



Fly High Korea

Social Responsibility Report 2018
Korea Airports Corporation



About This Report

This report is the 10th social responsibility report published by Korea Airports Corporation (hereafter referred to as 'KAC'). In this report, our sustainability management performances are disclosed in a transparent manner to share our future business directions with stakeholders.

Reporting Period

This report covers the KAC’s performances from January 1 to December 31, 2017. For specific contents, the data up to June 2018 is included. 3 years of data results (from January 2015 to December 2017) have been utilized to allow changes in trends to be effectively compared.

Reporting Scope and Boundary

The scope of reporting covers corporate social responsibility (hereafter referred to as 'CSR') activities of 16 locations nationwide, including the head office and regional branches, in accordance with the GRI guidelines for reporting scope and boundary.

Reporting and Assurance Standards

This report has been prepared in accordance with the Core Options of the Global Reporting Initiative (GRI) Standards 100 through 400. Materiality test was carried out to select material topics, which have been specifically addressed in four sections in alignment with four sustainability management strategies. In order to enhance the reliability and quality of the report, an external assurance by a third party was conducted, and the results are presented in the Independent Assurance Statement.

Website www.airport.co.kr
Address 78 Haneul-gil, Gangseo-gu, Seoul, Korea
E-mail sustainability@airport.co.kr
Phone +82-2-2660-2651
Fax +82-2-2660-2820
Department Job Creation Team, CSR Management Department, KAC



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Cover Story

With the publication of the 10th sustainability report, KAC is retracing the steps it has made to promote sustainability management and renewing its commitment for a better future, which has been described through a child looking out the window.

CEO Message

“ Korea Airports Corporation (KAC) will emerge as a global airport operator that leads the development of aviation industry and make a better future for all. ”



Dear Stakeholders,
KAC was first launched as the nation’s first airport operator in 1980. We have since then maintained a sustained growth for 38 years by efficiently constructing and operating 14 airports across the nation and providing seamless air services. We have endeavored to contribute to the development of the national economy, deliver services that meet the expectations of stakeholders, and realize public value. As a result, we have been operating in the black for 14 consecutive years and achieving the highest rating in Public Institution Customer Satisfaction Evaluation, the highest score in International Airport Operational Efficiency Assessment for 2 straight years, and the first place in USOAP-CMA. Particularly, our efforts to actively fulfill social responsibility as a public enterprise and create social value came to fruition, including the ‘Social Responsibility for Diversity’ award at the UNGC Value Awards, the highest rating in the KoBEX_SM for 8 consecutive years, and ‘Best Workplaces in Asia’ for 4 years in a row.

Beyond the existing CSR management, we now need to create more practical and universal value that reflects the needs and opinions of stakeholders. In this regard, all our employees worked together in establishing new CSR plans. Based on this, we will take the lead in achieving social value, contribute to community development, and live up to the expectations of the people as follows.

KAC will develop into a trustworthy public enterprise.
Our employees consider transparent management and respect for human rights as the fundamental and mission of a public enterprise that the people can trust. Thanks to our efforts to establish and internalize ethics management system, we reached not only the goal of zero corruption but also the first place in Public Enterprise Group I in the Anti-Corruption & Civil Rights Commission (ACRC) Integrity Assessment last year. Moreover, we have been implementing people-oriented management by establishing standards for activities to protect and promote the human rights of stakeholders. In particular, KAC has made a remarkable achievement for the job security of non-regular workers by successfully drawing an agreement from labor, management, and government on the method and procedure of temp-to-perm transition for the first time among large SOC public enterprises. In addition, KAC is committed to building a healthy workplace where employees can work with self-esteem and treat their colleagues with respect by promoting family-friendly programs, open recruiting, and active communication based on ethics management.

KAC will ensure complete safety at airports.
The growing terror threat and natural disasters across the globe have drawn more attention to safety. In this regard, KAC strives to ensure complete safety for airport users at all times. Based on our heightened awareness of safety and security, we have introduced more advanced safety technology and equipment with proactive management, and along with the establishment of this Smart Security system, our ability to respond to cyber threats and various risks has been improved through simulation exercises. Furthermore, we have promoted green management by building green infrastructure at 14 airports nationwide as part of our climate change adaption measures and exceeding the GHG reduction targets for 7 consecutive years. We will continue to put customer safety first through prevention efforts and create eco-friendly airports.

KAC will increase customer satisfaction.
KAC aims at building an ‘airport that provides convenient and high-quality services and new values for all users’. Along with increasing air-traffic demand and customer expectations and also diversifying needs, our communication channels have been expanded to promote customer engagement. Meanwhile, the quality of our facilities and services have been improved thanks to the utilization of big data accumulated for the past 38 years. As part of the effort to realize ‘Barrier-Free Airport’, KAC has cooperated with social enterprises to provide proper means of transportation for the transportation vulnerable, leading to the creation of a number of jobs. Furthermore, our mid to long-term master plan for advanced technology-based smart airport has been promoted to offer faster and more convenient airport services. In the years to come, we will make our utmost effort to provide better services and values for more stakeholders.

KAC will promote shared growth and value.
KAC has been engaged in active communication with local communities where its employees, subsidiaries, partners, customers, and 14 airports nationwide are located and also a variety of activities for mutual growth with them. Apart from CSR activities including support for multi-cultural families and Porty Yellow Carpet for children safety, we have fulfilled our social responsibility and created jobs by establishing a scholarship foundation to prepare for the growing domestic demand for pilots and expand job opportunities for low-incomers. Also, in the wave of the 4th industrial revolution, we are transferring technologies to and sharing benefits with SMEs in terms of entering new market as a joint expansion to support their growth and discover future growth engines. Particularly, the successful development of Tactical Air Navigation (TACAN) system has enabled us to enter defense industry and gain opportunities for overseas business. In addition, KAC has been a true partner in coping with a number of uncertainties at home and abroad. In the coming years, KAC will prepare for the soaring demand for air transportation services through improvement of facilities, expansion of infrastructure, and construction of new airports, and also provide universal air transportation services



across the country. We will strive to create value through shared growth by enhancing sustainability in local communities and supply chains and contributing to the balanced regional development.

This is our 10th social responsibility report. We have built a close relationship with our stakeholders by transparently disclosing information and examining our CSR efforts every year. Particularly, this year marks the 60th anniversary of opening of Gimpo International Airport. Against this backdrop, we suggested strategic directions for the realization of social value in this report. In the years to come, we will make our best effort to contribute to community development through the creation of social value and to achieve sustained mutual growth with local communities as a member.

I ask for your continued support and encouragement.
Thank you.


Kim Myung-woon
Acting President & CEO
Korea Airports Corporation

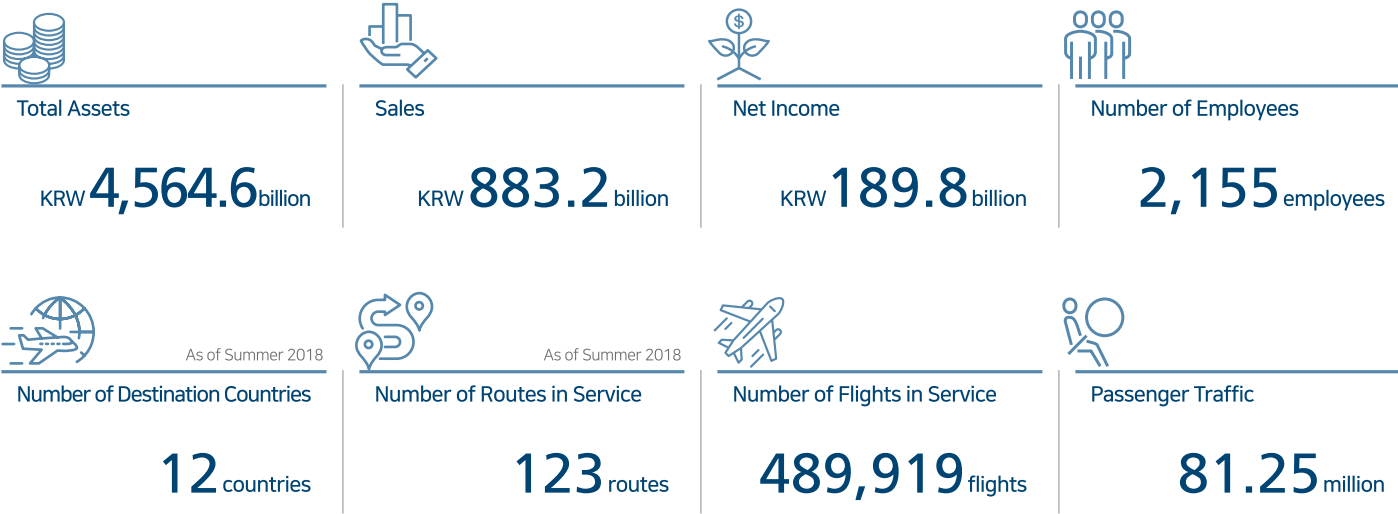
A handwritten signature in black ink, which appears to read 'Kim Myung-woon', is placed next to the printed name and title of the CEO.

KAC Overview

Launched as an international airport management corporation in 1980, KAC has served as a specialized public airport operator by constructing, managing and operating 14 airports nationwide, and nurturing and supporting the aviation industry. In this way, we are providing seamless air transportation services and contributing to the national economic development and public welfare.

As of December 2017

	Name of Organization	Korea Airports Corporation
	Basis of Establishment	Korea Airports Corporation Act
	Date of Establishment	May 30, 1980
	Head Office	78 Haneul-gil, Gangseo-gu, Seoul, Korea
	Homepage	www.airport.co.kr



History of KAC

1980 – 1989

- 1980

Founded as International Airport Authority
Acquired the right to operate Gimpo International Airport
- 1983

Acquired the right to operate Gimhae International Airport
- 1984

Opened the Civil Aviation Training Center
- 1985

Acquired the right to operate Jeju International Airport
- 1986

Sponsoring the 1986 Asian Games in Seoul
- 1988

Sponsoring the 1988 Summer Olympics in Seoul
- 1989

Installing soundproof walls in the apron of Gimpo International Airport

1990 – 1999

- 1990

Renamed as the Korean International Airport Authority
Acquired the right to operate nine domestic airports including Daegu Airport
- 1992

Acquired the right to operate Mokpo Airport and Gunsan Airport
- 1994

Established Air Route Traffic Facility Center
- 1997

Acquired the right to operate Cheongju International Airport and Wonju Airport
- 1999

Acquired the right to operate eight VOR/TACs
- 1991

Collecting aircraft noise charges
- 1996

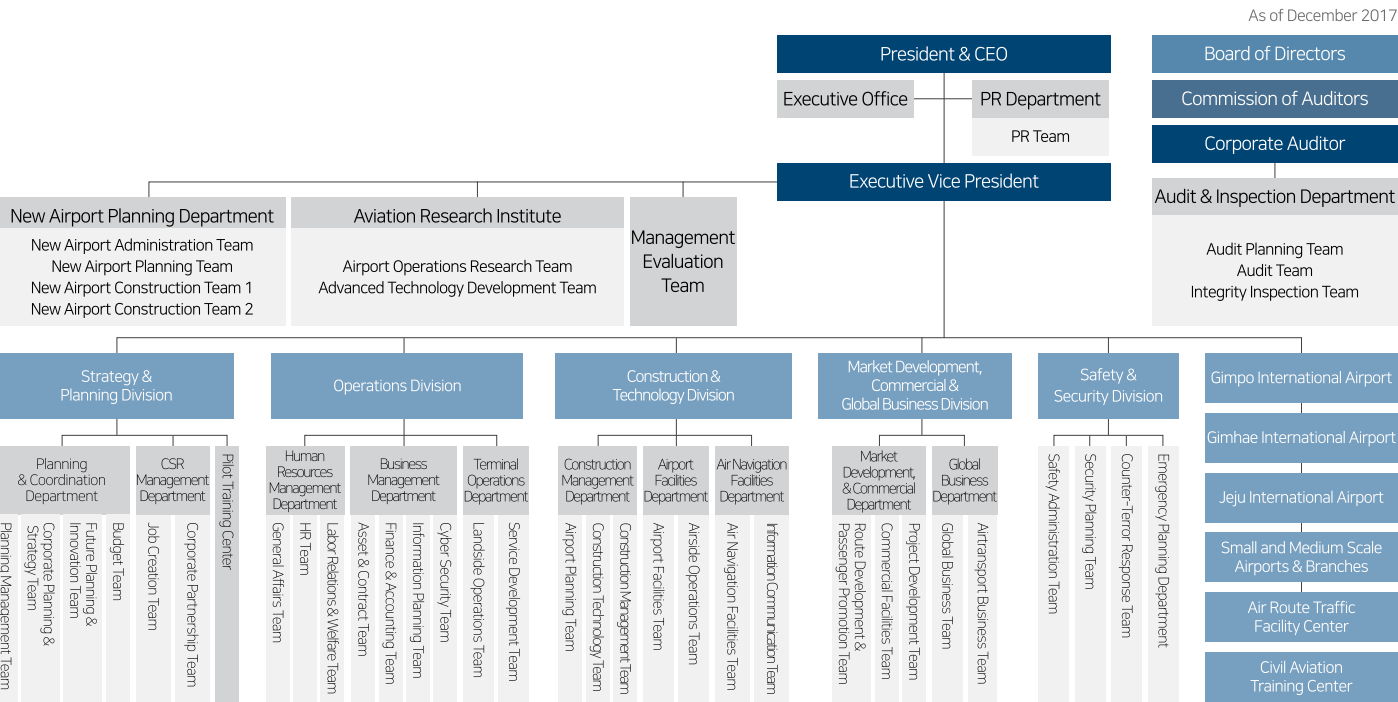
Opening a subway line that connects Gimpo International Airport to the city center

Overview

KAC Overview

Organizational Structure

KAC has restructured its organization to prepare for the future in the rapidly changing business environment and promote government projects in advance. To be specific, new airport division, aeronautical laboratory, and pilot training center were expanded to meet the increasing demand for air services and contribute to the development of aviation industry. Also, 'CSR Management Department' was newly formed under the control of Strategic Planning Division to manage job creation, mutual growth, and social contribution and to create social value in a systematic way.



