an education program for students
35	Mapo Community Radio	"Universal Design, Creating Streets", a broadcasting program to create safe and convenient streets
36	Female Coalition for Environment	"Enjoy Our Park 100 Times More" campaign
37	Gwangju Young Korean Academy	"Create Nonsungdong Village Filled with Love" campaign
38	Gimhae YMCA	Rent bicycles to promote bicycle commuting
39	Daegu Chapter, Coalition of People with Disabilities	"Barrier-Free Society Movement"
40	Culture Solidarity	"Green Bicycle Camp, Imagine, Run and Create with Citizens"
41	Citizens' Association for Mt. Baekyang and Dong River	"Green # Movement"
42	Bundang Citizens' Coalition for Environment	"Happy Pedestrian Road", a campaign to create beautiful pedestrian roads through monitoring of street trees
43	Returning to Farms Movement	Establish green space in cities, distribute 'Small Slot Box' for environmental preservation
44	Anseong Cooperatives for Medical Consumers	"Urban Environment, Creating Beautiful Community", a campaign to promote citizens' participation
45	Yongin Chapter, Citizens Movement of Environment Justice	"Creating Local Community with Forests"
46	Toebaek Forrest of Life	Seek to change the community for the better with local participation



Results of Stakeholders' Survey Regarding Our Environmental Responsibility

We conducted a survey on various stakeholders to find out how much we are viewed to fulfill our environmental responsibility. The result shows 67.8% of respondents believe we take environment into consideration throughout our entire course of business including product planning, acquisition, development and supply. In particular, 96% of our subcontractors answered that we live up to our responsibility for environment.





We design hope of everyone at this land of great inspiration.



Be Full of Love

May all the children be happy and smile

Old and dangerous playgrounds are no longer welcomed by children.

With playgrounds being empty, children have lost a place to play and dream,

'Playground Remodeling Project' is our inspiration to provide children with a pleasant place to run and play.

And it is our dream of returning children a bright smile.

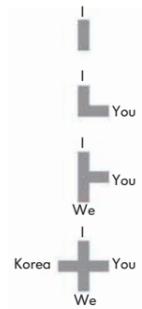


Major Issues

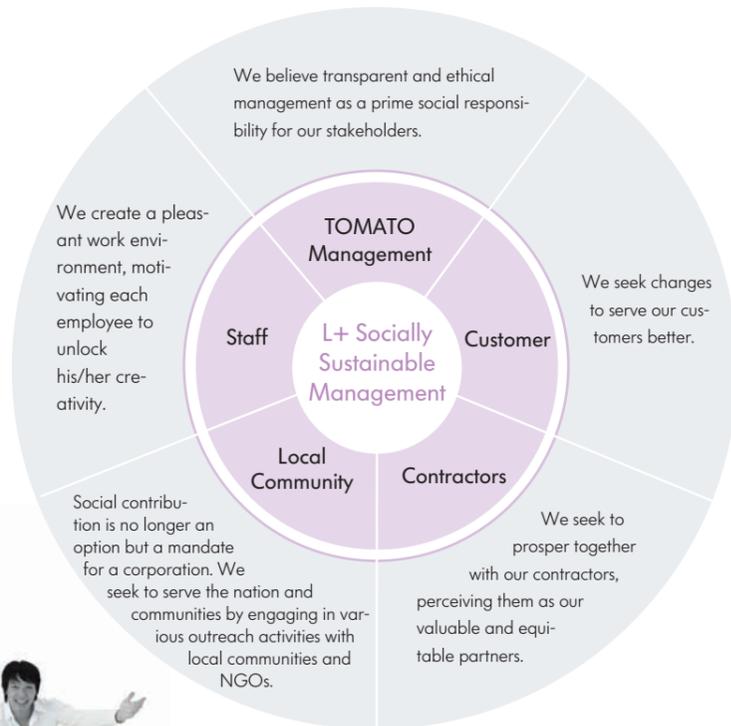
After surveying what the greatest concerns of stakeholders are with regards to our social responsibility, we found stakeholders put ethical integrity above anything else. With that, this section will focus on introducing our efforts to raise our ethical bars, including TOMATO, "Beautiful Promise" and anti-corruption performance index.

We pursue happiness of various stakeholders

We vigorously pursued sustainable management to unleash cooperation and synergistic win-win effects with various stakeholders including customers, employees, contractors, local communities, the government and the public. In particular, we have gone great lengths to ensure transparent communication to build strong trust with stakeholders.



We enrich  the world



TOMATO - Transparency & Ethical Integrity

TOMATO Management - More Clean! More Transparent!

We practice "TOMATO Management" throughout our entire organization to build a culture of transparency and integrity.

In particular, as a state-owned company that undertakes various national projects, we perceive public trust and transparency as the cornerstone of our success. We work to conduct every affair with the highest level of honesty.

We incorporated ethical management into our long-term vision to cultivate integrity in our organization. We laid out an exemplary model for ethical practice and maintained various efforts to demonstrate uncompromising integrity.

All of our staff has completed training programs on anti-corruption policies and procedures and constantly reinforce ethical awareness through weekly self-inspection.

Ethics Charter

As a leading corporation in executing various national land policies, KLC has been a main contributor to national development. Being proud of working in such a company, we sincerely promise to put public interest first in every business we conduct. Reaffirming our commitment to establishing transparent and honest corporate culture, we hereby declare the Ethics Charter as guidelines for our actions and value judgment.

Anyone engaged with corrupt practices will be subject to demotion, suspension, firing and dismissal based on our code of conduct. If an employee takes bribery, not only perpetrators themselves but their bosses will be held jointly responsible and punished. In addition, we opened the Report Center for Unfair Practices where the public can report any unjust practices of KLC, if occurred. In addition, the Clean Report Center is now up and running which allows people to bring to light, a bribery-taking of our staff. In 2007, two cases were reported at the Clean Report Center and the briber was notified to return bribery.

Not a single case has been reported where a contract fails to be renewed due to corruption. For corruption-prone contract tasks, such as land compensation and supply, we operate a three-year rotation system to close out the possibility of corruption being occurred in the first place. Never ceasing our endeavor to root out corruption, we will continue to take various measures such as reflecting transparency records when negotiating annual salary with executives and conducting an integrity survey every year on executives and high-level managers.

Trust

As diligent and honest members of society, we seek to create an ethical work environment. We conduct every business affair with uncompromising integrity and transparency.

Ownership

Based on trust and partnership, we take strong ownership to develop our company and build mutually-conducive labor-management relations.

Monitoring

As a leading corporation that drives national development and residential environment improvement, we constantly monitor ourselves to pursue eco-friendly development and high-quality land.

Active Education

We provide strong ethics education to our employees to raise their ethical bars. We respect their dignity and creativity.

Transparent

We pledge to acquire competitive edge through fair competition. We uphold fairness and transparency in our work and build honest trade environment based on trust and sincerity.

Only Customers

We respect rights of our customers and seek to provide them with the highest level of satisfaction by offering top quality services. We work hard to fulfill our corporate responsibility.

Number of dismissals and disciplinary actions imposed due to corrupt practice

Year	Dismissal	Displacement	Demotion
2005	5	-	1
2006	-	-	-
2007	-	-	-
Total	5	-	1

Year	Wage Cut	Reprimand	Total
2005	-	-	6
2006	2	1	3
2007	1	1	2
Total	3	2	11



Customer Charter

We hereby pledge to build a more stable and transparent real estate market by aggressively disclosing construction cost for our project sites and live up to customers' demands

Construction cost refers to an estimated cost of direct and indirect expenses and investment incurring to develop a residence area, pursuant to the Housing Development Promotion Act, in other words, a fixed supply cost.

Construction Cost Disclosure

We expanded items for cost disclosure from 8 to 10

Among the sites subject to the Housing Development Promotion Act, construction cost will be disclosed for the sites receiving initial approval for land supply since June 25, 2006. The disclosure will be made during the notification period of land supply through newspapers and our website. Expenses related with land acquisition, land contribution, construction, infrastructure, labor, compensation for residents moving out of the areas, sales, general administration, capital expenditure and sundry items will be disclosed.

Committee for Construction Cost Disclosure

Members Nine independent representatives with expertise in the fields of land and housing development plus one in-house expert such as head of cost disclosure department.

Terms of office Two years (double terms are allowed)

Member	Eligibility	Remarks
Public official	Appointed by Minister of Land, Transport and Maritime Affairs	Independent
Public official	Appointed by an authority at a project site	Independent
Certified public accountant	Experts in respective fields	Independent
Appraiser	Experts in respective fields	Independent
Lawyer	Experts in respective fields	Independent
Professors (2)	Professors with expertise and experience in land and housing development	Independent
Researchers (2)	Researchers with expertise and experience in land and housing development	Independent
Head of Cost Disclosure Dept	A manager at a contractor	inside

Disclosure of Management Information

Following the Act of Government-Invested Corporation and with our commitment to transparent management, we disclose management information at our website and Alio, a portal managed by the Ministry of Strategy and Finance. The information includes management status, planning and performance, social contribution, internal and external assessment, financial status, credit rating, customer-oriented management and minutes of Board of Directors meetings. Upon request, customers can receive this information by email. Suggestions for improvement and questions can be posted through the Customer Suggestion Box at our website.

Major Improvement in 2007 Management Information Disclosure

Build a separate website to disclose management information	Build a separate website for information disclosure to provide convenient access to customers. Improve design and provide a link from the main page of KLC website
Take responsible care for each item under disclosure	Put up contact address so that customers can make request anytime
Provide substantial and diverse information	Provide more information on 8 items including management principle, progress in major projects, new and complete projects and reflection of customer suggestions



Information Disclosure

As a government-invested enterprise, we have operated the Information Disclosure System since 1998. The system requires a public entity to open to the public, information obtained and possessed by itself in the form of public reading, manuscript and reprinting with the request of the public. By doing so, the system intends to respect people's right to know and promote democracy by engaging the public in national decision-making process.

Year	No. of requests	Handled				Undecided (pending)	Others	
		Total	Total disclosure	Partial disclosure	Non-disclosure		Withdrawal	Transfer to other organization
2005	981	901	318	513	70	0	12	68
2006	968	803	609	103	92	0	23	141
2007	518	485	324	63	98	0	19	14

Customer Value +

■ We serve customers

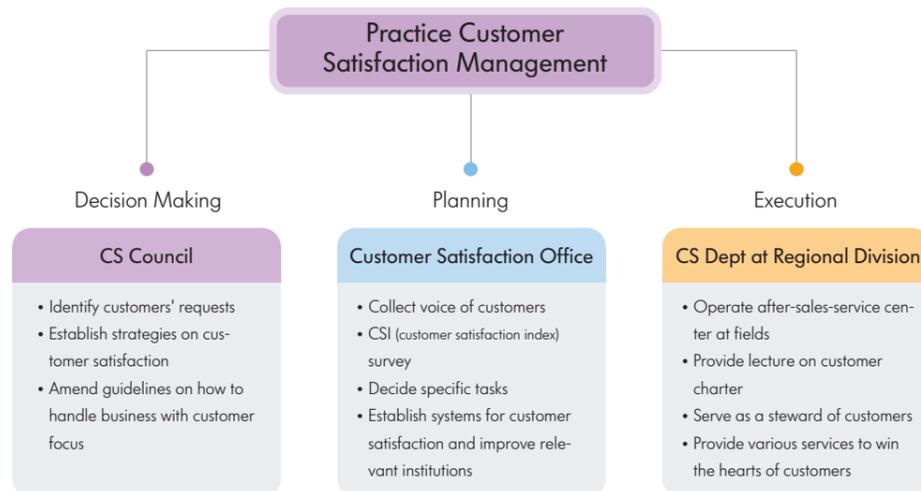
We never cease our efforts to build strong trust with customers, always putting ourselves in the shoes of customers.

Customer Satisfaction Management

In our quest to build a strong trust with customers and deliver them with necessary infrastructure, we developed customer satisfaction strategies to stay responsive to their needs and concerns. In April, 2000, we proclaimed customer-oriented management and carried out large-scale realignment to establish a new team dedicated to customer satisfaction.

