

Green smart

GS E&C Integrated Report 2011

Green
smart

The GS E&C Integrated Report 2011 combines financial and non-financial achievements

In 2011, we issued our first Sustainability Report to disclose our activities and results in the economic, environmental and social realms. The current Integrated Report incorporates our Annual Report with our second annual Sustainability Report, providing stakeholders with a balanced and comprehensive disclosure of the economic, environmental and social value that GS E&C has created. A separate Annual Report will not be published starting from 2012, and the information that previously was covered in the Annual Report will be presented in this Integrated Report.

Overview of the Report

Report Period and Scope • This Integrated Report covers GS E&C's major activities and attainments from January 1 through December 31, 2011. As for quantitative results, data for the most recent three years (Jan. 2009-Dec. 2011) are included to evaluate annual trends. Moreover, achievements after the end of 2011 are presented in this Integrated Report if they are deemed relevant. This Report covers the business activities carried out at the Head Office and ten other directly-owned offices of GS E&C as well as at 274 construction sites where GS E&C is active (249 in Korea and 25 outside Korea). The business activities of subsidiaries and invested companies are not included herein. Meanwhile, the statement of financial position, income, and cash flow chart and other statements representing financial achievements encompass the performance of both the Head Offices and subsidiaries because the Korean International Financial Reporting Standards (K-IFRS) were adopted, starting from this Report. The items reported in these statements are different from those for the previous year.

Reporting Standards • This Integrated Report was written in accordance with the Global Reporting Initiative (GRI) G3.1 guidelines and the GRI Construction & Real Estate Sector Supplement Indicators. Detailed information on this reporting framework will be found in the GRI Index (p.116-119) of this Report.

Verification of the Report • To ensure the trustworthiness of the content, we commissioned a third party to audit and verify the accounts herein, and the results are contained in the Assurance Statement (p.112-113) and the Audit Report (p.101).

Features of this Report

Establishing Framework of the Report • The contents of this Integrated Report are organized into three categories: What Our Goal Is, What We're Doing and What Is Next. This arrangement is designed for facilitate readers' understanding of GS E&C's sustainability management.

Expanded Scope of Information Disclosure • This Integrated Report reveals the levels of GHG emissions at key overseas project sites, where greenhouse gas (GHG) inventory systems were newly installed, expanding the geographical scope of disclosed information.

GRI G3.1 Application Level

The GS E&C Integrated Report 2011 was written to meet all requirements for a GRI G3.1 Application Level of A⁺, and the GRI confirmed the application level.

			C	C ⁺	B	B ⁺	A	A ⁺
Standard Disclosures	G3.1 Profile	OUTPUT	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus : 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3.1 Management Approach Disclosures	OUTPUT	Not required		Disclosure of Management Approach for each Indicator Category		Disclosure of Management Approach for each Indicator Category	
	G3.1 Performance Indicators & Sector Supplement Performance Indicators	OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of : Economic, Social and Environment		Report on a minimum of 20 Performance Indicators, at least one from each of : Economic, Environment, Human Rights, Labor, Society, Product Responsibility		Report on each core G3.1 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	



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CEO's Message

Greetings, Stakeholders

Last year we issued our first Sustainability Report, and this year we are going a step further by consolidating the Sustainability Report with the Annual Report.

The business environment in 2011 was very difficult, as some European nations faced a sovereign debt crisis, the sovereign credit rating of the United States was downgraded, and the economic activity in Korea slowed down. As a result, our new orders received were down slightly to KRW 13.25 trillion. However, sales reached an all-time high at KRW 9.05 trillion and operating income exceeded KRW 500 billion for the third straight year. Domestic and international economic uncertainty will persist in 2012, but we have set ambitious targets for the year: new orders of KRW 16.5 trillion (up 25% YoY), sales of KRW 9.5 trillion, and operating income of KRW 555 billion.

Annual sales growth has averaged around 11% over the past decade, thanks to a solid and well-balanced business portfolio, and corporate value has increased tenfold over that period. Moreover, we have been listed on the DJSI World Index each of the past two years, confirming that our sustainability is up to the global standard.

In January 2012 we announced Vision 2020, as we seek to take our consistent success in recent years to the next level going forward. This Vision calls for us to bolster the fundamental competitiveness of current operations while cultivating 3 Main Pillars of Growth for future revenues: (1) industrial plants, power plants and environmental facilities—areas where we already enjoy world-class status; (2) profit-oriented development projects such as real estate development and private participation in infrastructure projects; and (3) offshore projects that generate synergy with onshore projects. In the process we aim to emerge as a sustainable global company.

We recognize that, in addition to economic growth, fulfilling environmental and social obligations are critical factors for us to achieve Vision 2020. In addition, we are engaging in sustainable activities that are linked with our core values of Great Innovation, Great Challenge, and Great Partnership.

On the economic front, we secure new growth drivers that are tied into current strategic investments and increase the proportion of overseas projects in our business portfolio. At the same time, we are upgrading that company-wide risk management system. In 2011 we acquired the Spanish desalination facility maker Inima, an example of our determined effort to be the best.

With respect to environmental issues, we pursue green management programs to bring about fundamental changes to our corporate make-up. A green management information system has helped us manage data on our energy consumption, waste generation and water use as well as increase our use of recycled aggregate. We are also establishing eco-friendly construction processes that take all construction industry lifecycles into account. Our R&D program is creating advanced green technology products that make GS E&C a leader in Green & Smart buildings and the movement to build eco-friendly housing. Moreover, we are aggressively moving into renewable energy projects, including waste-to-energy and wind power generation.

As for social obligations, we have established a foundation for “win-win” partnerships with suppliers on the basis of ethical business practices. We adopt main social contribution programs and continue to improve the organizational culture for our employees. These efforts are helping to build stakeholders’ trust in us. Of course, safety is a fundamental aspect of the construction industry, and we are constantly finding ways to strengthen our safety management.

This is our first Integrated Report, combining our sustainable management efforts and financial performance. Through this Report, we tried to reflect the interlocking relationship between our sustainable management and our corporate strategies and value creation.

Going forward, we will continue to fulfill our economic, environmental and social obligations. Our consistent goal is to be a global leader in sustainable management that grows with you.

2012.04

GS E&C Corp.
President & CEO
Myung-Soo Huh





We are growing with you,
as we play a leading role in sustainability
management, fulfilling all economic,
environmental and social obligations

GS E&C OVERVIEW

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Mokpo Grand Bridge (Nov. 2004-Jun. 2012)



Business Highlights 2011

UAE Green Diesel Project

Client | Takreer (Abu Dhabi Oil Refining Co.)

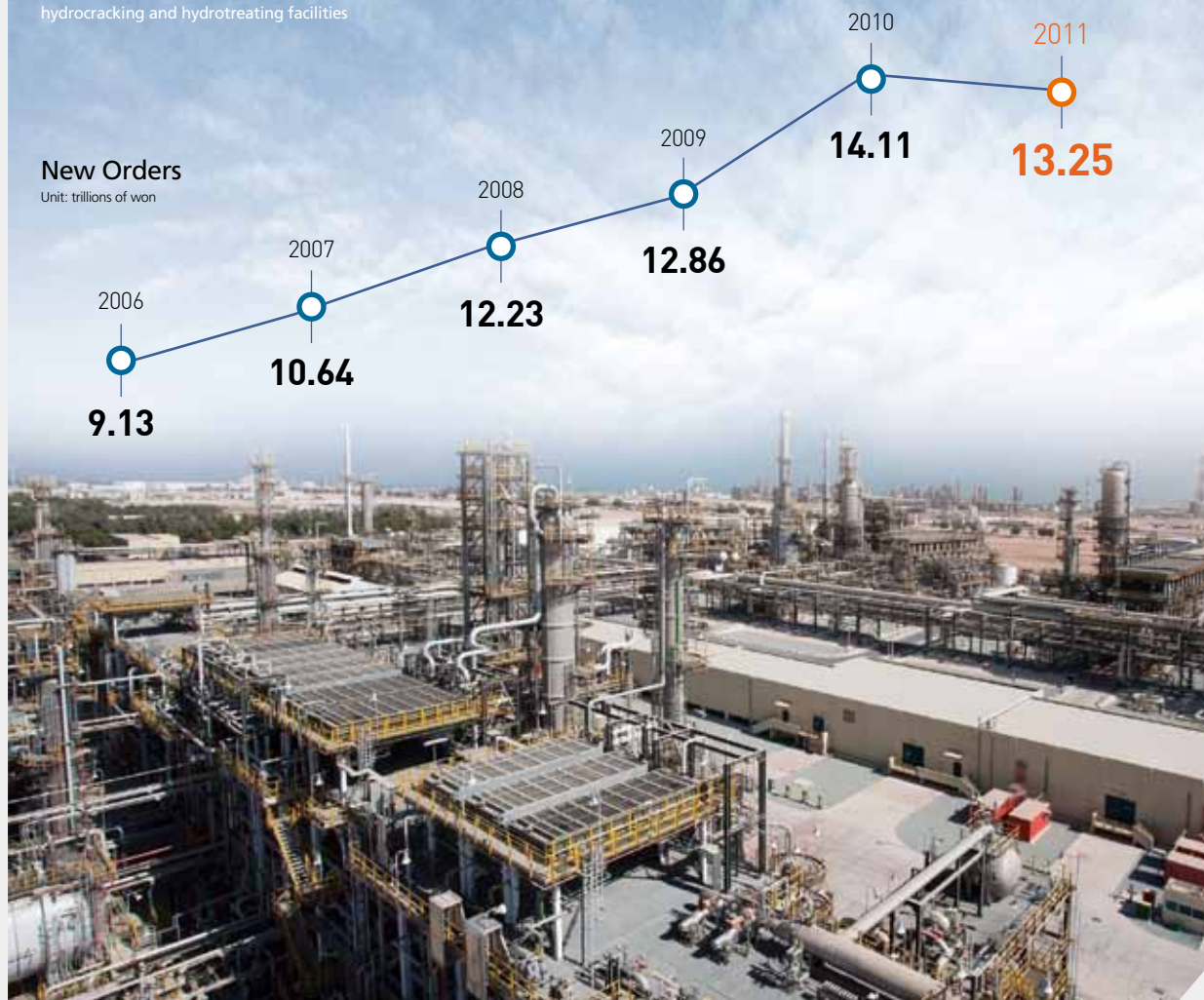
Location | Ruwais Petrochemical Complex in the UAE

Project Period | Jan. 2008-Jul. 2011

Project Description | Vacuum distillation, hydrocracking and hydrotreating facilities

New Orders

Unit: trillions of won



Business Performance for 2011

In 2011, GS E&C received a total of KRW 13.25 trillion in new orders, down 6% from the previous year. Operating profits stood at KRW 598 billion on the sales of KRW 9.05 trillion on a consolidated basis. At year's end, the order backlog increased 2% year on year at KRW 46.6 trillion, including provisional contracts for the Housing Division worth KRW 7.8 trillion. Overseas businesses recorded KRW 3.81 trillion in sales, 42% of the total figure and up 13% from 2010.



Listed on the DJSI World Index for
2nd Year in a Row



Green Partnership Agreements in the
Construction Industry



Launching the Great Partnership Council
for Win-win Growth

GS E&C Listed on the DJSI World Index for 2nd Year in a Row

GS E&C was listed on the Dow Jones Sustainability Index World in 2011 as Silver Class for the second consecutive year. Going forward, we will fulfill our obligations as a leader in sustainability management practices.

Agreements Signed for Facilitating Green Management in the Construction Industry

GS E&C concluded Green Partnership agreements with ten suppliers under the government's Support for Promoting Green Management initiative in March 2011. These agreements represent the commencement of our support for suppliers to promote their green management initiatives. We help our suppliers establish green management systems, assess energy efficiency, build greenhouse gas inventories, and cultivate green management specialists.

Great Partnership Council for Shared Growth

In April 2011, the Great Partnership Council for Shared Growth was launched as a platform for promoting mutual understanding between GS E&C and suppliers. Council members represent GS E&C and 20 suppliers covering GS E&C's eight major areas of construction. In 2011, the Council held two meetings where participants discussed how to implement the support program, bolstering mutual understanding and trust.

Company Overview

Domestic & Overseas Subsidiaries

	Company name	Main Business
Domestic	Parnas Hotel Co., Ltd.	Hotels & travel
	EziVille Inc.	Value-added networks
	Xi service	Construction
	G-Estec Co., Ltd	Construction
	GLS Service	Services
	GCS Plus	Services
	BSM	Processing services
	GS O&M	Services
	Sanglak Food Co., Ltd.	Contract food service management
Overseas	GS E&C Nanjing Co., Ltd.	Construction
	GS Nha Be Development One-Member LLC	Construction
	GS Saigon Development One-Member LLC	Construction
	GS E&C India Private Ltd.	Construction
	GS Cambodia Development Co. Ltd.	Construction
	GS Construction Arabia Co., Ltd.	Construction
	GS Construction Saudi Co., Ltd.	Construction
	GS E&C Poland SP.ZO.O	Construction
	GS E&C Construction Canada Ltd.	Construction
	GS E&C Panama S.A.	Rental

* As of December 31, 2011

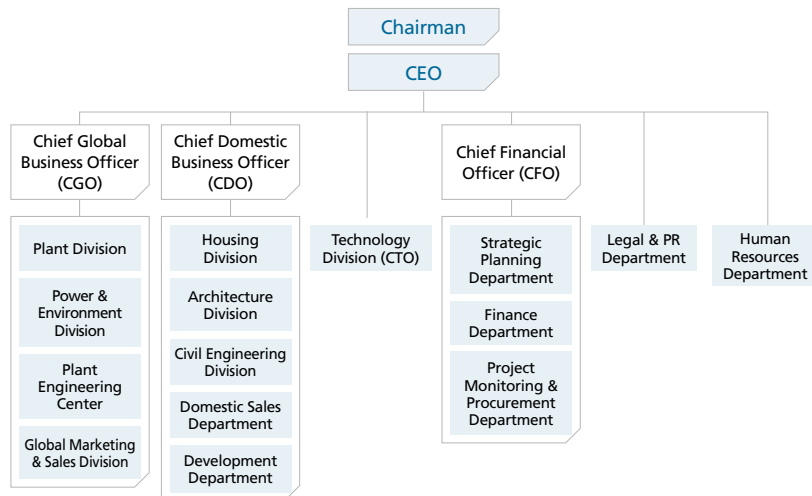
* Affiliates not less than 50% of voting rights of which are controlled by GS E&C

GS E&C has continued to grow in the plant, power & environment, civil engineering, housing, architecture, and development areas. We have laid the groundwork to emerge as a top-tier global contractor by cultivating competent personnel, securing technology, and engaging in aggressive management practices. GS E&C will remain committed to advancing toward a top-tier company that puts the priority on creating great customer value and being the best partner, growing together with stakeholders.

General Information

Corporate Name	GS Engineering & Construction Corp. (GS E&C)
Date of Establishment	December 19, 1969
Representative	Myung-Soo Huh
Head Office	GS Yeokjeon Tower, 537 Namdaemun-ro 5-ga, Jung-gu, Seoul
Main Businesses	Plant, power & environment, civil engineering, housing, architecture, and development
Credit Ratings	AA ⁺ by Korea Ratings (as of Dec. 2011)
No. of Employees	6,223

Organization Chart



* As of January 1, 2012

Main Business Areas

Plant

Provide integrated services by expanding the value chain

- Oil refineries and gas processing plants
- Petrochemical plants



Power & Environment

Aggressively expand domestic business and make overseas projects mainstay businesses

- Nuclear power generation, combined cycle power generation
- Water treatment, waste-to-energy facilities

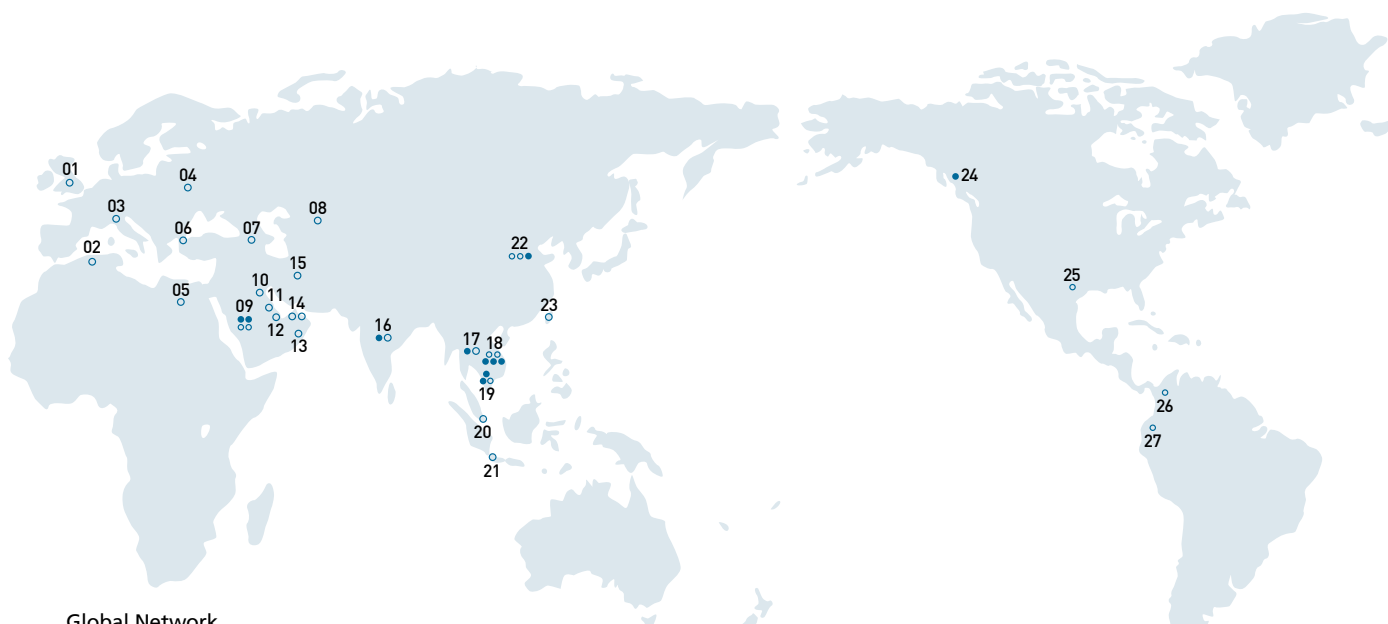


Civil Engineering

Expand domestic market share and get overseas projects underway

- Roads, bridges, railroads and ports
- Underground space
- Tidal power generation





Global Network

01. England

○ GS E&C Corp. London

02. Algeria

○ GS E&C Corp. Algiers

03. Italy

○ GS E&C Corp. Milano

04. Russia

○ GS E&C Corp. Moscow

05. Egypt

○ GS E&C Corp. Egypt

06. Turkey

○ GS E&C Corp. Istanbul

07. Armenia

○ GS E&C Corp. Armenia

08. Kazakhstan

○ GS E&C Corp. Kazakhstan

09. Saudi Arabia

● GS Construction Arabia Co., Ltd.
● GS Saudi Co., Ltd.
○ GS E&C Corp. Al-Khobar
○ GS E&C Corp. Saudi Arabia Riyadh

10. Kuwait

○ GS E&C Corp. Kuwait

11. Bahrain

○ GS E&C Corp. Manama

12. Qatar

○ GS E&C Corp. Qatar

13. Oman

○ GS E&C Corp. Oman

14. UAE

○ GS E&C Corp. UAE Dubai
○ GS E&C Corp. UAE Abu Dhabi

15. Iran

○ GS E&C Corp. Iran

16. India

● GS Engineering & Construction India Pvt., Ltd.
○ GS E&C Corp. India

17. Thailand

● GS Engineering & Construction Thai Co., Ltd.
○ GS E&C Corp. Thailand

18. Vietnam

● GS Nha Be Development One-Member LLC
● GS Saigon Development One-Member LLC
● GS Saigon Development One-Member LLC
○ GS E&C Corp. Hanoi
○ GS E&C Corp. Ho Chi Minh

19. Cambodia

● GS Cambodia Development Co., Ltd.
● GS Phnom Penh Development Co., Ltd.
○ GS E&C Corp. Cambodia

20. Singapore

○ GS E&C Corp. Singapore

21. Indonesia

○ GS E&C Corp. Jakarta

22. China

● GS E&C Nanjing Co., Ltd.
○ GS E&C Corp. Beijing
○ GS E&C Corp. Shanghai

23. Taiwan

○ GS E&C Corp. Taiwan

24. Canada

● GS E&C Construction Canada Ltd

25. United States

○ GS E&C Corp. Houston

26. Colombia

○ GS E&C Corp. Colombia

27. Ecuador

○ GS E&C Corp. Ecuador

● Overseas Subsidiaries
○ Overseas Branches

Housing

Raise profitability by promoting brand recognition and receiving a constant flow of new orders

- Apartment complexes
- Commercial-residential buildings



Architecture

Expand involvement in projects including architectural consulting services by leveraging competitiveness acquired from contract projects

- Office buildings
- Entertainment, leisure and sports facilities
- Education, research and medical care facilities
- Clean rooms, manufacturing & logistics facilities



Development

Continue to execute large-scale development projects domestically and overseas, diversify the business portfolio

- "New town" development
- Large-scale combines development projects



Management Philosophy

Mission Statement

The mission statement of GS E&C is to Create Value of New Lifestyles and Dream of a Better Tomorrow with Customers. The statement demonstrates our commitment to creating value that can be shared among various stakeholders and fulfilling responsibilities as a corporate citizen.

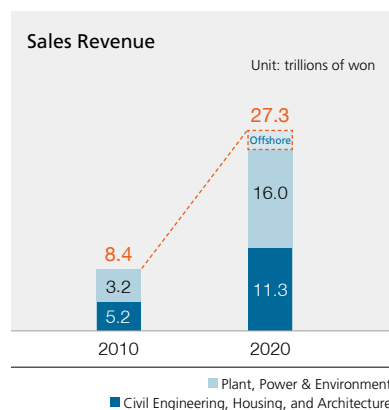
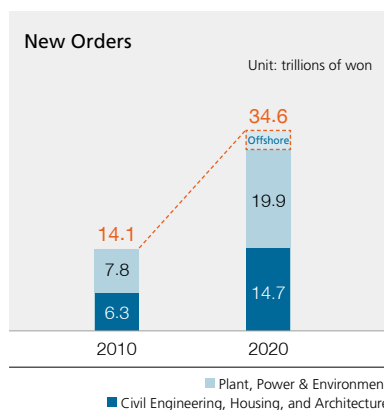
Together with Customers	Customers are part of the GS E&C family We think and act from the customers' perspective, and want to be near them always.
Dream for a Better Tomorrow	GS E&C realizes the dream for a better future We cultivate and realize the potential of businesses and people, and our passion and readiness to face challenges help create a better future.
New Ideas	GS E&C stays ahead of the times We respond well to the demands of the time with an open mindset and lead progress.
Creation of Value of Lifestyle	GS E&C leads to improve the value of life We create tangible and intangible value to make life more comfortable and pleasant, helping all in society to enjoy a higher quality of life.

Vision 2020

We established Vision 2020, which calls for us to expand the share of overseas projects to 70% of the project portfolio by 2020. In addition, our annual targets for the year are KRW 35 trillion in new orders, KRW 27 trillion in sales and KRW 2 trillion in operating profit.

Vision	Creatively and Passionately Build Value for the World and Earn Trust : Best Partner & First Company
Slogan	Global Best & First
Core Values	Great Innovation Great Challenge Great Partnership
Vision 2020 Goal	Sustainable Global Company
Targets for 2020	New orders of KRW 35 trillion, Revenue of KRW 27 trillion, and Operating Profit of KRW 2 trillion

Targets for 2020



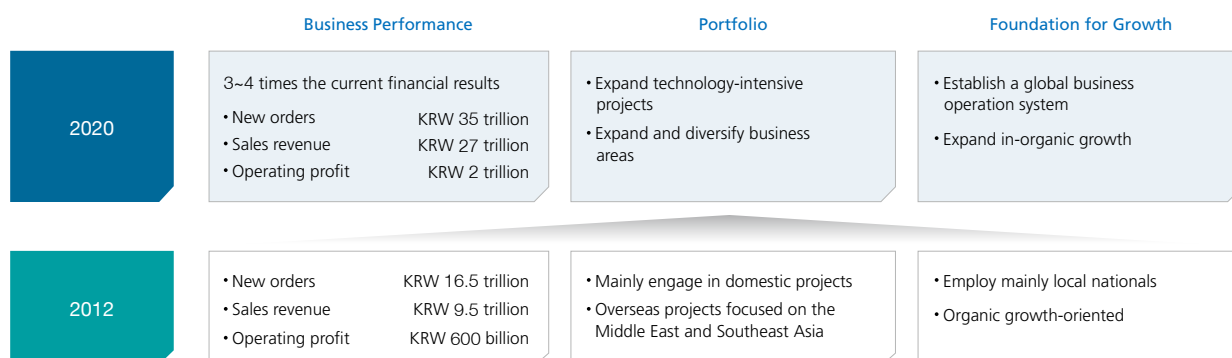
3 Main Pillars of Growth

We have determined 3 Main Pillars of Growth in order to realize Vision 2020, while strengthening existing business areas.



Blueprint for GS E&C 2020

GS E&C is committed to becoming a sustainable global company by attaining financial goals through aggressive investment and innovation and establishing a solid global business operation system through technology-intensive projects and diversification of business areas.



Declaration Ceremony of GS E&C Vision 2020

GS E&C held a ceremony in January 2012 to declare Vision 2020, which contains growth targets and strategies for the coming decade.

At the ceremony, CEO Huh said: "Management reviewed mid-/long-term business targets and strategies as we faced unexpected changes in the business climate due to the 2008 global financial crisis. We will work hard to put this Vision into practice in order to realize our goal of becoming one of the world's top construction companies by 2020."

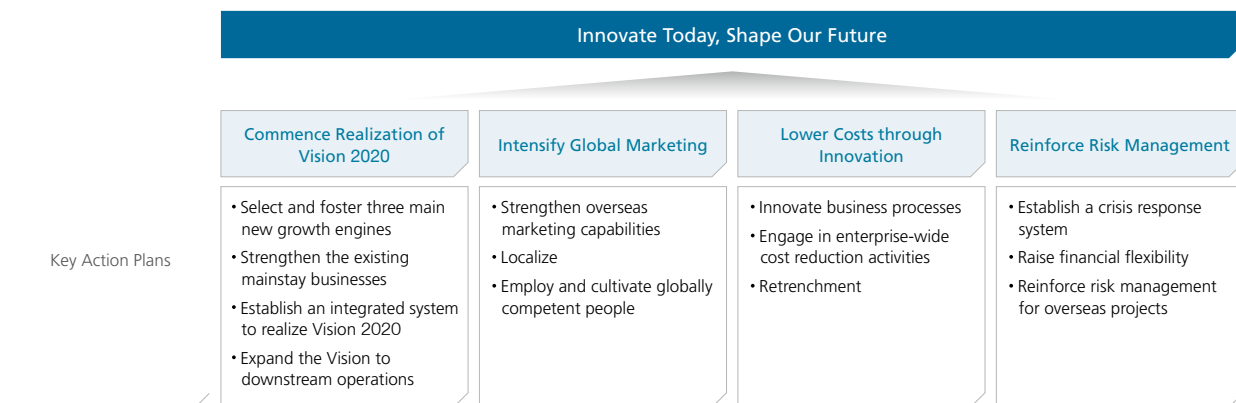


Management Philosophy

Management Focus

The management focus for 2011 was to Balance Growth with Value Management, and that for 2012 was set as Innovate Today, Shape Our Future. For the effective execution of the program, the following four key action plans have been identified: Commence Realization of Vision 2020, Intensify Global Marketing, Lower Costs through Innovation, and Reinforce Risk Management. In the course of carrying out these plans, GS E&C will overcome limitations of the conventional businesses and emerge as a global contractor with outstanding competitiveness by turning future-oriented projects into mainstay businesses earlier than scheduled.

Management Focus 2012



Core Value

The core values of a corporation are the basis of the corporate philosophy and vision as well as the standards for the employees to share and pursue common goals. GS E&C will maximize organizational capabilities to clear the way toward sustainable development and growth by adhering to the core values of Great Innovation, Great Challenge and Great Partnership.



Great Innovation

I lead changes with an open mindset

Keywords

Diversity, Creativity, Change

Our people, who embrace with various viewpoints, have adopted a collective attitude to ensure their creativity is exercised fully, laying the groundwork for sustainable development by responding astutely to the rapidly changing environment.



Great Challenge

You and I create the highest value with passion

Keywords

Pioneering Spirit, Initiative, Excellence

Our people set challenging targets and assume responsibility for their duties on their own to build the best value. This attitude serves as one of the main sources of power to achieve business targets and secure competitive advantages.



Great Partnership

We grow together with the world

Keywords

Respect, Cooperation, Win-win

Inside the company, our employees cooperate with one another based on mutual trust and grow together with the organization. Externally, we practice ethical and eco-friendly management approaches with respect to our customers and society and maintain a dialogue with them. These management practices are credited with fulfilling the needs of external and internal customers to earn their respect.

Sustainability Management System

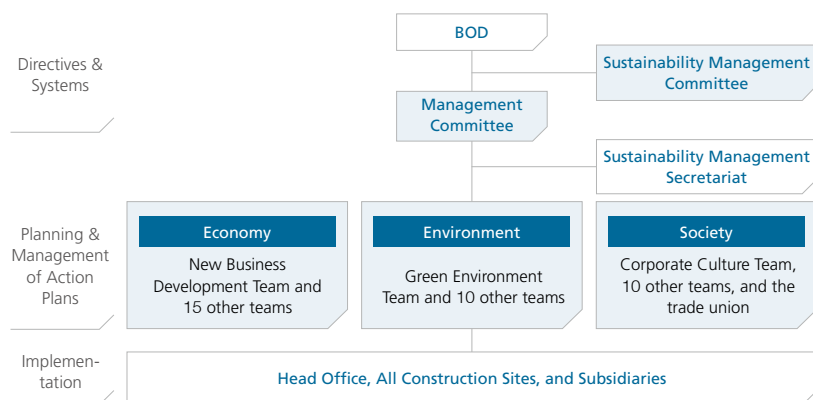
Vision for Sustainability Management

The GS E&C vision for achieving sustainability is to “pursue growth by creating sustainable value together with stakeholders.” We set our strategic directions toward sustainability as “Establish a low-carbon, green management system,” “Strengthen the profit-oriented, new growth regime,” and “Expand communication with stakeholders” in association with GS E&C’s core values of Great Innovation, Great Challenge and Great Partnership. Now we are implementing the related action plans.

Dedicated Organization for Sustainability Management

All sustainability management-related activities are carried out under the supervision of the Sustainability Management Committee and the Management Committee as the top decision-makers with the participation of with various related organizations. The Head Office and all other operations, both domestic and overseas, including subsidiaries and branches, affiliates and field offices, carry out sustainability management activities in GS E&C.

GS E&C Strategies for Sustainability



Sustainability Management Committee

The Sustainability Management Committee was established in 2011 as the unit exclusively responsible for reviewing the progress of the sustainability management program as well as examining and providing advice on major related policies. All of the five Committee members are outside directors.

Interview



Korea University, Business School
Professor

Kyung-Suh Park

(Sustainability Management Committee)

The sustainability management practices of GS E&C should focus on stakeholders

I believe GS E&C has prepared well for sustainable management in terms of corporate governance, culture and philosophy. However, considerations for employees, customers, suppliers, communities and other stakeholders should receive greater emphasis as well. As such, the Sustainability Management Committee should adopt stakeholder-oriented approaches based on the continuous exchange of opinions, information sharing and mutual agreement between GS E&C and stakeholders. Importantly, GS E&C should thoroughly review the existing community services and engage in sustainability management activities that are beneficial to both the company and communities in the long term, not just the short term.

GS E&C needs to internalize sustainability management practices by managing a key performance index

I am aware that GS E&C established enterprise-wide sustainability management strategies last year and is now engaged in specific activities defined by individual strategies. GS E&C should establish and manage a key performance index for sustainability management activities to internalize the approach and to have these activities deeply rooted in daily business functions.

Sustainability Performance 2011

GS E&C established targets and action plans in step with sustainability management strategies. The following table summarizes our activities and results for 2011, and presents future plans by reflecting stakeholder requests. More detailed information on each section can be found on the relevant pages of this Report.

Vision	Strategic Directions	Specified Strategies	Action Plans	Requests from Stakeholders
Pursue Growth by Creating Sustainable Value Together with Stakeholders	Strengthen Profit-oriented, New Growth Regime	Strengthen Risk Management System	<ul style="list-style-type: none"> Form a company-wide risk management team Manage key risk response strategies 	<ul style="list-style-type: none"> Manage risks prior to the start of a project Prevent liquidity problems Ensure transparent accounting
		Boost Business Competitiveness	<ul style="list-style-type: none"> Improve business execution capabilities Secure key technologies 	<ul style="list-style-type: none"> Pursue customer-oriented business
		Pursue New Growth Businesses	<ul style="list-style-type: none"> Adopt a systematic approach to identify future business opportunities Expand involvement in overseas projects 	<ul style="list-style-type: none"> Facilitate the green construction market
	Establish a Low-carbon, Green Management System	Establish an Advanced Environmental Management System	<ul style="list-style-type: none"> Upgrade environmental management policies and guidelines Operate environmental performance management system 	<ul style="list-style-type: none"> Engage in eco-friendly construction site management Establish and expand a green management system Manage environment performance
		Strengthen Capabilities to Carry out Green Projects	<ul style="list-style-type: none"> Make existing projects greener Advance into new green projects Expand R&D for green technology 	<ul style="list-style-type: none"> Increase investment in R&D of green technology Strengthen green technology network
		Strengthen Responses to Climate Change	<ul style="list-style-type: none"> Build GHG inventory Raise GHG emission reduction target and reduce GHG emissions Analyze climate change scenarios 	<ul style="list-style-type: none"> Engage in climate change mitigation policies Reduce GHG emissions Disclose GHG emission data
	Expand Communication with Stakeholders	Lay the Groundwork for Win-win Cooperation	<ul style="list-style-type: none"> Present strengthened sustainability management guidelines for suppliers Manage overseas suppliers 	<ul style="list-style-type: none"> Enhance cooperation with suppliers Implement sincerely the convention on the fair contracting practices Share more information on overseas markets
		Build an Advanced Organizational Culture	<ul style="list-style-type: none"> Strengthen ethical compliance and enforcement systems Develop strategic social contribution programs Expand the Work Smart programs 	<ul style="list-style-type: none"> Establish an advanced employee welfare system Promote healthy labor-management relations Operate systematic personnel administration and enhance employee capabilities
		Strengthen Occupational Safety Assurance System	<ul style="list-style-type: none"> Analyze and manage safety risks in construction sites Manage construction safety data 	<ul style="list-style-type: none"> Reduce accident rates through in-advance prevention efforts Establish a global environment & safety management system Cultivate safety management experts

● Achieved ● High ● Medium ● Low ○ None

2011 Targets	2011 Activities & Achievements	Attainment Levels	Future Plans	Pages
<ul style="list-style-type: none"> Establish a dedicated company-wide risk management organization Build an early risk warning 	<ul style="list-style-type: none"> Formed the Risk Management Team Built the Integrated Risk Management System 	 Achieved	<ul style="list-style-type: none"> Upgrade company-wide risk management 	52-53
<ul style="list-style-type: none"> Reorganize business execution organizations Develop 11 promising technology products 	<ul style="list-style-type: none"> Reorganized corporate structures led by led by CGO, CDO, CFO Commercialized 3 technology products, including water reuse 	 Achieved	<ul style="list-style-type: none"> Improve cost competitiveness Continue to secure promising technology products Strengthen relations between businesses and technology 	10, 45 62-67
<ul style="list-style-type: none"> Facilitate new growth businesses through M&A Strengthen overseas marketing competencies 	<ul style="list-style-type: none"> Acquired Inima Established overseas business headquarters 	 Achieved	<ul style="list-style-type: none"> Establish the master plan for new growth businesses Establish and perform action plans defined by the 3 Main Pillars of Growth in the Vision 	44, 47
<ul style="list-style-type: none"> Obtain green management system certification Expand environmental training Identify enterprise-wide green management KPI 	<ul style="list-style-type: none"> Obtained certification for green management system Held environmental management specialist training Completed developing enterprise-wide green management KPIs 	 Achieved	<ul style="list-style-type: none"> Operate and improve green management systems Increase the number of environmental management experts certified by overseas institutes Implement and monitor enterprise-wide green management KPIs 	60-61
<ul style="list-style-type: none"> Acquire green technology certification Strengthen green technology network 	<ul style="list-style-type: none"> Obtained certification for 1 green technology (wastewater reuse) Joined in 6 new alliances 	 High	<ul style="list-style-type: none"> Continue to acquire green technologies Expand green businesses 	62-67
<ul style="list-style-type: none"> Disclose GHG emissions data Establish GHG inventories at overseas sites Raise execution capabilities for GHG reduction initiatives 	<ul style="list-style-type: none"> Participated in a Carbon Disclosure Project survey Completed GHG inventories at 25 overseas project sites Identified GHG reduction best practices 	 High	<ul style="list-style-type: none"> Continue carbon information disclosure Assess GHG emission levels at domestic and overseas sites and identify best practices Publish and distribute a GHG reduction guide book 	60-61
<ul style="list-style-type: none"> Improve win-win cooperation programs Enhance construction execution capabilities 	<ul style="list-style-type: none"> Improved payment conditions for suppliers <ul style="list-style-type: none"> - Raised cash-payment to 70% - Shortened payment lead time by 5 days Adopted order rotation system according to the capabilities of suppliers 	 High	<ul style="list-style-type: none"> Continue to improve payment conditions <ul style="list-style-type: none"> - Pay over 70% of contract amount in cash - Make payment within 10 days after construction completion Implement and expand sustainability management practices in supplier 	89-91
<ul style="list-style-type: none"> Establish a strategic social contribution system Strengthen labor-management relationship Improve the way employees work 	<ul style="list-style-type: none"> Ran flagship social contribution programs Established cooperative labor-management relations Ensured employees perform their duties with empowerment and responsibility 	 High	<ul style="list-style-type: none"> Expand strategic social contribution activities <ul style="list-style-type: none"> - Engage in social contributions overseas Strengthen labor-management communication 	82, 88 92-94
<ul style="list-style-type: none"> Strengthen site safety management procedures Cultivate safety management experts in various areas 	<ul style="list-style-type: none"> Developed training programs for local workers Established safety management training programs (23 courses) 	 High	<ul style="list-style-type: none"> Raise safety awareness among local workers Strengthen technology safety capabilities 	97-99

Stakeholder Engagement

Definition of Stakeholders

GS E&C selected ten key groups of stakeholders, identified influences exerted by the stakeholders and GS E&C on each other, and established communication channels with them to identify and serve effectively to their main concerns and expectations.