2000 – 2009

- 2001

Transferred international flights at Gimpo Airport to Incheon International Airport
- 2002

Established as Korea Airports Corporation
Acquired the right to operate Yangyang International Airport
- 2003

Introduced direct Seoul (Gimpo)-Haneda route
- 2007

Acquired the right to operate Muam International Airport
- 2008

Expanded its business (production and sales of research and development equipment/overseas airport business)
- 2000

Obtaining ISO14001 certification
- 2002

Promoting Sky City Project
Sponsoring the 2002 FIFA World Cup Korea/Japan
- 2003

Operating Navigation Safety Facility Situation Room
- 2004

Establishing the charter of ethics, code of ethics, and employee code of conduct
- 2005

Forming Ethics Management Committee and declaring ethics management
- 2006

Organizing volunteer groups for social contribution
Introducing Job Integrity Agreement with Executives
- 2007

Joining the UN Global Compact
- 2009

Publishing sustainability reports

2010 – 2018

- 2010

Acquired the right to operate Ulsan Civil Aviation Training Center
- 2011

Opened the Aviation Security Training Center certified by International Civil Aviation Organization (ICAO)
- 2014

Expanded its business (nurturing aviation talents/aircraft handling and maintenance)
- 2016

Expanded business scope (aircraft handling and maintenance, training aviation professionals)
Opened Seoul Gimpo Business Aviation Center
- 2017

Establishment of Aviation Training Center
- 2010

Issuing carbon footprint reports
Changing Ethics Management Committee into Corporate Social Responsibility Committee
- 2012

Expanding fair trade agreements
- 2013

Acquiring certificate of family-friendly company
- 2015

Introducing Porty care service
- 2017

Launching Social Contribution Innovation Center
Establishing a subsidiary, KAC Airport Service Inc.
- 2018

Sponsoring the PyeongChang 2018 Olympic Winter Games in airport service sector
Establishing the KAC Charter of Human Rights and Guidelines
Holding a ceremony to proclaim human rights management

KAC Overview

Value Creation through Major Businesses

KAC has been engaged in construction, management, and operation of airports; manufacturing and sales of R&D equipment; overseas businesses; noise control projects; and resident support projects. Also, along with changes in the aviation industry, our business scope has been expanded to include aviation personnel training and aircraft handling and maintenance. Based on the identification of influence of our business activities on customers, partners, and local communities, we are creating social and environmental value as well as economic value.

INPUTS

VALUE ADDED ACTIVITIES

OUTCOMES



Financial Capital

Total Assets	KRW 4,564.6 billion
Capital Stock	KRW 2,357.8 billion



Manufactured Capital

Number of Airports	14 airports
Flights in Service	489,919 flights
Number of Routes in Service (summer 2018)	123 routes



Intellectual Capital

R&D Investment	KRW 910 million
Utilization of Patent	54.9 %



Natural Capital

Green Product Purchasing	KRW 5,125 million
Energy Use	1,598 TJ
Water Use (10,000 tons)	136 ton



Human Capital

Number of Employees	2,155 employees
Cost of Training per Employee	KRW 1.76 million



Social Capital

Cost of Social Contribution	KRW 3,197 million
Supporting Partners (purchasing products from SMEs)	KRW 481.9 billion
Efforts for Customer Satisfaction	Operating CS innovation group

VISION 2025

Connecting the World, Inspiring the Future



Managing and operating airport facilities



Building, expanding, and improving airport facilities



Conducting research and study on aviation business



Developing aviation technology and producing, selling and exporting equipment



Implementing and investing in overseas airport projects



Promoting airport noise control projects and resident support projects



Developing areas surrounding airports



Providing training to nurture aviation personnel and establishing and operating training facilities



Engaging in aircraft handling and maintenance business

SOCIAL VALUE

Contribute to Community Development through Creation of Social Value



Economic Value

Sales	KRW 883.2 billion
Net Income	KRW 189.8 billion
Passenger Traffic	81.25 million
Cargo Traffic (1,000 tons)	810 tons



Environmental Value

Exceeding Greenhouse Gas Emission Reduction Target	5,908 tCO ₂ e
Number of Participated Companies in Airport Carbon Point System	368 companies
Greenhouse Gas Reduction	658 tCO ₂ e
Rate of Water Recycle	14.7 %



Social Value

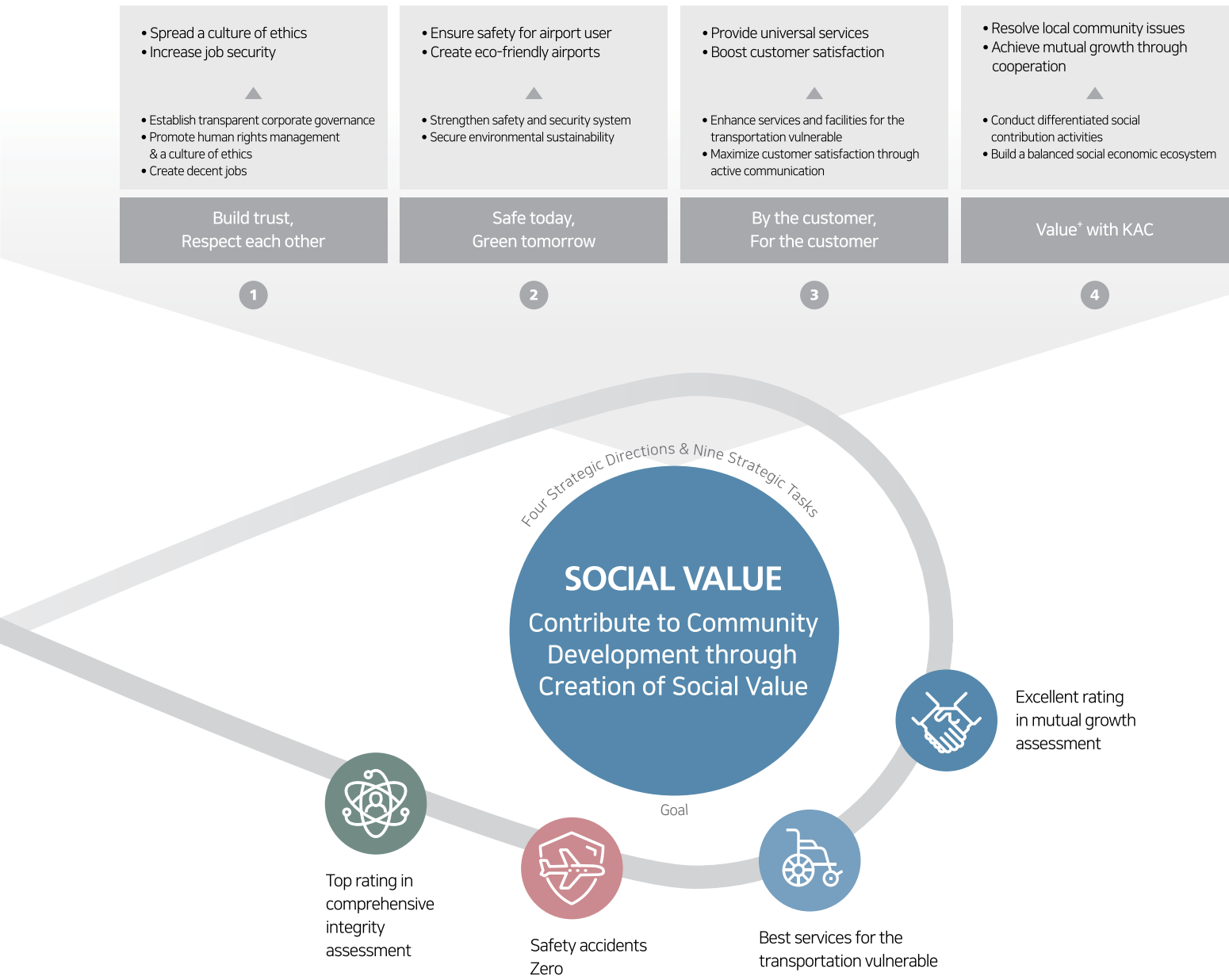
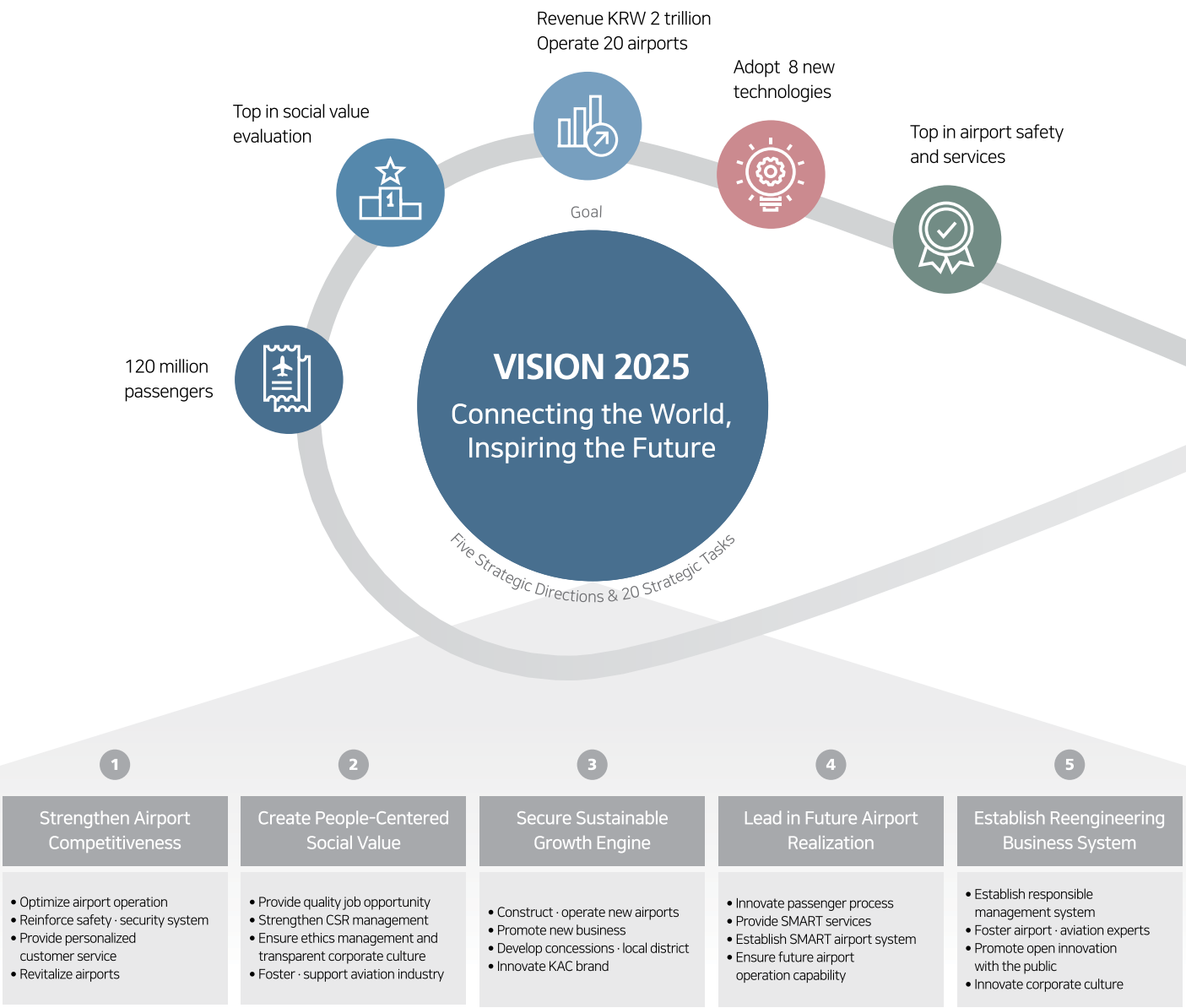
Job Creation through KAC PORTY Care Service	22 jobs
Integrity Assessment by the Anti-corruption and Civil Rights Commission (ACRC)	2 rating
Safety and Security Accident	Zero
Training Hours per Employees	139.4 hours
Public-service Customer Satisfaction Index (PCSI)	S rating

06

07

Strategy for Creation of Social Value

While operating 14 airports for the last 38 years, KAC has strived to make not only profits but also public contributions. For the continuous creation of social value through business activities, our long-term management plans are closely aligned with CSR plans to contribute to community development, which allows us to take one step closer to the vision 'Airport Group Leading the Future with New Customer Value'.

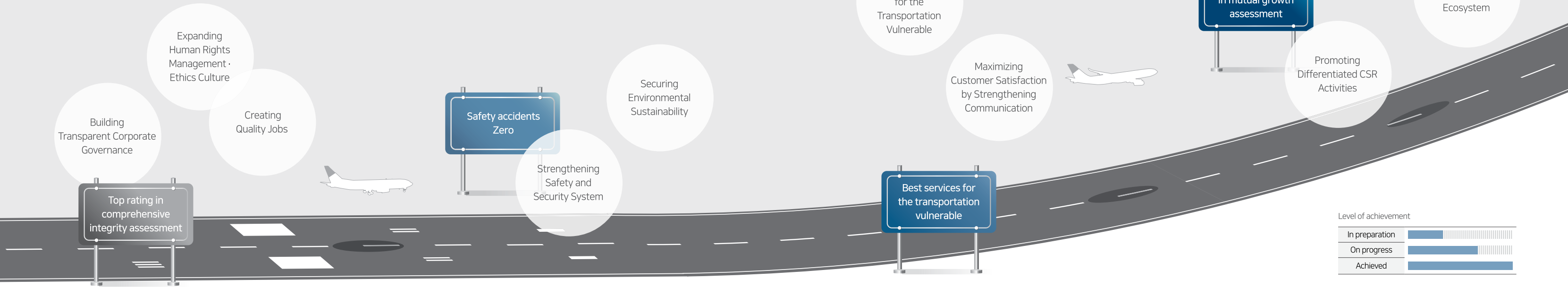


KAC has established CSR goals, strategic directions and tasks to contribute to the development of local communities through the creation of social value. As a reliable airport operator, we will strive for mutual growth with local communities by providing safe and clean airports and considerate services.

Strategy for Creation of Social Value

Roadmap for Creation of Social Value

KAC has set specific goals in accordance with its CSR management plans and managed the status of implementation. We have also built a roadmap for more systematic achievement of goals in four strategic directions.