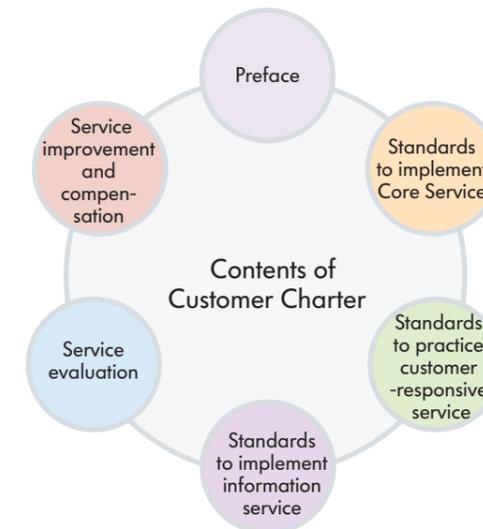
Organizations related to Customer Satisfaction Management

We restructured the Customer Satisfaction Office that oversees customer satisfaction management practices. Furthermore, we authorized customer service department of regional division, a direct touch point with customers, to make discretionary decisions to effectively respond to customers' needs and complaints. The department is responsible not only for customer support but also for internal employee service training. In addition, it constantly monitors how KLC's employees contact customers by phones or by direct visits to find out remaining concerns and provide feedback.



Customer Charter

Committed to providing better quality of service, we proclaimed the Customer Service Charter in May 1999. The charter went through three phases of amendment since then to be more practical and executable. During the 2007 amendment, we led diverse stakeholders to participate in the process to reflect their voices.



Shareholders' participation in the process of amending the Customer Charter

Voice of Employees

Collect voice of departments (11~19, Oct, 2007). Introduce change initiative #897 to increase damages and compensations for poor services.

Voice of Customers

Analyze past five years of VOC surveys and choose 11 customer concerns for integration, including customer-centered design, disclosure of original price, use of easy-to-understand terms, early installation of SOC and modifying contract templates to be more customer-oriented.

Voice of Stakeholders

Seek advice from the Committee for Openness of Public Enterprises (12~14, Nov 2007) to modify nine items including additional standards on practicing information disclosure.

Not being complacent with the publication of the Customer Charter, we actively promoted the Charter by displaying it at CS department of regional division, a main entry of a building and in front of an elevator. The Charter was also posted on our website. All of these attempts truly demonstrate our strong commitment towards customer-focused service. The Charter is even put up at our corporate diary to remind employees of the importance of being customer-oriented.

Customers Charter

We hereby pledge to deliver the highest level of land services to all of our customers who rely on land as a foundation for their production and livelihood.

- We will always think and act in the customers' position and be kind, expeditious and accurate in addressing their concerns.
- We will establish and implement clear service standards and make sure customers' voices are heard in our management.
- We will take swift actions to deal with customers complaints and to prevent recurrence of the same mistakes.

We sincerely promise to establish specific and detailed standards for customer service and uphold each and every standard.

May 01 1999

Establish and declare Customer Service Charter

Dec 22 2003

First amendment of the charter

Aug 31 2005

Second amendment of the charter

Nov 14 2007

Third amendment of the charter

(Changing the name to Customer Charter)

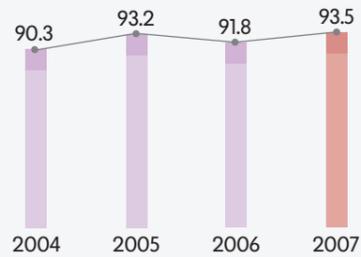


Customer Service Evaluation and Feedback

We conduct survey and evaluation on customer service to investigate and analyze customers' expectation and satisfaction level to improve our service.

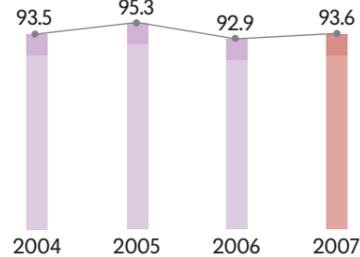
Happy Call customers making full payment for contracts

Happy Call was designed to lend a serious ear to customers and aggressively find out their concerns for ultimate customer satisfaction. The call center makes "thank you" calls, or "Happy Calls" to the customers who sign a contract or make full payment. The calls are made to collect complaints directly from customers and resolve their inconveniences. After the initial call, Happy Calls are made once again to track customer satisfaction for the handling of the case and check any remaining concerns that may not be resolved. Any complaints reported to the call center are delivered to the CS department in respective regional divisions and effectively and expeditiously resolved.



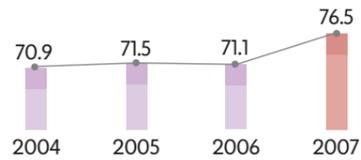
Customer Monitoring employees

We operate Customer Monitoring to assess how well an employee responds to customers. Since 2007, the system is running on a constant basis and the number of calls monitored by customers continues to rise.



Customer Satisfaction Survey customers fulfilling their payments

We conduct regular customer satisfaction survey to evaluate quality of our products and services. The survey began in 1999 for customers who purchased land from us and made full payment for the purchase.



Customer Satisfaction Survey for Public Corporations customers fulfilling their payments

Since 1999, the Ministry of Strategy and Finance has conducted an annual survey to investigate how satisfied customers are with public corporations' services. KLC demonstrated constant improvement in its rating every year. We utilized the survey result as a channel to reflect voice of customers.



Growth in the no. of cases reflecting VOC

Year	2005	2006	2007
Types of customers	individuals	individuals	individuals, corporations, government authorities, local government
No. of customers	4,377	7,062	12,540
No. of cases reflecting VOC	896	1,911	2,584

No. of making Happy Calls and monitoring

	2005	2006	2007
Happy calls	7,374	8,947	10,407
Monitoring	798	1,820	1,966



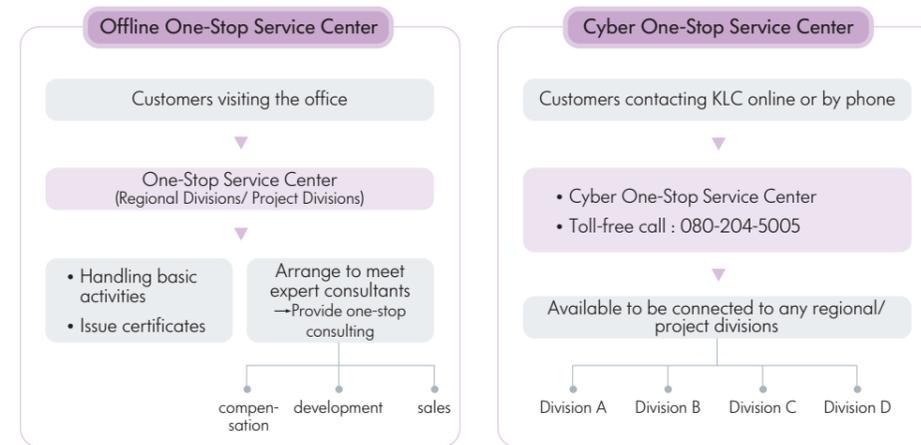
Real Estate Portal

Tapping into advanced GIS technology and a commercial map service called Kongnamul, we provide a web portal where customers can easily obtain comprehensive land information with single scanning including price, land restrictions and registry.



One-Stop Service Center

We opened the One-Stop Service Center to ensure that customers complete their businesses in a single contact more quickly and conveniently, including sales consultation, compensation, development and land use. Bringing such an integrated customer service channel online, we also operate the cyber service center. In 2007, the cyber center handled 12 cases of after-the-service request, 17 certificate requests, 31 requests of other services and 85 cases of customer complaints.



Contents of Real Estate Portal

Description	From	Update
Commercial map	Kongnamul	Every month
Land registry information		Every month
Land usage		Every month
Declared value of real estate	KLIS (Korea Land Information System)	Every January and July
Measures to combat real estate inflation		Anytime
Approval on land transaction		Every month
Actual acquisition price	RTMS (Real-Estate Transaction Management System)	Every month
Transaction statistics		Every month
Restrictions on land use	LURIS (Land Use Restriction Information System)	Real time
Posted housing price	Korea Appraisal Center	Every January and July
Land price change	KLC	Every month
Real estate policy	The Ministry of Land, Transport and Marine Affairs	Every month



3,625 people visit the One-Stop Service Center.

The Committee for Openness in Public Enterprises

To ensure transparent management and high quality of service, we have operated the Committee for Openness in Public Enterprises. The committee discloses management information, selects tasks to practice the Customer Charter and monitors its implementation progress. The committee also discusses how to handle customer complaints and seeks ways to enhance transparency. Consisting of 10 outside members including the chairperson and 5 from the inside, the committee meets every quarter. In 2007, the committee held four meetings in total. Minutes are available in our corporate website.

No. of meetings held by the Committee for Openness in Public Enterprises

2005	2006	2007
3	3	4



Social Responsibility

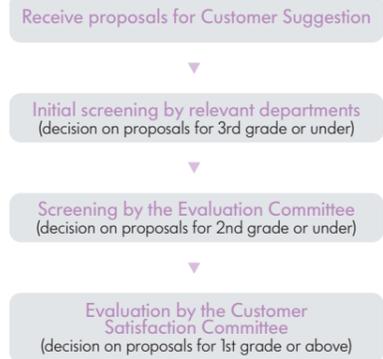
Scores	Prize Grade	Prize	Remarks
90~100	Prize for Excellent Suggestion	2 million won	With CEO Commendation
80~90	1 st -grade suggestion	1 million won	-
70~80	2 nd -grade suggestion	500,000 won	-
60~70	3 rd -grade suggestion	300,000 won	-
50~60	4 th grade suggestion	100,000 won	-
40~50	5 th grade suggestion	A gift coupon worth 50,000 won	-
Under 40	6 th grade suggestion	A gift coupon worth 30,000 won	-

Customer Suggestion

We value customer feedback and suggestions as a basis to boost our customer service and management. To collect diverse and creative ideas of our customers, we introduced the Customer Suggestion System in July 2003. Anyone can contribute their idea or comments regarding land acquisition, supply, development and sales, ideas on efficient use of land, and suggestions on how to stabilize demand and supply of real estate market. Customers' suggestions are rated by an internal screening committee as well as the Committee for Openness of Public Enterprises, which includes independent members to ensure unbiased judgment. In 2007, we held a special competition on customer suggestions and provided monetary rewards to 10 suggestions selected through these two-tiered evaluations.

	2003	2004	2005	2006	2007	Total
No. of feedbacks collected	34	71	105	95(194)	76(218)	381
No. of adoption	8	21	20	20(39)	16(10)	85

* () represents the number of feedback entered and rewarded in special competitions



Customer Complaints Handling

Encountering complaints on various matters such as candidate sites, compensation scheme, execution of work, contract cancellation, land supply and management after construction, we sought more proactive solution for complaints handling. To this end, we shifted our focus from post-handling to early prevention and thoroughly addressed grievances which already occurred. Initiating preliminary consultation with customers, we discuss possible solutions with customers before making any decisions. We deal with every complaint swiftly and thoroughly. We also conducted post evaluation survey to check how satisfied our customers were with our handling of affairs.

	2005	2006	2007	Remarks
No. of complaints received	4,932 cases	5,866 cases	3,523 cases	-
No. of cases making prior consultation with customers	1,560 cases	1,346 cases	1,475 cases	Phone calls, personal visits, fax, mails
No. of cases conducting post-evaluation on customer satisfaction	5 cases	208 cases	367 cases	Internet

In 2007, we established an integrated management system that embraced all the complaints handling processes. Designed to provide convenient and swift customer service, the system worked successfully with our website, complaints report system and an intranet. When signing a contract with subcontractors, we make sure privacy protection clauses are included in the contract to prevent any possibility of customer data leakage. Not a single complaint has been raised with regards to the violation of privacy or loss of customer data.

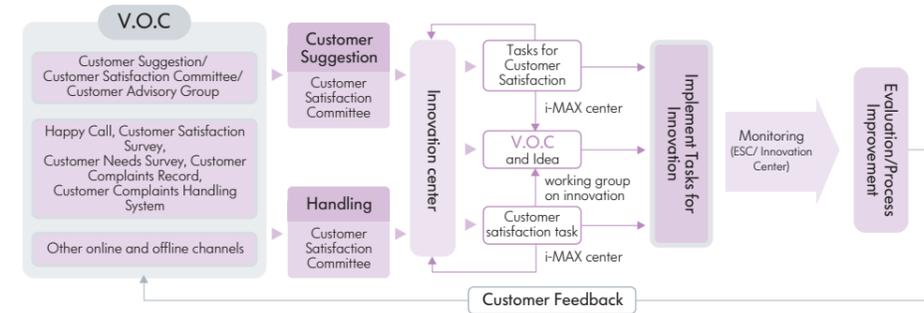


A Website for Complaints Handling



Reply from the person in charge

Innovate with Customers, Capturing VOC



With the VOC Idea system, we successfully combined customers' voices and employees' expertise to produce 224 VOC ideas. Among them, 24 ideas were selected as Tasks for Innovation. In addition, during the Second Blueprint Award Competition, an annual innovation competition, we invited the public to evaluate entries. Total 998 customers participated in the evaluation. As if rewarding our endeavor to win the hearts of customers, the Korean government revised our customer satisfaction score upward by 15 to 96.3.