Stakeholder	Relationship with GS E&C
Shareholders & Investors	Trust the corporate value of GS E&C and provide economic capital to create greater added value
Customers	Trust and purchase GS E&C's products and services, providing GS E&C with the opportunity to create a better future
Suppliers	Grow together with GS E&C by providing resources and other necessary means of assistance for GS E&C's business operation
Employees	Turn ideas into action and support the most valuable human resources who make up the organization
Society	Provide the environment and resources for smooth business operation, while GS E&C shares corporate value with society
The Media	Inform the public about GS E&C's business activities and support communication with stakeholders
Academia·Trade Associations·Organizations	Have diverse knowledge and expertise spanning the entire industry. Cooperation with them helps GS E&C enhance competitiveness
Peer Competitors	Engage in fair competition with GS E&C and inspire us to grow further in the competition
Government	Support GS E&C for its stable and smooth operation, while we fulfill its obligation as a taxpayer for the development of the nation and society
Future Generations	Are potential customers and will be stakeholders of GS E&C in the future

Dialogue with Stakeholders

GS E&C conducted interviews with various stakeholders and surveyed them on their perception of the company's sustainability management in order to identify their key concerns and expectations as well as to review the directions of sustainability management on the part of the company.

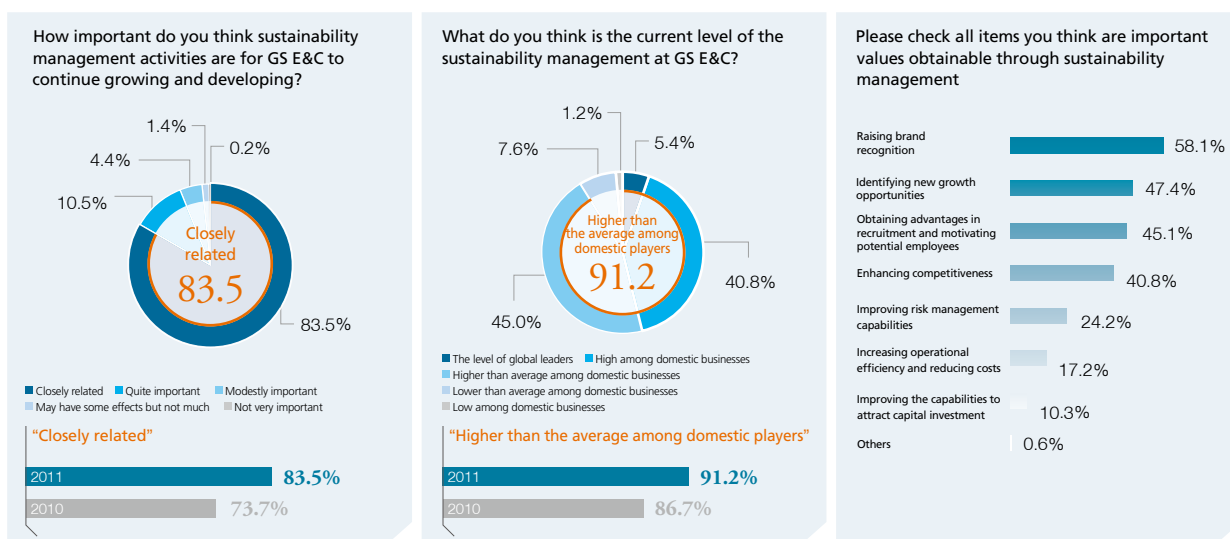
Stakeholder Interviews

GS E&C held in-depth interviews with some of the major stakeholders. Their opinions have been reflected in this report.

Stakeholder	Interviewee	Key Issues	Pages
Customers	Sipchem Ltd. Technical Manager Patrick Albert Benavides	Disclose information on the processes and results of green technology development programs	62-67
		Recruit and cultivate engineers with extensive experience and expertise regarding design and execution	86-87
Employees	GS E&C Plant Division Senior Vice President Kyong-Suk Lee	Enhance corporate value by strengthening overseas projects and attracting more new orders	46-47
		Raise employee satisfaction by adopting reasonable compensation schemes and managing human resources constantly	86-87
	GS E&C Research Institute of Construction & Economy Chief Sang-Ho Lee	Transform the organizational structure of the company to serve the overseas markets by recruiting employees of diverse nationalities	12-13, 47
		Perform thorough feasibility tests and manage risks systematically	52-53
Suppliers	Bolim Construction Ltd. Vice President Wan-Sik Yu	Engage in constant win-win cooperation with suppliers and promote dialogue between the company and the suppliers	89-91
The Media	Money Today Journalist Guk-Sang Hwang	Raise the public trust in the company by transparently disclosing information and providing constant feedback	19-21
Community	Child Fund Korea Fundraising Team Chief Hee-Yeong Mun	Continue to expand community services with sincerity to serve the needs of beneficiaries	92-94
Academia	Yonsei University, Environmental Engineering Professor Ja-Kon Gu	Focus on reducing environmental impact and preserving ecological diversity from the life-cycle perspective	72-75, 79
		Identify and nourish new growth engines in green businesses	62-65
	Korea University, Business School Professor Kyung-Suh Park	Take the interests of employees, customers, suppliers and local communities into account	82-96
		Internalize sustainability management practices by managing a key performance index	16-17, 60
Government	Ministry of Land, Transport and Maritime Affairs Architecture Planning Division Administrator Ho-Chang Park	Perform construction projects contributable to the development of economy with the lowest possible environmental impact	77
		Support and participate in public policy initiatives by developing and commercializing green technologies	62-65
Future Generations	Seoul National University CSR Club Leader Jin-Won Seo	Identify and cultivate potential human resources by running training and experience programs	94

GS E&C Employee Survey on the Perception of Sustainability Management

GS E&C conducted the second annual employee survey on the perception of the company's sustainability management activities. The survey results showed that the employee awareness about sustainability management has been enhanced. The survey also demonstrated that employees recognize sustainability management is linked directly with raising corporate value because the majority of employees chose Raising Brand Recognition and Identifying New Growth Opportunities as benefits obtainable through sustainability management activities.

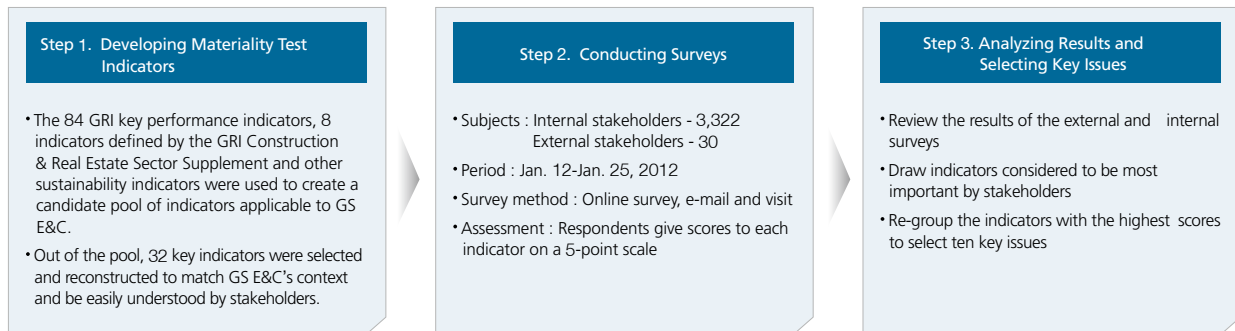


Stakeholder Engagement

Materiality Test

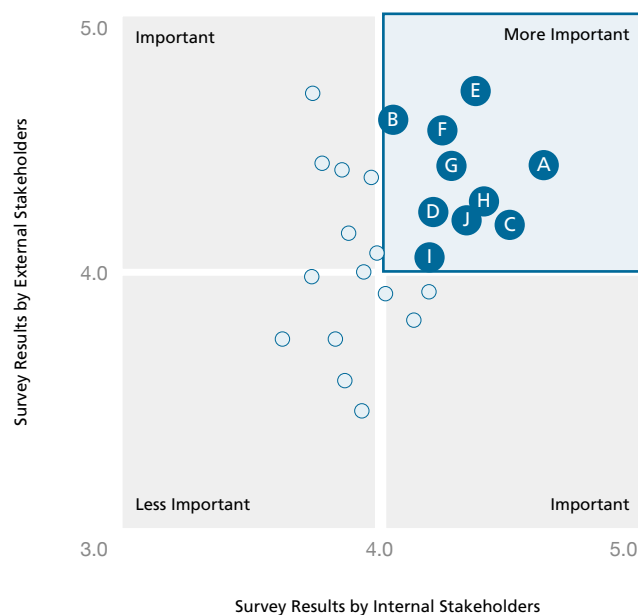
GS E&C conducted a materiality test to identify key sustainability management issues that stakeholders have great concerns about. This Integrated Report covers major issues in the order of priority.

Materiality Test Processes



Test Results

Through the materiality test, we identified 10 issues as having the most significance, and the parts of this Report related to these key issues are marked with a “sustainability navigator” (🧭) so that stakeholders can easily find their concerns. Other opinions and issues that will potentially have greater materiality in the future were also generally addressed in this report.

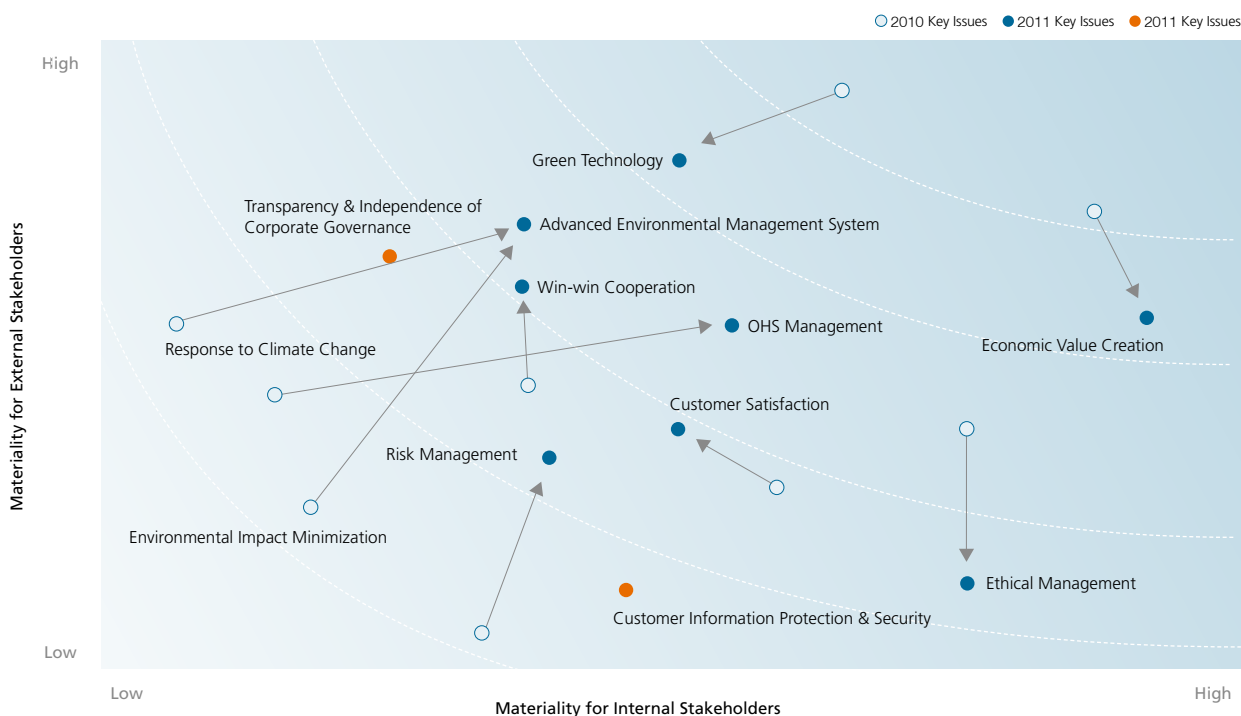


	Key Issues	Pages
A	Economic Value Creation	24, 26, 28, 30, 32
B	Transparency & Independence in Corporate Governance Practices	48-49
C	Ethical Management	50-51
D	Corporate Risk Management	52-53
E	Advanced Environmental Management System	60-61, 74, 79
F	Green Technology	62-65
G	Win-win Cooperation	89-90
H	Customer Satisfaction	95-96
I	Protection & Security of Customer Information	96
J	OHS Management Programs and Policies	97-98

* The order of issues was arranged based on reporting order, not materiality

Comparison of the 2010 and 2011 Test Results

The 2011 materiality test shows that the issues of corporate risk management, establishment of an advanced environmental management system, win-win cooperation and safety management were identified as having greater materiality than in the 2010 test. Moreover, the transparency and independence of corporate governance, and protection and security of customer information were newly chosen as key issues. These newly identified issues reflect new trends in sustainability management in general. We take those into account when determining our directions regarding sustainability management. Meanwhile, the areas that are still assumed to be important but have seen progress to some extent, including green technology, economic value creation and ethical management, were found to have reduced materiality in the 2011 test.



Interview



Money Today
Journalist

Guk-Sang Hwang
(Sustainability Specialist)

GS E&C needs to make greater efforts to communicate with stakeholders

The companies that do not issue a sustainability report still outnumber those that do. Meanwhile, GS E&C has continued to issue sustainability reports annually and disclose relevant information to stakeholders. In this sense, the company can serve as a model for others. However, I believe stakeholder communication can be further improved in that the company's efforts to communicate with stakeholders are rather one-off than continuous events. I hope that the company will exert constant efforts to ensure GS E&C and stakeholders share ideas on how the identified issues would be addressed and improved.

Transparent and balanced disclosure of information is required

Construction companies have a higher chance to be entangled in economic, social and environmental issues than other businesses are because much time and money is required to complete the complicated processes of a construction project. As such, a construction company is required to disclose information on both the positive and negative aspects of its corporate activities in a balanced and transparent manner. More focused management efforts are required especially for financial soundness, supply chain, accident frequency rates and other sensitive issues, and relevant information must be disclosed.

GREAT 2011



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GS E&C Going beyond Korea's Best to Being a Top-tier Global Contractor

GS E&C laid the foundation to emerge as a top-tier global contractor by furthering global business capabilities and carrying out new growth projects in 2011. These efforts resulted in a solid performance, with new orders worth KRW 13.25 trillion and operating profit of KRW 598 billion on sales revenue of KRW 9.05 trillion.

Going forward, GS E&C will continue to be the best partner, providing clients with total construction solutions through ongoing development and innovation with the highest priority put on creating customer value.

Plant

New Orders

On the K-IFRS, consolidated basis
Unit : billions of won



Order Backlog



Sales Revenues



Gross Profit



2011 Performance Summary

The Plant Division won orders for the Mina Al-Ahmadi north LPG tank farm and Wara Pressure Maintenance projects in Kuwait, strengthening the stature of GS E&C in the Middle East, the world's largest market for new plant construction. Inroads into Indonesia, Uzbekistan and other new regional markets helped to boost new orders to KRW 4.2 trillion in 2011. Moreover, the Division posted record sales revenues of KRW 3.4 trillion.

2012 Outlook and Plans

The issuance of new orders for some large projects is being delayed or downsized in the wake of the European sovereign debt crisis. On the other hand, construction activity in the Middle East will remain robust, but competition over new orders will intensify.

In the short term, the Plant Division will focus on enhancing business competencies and improving profitability by securing human resources, lowering costs and innovating processes, as market uncertainty and competition intensity are now on the rise. Mid-/long-term plans call for identifying and laying the foundation for new growth businesses that have the potential to serve as revenue generators in the future. The Division also aims to take an early lead and maintain a competitive edge in new markets by flexibly responding to changes in the business climate, and by establishing and executing effective strategies in a timely manner.



Message from the Plant Division Head

Enhance profit-oriented management practices and diversify business capabilities in order to emerge as a sustainable global player

In 2011, the Plant Division strengthened global operations and established strategic footholds in new regions by expanding investment in subsidiaries and enhancing overall competencies. We made inroads into new markets by winning orders for the Ustyurt Gas-Chemical Complex project in Uzbekistan and at the Cilacap RFCC project in Indonesia in 2011. This further diversification of our project portfolio deserves recognition following our winning of orders for the IRPC propylene plant in Thailand and the Black Gold oil sand project in Canada in 2010. The Plant Division will continue diversifying project types to ensure sustainability and enhance marketing competencies in the African and Latin American regions. We will also continue to seek out future growth engines. These efforts will help us strike a balance between growth and profitability, ultimately elevating GS E&C into the ranks of the top three plant contractors.

Moo-Ik Chang

Senior Executive Vice President



01 UAE Green Diesel

Location : Ruwais, UAE
 • Vacuum unit 35,000
 • Hydrocracker 41,000
 • Gas oil hydrotreater 44,000
 Project Period : Jan. 2008-Nov. 2011

02 Manifa Gas Facilities Project

Location : Khursaniyah, Saudi Arabia
 • Gas inlet facilities, gas processing: 90 MMSCFD
 • Condensate stripping : 66,400 BPSD
 • SRU : 900 TPD×2
 Project Period : Aug. 2008-Oct. 2011

03 E-LAB

Location : Alexandria, Egypt
 • Linear alkyl benzene 100,000 MTPY
 Project Period : Feb. 2006-Jul. 2008

Power & Environment

New Orders

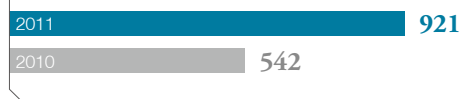
On the K-IFRS, consolidated basis
Unit : billions of won



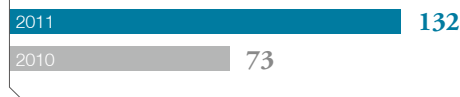
Order Backlog



Sales Revenues



Gross Profit



2011 Performance Summary

The Division's power plant segment outperformed the original target for new domestic business by winning orders for boiler installation in Samcheok Green Power Units 1 and 2, and for the Bugok III combined-cycle power plant. Overseas, the Division won an order for a combined-cycle power plant in Kinyerezi, Tanzania.

In the environment segment, the Division won domestic bids for the modernization of basic environmental facilities (e.g. reclamation, water treatment and food waste-to-energy) in Hanam City, Gyeonggi Province; wastewater treatment plant in the Paju Industrial Complex; and three total phosphorus removal facilities, including the Sincheon wastewater treatment plant. Overseas, the Division won the bid for the water supply project at the Azzour Industrial Complex in Kuwait.

In the new growth business segment, the Division acquired Spain's Inima, one of the world's top ten reverse osmosis desalination specialists, to lay the groundwork for expanding into the RO desalination segment. The winning of the tender for the Taean Integrated Gasification Combined Cycle (IGCC) Plant project also strengthened the platform for future growth.

2012 Outlook and Plans

The overseas power plant construction market is expected to grow over the long term, mainly in Asia, Latin America, the Middle East and Africa, while competition with other Korean contractors as well as European and local constructors will



become fiercer. Domestically, new orders for power plants are projected to increase because the power reserve rate has become lower, and the implementation of renewable energy quotas will likely boost the share of renewable energy projects in the overall mix. As such, GS E&C will secure cost competitiveness in power plant construction and improve relationships with suppliers to win more new orders. The Division will also continue to strengthen capabilities to execute new growth projects such as renewable energy and nuclear power plants.

The overseas environmental segment is expected to maintain growth momentum over the long term, and growth in RO desalination plant construction will be prominent. Domestically, water treatment plants are forecast to lead the privately-funded environmental project segment, and large contractors will compete fiercely to win bids for turnkey projects. GS E&C will expand its RO desalination business by taking advantage of the synergy from the Inima acquisition, win bids for domestic turnkey projects, and identify the most lucrative privately-funded projects for involvement.

**Message from
the Power & Environment Division Head**
Strengthen global capabilities and realize concrete results
in new growth segments

In 2011, we focused resources on strengthening our global capabilities by attracting more orders for overseas projects and buying Inima. We expanded our overseas presence

by winning bids for a water supply project at the Azzour Industrial Complex in Kuwait and a combined-cycle power plant in Kinyerezi, Tanzania, which will further our inroads into the Middle East and Africa on top of other projects we won in 2010, including Barka Unit No. 3 and Sohar Unit No. 2 in Oman and a wastewater treatment plant project for Bahrain Petroleum Company. The acquisition of Inima will serve as a platform to advance into overseas RO desalination plant projects. Moreover, the winning of an order for the Tae'an Integrated Gasification Combined Cycle (IGCC) Plant helped us secure another growth engine. We continued to win new contracts for domestic projects, including the modernization of basic environmental facilities (e.g. reclamation, water treatment and food waste-to-resource) in Hanam City, Gyeonggi Province; installation of boilers in the Samcheok Green Power Units 1 and 2; and construction of the Bugok III combined-cycle power plant, proving our unrivaled stature in the domestic market.

Our plans to meet the 2012 business targets include the expansion of the global business footprint by reaffirming our stature in priority overseas markets and advancing into new regions, while solidifying our unrivaled stature in the domestic market. Moreover, we will maintain our growth momentum by boosting our capabilities in new growth businesses such as renewable energy and desalination projects and by increasing investment in these areas.

Jung-Jae Huh
Senior Executive Vice President



01 Mapo Municipal Solid Waste Treatment Plant

Location : Seoul, Korea
• Incineration plant : 250 ton/day×3units
• Stoker type
Project Period : Jan. 2010-Jul. 2011

02 Youngheung Wind Power Center

Location : Incheon, Korea
• Total 20MW
Project Period : Nov. 2001-Apr. 2005

03 Yerevan Combined Cycle Power Plant

Location : Yerevan, Armenia
• Gas turbine 167MW×1
• Steam turbine 63MW×1
Project Period : Dec. 2007-Apr. 2010

Civil Engineering

New Orders

On the K-IFRS, consolidated basis
Unit : billions of won



Order Backlog



Sales Revenues



Gross Profit



2011 Performance Summary

Reduced order volume domestically as well as fierce competition and growing uncertainty overseas created an adverse business environment in 2011. However, the Civil Engineering Division received new orders worth KRW 1.7 trillion and achieved sales revenues of KRW 1.1 trillion in 2011, as efforts to win new orders overseas saw tangible results.

2012 Outlook and Plans

Despite economic uncertainty, new infrastructure investment is projected to continue in overseas markets such as Southeast Asia and Gulf Cooperation Council member countries in 2012. Domestically, however, the market size is likely to remain relatively unchanged, as government spending is expected to be similar with or drop slightly from the figure for the previous year.

The 2012 target for new orders was set at KRW 2.2 trillion, 30% higher than the 2011 figure. To meet the target, the Civil Engineering Division plans to diversify overseas regions and participate selectively in profitable domestic projects. Efforts will be made especially to expand technology-intensive projects at home and abroad as a driver for future growth, including bridges, underground transportation infrastructure and ports. Moreover, the Division will continue to reduce costs and cultivate experts for overseas businesses to develop fundamental capabilities.



Message from the Civil Engineering Division Head

Expand overseas businesses by leveraging existing overseas operations as footholds to advance into neighboring regions

New orders for domestic projects were slightly down year on year in 2011 due to unfavorable market conditions in Korea, but winning bids for two sections of a subway project in Singapore and the Vinh Thinh Bridge construction project in Vietnam boosted overall new orders by about 50% from the previous year. We are steadily increasing the share of overseas projects in the overall portfolio. Noteworthy is that we have continued to win technology-intensive projects, including subway construction requiring the shield tunnel boring machine (TBM), cable-stayed and suspension bridges, high-speed railways, and ports. The construction experience and capabilities secured through the execution of those projects will allow us to take competitive advantage and earn us more new orders, thus serving as a platform for growth. In 2012, we expect orders for domestic public projects will continue to slow down. However, we aim to maintain our domestic market share by concentrating resources on promising areas. On the other hand, we will expand our involvement in overseas projects, mainly in Vietnam and Singapore, and develop new markets in Gulf Cooperation

Council member countries, enhancing our stature as a global player in the civil engineering sector.

Doo-Hwan Oh
Executive Vice President



01 Mokpo Grand Bridge

Location : Mokpo, Korea
 • Total length 4.1km
 • Cable-stayed bridge 900m
 Project Period : Nov. 2004-Dec. 2012

02 Expressway No. 20 (Iksan-Jangsu Section No. 5)

Location : Jinan, Korea
 • Total length 3.4km, 4 Lanes
 • Bridge (1.06km), Tunnel (2.3km)
 Project Period : Nov. 2001-Dec. 2007

03 Downtown Line No.2 C911

Location : Singapore
 • Depot (C911)
 • Tunnel
 Project Period : Mar. 2009-Jul. 2015

Housing

New Orders

On the K-IFRS, consolidated basis
Unit : billions of won

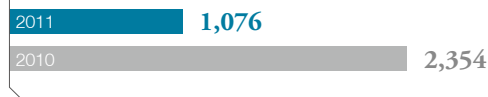


Order Backlog



* Not including provisional contracts for the Housing Division worth KRW 7.8 trillion

Sales Revenues



Gross Profit



2011 Performance Summary

The Housing Division received new orders worth KRW 2.8 trillion despite the weak Korean housing market. Moreover, the order backlog at the end of 2011 reached KRW 22 trillion, a figure that is unrivaled by any other residential builder in Korea. This will guarantee stable business operations in the future. Sales revenue slightly decreased in 2011 year on year to KRW 1.1 trillion because the weak housing market affected the presale of newly-built apartments. However, the Division aims to achieve better performance in 2012 by cutting costs further and starting projects ahead of the original schedule.

2012 Outlook and Plans

The 2012 Korean housing market is forecast to rebound in some regions because of an imbalance between supply and demand, but the extent of the recovery will be limited by lingering unsold presale units in the Greater Seoul Area and stricter government regulations on household loans. Given the current conditions and uncertainties, the Division will manage risks as part of a profitability-oriented strategy in 2012. The 2012 businesses targets were set at KRW 2.6 trillion in new orders and KRW 1.2 trillion in sales revenue. In addition, a platform for continuous and stable growth will be secured by repositioning the GS E&C brand to improve brand value and by continuing to identify new growth businesses.



Message from the Housing Division Head

Build solid platform for long-term growth by managing risks thoroughly and establishing new growth businesses

We faced difficulties in 2011 because of the protracted slowdown in the Korean housing market. Despite the adversity, our Division put efforts to address project-execution risks by disposing of unsold presale apartment units and reducing project financing loans, and saw some positive results. Moreover, our efforts to provide products of distinctive value that cater to customer needs resulted in the successful presales of Cheongdam Xi and Daejeon Central Xi units.

Our apartments earned us 20 awards and honors at home and abroad, including the International Federation of Landscape Architects (IFLA)-Asia Pacific Regional Congress award, and the top spot on the Global Customer Satisfaction

Index conducted by the Japan Management Association for seven straight years. These awards raised our stature as a global top-tier brand.

Beyond being the best in Korea, the Housing Division will strive to emerge as a global leader in housing construction. To this end, we will raise profitability through a systematic risk management system, which will allow us to respond proactively to changing the business environment. At the same time, our new growth products such as energy efficiency homes and customized apartments will help us differentiate our Xi housing brand from competition and create elegant residential lifestyles.

Chung-Hee Lim
Senior Executive Vice President



01 Cheongdam Xi

Location : Seoul, Korea
• Housing units : 708
Project Period : Apr. 2009-Oct. 2011

02 Ilsan Xi

Location : Gyeonggi Province, Korea
• Housing units : 4,683
Project Period : Jan. 2008-Sep. 2010

03 Boutique Monaco

Location : Seoul, Korea
• Housing units : 172
Project Period : May. 2005-Jul. 2008

Architecture

New Orders

On the K-IFRS, consolidated basis
Unit : billions of won



Order Backlog



Sales Revenues



Gross Profit



2011 Performance Summary

The Architecture Division fared well in the public sector and received additional orders from GS, LG and LS affiliates, with new orders exceeding KRW 2.8 trillion for the year, up 28% from 2010. The Division achieved KRW 2.2 trillion in sales, 49% higher than the figure posted a year ago, through a steady flow of new orders and brisk execution of existing construction projects.

The Division established a presence in Singapore by winning bids for the Fusionopolis A&B and C Tower projects. The winning of contracts for new growth items, including ultra-high-voltage substation and energy solution projects overseas, laid the groundwork for future growth.

2012 Outlook and Plans

The domestic market is expected to see a moderate increase in new orders for the relocation of public offices and construction of public housing in 2012. Overseas, new orders from the Middle East and Southeast Asia will continue, and the number of projects in the power and telecommunications segments will increase. The Architecture Division will focus efforts on increasing involvement in overseas projects as well as in government contracts in Korea. The Division will reduce costs to raise chances for winning bids for turnkey-based public projects, and select and focus resources on promising areas to maximize organizational capabilities. At the same time, the Division will leverage the existing presence in Singapore to win new projects in other Southeast Asian



countries, and market aggressively to advance into Saudi Arabia and the rest of the Middle East. These efforts will help the Division meet the 2012 business targets of KRW 2.7 trillion in new orders and KRW 1.9 trillion in sales.

Message from the Architecture Division Head

Lay a solid foundation to create profit sources for the future by developing capabilities for new growth businesses and anchoring presence in new markets

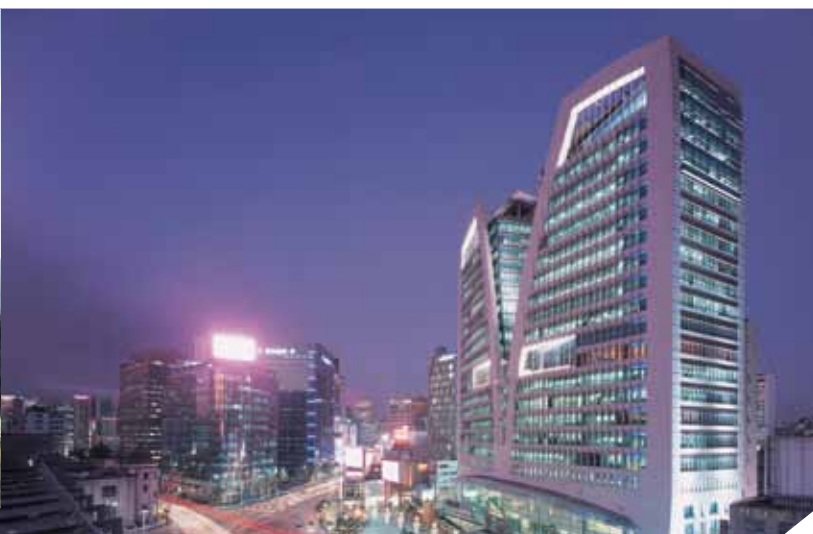
In 2011, our Division achieved a solid performance despite the paucity of new orders for large projects in the wake of the economic slowdown domestically and globally. Some tangible results include a record performance in the government contract sector and expansion into the Singaporean market. Moreover, we secured a solid platform for future growth by entering into and taking an early lead in the new growth areas of ultra-high-voltage substation and energy solution projects.

We strengthened our stature in the public construction sector by winning contracts for five turnkey projects—Section 1 of the Rural Development Administration transfer project, the National Defense Research Center project, Guwol Boguem-jari public housing project, Section 2-1 of the Sejong City government office building project, and Seojae Section of the Pyeongteak apartment complex project. In the private sector, we received orders for several significant structures, including the Jaeneung Education Hyehwa Center,

Sindoh Ricoh Cheongdo Building, and JW Marriott Hotel Dongdaemun. Overseas, a platform for full-pledged overseas businesses was secured by winning bids for the Fusionopolis A&B and C Tower projects in Singapore, which has emerged as a major new construction market in Southeast Asia.

In 2012, the completion of the Seoul International Financial Center, which will become a new landmark of Yeouido, will prove our outstanding capabilities on the global stage.

In-Seoung Sohn
Senior Executive Vice President



01 IFC Seoul

Location : Seoul, Korea
• Total floor area 509,524m²
• B7-55F
Project Period : Jan. 2008-Dec. 2011

02 Garden 5

Location : Seoul, Korea
• Total floor area 426,743m²
• B5-11F
Project Period : Oct. 2006-Mar. 2009

03 Seoul Central Post Office

Location : Seoul, Korea
• Total floor area 72,506m²
• B7-21F
Project Period : Jul. 2003-Aug. 2007

Technology

No. of Patents Registered



R&D Investment



Unit : billions of won

2011 Performance Summary

In 2011, the Technology Division focused on securing technologies for new and green growth project areas. The ongoing efforts for technology products saw tangible results in such areas as water reuse, the Green & Smart Building solution, solid waste-to-energy conversion, the 3 Zero House, sea-crossing infrastructure, offshore wind power generation and LNG plants as well as eco-friendlier materials. We also have obtained globally competent engineers in core technology areas related to new growth businesses, furthering our R&D efforts. Safety management processes developed by the Division have helped to prevent accidents on the job. Noteworthy among them are the pre-project design reviews and construction risk management. Furthermore, the Value Engineering campaign and the commercialization of in-house technologies have helped GS E&C win new contracts and reduce costs.

2012 Goals and Strategies

In the coming year, the Division will focus on securing a foundation for GS E&C to enter new technology-driven project areas, obtaining the expertise necessary for future growth. To this end, efforts are ongoing to identify material-recycling hybrid energy and other future-oriented technologies, while cost-reduction methodologies will continue to be developed.

The Division will step up activities to promote the commercialization of building-/city-level energy management



and other in-house technologies. To this end, pilot projects will be sought for applying these technologies, and technical assistance will be expanded to raise cost competitiveness. Meanwhile, the Division will cultivate its technical support capabilities by carrying out joint projects with outstanding engineering companies and dispatching employees there for training.

Message from the Technology Division Head

Securing world-class technology to achieve Vision 2020

The activities of the Technology Division have focused on “advancing into new businesses by leveraging new technology” and “strengthening the technological competitiveness of current project areas” under the objective of “securing world-class technology and creating the best value.”

First, our campaign to “advance into new project areas through technology” is allowing us to make headway in our 3 Main Pillars of Growth going forward and secure the technological expertise needed to carry out the business strategies for each division. In the process we can find new growth project areas and compete shoulder-to-shoulder with other global players.

To strengthen the technological competitiveness of current project areas, our focus will be on increasing productivity by commercializing in-house engineering technologies and applying new methods for cost reduction. We also remain

committed to raising productivity and preventing accidents on construction sites globally.

Going forward, the Technology Division will continue to work on ensuring that internal innovation and technological competence lead to better business performance, thereby overcoming the adverse business climate and realizing Vision 2020.

Jeong-Woo Seo

CTO & Executive Vice President



01

02

03

01, 02, 03 GS E&C Research Institute

Location : Duksung-ri, Eedong-myeon, Chuin-gu, Yongin City,
Gyeonggi Province

MD&A

Summary of Operations

New Orders

The Korean construction industry faced an unfavorable business environment in 2011. Major adversities included the Tohoku earthquake and subsequent nuclear plant explosion in Japan; violent upheaval in the Middle East; global financial uncertainty caused by the sovereign debt crisis in Europe; and global economic slowdown. GS E&C saw tangible results in expanding overseas businesses for the Plant, Power & Environment, Architecture and Civil Engineering Divisions, but new orders in 2011 stood at KRW 13.25 trillion, down 6% year on year.

The order backlog at year's end, including KRW 7.8 trillion in provisional contracts for housing projects, totaled KRW 46.6 trillion, enough work to keep the company operating at full capacity for the next five years. Some of the noteworthy attainments include a 52% increase in new orders for civil engineering projects and a 28% increase for building construction work in Southeast Asia. The combined value of new contracts won overseas surpassed KRW 5.87 trillion, a modest drop from the more than KRW 6.37 trillion recorded in 2010 but higher than the average over the past five years. This performance is attributable to the drive to diversify the overseas regional and project-type portfolio. In 2011, GS E&C advanced beyond the Middle East, where the company has extensive experience, into Indonesia and Uzbekistan to win new orders for oil refineries and gas processing plants. Moreover, new orders were received for subway and office building construction projects in Singapore. Based on the confident showing in 2011, management has set the 2012 target for new orders at KRW 16.5 trillion and designated Innovate Today, Shape Our Future as the 2012 management focus.

Sales Revenue

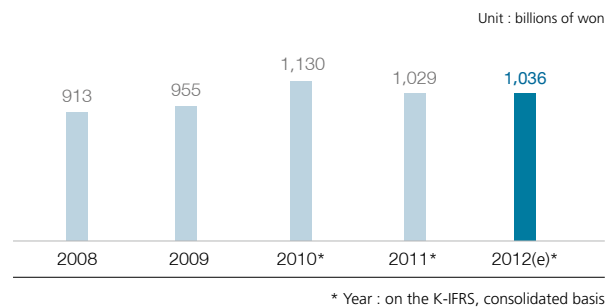
GS E&C posted KRW 9.05 trillion in consolidated revenue in 2011, up 8% year on year. Despite the slowdown in the overall construction market, a balanced business portfolio was achieved and the company surpassed the initial business target of KRW 9.04 trillion.

To break down the sales total by business unit, the Plant Division recorded KRW 3.43 trillion, which was 29% higher than the previous year's figure, as projects for domestic heavy oil upgrading facilities and overseas plant construction work proceeded on schedule. The Civil Engineering Division posted KRW 1.10 trillion, up 5% from a year earlier by carrying out overseas projects and large subcontracted projects in Korea, although the new order volume fell in 2011. The Architecture Division posted KRW 2.23 trillion, up 48% year on year.

Gross Profit

Gross profit for 2011 was down 9% from KRW 1.13 trillion in 2010 to KRW 1.03 trillion in 2011, and the gross profit margin was 11.4%, a drop of 2% from a year earlier. The plant and power segments saw an improvement because actual costs were written for completed projects, which had initially been set conservatively. The figures for the Civil Engineering and Housing Divisions fell slightly because costs for overseas civil engineering and early-stage domestic housing projects were assessed conservatively. Gross profit for 2012 is forecasted to remain unchanged from 2011.

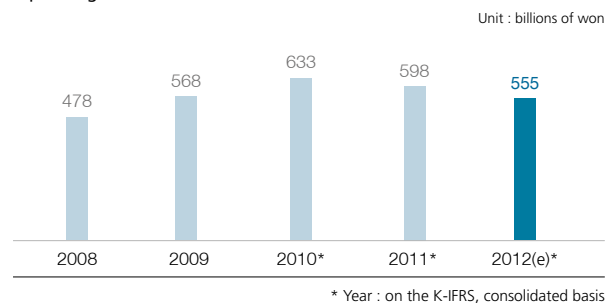
Gross Profit



Operating Profit

Operating profit reached KRW 598 billion in 2011, down 5.5% from 2010. A reason for the lower figure is the increase in selling, general and administrative expenses (SG&A) resulting from excessive competition in the struggling construction industry. Another cause was that the allowance for bad debt was set to cover the risk related to unsold apartments. The operating profit target for 2011 is expected to reach KRW 555 billion, based on the consolidated K-IFRS.

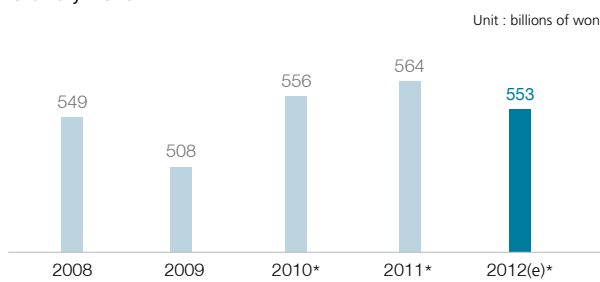
Operating Profit



Ordinary Profit

Ordinary profit rose 1.4% year on year to stand at KRW 564 billion in 2011. The higher figure resulted from a lower allowance for bad debts related to project financing work in 2011 than in the year before. Moreover, the return of debt guaranteed by financial institutions increased. The expectation for ordinary profit in 2012 is KRW 553 billion, reflecting the loss from the bad debt allowance to cover additional finance costs on projects where construction has not begun.