Overview

Strategy for Creation of Social Value

Build trust, Respect each other

► Spread a culture of ethics

► Increase job security

Building Transparent Corporate Governance

	Goal	Level of Achievement
Introducing employee-turned-directors in the BOD	More than one director	<div><div></div><div></div></div>
Ratio of female director in the BOD (%)	OECD average	<div><div></div><div></div></div>
Operating Open Innovation Committee	More than once a year	<div><div></div><div></div></div>

Expanding Human Rights Management · Ethics Culture

Integrity assessment (rating)	1	<div><div></div><div></div></div>
Research on human rights condition	More than once a year	<div><div></div><div></div></div>
Human rights impact evaluation	More than once a year	<div><div></div><div></div></div>

Creating of Quality Jobs

Conversion rate of non-regular workers to regular status (%)	100	<div><div></div><div></div></div>
Job creation in private sector (10,000)	9.7	<div><div></div><div></div></div>
Rate of flexible workers (%)	10	<div><div></div><div></div></div>

Link to UN SDGs

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Safe today, Green tomorrow

► Ensure safety for airport users

► Create eco-friendly airports

Strengthening Safety and Security System

	Goal	Level of Achievement
ICAO Universal Safety Oversight Audit Programme (rank)	1	<div><div></div><div></div></div>
Establishing management system for air navigation facilities (%)	100	<div><div></div><div></div></div>
Information security condition evaluation (rating)	Excellent	<div><div></div><div></div></div>
Personal information leakage (case)	0	<div><div></div><div></div></div>
Safety related accident (case)	0	<div><div></div><div></div></div>
Cyber violation (case)	0	<div><div></div><div></div></div>

Securing Environmental Sustainability

GHG target management system in the public sector	Achieved	<div><div></div><div></div></div>
Emissions allowances	Complying with government standard	<div><div></div><div></div></div>
Water quality management	Complying with environmental standard	<div><div></div><div></div></div>
Air condition management	Complying with environmental standard	<div><div></div><div></div></div>
Indoor air condition management	Complying with environmental standard	<div><div></div><div></div></div>

Link to UN SDGs

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By the customer, For the customer

► Provide universal services

► Boost customer satisfaction

Advanced Service and Facility for the transportation vulnerable

	Goal	Level of Achievement
Installation rate of mobility support facility in airport (%)	Satisfying governmental target	<div><div></div><div></div></div>
Maternity protection support rate (%)	100	<div><div></div><div></div></div>
Porty care service operation	Activation	<div><div></div><div></div></div>
Satisfaction level of Porty care service (rating)	Excellent	<div><div></div><div></div></div>

Maximizing Customer Satisfaction by Strengthening Communication

Public service customer satisfaction index (rating)	S	<div><div></div><div></div></div>
Improvement in customer satisfaction (point, PCSI+ VOC handling rate)	98	<div><div></div><div></div></div>
Average handling time for civil affairs (day)	2	<div><div></div><div></div></div>

Link to UN SDGs

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Value* with KAC

► Resolve local community issues

► Achieve mutual growth through cooperation

Promoting Differentiated CSR activities

	Goal	Level of Achievement
Ratio of CSR cost to sales (%)	0.4	<div><div></div><div></div></div>
Average hour of voluntary activity (hour)	15	<div><div></div><div></div></div>
Noise control activity (KRW 100 million)	400	<div><div></div><div></div></div>
Establishment of Haneulnuri public utility foundation (tentatively named)	Established	<div><div></div><div></div></div>

Building a Balanced Social Economic Ecosystem

Mutual growth assessment for public organization (rating)	Excellent	<div><div></div><div></div></div>
Benefit sharing system (%)	100	<div><div></div><div></div></div>
Rate of Purchase from SMEs (%)	Satisfying governmental target	<div><div></div><div></div></div>
Rate of purchase related to social value creation (%)	Satisfying governmental target	<div><div></div><div></div></div>

Link to UN SDGs

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Stakeholder Engagement

Various Opinions from Stakeholders

KAC listens to the voices of stakeholders through various communication channels. These interviews were planned to deliver the message of major stakeholders through our report. Some excerpts are included below and will be reflected in our business activities.

Working for KAC for the past 11 years, I have noticed that it has constantly strived for the realization of social value. The Vision 2025 was recently announced to present specific goals, such as creation of quality jobs and promotion of ethics management and a culture of integrity, and also to enhance the quality of life of employees. A variety of activities to improve organizational culture, including Leave Work on Time Day, Family Day, and better staff dinner and meeting culture, are helping us to strike a balance between work and life.



Koo Bon-jin
Manager, Corporate Planning & Strategy Team, KAC

Starting my career as a screener at Gimpo International Airport in 2003, I have been responsible for airport security over the past 16 years. Security screening is a hard job, but I am getting a lot of benefits while working with KAC. Recently, a childcare facility was opened for working parents in the office building, and also a rest center was established to increase the quality of employee's life. In addition, a training session was held for screeners to improve their executive ability. I hope to see more programs in the near future to promote the welfare and growth of employees of partners.



Kim Hyo-chul
Deputy Senior Manager, SEOUN STS

I often go traveling with my children. We arrived at every destination feeling excited, but actually, the journey was always long and tough. However, this trip, which started from Gimpo International Airport, was really fun and comfortable. On that day, we used Porty care service, taking our luggage onto the electric cart, and moving from the subway station to the check-in counter in a convenient way. Also, the airport was fully renovated and it was easy to find a kids lounge. I look forward to using more enhanced facilities and services at airports so that I can have more pleasant memories.



Park Chan-yoo
Customer

Gangwon Provincial Office is striving to increase convenience for local residents and tourists using air transportation services. In preparation for the Pyeongchang Winter Olympics, Yangyang International Airport, a main transportation facility in Gangwon Province, has expanded its runway and taxiway for the takeoff and landing of large airplanes, and also opened overseas routes to Taiwan, Russia, the Philippines, and Vietnam. I hope that the expansion of Yangyang International Airport will contribute to revitalizing the local tourism and economy.



Choi Eun-seok
Officer, Gangwon Provincial Office

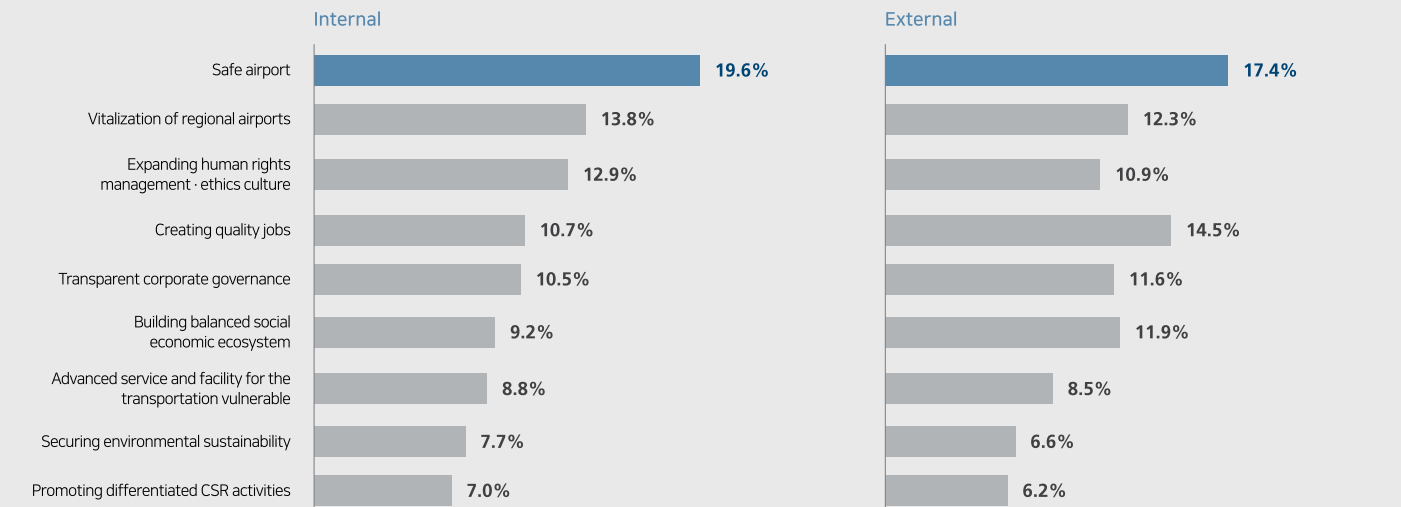
Big Data Analysis through Social Responsibility Report

KAC has conducted a stakeholder survey every year to identify their issues and priorities. Based on this, we check the status of our CSR management and discover improvement tasks to reflect them in social responsibility reports and business activities.

	2013	2014	2015	2016	2017
Top 5 Issues of stakeholders	<ul style="list-style-type: none">Enhancing financial stability and ProfitabilityIncreasing demands for airport services and promoting regional airportsExtending overseas business presencesTapping into new growth engines and reinforcing R&D functionsManaging aviation safety and security	<ul style="list-style-type: none">Future business & R&DEntrance into overseas marketsDemand for airport services and vitalization of regional airportsFacilities for safe flightsAviation security management	<ul style="list-style-type: none">Increase of airport service demand and vitalization of regional airportsEntrance into overseas markets by enhancing global CompetitivenessManagement of technologies and facilities for safe flightsImplementation of distinctive social contribution activitiesEfforts for responding to climate change	<ul style="list-style-type: none">Make efforts to improve customer satisfactionStrengthen capabilities to respond to airport demand such as revitalizing regional airports and expanding airport infrastructureUpgrade talent cultivation systemIncrease activities for anti-corruption of executives and employeesFoster GWP (Great Work Place) culture	<ul style="list-style-type: none">Technology and facility management for safe flight operationRegional airport revitalizationInfrastructure reinforcement for future demandService quality enhancementEstablishment of GWP and corporate culture
Reflecting Stakeholders' Opinions	Focus on reporting overseas business which is closely related with sustainable growth	Report and manage external and internal impacts of issues	Report the best practice of material issue in special case section	Provide direction for material issues and collect opinions through stakeholder meeting	Focus on public interests related contribution of regional airports in depth

Prioritization of Social Value according to Stakeholders Opinion






KAC carried out an online survey of internal and external stakeholders to investigate on what social value they prioritize. The results were reported as material topics in the social responsibility report.



Stakeholder Engagement

Management with Reflection of Stakeholders Opinion

KAC defines major stakeholders who have direct and indirect influence on its business activities as employees, partners, customers, local communities, government and related organizations. Their opinions are collected through various communication channels for each group, reflected on management, and used as a foundation for our sustainable growth.

Key Stakeholders		Key Communication Channels	
	Employees <ul style="list-style-type: none">All executives and employees of KAC	<ul style="list-style-type: none">CEO PostboxMentoring by managementSKYNETGWP communication bulletin boardEmployee seminars/Proposals and contest	<ul style="list-style-type: none">Labor-management CouncilLabor-management Joint CommitteeWorking-level councilHot line between Labor and management representatives
	Partners <ul style="list-style-type: none">Outsourced companies for airport facility management and their employees (airport operation, facility management and security & emergency, etc.)Commercial facilitiesAirlinesOther partners and their employees (joint R&D, etc.)	<ul style="list-style-type: none">SKYONEPartner's DayCEO meetingsField representatives workshops	<ul style="list-style-type: none">Supervisor meetingsVOC Committee for resident customersAirlines Operation CouncilAirline CEO meetings
	Customers <ul style="list-style-type: none">International and domestic passengers	<ul style="list-style-type: none">Cyber portalKAC customer service centerCustomer surveysCustomer suggestionsNationwide idea contestsSinmungo (Ombudsman) for regulation improvement	
	Local communities <ul style="list-style-type: none">Local residentsAreas nearby airports (including noise-affected areas)NGOAcademic circles	<ul style="list-style-type: none">Seminars for residentsNoise Control CommitteeLocal resident meetingsSharing activities for disadvantaged groups in noise-affected areasResidents surveys	
	Government and related agencies <ul style="list-style-type: none">MinistriesThe National AssemblyLocal governments	<ul style="list-style-type: none">Aviation Industry Development CouncilBusiness reports and agreements on current issues with ministriesGovernment project implementationPolicy proposalsRegular meetingsDiscussion panels	

Requirement	Reflection on Business	Value Creation
Improving employee leave system	Encouraging employees to take annual leave by expanding parental leave benefits and introducing 2-hour leave	Pride and Harmony
Providing a pleasant work environment	Expanding non-monetary benefits	
Promoting innovative organizational culture	Reflecting the discovery of ideas for innovation and accomplishment of tasks for innovation in employee employee performance assessment Simplifying business systems (standardizedreporting, streamlined meetings, etc.)	
Increasing interest in educational investment	Promoting internal/external training by opening new training courses by position level and providing tuition reimbursement Increasing training budget per employee	
Creating quality jobs and promoting temp-to-perm transition	Converting non-regular workers into full-timers (588) at the end of 2017, and promoting communication for temp-to-perm transition	Creation of Level Playing Field
Raising concerns about reduction in airport users due to the issue of THAAD deployment	Sharing the burden of partners including commercial facilities, such as duty-free shops, by lowering rents and allowing a grace period for payment Planning joint promotion with domestic brands to attract passengers	
Providing more welfare benefits for partner employees	Expanding overseas training programs	
Intensifying efforts to increase the sales of duty-free shops	Conducting joint promotion with duty free shops	
Increasing the safety awareness of subcontractors/ daily employed workers and expanding monitoring	Building a culture of safety, such as inspection of industrial accident risks Tightening monitoring (monthly -> daily)	Provision of Fast and Convenient Service
Stepping up efforts to improve the labor conditions of resident partners	Providing a lounge for resident employees Improving the operation conditions at regional airports (expanding aprons and operation support facilities)	
Resolving payment issues at parking lots	Allowing payments with Kakao application and Hi-Pass	
Dealing with taxi touting and fare issues	Installing CCTVs, setting up a hot line for reporting illegal behavior, etc.	
Addressing valet parking issues	Promoting plans to designate official service providers, and executing joint control	Development of Communities
Increasing the role of KAC to boost passenger demand at regional airports	Introducing ramp bus to Daegu Airport through collaboration with airlines to deal with passengers without installing boarding bridges Securing slots for new comers by offering incentives to large aircrafts at Jeju Airport Exempting flights with new routes from paying facility charges for 3 years	
Reducing aircraft noise	Establishing plans to provide practical support for residents in noise affected areas	
Improving transportation infrastructure at regional airports	Developing plans to improve intermodal transportation system at Cheongju Airport	
Revitalizing regional economy	Jointly developing inland air travel products Creating jobs through invigoration of regional airports	Function of Public Benefit
Encouraging the growth and self-support of local communities, such as noise affected areas	Launching 'Let's play with Porty at night', a night care program for children in local communities	
Minimizing damage from the THADD issue	Establishing a cooperative system among MOLIT, local governments, and airlines and travel agencies	
Developing earthquake-resistant designs	Conducting seismic performance evaluation and seismic retrofit of buildings, such as terminal and control tower, according to importance	
Making continuous efforts for aviation security	Replacing decrepit equipment related to aviation security Preventing trespassing by tightening perimeter security	
Managing vulnerabilities to corruption	Internalizing ethics by promoting the 'Week of Integrity' and developing education content for employees Discovering vulnerabilities to corruption and strengthening control	

Stakeholder Engagement

Stakeholders Meeting

On August 7 in 2018, KAC held a meeting at the conference room in the headquarters with stakeholders who are concerned with material topics that were identified through materiality test. The stakeholder group included employees of partners on site, college students who are interested in job creation more than anyone else, and women as a majority to ensure diversity. At the meeting, various opinions were presented about the direction that KAC has to pursue in realizing social value and the results will be reflected in our future business activities.