Product Responsibility

Stay Customer-Responsive in Product Development

We practice PI or public involvement even from the stages of project planning to allow local residents to participate in design and evaluation process and raise their voices. We applied customer feedback to six construction and development projects and effectively addressed customers' needs of safety and health. We now plan to monitor the integration of the feedback.

Improve indication marks for water and sewage pipes

VOC analysis on customers acquiring lands for single-family housing reveals that the loss of marks for water-supply and drainage pipes often leads to complaints. Bringing up the issue as a VOC task, we installed visible marks and indicated burying height of sewage pipes.





Internal guidelines were established for information provided for marketing. As marketing communication significantly affects customers' purchasing decision, we seek to provide only accurate and proven information in leaflets and advertisement that we make. Not a single case has been reported in 2007 with regards to the violation of regulations on promotion and sponsorship.

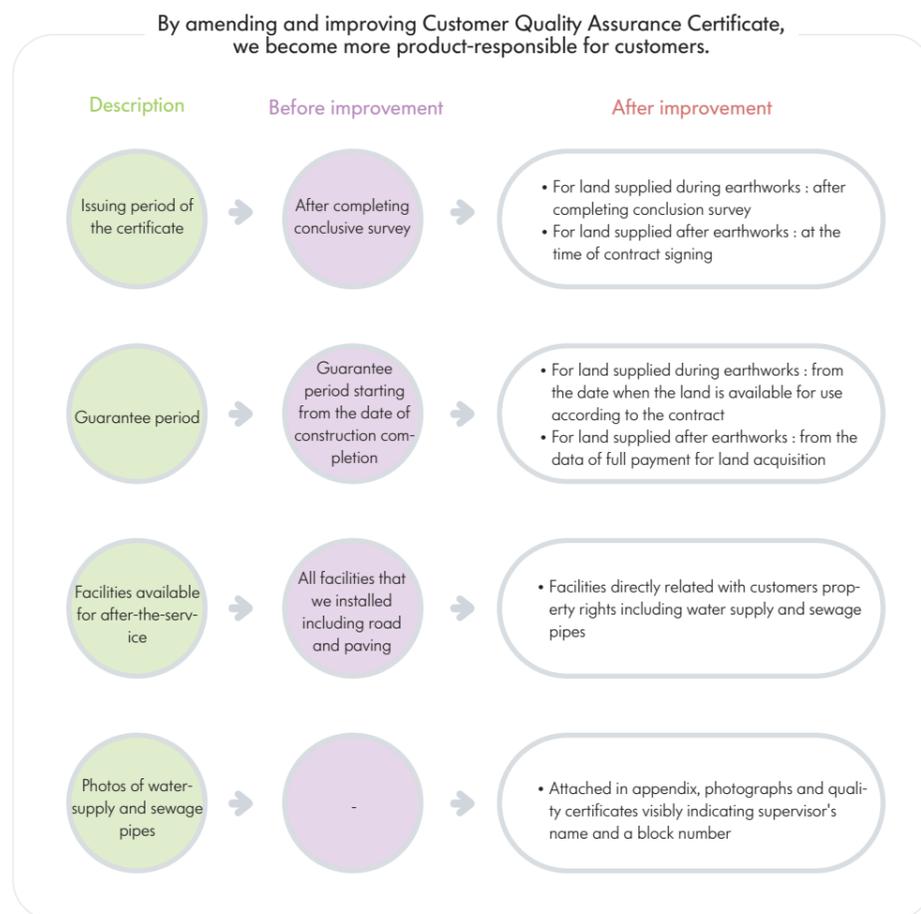
Disclose Information on Products

In order to stay responsive to growing request for information disclosure, we decided to open various product information including land map, planning drawings of project sites and guidelines for bidding application.

Customer Field Visit and Quality Assurance System

We issue customer assurance certificate before and after construction after conducting customer quality audit at the field. The certificate contains product-related information including use of land, facilities for land management and water resources, lifecycle of facilities, after-the service and service guarantee period.

Procedure of Customer Field Visit

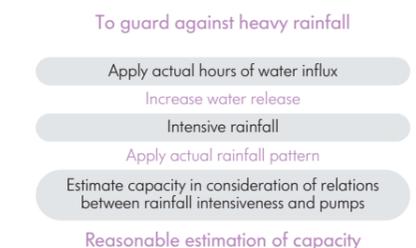
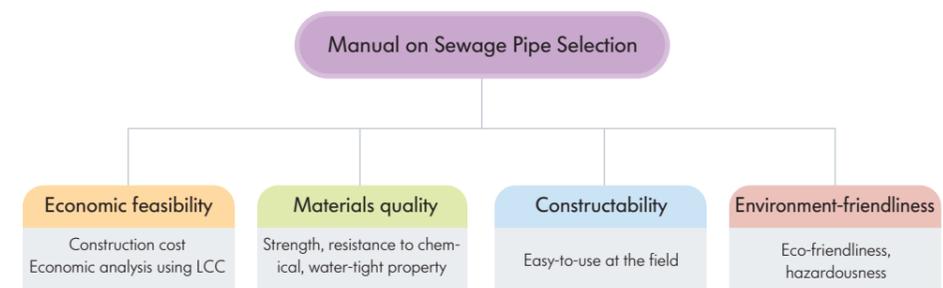


Urban Construction that Puts Customers Safety First

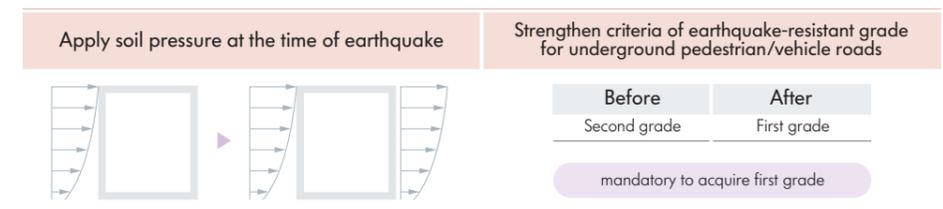
Improve Process of Selecting Sewage Pipes

To cope with mounting concerns on corrosion and potential damage of sewage pipes, we developed a manual to encourage the selection of anti-corrosion and environment-conductive pipes to the maximum. Since November 2007, all of our projects sites select anti-corrosive pipes with pros and cons evaluation for various pipes and CCTV-guided investigations.

We conduct surveys to ensure customers safety and health when deciding project concepts.



Earthquake-Proof Construction



Barrier Free

We respect accessibility rights of the transportation-disadvantaged including people with disabilities. With the realization that what truly restricts people's movement is not a physical limitation but a barrier in urban environment, we initiated the Barrier-Free Campaign to remove transportation barriers including ramps and stairs. We applied barrier-free design for the first time in Korea during our Multifunctional Administrative City Development Project. We received BF certificate from the certification committee of the Ministry of Construction and Transportation in September 2007. Our BF model enables us to effectively cope with aging society and take care of the transportation disadvantaged. By improving our BF model, we seek to make a valuable contribution to changing the life of the public for the better.

Certification Types	City certification	Certification of individual facilities
Certification targets	New city, existing city	Parks, roads, transportation facilities, building tourism facilities



Social Responsibility

Workplace, Foundation of Livelihood- (for Staff)

Respect for Human Rights

We consistently provided human right education to guarantee equal treatment and opportunity for everyone irrespective of their nationality, race, physical disabilities, educational background, gender, religion and birthplace. We also worked hard to take care of social minorities and prevent any human right violation by our subcontractors.

To lay out guideline on decision-making and behavior, we came up with the Human Right Policy in November, 2005, intending to enhance quality of life for our stakeholders including employees. We uphold the Labor Standard Law of Korea and ILO regulations including ban on forced and child labor. Up until today, not a single case has been reported relevant to the violation of such laws. We encourage our subcontractors to abide by our internal human right policy by signing Social Pact on Anti-Corruption and Transparency, during contracting. Though no investment agreement was made last year to investigate human rights practices, we will reflect human right aspect in future contracting and selection of subcontractors to further push up subcontractors to follow our human right policy.

We provided human right education not only to information officers that deal with sensitive customer information but service representatives who are directly engaged with our customers at the field. We also plan to expand human right training currently available only to janitors at headquarters to the entire organization.

Our Human Right Education

Category	2006	2007
Employment	Presentation of education program for new hires (2 attendees) Legal issues from employment to retirement (1 attendee)	Training for HR personnel (45 attendees)
Labor	Legal issues from joining to leaving the company (all employees)	Legal issues from joining to leaving the company (all employees) Training for HR personnel (45 attendees) Understanding in laws related non-regular workers (all employees)
Social minority	Female leadership program (20 attendees) Sexual harassment prevention program (all employees)	2007 World Women's Forum (3 attendees) Sexual Harassment prevention program (all employees)
Education	-	Team leadership program 2 (30 attendees), Championing the results of Innovative Privacy Protection Seminar (1,709)
Subcontractors' training for privacy protection	Meeting between subcontractor and customers (171 attendees)	Convention on the Beautiful Promise Movement for construction industry (150 from subcontractors) Meeting between subcontractors and customers (446 attendees)
Non-regular workers	Issues related to the enactment of irregular workers law (2 attendees)	Workshop on Non-Regular Workers for Public Field (3 attendees) HR training for non-regular workers for public field (2 attendees)

We provided human right education not only to information officers that deal with sensitive customer information but service representatives who are directly engaged with our customers at the field. We also plan to expand human right training currently available only to janitors at headquarters to the entire organization.

Human Right Policy

We perceive respecting human right and improving quality of life as our core mission to transform ourselves to a globally-renowned land service company. As a guideline for our behaviors and decision-making, we declare the followings and hereby pledge to practice the policy.

- We protect and respect human right
- We provide equal opportunity to everyone and never tolerate any kind of discrimination in recruitment and compensation against nationality, race, physical disabilities, educational background, gender, religion and birthplace
- We endeavor to provide constant attention and care to social minority including females and people with disabilities
- We value personal dignity and creativity of each individual, providing equal opportunity solely based on individual merit and contribution
- Based on trust, we, employees at KLC, strive to develop the company and establish mutually-beneficial partnership. We abide by laws on wages and work hours including minimum wage, overtime work and maximum work hours.
- We respect privacy and personal dignity of our employees. We collect and store information only when required for efficient management of the company or required under law.
- We protect privacy and provide access on information only to authorized persons.
- We build win-win relations with our subcontractors and business partners and vigorously lead them to follow and practice our human right policy.

Equal Employment

Employee Statistics

As of late December 2007, we have 2,841 employees in total, of which 407 (around 14%) are females and 2,434 males. Due to unique characteristics of business, our female representation is fairly low, yet the number of female workers has constantly risen over the past three years. At the moment, we do not have any female on the executive or senior manager level. However, more and more female workers are rising up our corporate ladder fast and the population of female workers keeps increasing.

No. of employees by job grades

(As of today)

	2004		2005		2006		2007	
	male	female	male	female	male	female	male	female
Total	2,197		2,418		2,651		2,841	
Gender	male	female	male	female	male	female	male	female
Executives	6	0	7	0	8	0	8	0
Grade 1	39	0	39	0	37	0	42	0
Grade 2	191	0	218	0	239	1	258	1
Grade 3	546	4	595	6	653	7	703	10
Grade 4/5	1,098	120	1,163	171	1,246	223	1,243	249
Grade 6	69	46	64	44	69	41	72	39
Special position	53	25	68	43	79	48	88	52
Support assistant	-	-	-	-	-	-	20	56

*Support assistants refer to those who are transferred from fixed term to open-end contract (regular employees) after serving two years in the company.

Hiring Social Minority

Ten of our non-regular workers were promoted to regular workers last year. Based on the government's measure on non-regular employees working in public sectors, 76 non-regular workers who served the corporation for more than 2 years were shifted to regular workers with open-end contract as of January 1st 2008. In 2006, we hired significantly large number of people with disabilities with our initiative titled "One Division Hiring One Disabled Person". At the present, people with disabilities represent 2.28% in KLC, exceeding 2% of mandatory quota. We now plan to apply the quota for the disabled even to our annual regular recruitment to hire greater number of the socially marginalized.

Description	2004	2005	2006	2007
People with disabilities	4	5	25	3
Female	43	52	55	39
Graduates from rural universities	66	85	87	49
Graduates of science and engineering major	92	108	134	76

*As of 2006, we increased recruitment quota for female graduates of science and engineering to 20%. No gender discrimination remains in terms of basic salary.