Ordinary Profit



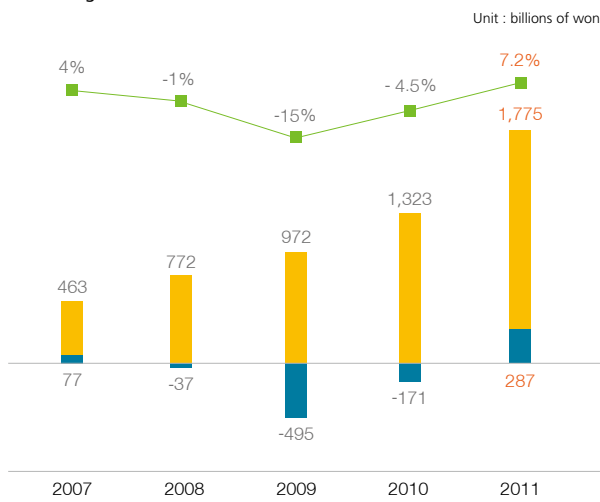
* Year : on the K-IFRS, consolidated basis

Financial Position

Borrowings

Borrowings at the end of 2011 totaled KRW 1.78 trillion, up slightly from the KRW 1.32 trillion posted a year earlier.

Borrowings



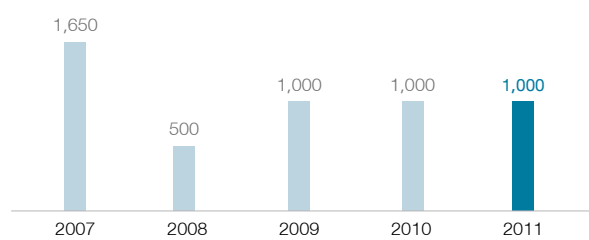
■ Total debt ■ Net debt ■ Net D-E ratio

Dividends & Investments

The dividend per share was set at KRW 1,000 in 2010 and stayed the same for 2011. Therefore, the total dividend payout also remained at KRW 49 billion. After distributing some profits in the form of dividends, the company will invest most of the retained earnings to elevate shareholders' future value.

Dividends & Investments

Unit : won



Cash Flow

At the end of 2011, cash & cash equivalents stood at KRW 1.5 trillion, about the same as the 2010 figure. The changes in cash flow are detailed by activity as follows:

First, cash flow from operations for 2011 was minus KRW 482 billion.

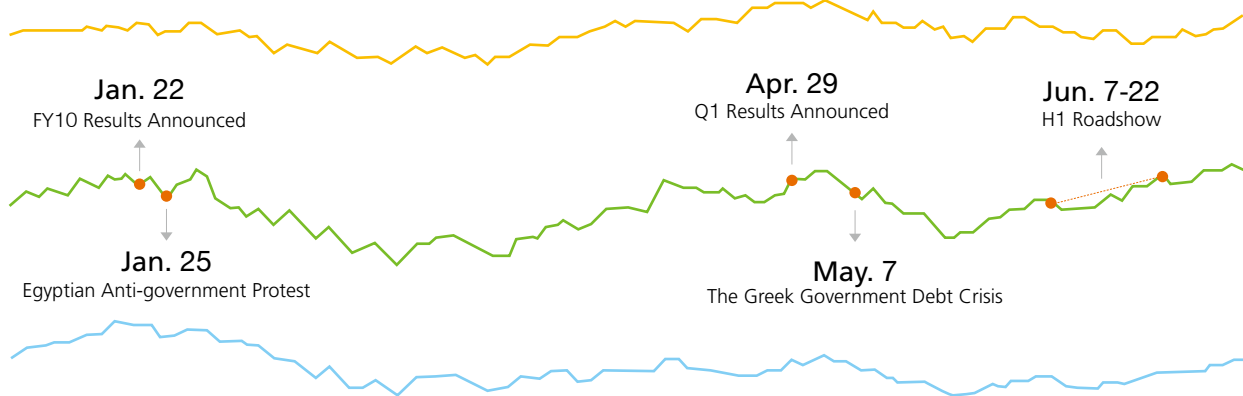
Second, investment activities generated a cash inflow of KRW 108 billion. Specifically, the sales of GS E&C shares in the Seoul Outer Ring Expressway resulted in an inflow of KRW 164 billion in proceeds from disposal of the illiquid assets category.

Third, financing activities generated a cash inflow of KRW 364 billion during the year. Contributing factors included a KRW 283 billion decrease in cash from short-term borrowings, while KRW 49 billion was paid out in dividends.

Equity

As of December 31, 2011, the company had 51 million outstanding shares of common stock; no preferred stocks, convertible bonds or bonds with warrant have been issued. Chairman Chang-Soo Huh and other members of the Huh family are the major shareholders, with 30.43% of the total shares. An additional 2.98% are in the form of treasury stock or part of the employee stock sharing program. At year's end, foreign investors owned 35.66% of the total shares.

Share Data



The Stock Market

The Korea's benchmark KOSPI closed 11% down in the end of 2011 from a year ago. A series of negative events put pressure on not only the domestic but also the global stock markets throughout 2011. In the beginning of the year, the domestic stock market failed to rebound amidst the downgrade of Japan's credit rating, tougher austerity measures by the Chinese government, and fluctuations in global oil prices caused by the unrest in the Middle East and North Africa. However, the KOSPI ended up 2.4% during the first half because the domestic automotive, chemical, refinery and steel-making companies took advantage of the production and supply interruptions of Japanese businesses due to the Great East Japan Earthquake.

The Greek government debt crisis prompted the European sovereign debt crisis and the lowered rating of the US Treasury bonds raised concerns over a global double dip in the second half of the year, significantly affecting the global and domestic stock markets. The Korean stock market continued to be affected by the unsolved concerns about the European sovereign debt crisis and worries over the possibility of a US economic slowdown. Even worse, in December, the death of the North Korean leader highlighted the geopolitical risk of the Korean Peninsula, and the domestic stock market was unable to rebound. The year ended with foreigners' net-selling surpassing KRW 8 trillion.

Foreign funds flowed out from the Korean and other emerging markets in 2011 amidst growing volatility in the global financial markets. Foreigners' net-selling exceeded KRW 8 trillion in the domestic market. The capital inflow from mutual funds to take advantage of undervalued share prices slowed down, while overall outflow increased. However, pension funds aggressively purchased Korean shares, helping considerably to curb the volatility. In the foreign exchange market, downside risks to the US economy caused the Dollar to weaken in the beginning of the year, but the resurgence of the European sovereign debt crisis boosted investors' preference for safe assets, resulting in a

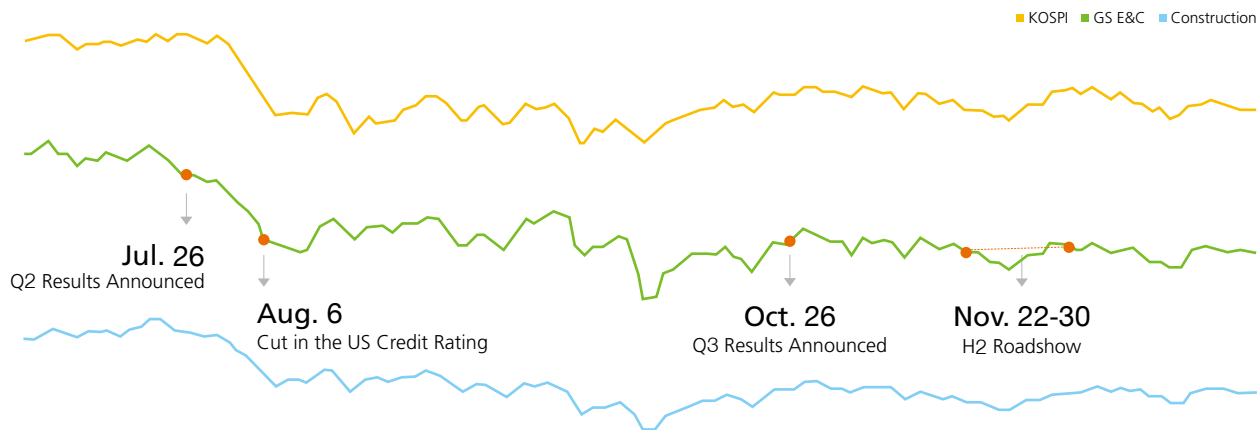
stronger Dollar in the second half.

Anticipated factors affecting the stock market in 2012 are as follows: (1) Maturities of the Italian and French government bonds as well as major bank loans are concentrated in the first half of 2012. (2) The Chinese government is likely to ease austerity measures to inject liquidity in the first half. (3) Difficulties are forecast for European banks' recapitalization in the second half of 2012. (4) Belt-tightening measures in the US must be confirmed. (5) Political uncertainties will emerge around Presidential elections in the US and Korea.

Construction Stocks

In the first half of 2011, the prices of Korean construction shares dropped sharply because the widespread social unrest in Middle Eastern and North African countries, including Libya and Saudi Arabia. Anti-government protests in Egypt initially sparked growing concerns over the possibility of delay or cancellation of new project orders from the MENA region. Moreover, the share prices of Korean construction companies posted a short-term decline, as the Japanese earthquake caused an accident at a nuclear power plant. However, the KOSPI benchmark began to rally after uncertainty over negative factors eased. On the other hand, growing concerns over further cuts in the Greek sovereign credit rating and the possibility of the Greek government's declaring default on foreign loans caused the sovereign debt crisis to spread into other European countries. The downgrade of the US credit rating in August and the looming possibility of a double dip in the global economy significantly lowered the global and domestic stock markets as well as Korean construction shares, the combined figures of which was down 19.2% during the first half of 2011.

Construction shares fell more than other categories in the Korean stock market because expectations for profitability in the construction industry were dampened. The lucrative housing segment faced concerns over declines in sales and profits, as the presale of new units has remained sluggish



since 2009. The overseas segment saw worries about lower profitability from fiercer competition among builders. In short, market watchers began to adopt a conservative view for the construction industry as a whole.

The housing segment saw a rapid recovery in presales of new residential units outside the Greater Seoul Area. However, scheduled redevelopment and new construction projects in Seoul were often delayed, and un-presold residential units were not completely resolved in the Seoul Metropolitan Area. Government regulations on the housing sector, including the lifting of the price ceiling on apartment units and matters regarding debt-to-income ratios, are forecast to change because the general and Presidential elections are scheduled in 2012. Overseas, competition will ease with an increase in new order volume, which will allow momentum for profitable growth to build quickly. In addition, major Korean corporations are likely to raise their investment in new facilities, and new orders are expected to increase in Korea's private sector. Thus the outlook for construction company stocks is positive for the year.

GS E&C

The price for GS E&C shares closed at KRW 92,100 on December 31, 2011, which is 20% lower than the 2010 figure of KRW 116,000 at the end of 2010. GS E&C stock performed 9% lower than the KOSPI average, but outperformed other construction shares by 3%. The ratio of foreign shareholding, which was 45.47% at the beginning of 2011, dipped to 35.66% at year's end. The relatively better performance of GS E&C in the overall construction sector is largely attributable to the reduction in the amount of payment guarantees related to housing project financing work, which had been the biggest concern for the company.

The recovery in the housing market outside the Seoul Metropolitan Area led to a surge in the housing supply in 2011, and the reduced number of un-presold housing units allayed fears over trouble in recovering expenses from building

new units. Overseas, new orders for industrial and power plants declined year on year, while the signing of contracts for a residue fluid catalytic cracking (RFCC) project in Indonesia and the Ustyurt Gas-Chemical Complex project in Uzbekistan diversified regional markets. Moreover, overseas project types of the company were further diversified, as orders for two subway projects in Singapore were won by the Civil Engineering Division; Fusionopolis A&B and C Tower projects in the same country by the Architecture Division, and a soil remediation project in Kuwait by the Power & Environment Division. To sum up, in 2011, GS E&C was better positioned as a global contractor by diversifying the portfolio by geographical region and project type.

However, GS E&C share prices underperformed the KOSPI benchmark in 2011 because a series of bad events in the construction sector sparked a negative reaction from the stock markets at home and abroad. Worries over project completion in the MENA region and rumors about new order issuance in that region caused GS E&C stock prices to plunge. GS E&C will clarify directions for growth by establishing Vision 2020 and will solidify the growth platform by advancing into new overseas markets and expanding involvement in lucrative land development projects in 2012.

The IR Team at GS E&C held two overseas roadshows and four domestic roadshows, participated in seven conferences inside and outside Korea, and organized quarterly conference calls in 2011. A total of 528 one-on-one meetings were held. Internally, the IR Committee convened quarterly to convey investors' views to top management and share market trends and issues.

In 2012, GS E&C intends to establish itself as having the top IR program among Korean construction companies. Proactive IR activities are in store.

SPECIAL FEATURE I.

GS E&C as Seen from Outside

2012 iF Product Design Awards in Germany - GS E&C Wins four International Awards

Four products from GS E&C were honored at the iF Product Design Awards 2012, one of the world's three most prestigious design award programs. This marks the fifth consecutive year that GS E&C has received awards at the German design contest. The Communication Design Award-winning FAMI-TOGRAM (from "family" + "pictogram") is a pictogram of family members. It is used as a signage program within an apartment complex to introduce various community facilities to visitors in a neighborly way. Meanwhile, Safekeep, Flexball, and Origami Ground received Product Design Awards. Safekeep is a system that temporarily holds items delivered when the tenant is away. Flexball and Origami Ground are playground structures, considering safety and creativity of children.

2011 International Business Awards - Xi App Named in Three Categories

GS E&C's Xi App won the prestigious International Business Award, touted as the Oscars of the business world, in three categories, including Best New Product or Service of the Year-Media & Entertainment. The award-winning application is the industry's first for smartphone and tablet PC users. It serves as a channel for announcing the presales of new Xi apartment units, offering useful information on leisure events and other day-to-day activities, and posting their comments on a community bulletin board.





2011 International Federation of Landscape Architects - Ilsan Xi Wins President's Award

GS E&C's Ilsan Xi was granted the President's Award at the 2011 International Federation of Landscape Architects World Congress. The company also received the prestigious award in 2007, recognizing its advanced landscaping techniques. The IFLA acknowledged Ilsan Xi for its green, low-carbon Zero Garden system, which includes using electric vehicles and renewable energy within the complex.

2011 Forbes Korea CEO Awards - President Huh Honored in Win-win Management Category

CEO Myung-Soo Huh was selected as an honoree of collaboration management for his leadership emphasizing partnerships with GS E&C's suppliers in the 2011 Forbes Korea CEO Awards. The awards were presented to recognize Korean CEOs' excellence in leadership.

2011 KSA Readers' Choice Awards - GS E&C Named the Best for First-time Reports

GS E&C was awarded the first issue prize of the 2011 KSA Readers' Choice Awards, which were hosted by the Korean Standards Association and the Global Reporting Initiative to assess corporations' sustainability.

2011 First Brand Award - Xi Remains Top Apartment Brand for 6th Year

The Xi brand won the 2011 First Brand Award in the Apartment category, making it Korea's top name in apartments for the sixth year in a row. Every year, *Hankyung* newspaper and the Korean Customers' Forum select the best brands in each product and service category, bestowing the First Brand Awards on them.

2011 Construction Cooperation Promotion Contest - Minister's Commendation and Grand Prize Goes to GS E&C

The annual Construction Cooperation Promotion Contest comprehensively evaluates corporations in the areas of fair trade, financial and educational support and joint overseas expansion. In 2011, GS E&C was presented with a Ministerial commendation and grand prize from the Ministry of Land, Transport and Maritime Affairs. The company was also named Collaboration Icon of the Year. Going forward, GS E&C will continue to strengthen its win-win growth strategy through enhanced communication.

GREAT CHALLENGE



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Great Challenge

Direction

We are growing by cultivating new growth businesses, expanding the scope of overseas operations, and establishing an advanced governance structure. Ethical management is being improved constantly, and an integrated risk management program is being bolstered to ensure internal soundness. Our ultimate goal is to generate economic value that is second to none.

2011 Achievement

GS E&C prepared for the future by establishing a system for pursuing new growth business areas, strengthening global financing capabilities, and stepping up activities that link our technologies with the projects that are underway. We also acquired Inima Co. of Spain, one of the world's top ten builders of reverse osmosis desalination systems, in a bid to broaden our business opportunities overseas. We established an integrated risk management system to predict when risks become problems and to respond immediately in such an event. Finally, all employees received training on our ethical management program to heighten their awareness of the need to practice business ethics at all times.

Plan & Outlook

GS E&C is restructuring the business portfolio around core growth drivers in order to achieve the Vision 2020 objectives of KRW 35 trillion in new orders and KRW 27 trillion in annual sales in the year 2020. Our governance structure, risk management and ethical management activities will provide a solid platform for sustainable management going forward.

Growth

What Our Goal Is

GS E&C intends to build a system for implementing growth businesses for the future and to improve global financing capabilities. At the same time, plans call for us to strengthen the application of in-house technology and our current project areas as well as to enhance our future growth potential. Our growth will be accomplished by developing and expanding into new markets as well as by diversifying existing business areas horizontally and vertically through mergers, acquisitions and other forms of partnership.

What We're Doing

Build a System for Engaging in Growth Areas for the Future

Diversifying the Business Portfolio

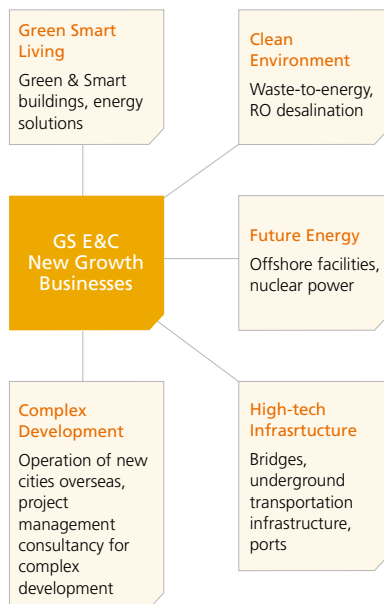
GS E&C has identified 24 new areas with strong growth potential under five categories, namely Green Smart Living, Clean Environment, Future Energy, High-tech Infrastructure, and Complex Development. The future growth engines will be identified quickly and cultivated into mainstay business areas through aggressive investment.

Organization for New Growth Businesses

Regular Meetings on New Growth Businesses • GS E&C convenes regularly and reviews the results to improve the ability to engage in new growth business areas and manage the associated risks. Issues regarding new growth business strategies and their implementation are first examined by the New Growth Strategy Committee. A New Growth Strategy Meeting is then held, and the major investment decisions regarding the new growth businesses are made during the project review.

Organizational Operation • The New Business Development Team is in charge of identifying and managing new growth business areas at the corporate level, while each business division has teams for executing their new growth businesses. In addition, the New Business Investment Team was recently formed to promote new growth businesses systemically and assumes full responsibility for both identifying business opportunities in new areas and for investing in acquisitions. In 2011, we bought the Spanish company Inima to enhance GS E&C's capability in water treatment and desalination.

GS E&C New Growth Business Portfolio



Consultation Bodies for New Business Activities

New Growth Strategy Committee	New Growth Strategy Meeting	Project Review
<ul style="list-style-type: none"> • Convenes biannually • Examines GS E&C's future stature and growth strategies • Approves mid-/long-term investment plans 	<ul style="list-style-type: none"> • Convenes monthly • Monitors implementation of new growth strategies • Deliberates on capital for new growth businesses • Oversees discussions by working-level people 	<ul style="list-style-type: none"> • Is held whenever the need arises • Examines the feasibility of plans to promote a new growth business, as well as the organizational unit/people involved and the time frame • Examines financial issues such as M&As and equity investments regarding new growth businesses

Objective & Role of New Business Investment Team

Objective	Support the Realization of the GS E&C Vision through M&A Investments
Role	<div>Invest in New Growth Businesses</div> <ul style="list-style-type: none"> • Oversee all processes related to new growth business acquisitions • Establish operational plans after acquisition
	<div>Carry out Core Tasks for Vision 2020</div> <ul style="list-style-type: none"> • Among the Vision-related tasks, examine areas necessary for acquisition • Search out new business realms through horizontal/vertical affiliation

Reinforcing Global Financing Capabilities

Overseas projects continue to make up a larger share of the portfolio, and so GS E&C has formed a Project Financing (PF) Team to bolster global financing capabilities. We also established a KRW 600 billion global investment fund with the National Pension Service (NPS) for both domestic and international investment-type projects.

Strong Links between Technology and Projects

Commercializing New Technologies

GS E&C has commercialized 44.7% of the technologies developed over the past three years. In 2011, 108 of our original technologies were applied at 89 construction sites.

Major Technologies Developed	Projects where Applied
• Medium-length span (60m) PSC girders	• Government offices in Block 2-1, Sejong City
• MBT optimal design technology	• Daegu Green Energy Infrastructure project
• Crosspiece-style damper for multiunit housing	• Daejeon Central Xi
• Green concrete	• New Bundang Line extension (Jeongja-Gwanggyo section) of double-track electric rail

Exploring Technology-based Projects Overseas

GS E&C leverages in-house technological expertise to take part in devising master plans for overseas environmental projects and conducts the feasibility studies, thereby identifying a steady stream of new “seed projects.”

Country	Project Name	Results
Cambodia	• Environmental improvement master plan • Feasibility study on sewage treatment plant in Phnom Penh	• Established environmental master plans for 3 Cambodian cities, including Phnom Penh • Examined prospects for sewage plant in Phnom Penh
Vietnam	• Feasibility study on desalination plant in Long An Province	• Examined prospects for desalination plant for supplying industrial water to new industrial complexes in Long An Province
Mongolia	• Environmental improvement master plan	• Established master plan for water treatment facilities
Colombia	• Pre-master plan for sludge treatment plant in Bogota	• Proposed short & mid-/long-term plans for treating bio-solids in Bogota
Brazil	• Waste-to-energy plant feasibility study in Presidente Prudente	• Feasibility study is scheduled on project to incinerate municipal solid waste to generate electricity
Namibia	• Feasibility study on desalination plant	• Examined prospects for desalination plant for supplying industrial water to uranium mine

Results of Efforts to Bolster Global Financing Capabilities in 2011

Expand Financing Domain

Established NPS-GS E&C Global Investment Fund

- Worth KRW 600 billion
- For investment projects globally

Diversify Sourcing

Promote MDB (MIGA) covered loan

- Targeted project : Hanoi-Haiphong Block 6
- Amount : USD 114 million

* MDB : Multilateral Development Bank

Build a Global Financing Network

Conduct overseas roadshow

- Targeted institutions : MIGA, IFC, IDB, US EXIM

Strengthen PF Organizational Capabilities

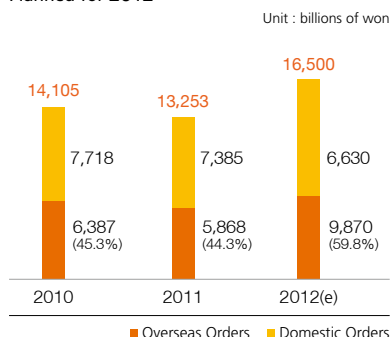
Hold training led by invited specialists from outside

- Overseas project financing feasibility studies, PPP projects
- Real estate development business (investment trust)

Growth

Expanding Overseas Business

New Orders Received in 2011 and Planned for 2012



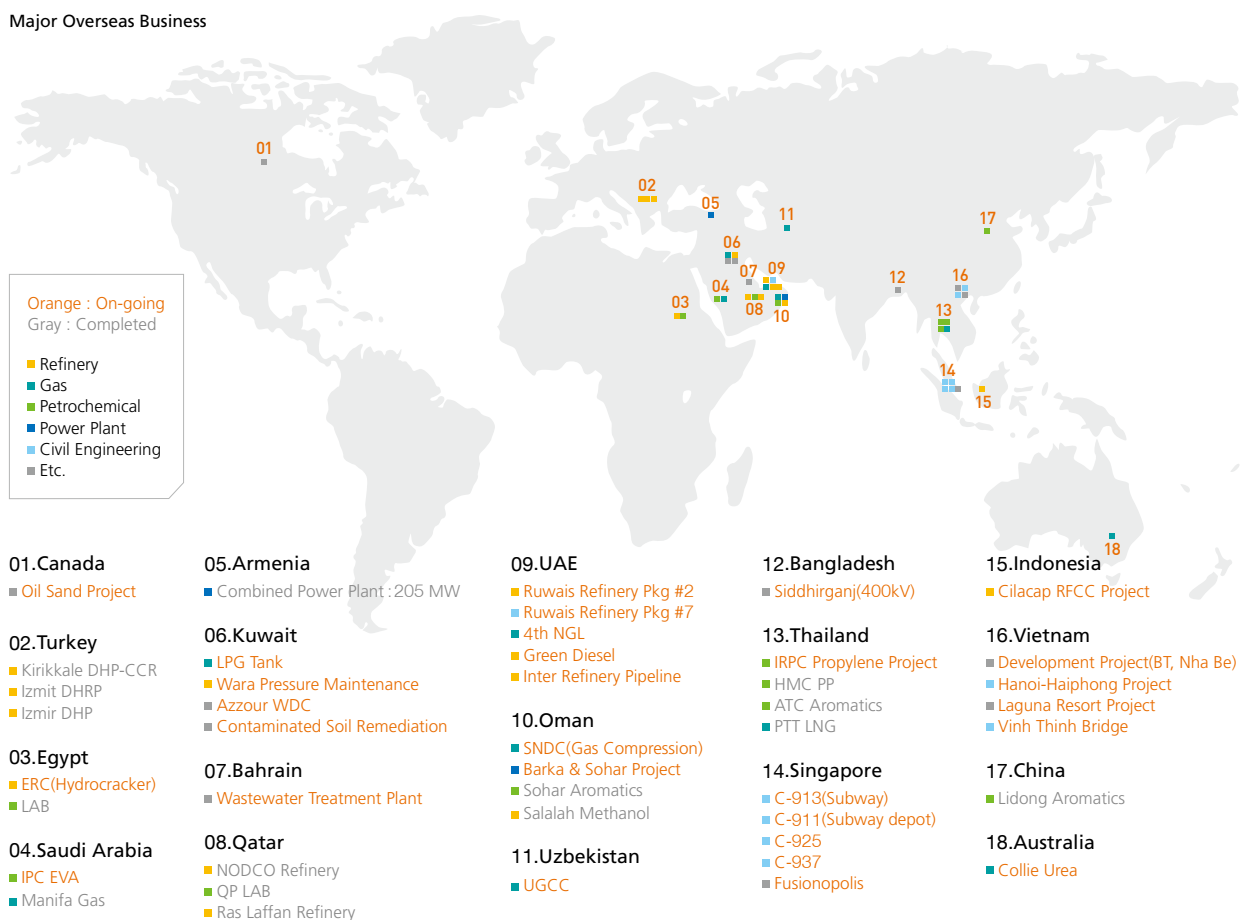
GS E&C won KRW 5.9 trillion in new overseas contracts in 2011, including such large-scale overseas projects as the Cilacap RFCC plant in Indonesia, LPG storage tanks for KNPC in Kuwait, and Fusionopolis in Singapore. In 2012, we expect new orders overseas to reach KRW 9.9 trillion, which represents 60% of our projected KRW 16.5 trillion total for the year.

Major New Orders Won Overseas by Division in 2011

Unit : billions of won

Plant	Project	Value (billions of won)
Plant	• Cilacap RFCC plant in Indonesia	699
	• UGCC ethylene plant in Uzbekistan	659
	• LPG tanks for KNPC in Kuwait	619
	• Pressure maintenance project for Wara Oilfield, Kuwait	592
Power & Environment	• Water supply facilities in Azzour, Kuwait	202
	• Soil remediation project in Kuwait	77
Civil Engineering	• DTL3, C925 and C937 subway lines in Singapore	405
	• Vinh Thinh bridge in Vietnam	91
Architecture	• Fusionopolis Blocks 2A-A, 2A-C, and B in Singapore	342
	• Bibiyana-Kaliakoir power transmission projects in Bangladesh	71

Major Overseas Business



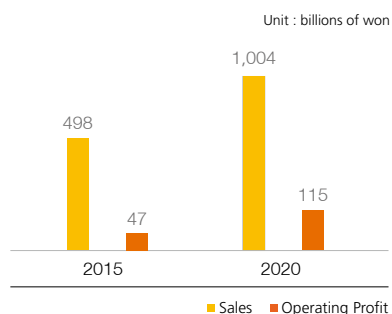
Expanding Water Treatment Business Opportunities

Water treatment projects are important future growth engines for GS E&C. To expand this business globally, we acquired Inima, which is ranked among the world's top ten in the reverse osmosis (RO) water desalination field. Inima was founded in 1957 in Spain, built the world's very first desalination plant, and has performed many RO desalination plant projects in the Americas and North Africa to date. The acquisition will provide GS E&C with the synergy to make greater inroads into foreign markets. Plans call for making Inima a major global player with annual sales of KRW 1 trillion by 2020.

Significance of Inima Acquisition

- 1 Establishes "total solution provider" capability and secures new growth engine
- 2 Provides a bridgehead for entering untapped global markets
- 3 Brings the technological expertise and construction know-how to build world-class RO desalination plants

Mid-/long-term Performance Targets of Inima



Signing ceremony for GS E&C acquisition of Inima

Strengthening Our Position in the Middle East

GS E&C achieved noteworthy success in Kuwait in 2011. We broke into the Kuwaiti market for large-scale industrial plants by winning contracts for LPG storage tanks and the Wara Pressure Maintenance Facilities project. In the water field, we received an order for a wastewater treatment plant in Bahrain and a water supply system in Kuwait. GS E&C has long been active in the UAE, Qatar, Oman and Saudi Arabia, and now has expanded into Kuwait and Bahrain, thereby bolstering the overall corporate presence in the Middle East.

What Is Next

We will devise a master plan linking the 24 new growth businesses selected by GS E&C with the 3 Main Pillars of Growth for realizing Vision 2020. The plan will establish implementation strategies and investment priorities, and we will work on accelerating our progress in new growth businesses through acquisitions. We also aim to build a system for efficiently applying the core technologies we own in every project phase, from order receipt to execution.



Signing Ceremony for Wara Pressure Maintenance Facilities Project



Signing Ceremony for Kuwait LPG Storage Tank Project

Internal Soundness



Chang-Soo Huh Chairman of the Board Chairman of GS E&C	Myung-Soo Huh President & CEO of GS E&C	Sang-Ryong Woo President & CGO of GS E&C	Jong-In Park Vice President & CDO of GS E&C	Chong-Kun Pyun Outside Director Professor of Myongji University	Byung-Hwa Jin Outside Director Professor of Catholic University of Korea	Young-Ho Hur Outside Director Adviser at LG Innotek	Seong-Woo Moon Outside Director Attorney at Law Firm Barun	Kyung-Suh Park Outside Director Professor of Korea University
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What Our Goal Is

GS E&C aims to maintain a reliable corporate governance structure that stakeholders can trust and expand ethical management to overseas construction sites and suppliers. As part of our core competencies, we also will build a risk management system to prevent any possible risk in advance and help rapidly and effectively respond to risks.

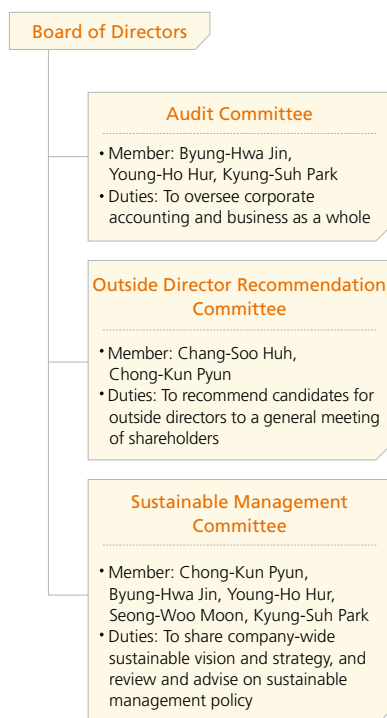
What We're Doing

Reinforcing the Sustainable Corporate Governance Structure

Corporate Governance Policy

GS E&C has the Corporate Governance Charter and Operation Regulations for the Board of Directors, the Audit Committee, and the Outside Director Recommendation Committee. Moreover the corporate governance policy is disclosed on the company website.

BOD Committees



BOD Composition

The GS E&C Board of Directors consists of four standing members and five outside members. The Board is chaired by the Chairman of GS E&C in order to ensure managerial accountability.

BOD Committees

Audit Committee • The Audit Committee is run by three outside directors to perform an independent and balanced oversight of accounting and business as a whole.

Outside Director Recommendation Committee • Independent outside directors who possess expertise and abundant experience but have no connection to the company are appointed through the Outside Director Recommendation Committee.

Sustainable Management Committee • The Sustainable Management Committee has been in place since 2011.

BOD Operation

The Board of Directors makes and oversees key business decisions. The Board has authority over mid and long-term business strategy and policy, important financial issues and management of directors, as well as calling a general meeting of shareholders in conformity with the commercial law, nominating a representative director and approving financial statements. The Board convened 11 times in 2011 and deliberated on 17 agenda items with four business reports, with a 94.5% average attendance rate for outside directors. The BOD Operation Regulations

indicate that the Board's minimum attendance rate is 70% and outside directors' possession of issued shares shall not exceed 1% to ensure fairness in operating the Board of Directors.

Key BOD Resolutions in 2011

Date	Resolution	Outside Director Attendance Rate (%)
2011. 02. 10	• Approval of the 42nd period financial statements and business report	80
2011. 02. 22	• Calling of the 42nd annual general meeting of shareholders and approval of the agenda, as well as 2010 business performance and 2011 business plan • 2010 internal accounting management status assessment report	100
2011. 03. 25	• Approval of the nomination of a representative director • Approval of the determination and execution of compensations for directors • Approval of appointing retired executives as an advisor • Approval of the limit of daily transactions with the largest shareholder for the year	100
2011. 05. 26	• Approval of revisions in the BOD Operation Regulations • Approval of the installation of the Sustainable Management Committee	100
2011. 07. 21	• Approval of 2011 large-scale internal transactions (real estate lease) of affiliated companies • Approval of an increase in 2011 company bond issuance limit	100
2011. 08. 29	• 2011 1st-half management performance report	100
2011. 10. 17	• Report of developments in acquisition of Inima, Spanish desalination plant and water treatment company	80
2011. 11. 12	• 2011 3rd-quarter management performance report Chinese region status report	100
2011. 11. 14	• Approval of the signing of an acquisition agreement with Inima, Spanish desalination plant and water treatment company	100
2011. 12. 07	• Approval of 2012 large-scale internal transactions (goods and services) of affiliated companies • Approval of 2012 company bond issuance plan • Approval of revisions in director management regulations regarding a long-service retirement system • Approval of revisions in executive officer management	100
2011. 12. 27	• Approval of 2011 large-scale internal transaction (goods and services) limit expansion of affiliated companies	80

BOD Performance Assessment & Compensation

GS E&C carries out a self-assessment of BOD operation and committee activities every year. Assessment criteria include roles, responsibilities and duties, composition, independence, operation procedures, agenda of the Board, and operation of its committees, and evaluation of the Audit Committee. Salaries and compensations for BOD and top management are made open each year through a business report. The average employee compensation equals 5% of executive management team compensation.

Shareholder Rights & Composition

GS E&C respects shareholders' rights to know by announcing information on key management matters in a precise and rapid manner through various channels, including the General Shareholders' Meeting and IR website, as well as regular reports such as business reports and quarterly/semi-annual reports.

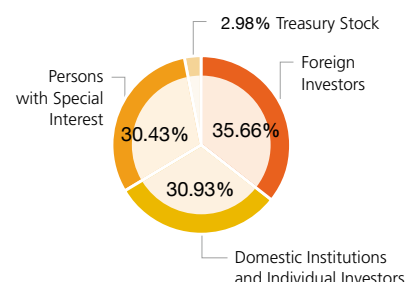
Even minority shareholders, if they hold 0.5% or more of the company's shares, can propose to directors, or the Board, to hold a general meeting for the purpose of discussing matters of interest. They can also exercise various rights of requesting access to accounting books, calling for an extraordinary general meeting of shareholders and requesting the dismissal of a director.

As of the end of 2011, the company's largest shareholders are foreign investors who held 35.66% of the company's shares. The rest of the shares were owned by domestic institutional and individual investors (30.93%), "persons with special interest" (30.43%) and GS E&C as treasury stock (2.98%).

2011 BOD Self-Assessment Result (Out of 5)

Roles	4.8
Responsibilities and Duties	4.9
Composition	4.8
Independence	5.0
Operation Procedures	4.8
Agenda of the Board	4.5
Committees' Structure & Operation	4.9
Audit Committee's Evaluation	4.8

Shareholder Composition



Internal Stability

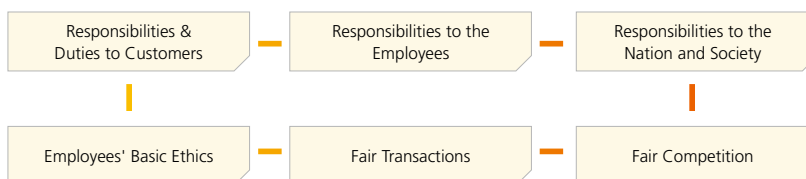
Ethical Management

Ethical Management System

Ethics Committee • GS E&C has created the Ethics Committee to oversee ethical management and assists top management (CEO) in ethical decision-making. The committee consists of a chairman (CFO), and its members composed of directors from different departments. In principle, the committee convenes semi-annually; however, it holds additional meetings to make quick decisions when urgent matters arise.

Code of Ethics • Our Code of Ethics is the standard of all employees' actions and decisions in key issues such as responsibilities to customers, employees and the nation and society as a whole, employees' basic ethics and fair competition and transactions. The Code of Ethics Implementation Guidelines covers the prevention of corruption/bribery and discrimination, protection of information, and the security, environment, health and safety of employees, suppliers and customers. It also stipulates that we are not to be involved in any political activities.

Code of Ethics Framework



Scope of Code of Ethics • The Code of Ethics governs the actions of all employees, affiliates and suppliers at home and abroad. When signing a contract with suppliers, we include ethical conditions, under which a violation results in disadvantages such as contract cancellation.

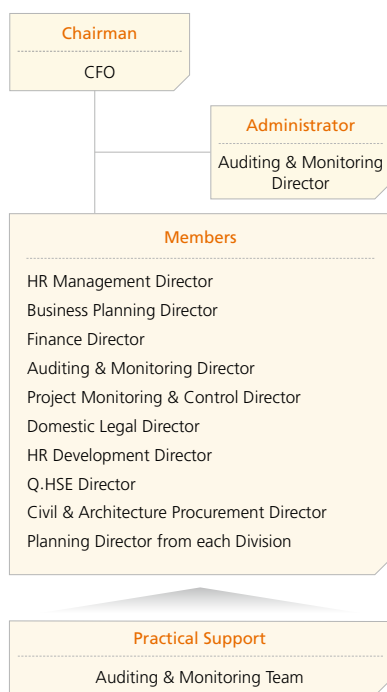
Evaluation of Ethical Management • To raise ethical awareness, we evaluate the level of ethical management by business division and factor evaluation results into performance. The evaluation criteria include the number and level of disciplinary actions, company reputation and security assessment.

Ethics Violation Reporting System • GS E&C receives reports of ethics violations through various channels such as the Ethical Management website, phone, e-mail and mail. The investigation results are sent to informants via phone or e-mail and they are protected under the company's policy. As a result of implementing its internal and external reporting system and regular assessment initiative, 16 disciplinary actions were taken in 2011. We will continue to engage in eliminating unethical actions in the future.