2 Jho Kyoung-jae, Deputy Director
National Human Rights Commission of Korea

Human rights management was first recommended to public enterprises back in 2014 in the form of guidelines and checklists and has recently been reflected in management assessment. It is expected that the importance of human rights management will continuously grow at public institutions. Also, more attention needs to be paid to human rights management since the risks of human rights violations can result in economic loss as well as tarnished corporate image. In order for KAC to become a leading public enterprise, it needs to actively practice human rights management beyond legal standards. Furthermore, upon the occurrence of human rights-related risks, KAC needs to thoroughly check the fields that would be affected the most and make preparations in advance.

1 Song Gwan-cheol, Manager Ministry of SMEs and Startups

To promote sustainable growth, companies not only need to achieve excellent financial performance but also fulfill social responsibilities through support for their partners. The sustainable development of KAC is directly related to the innovation and growth of its partners. KAC has promoted mutual growth with them through a number of programs, such as discussion meetings, benefit sharing, and education and training. I think that KAC will be able to emerge as a leading public enterprise in promoting mutual growth by securing budget for win-win cooperation programs and conducting activities to share benefits and technologies.

6 Lee Jae-hyuck, Professor Korea University

In recent years, creation of social value has drawn much attention from many stakeholders, and thus become a common issue for all companies, including public enterprises, to deal with. In the case of public enterprises, as higher points are allocated to the evaluation of social value in management assessment, it is necessary for them to achieve social value apart from meeting the expectations of stakeholders. Since it is difficult for one organization to realize all social value, KAC must first choose the most important stakeholder group. I hope KAC to create a specific social value considering its business characteristics and purpose of establishment based on the identification of social value for the concerned group.

7 Choi Yeon-cheol, Professor Hanseo University

KAC must strive to ensure complete safety at airports. Although KAC has maintained a high level of safety in operating airports so far, it should bear in mind that just one accident can strike at the very foundation of the corporation. Also, the establishment of a leading safety culture is a significant social value that KAC must achieve. It should encourage airport users and the public to accept a little inconvenience caused by safety enhancement activities for ensuring safety at airports and contribute to building a society where safety culture is well-established.

3 Lee In-sook, Manager Customer Satisfaction Center

Through active communication with airport users, it was found that customers have increasing needs for convenient services at airports, which are currently being met by KAC. Since the introduction of biometric systems, customers have been allowed to move between Gimpo and Jeju international airports without their identification and spend less time on check-in thanks to the expansion of kiosk service. Moreover, Porty care service is provided for the transportation vulnerable as part of the effort to increase customer satisfaction. I expect more such services to be available soon, which will definitely boost customer satisfaction.

4 Yoon Hyeon-yeong, Student Myongji University

The increased minimum wage has put a heavy burden on companies and the self-employed, and the youth unemployment has remained stubbornly high. In this regard, I expect KAC to offer equal job opportunities for all and maintain and improve recruiting systems that ensure a level playing field, such as blind recruitment.

5 Oh Si-yeon, Student University of Seoul

In recent days, college students want to work for companies with sustainability. From an economic perspective, KAC is the most representative public enterprise in the growing aviation industry, and thus expected to achieve a steady growth in the coming years. I hope that KAC will grow into a sustainable public corporation, and provide quality jobs by identifying employment trends, such as 'small but definite happiness' and 'work-life balance'.

9 Jeong Seon-hee, Specialized Researcher Korea Environment Institute

KAC has been responding to climate change based on its excellent environmental policy and management system. It has been exceeding the government's GHG reduction targets for 7 years, serving as a role model in GHG reduction activities, and also implementing exemplary measures to adapt to climate change. With the number of airport users expected to rise even more, KAC should make more efforts for climate change adaptation. Also, it should maintain the facilities at airports with continuous investment and inspection to effectively respond to various climate change factors.

8 Lee Eun-kyeong, Senior Researcher UN Global Compact

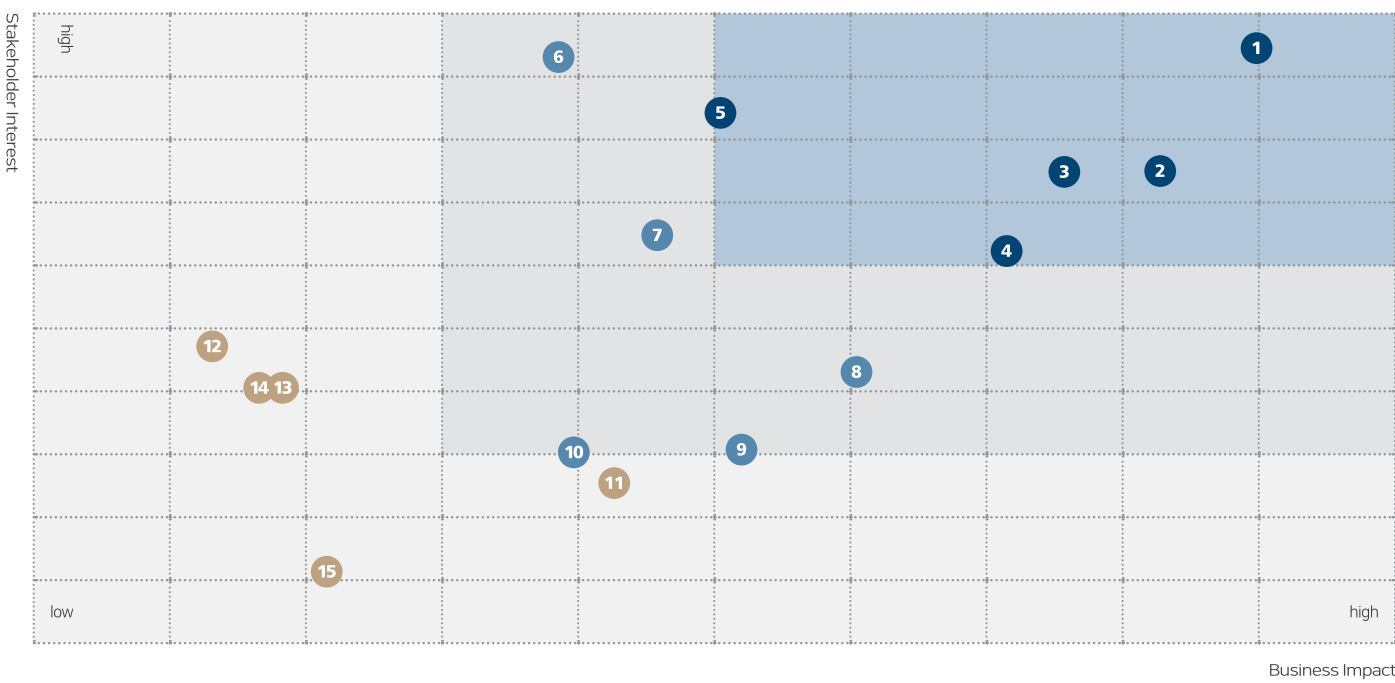
For the highest level of ethics management, KAC needs to conduct regular inspection and risk assessment so that it can internalize anti-corruption system, identify potential risks that might occur in the supply chain and business partnerships, and develop measures to reduce such risks. The management should take responsibility for ethics management issues, which also need to be handled in the aspect of enterprise-wide risk management since they are sometimes closely related to other ESG risks. In fact, the establishment of transparent and reliable corporate culture is the most important in promoting ethics management.

Materiality Test

KAC has conducted materiality test and reported issues based on priority in an effort to effectively reflect various interests of stakeholders and business environment at home and abroad that affect its sustainability management. The pool of issues was identified based on the examination of internal issues and social responsibility management-related international guidelines, such as GRI Standards and 10 UNGC Principles, and analysis of media coverage. 15 material topics were selected according to stakeholder interest and business impact and followed by prioritization process. The specific process is as follows.








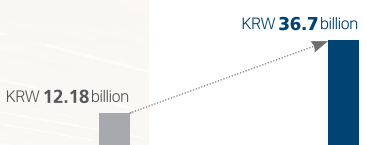


Step 1 Pool of Issue	KAC implemented a variety of internal and external environment analysis to grasp the topics. 460 material issues which are important to KAC were deducted through media research, analysis on the related companies, analysis on trend and impact, analysis on government tasks, and business management issues, etc.
Step 2 Selection of Reporting Topic	After a process of deduplication and integration on 460 issues, 32 topics were selected, and 15 material topics were selected.
Step 3 Materiality Test	KAC implemented stakeholder survey, and 2,259 stakeholders participated in the survey to prioritize the material topics. With the deducted material topics by stakeholders, a revision took the place in KAC business perspective for the final prioritization. Safety and security, ethics management, transparent corporate governance, human rights management, and customer satisfaction were selected as top material topics.
Step 4 Independent Assurance	For objectivity and transparency in materiality test process, independent assurance took place. Independent assurance confirmed that opinions of external stakeholders in KAC's value chain were reflected in the overall materiality test process.



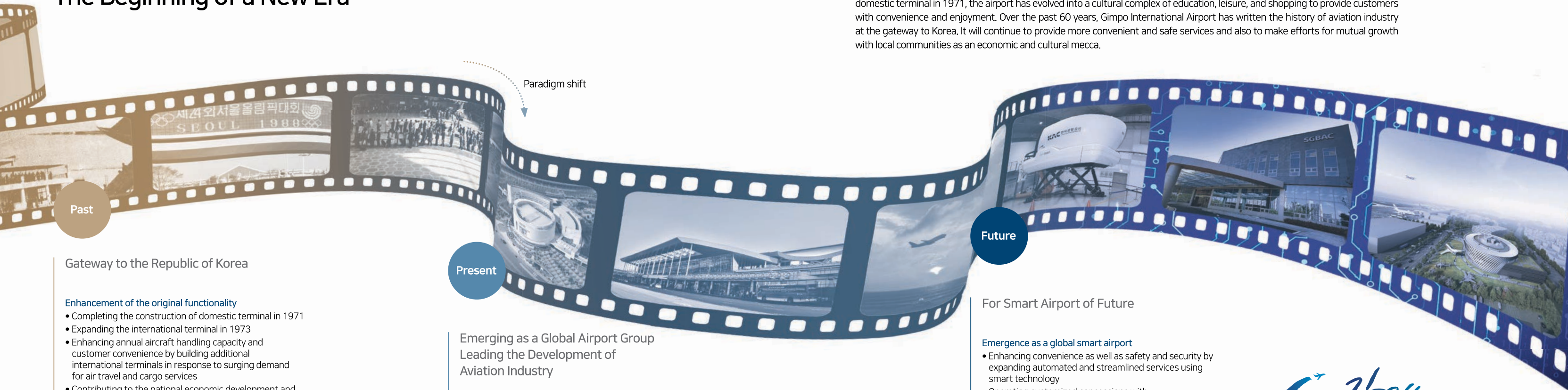
Rank	Material Topic	Category	Customers	Partners	Government and related agencies	Employees	Local communities	Average	Page
1	Safety and Security	Safe today, Green tomorrow	●	●	○	●	●	91.81	36-39
2	Ethics management	Build trust, Respect each other	○	●	○	●	○	89.88	26-27
3	Transparent corporate governance	Appendix	○	○	●	●	○	89.34	74
4	Human rights management	Build trust, Respect each other	●	●	●	●	●	88.02	28-29
5	Customer satisfaction	By the customer, For the customer	●	●	○	●	○	87.83	48-51
6	Infrastructure reinforcement for future demand	Public Value that 14 Airports Create	○	●	○	●	●	87.58	66-71
7	Service quality enhancement	By the customer, For the customer	●	○	○	●	○	86.30	48-55
8	Job creation and talents management	Build trust, Respect each other	○	○	●	●	●	85.82	30-33
9	Mutual growth	Value* with KAC	○	●	○	●	○	84.30	62-65
10	Stakeholder engagement	Overview	●	●	●	●	●	83.23	12-17
11	Eco-friendly management	Safe today, Green tomorrow	○	●	●	●	●	83.19	40-45
12	Innovative management and R&D	Value* with KAC	○	●	○	●	○	82.32	64-65
13	Regional airport revitalization	Value* with KAC	○	●	○	●	●	82.20	66-71
14	Risk management	Appendix	○	○	○	●	○	82.18	75
15	Social contribution	Value* with KAC	○	○	○	●	●	80.54	58-61

Summary of 10 Years of CSR Management

The year of 2018 marks the 10th anniversary of the publication of our social responsibility report. For the past 10 years, we have strived to promote management innovation, mutual cooperation, and embracing culture. Based on this, we will make utmost efforts to create better value with society as a public enterprise in the years to come.