No. of discriminatory or unfair labor practices

Description	2005	2006	2007
No. of sexual harassment cases	0	0	0
Other discriminatory practices	0	0	0
Unfair labor practices	0	0	0

Gender proportion

(as of Dec 31 of each year)

2004		2005		2006		2007	
male	female	male	female	male	female	male	female
2,004	194	2,154	265	2,331	320	2,434	407
91%	9%	89%	11%	88%	12%	86%	14%



■ Female Workers' Promotion to Managerial Position

Description	2004	2005	2006	2007	year on year
Promoting female workers to manager	2	3	2	3	50% increase

■ No Tolerance for Non-Regular Worker Discrimination

Though we recruit non-regular workers for certain types of jobs, we draw a clear line between the roles and duties of regular and irregular workers as a way to prevent any form of discrimination and unfair treatment against non-regular workers. In 2007, we opened the Center for Non-Regular Workers' Grievance to address their concerns. Despite the increase in the number of non-regular workers, the actual number of dispatched workers dropped, as more and more dispatched workers were shifted to a fixed-term contract basis, meaning directly hiring by KLC. In addition, on January 1, 2008, after evaluating fixed-term contract workers who had served the corporation for more than 2 years, we selected 76 and transferred them to regular position with open-end contract.

2004		2005		2006		2007	
Regular	Non-regular	Regular	Non-regular	Regular	Non-regular	Regular	Non-regular
2,197	374	2,418	402	2,651	458	2,841	399

■ Fair Recruitment and Anti-Discrimination

Our Ethics Charter stipulates zero tolerance for any discrimination against academic background, gender or birthplace in employee training, promotion and any position assignment.

In particular, abolishing age limit for the first time among public corporations in Korea, we conduct "blind interview" for employing new hires without bias.

■ Preferential Hiring for Rural Universities Graduates

Since 2005, we have applied preferential hiring to rural university graduates to expand their proportion up to 40%. According to the system, if the number of rural university graduates represents less than 40% of total hires, we need to seek people with similar background to fulfill the assigned proportion.

Year of employment	2005	2006	2007
Proportion of rural university graduates	40.7%	38.7%	37.7%

* The assigned proportion of 40% is based on the number of rural university graduates finally selected for hiring, whereas the table above indicates the number of rural graduates passing all the tests for employment. Therefore actual hiring of rural university graduates can be greater than what is indicated at the table.

Proportion between Regular & Non-Regular Workers

2004	2005	2006	2007
17.0%	16.6%	17.3%	17.2%

Non-regular workers include those who are directly hired by us on a fixed-term basis and dispatched staff from external service providers. Dispatched workers represent 226, 265, 287 and 186 from 2004 to 2007 respectively.

Article 9, Rules on Hiring

First-grade and fifth-grade employees will be hired solely based on open test and interview, no discrimination of academic background is allowed.

Pleasant Workplace

■ Retirement Allowances and Retirement Ratio

We provide retirement allowances to employees. The allowances are estimated based on employees' years of service and average wage calculated according to the Labor Standard Law. At the end of each year, we set reserve for retirement allowances to guarantee employees receive all retirement allowance at once. The reserve remains only at accounting book. Pension has not been provided, respecting our employees' preference, yet will be under review for adoption.

■ Compensation Scheme

In the past, we maintained a two-tier compensation scheme: rank-and-file employees received their salary based on their length of service; and high-level executives based on an annual salary negotiation. In November 2005, however, we expanded the annual salary scheme for all employees to simplify compensation scheme and focus more on performance-based reward. Salary levels are similar to those offered by other government-invested organizations, with new hires receiving 1,725,000 won or around 206.5% of minimum wage, 835,200 won.

■ Welfare and Benefit

We provide a wide range of employee welfare programs to offer a better working environment. Welfare expenses at KLC have seen a constant increase since 2005, although per capita amount has dropped last year by 3.9% due to increase in the number of staff (14.3% increase).

■ Work Days & Holidays

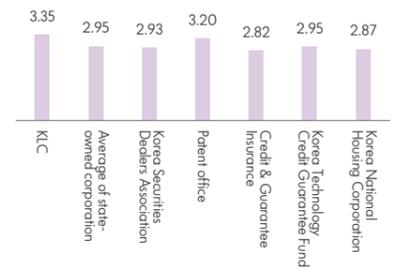
Since July 2004, we have run 5-day workweek system and abide by 40 working hours. We provide a 15-day leave to employees, marking the first year of service. For better quality of life for employees, we launched a campaign to promote the use of holidays.

■ Accident Prevention and Compensation

Under the "Terms of Accident Compensation" formulated in 1990, we provide compensation for occupational hazards as well as damages for accidents or injuries inflicted to those who are not our employees. We also have the Accident Compensation Committee in place for sensible and objective compensation. The committee consists of the heads of Human Resources Office, Planning & Coordination Office, Audit & Inspection Office and Safety Management Office as well as 2 representatives from the labor union. In order to cope with increasingly diverse and complex construction environment, we provided hands-on safety training to all regional headquarters, utilizing safety training complex of the Korea Industrial Safety Association.

Result of EOS

(As of Oct 2007, by Mercer, with 5 being perfect score)



Year	2004	2005	2006	2007
No. of regular workers	2,197	2,418	2,651	2,841
No. of retirees	26	24	28	52
Retirement ratio	1.18%	1.0%	1.06%	1.83%

We were proven to have relatively low retirement ratio compared to other companies, maintaining average 1.28% over the past four years. Our retirement ratio went up in 2007, yet it was because unusually large number of employees left the company due to honorary retirement or after reaching their retirement age.

Welfare Expense

Year	2005	2006	2007
Total welfare expense	13.6 billion won	17.8 billion won	18.5 billion won
Per capita welfare expense	5.61 million won	6.98 million won	6.71 million won

Incentives, privileges to use corporate condominiums and rent a corporate housing as well as support for housing and children's education are provided only to regular workers. No differences exist for the support among divisions.

Awarded with Grand Prize for Industrial Safety Management 2007



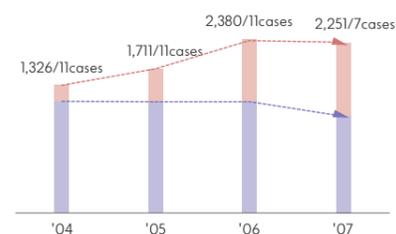


Social Responsibility

Number of Accidents Compared with the Size of Project Sites

	2005	2006	2007
Size of land under development (10,000m ²)	1,711	2,380	2,251
No. of accidents	11	11	7
Casualty	1	3	1

Size of land under development(10,000m²)/No. of accidents



■ Introduction of KOSHA 18001

We introduced KOSHA 18001, a safety and health management system for public corporations, to 15 project sites including Suwan in Gwangju. With the system, we set clear safety target and on-site management plans by assessing relevant risk factors. Furthermore, the system allowed us to eliminate dangerous activities of workers from the source, thereby successfully preventing potential hazards and reduced accident ratio at work places. Providing reliable assurance for construction, safety and quality, the system boosted up workers' morale and productivity. Thanks to our aggressive efforts for safety management, accident ratio remained low despite our business expansion and increasing difficulty and complexity of construction tasks. KLC maintained accident ratio at 0.24% over the past four years, significantly lower than the national average of 0.8%.



■ Mental Wellness Program

Understanding that organizational health and employee wellness are paramount for high quality of life and work of an employee, we introduced EAP or Employee Assistance Program in 2007 and started its pilot operation in 2008. The program intends to help employees cope with growing stresses and enhance their work productivity.

■ Regular Medical Check-ups

We offer regular medical checkups to employees and their spouses every year. From 2005, we increased per-capita checkup support amount by 50,000 won so that employees can receive more specialized medical tests including lungs, gastro-intestine disorders, gynecology and cerebral vascular diseases. In addition, beginning from 2006, for those serving the organization for more than a year, medical check-ups are provided even to their spouses or one of their close family members.

	2004	2005	2006	2007	Remarks
Check-up cost per person	200,000 won	250,000 won	250,000 won	250,000 won	Including spouse
Check-up participation	79%	84%	81%	82%	

■ Complaints Handling

We operate a computerized complaints handling system for employees. Any complaint raised to the Human Resources Office is resolved within 10 days after the initial filing. We also run other grievances handling systems such as CEO-Hotline, Sinmoongo Program, and the Ethical Management Call Center. The number of complaints filed has been on the rise due to an increased number of new employees, but we are trying to expand channels for compliance handling to address our employees' concerns in a more proactive manner. Since August 2007, we have launched the Grievances Handling Center for Non-Regular Workers to address their individual hardship, sexual harassment and unfair working conditions.

No. of Complaints Filed by Category

		Total	Job assignment and transfer	Welfare	Working condition	Promotion & training	Others
No. of Grievances	2006	386	386	-	-	-	
	2007	321	320	-	-	1	
+/- in the number of cases		-65	-66	-	-	1	

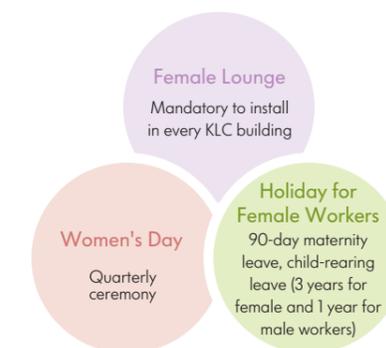
■ Maternity Protection Program

We run day care facilities at work for double-income families, and operate various schemes to encourage employees to have more children.

■ Four Major Insurances

To provide support for healthier and more stable life of our employees, we subscribe to the National Pension, Health Insurance, Employment Insurance and Industrial Accident Insurance, which are the basic welfare schemes required by law.

Insurance	Description			Remarks
	Payment ratio	Employer	Employee	
National Pension	9% of wage	4.5%	4.5%	For disability, fatality, old age
Health Insurance	4.77% of wage	2.385%	2.385%	For diseases and accidents
Employment Insurance	1.75% of total wage	1.3%	0.45%	For losing jobs
Industrial Accident Insurance	3.8% of total wage	all	-	For occupational hazards



We extended child-birth leave from one to three years and established the period of child-birth leave for male workers in Aug, 2007.

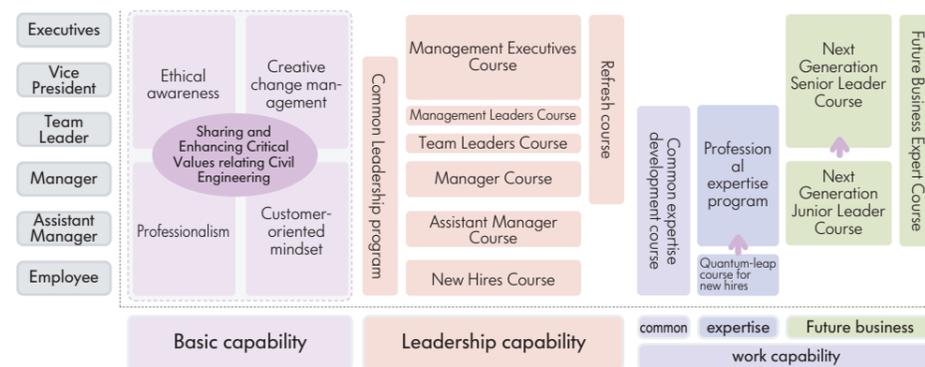
Human Resources Development and Life-Long Learning

We created a database for 730 specialists working in 30 sectors including management and urban planning to hire these talents whenever necessary. The number of job categories for employment has expanded to 14 in response to increasingly diverse management environment and business structure. Also, we hired graduates from 70 colleges around the nation in an effort to increase the share of employees from schools outside the capital area. We conduct performance evaluation and provide due compensation to all of our employees to enhance their ability and productivity.



To help our employees enhance their work capabilities and career, we offer various education and training programs. Reflecting unique characteristics of each training course, we also diversified methods for education delivery including group learning, e-learning, self-development and outside training.

Mid & Long-Term Plan for HR Development



To deliver training and education programs with higher efficiency, we introduced "Mandatory Training System" aligned with Career Development Plan in 2004 and utilized the system for performance evaluation and promotion since 2005.

Per-Capita Annual Average of Training Hours for Regular and Non-Regular Worker by Job Grades

	Job Grade	2005	2006	2007
Regular	Grade 1	28.3	15.5	20.4
	Grade 2	39.3	40.7	45.5
	Grade 3	42.9	53.1	57.2
	Grade 4,5	50.5	62.7	70.8
	Grade 6	22.6	24.9	24.6
Non-regular	Fixed-term/ dispatched workers	0.7	8.4	8.9

Annual training expense Unit : 1 million won

Year	2005	2006	2007
Education & Training	7,512	7,780	7,686

We offer Retirement Preparation Program to employees who are due to retire soon. The program is designed to boost confidence and quality of life for the would-be retirees and help them continue their contribution in various fields. The program provides assistance to start business, seek employment and be better prepared for retirement. We will promote the program actively so that more of our employees can benefit from the program.