3 C of Ethical Management



Ethics Committee



Ethics Committee's Roles

- 1 Assistance of top management in ethical decision-making
- 2 Deliberation and resolution on ethical management-related policy and standards
- 3 Review and monitoring of ethical management activities
- 4 Review and monitoring of social contribution activities

Violations of Ethical Management in 2011

	Unit : cases		
	Total Reports	False Charge	Violations
Number of Cases	29	21	8

Disciplinary Actions against Violations in 2011

		Unit : cases, %				
		Suspension	Wage Cut	Reprimand	Warning	Total
Number of Persons	-	3	8	3	2	16
Ratio	-	19	50	19	12	100

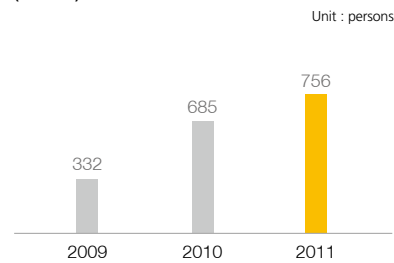
Enhancing Employees' Ethical Awareness

Ethics Management Training • We conduct online/offline ethical management training to enhance awareness and understanding of ethical management among employees. All employees take an online course on ethical management once a year, while new hires, whether entry-level or experienced, receive an introductory program offline. In addition, ethics training takes place frequently for certain positions within the company.

Ethical Pledge • GS E&C requires its employees to take a written oath to increase their commitment to implementing ethical management and to create an ethical corporate culture. All employees submit a written pledge of ethical practice when they join the company, and take an electronic pledge in an online educational course every year.

Ethical Management Guidebook • In 2010, GS E&C published the Ethical Management Guidebook and distributed it to all employees to encourage them to establish their own ethical standards and raise the awareness of ethical management. The Guidebook helps review the direction of ethical practices and come up with reasonable solutions by introducing possible cases of ethical disputes with diverse stakeholders including customers, shareholders, employees and suppliers.

Ethical Management Training Attendance (Offline)



Ethical Management Training Attendance (Online)

Unit : persons, %

	2010	2011
Number of Persons	5,139	5,955
Ratio	98.3	99.9

Strengthening a Corporate Culture of Ethical Management

Report and Reward Scheme • GS E&C implements a system to give rewards to those who report unethical business practices. Rewards are up to KRW 100 million and determined by the Reward Deliberation Committee.

Principle of Joint Liability • GS E&C has been running a joint liability system in which not only the one who violated ethical terms but also his supervisor and team are also liable for the violation. The level of disciplinary action is decided by the Disciplinary Committee and his supervisor faces the same level of punishment in case that he did not take any action despite his awareness of his subordinate's unethical practice.

Ethical Management Performance of GS E&C

1st Korea Builder's Ethical Management Grand Prize

In June 2011, GS E&C was awarded the Grand Prize at the 2011 Korea's Ethical Construction Company Awards by the Construction Association of Korea. The award was created in 2011 to widely implement ethical management and increase international competitiveness by identifying construction companies with high standards of ethical management.



Internal Soundness

Risk Management

Risk management is vital for a company to expand global operations and enter new business areas in order to grow. GS E&C manages risks by categorizing them into business environment factors and project execution factors.

Managing Risks Related to the Business Environment

Management Structure • A company must be able to analyze the rapidly-changing business environment and its impact as well as respond preemptively if it is to survive over the long term. We have, under the leadership of the Risk Management Team, defined both financial and non-financial risks that can affect our business in general. These risks have been classified under 114 items spanning 11 categories, to include costs, accounts receivable, financial risks, safety, insolvency signs, and environmental regulation compliance. Meanwhile, our risk early-warning system allows us to respond preemptively to risks. We analyzed the importance and probability of each risk factor as well as correlations of one risk factor with one another. In 2011, we also designed our own Integrated Risk Management System (IRMS), which monitors the designated risk factors in real time. As a result, The IRMS allows top management to determine the current status of every risk factor, and our risk early-warning system is used for rapid response to prominent risks. We assess the gravity of identified risks and the Risk Management Committee convenes to address high-priority risks.

Screenshot of the IRMS system



Business Environment Risk Management System



Financial Risk • The IRMS categorizes and manages new orders, sales, net profit, oil prices, cement prices, interest rates, cash flow, foreign currency stock, liabilities and foreign exchange rates as financial risk factors. Regular economic forecasts are made to be prepared for the possibility of risks becoming actual problems. Importantly, our expansion of overseas business requires us to minimize the risks from exchange rate fluctuations. Therefore, the latest status updates and response measures are shared via the company-wide intranet.

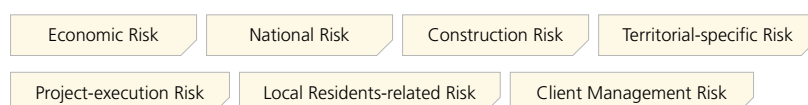
Non-financial risk • Non-financial risks under the IRMS include safety, training and evaluation of the employee and environmental management (management of GHG, water, solid wastes, etc.).

Project Execution Risk Management

Management System • A risk management system has been established that links the Head Office with employees company-wide to cope with all expected or unexpected risks throughout the entire project, from bidding to construction work completion. Each business division performs a risk assessment of projects up for bid, and potential serious problems are reviewed by the Business Deliberation Committee.

Non-financial risk assessment • Apart from financial assessment and environmental impact assessment, we developed socio-economic impact assessment framework which covers seven assessments areas as a non-financial risk assessment. We will carry out the assessment after pilot-test as a whole.

Socio-economic Impact Assessment Area



Cash Flow Management

A cash flow analysis system is in operation, monitoring not only profits and losses but also the additional inflow and outflow of cash, in order to evaluate the company's financial status more accurately. The system provides management with information on the cash generating potential of each business activity, helping to mitigate cash flow uncertainties going forward. Importantly, the system helps top management make informed decisions on the timing of investments, as it provides prediction on the risks related to investment in new growth project areas.

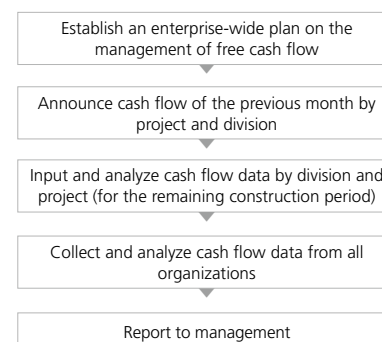
What Is Next

GS E&C will strengthen the activities of the Sustainability Management Committee to build advanced corporate governance, and a third-party verification will be conducted for GS E&C's ethical management activities in 2012. Moreover, "stricter risk management" has been set as one of the key action plans under the overall management direction for 2012 in order to strengthen risk management for overseas.

Project Execution Risk Management System



Cash Flow Forecasting Process



* Cash flow data by project are monthly collected, and the project manager can have access to the data through this system.

Mobile TPMS (Total Project Management System)

TPMS combines the project management system focused on integrated process and daily work management with task-specific process management and the timely deployment of resources. All GS E&C construction sites are utilizing this system. In 2011, we developed a TPMS application for smartphones called M-TPMS that enables on-site workers to manage construction projects anytime from anywhere. The M-TPMS allows us to share project information on manpower, materials, technology and knowledge with our partners in real time to ensure transparency in project procedures, increase productivity and improve reliability with our external stakeholders.



Screenshot of M-TPMS

Value

What Our Goal Is

We are committed to contributing to the betterment of society by sharing the economic value we generate in business operations with our stakeholders and fulfilling our responsibility as a corporate citizen by means of creating indirect economic, social and environmental value.

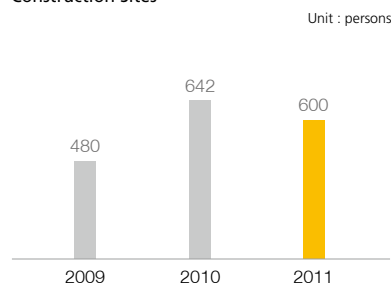
What We're Doing

Create Indirect Economic Value

Stimulate Local Economies

Construction has a significant effect on local economies. When local constructors and workers participate in construction projects, jobs are created and the local economy is boosted. In Korea, locally-based partners are responsible for 30.7% of our total earned value. In foreign countries, we are contributing to the development of local communities where we operate by hiring as many local workers as possible and helping them acquire advanced techniques and expertise while complying with local recruiting guidelines.

Number of Locals Working at Overseas Construction Sites



* Including Thai, Indian, Cambodian, Vietnamese and Chinese locals only

* "Locals" represent native people who are from a particular country and work for our construction sites, subsidiaries and offices there.

Generate Economic Activities Indirectly

The construction industry has a significant effect on a wider range of industries in terms of employment and production. As Korea's leading constructor, we are contributing to the stimulation of the national economy by boosting demand and creating jobs in related industries.

Create Jobs • While KRW10 billion investment would contribute to the creation of only 96 jobs on average across Korean industry, the same investment would help create as many as 149 jobs in the construction sector only, an indication that construction tends to create relatively more jobs than any other sector with a particular investment. In Korea, the benchmark employment-to-investment ratio for the construction sector is 1.49 jobs for every KRW 100 million, according to the Construction and Economy Research Institute of Korea. If you apply the figure to our operations, you will find that we contributed to the creation of 78,061 domestic jobs through investment in our operations in 2011.

Generate Productive Activities • "Production inducement effect" means how much effect increased end-user demand by one unit for a particular product has on productive activities in all industries, directly and indirectly. Construction tends to stimulate economic activities in other sectors. According to the Bank of Korea, the production inducement coefficient of Korea's construction sector is 2.129 for every KRW 100 million. If you calculate our domestic production inducement effect for 2011, you will get KRW 11.15 trillion.

Create Added Value • From the perspective of the national economy, added value means how much an individual company contributes to the national income. Based on the added value inducement coefficient of 0.749 for every KRW 100 million announced by the Bank of Korea, we helped generate more than KRW 3.92 trillion in economic activities, directly and indirectly, in 2011.

Participate in Public Infrastructure Projects

We are contributing to the development of the Korean economy by taking part in a variety of projects for building public facilities. In 2011, we received new orders to build the Songrim Gymnasium for the Incheon 2014 Asian Games, Southern Breakwater for Pohang Youngil New Port and Management Pier for Pyeongtaek-Dangjin Port, and for the advancement of the basic environment protection facilities and creation of a park in Hanam City. Also, we are playing a major part in promoting the economic growth of developing countries. For example, we are establishing wastewater treatment facilities in Bahrain and building the Hanoi-Haiphong Expressway in Vietnam.



Advancement of Basic Environment Protection Facilities and Creation of Park in Hanam City

Create Social and Environmental Value

Expand Use of Reclaimed Water

We are expanding the use of reclaimed water to reduce water consumption and wastewater discharge volume. In 2011, we generated KRW 40 million in social benefits by using reclaimed water, up around 23% from the previous year.

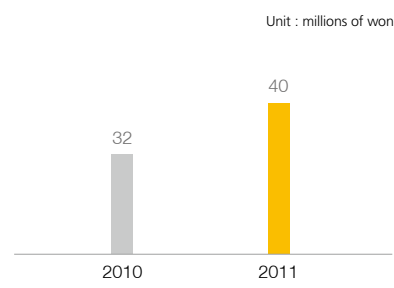
Expand Use of Recycled Aggregates

Recycled aggregates, which are generated by treating construction waste, are no longer waste materials but valuable resources for construction. By replacing extracted aggregates with recycled materials, we are reducing the amount of construction waste buried into the earth, extending the life of the waste burial field and protecting the environment. The value of environmental benefit for every ton of recycled aggregates is KRW 339 per ton. With this figure, we generated around KRW 86 million in total environmental benefits by using 168,382m³ of recycled aggregates in 2011.

What Is Next

We will continue to generate social value by creating jobs and help boost the local economy by allowing more local companies to participate in our projects and hiring more local workers at our overseas construction sites. Also, we will do our best to reduce resource and energy consumption by expand the use of recycled water and aggregates.

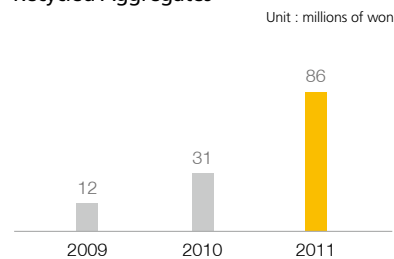
Social Benefits of Reclaimed Water



* The social benefit value of reclaimed water = Amount of reclaimed water consumption (ton) x Production cost of running water (won/ton)

* Production cost of running water = 777.2 won/ton (the Ministry of Environment, 2011)

Environmental Benefit of Recycled Aggregates



* The environmental benefit value of recycled aggregates is 339 won/ton (Korean Recycled Construction Resource Association, 2005)

Value

Share Value with Stakeholders

We share value created in our operations with our internal and external stakeholders in a fair manner. In 2011, we disbursed a total of KRW 6.98 trillion, 13% increase from the previous year, to our suppliers, academies, employees, government, local communities, etc.

Results of Economic Value Disbursement in 2011

Unit : billions of won



Unit: billions of won

	Comments		2010	2011
Economic Value Created			8,420	9,052
Revenues	Sales from operations	Sales	8,420	9,052
Economic Value Distributed			6,181	6,982
Suppliers (materials)	Payments to material suppliers	Materials	2,213	2,623
Suppliers (outsourcing)	Payments to outsourcing suppliers	Outsourcing	3,128	3,466
Academies	Payments to academies	R&D expenditures to academies	0.7	0.6
Employees	Employee wages and benefits	Labor cost, employee benefits	584	695
Government	Payments to government	Income tax expense, tax and dues	184	150
Local Communities	Local community investments	"Donations, operational costs for community services"	9	10
Providers of Capital	Payments to providers of capital	Interest expense	62	37
Economic Value Retained	Economic value created - Economic value distributed		2,239	2,070

* Economic value retained is calculated according to the Global Reporting Initiative (GRI) G3.1 guidelines.

GS E&C Research Institute of Construction & Economy

In 2008 we established the GS E&C RICE, the first economic research institute in Korea's construction industry, to respond to global market developments in a timely manner, manage operational risks effectively and identify business opportunities at an early stage by analyzing the fast-changing international business environment.

To be a World-leading Think-tank in Construction • The Institute aims to become a leading think-tank for construction industry. The main tasks include: analyzing macro-economy and financial markets, reporting current developments regarding policies and regulations, providing the business information necessary for those seeking to expand into foreign markets, holding construction economy forums, executing top-priority research projects related to company-level strategies and ongoing issues of business units.

Vision



Research Areas



Key Tasks

Report on Issues Weekly	Present reports on the global economy, the construction market and policy-related issues to the management
Report on Key Issues	Publish reports on analysis of key issues and how to respond to them
Consult on Current Operational Issues	Support in executing ongoing projects at the level of the company or business unit through task force activities
Publish Market Research Reports	Publish research reports on domestic and foreign construction markets
Information on Policy Trends	Gather information through networks with external organizations and support sales activities

Interview



GS E&C Research Institute of Construction & Economy
Chief

Sang-Ho Lee

We contribute to sustainable growth of GS E&C

GS E&C RICE, a think-tank, is in charge of helping GS E&C grow as a global player by identifying future growth engines for the construction industry, analyzing market conditions and formulating business strategies so that the company can achieve sustainable growth. Its main job is to analyze market conditions from longer and macro-economic perspectives and devise action plans. The institute has the objectivity to make its own decisions when carrying out projects.

We should focus more on organized risk management and expansion into foreign markets in order to achieve sustainable growth

Currently, the Korean construction market seems to have passed the growth stage and entered the mature stage. To ensure sustainable growth in this situation, we need to evaluate profitability thoroughly and manage possible risks in an organized manner when launching new projects. Also, it is time to go beyond the domestic market and exploit business opportunities in foreign markets. To make this happen, we should change our entire business structures for global operations by increasing the share of foreign workers and devising strategies for doing business in foreign countries.

GREAT INNOVATION



60 Green Management
62 Green Technology
68 Green Procurement
69 Green Transportation

72 Green Construction
77 Green Operation
78 Green Demolition
79 Special Feature III. GS E&C Evaluation System for Building Eco-friendliness

Direction

GS E&C is responding to climate change and other environmental issues by changing the way we run our business preemptively and creatively. We are planning to achieve sustainable development driven by green growth by establishing low-carbon green management system and expanding eco-friendly projects.

2011 Achievement

GS E&C set key performance indicators for green management, reorganized the green management implementation system, and expanded relevant infrastructure such as the GHG inventory at overseas construction sites and the lifecycle building GHG emission evaluation system. In addition, GS E&C has aggressively identified green technology-driven projects such as renewable energy (e.g. solar thermal and offshore wind), water reuse and desalination plants, waste-to-energy, smart grid, and Green & Smart buildings. A system for site environmental management was established and various environmental management activities were held in order to manage construction sites in an eco-friendly manner.

Plan & Outlook

Under the green management system GS E&C plans to proactively pursue activities for reducing greenhouse gas emissions and energy consumption, minimizing environmental impact, and disseminating green management practices to suppliers. GS E&C will continuously expand green projects so as to foster them into main businesses in the future.

Green Management

What Our Goal Is

GS E&C aims to be a global green company that places the environment and people first and proactively responds to climate change by creating buildings with a low-carbon footprint. We set the target of reducing greenhouse gas emissions by 30% by 2020 compared to the business-as-usual (BAU) level. Other green management initiatives include reinforcing the carbon management system, raising awareness for both the company and suppliers, and carrying out projects for reducing GHG emissions and energy consumption.



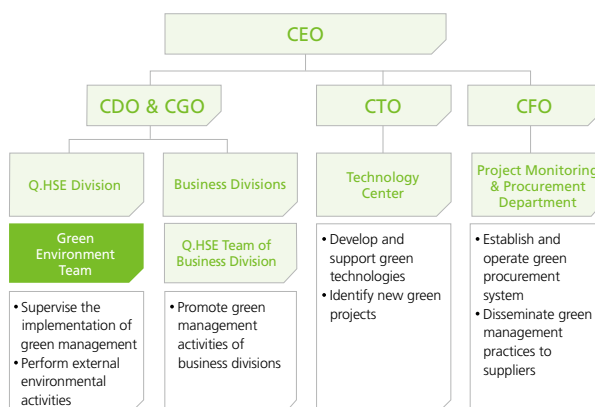
What We're Doing

Strengthening Green Management System

Establishment of Green Environment Team

GS E&C was the first construction company to establish a dedicated organization for environmental affairs to carry out systematic green management activities. The Green Environment Team manages enterprise-wide green management initiatives, including acquiring green management system certification, managing performance, and networking with external institutions.

Organizations for Green Management



Establishment of Enterprise-wide KPIs for Green Management

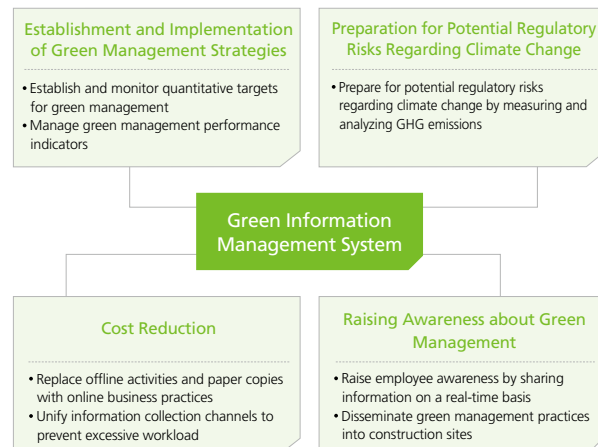
GS E&C set short-term (annual) and mid-/long-term targets for green management, and the performance of the targets is managed by establishing enterprise-wide KPIs

KPI	Definition	Mid-/long-term Target (by 2020)
Direct GHG Emissions (tCO ₂ -e)	Annual direct GHG emissions	Reduce by 30% below BAU level
Indirect GHG Emissions (tCO ₂ -e)	Annual indirect GHG emissions	Reduce by 30% below BAU level
Rate of Waste Reused and Recycled (%)	Proportion of waste reused/ recycled to the total waste	90% or above
Rate of Raw/subsidiary Materials Obtained through Green Procurement Processes (%)	Proportion of expenses on materials with green certification to the total materials costs	11.8% or above
Environmental Protection Activities (No. of activities)	Annual number of activities to protect biodiversity and the local environment	Annually 50 activities or more
Rate of R&D Investment to Develop Green Products (%)	Proportion of investment in green technology to the R&D investment	70% or above

Operation of Green Information Management System

GS E&C has developed and operates a green information management system for managing environmental performance systematically and monitoring the data easily. In 2011, we expanded the scope of collecting environmental data by establishing the GHG inventories not only at domestic sites but also key overseas sites.

Role of Environmental Information Management System



Green Management System Certification

GS E&C acquired the Green Management System (GMS) certification from the Ministry of Knowledge Economy in November 2011. We also obtained ISO14001 certification in 1996, and has continued to renew it. The certification is now applied to all at construction sites home and abroad. We also manage ISO14001 (environmental management certification) compliance by establishing a manual containing company-wide regulations regarding environmental affairs.

Expansion of Green Management Activities

Efforts to Reduce GHG Emissions

GS E&C has engaged in a campaign to keep indoor temperature moderate and other company-wide initiatives to reduce energy consumption and GHG emissions. In addition, the company will publish a guidebook for GHG emissions reduction and distribute it to employees in 2012, encouraging employees to participate voluntarily in GHG emissions reduction activities.

Expansion of Environmental Training

GS E&C has held environment training sessions customized for employees' position and grade to raise their awareness about and enhance capabilities for environmental management. In 2011, environment managers at all construction sites (140 people) received the training.

Analysis of Climate Change Effects

GS E&C is analyzing different scenarios regarding the imposition of indirect taxes and rising oil costs in order to prepare for climate change-related regulatory risks in the future, such as the introduction of carbon tax, emissions trading scheme and other climate change-related regulations.

External Environmental Activities

GS E&C is exerting leadership for environmental management in the construction industry. GS E&C is a member of the Construction Association of Korea and the Construction Environment Association, and participates in the Regulation Rationalization Subcommittee of the Ministry of Environment. In addition, we participate in the government's Supporting for Promoting Green Management Project, giving opinions about government policies and presenting best practices for improving environmental management in the industry.

What Is Next

GS E&C plans to upgrade green information management system and environmental training, and continue to expand GHG inventories to cover overseas construction sites. We are committed to meeting requirements presented by the company-wide KPIs for environmental management in 2012.

Outline of Green Management System



* The Green Management System consists of ISO14001 PDCA as a main frame and ISO50001, ISO26000 and ISO14064 as additional requirements.

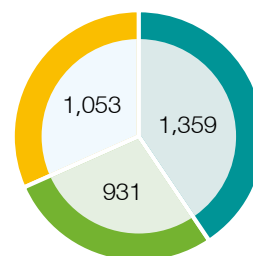


Green Management System Certificate

No. of Employees Receiving Environmental Training in 2011

Unit : persons (aggregate)

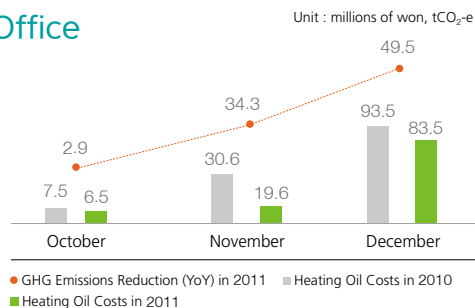
■ Managerial Level ■ Staff Level ■ Suppliers



GHG Emissions Reduction from the Head Office Building in Winter Times

GS E&C maintained indoor temperature at 20°C or below in order to avoid energy consumption surge in winter times. During the winter season of 2011 (October-December), expenses on heating oil were reduced by KRW 22 million and GHG emissions by 87tCO₂-e from the 2010 figures for the Yeokjeon Tower and Yeoksam Tower combined. The GHG emissions saved in 2011 are equivalent to the amount about 609 normal passenger vehicles (with fuel economy of 11km/l) release when they make a round trip between Seoul and Busan (about 400km).*

* Based on the calculating standards proposed by the Energy-Saving Practical Manual for Low-carbon Green Growth (The Korea Energy Management Corporation, 2008)



Green Technology

What Our Goal Is

Green technologies serve as a firm basis for a business in the construction industry to achieve sustainable growth because they help to minimize environmental impacts caused during business activities and they can be utilized as new growth engines in line with business strategies. GS E&C seeks to secure a solid platform for sustainable growth by developing and commercializing technologies in the areas where we can attain technological advantages.

Outline of Green Building Featuring Optimized Solutions



GS E&C developed and presented a prototype for Green Buildings by devising a set of optimal solutions for eco-friendly structures.

What We're Doing

Eco-friendly Construction Technologies

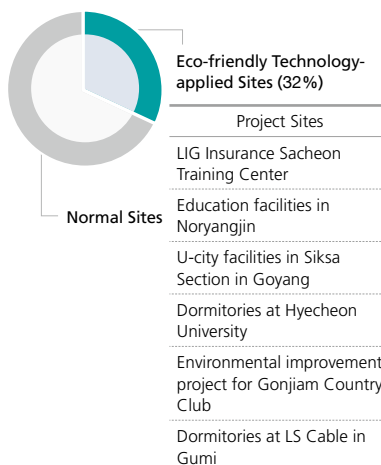
3 Zero House

GS E&C's 3 Zero House is an eco-friendly, people-centered residence model that features reduced energy consumption (Zero Energy Consumption), free-noise residential environment (Zero Noise), and clean indoor air (Zero Air Pollution). The 3 Zero House will help GS E&C create eco-friendly lifestyles and improve quality of life for residents.

Concepts and Technologies for 3 Zero House

	Concept	Technology
Zero Energy Consumption	<ul style="list-style-type: none"> Apply up-to-date heat insulation, renewable energy solution, and energy management system to apartment units in order to reduce energy consumption and maximize energy efficiency 	<ul style="list-style-type: none"> Technology to reduce energy loads for heating and cooling Optimization technology to apply renewable energy sources Integrated energy supply and control technology Technology to implement energy-saving equipment
Zero Noise	<ul style="list-style-type: none"> Insulate noise transmission between units, block noise from outside, and remove equipment noise effectively to make the residential environment free from noise 	<ul style="list-style-type: none"> Active noise control Optimized sound design High Performance sound absorption and insulation system Soundscape design
Zero Air Pollution	<ul style="list-style-type: none"> Detect and remove chemical gases, yellow dust, viruses, fungi and other hazardous materials on a real-time basis 	<ul style="list-style-type: none"> Nanotechnology-applied, eco-friendly materials High-performance air pollution detection sensor Building design to prevent pollution spread Intelligent air cleaning system

Rate of Projects Completed with Eco-friendly Technologies in 2011



* Projects completed by the Architecture Division in 2011

Green & Smart Building

GS E&C has proposed the Green & Smart Building model as a future-oriented construction approach that features eco-friendliness and intelligent functions, and developed related technologies. The eco-friendly construction technologies are combined to form a solution package, which has been applied to actual projects. The technology set has helped the company build structures with eco-friendliness, economic benefits and fine external appearance. Based on construction projects completed during 2011, 32% of total projects were executed with eco-friendly technologies.

Renewable Energy

Solar Thermal Energy

Solar thermal power generation has potential to be applied to hydrogen fuel, seawater desalination, steel refining and other industries that require high-temperature thermal energy. GS E&C has signed an MOU with the Korea Institute of Energy Research for joint development of solar thermal technology applications and cooperation on businesses using the technologies. We and the organization are now jointly engaging in a project to build a large-scale, tower-shaped solar thermal plant.

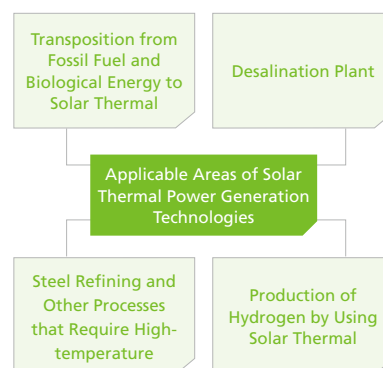
Offshore Wind Power

GS E&C has signed MOUs for joint R&D of offshore wind power-related technologies with overseas organizations that have extensive experience in creating offshore wind farms. We are also committed to developing core offshore wind power technologies in-house. Technologies acquired or developed through these processes will be applied to a pilot offshore wind farm project.

MOUs Signed for Core Technologies of Offshore Wind Power Generation

Organization	Technologies
Ramboll (Denmark)	<ul style="list-style-type: none"> • Capabilities to design an offshore wind farm layout and to analyze its feasibility - Assess feasibility of a pilot offshore wind farm project in the southwest coast of Korea - Provide guidelines on the feasibility analysis of offshore and onshore wind power generation projects and propose a business model
NGI (Norway)	<ul style="list-style-type: none"> • Technology for the foundation design of an offshore wind farms - Develop a foundation design model for offshore wind farms in consideration of the ground and structure conditions - Secure foundation design and execution monitoring technologies that will be applied on the West coast of Korea
SINTEF (Norway)	<ul style="list-style-type: none"> • Technologies to design and construct light-weight marine concrete structures - Secure technologies to design and construct light-weight marine concrete for floating structures - Secure technologies to design and construct concrete structures with 100-year durability

Applications of Solar Thermal Power Generation to Other Industries



Smart Grid

GS E&C has participated in the Jeju Smart Grid Test-bed since December 2009 to secure core technologies. GS E&C's test bed facilities are equipped with smart metering systems and smart home appliances. Renewable energy technologies such as cooling & heating system using seawater, photovoltaic, wind power and fuel cells are also installed to produce heat and power within the system. In addition, in order to verify micro-grid technology at the building level, GS E&C established a demonstration facility applied with the building integrated photovoltaic system (BIPV), wind power, geothermal heat, and fuel cells at the residential hall of GS Research Institute in the city of Yongin, in Gyeonggi Province.

Technologies Applied to Jeju Smart Grid Test-bed

Technology	Application
Seawater Heating and Cooling System	Provide 11 buildings, a management office, and an auditorium with heating and cooling
Fuel Cell	Provide 7 buildings with electricity
Photovoltaic	Provide whole test-bed with electricity
Wind Power	Provide 2 buildings with electricity

Green Technology

Waste-to-energy Solution

GS E&C has carried out an R&D project for a total solid waste-to-energy solution, which features optimal methods for all the processes from waste collection to final disposal. This effort will help we establish an integrated solid waste collection and treatment process and contribute to making an eco-friendly city that is free from the burden of disposing solid waste materials.

Waste-to-energy Total Solution



Water Resource Development

Water Reuse System

GS E&C's water reuse system consists of advanced wastewater treatment, sewage reuse, and sludge-to-resources parts. This system features recycling water with high efficiency at 20% lower production costs compared to conventional methods. We obtained the Certification of Green Technology from the Ministry of the Environment in 2011. The Ministry recognized the benefits from our wastewater reuse technologies, including the reuse of reverse osmosis concentrate and automated indicator of economic terms for cleaning the RO membrane at desalination plants.

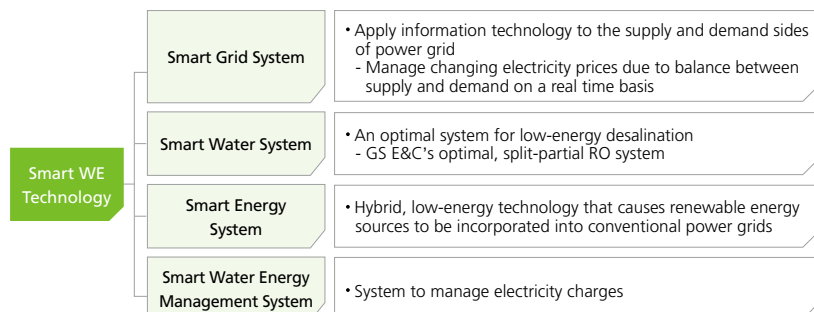
Economic Efficiency and Eco-friendliness of Wastewater Reuse Technology

	Economic Efficiency	Eco-friendliness
Technology to Reuse Reverse Osmosis Concentrate	Construction and management cost reduction	Wastewater reduction
Automated Calculation of Cleansing Frequency	Energy cost reduction	GHG emissions reduction of 3.3tCO ₂ -e per day (100,000 tons/day, based on the amount of reused water)

Seawater Desalination Technology

Seawater desalination is an area with great potential, which can help GS E&C mitigate the global problem of water shortage as well as create huge added value. As such, GS E&C has engaged in various activities to develop and commercialize relevant technologies by acquiring Spain-based desalination specialist Inima and establishing a lab at King Abdullah University of Science and Technology (KAUST) in Saudi Arabia. Our well-known technologies is the "Smart WE (water-energy)" technology, which allows an operator of an RO desalination plant to reduce power costs, which may account for up to 46% of the total operational costs. This technology will play an important role for GS E&C to advance into overseas desalination markets.

Outline of the Smart Water-Energy Technology



Eco-friendly Construction Materials

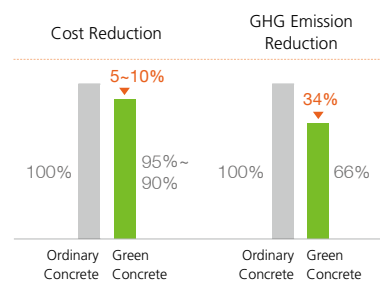
Green Concrete

We developed Green Concrete that performs as well as conventional concrete and generates fewer GHG emissions during production. Feasibility tests have been conducted on several project sites. A test carried out on the P9 section of the Paju LG Display project showed that the use of the Green Concrete reduces GHG emissions by 34% and material costs by 5~10%. We plan to use the new material at all construction sites.

Insulation Concrete and Paint

GS E&C is developing concrete and paint products with improved insulation performance. In 2012, these products will be combined with Green Concrete to create an eco-friendly construction materials package, which will be applied to an extensive range of projects at home and abroad.

Verification of Applicability



Description

- Technologies to produce insulation concrete and paint, which help to reduce energy consumption needed for heating and cooling

Anticipated Effects

- Insulation concrete : reduce heating and cooling energy use by over 10%
- Insulation paint : reduce heating and cooling energy use by over 30%

What Is Next

In 2012, GS E&C will acquire a new technology product with potential and continue R&D efforts to improve existing products. We will raise corporate value by securing, investing in, and commercializing promising technological products.

Interview



Sipchem Ltd.
Technical Manager

Patrick Albert Benavides
(Manager in charge of EVA plant project for IPC)

For GS E&C to win more new orders, it needs to secure experts and invest in green technologies

Technological advantage and experienced professionals are necessary for GS E&C to improve their ability to win more new orders. Securing technologies is as important as obtaining experts, and special emphasis should be on acquiring or developing distinctive green technologies from the perspective of sustainability management. As such, the company needs to increase R&D investment in green technologies, to engage in cooperation with universities, and to build a business network for creating synergy.

I want to see detailed information on green technology products and relevant R&D efforts through GS E&C Integrated Report

The technological expertise of an engineering & construction company is one of the most important criteria that a client factors in when selecting a contractor as well as a key indicator for the growth potential of the company. As such, I hope GS E&C Integrated Reports will contain information on various construction technologies, especially eco-friendly technology products and relevant R&D efforts. Detailed disclosure of GS E&C's construction technology will serve as an important platform for the company to maintain relationships with clients as a good business partner.

Green Technology

Major Achievements in the Development of Green Technologies

GS E&C has engaged in systematic R&D efforts for green technology products with great potential since 2008.

Divisions	Technology Products	Description	Eco-friendliness
Plant	Large-capacity LNG Plant	A project to design and construct an LNG demo plant, including the processes for pre-treatment and liquefaction of natural gas	<ul style="list-style-type: none"> • Reduce GHG emissions
	Clean Coal Technology	A clean coal technology (CCT) project to develop component technologies and processes for coal-to-gas facilities	<ul style="list-style-type: none"> • Minimize air pollution • Facilitate carbon capture
Power & Environment	Offshore Wind Farm	A grid connection project for offshore wind farms	<ul style="list-style-type: none"> • Replace conventional fossil fuel with renewable energy sources • Cut GHG emissions
	Seawater Desalination Plant	A business to build a large-capacity, low-energy-consumption seawater desalination plant	<ul style="list-style-type: none"> • Improve the quality of life of people in countries affected by water shortage
	Water reuse system	A project to position membrane bio-reactor (MBR) treatment and water reuse technologies as a recognized brand and to develop a Zero Discharge system	<ul style="list-style-type: none"> • Minimize water pollutants • Improve water reuse rates • Minimize energy consumption in processes
	Integrated Management of Waterworks	A "total-solution" business model to manage and optimize all processes of waterworks from collecting water from water sources to supplying tap water to consumers	<ul style="list-style-type: none"> • Produce and provide customized water services • Maximize the efficiency of using water resources and energy
	Waste-to-energy	A business model to optimize all processes of a waste-to-energy system from collecting solid wastes to final disposal	<ul style="list-style-type: none"> • Transfer waste by using eco-friendly vacuum system • Reduce GHG emissions by recovering heat energy
Civil Engineering	Sea Crossing Infrastructure	An infrastructure project that connects the offshore and an island (super-long span bridge and super-long span submarine tunnel)	<ul style="list-style-type: none"> • Reduce travel distances • Reduce the use of fossil fuel via railway
Housing	3 Zero House	Eco-friendly residence model that minimizes energy, noise, and air pollution	<ul style="list-style-type: none"> • Reduce heating and cooling energy • Clean indoor environment
Architecture	Green & Smart Building	A business combining cutting-edge technologies such as Green Buildings that can lead future construction markets, Intelligent Buildings and specialized designs	<ul style="list-style-type: none"> • Reduce heating and cooling energy • Reduce water use
Development	Green Smart City	A sustainable new city with reduced energy consumption/GHG emissions through seven core technologies, including energy recycling	<ul style="list-style-type: none"> • Achieve energy neutrality • Minimize environmental burden on cities

Major Projects in 2011	Completion Rate	Major Objectives in 2012
<ul style="list-style-type: none"> Build LNG test-bed Train-I Basic/detailed design and construction of LNG test-bed Train-II 	 <ul style="list-style-type: none"> Train-I under construction Train-II in detailed design stage 	<ul style="list-style-type: none"> Construct and commission the LNG test-beds
<ul style="list-style-type: none"> Design and issue an order for a bench scale unit (BSU) for CBM refining 	 <ul style="list-style-type: none"> Optimal design of bench test/pilot plants under work 	<ul style="list-style-type: none"> Present an optimal process design for the pilot plant by conducting BSU tests
<ul style="list-style-type: none"> Carry out two joint R&D projects with overseas organizations Propose a new project 	 <ul style="list-style-type: none"> Examine the application of an wind farm pile foundation design 	<ul style="list-style-type: none"> Devise methods to reduce foundation construction costs by 10% Develop construction methods that guarantee a 150-year lifetime Propose monitoring technologies for start-up projects
<ul style="list-style-type: none"> Develop the Smart Water-Energy system Carry out joint R&D projects with overseas organizations: joint projects with KAUST (Saudi Arabia) and USC (US) 	 <ul style="list-style-type: none"> Run the U-do pilot project Plan to bid for overseas projects 	<ul style="list-style-type: none"> Develop technologies for a FO/RO hybrid desalination system with low energy consumption (3kWh/m³) Develop low-energy-consumption technologies by applying renewable energy sources
<ul style="list-style-type: none"> Develop MBR processes with total phosphorus emissions of 0.1mg/l or below Develop low-energy-consumption after-treatment technologies (TOC 0.5mg/l or below) 	 <ul style="list-style-type: none"> Apply to the Songdo STP project and LCD wastewater treatment facilities 	<ul style="list-style-type: none"> Develop an upgraded MBR process to dispose of phosphorus Develop customized water reuse technologies
<ul style="list-style-type: none"> Carry out a WRF R&D project (US) Carry out the Eco-Smart Water Supply project commissioned by the Ministry of Environment Carry out the Next-generation Intelligent Water Supply Network project commissioned by the Ministry of Environment 	 <ul style="list-style-type: none"> Plan to propose privately-funded projects 	<ul style="list-style-type: none"> Develop water treatment technologies using inorganic membrane Establish an integrated water supply management system (100,000m³/day) Build a pilot membrane filter system (1,000m³/day) Establish a water supply test-bed in Vietnam (capable of supplying water to 1,000 houses)
<ul style="list-style-type: none"> Automated waste collection system: to be applied to building complexes Mechanical waste treatment system: separation efficiency improvement by 5% or above Incineration technology: developing a fire grate with capacity of burning 500 tons of solid waste per day Biogas: developing designing methods (mass balance) 	 <ul style="list-style-type: none"> Apply the automated waste collection system to Yeongjong Sky City Apply the mechanical waste treatment system to Daegu 	<ul style="list-style-type: none"> Complete the development of automated waste collection systems customized to residential sites and complexes Develop core design technologies and optimal processes for mechanical waste treatment systems Develop technologies for large, clean incinerators Develop a hybrid anaerobic digestion
<ul style="list-style-type: none"> Develop technologies for new super-long span cable-stayed bridges Develop technologies to analyze air pressure in high-speed railway tunnel 	 <ul style="list-style-type: none"> Technologies for a multiple-tower, cable-stayed tension bridge under development 	<ul style="list-style-type: none"> Apply the technologies to new cable-stayed bridge projects Develop technologies for tunnel ventilation and support systems
<ul style="list-style-type: none"> Design a concept for zero energy consumption apartment complexes Onsite assessment of passive sound masking technology Concept design of sound-proof space 	 <ul style="list-style-type: none"> Reduce energy consumption for heating and cooling by 70% Establish a passive sound masking system 	<ul style="list-style-type: none"> Establish a combined geo-/solar thermal system Establish an active sound masking system Apply energy consumption reduction technologies to the Dongtan project site in Hwaseong City
<ul style="list-style-type: none"> Analyze feasibility of domestic and overseas projects Develop an optimized project model Develop a process to analyze project volume and workability 	 <ul style="list-style-type: none"> Consider the application of the technologies to the Parnas Tower project 	<ul style="list-style-type: none"> Establish a business model for low-energy-consumption buildings Apply a building information modeling (BIM) approach to designing and construction
<ul style="list-style-type: none"> Combine component technologies applicable to Green Smart City into an integrated technology set 	 <ul style="list-style-type: none"> A project underway to build 500,000 residential units in Saudi Arabia 	<ul style="list-style-type: none"> Commercialize the Modular Plug-in City model Apply to the 7C City business model

Green Procurement

What Our Goal Is

Gs E&C will minimize environmental impacts caused by the use of construction materials by increasing the amount of materials purchased through the green procurement process. In addition, the company will support suppliers' efforts to establish green procurement systems and identify eco-friendly material producers, contributing to the dissemination of green procurement practices across the industry.