<div>Management Innovation</div> <div></div>	Sustainable Growth	2008	2017	Social Value	<div>Management Innovation</div>	Future Growth Engines	2008	2017	Social Value
	Passenger traffic (million)	39.91 passengers	81.25 passengers	Expanding passenger capacity thanks to the increase in demand for air travel		Earnings from R&D	Zero	KRW 2.95 billion	Contributing to the growth of aviation ecosystem by fostering new growth engines
	Flights in service	318,136 flights	489,919 flights	Improving traffic convenience for the public		patents applied (accumulated)	11 cases	219 cases	Enhancing airport security and passenger services
	International routes in service	30 routes	105 routes	Revitalizing tourism industry by expanding international routes focusing on Asian nations		Overseas business activities (number of nations)	1 nation	19 nations	Strengthening national competitiveness by securing new growth engines
Revenue breakdown				Expanding the platform for regional economy through diversification of profitable business	Overseas business activities (accumulated amount of sales)		KRW 0.27 billion		
<div>Working Together</div> <div></div>	Social Contribution	2008	2017	Social Value	<div>Working Together</div>	Mutual Growth	2008	2017	Social Value
	Cost of CSR activities	KRW 175 million	KRW 3,197 million	Encouraging the growth and self-support of local communities		Incentives for partners	Zero	KRW 840 million	Increasing partner competitiveness and sharing performance in a fair manner
	Volunteer service hours	27,290 hours	29,433 hours	Strengthening ties with local community		Budget for mutual growth program	Zero	KRW 790 million	Improving technology and service through cooperative development with SMEs
Cost of noise control projects				Minimizing noise pollution in the areas near airports	Purchases from SMEs		KRW 146.9 billion	KRW 481.9 billion	Promoting fair trade
<div>Embracing Culture</div> <div></div>	Great Place to Work	2008	2017	Social Value	<div>Embracing Culture</div>	Ethics Corporate Culture	2008	2017	Social Value
	New recruits	83 people	198 people	Creating more jobs while improving economic performance		KoBEX SM	AA rating (began from 2009)	AAA rating	Increasing sustainable competitiveness
	Social equity employment	54 people	112 people	Securing workforce diversity by providing equal opportunities		Scores for comprehensive integrity	8.07 points	8.56 points	Spreading a culture of integrity and preventing corruption
	Ratio of female employees			Increasing the ratio of female employees by promoting family-friendly management		Code of ethics	2004 Establishing a code of ethics 2007 Joining the UN Global Compact	2015 Applying the Guidelines for Human Rights Management of the National Human Rights Commission 2018 Proclaiming the charter of human rights	Building a culture of ethics and protecting and promoting the human rights of stakeholders
Flexible working system		39 people (began from 2011)	184 people	Creating a positive work environment			Continuous improvement		

60th Anniversary of Gimpo International Airport, The Beginning of a New Era



Gateway to the Republic of Korea

- Enhancement of the original functionality**
- Completing the construction of domestic terminal in 1971
 - Expanding the international terminal in 1973
 - Enhancing annual aircraft handling capacity and customer convenience by building additional international terminals in response to surging demand for air travel and cargo services
 - Contributing to the national economic development and public welfare as a gateway to Korea

- Diversification of business**
- Serving as a transport base for export cargo due to the government's export-led growth policy
 - Developing golf courses and mega shopping malls through comprehensive development projects around airports

- Social value that Gimpo International Airport has created**
- Increasing convenience for the people by improving the quality of air services
 - Contributing to the national economic development by nurturing the national aviation industry

* ACI: Airports Council International
* ASQ: Airport Service Quality
* ATRS: Air Transport Research Society
* ICAO: International Civil Aviation Organization

60th Anniversary of Gimpo International Airport,
The Beginning of a New Era

Gimpo International Airport was designated as an international airport in 1958, and its history began. Since the establishment of domestic terminal in 1971, the airport has evolved into a cultural complex of education, leisure, and shopping to provide customers with convenience and enjoyment. Over the past 60 years, Gimpo International Airport has written the history of aviation industry at the gateway to Korea. It will continue to provide more convenient and safe services and also to make efforts for mutual growth with local communities as an economic and cultural mecca.

Emerging as a Global Airport Group Leading the Development of Aviation Industry

- Improvement of business operation and service quality**
- Added to the customer service hall of fame according to ACI's ASQ Passenger Satisfaction Survey (1st rank in mid-sized airport sector at ASQ for 6 consecutive years)
 - Ranking top in "Airport Operating Efficiency" Survey of ATRS in the Asia-Pacific Region

- Promotion of business-oriented airports**
- Strengthening the role of Biz Port by operating short-distance international routes as a city airport that has a high accessibility to downtown and connectivity with public transport
 - Establishing and invigorating Seoul Gimpo Business Aviation Center (SGBAG) to support the growth of small aviation markets, such as business jets

- Development of aviation ecosystem**
- Cultivating domestic pilot workforce through 'KAC Aviation Training Center'
 - Leading specialized training on aviation security at home and abroad through 'Aviation Security Training Center' certified by ICAO

- Revitalization of regional economy**
- Revitalization of regional economy by attracting various concessions in idle facilities
 - Developing the hinterland complex into Sky City with the concept of 'aviation, culture, tourism, and wellness' to generate profits and improve the quality of life of local residents.
 - Hiring local talent first when constructing public golf courses to create indirect economic effects

For Smart Airport of Future

- Emergence as a global smart airport**
- Enhancing convenience as well as safety and security by expanding automated and streamlined services using smart technology
 - Operating customized concessions with the utilization of big data
 - Expanding air traffic rights by diversifying international routes and revitalizing domestic airports

- Change into a space for multiple purposes**
- Educational space including Aviation Training Center and National Aviation Museum
 - Culture & sports space including convention, golf course, and exhibition hall
 - Incubation space for economic development, such as youth entrepreneurship and R&D test bed
 - Transport center in the Southwest region where land transportation, such as bus and railway, meets air transportation

- Mutual growth with local economy**
- Creating an ecosystem where airport, logistics, tourism and culture are integrated and maximizing economic value
 - Building a healthy local community by improving the surrounding environment and promoting social sports
 - Reflecting local environment and needs through collaboration with local governments and related organizations
 - Increasing the value of SOC assets by sharing airport infrastructure with local governments and residents



Direction of innovative future development for Gimpo International Airport

- Establishing a master plan for the 60th anniversary of the opening of Gimpo International Airport
- Promoting cooperative governance through the 'Gimpo International Airport Innovation and Development Committee' participated by internal and external experts from all walks of life

- Marking a turning point for a new leap forward
- Highlighting the functions and roles of airport
- Promoting harmonious growth with neighboring areas and changing into a culture-oriented city airport

Build trust, Respect each other

KAC promotes positive change in society as a reliable partner.
Based on honesty and consideration, we are getting one step closer to society of trust,
and creating a better future by expanding opportunities through quality jobs.

KoBEX SM
8 Consecutive Years
AAA rating

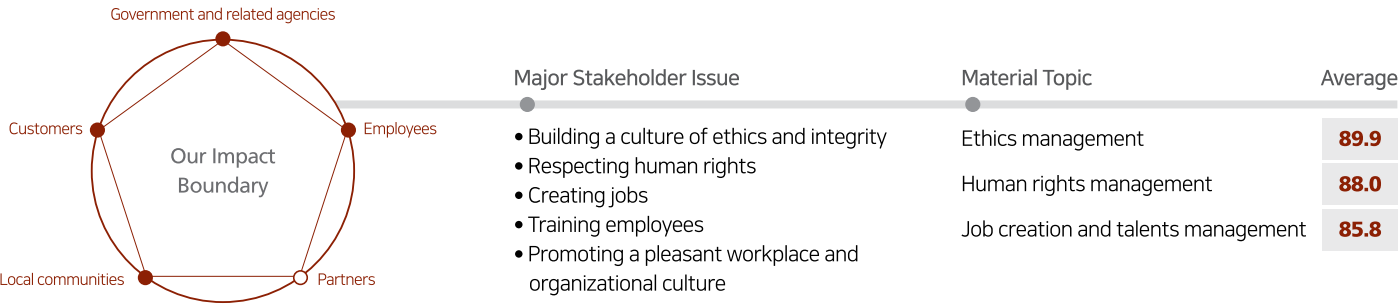
Growth in the
Number of Flexible
Workers
2.8 times

Conversion of
Non-regular
Workers to Regular
Status in Airports
100 %
(by 2019)

Reliable KAC for Everyone

Importance of Topic

Recently, the public awareness and expectations for CSR have increased and the importance of CSR management, such as compliance with the Improper Solicitation and Graft Act, reinforcement of human rights management, and realization of social value, has also been growing. Under this circumstance, neglecting social responsibility in pursuit of profits can result in a damaged corporate image and even a threat to existence. Since KAC is closely related to people’s daily life, it needs not only to carry out its duty, but also to implement CSR management throughout its business activities.



Our Performance

Being fully aware of its direct and indirect influence on stakeholders, KAC regards ethics and human rights management as the basis of its business activities. Accordingly, a transparent and ethics culture has been built through the improvement of ethics management system and encouragement of employee participation, while a number of activities have been conducted to protect and promote the human rights of employees and stakeholders. In addition, quality jobs have been created through the expansion of new jobs and conversion of non-regular workers to regular status, and various activities have been carried out to promote employee growth and work-life balance.

Category	Task	Performance Indicator	Key Performance
Ethics management	<ul style="list-style-type: none">• Strengthening ethics management system, reinforcing internal control system• Promoting ethics culture	Comprehensive integrity	2 rating (first place in Public Enterprise Group I)
Human rights management	<ul style="list-style-type: none">• Laying the foundation for human rights management	Efforts and activities to respect human rights	Establishing a dedicated unit and process
Quality jobs	<ul style="list-style-type: none">• Building job creation system, creating private sector jobs• Converting non-regular workers at airports into regular status	Hiring new recruits, creating private sector jobs	198employees (recorded as the highest number of recruits), 19,716 jobs
		Ensuring job security of non-regular workers	Conversion of non-regular workers to regular status
Healthy workplace	<ul style="list-style-type: none">• Promoting fair recruitment, nurturing global talent• Supporting work-life balance	Providing welfare benefits, securing sustainability	Achieving the highest score in employee benefits satisfaction (73.3/100 points)

Our Future

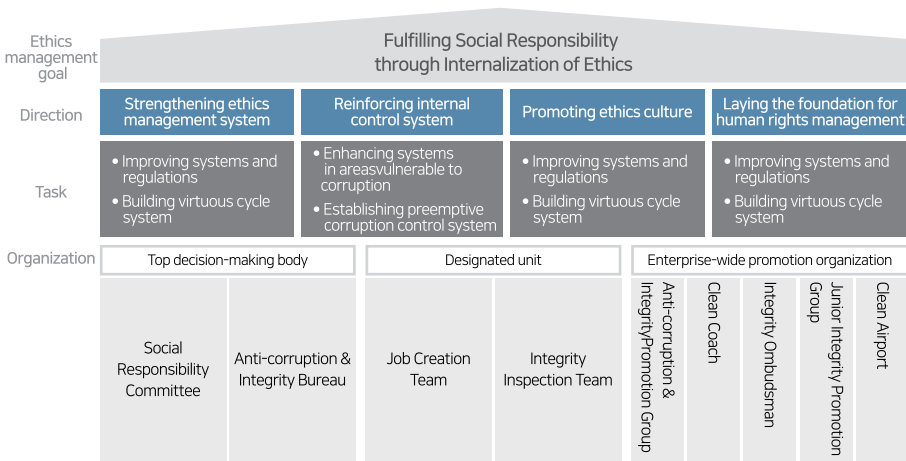
KAC will actively practice ethics management to internalize the culture of ethics and integrity by stimulating internal communication, and also mitigate risks related to human rights by examining and improving the process to promote human rights management. In addition, we will build a better employment environment by supporting work-life balance and employee growth, creating new jobs, and making temporary workers permanent.

Build trust,
Respect each other

Ethics-based Management

Enhancing Transparent System for Ethics Management

KAC puts top priority on ethics management. To gain the public’s trust, we are strengthening ethics as well as legal compliance throughout our business activities. Our company policies, the foundation of all business activities, and ethics standards, the code of conduct for employees, have been improved in a transparent manner. Also, programs for the internalization of ethics have been expanded to fulfil our social responsibilities through regular monitoring and external assessment.



Re-leaping Ceremony for Transparency

Strengthening Ethics through Reinforcement of Internal Control

KAC has strengthened its internal control to promote fair and transparent business practices by conducting ‘Corruption Impact Assessment’ and specifying requirements and standards. Through an internal contest to improve relevant systems, employees were engaged in reducing corruption risks and strengthening ethics.

Category	Description	Expectation
Improving systems	Expanding the target of severance pay reduction <ul style="list-style-type: none">Reducing severance pay by including the period of leave and waiting due to illegal act when calculating average wage	▶ Enhancing effectiveness of disciplinary actions
	Tightening standards for documents required for tuition reimbursement <ul style="list-style-type: none">When applying for tuition reimbursement program, employees are required to submit payment certificates in a certain format	▶ Preventing redundant applications
	Increasing the number of agents who monitor the use of corporate credit card <ul style="list-style-type: none">Expanding monitoring of the use of corporate credit card at the enterprise level	▶ Enhancing transparency in budget execution
Strengthening regulations	Strengthening employee code of conduct <ul style="list-style-type: none">Encouraging reporting on external lectures even without payBanning workplace bullying	▶ Expanding the range of reporting on external lectures ▶ Promoting the human rights of employees
	Establishing guidelines on whistleblowing <ul style="list-style-type: none">Introducing systems on the protection of and grant of reward to whistleblowersAdding a new corporate responsibility to prevent the violation of public interests and to protect whistleblowers	▶ Promoting sound whistleblowing ▶ Guaranteeing anonymity
	Improving personnel policies and enforcement regulations <ul style="list-style-type: none">Restricting those who were laid off due to illegal acts from being rehiredExpanding the types of ‘sexual violence’ in disciplinary standards from 2 to 4	▶ Preventing corrupt acts in advance ▶ Improving the effectiveness of sexual violence prevention
	Strengthening standards for goods management <ul style="list-style-type: none">Expanding the range of goods management from over 50 million won to over 30 million wonPreparing systems to control manufacturing and purchasing	▶ Strengthening goods management

Spreading a Culture of Ethics Practice

According to the CEO’s strong will for ethics management, KAC has urged employees to strengthen and practice ethics through a variety of activities including training for each group, nurturing of professionals, and encouragement of voluntary action. Also, KAC has made efforts to share ethics value with stakeholders through internal and external communication activities.

Strengthening Competencies

- Offering customized training
 - Providing ethics training for employees by department heads and code of conduct officers
 - Providing ethics training for employees in the areas vulnerable to corruption and on-site workers
- Operating outreach integrity ombudsman program for employees of partner companies
- Nurturing professional integrity personnel
 - Providing training courses at integrity training institute
 - Offering incentives to professional integrity personnel

Activities

- Promoting ‘Day of Ethics & Integrity Practices’
 - Increasing employee awareness of anti-corruption and integrity
- Operating integrity helpline
 - Minimizing confusion due to the anti-graft law
- Promoting ‘Week & Day of Integrity’
 - Holding photo/ring tone contests, awarding prizes for relay comments, etc.
- Creating and utilizing participatory content
 - Holding ethics reasoning games, ethics golden bell contests, etc.

Sharing Value

- Producing promotional materials
 - Distributing ethics letters, integrity webzines, and ethics messages
- Promoting on-site communication
 - Organizing integrity club and integrity talk
- Conducting activities to communicate with stakeholders
 - Signing the UNGC ‘fair play pledge’ commitment and BEST Forum ‘ethics management’
 - Supporting UN SDGs and being included in selected as the best practices of SDGs implementation
 - Joining the network for transparent society
 - Operating Clean Airport Committee (partners, resident agencies, airlines, etc.)
 - Sharing ethics content through SKYONE

Ensuring Objectivity through Monitoring on Ethics Management

KAC aspires to become a more reliable public enterprise through monitoring and assessment. Internally, monitoring has been conducted by Anti-corruption & Integrity Bureau and Anti-corruption & Integrity Promotion Group. Externally, the objectivity of ethics management activities has been ensured by Integrity Ombudsman. Also, a voluntary reporting period is designated to encourage reporting on corruption, and an internal reporting system that guarantees anonymity is operated to establish a speak-up culture. Moreover, external assessment of ethics management is performed for objectivity and credibility.