Retirement Preparation Program

	Job transfer service	Training on how to start business and get reemployed	Career development training	Real estate developer nurturing
Support	Consulting for reemployment or starting business	Education necessary for re-hiring and business establishment such as obtaining certificates	Training to explore various job opportunities	Training on real estate developers
Per capita amount	Less than 4 million won		Less than 4 million won	Less than 2 million won
Support records	-		Providing 18 million won to 5 out of 8 participants	Provide 1.7million won to one of 28 trainees



Social Responsibility

Cooperative Labor Relations

We take diverse approaches to respect labor rights, such as joining UN Global Compact and developing code of ethics that stipulates sound labor relations, legitimate union activities and cooperation between labor and management. We take great pride in the fact that we have remained as a strike-free workplace for the last 20 years and experienced no violation of human right including the freedom of collective bargaining and assembly. The labor agreement which is revised on a biannual basis mainly deals with working conditions, employee welfare, personnel management and gender equality. Collective agreement on wage and work conditions is applied to all employees, recording 100% application of collective agreement.

■ Labor Union

Since its establishment in 1987, the labor union at KLC has consisted of four full-time and 10 part-time members. Currently a total of 2,415 employees, or 85% of the staff, have joined the union. Employees lower than deputy manager may join the union.

	2003	2004	2005	2006	2007
Employees	2,027	2,197	2,418	2,651	2,841
Members of labor unions	1,766	1,912	2,106	2,320	2,415
Full-time labor union staff	3	3	4	4	4

※ The number of employees in 2003 stated above is different from what was indicated in the 2006 Sustainability Report. The 2006 figure omitted employees joining KLC in December 2003.

■ Labor-Management Council

Labor-Management Council meets every three months to lead dialogue and consultation between labor and management. The council consists of six representatives including president and chairman of the union. Agenda that the council discusses include workers' productivity and welfare improvement, employee training, prevention of labor disputes, workers' grievances, safety and health, work environment, as well as ways to improve personnel and labor management.

■ Notice for Important Organizational Changes

The Collective Agreement stipulates any significant changes in organizational structures and personnel management, whether for planning or actual implementation, should be notified in advance (Article 7). To request collective bargaining, a written notice should be sent to the other party, seven days in advance, which includes agenda, date, venue and list of participants (Article 28).

Health & Safety Issues Subject to Official Negotiation with Labor Union

Pursuant to Clause 83 and 86 of Collective Agreement, the followings are decided in relation with health and safety issues.

- Stipulate installation of a medical room, medical check-ups and trainings on safety and sanitation
- Establish the Industrial Safety and Health Committee, apart from Labor Management Council to be dedicated to industrial accident prevention and other health and safety issues, pursuant to Clause 19 of the Industrial Safety and Health Law

Mutually-Beneficial Partnership (with Subcontractors and the Government)

We seek to prosper with subcontractors based on strong partnership and fair trade. With our active contribution to establishing and implementing national land policies, we now recreate national land space.

Expansion of Partnership with Small and Middle-Sized Construction Companies

We contributed greatly to developing local economies by giving local SMEs greater opportunities to participate in our construction projects for six Innovation Cities. Furthermore, with our proactive action taken under consultation with the government, joint ventures engaging at least one local company are now able to take up to 22.2 billion won of construction volume for a project, a significant boost from previous 7.4 billion. We also raised local participation threshold from 10 to 30%.

Exemption Law on Accounting Regulations for Government-Invested Organizations to Support Innovation City Project has been effective in KLC.

Supporting Technology Development of SME

We constantly expanded the number of SMEs that we provide support for technological development. Thanks to our efforts, 11 intellectual property rights were registered in 2007.

Support for Technological Development

Between 1996~2006 (for eight years)		2007		
No. of companies receiving support	No. of complete projects	No. of companies receiving support	No. of projects complete	No. of ongoing projects
40 with 3.9 billion won of support	32	6 (with 600 million won)	2	11

Support for Diverse Projects

Encourage SMEs for Technology Development	Advertise and promote participating SMEs and their products through diverse channels including newspapers, websites of Small and Medium Business Administration and KLC, KLC magazines and an exhibition held at KLC internal workshops
Request to Procure Innovative Products	Advertise success cases and request preferential purchasing for innovative SME products that we supported for development. Request to consider adopting such innovative products in design.
Improve Relevant Institutions	Select and provide advisors dedicated to supporting SMEs for technological development
Improve Practicality	Conduct an on-site pilot construction to verify the results

Complex Design Program

As a leading land expert, we have accumulated a wealth of expertise and know-how over the past 20 years. Now, we have incorporated all of our expertise into a program, called the Complex Design Program and offered it freely to construction companies through our website. The program has been provided to 1,283 companies as of December 31, 2007. In 2007 alone, the program was offered to 155 companies, saving as much as 2.5 billion won of social cost.

Easing Bidders' Criteria
By lowering the bar in bidding process, we opened a door wide for SMEs to bid for our projects

Selective Competitive Bidding based on Track Record
34 companies (whose accumulated size of land development spans more than 1,000,000m²)

Selective Competitive Bidding based on Grade
170 companies with 1st grade (representing over 90 billion won in construction capability evaluation)

No. of companies receiving our support for technological development

2006	2007	Remarks
4 (400 million won)	6 (600 million won)	150% year-on-year increase

Purchasing Products Certified with Innovative Technologies

Following government policies, we designated innovative technologies and encouraged the purchasing of innovative products to drive SMEs to strive for more advanced technologies.

Free Offering of Complex Design Program

	Public authorities	Construction companies	Universities
No. of cases offered	86	1172	25



Engagement with Public Policy Making

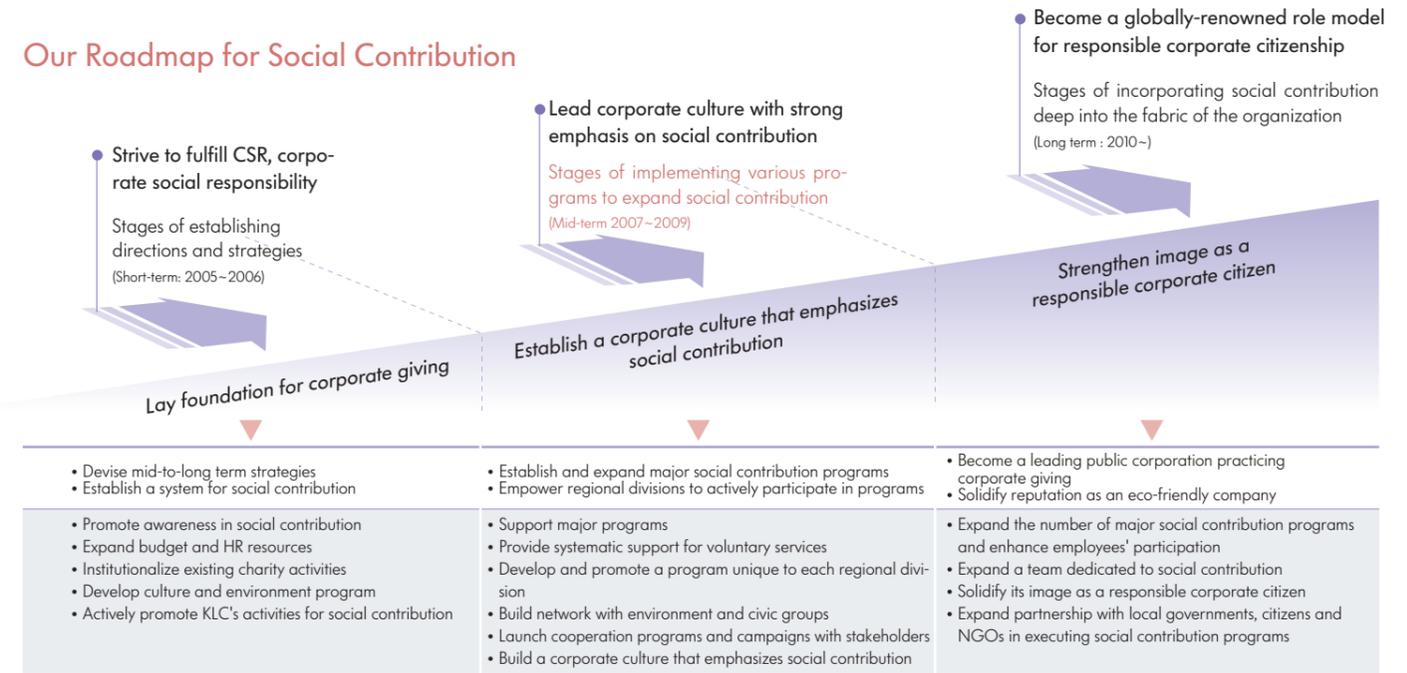
We contribute to changing our land for the better by actively engaging in various policy-making processes related with land planning, development and management. Up until today, the company involved in the process of establishing "Housing Development Promotion Act", "Environmental Impact Assessment" "Transportation Improvement" and "Land Bank"

Our Suggestions to Government Policies over the Past 3 Years

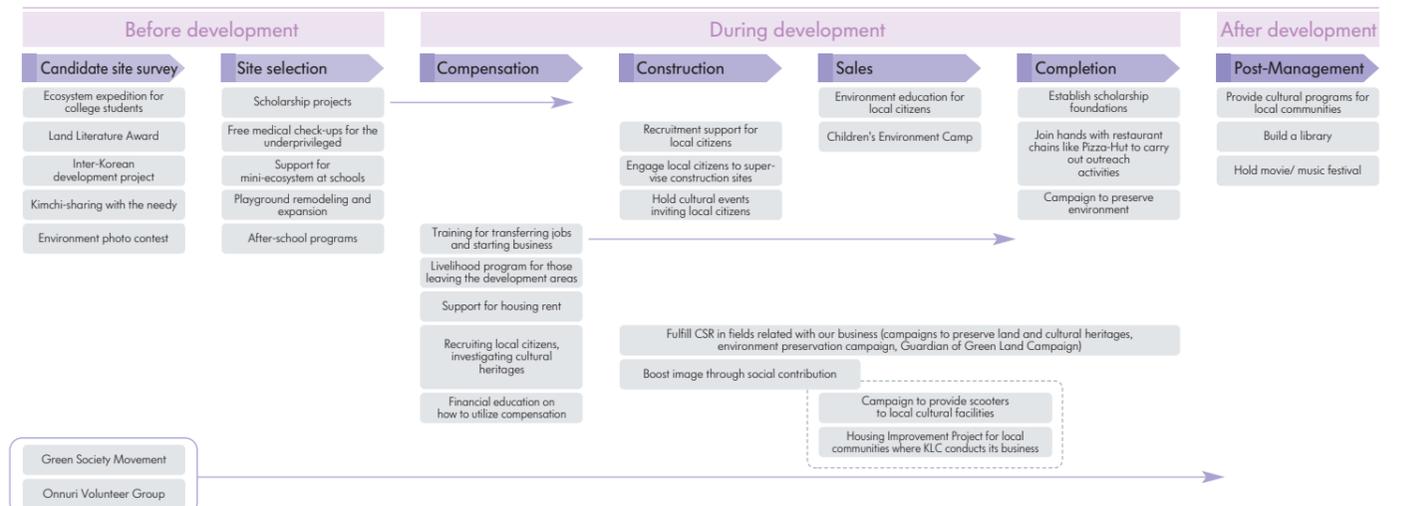
No	Period	Related government agencies	Descriptions	Results
1	July 2004	Ministry of Construction and Transportation (MOCT)	Provide comments with the review of amendment proposal for housing supply rules	Partially reflected
2	Sep 2004	MOCT, MOGAHA (Ministry of Government Administration and Home Affairs)	Suggest extending sunset clauses that apply separate taxation for land properties owned for more than 5 years to ease tax burden for long-term property owners.	Reflected
3	Sep 2004	MOFE (Ministry of Finance and Economy)	Suggest not to impose Composite Real Estate Tax to land properties owned for long-term	Reflected
4	Jan 2005	KFS (Korea Forest Service)	Provide comments with the review of enactment proposal for Special Act on Corporate City Development	Partially reflected
5	Jan 2005	MOGAHA	Provide comments on amending Mountainous Village Management Act	Partially reflected
6	Jan 2005	MOCT	Provide comments for amendment proposal for Administrative Vicarious Execution Act	Partially reflected
7	Feb 2005	MOCT	Provide comments on enactment proposal for the Regionally Balanced Development Act	Partially reflected
8	Feb 2005	MOE (Ministry of Education and Human Resources)	Suggest VAT exemption for tasks related to realtor certification exam	Reflected
9	Oct 2005	Korea Research Institute for Human Settlement	Provide comments on enactment proposal for Exemption Law for Land Acquisition of School Building	Non-reflected
10	Nov 2005	Ministry of Agriculture & Forestry	Provide comments with the review of enactment proposal for SOC development contribution	Non-reflected
11	Nov 2005	MOCT	Provide comments regarding amendment proposal for Ordinance of the Farmland Law	Non-reflected
12	Dec 2005	MOCT	Suggest amendment of Housing Development Promotion Law (regarding permit and approval)	Non-reflected
			Suggest amendment for Industrial Complex and Development Law	
			-Revise definition of industrial complexes	Reflected
13	Feb 2006	MOCT	-Combine national and local industrial complexes into general industrial complexes	Non-reflected
			-Designate state-of-the-art urban industrial complexes for special treatment	Reflected
			-Expand permit/approval with fictitious names	Reflected
14	May 2006	MOCT	Suggest extending exemption period for capital gains tax to landlords whose properties are located within public project sites	Non-reflected
15	Jun 2006	MOCT	Suggest revising KLC law	Reflected
16	Jun 2006	MOCT/ MOAF	Suggest revising Farmland Law to allow farmland acquisition for land banking	Non-reflected
17	Jun 2006	MOGAHA	Suggest easing local tax burden for general land banking business	Non-reflected
18	Jul 2006	MOCT	Suggest extending period of reducing registration and acquisition tax for land properties purchased to be supplied to the third party	Reflected
19	Aug 2006	MOCT	Provide comments on enactment proposal for laws on realtors' tasks and reporting of real-estate transaction	Non-reflected
20	Aug 2006	MOCT	Suggest revising Enforcement Decree of SOC Contribution Law	Non-reflected
21	Feb 2007	MOCT	Revise Enforcement Decree of KLC Law	Reflected
22	Feb 2007	MOCT	Suggest improving cultural heritage investigation	Reflected
23	Feb 2007	MOCT, MOFE	Propose VAT exemption for goods transferred with conditions to be dismantled after acceptance	Reflected
24	Mar 2007	MOCT	Suggest revising planning criteria for innovative cities- reducing proportion of rental housing from 40% to 20%	Reflected
25	Apr 2007	MOCT	Suggests reasonable expense-sharing for traffic improvement initiatives	Reflected
26	Apr 2007	Ministry of Environment	Suggest easing of restrictions which prohibit construction from being started before completing EIA consultation	Reflected
27	Jun 2007	MOGAHA, MOCT	Suggest abolishing sunset clauses which allows separate taxation scheme for long-term land property owners	Partially-reflected
28	Sep 2007	KFS	Suggest improving funding scheme to restore mountainous areas	Non-reflected