What We're Doing

Establishment of Green Procurement System

Green Procurement Guidelines

In order to contribute to the government's policy to disseminate green products, we signed onto the Industry-wide Voluntary Agreement for Green Procurement in 2010 and established Green Procurement guidelines in order to commit to the agreement. According to the guidelines, GS E&C gives additional points to suppliers that supply eco-friendly products in the assessment of potential new suppliers as well as in the regular assessment of suppliers that are already registered as GS E&C suppliers.

Green Procurement System

We established the Green Procurement system in 2010 to manage information on the list of providers of eco-friendliness-certified materials and monitor the records of green procurement. New suppliers now have to present the information on their eco-friendly materials and certification records when they first register with GS E&C, and current suppliers are required to update their information annually. Green procurement records are managed by year, product category and certification type.

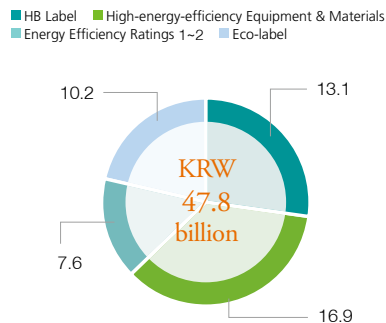
Expansion of Green Procurement Practices

GS E&C regularly posts updates of the government's directives and policies regarding eco-friendly procurement on a bulletin board of the GS-Constmat, an online communication channel with suppliers, to ensure that they can easily monitor the updates. In 2011, we launched a pilot Green Procurement program for three suppliers, and the feedback from the participants of the pilot program was collected in order to make improvements.

What Is Next

In 2012, GS E&C will designate the Low-carbon Product Certificate issued by the Korea Environmental Industry & Technology Institute as an in-house Eco-friendly Certification mark, and will manage the certified products and their providers under the Green Procurement system. In addition, when selecting providers of lumber, we will include provisions banning illegal logging in the notices of tender and require them to present the certificate of origin, ensuring illegally logged lumber is not used in construction sites.

Green Procurement Records in 2011
Unit : billions of won



Green Transportation

What Our Goal Is

We aim to contribute to reducing GHG emissions by increasing the fuel efficiency of our corporate fleet and minimizing vehicle usage. Moreover, the green transportation initiatives will be expanded to cover suppliers in compliance with the government's drive to reduce GHG emissions.

What We're Doing

Establishment of Green Transportation System

Ground Soil-Transportation Expert Automation Management System

GS E&C developed and obtained patent for the Ground Soil-Transportation Expert Automation Management System (GS-TEAMS), a GPS-applied system to manage transportation of soil and sand. GS-TEAMS provides drivers of vehicles containing such materials with information on optimal travel routes, helping to save fuel. Moreover, the system accurately weighs the vehicles loaded with soil and sand and monitors their movements in real-time to prevent damage to roads and other problems from overloaded trucks. The GPS-linked system allows us to manage vehicle access to construction sites, helping to prevent soil contamination and environmental disputes due to illegal dumping of sand.



GS-TEAMS Central Management System

Video Conference System

We have held regional consultation meetings by business division via the video conference system since 2010. This has helped us to avoid inconvenience related to moving to meeting venues as well as eliminated unnecessary transportation and saved fuel. The aggregate number of employees who participated in video conferences in 2011 was 57,236, reducing GHG emissions by 7.34 tCO₂-e.



Video Conference of Site Environment Managers

Training for Vehicle Drivers

We staged the Eco Drive campaign to help employees adopt safe and eco-friendly driving practices. Moreover, the ten most important safety rules for managing equipment were established and are now in place. Moreover, No-idling signs were installed in parking lots to encourage employees to cut GHG emissions that would have otherwise been released.

What Is Next

In the coming year, GS E&C will strengthen environmental training for vehicle drivers and equipment operators, and manage materials transport and vehicle movements systematically, furthering eco-friendly transport practices. In addition, we will set guidelines on the installation of diesel particulate filter and increase installation rates, minimizing the volume of harmful emissions.



Onsite Activities to Manage Vehicles and Equipment

Environmental Performance 2011

Environmental Performance 2011 was drawn based on environmental management performance data collected from 11 buildings owned by GS E&C, 249 domestic projects sites and 25 overseas sites in 2011. Data for domestic buildings and sites were collected through the TPMS, electronic billing and payment system, procurement system and on-site inputs, while data for overseas sites were directly input into the Green Information Management system.

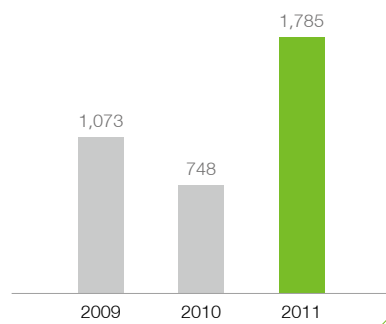
	Green Technology Development	Green Procurement	Green Transportation
What Our Goal Is	<ul style="list-style-type: none"> Strengthen efforts to develop green technologies Commercialize green technologies 	<ul style="list-style-type: none"> Increase and expand green procurement 	<ul style="list-style-type: none"> Increase vehicle fuel efficiency Minimize vehicle travel
What We're Doing	<ul style="list-style-type: none"> Develop 14 commercialized technologies Obtain 50 environmental patents Obtain three green technology certificates 	<ul style="list-style-type: none"> Establish and comply with green procurement guidelines Run a green procurement system 	<ul style="list-style-type: none"> Establish automated sand soil transportation system Run video conference system Train vehicle drivers
What Is Next	<ul style="list-style-type: none"> Develop and commercialize new technology products with potential 	<ul style="list-style-type: none"> Designate new eco-friendliness certification marks Strengthen management of illegally logged lumber 	<ul style="list-style-type: none"> Strengthen training for vehicle drivers and equipment operators Establish guidelines for the installation of diesel particulate filter and increase installation rates

INPUT

Investment in Environmental R&D Activities

Unit : millions of won

* Pure R&D expenses excluding expenses on personnel & facilities



Resource Consumption at Domestic Sites in 2011

Materials

Ready-mix Concrete and Others¹⁾3,319 K m³Reinforcement Bar and Others²⁾

2,203 Kton

Recycled Aggregate

168 K m³

Energy



Oil

2,288 TJ

Electricity

402 TJ

Gas and Others

30 TJ

Water



Tap Water

612 K m³

River Water

251 K m³

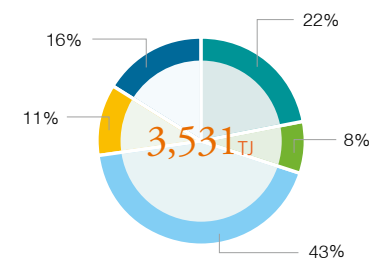
Underground Water

114 K m³

1) Ready-mix concrete, aggregate, and sand 2) Cement, asphalt concrete, and reinforcement bar

Energy Consumption at Domestic and Overseas Sites in 2011

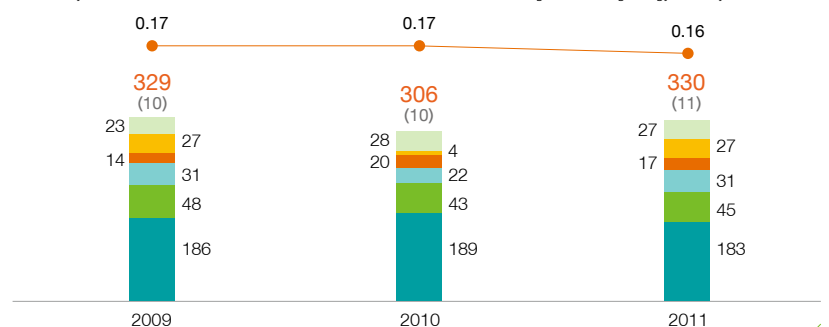
■ Plant ■ Power & Environment ■ Civil Engineering
 ■ Housing ■ Architecture



* Not including energy consumption from buildings

Building Energy Consumption

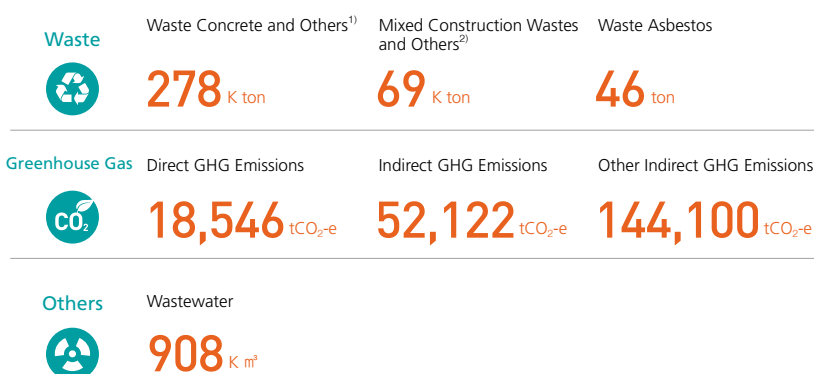
■ Electricity ■ Kerosene ■ Gasoline ■ Diesel ■ LPG ■ LNG () No. of Buildings ■ Building Energy Intensity¹⁾ (MWh/m²)

1) Building Energy Intensity = total annual energy consumption (in MWh) / total floor area (in m²)

Green Construction	Green Operation	Green Demolition
<ul style="list-style-type: none"> Minimize environment impacts during construction processes 	<ul style="list-style-type: none"> Strengthen efforts to develop green construction technologies Provide a larger number of eco-friendly buildings 	<ul style="list-style-type: none"> Minimize environmental impact and waste Manage waste asbestos thoroughly
<ul style="list-style-type: none"> Minimize site energy consumption by business division Establish site environmental management system Establish Laboratory Information Management System 	<ul style="list-style-type: none"> Obtain 24 certificates for eco-friendly buildings 	<ul style="list-style-type: none"> Comply waste management guidance Establish and Comply waste asbestos treatment manual Sign a voluntary agreement on building asbestos management
<ul style="list-style-type: none"> Expand environmental management activities to include overseas projects 	<ul style="list-style-type: none"> Obtain 6 more certificates for eco-friendly buildings 	<ul style="list-style-type: none"> Implement and monitor dismantling and demolishing processes thoroughly

OUTPUT

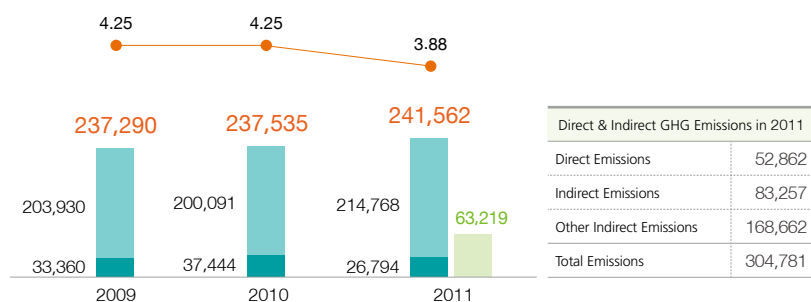
Waste Discharge and GHG Emissions at Domestic Sites in 2011



1) Waste concrete, waste asphalt concrete, construction waste soil and stones, and construction sludge
 2) Mixed construction wastes, waste synthetic resins, and waste wood

GHG Emissions

■ Office building ■ Domestic project sites ■ Overseas project sites ● By sales¹⁾ (tCO₂-e / billions of won)

Unit : tCO₂-e

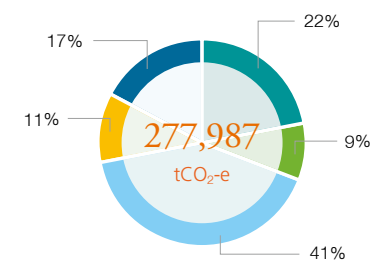
1) Scope1, 2, 3 emissions / Sales (including overseas project sites in 2011)

Major Technological Achievements in 2011

Commercialized Technologies
Automated waste collection system
Smart-split partial RO seawater desalination technology
Optimal construction wastewater treatment technology
Low-energy-consumption, high-recovery-rate wastewater reuse technology
Environmental Patents
Treated wastewater reuse equipment and methods featuring high-recovery rates and low contamination
Equipment and methods for the biological treatment of organic sludge
Equipment and methods for double-layer RO desalination
Certificates for Eco-friendly Technologies
Technology to reuse and recycle wastewater by treating RO concentrate and using automated calculation system for cleansing frequency

GHG Emissions at Domestic and Overseas Sites in 2011

■ Plant ■ Power & Environment ■ Civil Engineering ■ Housing ■ Architecture



* Not including GHG emission from buildings

Green Construction

What Our Goal Is

The stage of construction work has a relatively larger impact on the environment because resources and energy are used on a large scale, various pollutants are discharged, and biodiversity may be affected. GS E&C is committed to minimizing environmental impact that may occur while carrying out construction work by using resources efficiently and managing project sites in an eco-friendly way.

What We're Doing

Resource Consumption Reduction

Materials Consumption

Data on materials consumption at construction sites are automatically collected through the Green Information Management system, and guidelines on recycling and reusing wastes are in place to ensure the efficient use of materials. GS E&C used 168,382m³ of recycled aggregate in 2011, about 2.8 times higher than the 2010 figure because of increased construction sites of the Civil Engineering Division.

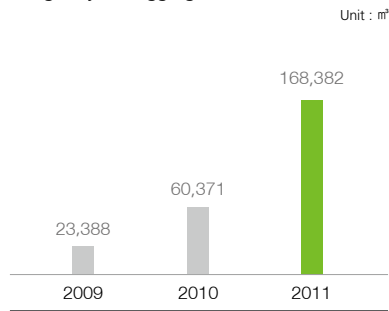
Energy Consumption

In 2011, the total energy used by the GS E&C project sites at home and abroad was 3,531TJ. We will pursue activities to reduce energy consumption at construction sites of each business division under the initiative of the Green Environment Team.

Measures to Reduce On-site Energy Consumption by Business Division

	Design Stage	Construction Stage
Plant	<ul style="list-style-type: none"> • Use SI grating bar • Construct equipment pad properly 	<ul style="list-style-type: none"> • Manage construction material surplus • Integrated operation of heavy construction equipment
Power & Environment	<ul style="list-style-type: none"> • Use high-energy-efficiency materials • Reduce loss of reinforcement bars 	<ul style="list-style-type: none"> • Install street lamp switch timer • Use high-efficiency lamps on sites
Civil Engineering	<ul style="list-style-type: none"> • Devise measures to reduce concrete wastes • Purchase construction materials with eco-friendly certification 	<ul style="list-style-type: none"> • Operate highly efficiency, eco-friendly equipment • Install solar lighting systems in on-site management offices
Housing	<ul style="list-style-type: none"> • Prefabricate construction materials 	<ul style="list-style-type: none"> • Recycle concrete residues • Reduce power consumption of temporary structures
Architecture	<ul style="list-style-type: none"> • Use fly ash and furnace slag as mat foundation concrete 	<ul style="list-style-type: none"> • Install power meters in the offices of suppliers • Reuse water and implement PV power generation facilities

Using Recycled Aggregate



Energy Consumption at Construction Sites

Unit : TJ

	2009	2010	2011	
	Domestic	Domestic	Domestic	Overseas*
Plant	88	133	144	650
Power & Environment	139	199	254	38
Civil Engineering	1,513	1,526	1,413	91
Housing	542	240	379	4
Architecture	194	433	530	28
Total	2,476	2,531	2,720	811

* 25 sites

Installation of a Rainwater System in the National Safety Educational Theme Park Site



We installed rainwater utilization facilities in the Jangseong and Cheolam blocks of the National Safety Educational Theme Park project. The collected rainwater was used to wash roads or to water landscaping, saving about KRW 41 million in water utilities expenses.

Water Use

We have established site-level water use reduction targets. Various facilities to reduce water usage are now in place, including rainwater systems, low flush toilets, and grey water reuse facilities. The total amount of water used by GS E&C in 2011 was 1,893,000m³ (domestic sites: 977,000m³, buildings: 916,000m³) and no significant impact was reported in the sites that used water supplied from local water basins.

Eco-friendly Construction Site Management

GS E&C published the Environmental Management Guidebook and shares it with all construction sites. The Guidebook contains principles on the management of issues that require focused attention, including fugitive dust, solid waste, noise & vibration and water quality. In addition, quantitative environmental targets were set and managed at each site in accordance with the international ISO14001(Environmental Management Systems) standards, putting eco-friendly construction site management into practices.

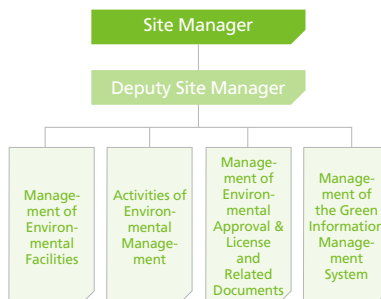
Establishment of Systems for Construction Site Environmental Management

We designate managers and specify their duties to raise efficiency of site environmental management and prevent environmental accidents. Deputy site managers are held responsible for overseeing all environmental management operations, and four staff members are selected at each site to handle the four issues that pose the largest potential risks to the environment. This system helps to ensure systematic and autonomous environmental management is in place at the site level.

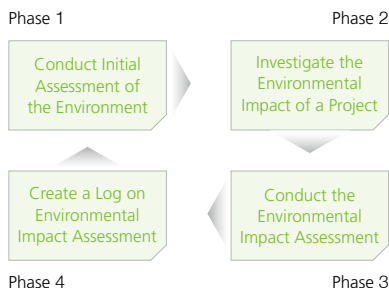
Environmental Impact Assessment

We established a procedural manual on the environmental impact assessment for use at all construction sites to prevent operations from negatively affecting the environment. The Q.HSE Team of the Head Offices supervises the implementation, guidance and examination processes for the basic environmental impact assessment at the enterprise level, while site managers and officers are responsible for assessing environmental impact at each construction site. GS E&C manages on-site environmental risks through the environmental impact assessment.

Structure of Construction Site Environmental Management



Procedures for Environmental Impact Assessment



Best Practice of Eco-friendly Site Management through Environmental Impact Assessment

The Cheongdam Xi Site

The Cheongdam Xi apartment complex, completed in 2011, is one of the best-known examples where environmental impact assessment played a significant role in managing and maintaining eco-friendliness during construction. Throughout all projects processes, from commencement to completion, potential environmental impacts were thoroughly analyzed and measures to prevent or mitigate these impacts were developed and implemented. This helped to minimize adverse effects on the surrounding environment as well as complaints from local residents. Noteworthy is that regular measurements of noise levels were conducted considering that schools and apartment complexes were concentrated around the site, helping to minimize environmental impact and prevent civil complaints.

These outstanding efforts earned the site pre-certification status for the Eco-friendly Building Certification from the government in September 2008, and full certification in November 2011. The Cheongdam Xi project is considered a best practice for eco-friendly construction, proving the excellence of the company's eco-friendly construction technologies and testifying the efforts toward environmental management.



Measuring Noise Levels around the Construction Site



Installing Temporary Soundproof Barriers

Green Construction

Technologies to Reduce Nonpoint-source Pollution from Construction Sites



Activities to Improve Water Quality by Using Nonpoint-source Pollution Control Technologies

Our nonpoint-source pollution mitigation technologies utilize eco-friendly cohesive agents that do not generate residual toxicity or cause difficulties in solid waste treatment. The agents promote sedimentation more than four times faster than conventional products do. The prefabricated, movable settling tanks are easily installed and expected to be well received at actual construction sites in the future. This technology received Green Technology certification from the Ministry of Environment in 2012.



Vehicle Maintenance at Mobile Stations

Noise & Vibration Management

GS E&C is exerting extraordinary efforts to manage noise and vibration because they are behind 86% of all environmental disputes and civil complaints. As such, we established noise and vibration management guidelines and have reduced the possibility of civil suits by adopting the Environmental Dispute Forecasting program.

Air Quality Management (Reducing Fugitive Dust)

GS E&C puts dustproof nets and covers on piles of materials and operates high-pressure sprinklers and vehicle wheel cleaners where many construction vehicles come into and go out. These activities are aimed at improving air quality by controlling soil and sand from being carried off the site by the wind.

Water Quality Management

GS E&C has installed grit chambers, silt fences, temporary drainage ditches and other water quality control facilities at construction sites to minimize environmental damage from the release of wastewater and effluent. We also developed technologies to reduce nonpoint-source pollution and apply them at construction sites to minimize wastewater discharge. All wastewater is treated and discharged properly to prevent a negative impact on water quality in the surrounding area.

Soil Pollution Management

GS E&C operates mobile vehicle maintenance stations at construction sites to prevent construction equipment accidents and environmental pollution. The Technology Center's Laboratory Information Management System (LIMS) and the intranet are linked to provide a simplified and integrated system to report, analyze and process soil pollution cases, thereby ensuring responsive pollution removal and soil purification.

Waste Management

GS E&C has distributed waste management guidelines to all sites and is operating an in-house construction waste management handling system linked with the government's waste handling system (Allbaro) in real-time. Different types of waste with different properties are stored separately and waste treatment guidelines are strictly followed according to construction project type, site and designated material.

An Online-based System to Prevent Environmental Pollution at Construction Sites

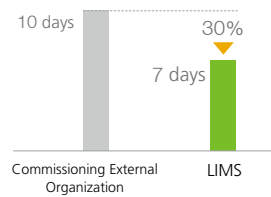
Laboratory Information Management System

We developed the web-based Laboratory Information Management System (LIMS), which serves as an accurate and responsive pollution prevention system. The system allows online management of accidental pollution, from the accident itself to reporting, impact assessment & analysis, and resolution. The unnecessary investment of personnel and time can be avoided, and environmental pollution analysis can be performed about 30% faster by 43% fewer personnel than conventional methods required. The Technology Center obtained certification from the Korea Laboratory Accreditation Scheme, proving the reliability of the system inside and outside Korea and promoting the international utilization of the system.

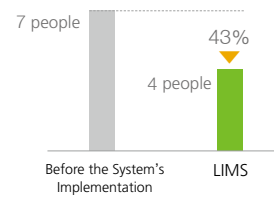


Screenshot of LIMS

Shortening Analysis Period

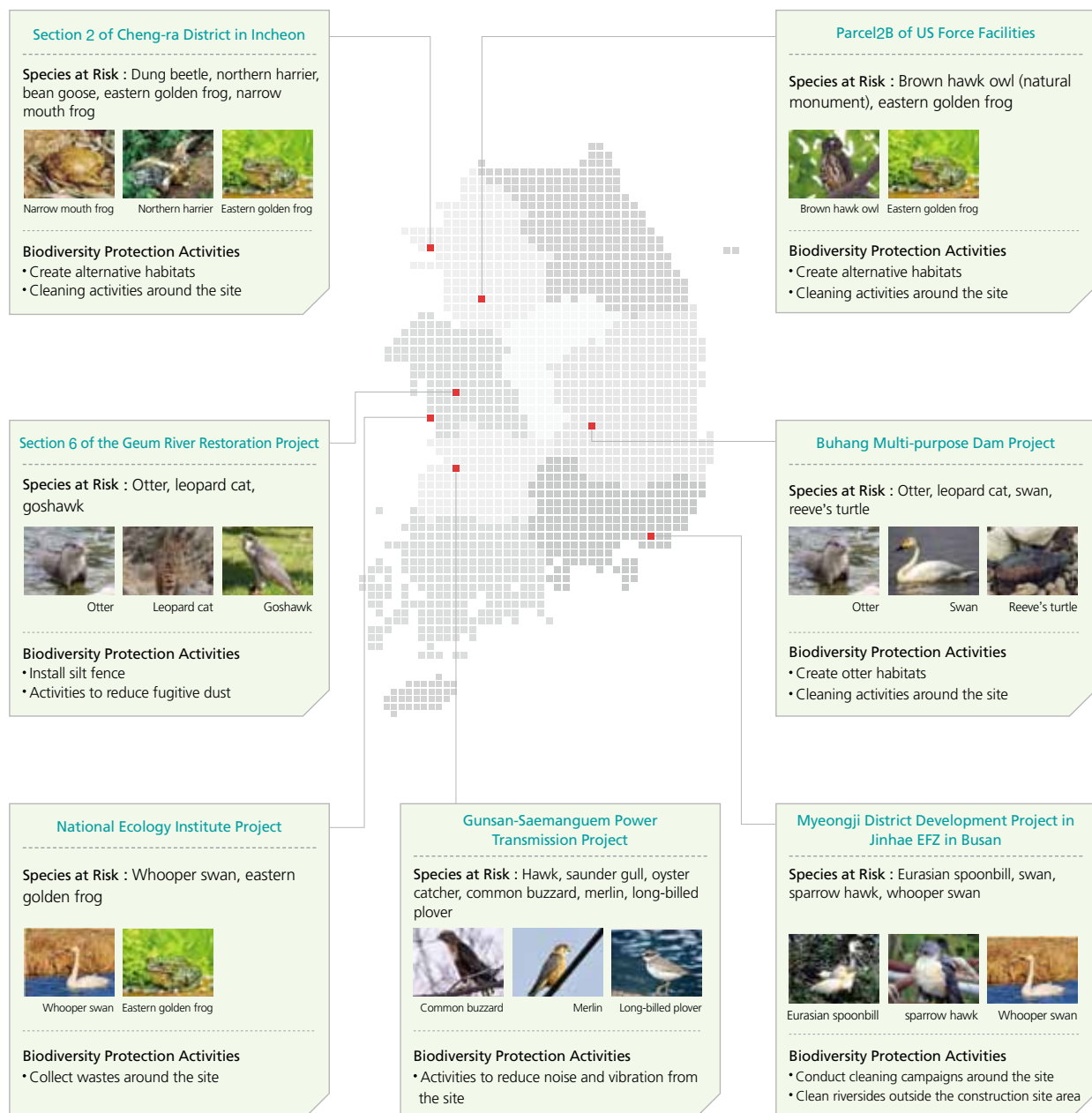


Reducing Required Staff



Protection of Biodiversity

We manage information on natural ecology protection areas and habitats of species at risk. Various efforts are made to protect biodiversity by ensuring that construction project execution does not damage the ecosystem or cause environmental pollution. We pay special attention to the management of wildlife habitats through cleaning campaigns around construction sites. Moreover, the company creates alternative habitats and promotes migration to prevent at-risk wildlife from being negatively affected.



Green Construction

Environmental Disputes & Accidents

Unit : cases, billions of won



Environmental Accidents by Cause in 2011*

Unit : cases

	2011
Waste	1
Fugitive Dust	2
Water Pollution	0
Noise & Vibration	6
Soil Pollution	0
Total	9

* Environmental accident: based on the number of cases where GS E&C was subject to administrative actions

Environmental Accidents & Dispute Prevention

We established an environmental accident database on the intranet, which allows GS E&C organizations to share 346 environmental accident cases inside and outside the company. The continued operation of the Environmental Dispute Forecasting program helps to prevent the possibility of environmental accidents and disputes. In 2011, GS E&C was involved in nine environmental accidents, down from the previous year.

Efforts to Minimize Environmental Disputes in Consideration of Local Communities



Road Expansion around the Mecenaspolis Site

GS E&C expanded roads around the Mecenaspolis site by building temporary soundproof barriers inside the land demarcation lines to mitigate traffic congestion, and the expanded roads are used as parking lots for local residents.



Utilization of Areas Surrounding Temporary Soundproof Barriers at the Young Deung Po Art Xi Site

We relocated the temporary soundproof barriers around the Young Deung Po Art Xi site to secure space for a bus station, alleviating traffic congestion near a bus station and enhancing the convenience of local residents.

What Is Next

In 2012, GS E&C will continue to take the initiative in implementing green construction practices. Moreover, we will strengthen efforts to manage construction site environments effectively and expand the site environmental management systems to cover overseas projects.

Interview



Yonsei University,
Environmental Engineering
Professor

Ja-Kon Gu

Efforts to reduce environmental impacts are needed considering the lifecycle of the construction industry

Efforts to understand and reduce environmental impact in consideration of construction industry lifecycle are more important than supply chain management, GHG emissions control and other efforts to deal with immediate issues. It is especially important at the project planning and engineering stages to develop construction methods, technologies and designs that mitigate environmental impact and then implement them during the construction work stage.

More efforts need to be made to protect biodiversity

Biodiversity protection is an area where domestic contractors have shown their weaknesses. They may not be fully motivated here because visible results are hard to achieve despite the substantial investment required for the management of ecosystems. However, they should pay close attention, given that huge environmental and social risks may arise when they fail to meet their corporate social responsibilities in this regard.

Green Operations

What Our Goal Is

GHG emissions from building operations account for 25.6% of the national total. As such, GS E&C remains committed to participating in the nation-wide movement to reduce GHG emissions and to taking the initiative to provide eco-friendly buildings by developing various eco-friendly technologies.

What We're Doing

Expansion of Eco-friendliness Certified Buildings

GS E&C has constructed eco-friendly buildings by introducing various green technologies. Our efforts are recognized by Green Building certification. A total of 24 commercial and housing projects completed through 2011 have acquired the pre-certification and certification statuses as Green Buildings. We will continue to increase the number of structures so certified.

What Is Next

In 2012, we will obtain Eco-friendly Building certifications for six residential units (under construction or to be presold soon.) The NHN Internet Data Center, which is now under construction in Chuncheon, will achieve the top Platinum status under the Leadership in Energy and Environment Design (LEED), an international certification initiative for Green Buildings.



Chuncheon NHN Internet Data Center

Green Building Certification

	Building Name	Type of Certification	Date of Certification
Office Buildings	Ferrum Tower	Certification	Oct. 2010
	LIG Insurance Daegu Office Building	Certification	Feb. 2010
	Time Square	Certification	Sept. 2009
	Seoul Central Post Office	Certification	Jul. 2007
	Sacheon City Hall	Certification	Jun. 2007
	LIG Insurance Gangnam Office Building	Certification	Mar. 2006
	National Museum of Contemporary Art (Seoul)	Pre-certification	Aug. 2011
	Song-rim Sports Complex for Incheon Asian Game	Pre-certification	Apr. 2011
	NC Soft Pangyo R&D Center	Pre-certification	Jun. 2010
	Seoul International Finance Center (IFCS)	Pre-certification	May. 2010
	Gyoha Complex Community Center A1	Pre-certification	Dec. 2009
	National Ecology Center	Pre-certification	Nov. 2009
	GS Square Anyang Store	Pre-certification	Sept. 2009
	LIG Insurance Sacheon Training Center	Pre-certification	Dec. 2008
Residential Units	Cheongdam Xi	Certification	Nov. 2011
	Isu Xi	Certification	Mar. 2011
	Muk-dong Xi 1	Certification	Jan. 2011
	Muk-dong Xi 2	Certification	Jan. 2011
	Poil Xi	Certification	Apr. 2010
	New Guro Xi	Certification	Apr. 2007
	Pyeong-taek Seojae Xi	Pre-certification	Nov. 2011
	Young Deung Po Art Xi	Pre-certification	Nov. 2010
	Section #2 of Yeom-ri	Pre-certification	Jul. 2010
	Gwanggyo Jayeon & Xi	Pre-certification	Feb. 2010

Interview



Ministry of Land, Transport and Maritime Affairs Architecture Planning Division Administrator

Ho-Chang Park

GS E&C should develop and commercialize technologies in step with the government's policy to promote Green Buildings

The Korean government has implemented various regulations and policies to promote Green Buildings, and enterprises that can serve as a catalyst for galvanizing the regulations and policies by developing and commercializing relevant technologies. A company may use this as an opportunity to secure new growth engines, rather than consider it a regulatory trap, if it preemptively responds to this trend instead of reacting passively.

Energy consumption should be reduced in the usage stage

The Ministry of Land, Transport and Maritime Affairs is establishing the Integrated Management System for Building Energy Consumption, which manages power consumption of an entire building during usage. Therefore, the improvement of energy efficiency in the use of existing structures and buildings will be deemed more important. GS E&C will be required to develop technologies and establish systems for the ventilation and insulation in order to reduce energy consumption for heating and cooling.

Green Demolition

What Our Goal Is

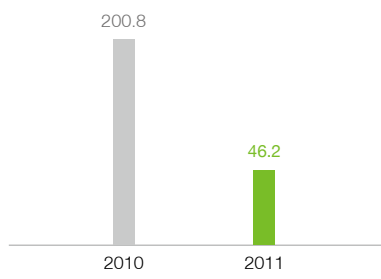
We strive to minimize environmental impact and waste generation when demolishing buildings by establishing and implementing eco-friendly processes, and recycling solid waste. Moreover, our strict management of waste asbestos helps to manage asbestos-related health and environmental risks aggressively, and protect the surrounding environment.



Reducing Fugitive Dust at Demolition Sites

Waste Asbestos Releases

Unit : ton



Final Clearance Test for Waste Asbestos

What We're Doing

Eco-friendly Demolition Processes

A large volume of waste and pollutants may be released during the demolishing of a structure. GS E&C created waste management guidelines to minimize environmental impact during the demolishing processes. Strict guidelines are implemented from the time the waste is produced to ensure different types of waste are separately managed, stored and disposed of. After the demolishing work is complete, all the waste is collected from the site and handled by properly licensed waste-treatment specialists. When the demolition project is performed by a supplier, GS E&C requires the supplier to establish and implement site management plans on its own. A dedicated environmental manager is employed on the site to prevent fugitive dust, and regular noise measurements are conducted to help minimize noise and vibration damages to local residents.

Proper Disposal of Waste Asbestos

GS E&C has developed the Asbestos Abatement Manual in compliance with the Industrial Safety and Health Act of Korea and US Environmental Protection Agency (EPA) standards. The manual was designed to remove waste asbestos appropriately during the demolishing of a structure, thereby protecting workers and residents living in the vicinity. Furthermore, we have created an "asbestos abatement data center" within the TPMS to share information on asbestos demolishing facilities and worker protection equipment. A final clearance test for asbestos is also conducted after the deconstruction process is over to ensure the asbestos is completely removed.

What Is Next

GS E&C will continue to implement and monitor eco-friendly demolishing processes. We will also manage hazardous materials such as waste asbestos strictly, maintaining safe and clean construction sites.

GS E&C Evaluation System for Building Eco-friendliness

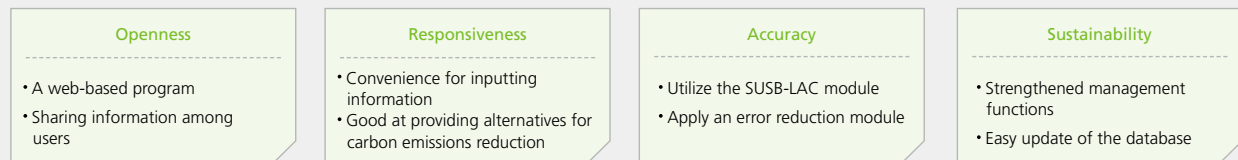
Carbon Expert System to Evaluate Building Lifecycle GHG Emissions

We developed a web-based Carbon Expert program to assess GHG emissions of buildings from the perspective of the construction industry lifecycle, which covers everything from design, procurement and construction to operation and demolition. The program was registered as an intellectual property. The system was designed to evaluate anticipated GHG emissions of a building by analyzing automatically input data on materials volume at the design stage. It also compares the effectiveness among various GHG emission reduction efforts, including green concrete and high-energy-efficiency facilities.

We expect that the program will help to demonstrate GS E&C's extraordinary designing capabilities objectively when bidding for a project and to reduce building operations costs by maximizing the structure's environmental performance.