Internal

- Conducting monitoring
 - Anti-corruption & Integrity Bureau and Anti-corruption & Integrity Promotion Group
- Operating reporting system
 - Operating voluntary corruption reporting system and anonymous reporting system
 - Running website ‘Clean Airport’ to encourage reporting on corruption, reckless management, and improper solicitation and graft
- Conducting evaluation
 - Obtaining A rating in KEVIX for 6 straight years

External

- Conducting monitoring
 - Independent monitoring and evaluation by Integrity Ombudsman
- Conducting evaluation
 - ‘Social Responsibility for Diversity’ Award at UNGC Value Awards
 - Government Prize at the 5th ‘The Most Loved Companies in Korea’
 - Moving from grade 5 to grade 2 in Integrity Assessment by the Anti-Corruption & Civil Rights Commission (ACRC)

KoBEX SM

AAA rating for 8 consecutive years

LACP 2016/17 Vision Awards

Gold

Ethics-based Management

Promoting Human Rights Management with Global Standards

With their increasing social influence, companies now have more responsibilities for the protection and promotion of human rights. KAC fully recognizes the influence of its business activities, and thus has prepared a system to implement human rights management. Supporting global human rights principles and guidelines, ‘KAC Charter of Human Rights and Guidelines’ were established in accordance with the guidelines of the National Human Rights Commission of Korea. Based on this, relevant risks have been identified and reduced, and the whole process of human rights management has been monitored.



Conducting Activities to Enhance Human Rights of Stakeholders

KAC manages and reduces human rights risks throughout its business activities to protect and enhance the human rights of partner employees, customers, local residents as well as its own employees. KAC will continue various activities to protect and promote human rights.

Category	Human Rights-related Risks	Activities for Promoting Human Rights	Performance in 2017	Expectation
Employees	• Ensuring industrial safety and health • Preventing stress coming from repetitive complaints	• Providing safety & health education • Conducting improvement activities tailored for each industrial accident • Promoting smoking cessation programs • Renovating the table tennis room and healing zone • Improving the annual leave management system	• Zero industrial accident • Zero accident for 7 consecutive years	• Creating a safe and healthy workplace for employees
	• Guaranteeing freedom of association and collective bargaining	• Operating labor-management council (quarterly) and labor management consultative group (occasionally) • Promoting cooperative labor-management relations	• Zero labor-management dispute	• Building a win-win labor culture through active communication through active communication
	• Improving labor conditions including long working hours • Giving better treatment to non regular works	• Prohibiting any kind of forced labor • Prohibiting employment of children under 15 and child labor • Promoting temp-to-perm conversion	• Zero forced labor • Zero child labor • Temp-to-perm conversion: 588 employees	• Meeting the standards of guidelines on human rights management • Implementing policies on temp-to-perm transition according to government guidelines
	• Preventing discrimination against gender, region, and disability	• Promoting social equity employment (the disabled, veterans, local talent, high school graduates, etc.) • Introducing automatic parental leave system • Establishing plans to increase the number of female managers	• Social equity employment: 112 people • Proportion of female managers: 3.9%	• Enhancing equality and fairness in employment • Allowing employees to achieve work-life balance
Employees of partners	• Prohibiting forced labor and discrimination • Ensuring industrial safety and health	• Directly paying to those who deal with subcontractor payments and employee labor costs • Improving working environment through inspection of field safety • Performance sharing system for joint overseas projects	• Number of performance sharing: 80 cases	• Strengthening partner capabilities and enhancing their sense of belonging • Improving airport facilities and service quality • Increasing competitiveness of aviation industry
Customers	• Ensuring mobility of the transportation vulnerable • Protecting human rights during the service process	• Expanding Porty care service • Operating Cyber Security Control Center • Boosting customer engagement through Customer Service Committee • Improving service quality through the collection of VOC	• Use of Porty care service: increased by 2.2 times • Customer satisfaction: 95.8 points	• Expanding services to the vulnerable • Extending the target of air transportation users • Responding to the increasing senior customers
Residents in local communities	• Noise control • Protecting the human rights of beneficiaries of social contribution activities	• Creating jobs for residents in noise control areas • Holding Noise Control Committee and resident meetings • Supporting local community growth and self-sufficiency	• Project costs: KRW 36.7 billion	• Improving reliability through responsible noise control • Strengthening ties with local residents • Making an effective contribution to society
	• Preventing environmental pollution	• Establishing climate change adaptation measures • Installing equipment for CO2 emissions reduction and renewable energy generation • Promoting energy saving activities	• Reduction of GHG emissions: 5,908tCO ₂ e	• Contributing to resolving environmental issues in local communities • Carrying out responsibility to protect the environment as a public enterprise

Commemorating the 38th Anniversary of the Foundation of KAC, All Employees Pledge to Implement Human Rights Management

As a leading public enterprise in the aviation industry, KAC is actively implementing human rights management to respect human dignity and value in all business activities, and also pursuing sustainable development with its stakeholders. To promote human rights management throughout the entire management process, the Charter of Human Rights Management and Guidelines’ that consist of 9 topics including human rights, labor, environment and anti-corruption were established and announced at the 38th anniversary of the foundation on June 29, 2018. We will continue to create a culture of shared growth for mutual cooperation and sustainable development with stakeholders including partners, customers, and local residents as well as employees.



Quality Jobs & Healthy Workplace

Establishing Strategies to Create Jobs

KAC has contributed to the development of national economy and enhancement of public welfare by actively engaging in the government policy on job creation. Our plan for job creation focuses on two aspects: converting non-regular workers at airports into regular status and creating private sector jobs in connection with aviation industry. Based on this, our strategies for job creation were developed in 2017 and a team in charge, ‘Job Creation Team’, was formed in January 2018.



Creating Jobs that Reflect Business Characteristics

KAC not only hires new recruits to resolve the issue of youth unemployment but also creates new jobs through new businesses. We create quality jobs directly or indirectly by discovering private sector jobs specialized in airport operation and new businesses that can provide customized services and also supporting the socially disadvantaged.

As of March 23, 2018		
Businesses Specialized in Airport Operations	Businesses for Airport Service Improvement	Businesses for Social Value Creation
<ul style="list-style-type: none">Engaging in the establishment of the nation's first aircraft MRO services: boosting domestic demand for aircraft maintenance and enhancing aviation safety<ul style="list-style-type: none">337 peopleIncreasing competitiveness and public interest of domestic aviation industry <hr/> <ul style="list-style-type: none">Expanding businesses dealing with aircrafts: offering high-quality ground handling services for the operation of LCC and foreign airlines at regional airports<ul style="list-style-type: none">124 peopleReducing the cost burden of airlines and revitalizing regional airports <hr/> <ul style="list-style-type: none">Building infrastructure for smart airports: streamlining passenger processing and enhancing security<ul style="list-style-type: none">2,046 peopleOffering growth opportunities by providing technical support to SMEs <hr/> <ul style="list-style-type: none">Pilot training center: expanding domestic pilot training programs and operating overseas flight training centers<ul style="list-style-type: none">255 peopleNurturing aviation talent and revitalizing aviation industry	<ul style="list-style-type: none">Providing baggage delivery, storage, and parcel services<ul style="list-style-type: none">66 peopleEnhancing passenger convenience and creating jobs for the vulnerable <hr/> <ul style="list-style-type: none">Providing portable customer experience services (VR, AR, etc.) at airport waiting rooms<ul style="list-style-type: none">8 peopleNurturing aviation talent and revitalizing aviation industry <hr/> <ul style="list-style-type: none">Fostering social enterprises: providing Porty care service for the transportation vulnerable together with social enterprises<ul style="list-style-type: none">102 people (seniors consisting 78% of total employees)Increasing convenience for the transportation vulnerable at airports and laying the foundation for creating senior jobs <hr/> <ul style="list-style-type: none">Car transfer service: service providers selected through a bidding process offer car transfer services to customers<ul style="list-style-type: none">40 peopleFostering small and medium businesses	<ul style="list-style-type: none">Operating a social market zone: providing social enterprises, young entrepreneurs, and small businesses with free spaces for sales and promotion activities<ul style="list-style-type: none">Attracting 10 to 15 businessesSupporting the growth of social enterprises, young entrepreneurs, and small businesses <hr/> <ul style="list-style-type: none">Supporting the vulnerable: providing financial support to non-profit organizations engaging in projects to help senior citizens who live alone and the disabled<ul style="list-style-type: none">202 peopleImproving the quality of life and creating jobs for the vulnerable <hr/> <ul style="list-style-type: none">Operating Youth Start-up Promotion Center: supporting young entrepreneurs in regard to office spaces, consultation services, and overseas employmentJointly operating Aviation Employment Support Center with Incheon International Airport Corporation and Korea Civil Aviation Association<ul style="list-style-type: none">Contributing to reducing youth unemployment <hr/> <ul style="list-style-type: none">Establishing Aviation Scholarship Foundation: planning to offer low-interest loans to aspiring young pilots from low income families<ul style="list-style-type: none">Providing the underprivileged with an opportunity for quality training

* Aviation MRO(Maintenance, Repair, Overhaul): A promising business that provides comprehensive aircraft maintenance services including repair and disassembly of aircraft fuselages, engines, and components.
* Aircraft handling service: a business that refers to ground operations excluding aircraft fueling, cargo and baggage loading/unloading, and other servicing

Making Efforts to Zero Non-regular Workers

In response to the government policy on ‘Converting non-regular workers to regular status in the public sector’, which aims at easing income gap and income polarization, KAC has developed and implemented a road map to guarantee job security and improve working conditions for non-regular workers. By leading the implementation of temp-to-perm transition according to the government guidelines, we will accomplish the goal of abolishing temporary positions by 2019, and also promote communication for the mutual growth of labor and management through the improvement of employee treatment.



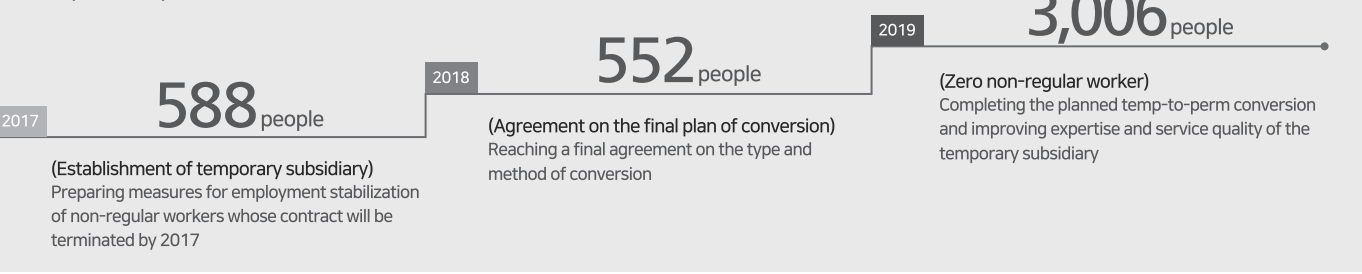
Mutual Growth of Labor and Management Ceremony

Reaching an “agreement on temp-to-perm conversion”

On September 22, 2017, KAC established Labor-Management-Expert Committee that deliberates on temp-to-perm conversion in an attempt to form a consensus among all stakeholders and members. While holding 17 regular meetings and 27 working-level meetings over about 10 months, we strived to fully reflect the expectations and interests of government, business partners, and non-regular and regular workers. As a result, we could reach the first agreement on temp-to-perm transition as a large SOC public enterprise on June 19, 2018. The Labor-Management-Expert Committee has specified the target, method and scale of conversion and benefits such as retirement age and wages. The conversion will be completed by 2019 in phases, directly or indirectly through the establishment of a subsidiary.

Establishing and Operating Deliberation Committee on Temp to Perm Conversion	Setting an Example of Reasonable Temp-to-Perm Transition	Improving Labor Conditions
<ul style="list-style-type: none">(Fixed-term worker) Deliberation committee on temp-to-perm conversion(Temporary agency worker/ subcontract worker Labor-Management-Expert Committee <hr/> <ul style="list-style-type: none">Regular meeting: colleting and coordinating requirements of labor membersWorking-level meeting: providing additional explanation on each agenda to prevent misunderstandings and conflicts <hr/> <ul style="list-style-type: none">Sharing the progress with and collecting opinions from government officers and internal employeesArranging reasonable compromises through arbitration and mediation by external experts <hr/> <div>Reaching a consensus through efforts to understand and communicate with each other (June 19, 2018)</div> <div>Holding a proclamation ceremony (August 17, 2018)</div>	<ul style="list-style-type: none">Ensuring job security of non-regular workers, promoting compliance with basic rightsMinimizing conflicts between labor-management/ labor-labor, and within-job inequality <hr/> <ul style="list-style-type: none">Hiring those engaged in regular continuous work for public safety as full-timers <hr/> <ul style="list-style-type: none">Hiring employees through a temporary subsidiary (KAC Airport Service Inc.) which is responsible for airport service and facility management <hr/> <div>Converting 100% of targeted temporary workers into permanent workers except certain types of occupations (588 employees to be converted by 2017)</div>	<ul style="list-style-type: none">Minimizing the burden on the people within government guidelinesUtilizing general management expenses/profit reducing resources of service providers <hr/> <ul style="list-style-type: none">Increasing the retirement age of those engaged in elderly-friendly jobs (beautification, cart) to 65 and that of those in other areas to 62Extending the retirement grace period by up to 2 years depending on the age of conversion <hr/> <ul style="list-style-type: none">Providing higher wages and the same employee benefits as regular workersIncreasing the average wage per employee by 7.3%, and improving labor conditions in 10 areas <hr/> <div>Ensuring job security and improving labor conditions to the level of regular employees</div>

Roadmap for Temp-to-Perm Transition



Quality Jobs & Healthy Workplace

Promoting Fair Recruitment Based on Job Performance

KAC hires employees based on job performance in order to ensure the quality of personnel who will serve as a source of competitiveness and an integral part of sustainable growth. We have introduced a job-based evaluation system according to the National Competency Standard (NCS), and also a blind recruitment policy to prevent prejudice and discrimination in the recruiting process. In addition, we require minimal information from applicants at interviews to conduct performance-based assessment. Our fair recruitment, regardless of educational background, age and gender, helps to secure quality talent and strengthen corporate competitiveness.