Social Contribution (for Local Community)

Our Roadmap for Social Contribution



CSR Programs by Business Processes



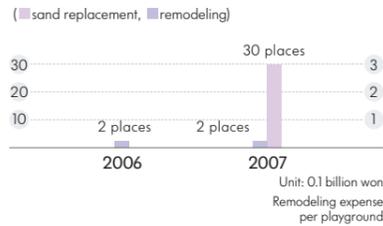


Playground Remodeling within Project Sites



We replaced sand and remodeled 32 old playgrounds with the design of children themselves. The project has been carried out in Youngtong site, Suwon (March 2007) and Kangdong site, Seoul (February 2007).

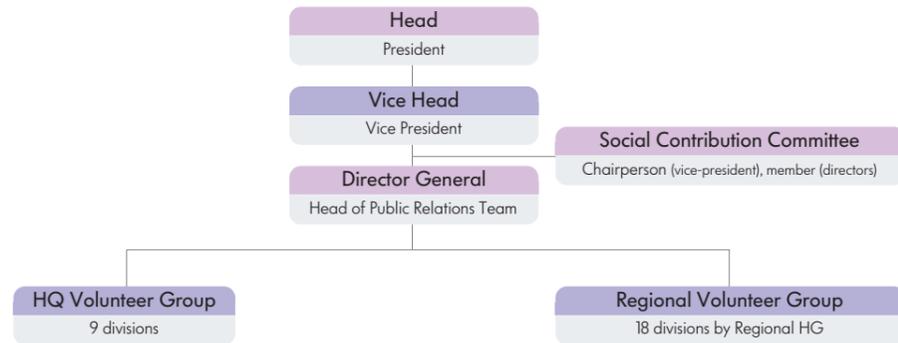
Remodeling for Eco-Friendly Playground with Children's Own Design



Children's' playground in Rainbow Park, Dongtan Site, Hwaseong

The Onnuri Volunteer Group

Recognizing that profit-returning and social contribution are key foundations for corporations and the society to grow together, we launched the Onnuri Volunteer Group to engage in more diverse outreach activities and carry out philanthropic services in a more systematic manner. Consisting of 27 chapters and 1,782 members as of late 2007, the group has actively participated in various voluntary services. In addition, we created the Social Contribution Committee directly under CEO to develop and implement social contribution strategies effectively. At the present, each regional division at KLC has the Onnuri Volunteer Group, funded by matching grant that the company provides and Share Fund, a voluntary contribution from employees.



Share Fund- Helping Hands, small but warm

Established in November 2005, Share Fund has been a major and symbolic driving force behind active employee participation in our corporate giving. By opening an account at the fund, an employee can make monthly donation of 1000 won per account and the company supports matching fund for the corresponding amount. An employee can have up to 20 accounts. Share Fund movement reminded employees of a joy of sharing with others. While Share Fund has been a major financial source for the Onnuri Volunteer Group, other funding channels are also available including a fund-raising campaign held during internal events and a campaign to donate small portion of monthly salary.

Funding For Voluntary Service

(Unit : 1million won)

Year	2005	2006	2007	Total
Share Fund	17	113	134	264
Matching Grant	17	113	134	264
Total	34	226	268	528

*Share Fund and Matching Grant for 2005 are collected between November and December 2005



LOVE toward Culture- Life+

We create a joyful culture

Staying true to our corporate philosophy, we laid out cultural marketing strategies to serve as a major sponsor or a mecenat for cultural communities. With "Dream of Picasso", we became the first Korean company that offered cultural education to the disadvantaged young people. Awarding "Land Literature Prize for Young Novelists", we instill in young generation, a care and love toward our land and our culture. Furthermore, by opening "Land Museum", we seek to deepen public understanding in land and land development to create a new and innovative land culture. "Land Museum University", though closed in 2000, had served as a major venue to provide local public with opportunities to enjoy thought-provoking lectures and hands-on experience in western and eastern culture.

Mecenat Going Out to the Needy	Concert of Blooming Love	<ul style="list-style-type: none"> Serve as a mecenat who go out to find out and give to the marginalized, an opportunity to enjoy art and concert. Narrow cultural gap caused by physical and geographic limitations. Host concerts at Tae'an, Ha-dong, Pyungchang, Muan and Ganghwa
Partnership with Cultural Communities	Beautiful Imagination	<ul style="list-style-type: none"> Strike emotional chords with customers through a strategic partnership program between enterprise and cultural communities Carry out various partnership projects with "Mutual-Soaring", a traditional percussion band. Host charity events at Sangam Stadium, Aram Music Hall in Ilsan to help the needy
Scholarship for Culture and Art Talents	Dream of Picasso	<ul style="list-style-type: none"> Provide scholarship including tuition fees and education-related expenses to young minds with artistic talent Provide cultural education to the disadvantaged, the first of its kind among Korean companies Invite Professor Lee, Doo-sik at Hongik Univ. to serve as an advisor for young students in planning for their academic future. Provide scholarship to child welfare facilities, selecting 10 students with artistic talent

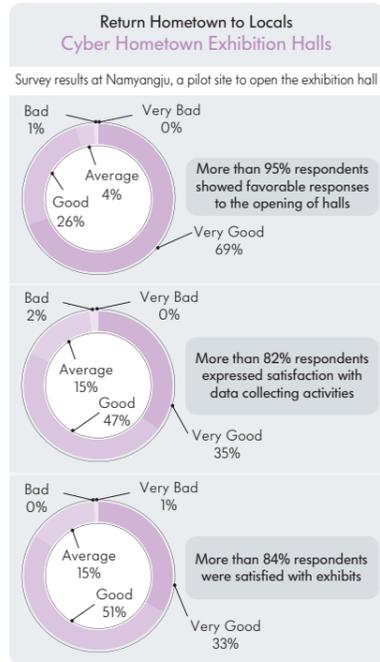
Cultural Promotion Activities

"Open House" for Children's Day	<ul style="list-style-type: none"> Build more personalized and accessible image Invite families of employees and local citizens (1,500 attendees) Hold a painting competition and various other family events. Provide painting supplies. Distribute giveaways such as frames and coupons for family photo taking
"Family Movie Festival" engaged with local community	<ul style="list-style-type: none"> Show a movie "Charlotte's Web" to 850 audiences (May 5) Show a movie "Shrek 3" to 800 audiences (Aug 2)
Concerts by Land -Vibrating Chorus	<ul style="list-style-type: none"> Invited by the Ministry of Gender Equality, hold a music concert (July 4) Hold a Charity Concert for the Needy
Support for theater houses and Korea Actors Association	<ul style="list-style-type: none"> Provide support for plays such as Winter Story and Pale Chubs Sponsor 32 events including Commemorative Concert for National Independence Day
Land Literature Award for Young Novelists	<ul style="list-style-type: none"> Hold a literature competition for high-school and university students (poem and novels) Total prize amount: 20 million won (Grand Prize awardee: Jeon, A-ri, a sophomore at Yonsei Univ)





Social Responsibility



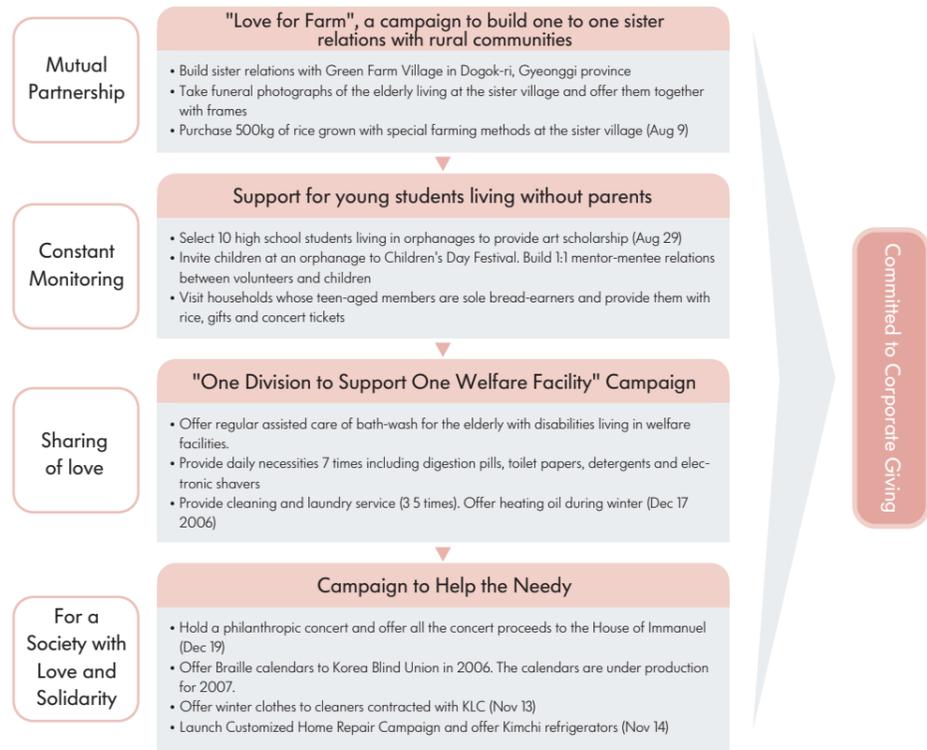
More than 95% residents expressed favorable response. Two months after compensation began, 70% of compensations were made smoothly.