Strengths of the Carbon Expert System



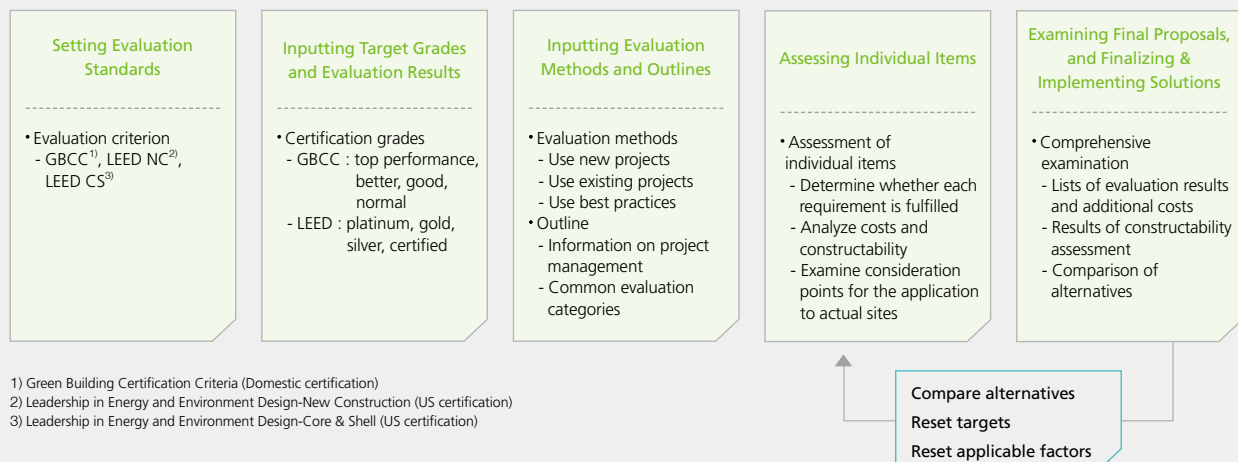
Green-Navigator System to Evaluate Green Building Certification

GS E&C developed the Green-Navigator program, an in-house Green Building certification pilot-test system, to raise the design and construction efficiency of eco-friendly buildings. Our experience in acquiring Green Building certificates and green construction technologies culminate in the Green-Navigator program. It provides not only guidelines for Green Building certification but also the comparison of additional costs and constructability of alternatives. Going forward, GS E&C will take advantage of the program when designing and constructing Green Buildings to carry out unique, eco-friendly construction projects.



Screenshot of Green-Navigator

Processes to Run the Green-Navigator Program



1) Green Building Certification Criteria (Domestic certification)
 2) Leadership in Energy and Environment Design-New Construction (US certification)
 3) Leadership in Energy and Environment Design-Core & Shell (US certification)



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94 Special Feature IV.
GS E&C Social Contribution for Fostering Children's Hopes & Dreams
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97 Safety
99 Special Feature V. GS E&C Safety Management on Overseas Sites



Direction

We intend to gain stakeholders' trust and achieve shared growth with stakeholders through mutual respect, communication, and win-win cooperation.

2011 Achievement

GS E&C has made diverse efforts to become one of the employers people most want to work for. Measures were taken to streamline work processes and enhance communication with/among employees. Employee benefit programs were further improved, raising employee satisfaction. Committed to shared growth, we established the Great Partnership Package and enhanced major support programs for suppliers. Our social contribution activities are being reinforced with the flagship social contribution programs. For better customer satisfaction management, we established the pre-quality control (PQC) system and carried out diverse customer satisfaction services. At the same time, safety education and management was strengthened to provide a safer workplace to our people.

Plan & Outlook

GS E&C will expand communication with stakeholders based on trust and collect their opinions with respect to become a business that fulfills its social responsibility.

Employees

What Our Goal Is

Management realizes that being employee-friendly is essential for survival and growth, and efforts are ongoing to improve the working environment. To this end, we aim to improve our corporate culture through enhanced working methods and facilitated communication. We also promote the work-life balance, provide reasonable rewards for excellent performance, and offer opportunities to hone work competencies, raising employee satisfaction.

What We're Doing

Innovation of Corporate Culture

GS E&C supports employees to settle the kind of corporate culture they want by innovating work methods and enhancing enterprise-wide communication.

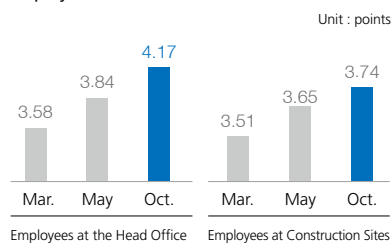
Innovative Working Methods

Decentralized & Accountable Management • We identified and are working on key tasks in core areas to establish a decentralized and accountable management system, and ensure it is firmly embedded in the organizational fabric. In 2011, the Top Team Workshop was held for top management and executives to set the direction of decentralized and accountable management. In addition, the GI Workshop for working-level employees was regularly held to come up with measures for improving work efficiency and at the GI Workshop, working-level people produce solutions through discussion, while the relevant executives can immediately decide whether to adopt the solutions.

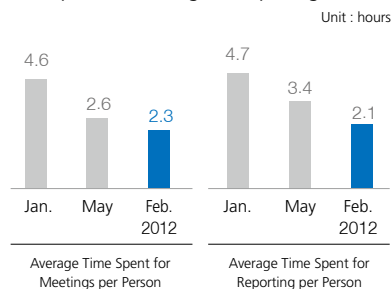


Top Team Workshop

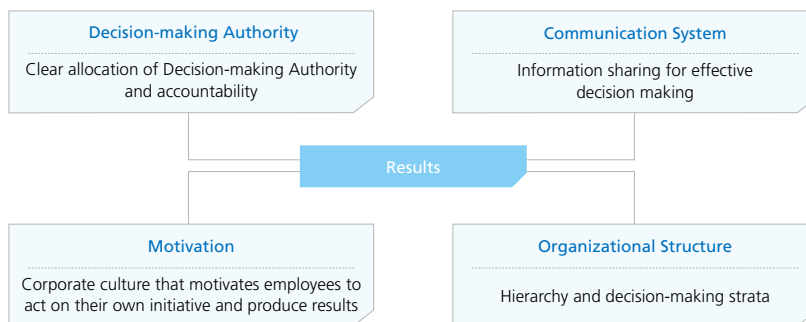
Employee Satisfaction (Out of 5)



Time Spent for Meeting and Reporting



Four Factors of Decentralized & Accountable Management



Smart Meeting & Reporting Habits • We are striving to improve meeting and reporting productivity at the corporate level as well as at lower levels. We have disseminated the GS E&C Code of Conduct for Meeting and Reporting for streamlined meeting procedures and reporting methods. At the same time, an on-site reporting management system was established to improve productivity at work sites. Improvement is evaluated through regular monitoring and employee surveys. In 2011, the average time per week spent for meetings and reporting went down by 2.3 and 2.6 hours, and the employee satisfaction over the initiatives for improved meeting and reporting practices rose by 17% among the head office staff and 7% among people at construction sites, respectively.

Enhanced Employee Communication

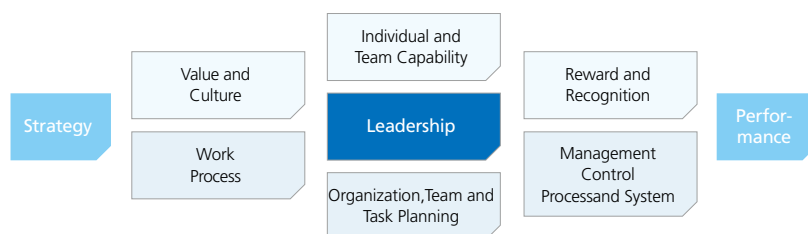
Employee Assistance System • GS E&C runs the Employee Assistant Program (EAP) and Voice of Employees Program (VOE) as tools to address difficulties experienced by employees in their work or home life. EAP is a professional counseling program operated by a third-party consulting group to help employees. VOE is an online bulletin board on which employees can post suggestions, which are addressed by the relevant departments or divisions. Employees offered 562 comments via EAP and VOE in 2011.

Walk & Talk • The Walk & Talk Program facilitates candid communication by offering opportunities for employees to discuss diverse ideas of the company and individual with the CEO while strolling in places like Mt. Namsan and Olympic Park (both in Seoul) while formality and authority are dispensed with.

Global Young Board (GYB) • GYB is a channel for the CEO to listen to employee feedback directly. In addition to the quarterly offline meetings, an online forum is run for open exchange between the CEO and GS E&C staff. GYB consists of 20 employees ranging from assistant managers to deputy general managers to convey the diverse opinions of their colleagues to the CEO, laying the foundation for solid trust between the top management and employees.

Employee Satisfaction Survey • GS E&C conducts an annual employee satisfaction survey consisting of nine categories, including Work Process, Compensation and Recognition and Value and Culture. In the 2011 survey, positive responses accounted for 62%, up 2% from a year earlier, and the overall average score on the scale of 1 to 5 was 3.67, which was 0.06 points higher year on year. In the Leadership category, the rate of positive responses improved 4%, and the average score on the scale of 1 to 5 went up 0.1 point. The rates of positive responses and the average scores improved in every category.

Employee Satisfaction Assessment Items



In-house Communication Channels

VOE Bulletin	• Communication of suggestions
Online Community	• Sharing of news on employees and other matters of interest
CEO News	• Site management and external activities • New Year's message, remarks for morning gatherings, etc. • Media coverage
GS E&C Webzine	• Sharing of news on GS E&C and employees

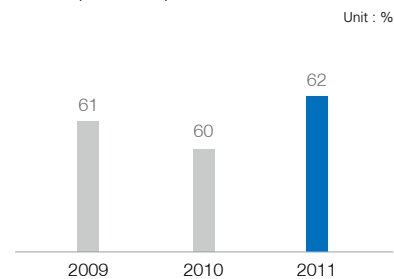


Walk & Talk



GYB

Employee Satisfaction Survey Results (Rate of positive responses)



Employees

Employee Satisfaction Enhancement

Employee Benefit Programs

Personalized Leave • The personalized leave benefits at GS E&C enable employees to pursue a better work-life balance, enhancing employee satisfaction. The time-off opportunities (2-week summer vacation, 1-month sabbatical, 1 off day monthly and 10-day winter vacation) for people at work sites accommodate the diverse needs of individual employees.

Support for Leisure • GS E&C promotes employee clubs and provides funding for club activities. We also support employee stays at resort condominiums, leisure activities, self-development and hobbies to enrich the quality of life.

Medical & Health Care Support • GS E&C reimburses medical expenses incurred by employees who seek their own treatment. Each employee and his/her spouse are entitled to a free medical check-up once a year. Our group insurance plan is also steadily being expanded in scope and coverage to bring greater benefit.

Parental Support • An woman employee expecting a baby can take a parental leave. In 2011, 21 employees used the parental leave entitlement, and 20 subsequently returned to work. One employee is still on leave. Beginning in 2011, we provides a parental grant of KRW 100,000 per child with no limitation on the number of children.

Support for Child Education • GS E&C supports the tuition and school fees of employees' school-age children. In 2011, we abolished the limitation on the number of children who can benefit from the program and increased the support amount for employees on overseas assignments from 50% to 85% of the total money spent.

Former Employee Support Program • GS E&C opened a website to support former employees called Beautiful Story (www.gsconststory.co.kr). The site allows former employees of GS E&C to stay in touch with current employees.

Daycare Center at GS E&C Head Office



In December 2010, GS E&C became Korea's first construction company to open an in-house daycare center. Such facilities support women employees with infants, allowing them to continue working and promoting a better balance between work and family life.

Screenshot of Website to Support Former Employees



Improvements in Employee Benefit Programs Made in 2011

	Before	After		Before	After
Tuition Supports for Project Professionals and Allowances for Special Occasions (such as weddings and funerals)	• Based on consecutive years of service	• Based on the total number of years in service	Group Insurance Plan	• Eligible beneficiary : Site staff • Coverage : Death from accident	• Eligible beneficiary : Entire staff • Coverage : Death from accident, death from ailment, and diagnostic expenses for three major diseases
Child Education Support for Employees on Overseas Assignment	• 50% of elementary, middle and high school tuitions and fees	• 85% of elementary, middle and high school tuitions and fees	Medical Check-up	• Once a year for employees aged 40 or older • Once in every two years for employees aged 35 to 39 (including spouses)	• Once a year for employees aged 40 or older • Once in every two years for employees aged 30 to 39 (including spouses)
Tuition and School Fee Support for Children	• Limited to two children	• No limitation on the number of children	Pregnancy Grant	• None	• KRW 100,000 per child

Programs for Employee Families

Family Event for Expat Employees • We invited the families of employees on overseas assignment to the Family Event to foster their pride as members of the GS E&C team as well as to enhance family ties. In 2011, 120 employees attended the Family Event, accompanied by 370 family members. At the Event, the company collects complaints and suggestions to address difficulties experienced by families of employees on overseas assignments.

Company Visit by Employee Children • The GS E&C Technology Division began inviting employee children to the company one a year in 2010 so they can see and talk about what their parents do. In 2011, around 30 children participated in the program, which helps boost the morale of employees and their families.

Family Day • In an effort to create a fulfilling workplace environment, we encourage employees to observe the monthly Family Day. On this day, working overtime and after-work employee gatherings are discouraged, allowing employees to go home early and spend time with their family. Through the Family Day, GS E&C employees are finding a better work-life balance.

Dream Finder Event • The Dream Finder Event helps employees understand their children's personalities, talents and dreams in order to plan their future education and career. GS E&C also offers other educational events such as university information sessions and winter vacation camps to share the responsibility of educating employees' children.

Spousal Communication Coaching • The Spousal Communication Coaching service assists employees in interacting with their spouse effectively for a happier and healthier family life.



Family Event for Employees on Overseas Assignment



Company Visit by Employees' Children



Dream Finder Event

Interview



GS E&C Plant Division
Senior Vice President

Kyong-Suk Lee

GS E&C has an open corporate culture that offers equal opportunities to every employee

GS E&C does not neglect minorities in the organization and gives them a voice. I believe it is one of GS E&C's greatest strengths. In particular, the company provides generous childcare support, including the operation of daycare facilities. Employee satisfaction and loyalty will further increase if more proactive programs such as flexible work arrangements and English camp for their children are adopted.

GS E&C steadily enhances earnings power by honing competitiveness

Capabilities to shorten construction periods and secure the best and brightest staff are essential for GS E&C's project-winning competitiveness. The Plant Division developed a methodology to start procurement before engineering is complete and commence construction while procurement is underway. This methodology is expected to shorten our construction periods significantly and will be applied from this year. Human resources development (HRD) requires a long-term perspective. We need a strategy to secure talented individuals early and nurture their competencies. Our HRD strategy will be further discussed.

Employees

Employee Competence Enhancement

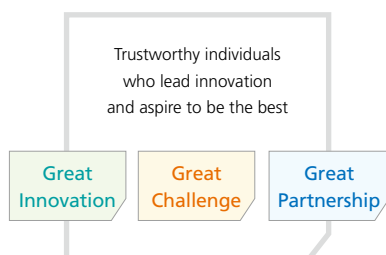
Recruitment of Talented Personnel

GS E&C looks for trustworthy individuals who lead innovation and aspire to be the best. Capable employees are the most important resource in our bid to become the top-tier global contractor. We are an equal-opportunity employer that does not discriminate on the basis of regional background, religious belief or physical disability pursuant to the labor-related laws and regulations.

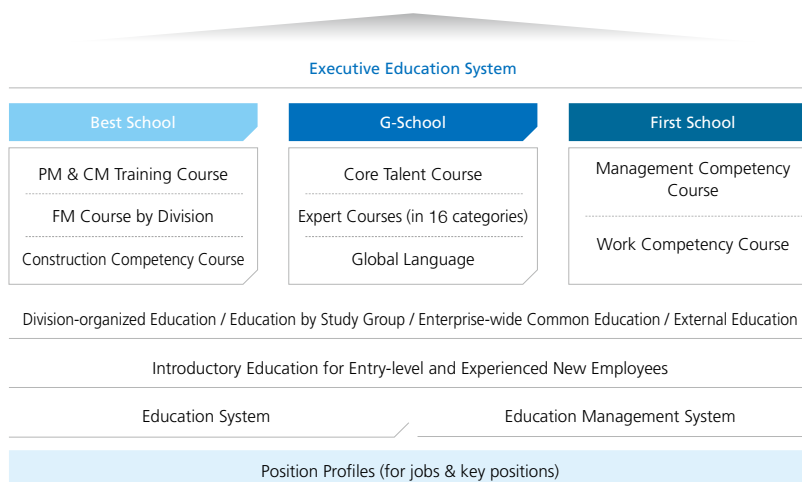
Human Resources Development System

GS E&C fosters employees with creative entrepreneurship. Our HRD system consists of Best School, First School and G-School. Best School is aimed to enhance capabilities of employees as construction professionals, and each business division's work competency. First School is devoted to developing the overall competency and management ability of GS E&C people. G-School is committed to securing world-class technological competitiveness and nurturing global leaders. In addition, we conduct HR skill mapping for the entire workforce and educate the required competency for each job function, reflecting the reality of the construction industry.

GS E&C Employee Ideal



Nurturing Entrepreneurial Talent to Lead GS E&C



Education and Training for Reinforced Global Competency

Global PM & CM Training Course

This course is for global project manager (PM) and construction manager (CM) candidates. Each trainee's work experience and competencies are diagnosed to identify areas needing improvement. A three-pronged plan to address the weaknesses is established: work experience, coaching & mentoring, and education. The course helps each trainee to grow into a world-class PM/CM within 1-3 years, depending on the trainee's individual level.

GBC (English, Spanish, Vietnamese and Russian)

The Global Business Communication (GBC) course enhances employees' language skills, which are required for diverse global business settings. The course is designed to improve employees' foreign language pronunciation and skills for presentation, meeting and negotiation.

FM Course by Division

The FM course is for employees of each business division who are designated for expat assignments. This course helps participants understand their individual duties and responsibilities, and acquire necessary knowledge and skills to conduct their assignment overseas. The 23 subjects constituting the course include construction management (CM), risk management (RM), government-related affairs management, quality assurance, health, safety and environment (QAHSE), and global marketing.

Young Star Program

GS E&C and Japan-based Mitsui jointly operate the program to facilitate HR exchanges and cooperative relationships between the two companies. The core objective of the Young Star Program is to foster employees' global business mindset and management competencies.

HRD Programs and Achievements

GS E&C requires employees to fulfill a minimum number of training hours per annum to improve global competencies. The training programs we offer to employees, on- or offline, include business administration, global business and IT, and skills-related courses. In 2011, GS E&C spent KRW 6.4 billion on employee training and the average training time per employee was 158 hours, up 34 hours from a year earlier.

Offline Training • GS E&C operates three education centers (Technology Research Institute in Yongin, Leadership Center in Namchon and Safety Innovation School). Over 90% of the training programs are conducted by specialists. We develop courses tailored to the needs and demands of employees in collaboration with universities.

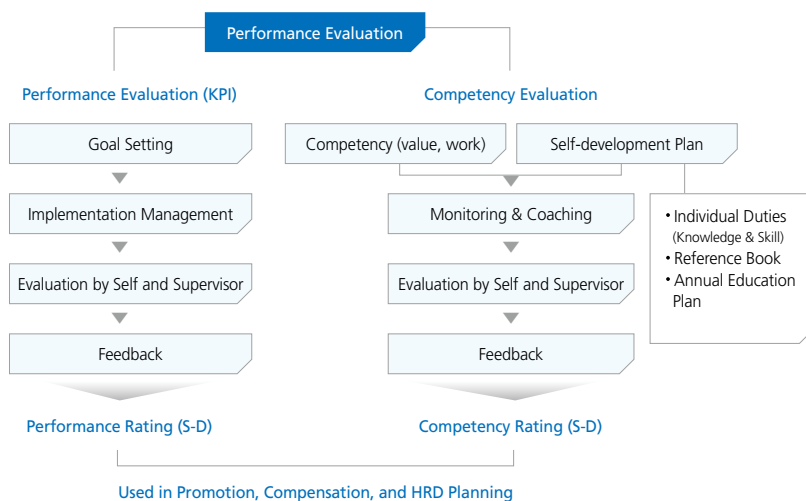
Online Training • GS E&C is the only construction company in Korea that has a proprietary online training system and personnel specialized in the development of online training contents. At the same time, the company encourages employees to share work-related knowledge and ideas freely via the GS E&C intranet.

Reasonable Performance Evaluation and Compensation

Performance Evaluation

GS E&C evaluates employee performance biannually. For fairness, we mobilize multiple methodologies including the Management by Objective (MBO) evaluation, multi-source feedback and comparative assessment within the job function. The evaluation results are discussed through a one-on-one meeting with the direct supervisor. We also operate a committee dedicated to addressing disputes associated with performance evaluation.

Performance Evaluation System



Compensation

To reward employees' performance fairly, GS E&C runs a pay system that consists of compensation for the company's overall performance and individual performance. The system is differentiated for each organizational rank. The compensation for the top management reflects their performance in a wide range of areas, including financial, environmental management and social activities. The salary of an entry-level employee with a university degree is equivalent to about 315% of the country's minimum wage and there is no gender-based discrimination in compensation.

Employee Training Results for the Most Recent Three Years

Unit : persons (aggregate), billions of won, hours

	2009	2010	2011
Participants	34,285	59,613	69,231
Cost	2.0	5.3	6.4
Training Time	591,829	679,111	802,258

Employee Training Results in 2011

Training Time per Employee	158 hours
Training Expenditure per Employee	KRW 1,266,079

Employee Training Programs

Large Category	Medium Category	Detail
G-School	Executive Training	Course for new executives and four other programs
	Core Talent Courses	Course for next-generation CEOs and five other programs
	Language Courses	English and six other languages
Best School	PM & CM Courses	Global PM & CM training course
	FM Courses by Division	Courses on the understanding of global marketing and 20 other courses
	Construction Capability Enhancement	Basic construction process management and 17 other courses
First School	Common Courses	Basic SEQ and 41 other courses
Enterprise-wide		Sexual harassment prevention and two others
Basic		Basic course for new employees and one other course
Certificates		Basic course for construction engineers and two other courses
Safety Innovation School		Safety enhancement courses for managers and seven other courses
Trainings Organized by Division		Basic training on management innovation activities and 20 other courses

Employees

Major Activities to Enhance Labor Relations in 2011

Counseling Addressing Complaints	<ul style="list-style-type: none"> • One-on-one counseling for the entire workforce • Operate a center addressing labor complaints • Run EAP program • Run Happy Family program
Reinforcement of Organizational Competency	<ul style="list-style-type: none"> • Mentoring & coaching • Education for organizational competency enhancement • Education to boost employee loyalty
Preemptive Management of Labor-related Affairs	<ul style="list-style-type: none"> • Facilitated communication with labor • Set organizational management KPI and assessment • Run core value meetings
Improvement of Labor-management Relationship	<ul style="list-style-type: none"> • Improve partnership with trade union • Improve partnership with Labor-management Council

Unionized Employees

Unit : persons, %

	Manager	Assistant Manager	Junior Staff
Number of Unionized Employees	318	274	359
Participation Rate as a % of the Total Qualified Employees	29.5	36.0	40.6

* As of December 2011

Employees

Unit : persons, %

	2009	2010	2011
Number of Employees	4,946	5,481	6,223
Full-time Permanent Rate	84.6	82.9	80.3
Full-time Temporary Rate	15.4	17.1	19.7

Employees with Disabilities

Unit : %

	2009	2010	2011
Rate of Employees with Disabilities	0.62	0.70	0.70

Women Employees

Unit : %

	2009	2010	2011
Women Employee Rate	3.88	4.67	6.09
Women Managers Rate*	1.26	1.28	1.47

* Women managers : Class 2 manager or higher

Cooperative Labor Relations

To GS E&C, the relationship between the company and the employees is horizontal, rather than vertical. We are building a cooperative and productive labor-management relationship based on our belief that management and labor should respect and trust each other,

Labor-management Team • GS E&C created the Labor-management Team in 2011 to facilitate communication between the company and the employees and handle labor affairs more effectively.

Trade Union • GS E&C has a trade union consisting of 951 full-time permanent employees of the manager or lower level (34.9% of the qualified employees), excluding those in managerial functions (finance, planning, HR, and administration). As of 2011, the percentage of unionized employees stands at 19.2%. We enter a collective agreement honoring labor's collective bargaining rights, and notifies the labor union of significant business changes immediately. The number of negotiations regarding dismissal of employees and the number of employees actually dismissed in 2011 were both zero.

Labor-management Council • The Labor-management Council discusses work conditions, wage agreements, safety and health enhancement and other pertinent issues as well as addresses employee difficulties. Although the Council convenes quarterly and strives to maintain a constructive labor-management relationship based on mutual respect, goodwill and faithfulness, whenever an issue arises, the council can convene more often.

Human Rights Protection

We uphold domestic labor laws, regulations of the International Labor Organization (ILO), UN Global Compact, and UN Universal Declaration of Human Rights. Accordingly, we strongly prohibit forced labor and child labor.

Diversity Protection • GS E&C respects individuality and bans gender-based discrimination in training opportunities, placement and dismissal. At the same time, we are committed to protecting the labor rights of employees with disabilities and providing equal opportunities to all.

Sexual Harassment Prevention • All employees attend training on sexual harassment prevention and the Global Etiquettes for Global Business course, designed to protect the rights of women and minority group members who work for the company. Plans call for further expansion of training on gender equality and human rights going forward.

What Is Next

In 2012, we will improve existing programs qualitatively and strengthen PR activities to maximize the effectiveness of the programs and employee participation rate. By doing so, cooperative labor-management relationship will grow stronger. At the same time, we will participate in programs that select companies with excellent labor practices so that GS E&C's cooperative labor-management relationship will be externally recognized.

Suppliers

What Our Goal Is

The top-tier competitiveness of GS E&C comes from value creation based on cooperation with competitive suppliers. We are committed to growing together with our business partners.

What We're Doing

Establishing a Management System for Shared Growth

Shared Growth Committee

GS E&C responds to the social demand for and Group-wide pursuit of shared growth by running the GS E&C Shared Growth Committee and Great Partnership Shared Growth Council.

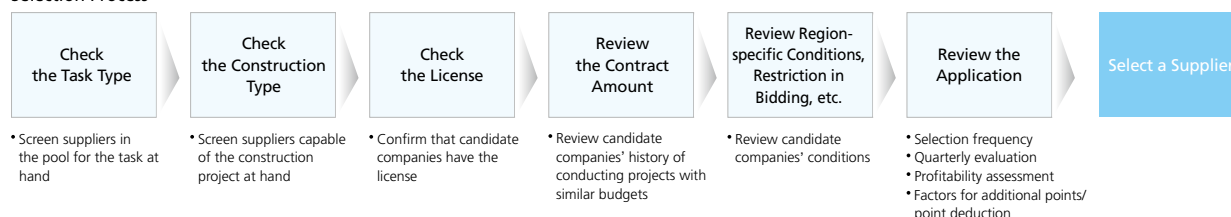
Shared Growth Council Structure



Supplier Selection, Management and Evaluation System

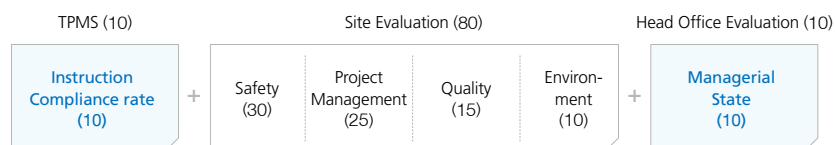
Selection • GS E&C established an automatic supplier selection system, enabling competitive suppliers to secure bidding opportunities through a fair and transparent procedure. According to our guidelines for supplier selection, we present requirements that conform to international standards for quality, environment and labor, and select suppliers that can best meet the requirements.

Selection Process



Management and Evaluation • We evaluate suppliers' project management, quality control, and environment and safety management performance once a quarter to improve suppliers' sustainable management competency. The assessment results are disclosed to suppliers transparently. They are used as a reference for the renewal of suppliers' registration as well as selection for specific projects, along with the annual general evaluation.

Quarterly Evaluation Items



Supplier Risk Management • GS E&C created the guidelines for supplier management regarding due diligence, monitoring of transactions with insolvent companies, and management of suppliers' credit ratings. According to the guidelines, a company with high risk is restricted in bidding. Our efforts to manage supplier risk led to a reduction in supplier delinquencies in 2011.

Suppliers

Great Partnership Package

We have created the Great Partnership Package to help our suppliers achieve sustainable business success.

Composition of Great Partnership Package

Financial & Management Support	Construction Competency Reinforcement	Innovation-driven Productivity Improvement	Communication Enhancement
<ul style="list-style-type: none"> • Management Grants • Win-win Cooperation Deposit • Improvement of Payment Conditions • Xi CEO Forum • Education for Incoming CEOs • Management Doctor 	<ul style="list-style-type: none"> • Automatic Selection System • Pool-to-pool Rotation • Joint Entry to Overseas Markets • Education for Site Supervisors • Safety Innovation School 	<ul style="list-style-type: none"> • Technology Contest • Handover between Tasks • Standardization and Optimization of Bidding Conditions • Green Management Promotion 	<ul style="list-style-type: none"> • Shared Growth Council • Supplier Board • Online Portal for Domestic and Overseas Suppliers • TPMS • Cyber Petition



Xi CEO Forum

Financial & Management Support

Financial Support • We are running three financial assistance programs for our suppliers: Management Grants worth KRW 15 billion, a Win-Win Cooperation Deposit worth KRW 60 billion, and Network Loans. In addition, we help our suppliers become more financially secure. For example, we have changed our payment conditions to ensure that they can receive cash for their services more quickly, and we decided to exempt top-performing suppliers from the obligatory deposit against defects or the failure to carry out contracts.

Management Support • We are providing a variety of management support programs such as Education for Incoming CEOs, Management Doctor for longer-term management consultation, and Xi CEO Forum for better communication with the CEOs of our suppliers.

Construction Competency Reinforcement

We maintain a total project management system (TPMS) to help our partners maximize operational efficiency and productivity. In addition, our overseas information database provides them with access to information on general stats, customs, labor practices and customs clearance of foreign countries.

Innovation-driven Productivity Improvement

GS E&C holds technology competitions to motivate suppliers to reaffirm their commitment to improving their technological skills, and runs green management assistance programs to help suppliers acquire know-how on green management. In addition, GS E&C helps suppliers expand into new growth areas by giving them access to its database of business sectors with growth potential.

Communication Enhancement

We share information on training, bidding and overseas projects through the GS Partner System. The Cyber Petition system and the Supplier Board serve as effective channels to listen to voices of suppliers.

Enhanced Online Communication

GS Partner System (Domestic)	<ul style="list-style-type: none"> • Provide information on shared growth and education programs • Bidding, contract and earned value management • Manage information on suppliers
GS Partner System (Overseas)	<ul style="list-style-type: none"> • Industry-first site for overseas suppliers • Provide information on overseas projects • Cover 2,000 companies globally
TPMS	<ul style="list-style-type: none"> • Daily task management system • Process, resource and progress management • Reduce sources of waste and enhance productivity
Cyber Petition	<ul style="list-style-type: none"> • Listen to suppliers' opinions • Prevent unfair transactions • Practice ethical management

Win-win Cooperation Programs in 2011

Category	Program	Contents	Achievements
Financial Support	Management Grants	<ul style="list-style-type: none"> • Provide an advance upon request • Scale of up to KRW 15 billion per year 	<ul style="list-style-type: none"> • Provided KRW 15 billion to 14 suppliers (Provided KRW 10.4 billion in 2010)
	Win-win Cooperation Deposit	<ul style="list-style-type: none"> • Create the Win-win Cooperation Deposit amounting KRW 60 billion to support loans (loan interest reduction by 1%) 	<ul style="list-style-type: none"> • Increased KRW 20 billion compared to 2010 • Supported KRW 18.53 billion to 16 suppliers (Supported KRW 9.83 billion in 2010*) * As of the actual payment
	Network Loan	<ul style="list-style-type: none"> • Recommend suppliers to financial institutions to provide preferential loan examination • Loan limit: 1/6 of the record of transactions with GS E&C in the previous year 	<ul style="list-style-type: none"> • Being run since 2010
	Improvement of Payment Conditions	<ul style="list-style-type: none"> • Improve cash payment ratio • Maintain cash equivalent payment ratio at 100% • Shorten the cash payment period (15th of each month ▶ 10th of each month) (The payment for payment card is executed once a month since 2010.) 	<ul style="list-style-type: none"> • Improved to 73% (up 25% from 2010) • Number of days shortened: 5 days (Payment is made on the 10th of the next month after a monthly closing.) • Effect (saved financial costs) : KRW 5.1 billion
	Exemption of Bid Bond	<ul style="list-style-type: none"> • Exempt excellent/meritorious suppliers from bid/warranty bond to reduce their cost burden 	<ul style="list-style-type: none"> • Effect: Saved about KRW 2.23 billion in annual costs
Education & Training and Enhanced Communication	Education for New CEOs at Suppliers	<ul style="list-style-type: none"> • Provide opportunities to foster the next CEO's management capabilities 	<ul style="list-style-type: none"> • Completed by 30 people
	Training for Suppliers' Current and Incoming Site Supervisors	<ul style="list-style-type: none"> • Improve site supervisors' work competency • Provide advance education for suppliers' candidates for future site supervisors 	<ul style="list-style-type: none"> • Completed by 120 people (Current site supervisors) • Completed by 60 people (Incoming site supervisors)
	Safety Innovation School	<ul style="list-style-type: none"> • Experiential learning of workplace safety 	<ul style="list-style-type: none"> • Completed by 1,713 people
	Training for Suppliers' Working-level People	<ul style="list-style-type: none"> • Provide education for suppliers' working-level officials on labor affairs, leadership, and quality control 	<ul style="list-style-type: none"> • Completed by 102 people
	Xi CEO Forum	<ul style="list-style-type: none"> • Invite distinguished speakers and recognize excellent/meritorious suppliers 	<ul style="list-style-type: none"> • Held twice
	Supplier Board	<ul style="list-style-type: none"> • Gatherings to collect suppliers' opinions 	<ul style="list-style-type: none"> • Held twice
Technological Support	Joint Development of New Technology	<ul style="list-style-type: none"> • Undertake joint development and patent application of new technologies 	<ul style="list-style-type: none"> • 12 joint development projects are underway.
	Workshop & Seminar	<ul style="list-style-type: none"> • Organize workshops & seminars to raise technological competitiveness 	<ul style="list-style-type: none"> • Held 24 times (two times each for 12 tasks)
	Technology Contest	<ul style="list-style-type: none"> • Award suppliers with excellent technologies and adopt those onto the construction sites 	<ul style="list-style-type: none"> • Technological partnership agreements were signed for seven technologies in 2011.
	Technology Escrow	<ul style="list-style-type: none"> • Protect important technologies of suppliers by putting the technologies in escrow services offered by public agencies 	<ul style="list-style-type: none"> • Adopted in 2011 (Four technologies were chosen in 2011.)
Management Support	GS Group Shared Growth Council	<ul style="list-style-type: none"> • A Group-level council for pursuing shared growth • Members include suppliers' CEOs 	<ul style="list-style-type: none"> • Held twice (presided over by the Group top management)
	GS E&C Shared Growth Committee	<ul style="list-style-type: none"> • Review the existing shared growth programs and discuss about additional programs 	<ul style="list-style-type: none"> • Held twice (presided over by GS E&C's top management)
	Great Partnership Shared Growth Council	<ul style="list-style-type: none"> • Top management discusses shared growth with suppliers' CEOs. 	<ul style="list-style-type: none"> • Held twice (with participation of 20 suppliers' CEOs per meeting)
	Management Doctor	<ul style="list-style-type: none"> • Support the Management Doctor operated by the Federation of the Korean Industries 	<ul style="list-style-type: none"> • Supported three companies (One of them was selected as a candidate for cultivation into a major company.)

What Is Next

In 2012, we will lead efforts to promote shared growth and help our suppliers improve their technological skills and productivity so that they can become more competitive. Also, we will continue to provide our suppliers with financial aid, training, business management counseling and other assistance.

Interview



Bolim Construction Ltd.
Vice President

Wan-Shik Yu

We are satisfied with GS E&C's onsite management and effective communication

GS E&C works to satisfy the welfare needs of supplier employees who work on GS E&C construction sites. A Site Supervisor is named to ensure that communication between GS E&C and suppliers remains smooth. I believe suppliers would be able to provide better feedback if clear guidelines are provided on how to perform onsite tasks and online communication channels are available to keep top management at suppliers informed.

I look forward to sustainable win-win cooperation activities by GS E&C

GS E&C's sustainable win-win cooperation program will become more accessible when GS E&C allows suppliers that are not currently involved in construction projects to receive GS E&C's financing and training support.

Local Communities

What Our Goal Is

We will continue to do our best to fulfill our roles and responsibilities as a corporate citizen. To do so, we will actively participate in efforts to promote common values by increasing investment in social programs and engaging in public policy projects.

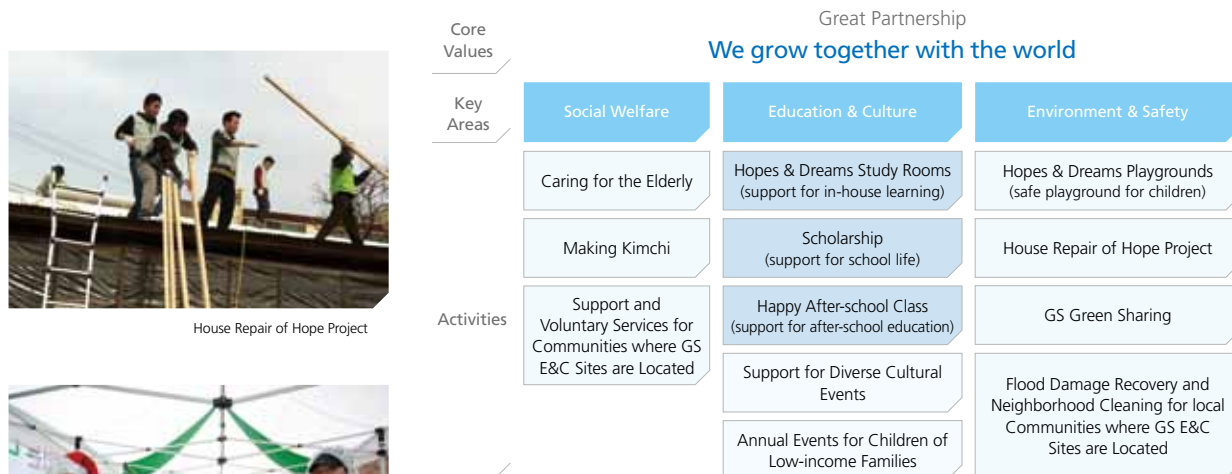
What We're Doing

Steady Social Contribution

Social Contribution Strategy

We are implementing a variety of integrated and organized community outreach programs. To do so, we have adopted the Great Partnership, which is one of our three key corporate values, as our vision for social contribution and selected social welfare, education & culture and environment & safety as specific action areas. We seek to provide long-lasting outreach programs in conjunction with our construction business, rather than just one-off giving. Also, given the fact that we move from one place to another to do a new project, we are developing a variety of outreach programs to meet the specific needs of communities where we work.

Structure of Social Contribution Programs



House Repair of Hope Project



Making Kimchi



Spring Bazaar for Sharing

Social Contribution Programs

House Repair of Hope Project • We are implementing a volunteer renovation program called House Repair of Hope Project to help repair houses belonging to low-income families. GS E&C employees directly participate in volunteer activities and are carrying out responsibility as a corporate citizen that win-win with the community.

Making Kimchi • GS E&C regularly organizes a kimchi-making event for low-income families and social welfare facilities. Initially, the event was held once a year, at the end of each year, but in 2011 we added another session to the first half of the year so that low-income families and underprivileged neighbors would be able to receive this support more often. After the event, the kimchi was handed out to 1,004 low-income families and welfare facilities where around 200 people with disabilities live.

Spring Bazaar for Sharing • The GS E&C employees in the Xi Volunteer Corps hold a fundraising bazaar every spring. The proceeds from the event are used to help children of low-income families.