Nurturing Global Talents Leading Aviation Industry

Reestablishing System to Promote Human Resources Development As part of the effort to develop employees into global talent who will lead the global aviation industry, KAC has revised its mid to long-term plan to promote human resources development in alignment with the corporate vision. Also, KAC actively provides employees with education and training based on capacity and needs.



Developing Expertise through Training KAC conducted a complete overhaul of in-house training programs based on the analysis of employee needs for capacity building, and also developed training programs that can be utilized in on-site operations. As a result, employee satisfaction has increased and application to field work has improved compared to the previous year. In addition, we are expanding opportunities for training related to jobs, such as paying 90 percent of tuition costs for masters and doctoral programs at Korea Aerospace University and introducing ICAO & ACI overseas training programs.

Increasing Diversity through Nurturing of Female Talents KAC strives to foster female talent by establishing plans for female employee development in accordance with government policy. To be specific, 'Four Major Promotion Plans' have been implemented to develop female talent with expertise into managers, and these efforts have led to a continuous increase in the ratio of female managers and thus organizational diversity.

Four Promotion Plans

Category	Description
Female employment	<ul style="list-style-type: none">Promoting NCS-based and blind recruitmentGiving preferential treatment to career interrupted women when hiring employees with experience, Hiring female managers by utilizing 'open position system'Promoting the creation of part-time jobs
Women empowerment	<ul style="list-style-type: none">Selecting 2 more female employees with expertiseGiving preferential treatment to women when selecting trainees for long-term or overseas training
Maternity protection	<ul style="list-style-type: none">Introducing automatic parental leave system combined with part-time workExtending the period of parental leave (from 1 to 3 years) to lessen the burden of working parents, and introducing a leave of childcare (2 days)Operating a workplace nursery and a task force for maternity protection to support work-life balance
HR management	<ul style="list-style-type: none">Improving the examination of qualification for promotion to the second grade with a focus on competencyAssigning female talents to major positions

Training for Employees (unit: person, KRW 10,000)

Category	2015	2016	2017
Number of attendees	7,206	13,263	25,302
Budget for education and training	188	156	176

Improvement in Applying Results of Education to Field Work

Trainee

Increased by ▲ 14.6 points

Department leader

Increased by ▲ 18.7 points

	Performance
▶ Rate of female recruitment	2016 2017 19.1% 22.7%
▶ Rate of female employees with expertise	2016 2017 10.5% 13.9%
▶ Rate of return after childcare leave	2016 2017 100% 100%
▶ Increasing rate of female manager	2016 2017 2.9% 3.9%

Spreading a Family-friendly Culture to Support Work-life Balance

Creating a Pleasant Working Environment At KAC, GWP programs are operated to establish a culture of trust, pride, and fun where employees are encouraged to strike a balance between work and life. Also, a club for those who want to quit smoking and a program to prevent metabolic syndrome are available for employees who want to lead a healthy life. Thanks to these efforts, KAC was selected as 100 Best Companies to Work For by GPTW Institute in 2017.

New Tasks for GWP

Trust

- Culture day: Enjoying cultural activities with team members on the last Wednesday of every month

Pride

- Leave work on time day: Designating core time on Wednesdays and Fridays
- Life after work: Allowing employees to leave work on time on the second Wednesday of every month designated as 'Family Day'

Fun

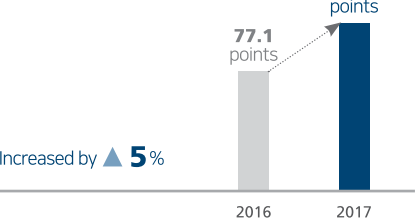
- Encouraging male parenting: Opening a 'parenting class for fathers'
- Celebrating employment and promotion: Sending gifts and congratulatory messages

Improving Family-friendly Policies KAC has created a positive work environment where employees can balance work and family life. Employees are allowed to take all of their annual leave and also a two-hour leave. To promote flexible working, employees are rewarded, notified, and monitored while the application process has been streamlined to increase accessibility to the system. As a result, the rate of flexible workers has risen by 2.8 times compared to the previous year.

Building Cooperative Labor Relations

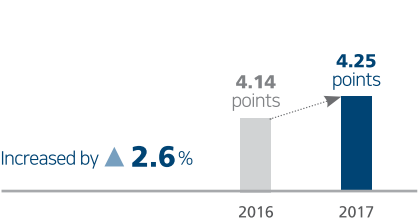
As part of the effort to resolve employee grievances and share management issues, KAC has strived to boost communication between management and employees through CEO mailbox and CEO site visit. Also, a hot-line connecting the two parties was set up and training on labor-management partnership was conducted, while a system to respond to changes in the labor market was established with the utilization of internal and external experts. In a few years, KAC will introduce a system that makes it mandatory to include employee-turned-directors in the BOD.

Confidence Index for Labor-management Communication



* GWP: Great Work Place

Employee Satisfaction (GWP)



Build trust, Respect each other

Quality Jobs & Healthy Workplace

GPTW Best Workplace in Asia

Winning for 3 consecutive years

Flexible Working System (unit: person)

Category	2016	2017
Flex-time work	27	85
Alternative work schedule	26	76
Compressed work	3	21
Part-time work	10	2
Total	66	184

▲ Increased by 2.8 times

Communication Channels for Employees

Category	Frequency
CEO mail box	Occasionally
CEO site visit	3 times to each airport
Management mentoring	30 times
Hot line between labor and management representatives	11 times
Regular labor-management consultative group	Regularly

Safe today, Green tomorrow

KAC always thinks about safe today and clean tomorrow.
We will build a safer and more comfortable airport for customers,
and protect the beautiful natural environment for future generations.

Aircraft Accidents
ZERO

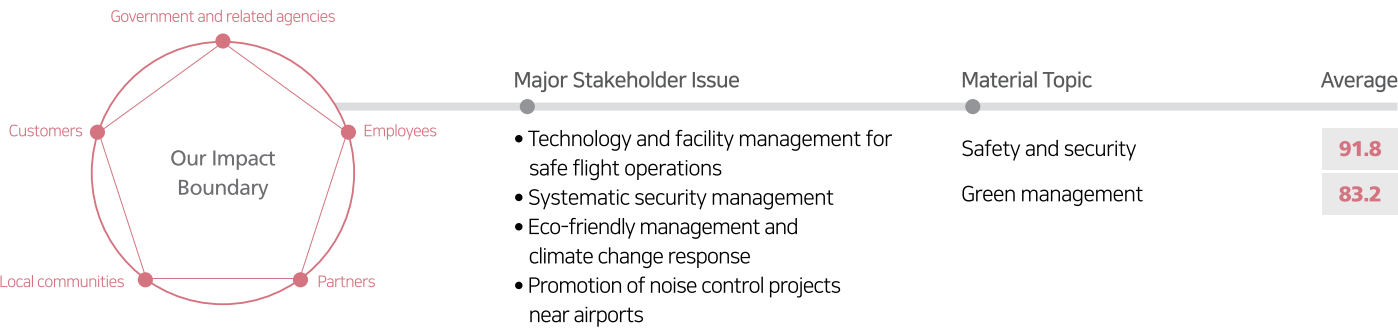
Cost of Noise
Control Projects
KRW **36.7** billion

GHG Reduction
33.3 %

Safe Airport for Everyone

Importance of Topic

For the operation of airports that people can use without any worries, it is highly important to provide them with a safe and clean environment. In recent years, accident risk and terror threat due to the skyrocketing air traffic have emerged as a social issue, leading to public demand for enhanced safety and security. Under this circumstance, the importance of safe flight operations and prevention of security accidents is ever growing in ensuring passenger safety and offering the best service. Moreover, the scope of corporate environmental responsibility has been expanded since Paris Climate Agreement in 2015, and more efforts to respond to climate change will be required given the recent government’s decision to tighten controls on greenhouse gas emissions.



Our Performance

KAC puts top priority on safety. We have established a response system for the safety of airport facilities and flight operations and strengthened our ability to provide safe services. Also, thanks to continuous innovation and new technologies, we have maximized both user convenience and security. Furthermore, by actively responding to climate change and promoting green management together with stakeholders, we are making an eco-friendly airport that reduces environmental impact.

Category	Description	Performance Index	Key Performance
Promising Safety and Security	• Managing safety focusing on prevention • Promoting strategy to strengthening air navigation safety • Building smart security check system • Building counter-terrorism capacity	Occurrence of safety accidents/ disasters	Zero
		Information security management evaluation	Good
Sustainable Environment	• Monitoring environmental effects • Developing climate change adaptation measures for 14 airports nationwide • Noise abatement activities	GHG target management in the public sector	Exceeding targets for 7 consecutive years
		Emission trading scheme	Exceeding targets for 3 consecutive years
		Noise control	Implementing noise control projects for residents

Our Future

KAC will strengthen its safety management and security system with a focus on prevention and provide better services by promoting employee awareness and culture of safety and security. In addition, we will implement climate change adaptation policies and green management by making joint efforts with partners and local communities to reduce energy consumption and noise emission.

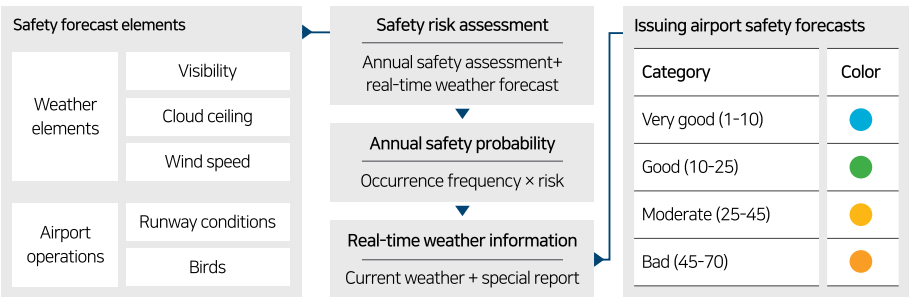
Safe today,
Green tomorrow

Promising Safety and Security

Managing Safety Focusing on Prevention

To secure a high level of safety through systematic risk management, KAC has established safety management system and bolstered facility safety management with a focus on prevention. We manage risk factors of safety, industrial accidents, and natural disasters, which exist in the movement area, according to the airport safety index, while conducting real-time monitoring and regular index analysis to reduce vulnerability by using a comprehensive analysis system that reflects safety factors at airports. Moreover, our safety reporting system utilizes big data, such as weather conditions, airport operations, and seasonal accidents, in ensuring airport safety, and provides prediction results to airport personnel through website and mobile applications in real-time.

Airport Safety Forecast System



Strengthening Safety Management at Airport Facilities

In preparation for the occurrence of accidents and failures due to dangerous materials and decrepit facilities, KAC has thoroughly managed the safety of airport facilities to enhance the level of safety. Also, to deal with public concern about safety accidents caused by natural disasters, such as earthquake and heavy snow, we have strengthened safety management with a focus on prevention and ensured airport safety at the global level. We will continue to make utmost effort for facility management so that public safety is guaranteed and flights are operated in the best condition.

Laying the foundation for Process Safety Management (PSM)	Improving evaluation process for the safety of decrepit facilities	Promoting the prevention of large-scale earthquakes	Upgrading snow removal capabilities
<ul style="list-style-type: none">Completing management system according to the newly established PSM operational guidelinesAchieving a higher rating from the Ministry of Employment and Labor (all airports subject to 2017 evaluation saw an increase in their ratings)Being exempt from examination by proving objectivity and expertise through self-inspection	<ul style="list-style-type: none">Reflecting opinions of external experts (participating in on-site evaluation)Increasing objectivity by quantifying non-measurable indicatorsReflecting and separating the characteristics of evaluation items in the mechanical and electrical fields	<ul style="list-style-type: none">Improving and expanding data query functions in earthquake monitoring system (from 17 to 55)Introducing earthquake warning systemExpanding the scope of buildings that require earthquake-proof designs (from 3 floors/over500m² to 2 floors/over 200m²)Conducting seismic performance evaluation on terminals and control towers in order of importance and improving their performance	<ul style="list-style-type: none">Expanding snow removal equipment (17 equipment, KRW 6.6 billion)Securing snow removal equipment and operating personnel by consolidating cooperation with external organizations (the military, partners, etc.)Providing more training to operating personnel, and strengthening simulation exercises for snow removal (from 1 to over 2 per year)
<ul style="list-style-type: none">Establishing the foundation for sustainable management and operation	<ul style="list-style-type: none">Increasing the capability of decrepit facilities to prevent failures and accidents and also their operational efficiency	<ul style="list-style-type: none">Setting the foundation for ensuring safety at facilities, and making an effective initial response to the occurrence of earthquakes	<ul style="list-style-type: none">Building systems to prevent major incidentsReducing working hours for snow removal

Establishing Enterprise-wide Disaster Response System

KAC has operated an enterprise-wide crisis response system for effective initial reaction, suppression, and prevention of spread upon the occurrence of natural disasters. We have secured a comprehensive disaster response capability by establishing a network of video information on disasters with Integrated Airport Surveillance System and National Risk Management Center. Also, a disaster control center was set up, and management personnel and infrastructure including CCTV were expanded, to enhance its function as a control tower. In 2017, a training exercise for major aircraft accidents was led by the CEO to strengthen disaster response capacity.

* Movement area: Area used for the takeoff and landing of aircraft and for the surface movement of aircraft, and consists of apron and support facilities.
* Process Safety Management (PSM): Refers to a set of interrelated approaches to managing hazards associated with the labors and local communities

Enhancing Safety in Movement Area

The number of vehicles and workers in the airport movement area has been increasing due to the recent surge in demand for air services, which recorded the highest of approximately 760,000 * in 2017. In order to prevent safety accidents in the movement area, KAC has reduced vulnerability on the ground through an in-depth analysis of accident data. Also, we have collaborated with related organizations to increase safety during takeoff and landing, such as displacing threshold on runway at Gimhae Airport, and secured traffic safety in the movement area through road safety assessment by Korea Transportation Safety Authority.

* Estimated aggregate: The volume of domestic traffic, international traffic, and air transit collected from January to December (the highest traffic volume recorded for Korea's air route in 2017, Ministry of Land, Infrastructure and Transport, January 25, 2018)

Increasing Safety of Aircraft Operation

KAC ensures the safety of aircraft operations by eliminating potential threats to aviation safety, such as birds and obstacles, in advance. The number of bird strike has decreased by 14.5% from 55 in 2016 to 47 in 2017. Since flight delays caused by air traffic congestion lead to chaos at airports and an increased risk of accidents, KAC, MOLIT, and airlines are operating a joint task force for delay reduction. Through this effort, we analyze and reduce delay causes every month to ensure the punctuality of flight operations and enhance convenience for airport users.