Cyber Hometown Exhibits for 18 Project Sites in 2007

Project Site	Area (1000m ²)	Remarks
Wiryu, Songpa	6,788	Various historic relics and ruins remain at the site that need to be registered and preserved (e.g. remains for the Byungja War in the 17th century and military culture)
Innovative Cities (6 sites)	30,757	At the request of local government to build the hall, bring the proposal to the council represented by 14 municipal and local administrative officials.
New Town, Ansung	3,984	Various cultural relics remain at the site, which need to be recorded and preserved including a stone pagoda and Toki Temple
Sosabeol, Pyeongtaek	3,021	Need to build a large-scale archive due to huge development effort (to adjust scope of tasks)
Yangchon, Gimpo	10,837	Pursued as a joint project Gimpo White Paper publication
Okjeong, Yangju	6,427	Need to build a large-scale archive due to huge development efforts
Planned Internationalization Site, Pyeongtaek	17,461	Local and civic groups request to install a local history museum
Youngjong, Incheon	13,346	Need to build a large-scale archive due to huge development effort
Woodu, Chuncheon	1,129	Various cultural relics remain at the site, which need to be recorded and preserved including traditional houses
Transfer of Chungcheong Provincial Government Building	9,917	Need to build an archive with the transfer of provincial government buildings
Daeshil, Gyeongyeong	1,530	Various cultural relics remain at the site, which need to be recorded and preserved including Yangsu Pavilion, an auspicious location according to Feng Shui
Hyangnam 2, Hwasung	3,176	Pursue as a joint project to build a local museum at Culture Park

LOVE toward our Neighbor Our Neighbor is Another "I"

We are committed to practicing love toward our neighbor as a messenger of sharing and a steward of love. In partnership with Korea Supporters' Association for Self-Support Living, we launched "Customized Home Repair Campaign" as a part of our efforts to contribute to creating job opportunities and improving housing environment for the underprivileged. In addition, we provided "Land Scholarship" to marginalized students from single parent families or foster families and gave them better opportunities for learning. For the elderly living alone as well as low-income families and social welfare facilities, we held "Kimchi Sharing Festival" where our employee volunteers made 51,000kg of Kimchi and gave to 144 social welfare facilities and 3,146 families in low-income bracket.



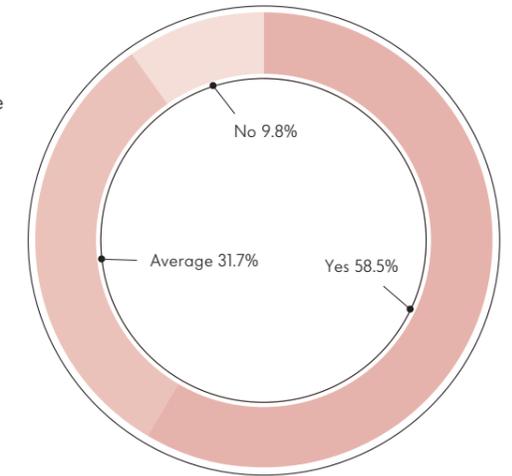
Yearly Donation

Year	2003	2004	2005	2006	2007
Donation	875	1,001	1,199	2,838	4,395

(Unit: 1 million won)

Results of Stakeholder Survey on Our Commitment to Corporate Social Responsibility

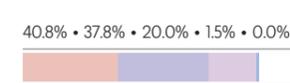
We asked out stakeholders about whether we are living up to our social responsibilities. The results show that 58.5 percent of the respondents believe we are duly meeting our social responsibilities. In particular, 82.7 percent of our customers said they trust information on our products and 95 percent of those working for our business partners said we apply fair procedures in selecting business partners.



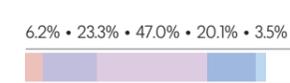
Staff

(very much, fairly, average, no, not at all)

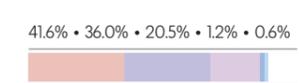
Do we consider prevention of safety accidents a top priority?



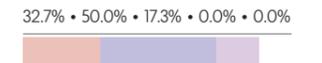
Do we make enough efforts to deal with low birth rates in Korea?



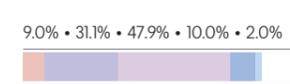
Are you satisfied with working for our company?



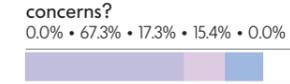
Do you trust information on our products?



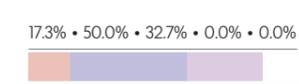
Do we have good labor-management relationship?



Do we listen to our customers and take action to resolve their concerns?



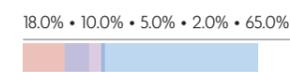
Do we take our social philanthropic responsibilities seriously?



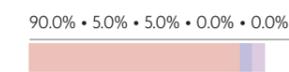
Business Partner

(very much, fairly, average, no, not at all)

Do we make unfair requirements of business partners throughout the entire process of implementing a contract?



Do we apply fair procedures in selecting business partners?



HERI Hankyoreh Economic Research Institute

We have been commissioned by the Korea Land Corporation to provide assurance of its Sustainability Report 2008 (further referred to as the Report) which describes its sustainability achievements for the reporting year 2007. Our objectives are to review whether the Report fully illustrates its contents in accordance with sustainability reporting guidelines and help the reporting organization make improvements in future reports. This statement was drawn up to serve as reference sources to help KLC build on its sustainability management system in the future. We have not assured reliability of statements and data shown in this Report and this statement does not include any findings about it either.

• Responsibility and Independence

The Report is the responsibility of KLC. Our responsibility is to provide an independent assurance statement of professional judgments in accordance with the scope and methodology specified in this statement. We believe our assurance assignment does not raise any conflicts of interest, as we are not engaged in any relationship to pursue profits across the KLC business other than issuing this independent assurance statement. In addition, we do not have any biased opinions about KLC stakeholders.

• Scope and Methodology

Our statement follows the Global Reporting Initiative G3 Sustainability Reporting Guidelines. We looked at whether the Report fully meets criteria required by the GRI G3 Guidelines in the areas of profile, management methodology and performance indicators (economy, environment, and society) and appropriately describes relevant achievements. We make it clear that we do not provide any assurance on reliability of the statements and data that appear on the Report.

• Findings and Conclusions

The reporting organization should determine what issues to cover when producing sustainability reports. The GRI G3 reporting framework says the reporting organization should consider materiality, stakeholder engagement, sustainability context and completeness to identify relevant subjects and indicators. After determining indicators that are material to itself and its stakeholders, the reporting organization needs to report on its management practices, key and secondary performance indicators in the three areas of economy, environment and society.

KLC improved its stakeholder communication and materiality test from the previous year. The Report integrates voices of a wide range of stakeholders into its contents and lists their concerns. It also adequately identifies stakeholder expectations of and demands for the Sustainability Report by conducting surveys. The Report is duly committed to finding challenges to tackle by engaging stakeholders and formulating responses to them.

In addition, KLC performed the materiality test to determine sustainability issues that are material to itself in terms of internal/external priorities and risks.

The Report is aligned with the GRI G3 Reporting Guidelines in describing the company's profile, management practices to address selected issues and performance indicators.

In particular, the Report is even more committed to fully explaining KLC's management practices and achievements in the areas of economy, environment and society than the earlier Sustainability Report.

The Report presents relatively diverse information on company's labor practices such as employment conditions and labor-management relationship in the social progress section. KLC did mention issues of non-regular workers, which most public enterprises in Korea do not pay much attention to and the Report appropriately illustrates KLC's efforts to expand recruitment of social minorities including physically challenged people.

The Report says environmental protection lies at the heart of KLC's management practices. It makes it clear that the company has built environment management system and environment performance assessment system and also introduced environment accounting system. What's more, the Report describes KLC's commitment to addressing climate change: the company is developing energy-saving city models and undertaking Clean Development Mechanism projects in a move to save energy and reduce green house gas emissions. The Report also presents quantitative data to demonstrate effects of such efforts. .

• Recommendations

We recommend that KLC's future reports contain detailed goals for sustainability management including concrete tasks, objectives and target period. Sustainability Reports are part of reporting organization's commitment to sustainability management and therefore, should be aligned with the enterprise-wide process of formulating strategies, implementing tasks and assessing results. We believe that KLC, by applying this process, would be able to put in place a clearer performance assessment system for sustainability management and build on its achievements in the longer term.

We also recommend that KLC use its Sustainability Reports as a means to enhance cooperation with its stakeholders and secure more useful information internally. In addition, KLC needs to improve its reporting in conformity with the GRI G3 Guidelines and include more quantitative data. Another recommendation is that KLC continue to hire external assurance providers to assure accuracy of data, objectivity of the contents, reliability of corporate process for sustainability management and evidence used to generate performance data. We firmly believe that by doing so, KLC would be able to produce Sustainability Reports trusted by stakeholders

Head of Research **Won-Jae Lee**




**Lee Jae-kyung**

Doctor of Business Administration, the University of Texas
 Dean and professor of the Department of Business Administration, Kookmin University
 President of Graduate School of Business Administration, Kookmin University

Korea Land Corporation's third Sustainability Report this year was drawn to qualify for application level A of the GRI G3 Guidelines. The Report covers all of the G3 key performance indicators in accordance with the principle of materiality, improving both depth and breadth of company's reporting on sustainability practices to stakeholders, compared with KLC's two earlier Sustainability Reports.

Over the short period of three years since its first Sustainability Report, KLC has solidified its economic sustainability. The company has moved on to commit itself to enhancing its social and environmental sustainability and succeeded in producing tangible results. In particular, KLC has allocated more human and economic resources for sustainability management. The company has sincerely engaged a variety of stakeholders, listened to their feedback and integrated such information into its management practices. I believe that KLC has well established its identity as a public enterprise by describing the reason for its existence, areas of operations and details of national projects it is undertaking. It also presented the right direction of pursuing sustainability in accordance with the purpose of its establishment in the Sustainability Report. I am confident to say that one of the important pillars of KLC's sustainability management will be environmental-friendly development of national land and expansion of CDM projects by building energy-saving cities as such projects can garner interest from the public and produce economic benefits over the longer term. Various indicators that appear on the report clearly communicate to its readers that the company is making good progress on transparent management, equality, care for the underprivileged, and social responsibility every year.

If KLC is to build on these positive achievements, it needs to

make improvements in the following areas. Firstly, KLC has made economic progress in terms of size and profits but is now facing growing financial risks due to continued increases in debt ratios over the last Four years. The company needs to review whether its increasing profits and liabilities caused by business expansion can be aligned with the purpose of its establishment as a public corporation. In addition, it needs to collate opinions from its stakeholders on the issue and integrate them in formulating management strategies in the future. Secondly, the report presents overall measurable indicators for a wide range of business areas that the company is engaging in. If they come up with data on profits and losses for each business area, it would greatly help readers make decisions about KLC's sustainability in the coming years. Thirdly, future reports need to align KLC's environmental and social progress with its management performance. The Sustainability Report 2008 simply lists each achievement that KLC has made in improving its environmental and social performance but future reports need to compare investments and resulting performance, which will help users understand effects of sustainability management in a time-series manner.



CEO of Shinhwa Consulting Company,
 Director for the Center for Corporate Responsibility
Choi Jeong-cheol



I appreciate KLC's efforts to produce Sustainability Reports. In particular, its Sustainability Report 2008 has set the right direction to go in that it discloses the number of KLC business partners and purchase amounts and incorporates data in the areas of environment and labor.

The objective of this assurance report is to make comments on the Sustainability Report 2008 for each progress sector.

The report describes its economic progress by key project. Considering KLC's key projects are to deal with land resources, however, I recommend that future reports categorize key projects by each economic area (for example, metropolitan area, Chungcheong area, Jeolla area, North Gyeongsang area, South Gyeongsang area, Gangwon area and Jeju area) or categorize economic areas by key project. I believe that this approach will help readers better understand the relationship between projects and concerned economic areas. Another suggestion is that KLC explain progress status of projects on a yearly basis and focus more on results for the reporting year. This is due to the fact that KLC, as a reporting organizations, is supposed to produce its sustainability reports every year, though most of its key projects are long-term undertaking.

As KLC carries out large-scale national projects, it needs to separate internal and external performance in describing its environmental progress. First, I recommend that KLC make more improvements in presenting basic data on energy, water, waste water and waste materials used and generated by the main office, regional divisions and project offices, though I could see that the company made efforts to do this. Second, KLC needs to further classify its external environmental progress by environmental sector, business sector, economic area and year by year as the Sustainability Report 2008 simply illustrates environmen-

tal achievements by sector only.

We can divide social progress into customers, labor, human rights and society. KLC needs to disclose detailed information in a more active manner on employment, working hours, wage, employee welfare, training and labor-management relationship. In particular, public corporations are supposed to disclose detailed data on their employees in the management disclosure section on their corporate website and the public organization innovation portal website Alio. It means that KLC needs to organize its management data on a yearly basis and list them in its Sustainability Reports.

What stakeholders expect from KLC's Sustainability Reports and particularly their social progress section is not the contributions the company makes for many unspecified individuals in this nation but more detailed and targeted ones for the area where the company operates. Sustainability Reports emphasize that the reporting organization should care about local residents affected by its operations. For KLC, it means it needs to do its best, while undertaking operations, not to destroy the concerned project site so that residents would not need to leave the place and continue to stay there. As most KLC projects are long-term undertaking, its corporate giving activities should take more strategic and systemic approaches, focusing its capacities on each economic area and each project site. I recommend KLC to move from just offering volunteer work or welfare facilities to evolving its relationship with local communities so that it can formulate closer relationship with them.