Social Contribution Performance

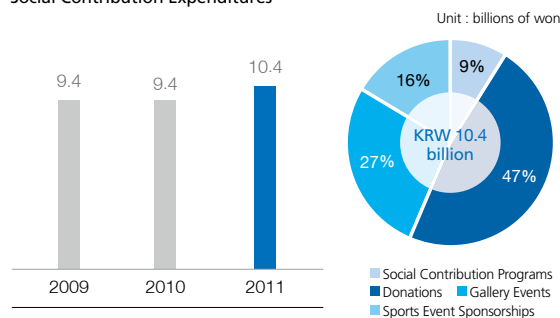
In 2011, GS E&C spent a total of KRW 10.4 billion in corporate giving and 2,363 employees participate in social service activities. We were widely applauded for our social services, and the Xi Volunteer Corps received a commendation from the Mayor of Seoul for involvement in social services in 2011.

We measure our social contribution performance in terms of several metrics, such as the frequency of media coverage, the number of disputes and complaints from local communities, satisfaction of participating employees and the number of assistance recipients. In addition, we analyze the ROI of our social contribution programs to evaluate their effectiveness and devise plans for the future.

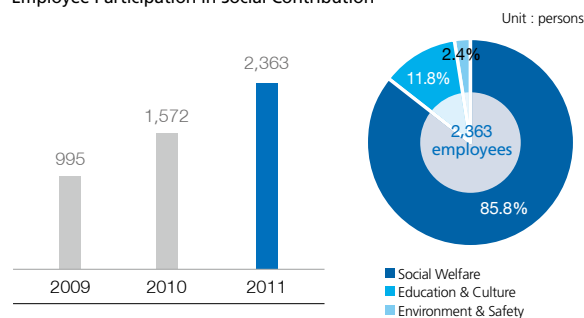
Awards and Recognition in 2011

- Commendation for excellent social contribution on the occasion of the 14th Social Welfare Day
- Commendation of Seoul Mayor 2011
- Commendation of Minister of Public Administration and Security

Social Contribution Expenditures



Employee Participation in Social Contribution



What Is Next

We are committed to fulfilling our corporate social responsibilities by developing further Hopes & Dreams Study Rooms and Hopes & Dreams Playgrounds, two of our key community outreach programs, and also by encouraging more of our employees to volunteer. In addition, as our overseas business increase, we will globalize the community programs.

Interview



Child Fund Korea Fundraising Team
Chief

Hee-Yeong Mun

It is desirable for GS E&C's social contribution activities to encompass both environmental and social considerations

GS E&C's comprehensive social contribution program includes selective support for major social contribution programs, environmental improvement activities and assistance for the socially disadvantaged. In addition, GS E&C employees are volunteering for more community service, while the satisfaction levels for the volunteers and beneficiaries alike are rising. These developments are all very encouraging.

I look forward to GS E&C's sustainable social contribution activities

Social contribution activities should not be seen as one-off events but rather conducted as ongoing support programs. Moreover, it is important to go beyond selective approaches to providing universal welfare assistance. Positive ties can be maintained with local communities if GS E&C maintains a sense of responsibility as a sponsor when carrying out social contribution activities. Such activities enable company employees to share value and make determined effort, thereby generating synergy.

SPECIAL FEATURE IV.

GS E&C Social Contribution for Fostering Children's Hopes & Dreams



Key Social Contribution Programs

We have run Hopes & Dreams Study Rooms and Hopes & Dreams Playgrounds projects in partnership with Child Fund Korea since 2011 in order to provide children of low-income families with safe and comfortable spaces for studying and playing.

Hopes & Dreams Study Rooms

This project is aimed at providing children of low-income families with a comfortable space for studying, helping underprivileged children with limited access to learning resources and opportunities to fulfill their aspirations for learning. We help renovate houses to make a study room and provide school supplies for selected children. Also, our employees engage in club activities and grant scholarships for children who perform well at school so that they can realize their dreams. We made 40 study rooms in 2011.

As part of the Hopes & Dreams Study Rooms initiative, a mentorship program was begun to establish steady relationships between our employees and children as mentors and mentees. Under this program, we offer students opportunities to seek advice from their mentors on their studies and on concerns about their lives, and to take a tour of the colleges they want to attend. Also, if they are admitted to their desired college, students are provided with the initial costs for that college, including tuition and admission fees, providing a foundation to help them graduate from college on their own.

Hopes & Dreams Playgrounds

This project is designed to build new-concept playgrounds focused on eco-friendly activities, such as tending a vegetable garden, and donate them to local communities. We are committed to providing children with safe playgrounds to help them develop physically and emotionally. We built four playgrounds in 2011.



Hopes & Dreams Study Rooms



Mentorship programs at Hopes & Dreams Study Rooms



Hopes & Dreams Playgrounds

Customers

What Our Goal Is

We are well aware that customer satisfaction is the first step in growing our business. So we are dedicated to providing more valuable products and services for our customers.

What We're Doing

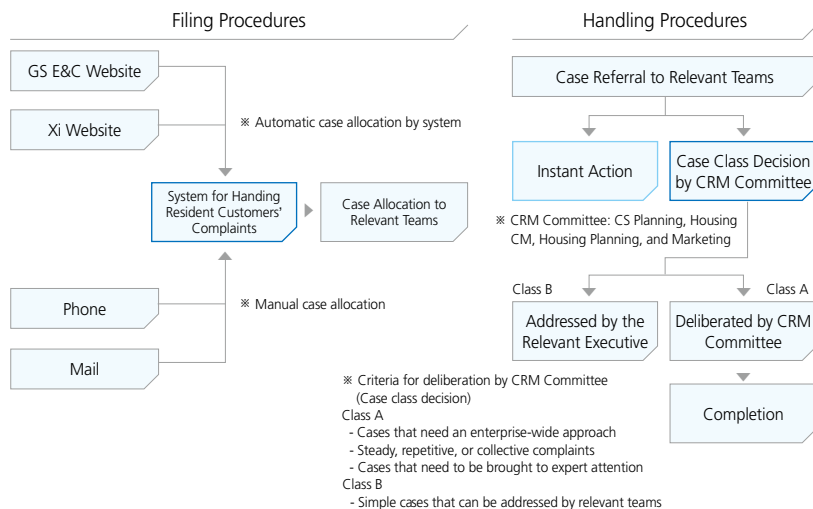
Customer Satisfaction Management

We are maintaining our customer satisfaction management system to fulfill our corporate philosophy, "think and act from the standpoint of customers and be always close to customers."

Customer Satisfaction Management System

VOC System • We are maintaining a Voice of Customers (VOC) system and a resident customer complaint system to facilitate communication with our customers. The VOC system is designed to collect complaints and reports from customers and transmit them to the relevant departments. In principle, complaints registered through the resident customer complaint system should be responded to instantly. Serious issues are brought up for discussion at the Customer Relations Management (CRM) committee and handled according to their grade.

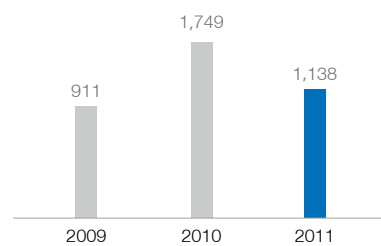
Resident Customer Complaint System



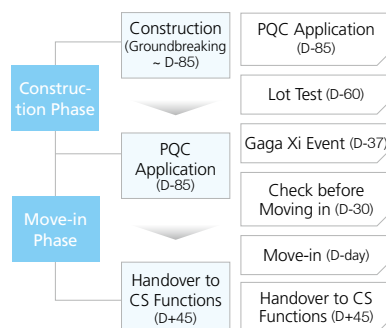
Quality Control Guidelines for Preemptive Action • We have created a Pre Quality Control (PQC) Team to minimize the number of complaints about defects in new apartment buildings, and have developed quality control guidelines for preemptive action to achieve our goal of "zero complaints about defects after residents have moved into their new apartment." According to these processes, joint quality control activities were held, with construction site managers as well as representatives from the Head Office and suppliers in attendance. As a result, the average number of complaints about defects has fallen by some 70%.

Receipts of Resident Complaints

Unit : cases



PQC Process



Customers

Customer Satisfaction Programs



Xi Plus One Service



Xi Green Service

GCSI Customer Satisfaction Survey Results

Unit : points

Brand Name	2009	2010	2011
Xi	71.7	71.4	71.4

Scan the QR code to move to the Xi application download website.



i-Phone



i-Pad



Android

Xi Plus One Service • We provide supplementary service for Xi residents such as pest control, house cleaning, and landscape architecture maintenance, thereby increasing the level of customer satisfaction and pride.

XiEL • We have formed a housewives advisory committee called XiEL to collect ideas on our Xi brand from customers. The ideas are used to improve the system and design of our products.

Cultural Classes • We encourage Xi residents' cultural and entertainment activities by providing various cultural classes such as yoga, bead art, and cooking classes as well as the Xi Special Lecture series involving experts in specific areas.

Applications for Smartphones • In 2011, we released the application that allows customers to apply for and receive after-sales service via a smartphone in real time. And we developed integrated application for smartphones and tablet PCs users to keep customers informed about new apartment sales, current and upcoming cultural events, and other useful information.

Customer Satisfaction Survey

GS E&C regularly surveys customers to see how satisfied they are with the apartment buildings. Also, our main brand Xi was ranked first in the Global Customer Satisfaction Competency Index survey conducted by the Japan Management Association in 2011. This made Xi the No.1 apartment brand for seven consecutive years, consolidating its reputation as the best brand for customer satisfaction.

Private Information Protection

We are committed to protecting customers' private information from unauthorized access, using a variety of methods such as limiting access to our customer information management system to unauthorized administrators, restricting access from outside users, and encrypting customers' information on our database. Also, as a new personal information protection act took effect in 2011, we designated a private information protection officer. In 2012, we will create a company-level personal information protection committee to develop and enforce privacy policies.

What Is Next

We will continue to provide customer service training for our front-line employees in 2012 so that they can deal with complaints from customers in a professional manner. We will also enhance our services to raise customer satisfaction by implementing the 100% Happy Call program .

Safety

What Our Goal Is

We are committed to achieving “zero major accidents at work” through advanced accident prevention and safety-focused business operations, by means of sticking to basics and principles. To make this happen, we consistently upgrade our safety management system and work with our suppliers to raise the awareness of on-site workers about safety and educate them how to manage equipment properly to prevent accidents.

What We're Doing

Establishment of Safety Management System

Safety & Health Management System

We have established an internal health and safety management system, and consistently upgrade our safety management plan with a cycle of Plan-Do-Check-Action. We have included safety performance measures in performance evaluations for all employees, ranging from on-site managers to the Chief Safety Management Officer, to encourage them to pay more attention to safety. As a result, we obtained KOSHA18001 and OHSAS18001, which are health and safety management system certifications, in 2005 and 2009 respectively.

Safety Management Organization

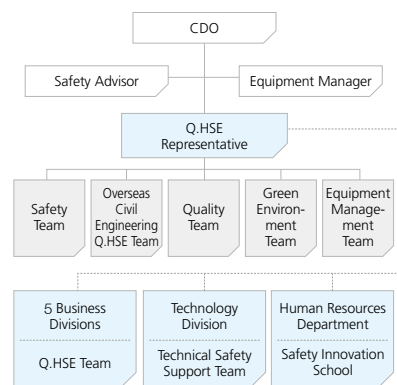
We have a Quality, Health, Safety and Environment (Q.HSE) steering committee at company level, which is led by the Chief Domestic Business Officer (CDO) and attended by business division leaders. At the committee, the participants share and discuss major issues and prepare solutions.

Q.HSE Information System

We maintain a Q.HSE information system to manage safety-related information collected from all construction sites across all project processes. Best practices and “near-miss” cases recorded in the Q.HSE information system are shared among all employees to prevent future accidents.



Q.HSE Management Committee Structure



Equipment Management

As part of our accident prevention effort, we have created an Equipment Management Team consisting of the safety inspection unit and the planning unit. The team is dispatched to our main construction sites in Korea to provide support for managing equipment and to check if the equipment was being used safely. In 2011, moreover we hired equipment management specialists to carry out 533 inspections at a total of 140 construction sites and train workers on equipment safety.

Safety Inspection Unit

- Evaluate the equipment management abilities of equipment suppliers
- Inspect before setting up a tower crane on a construction site
- Check after a tower crane is brought onsite
- Check the safety of equipment at stage of construction
- Educate workers about how to use equipment safely
- Provide technical support for using equipment properly

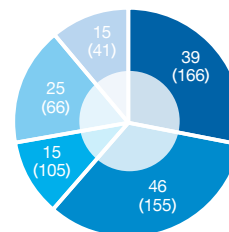
Planning Unit

- Raise awareness about 10 tips for using construction equipment safely
- Check the state of equipment at construction sites
- Establish onsite equipment management system
- Develop training programs about safe use of equipment
- Manage schedules for checking equipment
- Manage equipment inspection companies
- Find qualified equipment suppliers

On site Inspection Performance in 2011

Units : sites (times)

■ Architecture ■ Civil Engineering ■ Housing
■ Power & Environment ■ Plant



Safety

Enhancing Safety-focused Business Practices

Preventing Work Accidents

Pre-Construction Meeting (PCM) • GS E&C carries PCM to identify and prevent major risk factors in advance and it is a joint by the field and Technology Division.

Identifying “near-misses” • We are setting up a “near-miss” situation identification program to raise awareness about safety, and encouraging safety cross-checks among workers. We are doing our best to make sure that unsafe behavior and situations do not turn into major accidents by training and supervising new workers, assigning specific areas to a group of workers so that they can prevent accidents there, conducting on-site sobriety tests, and using automatic safety belts.

Safety Innovation School

We founded a safety innovation school in 2006, the first of its kind in Korea's construction industry, to promote advanced safety measures and raise awareness about safety at work. The school provides opportunities to learn about ways to prevent accidents for the workers of our suppliers, domestic and overseas clients, and college students.

The safety programs offered at the school include first-hand experience of safety measures and hazardous situations at construction sites, virtual reality simulation of dangers at work, first-aid training, and measures to enhance teamwork at night. So far, a total of 8,066 people have completed these programs and the satisfaction score is 4.54 with 5.0 being the highest.

Accidents & Solutions

We track and manage accidents at work through the Q.HSE information system. In the last three years (2009-2011), 28 serious accidents took place at construction sites, and 33 workers died. In 2011, most of the serious accidents occurred because of mishandling of equipment and inadequate supervision. Based on this experience, we will ensure that there are no accidents with equipment by improving the equipment management system, enhancing equipment inspection and providing more rigorous safety training for equipment operators.

What Is Next

In 2012, we will focus more on improving our skills to ensure safety at work by sticking to basics and principles with the goal of “reducing the number of serious accidents to zero.” Also, we will raise awareness about safety among our workers, establish a safety and health management system, prevent unsafe behaviors and situations at source, and minimize work accidents by complying with our Cardinal Rules.

Cardinal Rules

Six safety rules have been established based on analysis of repeated serious accidents at our construction sites. Workers must comply with these rules to ensure that serious injuries do not recur.

- (ALWAYS)** Safety belts must be worn anytime work is performed at heights of 2m or more above the ground
- (ALWAYS)** Gear must be installed to prevent falls at all openings (for doors, windows, vents, etc.)
- (ALWAYS)** Auxiliary ropes must be used whenever using hanging scaffolds or gondolas
- (ALWAYS)** Checklists must be completed prior to using construction equipment that is brought onsite
- (NEVER)** Workers must not venture inside the operational radius of construction equipment
- (ALWAYS)** Steps must be taken without fail to prevent cave-ins when digging pipelines, etc.

Best Practices Regarding Equipment Operation

We installed closed circuit video cameras to help tower crane operators see blind spots and improve safety at work.

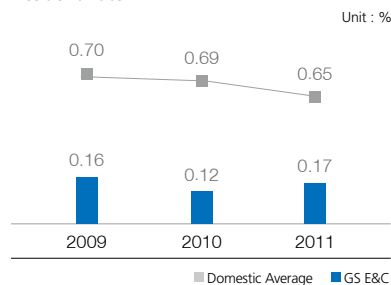


CCTV



LCD Monitor

Accident Rate



* Source of domestic average : Industrial Accidents in 2011, Ministry of Employment and Labor

* GS E&C's data : converted accident rate (the converted number of industrial accident victims / the number of permanent workers x100)

* The accident rate of GS E&C in 2011 is an estimated value (Official data will be announced in June 2012.)

Casualties

Unit : persons

2009	2010	2011
16	8	9

* The number of deaths caused by construction site accidents

SPECIAL FEATURE V.

GS E&C Safety Management on Overseas Sites

Safer Workplace in Singapore

With the goal of “no accidents for 5 million hours at overseas construction sites,” we are implementing the “behavioral-based safety” strategy that requires thinking and acting from the local workers’ perspective. In addition, we are using advanced safety management techniques created by combining Singapore’s safety-related best practices and ours. Also, we have created Cardinal Rules to manage high-risk situations effectively.

Behavioral-based Safety Strategy

Solidarity between Employees and Local Workers • We are promoting a sense of unity among our employees and local workers in various ways. For example, we hold Welcome New Workers events where new local workers and our employees introduce themselves to each other and encourage our employees to call local workers by their names. On the first Friday of every month, we announce the best partner in ensuring safety at the Check Safety First event and serve its workers specialty food of their home country. At construction sites, we help local workers better understand what to do for safety by providing them with safety guidelines and memos in six to seven languages, such as English, Chinese and Malay.

Upgraded Equipment and Facilities for Safer Work Conditions • We have replaced a total of 600 unclean and old safety helmets used by suppliers’ workers with new ones from Korea. Also, we have educated workers to make workplaces more comfortable and safer by organizing and cleaning items and using proper equipment in proper place



and amount. In addition, we have installed workers’ lounges and ice machines at construction sites.

Advanced Safety Management Methods

Advanced Safety Training • We are raising awareness among on-site employees about safety by making sure that they experience our advanced safety management methods at the Safety Innovation School. Also, we introduced the “safe duty system” to remind workers of daily potential hazards. We give prize money to suppliers with accident-free records each month and conduct a campaign in which an “accident-free” banner is passed on to the incoming management of suppliers, to encourage the management to participate more actively in safety management activities at construction sites.

Advanced Safety Management • We maintain heavy equipment with utmost care at overseas construction sites to prevent serious accidents and require all workers to wear a swing-type safety belt if their jobs involve a high risk of falling. We hold a 20-minute safety meeting where safety issues are discussed every day and keep night work under strict supervision by designating a night-shift supervisor.

Cardinal Rules

We are committed to preventing accidents at overseas construction sites by establishing the Cardinal Rules, which require workers to checking equipment before use, to designate restricted areas where specific types of equipment cannot be used and to wear safety gears if their tasks involve a high risk of falling.



Hard Hat Replacement



Accident-free Banner Relay Campaign



Safety Meeting

APPENDIX

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104	Consolidated Statements of Income	114	3 rd Party Assurance Statement on Greenhouse Gas Inventory
105	Consolidated Statements of Comprehensive Income	116	GRI Index
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Report of Independent Auditors



To the Shareholders and Board of Directors of GS Engineering & Construction Corporation

We have audited the accompanying consolidated statement of financial position of GS Engineering & Construction Corporation and its subsidiaries (the "Group") as of December 31, 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korea won. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We did not audit the financial statements of Parnas Hotel Co., Ltd., whose financial statements represent KRW 1,111,697 million of the Group's consolidated total assets as of December 31, 2011, and KRW 224,733 million of the Group's consolidated total sales for the year then ended. These financial statements were audited by other auditors whose report has been furnished us and our opinion, insofar as it relates to the amounts included for Parnas Hotel Co., Ltd. is based solely on the report of the other auditors.

The consolidated financial statements of the Group as of and for the year ended December 31, 2010, presented herein for comparative purposes, were audited by other auditors whose report dated March 23, 2011, expressed an unqualified opinion on those statements. The December 31, 2010 consolidated financial statements, as audited by other auditors, do not reflect the adjustments as described in Note 32 required by the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS".) However, the consolidated financial statements, presented herein for comparative purposes, reflect such adjustments in accordance with Korean IFRS.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of GS Engineering & Construction Corporation and its subsidiaries as of December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 14, 2012

Samil PricewaterhouseCoopers

This report is effective as of March 14, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



Consolidated Statements of Financial Position

GS Engineering & Construction Corporation and Subsidiaries

December 31, 2011 and 2010, and January 1, 2010

Unit : millions of won

	December 31, 2011		December 31, 2010		January 1, 2010	
Assets						
I. Current assets		7,782,408		7,643,901		7,723,518
1. Cash and cash equivalents	1,487,895		1,493,535		1,526,461	
2. Trade and other receivables	4,626,771		4,415,056		4,243,264	
3. Inventories	494,799		418,935		522,524	
4. Short-term financial instrument assets	292,223		268,782		433,229	
5. Other current assets	880,720		707,285		592,296	
6. Assets held for sale	-		340,308		405,744	
II. Non-current assets		3,316,136		3,402,457		3,283,283
1. Property, plant and equipment	2,195,263		2,347,636		2,309,856	
2. Intangible assets	53,712		61,415		48,267	
3. Investment property	343,314		341,308		370,954	
4. Investments in associates	64,129		50,293		20,527	
5. Long-term receivables and other receivables	448,279		395,865		338,227	
6. Long-term financial instrument assets	210,827		205,940		195,452	
7. Deferred income tax assets	612		-		-	
Total assets		11,098,544		11,046,358		11,006,801
Liabilities						
I. Current liabilities		5,346,017		5,668,297		5,498,305
1. Trade and other payables	1,734,422		1,680,265		1,494,978	
2. Short-term financial instrument liabilities	999,435		1,038,071		865,397	
3. Income tax payable	146,511		131,258		64,744	
4. Other current liabilities	2,465,649		2,818,703		3,073,186	

Unit : millions of won

	December 31, 2011		December 31, 2010		January 1, 2010	
II. Non-current liabilities		1,794,489		1,606,706		2,021,210
1. Long-term financial instrument liabilities	977,781		468,396		869,707	
2. Defined benefit liabilities	93,721		64,645		56,222	
3. Long-term provisions	372,864		359,860		326,150	
4. Deferred income tax liabilities	-		156,580		186,209	
5. Other non-current liabilities	350,123		557,225		582,922	
Total liabilities		7,140,506		7,275,003		7,519,515
Equity						
I. Equity attributable to owners of the Parent		3,735,069		3,549,948		3,272,076
1. Capital stock	255,000		255,000		255,000	
2. Capital surplus	159,934		161,133		160,412	
3. Other components of equity	(82,060)		(83,503)		(83,053)	
4. Accumulated other comprehensive income	(17,392)		145,072		201,487	
5. Retained earnings	3,419,587		3,072,246		2,738,230	
II. Non-controlling interest		222,969		221,407		215,210
Total equity		3,958,038		3,771,355		3,487,286
Total liabilities and equity		11,098,544		11,046,358		11,006,801



Consolidated Statements of Income

GS Engineering & Construction Corporation and Subsidiaries

Years Ended December 31, 2011 and 2010

Unit : millions of won, except per share amounts

	2011		2010	
I. Sales		9,052,234		8,419,920
1. Construction operations	8,565,644		7,729,371	
2. Housing construction and sales operations	106,892		275,904	
3. Other operations	379,698		414,645	
II. Cost of sales		8,023,525		7,290,134
1. Construction operations	7,494,466		6,699,776	
2. Housing construction and sales operations	173,349		222,859	
3. Other operations	355,710		367,499	
III. Gross profit		1,028,709		1,129,786
IV. Selling and administrative expenses		633,815		536,417
V. Other operating income		572,492		381,159
VI. Other operating expenses		369,308		341,530
VII. Operating income		598,078		632,998
VIII. Income(expenses) from investment in associates		14,640		(1,528)
IX. Financial income		207,908		112,608
X. Financial expenses		256,989		188,289
XI. Profit before income tax		563,637		555,789
XII. Income tax expense		136,224		150,246
XIII. Profit for the period		427,413		405,543
1. Equity holders of the Parent Company	423,677		397,338	
2. Non-controlling interest	3,736		8,205	
XIV. Earnings per share attributable to the equity holders of the Parent Company during the period				
1. Basic earnings per share (unit : won)		8,563		8,030

Consolidated Statements of Comprehensive Income

GS Engineering & Construction Corporation and Subsidiaries

Years Ended December 31, 2011 and 2010

Unit : millions of won

	2011	2010
I. Profit for the year	427,412	405,543
II. Other comprehensive income (loss) for the year, net of tax	(194,091)	(70,412)
1. Gain on valuation of available-for-sale financial assets	(161,412)	(28,250)
2. Loss on valuation of available-for-sale financial assets	(497)	(5,548)
3. Share of other comprehensive income of associates	625	1,019
4. Share of other comprehensive loss of associates	(255)	-
5. Loss on overseas operations translation	(3,291)	(13,744)
6. Gain on valuation of derivative instruments	2,167	1,532
7. Loss on valuation of derivative instruments	82	(11,257)
8. Actuarial loss on defined benefit liability	(31,510)	(14,164)
III. Total comprehensive income for the year	233,321	335,131
1. Equity holders of the Parent Company	230,490	327,715
2. Non-controlling interest	2,831	7,416

Consolidated Statements of Changes in Equity

GS Engineering & Construction Corporation and Subsidiaries

Years Ended December 31, 2011 and 2010

Unit : millions of won

	Attributable to equity holders of the Parent						Non-controlling interest	Total equity
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total		
I. Balance at January 1, 2010	255,000	160,412	(83,053)	201,486	2,738,230	3,272,076	215,210	3,487,285
II. Comprehensive income								
1. Profit for the year	-	-	-	-	397,338	397,338	8,205	405,543
2. Gain on valuation of available-for-sale financial assets	-	-	-	(28,309)	-	(28,309)	59	(28,250)
3. Loss on valuation of available-for-sale financial assets	-	-	-	(5,548)	-	(5,548)	-	(5,548)
4. Share of other comprehensive income of associates	-	-	-	1,018	-	1,018	-	1,018
5. Currency translation differences	-	-	-	(13,746)	-	(13,746)	2	(13,744)
6. Gain on valuation of derivative instruments	-	-	-	1,532	-	1,532	-	1,532
7. Loss on valuation of derivative instruments	-	-	-	(11,362)	-	(11,362)	106	(11,257)
8. Actuarial loss on defined benefit liability	-	-	-	-	(13,208)	(13,208)	(956)	(14,164)
Total comprehensive income for the year	-	-	-	(56,415)	384,130	327,715	7,416	335,131
III. Transactions with equity holders of the Group								
1. Treasury stock	-	367	(450)	-	-	(83)	-	(83)
2. Dividends to equity holders of the Group	-	-	-	-	(49,479)	(49,479)	(639)	(50,118)
3. Others	-	354	-	-	(635)	(280)	(579)	(860)
Total transactions with equity holders of the Group	-	721	(450)	-	(50,114)	(49,842)	(1,218)	(51,061)
IV. Balance at December 31, 2010	255,000	161,133	(83,503)	145,071	3,072,246	3,549,948	221,408	3,771,355
I. Balance at January 1, 2011	255,000	161,133	(83,503)	145,071	3,072,246	3,549,948	221,408	3,771,355
II. Comprehensive income								
1. Profit for the year	-	-	-	-	423,677	423,677	3,736	427,412
2. Gain on valuation of available-for-sale financial assets	-	-	-	(161,353)	-	(161,353)	(59)	(161,412)
3. Loss on valuation of available-for-sale financial assets	-	-	-	(463)	-	(463)	(34)	(497)
4. Share of other comprehensive income of associates	-	-	-	625	-	625	-	625
5. Share of other comprehensive loss of associates	-	-	-	(172)	-	(172)	(83)	(255)
5. Currency translation differences	-	-	-	(3,283)	-	(3,283)	(8)	(3,291)
6. Gain on valuation of derivative instruments	-	-	-	2,167	-	2,167	-	2,167
7. Loss on valuation of derivative instruments	-	-	-	16	-	16	67	82
8. Actuarial loss on defined benefit liability	-	-	-	-	(30,723)	(30,723)	(787)	(31,510)
Total comprehensive income for the year	-	-	-	(162,464)	392,954	230,490	2,831	233,321
III. Transactions with equity holders of the Group								
1. Treasury stock	-	(1,199)	1,443	-	-	243	-	243
2. Dividends to equity holders of the Group	-	-	-	-	(49,479)	(49,479)	(1,236)	(50,715)
3. Changes in the consolidated entities	-	-	-	-	3,662	3,662	-	3,662
4. Others	-	-	-	-	204	204	(33)	170
Total transactions with equity holders of the Group	-	(1,199)	1,443	-	(45,613)	(45,369)	(1,269)	(46,639)
IV. Balance at December 31, 2011	255,000	159,934	(82,060)	(17,392)	3,419,587	3,735,069	222,969	3,958,038

Consolidated Statements of Cash Flows

GS Engineering & Construction Corporation and Subsidiaries

Years Ended December 31, 2011 and 2010

Unit : millions of won

	2011	2010
I. Cash flows from operating activities	(481,705)	257,420
1. Cash generated from operations	(265,770)	390,681
2. Interest received	49,408	49,541
3. Interest paid	(42,936)	(74,533)
4. Dividends received	1,181	249
5. Income tax paid	(223,588)	(108,518)
II. Cash flows from investing activities	107,592	(177,730)
1. Decrease in other receivables	233,447	332,039
2. Decrease in short-term financial instrument assets	15,352	3,145
3. Decrease in long-term other receivables	203,797	164,679
4. Decrease in long-term financial instrument assets	21,018	206
5. Disposal of investments in associates	69	20,965
6. Disposal of investment property	15,847	41,862
7. Disposal of property, plant and equipment	11,145	7,535
8. Disposal of intangible assets	364	-
9. Disposal of assets held for sale	163,944	-
10. Increase in other receivables	(206,116)	(304,622)
11. Increase in short-term financial instrument assets	(27,842)	(5,739)
12. Increase in long-term other receivables	(236,242)	(241,184)
13. Increase in long-term financial instrument assets	(18,128)	(35,466)
14. Acquisition of investments in associates	-	(42,416)
15. Decrease in cash and cash equivalents due to changes in in-scope subsidiaries subject to consolidation	(8,713)	-
16. Acquisition of investment property	(6,562)	(4,674)
17. Acquisition of property, plant and equipment	(51,245)	(99,584)
18. Acquisition of intangible assets	(2,543)	(14,476)
III. Cash flows from financing activities	363,673	(104,412)
1. Increase in short-term financial instrument liabilities	990,795	974,010
2. Increase in long-term financial instrument liabilities	739,812	200,608
3. Increase in other non-current liabilities	37,322	27,667
4. Decrease in short-term financial instrument liabilities	(1,273,596)	(1,136,171)
5. Decrease in long-term financial instrument liabilities	(20,506)	(73,229)
6. Decrease in other non-current liabilities	(59,442)	(55,712)
7. Dividends	(50,712)	(41,585)
IV. Exchange gains (losses) on cash and cash equivalents	4,800	(8,204)
V. Net decrease in cash and cash equivalents (I+II+III+IV)	(5,640)	(32,926)
VI. Cash and cash equivalents at beginning of the year	1,493,535	1,526,461
VII. Cash and cash equivalents at the end of the year (V+VI)	1,487,895	1,493,535

Report of Independent Accountants' Review of Internal Accounting Control System



To the President of GS Engineering & Construction Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of GS Engineering & Construction Corporation (the "Company") as of December 31, 2011. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2011, the Company's IACS has been designed and is operating effectively as of December 31, 2011, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean-IFRS"). Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2011, and we did not review management's assessment of its IACS subsequent to December 31, 2011. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Seoul, Korea
March 14, 2012

Samil PricewaterhouseCoopers

Report on the Operations of the Internal Accounting Control System



To the Board of Directors and Audit Committee of GS Engineering & Construction Corporation

I, as the Internal Accounting Control Officer (“IACO”) of GS Engineering & Construction Corporation (the “Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2011.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2011, in all material respects, in accordance with the IACS standards.

February 24, 2012

Myung-Soo Huh, Chief Executive Officer

Tae-Jin Kim, Internal Accounting Control System Officer

GS E&C's Sustainability Management Performance

Economic Performance

* Year: on the K-IFRS, consolidated basis

Indicator	Unit	2009	2010 *	2011*
Sales	billions of won	7,377	8,420	9,052
Plant	billions of won	2,341	2,671	3,434
Power & Environment	billions of won	495	542	921
Civil Engineering	billions of won	833	1,048	1,097
Housing	billions of won	2,528	2,354	1,076
Architecture	billions of won	1,180	1,497	2,226
Order Backlogs	billions of won	12,862	14,105	13,253
Plant	billions of won	6,087	5,789	4,180
Power & Environment	billions of won	531	2,008	1,799
Civil Engineering	billions of won	2,547	1,107	1,685
Housing	billions of won	2,413	3,003	2,764
Architecture	billions of won	1,284	2,198	2,825
Net Income	billions of won	383	406	427
Total Assets	billions of won	8,946	11,046	11,099
Dividend	billions of won	49	49	49
Corporate Tax	billions of won	125	150	136

Social Performance

Indicator	Unit	2009	2010	2011
Number of Employees¹⁾	persons	4,946	5,481	6,223
Full-time Permanent	persons	4,186	4,546	4,999
Full-time Temporary	persons	760	935	1,224
Men	persons	4,754	5,225	5,844
Women	persons	192	256	379
Less than 30 Years Old	persons	564	650	948
More than 30 Years Old & Less than 50 Years Old	persons	3,895	4,173	4,546
More than 50 Years Old	persons	487	658	729
Rate of Employees with Disabilities¹⁾	%	0.62	0.70	0.70
Women Managers Rate¹⁾	%	1.26	1.28	1.47
Number of New Employees	persons	97	239	420
Women	persons	10	45	79
Men	persons	87	194	341
Number of Retired Employees	persons	201	201	280
Women	persons	12	13	29
Men	persons	189	188	251
Training Time per Employee	time/persons	108	124	158
Training Cost for Employee	billions of won	2.0	5.3	6.4
Number of Disciplinary Violations of Ethical Management	cases	25	5	16
Ethical Management Training Attendance (Online)	persons (%)	-	5,139 (98.3)	5,955 (99.9)
Ethical Management Training Attendance (Offline)	persons	332	685	756
Accident Rate	%	0.16	0.12	0.17
Unionized Employees	persons	762	871	951
Social Contribution Expenditures	billions of won	9.4	9.4	10.4
GCSI Customer Satisfaction Survey Results	points	71.7	71.4	71.4
R&D Investment	billions of won	144.6	76.2	80.1

1) There are differences between this report data and sustainability report 2010 data because the assessment methods have been changed.

Environmental Performance

Indicator	Unit	2009	2010	2011
Resource Consumption (domestic sites)	-	-	-	-
Ready-mix Concrete	m ³	3,248,417	2,236,448	2,617,233
Cement	ton	327,029	183,778	112,842
Aggregate	m ³	814,948	1,012,474	606,450
Asphalt Concrete	ton	4,156,482	1,959,813	1,717,689
Sand	m ³	236,859	1,517,745	95,469
Reinforcement Bar	ton	460,914	395,044	399,108
Plasterboards	m ²	6,591,191	3,324,068	3,031,365
Recycled Aggregate (domestic sites)	m ³	23,388	60,371	168,382
Water Use (domestic sites and buildings)	m ³	1,387,087	1,023,569	1,892,825
Tap Water	m ³	545,764	590,157	797,725
Underground Water	m ³	384,744	293,073	640,362
River Water	m ³	456,579	140,339	454,738
Building Water Intensity¹⁾	m ³ /m ²	-	-	3.96
Energy Consumption²⁾ (domestic sites, buildings, and overseas sites in 2011)	TJ	2,805	2,836	3,861
LNG	TJ	24	28	52
LPG	TJ	82	24	32
Kerosene	TJ	70	63	117
Diesel	TJ	1,891	2,117	2,280
Gasoline	TJ	41	43	167
Electricity	TJ	697	561	693
Others	TJ	0	0	0.27
Building Energy Intensity³⁾	MWh/m ²	0.17	0.17	0.16
Waste Generated (domestic sites)	ton	496,758	163,610	347,277
Waste Concrete	ton	256,560	89,825	160,240
Waste Asphalt Concrete	ton	34,203	13,742	102,781
Construction Waste Soil and Stones	ton	84,796	4,900	5,557
Mixed Construction Wastes	ton	107,847	46,554	58,416
Waste Synthetic Resins	ton	4,854	3,959	9,903
Waste Wood	ton	7,341	4,400	662
Construction Sludge	ton	1,157	230	9,718
Waste Asbestos Emission (domestic sites)	ton	-	201	46
Wastewater Discharged (domestic sites)	ton	-	753,380	908,282
Greenhouse Gas Emission (domestic sites, buildings and overseas sites in 2011)	tCO ₂ -e	237,291	237,535	304,781
Scope 1	tCO ₂ -e	20,864	18,496	52,862
Scope 2	tCO ₂ -e	90,804	73,094	83,257
Scope 3	tCO ₂ -e	125,623	145,945	168,662
Greenhouse Gas Emissions Intensity from Buildings⁴⁾	tCO ₂ -e/m ²	0.17	0.16	0.12
Greenhouse Gas Emissions Intensity by Sales⁵⁾	tCO ₂ -e/billions of won	0.43	0.43	0.39
Green Procurement Cost	billions of won	88.1	56.8	47.8
Environmental Disputes	cases	10	7	5
Environmental Accidents	cases	24	10	9
Expenses to Settle Environmental Disputes	billions of won	1.13	1.50	0.86
Number of Employees Receiving Environmental Training	persons (aggregate)	-	5,785	3,343

1) Building water intensity = sum of annual water consumption / sum of floor area (11 buildings)

2) There are differences between this report data and the Sustainability Report 2010 data because the calculating methods have been changed.

3) Building Energy Intensity = sum of annual electricity use / sum of floor area (2009, 2010 : 10 buildings, 2011 : 11 buildings)

4) Greenhouse gas emissions intensity from buildings = sum of annual tons CO₂ equivalent / sum of floor area (2009, 2010 : 10 buildings, 2011 : 11 buildings)

5) Greenhouse gas emissions intensity by sales = sum of annual tons CO₂ equivalent / sum of annual sales from the construction activities (including overseas sites in 2011)

3rd Party Assurance Statement on Integrated Report

Introduction

Det Norske Veritas Certification Ltd. (hereinafter referred to as “DNV”) has been commissioned to carry out assurance engagement on GS Engineering & Construction Co., Ltd. (hereinafter referred to as “GS E&C”) Integrated Report 2011 (hereinafter referred to as “the Report”). This engagement focused on the information provided in the Report and the underlying management and reporting processes. This Assurance Statement is intended for the readers of the GS E&C’s Integrated Report. GS E&C is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV’s responsibility regarding this Assurance engagement is to the management of GS E&C only, in accordance with terms of reference and scope of work agreed. DNV disclaims any liability or responsibility to a third-party for any decisions, whether investment or otherwise, based upon this Assurance Statement.

Scope of Assurance

This Assurance Engagement covered data from calendar year 2011. The scope of DNV’s Assurance Engagement, as agreed with GS E&C included the verification of :

- Sustainability policy, goals, initiatives, practices and performance for calendar year 2011, as described in the Report. These were verified at company level.
- Health & Safety, Social and Environmental data management systems, and associated processes and tools for collecting, analysing, aggregating and reporting quantitative and qualitative information provided in the Report.
- Processes for defining the boundaries, focus and content of the Report (Limited to the Head office and project sites.)
- Review of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) and Construction and Real Estate Sector Supplement are reflected in the Report.
- The extent to which the principles of Materiality, Inclusivity and Responsiveness are adopted, in line with the requirements of the AccountAbility 1000 Assurance Standard (AA1000 AS) (2008) for a Type 1, Moderate level of assurance engagement. The reliability of the information within the Report for calendar year 2011 was verified to a moderate level assurance.

GS E&C’s reporting boundaries include all operations over which GS E&C’s management exercises significant control.

Limitations

The engagement excluded the sustainability management, performance and reporting practices of GS E&C’ suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as part of this Assurance Engagement. Economic performances including financial data were cross-checked at the Head Office with internal documents and the financial statements audited by another 3rd party. The assurance statement on the financial statements issued by another 3rd party is also provided in the Report.

Statement of Competence and Independence

DNV provides sustainability risk management services through specialists worldwide. This engagement was undertaken by a multi-disciplinary team of suitably qualified and experienced sustainability professionals. DNV was not involved in the preparation of any information presented in the Report. DNV did not provide any services to GS E&C in 2011 and 2012 that could compromise the independence or impartiality of our work.

Verification Methodology

This Assurance Engagement was carried out from February till April 2012, and in accordance with the DNV Protocol for Verification of Sustainability Reporting and AA1000 AS (2008).

In reaching our conclusion, we have undertaken the following work :

- Interviewed GS E&C’s executives and management representatives from different divisions and functions;
- Visited GS E&C’s Head Office in Seoul and five project sites in Republic of Korea;
- Examined relevant documents, data and other information requested by DNV and made available by GS E&C;
- Reviewed the mechanisms implemented by GS E&C to promote and oversee its sustainability-related policies as described in the Report;
- Reviewed a selection of internal communication and external media reports relating to GS E&C’ sustainability management approach, performance and adherence to its policies;
- Analysed sustainability data management systems, assessing specific data and information reported in accordance with the requirements of AA1000 AS (2008.)
- Checked GRI Statement confirming that the Report fulfils the requirement of GRI Application Level A*.

Conclusions

In DNV's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of GS E&C's sustainability strategy, policy, practices and performance in 2011.

Based on the work undertaken as part of this Assurance Engagement, DNV believes that the Report generally meets the principles, content and quality requirements of GRI G3.1 and AA1000 AS (2008) for a Type 1 Moderate level of assurance. Further conclusions and observations on the adoption of reporting principles and specific performance information are made below;

Regarding the level of adherence to reporting principles, we conclude the following:

[AA1000 Principles]

Inclusivity and Responsiveness • GS E&C has continued to adopt a structured approach to stakeholder consultation and engagement, described in detail in the Report. GS E&C has engaged with a wide range of stakeholders regarding sustainability issues via survey and interview. 10 stakeholder groups are identified with the reason of being selected and the communication processes for respective groups in the Report. Stakeholders' views, interests and expectations sought from the survey are considered in the preparation of the Report and in the formulation of GS E&C's sustainability management approach. Moreover, GS E&C has had direct consultation with some stakeholders for the Report. GS E&C has tried to integrated annual report into sustainability report this year. This Integrated Report provides insight into the organization's relationships with its key stakeholders and how and to what extent the organization understands, takes into account and responds to their needs.

Materiality • The Report generally provides an account of performance on the issues that are most significant to GS E&C's activities and which are most relevant to its stakeholders. The material issues were identified and prioritised based upon the stakeholders' opinion sought by survey. However GS E&C needs to make full use of identified engagement measures with the stakeholders in order to reflect their concerns and expectations into the sustainable management.

Reliability • No material errors have been detected for data and information verified in accordance with AA1000 AS (2008.) Information in the Report is presented so as to allow comparison of year-on-year performance.

[Additional principles]

Completeness • Within the reporting boundary and scope defined by GS E&C, we conclude that the Report does not omit information that would significantly influence stakeholders' decisions. More efforts to improve reporting on the performance from overseas project need to be made.

Neutrality • In general the Report provides a fair and balanced representation of GS E&C's approach and performance in 2011.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to GS E&C management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement

- Conduct internal audit on all data and information to be disclosed to ensure its accuracy and reliability
- Manage systematically key process for producing the Report, from data gathering, analysis and reporting (for example documented procedures)
- Actively reflect stakeholders' opinions collected from the engagement activities as defined in the report
- Expand internal stakeholder engagement with project based contract employees
- Expand sustainability evaluation of suppliers
- Conduct employee satisfaction survey regarding grievance resolution process
- Consider developing consistent data collection process from overseas project

Seoul, Korea
April 2012



AA1000
Licensed Assurance Provider
000-10

Seung-Hyun Kwak
Lead Verifier
DNV Certification Ltd.

In-Kyoon Ahn
Country Manager
DNV Certification Ltd.

Antonio Astone
Assurance Engagement Reviewer
Global responsible for Sustainability services

3rd Party Assurance Statement on Greenhouse Gas Inventory

Introduction

DNV Certification Ltd. ("DNV") was commissioned by GS E&C Corporation ("GS E&C") to verify the GS E&C's Greenhouse Gas Inventory Report for the calendar year 2011 ("the report") based upon a limited level of assurance. GS E&C is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol:2004 and the principles set out in ISO14064-1:2006. Our responsibility in performing this work is to the management of GS E&C only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Assurance

The emissions data covered by our examination comprise Direct emissions (Scope 1), Energy indirect emissions (Scope 2) and Other indirect emissions (Scope 3) :

- Reporting period under verification : Calendar Year 2011
- Organizational boundary for reporting :

Ogarnizational Boundaries	Address / Remark	Verification Activity
Headquarter	GS Yeokjeon Tower, 537, Namdaemun-Ro, 5-Ga, Joong-Gu	Desk Review, Site visit, Process & data verification
Buildings	10 Buildings (Bulidings owned or leased, R&D center, Resort)	Desk Review, Site visit, Process & data verification
Domestic construction sites	249 sites (in dept. of Plant, Power & Environment, Civil Engineering, Housing, Architecture)	Desk Review, Site visit, Process & data verification
International construction sites	25 sites (in dept. of Plant, Power & Environment, Civil Engineering, Housing, Architecture)	Desk Review, Process & data verification

Verification Approach

The verification has been conducted by DNV from 25 February through 25 March 2012 and performed in accordance with the verification principles and tasks outlined in ISO14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a limited verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO₂ equivalent. As part of the verification process :

- We have reviewed and verified the GS E&C's Green Information System
- We have reviewed the GHG inventory Report dated on 24 February 2012.
- We have reviewed and verified the process to generate, aggregate and report the emissions data

Conclusions

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions data set out in GS E&C's report are not fairly stated. The GHG Emissions of GS E&C for the year 2011 were confirmed as below;

Greenhouse Gas Emissions of GS E&C Corporation in 2011

Unit : tCO₂-e

Organizational Boundary	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Other Indirect Emissions (Scope3)	Total Emissions
GS E&C Corporation	52,862	83,257	168,662	304,781

* Total emissions = Scope 1 + Scope 2 + Scope 3

Seoul, Korea
March 2012



Tae-Ho Kim
Lead Verifier
DNV Certification Ltd.

In-Kyoon Ahn
Country Manager
DNV Certification Ltd.

This Assurance Statement is valid as of the date of the issuance (29 March 2012). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of GS E&C Corporation is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.



GRI Index

● -fully reported ◐ -partially reported ○ -not reported N/AP-not applicable

GRI Index	Description	Level of disclosure	Page
Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization	●	4
1.2	Description of key impacts, risks, and opportunities	◐	4, 16-17
Organizational Profile			
2.1	Name of the organization	●	10
2.2	Primary brands, products, and/or services	●	10-11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	●	10
2.4	Location of organization's Head Offices	●	10
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	●	11, 46
2.6	Nature of ownership and legal form	●	10, 49
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	◐	11, 46
2.8	Scale of the reporting organization	◐	10-11, 46, 110
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	47
2.10	Awards received in the reporting period	●	40-41, Back Cover
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	●	2
3.2	Date of most recent previous report (if any)	◐	2
3.3	Reporting cycle (annual, biennial, etc.)	●	2
3.4	Contact point for questions	●	Back Cover
3.5	Process for defining report content	●	20-21
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	2
3.7	State any specific limitations on the scope or boundary of the report	◐	2
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	●	2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	◐	2
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	●	2, 110-111
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	2, 110-111
3.12	Table identifying the location of the Standard Disclosures in the report	●	116-119
3.13	Policy and current practice with regard to seeking external assurance for the report	◐	101, 112-115
Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	●	48-49
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	48
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	●	48
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	◐	49
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	●	87
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	48
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	●	15, 48
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	◐	15, 50, 60 92
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	◐	15, 48
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	●	49
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	52-53
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	61, 88, 121
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	●	Back Cover
4.14	List of stakeholder groups engaged by the organization	●	19
4.15	Basis for identification and selection of stakeholders with whom to engage	◐	18
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	◐	19
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	●	19

●-fully reported ◐-partially reported ○-not reported N/AP-not applicable

GRI Index	Description	Reference	Level of disclosure	Page
Economic				
Disclosure on Management Approach				43
EC1	Direct economic value generated and distributed	Economic value creation (direct and indirect), distribution of economic value by stakeholder	●	56, 110
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Analysis of climate change effects, eco-friendly construction, and renewable energy projects	◐	61, 62-63
EC3	Coverage of the organization's defined benefit plan obligations	A website to support former employees	○	84
EC4	Significant financial assistance received from government	Zero	●	-
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	315%	●	87
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Provide higher points to local suppliers	◐	89
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Recruitment in process	◐	54
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	SOC businesses and social contribution activities	◐	55, 92-94
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Indirect economic value, social and environmental value creation	◐	54-55
Environmental				
Disclosure on Management Approach				59
EN1	Materials used by weight or volume	Resource consumption	●	70, 111
EN2	Percentage of materials used that are recycled input materials	Recycled aggregate consumption; data not in percentage	○	70, 72, 111
EN3	Direct energy consumption by primary energy source	Direct energy use	●	70, 111
EN4	Indirect energy consumption by primary source	Indirect energy use	●	70, 111
EN5	Energy saved due to conservation and efficiency improvements	Energy savings campaign	●	61
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Green construction, smart grid, renewable energy projects, etc	◐	62-63
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Fuel savings from transitioning to video conferencing system	◐	69
EN8	Total water withdrawal by source	Water use by source	●	70, 72
EN9	Water sources significantly affected by withdrawal of water	No significantly affected water source	◐	72
EN10	Percentage and total volume of water recycled and reused	Groundwater and rainwater reuse at sites	◐	72
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity protection at Cheng-ra District in Incheon, etc	◐	75
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Prevention of various environmental impact from construction	●	75
EN13	Habitats protected or restored	Cheng-ra District in Incheon, National Ecology Institute, etc	●	75
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Environmental management regarding ISO14001, provide passages and shelter to the habitat	●	73, 75
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	A number of protected habitats live in the area	●	75
EN16	Total direct and indirect greenhouse gas emissions by weight	Direct and indirect GHG emission	●	71, 111
EN17	Other relevant indirect greenhouse gas emissions by weight	Other relevant GHG emission	●	71, 111
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Green construction, smart grid, renewable energy projects, etc	◐	62-63, 77
EN19	Emissions of ozone-depleting substances by weight	Managing the data of emissions of ozone-depleting substances, included in GHG Scope 3. However, Emission level is too small to consider disclosing.	N/AP	-
EN20	NOx, SOx, and other significant air emissions by type and weight	Efforts to reduce fugitive dust	●	74
EN21	Total water discharge by quality and destination	Water quality management; all wastewater discharged directly to sewage system	●	71, 74
EN22	Total weight of waste by type and disposal method	Volume of wastewater discharged monitored	●	71, 74
EN23	Total number and volume of significant spills	No spill occurred	●	-
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	No hazardous waste exported	●	-
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Control and reduce of environmental impact by water quality management	◐	74
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Expand 3 Zero House projects, develop green materials for construction, development of green technology	●	62-67
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable	N/AP	-
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Efforts to prevent environmental dispute	●	76
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Efforts to reduce environmental impact by implementing automation management system and mobile vehicle maintenance stations in construction sites	◐	69, 74
EN30	Total environmental protection expenditures and investments by type	Green procurement expense, environmental R&D investment, etc	●	68, 70

GRI Index

● -fully reported ● -partially reported ○ -not reported N/AP-not applicable

GRI Index	Description	Reference	Level of disclosure	Page
Social: Labor Practices and Decent Work				
Disclosure on Management Approach				81
LA1	Total workforce by employment type, employment contract, and region	Status of employment	●	110
LA2	Total number and rate of employee turnover by age group, gender, and region	Number of retired and new employees by gender and age: data not in percentage	●	110
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Provide a number of benefits to all employees. There is no discrimination between permanent and temporary employees	●	84-85
LA4	Percentage of employees covered by collective bargaining agreements	19.2%	●	88
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Written document states to notify "as soon as possible"	●	88
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	The matter is discussed through Labor-management Council that represents 100% of the employees quarterly	●	88
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Accident rate in 2011 is estimated to be 0.17%	●	98
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Provides safety education and training session, medical insurance, etc	●	78, 84, 97-99
LA9	Health and safety topics covered in formal agreements with trade unions	Work conditions, safety and health enhancement	●	88
LA10	Average hours of training per year per employee by employee category	158 hours in 2011	●	87
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Benefit program for retirees and training programs for employees	●	84, 87
LA12	Percentage of employees receiving regular performance and career development reviews	All the employees go through performance evaluation	●	87
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Status of employment and BOD composition by gender	●	48, 110
LA14	Ratio of basic salary of men to women by employee category	Prohibits any form of gender discrimination	●	87
LA15	Return to work and retention rates after parental leave, by gender	100%	●	84
Social: Human Rights				
Disclosure on Management Approach				81
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Plan to consider in the future	○	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	When signing a contract with suppliers, we include ethical conditions, under which a violation results in disadvantages such as contract cancellation.	●	50
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Hold sexual harassment prevention session and cross-cultural management session for all employees	●	88
HR4	Total number of incidents of discrimination and actions taken	No such incidents occurred	●	88
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	Operates internal communication channels and trade union, labor management council, etc	●	83, 88
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Apply and follow the principles of UN Global Compact, ILO, and the Labor Standard Act	●	88, 121
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Apply and follow the principles of UN Global Compact, ILO, and the Labor Standard Act	●	88, 121
HR8	Percentage of security employee trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Plan to consider in the future	○	-
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Zero incidents	●	-
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Develops socio-economic impact assessment framework and plan to carry out the assessment after pilot-test as a whole	●	53
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	562	●	83

● - fully reported ◐ - partially reported ○ - not reported N/AP - not applicable

GRI Index	Description	Reference	Level of disclosure	Page
Social: Society				
Disclosure on Management Approach				81
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	Risk management and the environmental dispute forecasting program	◐	53, 73
SO2	Percentage and total number of business units analyzed for risks related to corruption	All operations, employees, and suppliers share ethical standards (100%)	●	50-51
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Number of employees who completed on/offline ethics education sessions	●	51
SO4	Actions taken in response to incidents of corruption	16 cases of actions taken in 2011	●	51
SO5	Public policy positions and participation in public policy development and lobbying	Participate in the development of environmental regulations	◐	61
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	No such financial and in-kind contributions to political parties, politicians, and related institutions	●	-
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No such incidents	●	-
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Public Procurement Service: qualification of participating in the bidding prohibited one time	●	-
SO9	Operations with significant potential or actual negative impacts on local communities	Eco-friendly construction sites	◐	73-76
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Eco-friendly construction sites	◐	73-76
Social: Product Responsibility				
Disclosure on Management Approach				81
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Asbestos treatment and 3 Zero House, pre-assessment of environmental impact	◐	62, 73, 76, 78
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No such incident	●	-
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Green building certification	◐	77
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No such incident	●	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Customer satisfaction programs and survey	◐	95-96
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Code of conduct states "We only tell truth to our customers and we keep promises made with them"	◐	50
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	No such incident	●	-
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No such complaint	●	-
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No such incident	●	-
Construction and Real Estate Sector Supplement				
Disclosure on Management Approach				43, 59, 79
CRE1	Building energy intensity	Building energy intensity of a head office and buildings owned	●	111
CRE2	Building water intensity	Building water intensity of a head office and buildings owned	●	111
CRE3	Greenhouse gas emissions intensity from buildings	GHG emissions intensity of a head office and buildings owned	●	111
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity	GHG emissions intensity from construction sites	●	111
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	No plan for the land remediation	●	-
CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	KOSHA18001, OHSAS18001 certification	◐	97
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	Internal management system development in process	○	-
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	Green Building certification and Green Technology certification (wastewater reuse technology)	◐	64, 77

GRI Statement



Statement GRI Application Level Check

GRI hereby states that **GS Engineering & Construction** has presented its report "GS E&C Integrated Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, April 16th, 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **GS Engineering & Construction** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on April 13th, 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

United Nations Global Compact (UNGC)



Participation and Compliance with the Principles

On August 4, 2010, GS E&C joined UNGC, a voluntary corporate initiative that promotes and encourages corporate social responsibility. By supporting the 10 Principles on human rights, labor, environment, and anti-corruption, GS E&C is taking its part in the global standard on corporate social responsibility and is reassuring its will to pursue sustainability management both nationally and internationally.

GS E&C will continue to support and comply with the 10 Principles in order to respect the basic human and labor rights and respond to the global environmental crisis, by focusing on developing eco-friendly technologies and products as well as on managing and monitoring of corruption-prone activities. Please find our activities and policies related to the Principles in the table and the corresponding pages below.

The 10 Principles of UNGC and GS E&C's Activities

Area	Principle	Related Activities	GRI	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	<ul style="list-style-type: none"> Comply with ILO and UNGC Hold sexual harassment prevention session (1-2 hours per year) and cross-cultural management session (20 hours per year) for all employees 	HR1 HR2 HR3 HR4 HR5 HR6 HR7 HR8 HR9	88
	2. Make sure that they are not complicit in human rights abuses.		HR1 HR2 HR8	
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> Operate the Trade Union Operate the Labor-management Council 	HR5 LA4 LA5	88
	4. The elimination of all forms of forced and compulsory labour;	<ul style="list-style-type: none"> Comply with ILO and UNGC 	HR7	88
	5. The effective abolition of child labour; and		HR6	88
	6. The elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> Set internal policy against any form of discrimination No gender-based discrimination in compensation 	HR4 LA2 LA10 LA13 LA14	87, 88
Environment	7. Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> Comply with the regulation regarding emissions on site Conduct company-wide environmental risk mitigation activities and carry out on-site environmental task R&R Systemize greenhouse gas inventory Save energy and reduce GHG emissions Develop eco-friendly technologies 	4.11	60-67, 69, 72-74
	8. Undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> Set an objective to reduce 30% GHG emissions by 2010 Sign the Voluntary Agreement on the Industry's Green Procurement and construct a guideline on green procurement Eco-friendly construction and demolition 	EN5 EN6 EN7 EN10 EN14 EN18 EN26 EN27	60, 68, 72-76, 78
	9. Encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> Expand renewable energy business Systemize the greenhouse gas inventory R&D of the green technologies Develop 3 Zero House, an eco-friendly housing model Develop green concrete, an eco-friendly construction material Participate in the Green Business Dissemination Supporting Project 	EN2 EN5 EN6 EN7 EN10 EN18 EN26 EN27	9, 60, 62-67
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> Operate ethics committee Promote employees' ethics-centered mindset through education and training on business ethics Establish and implement ethics management policy Run whistle-blowing program to eliminate anti-corruption 	S02 S03 S04	50-51

ISO26000

Compliance with ISO26000

As sustainable development arises as a result of industrialization, globalization, and economic development and leading global corporations cause numerous scandals in the early 21st century, the concept of corporate social responsibility became an important factor of corporate valuation and investment decisions. Along with this movement, ISO (International Organization for Standardization) developed ISO26000, a guidance for corporations seeking to implement socially responsible practices. ISO26000 comprises of 7 core subjects of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. ISO26000 is not a management system standard and it is not intended or appropriate for certification purposes or regulatory or contractual use; nonetheless, GS E&C seeks to treat it as a guidance for strengthening the company's sustainability management.

Core Subject	Issue	Related Activities	Page
Organizational Governance		Governance structure centered on the Board of Directors; operation of Audit Committee and Outside Director Recommendation Committee	48
Human Rights	Due diligence	Establish human rights due diligence structure through operation of Audit Committee	48
	Human rights risk situations	Not applicable	-
	Avoidance of complicity	GS E&C does not support any organization that violates human rights	-
	Resolving grievances	Operate company-wide communication channels, Trade Union, and Labor-management Council	83, 88
	Discrimination and vulnerable groups	Provide equal opportunities in compensation, education and training, placement, and layout, regardless of gender and whether he/she has disability	87, 88
	Civil and political rights	Provide freedom to exchange information and ideas through company-wide communication channels such as online community	83
	Economic, social and cultural rights	Programs for employee benefits and employee families	84-85
	Fundamental principles and rights at work	Comply with International Labor Organization standards; respect freedom of association through operation of Labor Union and Labor-Management Council; prohibit child and forced labor; prohibit all forms of discrimination	88
Labor Practices	Employment and employment relationships	Respect for employees; comply with international labor standards	88
	Conditions of work and social protection	Operate a number of employee benefit programs that respect work-life balance as well as an in-house nursery	84-85
	Social dialogue	Continuous dialogue through various employee communication channels, operation of Trade Union and Labor-management Council, and joint volunteer activities between labor and the management	83, 88
	Health and safety at work	Pursue a number of safety management activities under the safety management guideline and the goal of "zero serious accidents"	97-99
	Human development and training in the workplace	Operate education and training program fitted with talent development system	86-87
Environment	Prevention of pollution	Prevent water pollution by installing water quality control facilities; activities to prevent dust scattering and soil erosion; appropriate treatment of waste by type following waste management guidelines	73-75
	Sustainable resource use	Efficient use of resources and reuse technologies; carry out energy savings campaign; recycle water resources	72
	Climate change mitigation and adaptation	Greenhouse gas inventory; carry out greenhouse gas reduction activities; activate video conferencing system; develop smart grid technology; construct renewable energy infrastructure	60-63, 69
	Protection of the environment, biodiversity and restoration of natural habitats	Carry out biodiversity protection activities around construction sites	75

Core Subject	Issue	Related Activities	Page
Fair Operating Practices	Anti-corruption	Establish ethics management system; implement a number of anti-corruption activities such as taking joint liability for unethical behavior	50-51
	Responsible political involvement	Participate in development of public environmental policies; support a number of industry-based initiatives	61
	Fair competition	Take an oath to engage in fair competition (as part of Code of Ethics)	50-51
	Promoting social responsibility in the value chain	Implement win-win management activities in 4 areas of financial support, education and training, technology development, and other forms of management	90-91
	Respect for property rights	Not applicable	-
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	Not applicable	-
	Protecting consumers' health and safety	Develop an indoor air quality sensor that detects chemical pollutants harmful to human body; provide cleaning service to housing customers	62, 96
	Sustainable consumption	Develop a number of Green Smart Xi technologies that saves consumers' energy and water use	62
	Consumer service, support, and complaint and dispute resolution	Make customer complaint-receiving channels simple and efficient; implement customer-oriented complaint handling policies; operate Customer Relationship Management (CRM) Committee	95
	Consumer data protection and privacy	Comply with laws and regulations related to consumer protection	96
	Access to essential services	Not applicable	-
	Education and awareness	Active exchange of information through the smartphone application	96
Community Involvement and Development	Community involvement	Carry out a number of social contribution activities to realize joint value as a corporate citizen	92-94
	Education and culture	Hopes and Dreams Study Rooms, scholarship, and a number of cultural events	92-94
	Employment creation and skills development	Provide indirect job opportunities in the local community by giving more weights to the local suppliers	89
	Technology development and access	Skill development classes specifically for the locals are not available	-
	Wealth and income creation	Provide more weights to the local suppliers when choosing a supplier	89
	Health	Operate employee benefit programs related to health, such as health examination and support with medical expenses	84
	Social investment	Social contribution activities such as House Repair of Hope Project; construct social infrastructures such as railway and water treatment facilities	55, 92

Green Management System Certification Scheme

Establishment of Green Management System

As laws and regulations aimed at improving corporations' management of environmental impact and sustainability and economic development policies that considers environmental protection are being introduced across the globe, Korean government is preparing to announce Green Management System Certification Scheme (hereinafter GMS) in accordance with the Framework Act on Low Carbon, Green Growth.

The GMS has a number of objectives such as saving costs and improving efficiency for green growth, establishing an effective and efficient system for green management, encouraging employees to better understand and participate, managing key performance indicators, and realistically achieving green management performance as a result. It is categorized into Requirements and Performance Indicators.

GS E&C was selected to participate in the pilot certification and acquired the GMS certification in November 2011. GS E&C aims to become the leader in green management through continuous improvement.

Index	Requirements	Related Activities	Page
4.1	General requirement	Establish green management systems and corresponding vision, objective, and strategy	60
4.2	Green management policy	Commit to continuous improvement through CEO Message and Disclosure on Management Approach	4, 59
4.3	Planning		
4.3.1	Green management aspect	Conduct environmental impact assessment before construction begins, run the environmental dispute forecasting program as to respond to environmental requirements in advance	73, 76
4.3.2	Regulation and other requirements	Distribute the environmental management guidebook to all sites and lay out environmental regulations and standards related to each construction process	73
4.3.3	Objective, detailed objectives and action plan	Establish green management systems and corresponding objective, detailed objectives and action plans; documentation through sustainability report.	60
4.4	Implementation		
4.4.1	Resource, role, responsibility, authority	Report the performance by green management organizations to the top executives	60
4.4.2	Conformity, education and training, perception	Conduct environmental education sessions for employees and suppliers at both Head Offices and sites	61
4.4.3	Communication	Communicate with stakeholders through sustainability report, project site website, information session for local residents, etc.	30 (2010 SR*)
4.4.4	Documentation	Document environmental data and information through Green Information System	29 (2010 SR*)
4.4.5	Document management	Manage documents such as environmental guidelines for each process through Green Information System	29 (2010 SR*)
4.4.6	Operational management	Indicate operational standards within the green management/environmental management procedures	29 (2010 SR*)
4.4.6.1	Planning and developmental activities	Consider and apply environmental performance improvement factors during planning and development	62, 65, 72
4.4.6.2	Procurement activities	Plan to expand green procurement; consider environmental aspect when evaluating suppliers	68, 89
4.4.7	Preparation for and response to emergency situations	Conduct environmental impact assessment and run the environmental dispute forecasting program; establish an online-based system to prevent environmental pollution at construction sites	73-74
4.5	Inspection		
4.5.1	Monitoring and evaluation	Monitor and evaluate environmental impact through the environmental checking system by process and period	29 (2010 SR*)
4.5.2	Evaluation of compliance	Evaluate the degree of compliance with environmental regulations and other requirements through the environmental checking system	29 (2010 SR*)
4.5.3	Non-conformity, corrective action, preventive measure	Correct any potential non-conformity and conduct preventive measures by running the environmental dispute forecasting system and through regular communication	76
4.5.4	Record management	Manage records on green management/environmental management performances by utilizing TPMS	29 (2010 SR*)
4.5.5	Internal examination	Regularly examine whether it is complying with environmental management certification such as ISO140001	61
4.6	Management review	Review the achievement status of green management/environmental management organizations' performance indicators	60

* The Sustainability Report 2010 is available on the GS E&C website (<http://www.gsconst.co.kr/en/>)

Index	Requirements	Related Activities	Page
5.1 Mandatory management performance indicators (MPI)			
5.1.1	Establishment and achievement of green objective	Set short-term and mid-/long-term targets for green management by establishing green management KPIs	60
5.1.2	Green Procurement of MRO products	Proportion of expenses on green products to the total MRO products costs	-
5.1.3	Green Procurement of raw materials	Expenses on green procurement in 2011 is KRW 47.8 billion; launch a pilot Green Procurement System for suppliers	68
5.1.4	Green products development	Continue to invest in R&D of green construction and materials	62, 65
5.1.5	Green products production and sales	Sales of eco-friendly projects (low-carbon transportation, waste-to-energy, etc.) or green technology applied sites	-
5.1.6	Hours spent on education and training	Provide environmental education sessions to all employees and suppliers	61
5.1.7	Opinions and complains	Number of opinions and complaints which were delivered and processed by Environmental Dispute Resolution Commission in 2011 is 5 cases	76
5.1.8	Compliance with legal requirements related to managing construction sites	Number of environmental accidents which were subject to administrative actions in 2011 is 9 cases	76
5.1.9	Compliance with legal requirements related to supplying products	Data is included in total number of environmental disputes and accidents	76
5.1.10	Disclose green management performance	Yearly publication	2
5.1.11	Investment on green process	Not applicable	-
5.2 Mandatory operation performance indicators (OPI)			
5.2.1	Energy use	3,861TJ in 2011 (including overseas sites)	111
5.2.2	Direct GHG emissions	52,862tCO ₂ -e in 2011 (including overseas sites)	111
5.2.3	Indirect GHG emissions	83,257tCO ₂ -e in 2011 (including overseas sites)	111
5.2.4	Water use	1,892,825m ³ in 2011	111
5.2.5	Resource consumption	Resource consumption improvement rate by sales in 2011 : 24.54% (ready-mix concrete, aggregate, and sand), -1.27% (cement, asphalt concrete, and reinforcement bar)	-
5.2.6	Waste generated	347,277ton in 2011	111
5.2.7	Waste recycling rate	90% on average	-
5.2.8	Air emissions	Implement activities to reduce fugitive dust	74
5.2.9	Wastewater discharged	Manage wastewater and implement activities to prevent a negative impact on water quality	74
5.2.10	Hazardous chemical substance use	Manage waste asbestos and utilize the Asbestos Abatement Manual	78

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Membership

Division	Association
Plant	Construction Industry Institute, Korea Plant Industries Association, Korea-Qatar Friendship Association, The Korea International Trade Association, International Contractors Association of Korea, Korea-Egypt Economic Cooperation Committee, Korea-Oman Friendship Association, Korea Price Data System, AACE International, The Gasification Technologies Council, International Register of Certified Auditors, Korea Gas Union
Power Plant & Environment	Korean Society of Water and Wastewater, Korean Society of Environmental Engineers, The Membrane Society of Korea, Korean Society on Water Quality, Korean Society of Water Science and Technology, The Korean Society of Combustion, Korean Society of Thermal Environmental Engineers, Korean Organic Resource Recycling Association, Korean Society of Waste Management, Korean Fluid Machinery Association, Society of Odor Research and Engineering, Korea Associate Council of Incineration Technology, The Korean Institute of Electrical and Electronic Material Engineers, Korea Association of Waste to Energy Technology, Korea Water and Wastewater Works Association, Korean Institute of Chemical Engineers, Korean Society of Atmospheric Environment, Korean Society of Soil and Groundwater Environment, YU Environmental Research Institute, Automated Waste Collection Technology Association, The Korean Institute of Power Electronics, Korea Electric Association, Korea Institute of Project Management Technology, Korea and Energy Industry Association, Korea Atomic Industrial Forum, Korean Nuclear Society, Korea Institute of Nuclear Safety
Civil Engineering	Korean Society of Transportation, Korean Society of Civil Engineers, Korean Society for Rock Mechanics, Korean Geotechnical Society, Korean Railway Construction Engineering Association, The Korean Society for Railway, The Korea Railway Association, Korea Port & Harbour Association, Korean Society of Coastal and Ocean Engineers, Korean Society of Hazard Mitigation, Korean Tunneling and Underground Space Association, Intelligent Transport Society of Korea, Korean National Committee on Large Dams, Korea Water Resources Association, Korean National Committee on Irrigation and Drainage, Chuncheon Global Water Forum, The Korean Society of Agricultural Engineers, Korea Road & Transportation Association, Korean Society of Road Engineers, Korea Disaster Prevention Association, Korean Society for Advanced Composite Structures, Korean Wetlands Society, Computational Structural Engineering Institute of Korea, Korea New Transit Association, Korean Society of Steel Construction
Housing	Korea Housing Association, The Korea Home Network Industry Association, Korea Ubiquitous Association, American Society of Landscape Architects, Korea Remodeling Association, Korea Marketing Association, Korean Society of Consumer Studies, The Organization of Consumer Affairs Professionals in Business
Construction	The Korean Institute of Electrical Engineers, Architectural Institute of Korea, The Korean Institute of Electrical and Electronic Material Engineers, Korea Information and Communications Society, The Korean Institute of Illuminating and Electrical Installation Engineers, Korea Railway Electrification Technical Association, Association of Korea Railway Signal Engineering, Korea Institute of Construction Engineering and Management, The Korea Institute of Building Construction, K-Housing Association, The Society of Air-Conditioning and Refrigerating Engineers of Korea, Korea Green Building Council, Korean Association of Air Conditioning Refrigerating and Sanitary Engineers, Korea Society of Geothermal Energy Engineers, Korea Solar Energy Society, Korea Council of Tall Building and Urban Habitat, Korea Air Cleaning Association, Korea Institute of Architectural Sustainable Environment and Building Systems, Korean Association for Energy Service Companies (ESCOs), Korea Construction Value Engineering Research Institute, Korea Association for Eco-environmental Greenspace on Artificial Ground, Korea Institute of Rural Architecture, The Society of Living Environment System, Korea, The Korean Society of Disaster Information, Korea Institute for Structural Maintenance Inspection
Technology	Korea Engineering & Consulting Association, Korea Industrial Technology Association, The Korea Construction New-Technology Association, buildingSMART Korea, Korea Green Business Association, Korean Geo-environmental Society, Korean Society of Hazard Mitigation, Architectural Institute of Korea, The Korean Society for Noise and Vibration Engineering, Korea Concrete Institute, Korean Society of Road Engineers, Earthquake Engineering Society of Korea, DEMS
Management	Korea Business Council for Sustainable Development, Korea Federation of Construction Contractors, The Korea Employers Federation, Korea Chamber of Commerce and Industry, The Federation of Korean Industries, Korea IR Service, American Bar Association, Fair Competition Federation, KOSHA 18001 Society, Construction Safety Manager Committee, Construction Safety Manager Association, Korea Society for Construction Quality, Korea Construction Quality Association, The Society for Environmental Construction, Construction Association of Korea, Korea Construction Engineers Association, Korea Specialty Contractors Association, Korea New & Renewable Energy Association, Korea Fire Construction Association, Korea Facilities Maintenance Association, Korea Mechanical Construction Contractors Association, Korea Electrical Contractors Association, Korea Information Communication Contractors Association, Korea Organization Management Development Association

Awards

2011	Description	Date
Economic	Four International Awards at 2012 iF Product Design Awards in Germany	2011. 10. 31
	Xi App Named in Three Categories at 2011 International Business Awards	2011. 10. 12
	Excellence Prize in the Plant Category at 2011 Overseas Construction Award	2011. 03. 23
	Xi Receives Grand Prize for Six Consecutive Years at 2011 First Brand Award	2011. 01. 25
Environ- ment	Housing Culture Award in the Brand Sector in the First Half of the Year	2011. 11. 29
	Ilсан Xi Wins President's Award at 2011 International Federation of Landscape Architects	2011. 10. 07
	Grand Prize for two consecutive years in the Green Management Category at 2011 Global Standard Management Awards	2011. 01. 20
Social	The Best for First-time Reports at 2011 KSA Readers' Choice Awards	2011. 10. 06
	"Most Trusted Company" Designation at 2011 Korea's Most Admired Business People & Most Respected Companies for Three Consecutive Years	2011. 09. 20
	Korea Excellent Co-Existence Award at the Korea Co-Existence Conference	2011. 07. 04
	1st Korea Builder's Ethical Management Grand Prize	2011. 06. 22
	President Huh Honored in Win-win Management Category at 2011 Forbes Korea CEO Awards	2011. 04. 26
2010	Description	Date
Economic	Hangang Bamseom Xi Receives Excellence Prize at the 6th Korea Civil Engineering & Construction Technology Award	2010. 11. 23
	Grand Prize in the Plant category at 2010 Asia Construction Award 2010	2010. 09. 30
	Grand Prize at Money Today 2010 Korea Apartment Brand Award	2010. 08. 23
	Xi Receives Grand Prize in the High-class Apartment Category at 2010 Korea Prestigious Brand Award	2010. 05. 12
	Excellence Prize in the Plant category at 2010 Overseas Construction Award	2010. 03. 23
	Xi Receives Grand Prize for Five Consecutive Years at 2010 First Brand Award	2010. 02. 09
Environ- mental	Ilсан Xi Receives Excellence Prize at the 1st Green Space Award	2010. 12. 23
	Minister of Land, Transport and Maritime Award at 2010 Green Housing Award	2010. 11. 19
	Ilсан Xi Receives Minister of Knowledge Economy Award (Grand Prize) in the Outside Color Design at 2010 Korea Color Award	2010. 11. 06
	Ilсан Xi Wins the Joint Housing Category at the 2nd Asia Today Green Construction Award	2010. 10. 27
	Ilсан Xi Receives Grand Prize at 2010 Green Construction Industry Award	2010. 09. 01
	Hangang Bamseom Xi Wins the Environmental Friendliness Category at 2010 (second-half) Housing Culture Award	2010. 07. 01
Social	Grand Prize in the Socially Responsible Management Category at 2010 Management Awards of the Principle of Consumer Interests First	2010. 12. 22
	Ilсан Xi Receives Grand Prize in the Customer Satisfaction Category at 2010 (second-half) Hankyung Housing Culture Award	2010. 12. 01
	Grand Prize in the Social Contribution Category at 2010 Forbes Social Contribution Award	2010. 11. 02
	"Most Trusted Company" Designation at 2010 Korea's Most Admired Business People & Most Respected Companies for Two Consecutive Years	2010. 09. 15
	Xi Receives Minister of Land, Transport and Maritime Award at 2010 Korea Housing Service Award	2010. 05. 25
2009	Description	Date
Economic	Times Square General Contractor Prize at 5th Korea Civil Engineering & Architectural Awards	2009. 12. 22
	Grand Prize in the Brand Category at 2009 Well-being Apartment Award	2009. 11. 17
	Boutique Monaco Receives Grand Prize in the Private Sector category at 2009 Korea Construction Culture Award	2009. 10. 05
	President's Prize for Banpo Xi at 13th Excellent Apartment Awards	2009. 07. 20
	Gold Prize in the Technological Innovation Category at the 4th Construction Company Creativity & Innovation Best Case Competition	2009. 05. 27
Environ- mental	Poil Xi Receives Grand Prize in the Beautiful Scenery Category at 2009 Green Housing Award	2009. 11. 17
	Grand Prize in the Environmentally Friendly Plant Category at 2009 Korea Eco-friendliness Award	2009. 11. 05
	Excellence & Good Prize at the 5th Construction Environmental Management Best Case Competition	2009. 09. 11
Social	Grand Prize in the Overseas Construction Category at 2009 Hankyung Housing Culture Award	2009. 12. 02
	Grand Prize for Customer Satisfaction Management at Global Management Awards	2009. 11. 26
	Grand Prize in CSR Category at 1st Aisa Today Green Constuction Awards	2009. 11. 12

Scan the QR code to move to the GS E&C sustainability website.



We create green world with smart technologies.

This report is written based on the three core values of Great Challenge, a mindset that they have to achieve their goals, Great Innovation, an attitude that employees of GS E&C responds to the environment, and Great Partnership, their way of communicating with others.

GS E&C aims to completely internalize sustainability management by integrating its core values, which are foundations of any organization's strategies, and sustainability management practices.



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