I expect its Sustainability Report 2009 to build on previous achievements and produce better results. Thank you.



GRI G3



Our Self-Declared GRI G3 Application Level



Our Sustainability Report 2008 contains each of the criteria to qualify for GRI G3 level A. Therefore, we self-declare Level A for our Sustainability Report 2008 based on our own assessment of the report content against the criteria in the GRI Application Level.

Report Application	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15		Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17		Same as requirement for Level B	
G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility		Respond on each core G3 and Sector Supplement Indicator with due regard to the materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

GRI G3 Tables

GRI Index Coverage ● full, ◐ partial, ○ not reported, N/A not available

GRI G3	Disclosure	No. of page	Coverage	Remarks
1. Strategy and Analysis				
1.1	Statement from the CEO of the relevance and sustainability to the organization and its strategy	5	●	
1.2	Description of key impacts, risks and opportunities	5	●	
2. Profile				
2.1	Name of reporting organization	10	●	
2.2	Primary brands, products and/or services	19, 22-29	●	
2.3	Operating structure of the organization including main divisions, operating companies, subsidiaries and joint ventures	11-12	●	
2.4	Location of organization's headquarters	99	●	
2.5	Number of countries where the organization operates and main operation sites	11	●	
2.6	Nature of ownership and legal form	12	●	
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	66	●	
2.8	Scale of reporting organization (number of employees, net sales, net revenues, liabilities and capital, total assets, and other details)	10, 30	●	

GRI G3	Disclosure	No. of page	Coverage	Remarks
2.9	Significant changes during the reporting period regarding size, structure or ownership		N/A	
2.10	Awards received in the reporting period	31	●	
3. Reporting Parameters				
3.1	Reporting period for information provided	2	●	
3.2	Date of most recent report	2	●	
3.3	Reporting cycle	2	●	
3.4	Contact point for questions regarding the report or its contents	3	●	
3.5	Process for defining report content (focused on materiality, priority, and stakeholders)	14	●	
3.6	Boundary of the report	3	●	
3.7	State any specific limitations on the scope or boundary of the report	3	●	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		N/A	
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators	3	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statements		N/A	
3.11	Significant changes in the scope, boundary or measurement methods from earlier reports	2	●	
3.12	GRI Context Index Table	92-97	●	
3.13	Scope and criteria of external assurance	88-91	●	
4. Governance, Commitments and Engagement				
4.1	Governance structure of the organization	12	●	
4.2	Independent and/or non-executive directors	13	●	
4.3	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	12	◐	
4.4	Linkage between compensation for members of the highest governance body, senior managers and executives and the organization's performance	13	●	
4.5	Processes of the highest governance body to ensure conflicts of interest are avoided	13	●	
4.6	Process for determining the qualifications and expertise of the members of the highest governance body to support economic/environmental/social strategies	12	●	

GRI G3	Disclosure	No. of page	Coverage	Remarks
4.7	Process to determine criteria	12	●	
4.8	Internally developed mission and values statements, codes of conduct and principles	15	●	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	13	●	
4.10	Processes for evaluating the performance of the highest governance body	13	●	
4.11	Precautionary approach or principle-risk management system, conflict management system	18~19	●	
4.12	Externally developed economic/environmental/social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses	16, 61	●	
4.13	Significant memberships in associations and/or national/international advocacy organizations	16	●	
4.14	Basis for identification and selection of stakeholders to engage	6	●	
4.15	Approaches to stakeholder engagement, including frequency of engagement by engagement type and stakeholder group	6, 8	●	
4.16	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key issues	7, 14	●	
5. Management Practice and Performance Indicator				
EC1	Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments and use of retained earnings)	30	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	45	●	
EC3	Coverage of organization's defined benefit plan obligations	75	●	
EC4	Significant financial assistance received from government (subsidies, tax relief, and economic incentives)	18	●	
EC5	Range of ratios of standard entry level wage compared to the local minimum wage at significant locations of operation (minimum wage, wage gap)	75	●	
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	81	●	
EC7	Procedures for local hiring, and proportion of senior management in locations of significant operation from local community	74	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	32~33	●	
EC9	Understanding and describing significant indirect economic impacts (foreign residents, low-income families and job creation)	27, 34	●	
EN1	Materials used by weight or volume	47~48	●	
EN2	Percentage of materials used that are recycled input materials (estimations possible, total consumption of recycled materials/EN1*100)	48	●	
EN3	Direct energy consumption by primary energy source (coal, natural gas and etc.)	42	●	

GRI G3	Disclosure	No. of page	Coverage	Remarks
EN4	Indirect energy consumption by primary source (electricity, heating)-energy supplied or regenerated	42	●	
EN5	Energy saved due to conservation and efficiency improvements (reduction on consumption of unnecessary energy)	43	●	
EN6	Initiative to provide energy-efficient or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives (primary products, efforts to cut energy requirements)	43~46	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (for example, hold video conferences instead of taking business trips)	43	◐	
EN8	Total water withdrawn by source (water gauge)	49	●	
EN9	Water sources significantly affected by withdrawal of water	49	●	
EN10	Percentage and total volume of water recycled and reused (percentage of water recycled)	49	◐	
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high diversity value outside protected areas (protected areas, primary bird habitats)	50	●	
EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high diversity value outside protected areas	50	●	
EN13	Habitats protected or restored (ecosystem restoration, partnership with third parties)	51	●	
EN14	Strategies, current actions, and future plans for managing impacts on diversity (actions to protect habitats and species)	50	◐	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	50	◐	
EN16	Total direct and indirect greenhouse gas emissions by weight (EN3, EN4, greenhouse gas emissions caused by direct production, transportation of product materials, and electricity and heating purchased)	49	●	
EN17	Other relevant indirect greenhouse gas emissions by weight (greenhouse gas emissions except for EN16)	42	◐	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved (emission reductions or activities as a result of EN16 and EN17)	43	●	
EN19	Emissions of ozone depleting substances by weight (refer to CFC, HCFC, halon, and methyl bromide and materials related with product production or discard are excluded)			No emissions generated
EN20	NO, SO and other significant air emissions by type and weight (calculation methods, values specified)	48	●	
EN21	Total water discharge by quality and destination	49	●	
EN22	Total amount of waste by type and disposal method	48	●	
EN23	Total number and volume of significant spills			No spills caused
EN24	Weight of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III or VIII, and percentage of transported waste shipped internationally			No such waste generated

GRI G3	Disclosure	No. of page	Coverage	Remarks
EN25	Identify name, size and protected status and biodiversity value of water bodies affected by reporting organizations' discharges of water and runoff	50~51	●	
EN26	Initiative to mitigate environment impacts of products and services and extent of impact mitigation (material consumption, water consumption, air pollution, waste water and waste material)	48~50	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category (percentage of products recycled)			Irrelevant to us given the nature of products we produce
EN28	Monetary value of significant fines and total number of non-monetary sanctions for, non-compliance with environmental laws and regulations (including E23, amount of fines, number of sanctions and etc.)	41	●	
EN29	Significant environmental impacts of transporting goods and materials used for organizations' operations, and transporting members of the workforce (transportation of materials, transporting employees)	42	●	
EN30	Total environmental expenditures and investments by type (disposal of waste materials, emission trading, training expenditures, R&D)	39	●	
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement	69	●	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by types of outcome			No such incidents caused
PR3	Type of products and service information required by procedures, and percentage of significant products and services subject to such information requirements	70	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and services information and labeling, by type of outcomes			No such incidents caused
PR5	Practices related to customer satisfaction, including results of survey measuring customer satisfaction	66	●	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorship	70	●	
PR7	Total number and type of incidents of non-compliance with regulations and voluntary codes, concerning marketing communications including advertising, promotion and sponsorship			No such incidents caused
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	68	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (including PR2, PR4, and PR7)			No such violations generated and no fines imposed
LA1	Total workforce by employment type, employment contract and region	73	●	
LA2	Total number and rate of employee turnover broken down by age, gender and region	75	●	
LA3	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations	75	●	
LA4	Percentage of employees covered by collective bargaining agreements	80	●	
LA5	Minimum notice period(s) regarding operational changes	80	●	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs			All employees
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region	76	●	
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	76	●	

GRI G3	Disclosure	No. of page	Coverage	Remarks
LA9	Health and safety topics covered in formal agreements with trade unions	80	●	
LA10	Average hours of training per year per employee by employee category	79	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	79	●	
LA12	Percentage of employees receiving regular performance and career development review	78	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	12~13, 73	●	
LA14	Ratio of average remuneration of men and women broken down by employee category	75	●	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	72	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	72	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	72	●	
HR4	Total number of incidents of discrimination and actions taken	73	●	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	80	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	72	●	
HR7	Operations identified as having significant risk for incidents of force or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	72	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	72	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken			N/A
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	18, 40	●	
SO2	Percentage of total number of business units analyzed for risks related to corruption	59	●	
SO3	Percentage of employee trained in organization's anti-corruption policies and procedures	59	●	
SO4	Actions taken in response to incidents of corruption	59	●	
SO5	Public policy positions and participation in public policy development and lobbying	82	●	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country			No such contributions made
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes			No such actions taken
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations			No such non-compliance produced



We design the land
from our future

● Feedback Questionnaire

We listen to our stakeholders for their feedback

We report our economic, environmental and social performance for the year 2007 in accordance with the GRI G3 Guidelines by integrating valuable opinions from our stakeholders into our operations, which means we offered more opportunities to stakeholders to participate in planning and developing products and improved our business processes from our stakeholders' perspectives.

We look forward to your opinions and suggestions as we hope that the Sustainability Report 2008 would be a vibrant communication channel to engage our external stakeholders and a good starting point for us to achieve sustainability management in the future.

Please fill out the following questionnaire and send it to us via mail, fax or e-mail.

TEL +82-31-738-8377 FAX +82-31-738-8665 E-mail shj@lplus.or.kr

Name	Position
Address	
TEL	E-mail

* We make sure that your personal information would remain confidential and not be used for any other purposes than feedback to improve our sustainability management.

We listen to our customers and stakeholders

About our Sustainability Report 2008

1. How did you first know about our Sustainability Report?

our website newspaper/magazine web surfing our employees others

2. Which of the following applies to you?

employee business partner compensation recipient land buyer NGO
 academia local community government employee others

3. Which section of this report did you find most informative?

introduction economic progress environmental progress social progress
 appendix

Specify in detail areas of this report that were most informative to you.

4. Which section of this report do you think needs most improvement?

introduction economic progress environmental progress social progress
 appendix

If you specify what improvements to make in detail, we will make sure that they are integrated into our next year's report.

5. Is this report helpful to you in understanding our sustainability management?

very helpful fairly helpful helpful not helpful not helpful at all

6. Is this report easy to read?

very easy fairly easy easy not easy not easy at all

7. What is your take on our potential to become a sustainable company?

very positive fairly positive positive negative very negative

8. How much committed do you think we are to listening to customers and resolving their concerns?

very committed fairly committed committed not committed not committed at all

9. How active do you think we are in carrying out social philanthropic responsibilities?

very active fairly active active not active not active at all

10. How trustworthy do you think information on our products is?

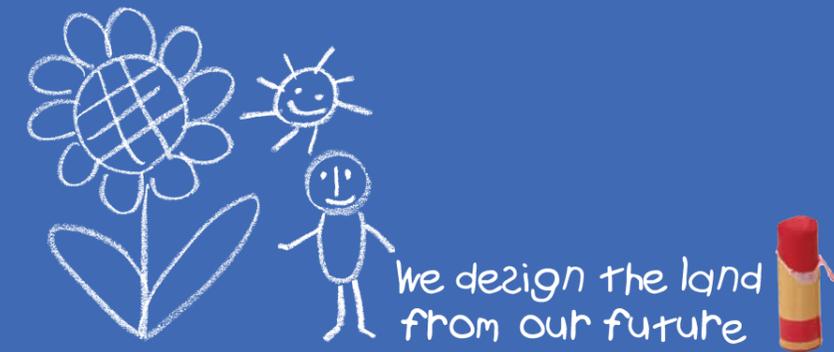
very trustworthy fairly trustworthy trustworthy not trustworthy
 not trustworthy at all

11. How much do you think we care about environmental issues throughout the whole process of planning, developing and supplying products?

care very much care much care care little do not care at all

12. Specify material issues that you want to see addressed in our next year's Sustainability Report.

13. Specify anything that you hope to see from our future reports. Thank you.





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