Background	Description
Bird habitats near airports leading to an inflow of birds	<ul style="list-style-type: none">Establishing bird control measuresConducting an additional inspection on the habitats of birds that might collide with planesStrengthening pest control during the vulnerable period in the green zoneArranging additional safety managers and vehicles
Number of temporary structures being increased	<ul style="list-style-type: none">Eliminating obstacles that birds might collide withConducting site inspection on structures that might not comply with obstacle limitation surface requirementsBuilding systems to manage temporary structures such as tower cranes
Actual flight time taking longer than scheduled flight time	<ul style="list-style-type: none">Improving schedule adherenceAdjusting the time of flight operations between Gimpo and Jeju (from 65 min to 70 min)
Delay of the first flight of the day causing a chain of delays throughout the day	<ul style="list-style-type: none">Addressing congestion during the morning peak hoursOpening security check points at Gimpo and Gimhae airports 20 minutes earlier than usual
Repeated delays of flights in the same time period occurring every day	<ul style="list-style-type: none">Making improvements for frequently delayed flightsCarrying out intensive management of flights on the delay list every month

Inspection of Air Navigation Safety Facility with Drone

KAC has established an integrated management system for air navigation facilities at 14 airports and 10 radio beacons across the nation and made improvement for standardization. Also, we have created a database environment where predictive maintenance is available to reduce likelihood of failure at navigation facilities. Meanwhile, 'DIVA (Drone for ILS/VOR Analyzer)' developed by KAC will overcome the limitations of manual measurement of radio waves on the ground and check the performance under the same conditions that an actual aircraft uses air navigation safety facilities. This has increased the reliability of facility inspection and will be gradually applied to 14 airports and 10 radio beacons nationwide from 2018.

Directions for Enhancing Safety in the Movement Area

- Establishing measures to prevent safety accidents: developing measures to prevent the recurrence of accidents in each area and promoting, examining and improving the measures at airports nationwide
- Enhancing systems: establishing mandatory safety regulations, and improving vehicle/equipment management procedures
- Strengthening inspections: inspecting safety in apron and cleaning FOD more frequently

Collaborating with Related Organizations

- Collaborating with related organizations to separate take off and landing routes, such as displacing threshold on runway at Gimhae International Airport, to secure safety
- Eliminating risk factors in the movement area through road safety assessment by Korea Transportation Safety Authority

Performance

- Number of bird strike has decreased by 14.5% compared to the previous year
55 cases → 47 cases

- Preventing the risk of bird collisions with planes and obstacles

- Reducing the rate of flight delays by 5.6% compared to the previous year (15.7% → 10.1%)
- Enhancing convenience for people by increasing the reliability of flight operations



* Air Navigation Safety Facility: Facility used for providing crucial information such as landing angle, to aircrafts to ensure safe taking off and landing
* FOD (Foreign Object Debris): article or substance which could cause damage to an aircraft

Promising Safety and Security

Building Smart Security Check System

The existing security check system features metal detection, X-ray detection, and open/pat-down search, and adds explosive/liquid detection and full-body scan if necessary. However, the system is vulnerable to new terror threats, such as non-metallic explosives, and causes passenger inconvenience, and thus Smart Security has been introduced globally to resolve these issues. Against this backdrop, we are improving our security check system by introducing a set of smart security features, including circular full-body scanner, CT machine, and 2-lane checkpoint.

Applying Smart Technology

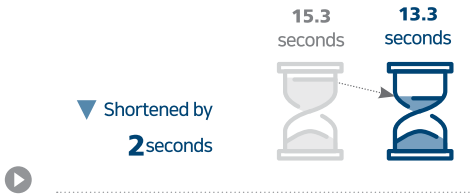
Background	Efforts	Social Value
<ul style="list-style-type: none">Conducting visual inspection by security personnel when checking passenger identificationRestricting passengers without identification from boarding domestic flights	Biometric identification Utilizing 'Single Token' that includes the previously registered bio-information of passengers at security check points without requiring the presentation of identification	<ul style="list-style-type: none">Increasing customer convenience by shortening time required for identification and security checkPreventing security incidents by reducing human errors
<ul style="list-style-type: none">Requiring improvements for metal detection-based security check	Circular full-body scanner Fundamentally addressing non-metallic threats, such as non-metallic explosives and ceramic weapons	<ul style="list-style-type: none">Reducing time for security check by skipping manual metal detection
<ul style="list-style-type: none">Depending on 2D image processing	CT machine Allowing 3D image processing, and not requiring separation of laptops and liquids and also random open bag search thanks to EDS function	<ul style="list-style-type: none">Enhancing accuracy of image processing, increasing convenience of screening, and shortening time for screening
<ul style="list-style-type: none">Requiring improvements for the efficiency of 1-lane system (one by one in order)	2-lane checkpoint (parallel) Shortening passenger waiting time by screening a number of passengers at the same time through separation of suspicious baggage and normal baggage	<ul style="list-style-type: none">Increasing operational efficiency of screening equipment by increasing the number of basketsShortening passenger waiting time
<ul style="list-style-type: none">Decreasing work efficiency due to manual collection of baskets	Automatic basket collection Automatically delivering baskets to passengers, and using baskets with RFID included to allow automatic separation of suspicious baggage	<ul style="list-style-type: none">Lessening the workload of security personnel thanks to automatic basket separation
<ul style="list-style-type: none">Work environment where security officers are interrupted with other duties during passenger screening	Centralized image processing Establishing a separate image processing room to increase concentration and operational efficiency of the responsible personnel	<ul style="list-style-type: none">Increasing accuracy of screeningImproving efficiency through real-time data management



Biometric Identification

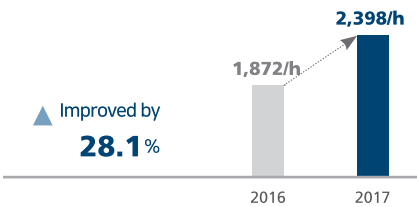
Shortening Passenger Waiting Time

Time required for passenger screening



Increasing Operational Efficiency

Amount of baggage handling



* Smart Security: Remaining the overall passenger screening system, and adding advanced technology for handling more passengers

Building Counter-Terrorism Capacity

Enhancing Expertise of Security Personnel Building the capacity of security personnel is essential to enhance the expertise of aviation security. KAC is fostering talented security personnel by providing them with training on security inspection developed by TSA and also specialized training on counter-terrorism for free. Moreover, we are striving to expand the temp-to-perm transition of security supervisors for the enhancement of expertise of security personnel; to guarantee job security by raising the ratio of directly managed counter-terrorism officers; and to create a pleasant working environment by improving labor conditions, such as providing a dormitory for those who work late at night or early in the morning.

Intensifying Training on Counter-terrorism Based on actual terrorism cases, the 2017 counter-terrorism training was planned to augment onsite response capabilities through simulation exercises designed to prepare for bioterrorism and improvised explosive devices. In addition, we are collaborating with related organizations in preparation for new terror threats, such as drone explosions, and improving our counter-terrorism capacity through comprehensive training.

Collaborating to Prevent Cyber Terrorism

KAC has operated Cyber Security Control Center since 2017 to immediately and efficiently address the growing threat of cyber terrorism. The center responds to cyber terrorism in real-time and conducts hacking simulations and vulnerability assessments on a regular basis. Moreover, a vulnerable information security system was introduced to prevent information leakage and intrusion attempts, while a preemptive information security system was established by sharing information on cyber threat detection with MOLIT and National Intelligence Service.

Newly Introduced Item	Resolution of Security Vulnerabilities
Threat detection system	<ul style="list-style-type: none">Receiving and distributing threat detection rules of National Intelligence ServiceConducting comprehensive management of information security system (firewall, IPS)
Intrusion prevention system	<ul style="list-style-type: none">Detecting and blocking traffic harmful to the internal network
Wireless network detection	<ul style="list-style-type: none">Detecting unauthorized wireless access points and analyzing vulnerabilities

Enhancing Information Security Capabilities of Employees

KAC has promoted personal information management activities by improving its personal information protection system and enhanced the level of employee information security. We have overhauled the specific guidelines and internal management plans for personal information protection, and also inspected our personal information processing system to reduce vulnerability. In order to strengthen the expertise in information security, we have assigned professional positions and individual areas of expertise to those in the information security department. Furthermore, we have participated in cyber security contests to hone practical skills, and also conducted mock exercises on email hacking using malicious code. As a result, not a single case of personal information leakage was reported in 2017, and KAC has been awarded the grade of excellence for three consecutive years in the simulation training on counter cyber terrorism held by MOLIT.



Training on Counter-Terrorism

Improvement Effect
Maintaining information on cyber threat detection equivalent to that of higher-level organizations (MOLIT, NIS)
Immediately thwarting hacking attempts to the internal network
Securing safety of wireless network

Personal Information Management
Assessment by the Ministry of Public
Administration and Security

Excellent for 2 consecutive years

TSA: Transportation Security Administration

Sustainable Environment

Monitoring Environmental Effects

At KAC, a monitoring system has been operated for systematic environmental management to prevent environmental pollution in advance. We measure water quality, air quality, waste, soil, and noise on a regular basis to check environmental impacts and disclose the results transparently through our website and social responsibility report. Also, we are completely addressing environmental impacts beyond legal standards by inspecting non-point pollution reduction facilities and emissions of vehicles in the movement area.

Water Quality Management KAC ensures water quality at airports through regular water quality analysis and compliance monitoring, including water quality inspection on 7 items, such as water tanks and pipes, at least once a year.

Result of Water Quality Measurement

Category	Unit	Standard	4Q 2015	4Q 2016	4Q 2017
pH		5.8~8.6	7.1	6.8	6.9
DO	ppm	-	6.1	4.1	3.4
SS	ppm	Below 120	3.4	5.6	10.9
COD	ppm	Below 130	3.7	5.1	7.3
OIL	AER	Below 1,000	91.4	81.6	115.9

Air Quality Management KAC is actively responding to fine dust to create a clean air environment at airports. Our efforts include operation of the alternative-day-no-driving system and regular cleaning and changing of filters in air handlers at passenger terminals. In addition, we have met the standards for each item in indoor air quality measurements at airports nationwide.

Result of Air Quality Measurement

Category	Unit	Standard*	4Q 2015	4Q 2016	4Q 2017
SO ₂	ppm	Below 0.05	0.004	0.01	0.006
NO ₂	ppm	Below 0.06	0.035	0.007	0.041
CO	ppm	Below 9	0.4	1.6	2.5
O ₃	ppm	Below 0.06	0.012	0.013	0.006
PM10	µg/m ³	Below 100	53	54	-
PM2.5	µg/m ³	Below 50	34	30	17

Result of Indoor Air Quality Measurement

Category	Unit	Standard*	4Q 2015	4Q 2016	4Q 2017
PM10	µg/m ³	Below 150	27.6	27.7	28.2
CO ₂	ppm	Below 1,000	503.6	477.8	488.9
CO	ppm	Below 10	0.6	0.5	0.8
HCHO	µg/m ³	Below 100	13.2	11.6	12.6

Waste and Soil Pollution Management KAC analyzes the status of waste generation and disposal at airports across the country and manages sources of environmental pollution through regular measurement of soil pollution.



Water Re-use Center



Air Conditioner

Activities to Reduce Fine Dust

- Managing filters in air handlers at passenger terminals: cleaning 1 to 4 times every month, changing 1 time every quarter
- Implementing measures to reduce dust scattering at construction sites, and strengthening the cleaning of interior/exterior walls and floors at terminals
- Increasing frequency: applying internal standards (every quarter) which are stricter than legal standards (every year)

* Environmental Policy Standards: A standard KAC established in compliance with Korea's Framework Act on Environmental Policy

Making Efforts for Noise Abatement and Communication

KAC monitors aircraft noise at all times by using an automatic aircraft noise monitoring network and strives to tighten the relationship with local residents through various support projects apart from activities to abate noise caused by airport operations. We conduct noise impact assessment (WECPNL*), which is the basis of noise control projects, and divide the areas near an airport into three zones for effective management. We establish soundproof facilities at homes and schools in designated areas to control noise pollution and also provide support for electricity bills during the summer season (July to September) when it is difficult to open windows due to aircraft noise. Besides, we will strengthen ties with local residents by implementing noise control projects that offer practical benefits, and communicate with them through various channels, such as workshops, meetings, and public hearings, in order to promote customized support projects.

Category	Background	Effort	Noise Control Project
Managing noise af-fected area	• There was a need to curb population growth in noise-affected areas and to encourage migration	• Establishing procedures of compensation for land acquisition near airports and providing business guide to applicants	Making compensation for 445 houses and land of 3,09km ² near airports, and receiving applications for land purchase
Strengthening noise manage-ment	• Noise pollution was aggravated due to increasing number of flight operations	• Calling for restriction of high noise aircraft operations, and promoting change of flight paths to reduce noise pollution	Decreasing the level of noise pollution compared to the previous year (Gimpo·Gimhae·Jeju △ 0.5, △0.5, △0.2 WECPNL, respectively)
Improve-ment in application process	• Residents who apply for a noise control project had to prepare 2 types of administrative documents by themselves	• Promoting the public use of online administrative information in cooperation with MOIS and MOLIT • Responsible personnel access online information to handle tasks	Streamlining application process by promoting the public use of online administrative information (saving 35,000 hours per year)
Expand beneficiary group	• Those who reside in community facilities and studios were excluded from support	• Expanding the range of beneficiaries to include residents of type-1 and type 2community facilities and office buildings(studios) for support of electricity bills during the summer season	Increasing the number of beneficiaries by 20% compared to the previous year to reach around 75,870 households
Cus-tomized support	• There was a need to establish response strategies with a focus on resident life and happiness at the final stage of building facilities, such as sound-proofing (95% of sound-proofing completed) • There was a need to discover businesses that can increase the level of resident satisfaction	• Discussing with government, national assembly, and residents (21 times), holding meetings with related organizations, such as workshop (4 times), participating in meetings and public hearings for local residents (3 times), and providing consultation on noise control (4)	Supporting 5 airports, 12 local governments, and 111 projects (increasing project costs by 50% compared to the previous year)

Noise Control Projects in 2017 (unit: KRW billion)

Projects	Cost
Establishing sound-proof facilities and air-conditioning systems in residential houses	8.63
Providing residents with support for electricity bills and TV license fees	10.21
Resident support projects (for local governments)	14.72
Other projects including scholarships	3.1
Total	36.66

Social Value
▶ Minimizing the number of affected houses by controlling the influx of people into noise-affected areas 
▶ Reducing noise pollution thanks to active efforts to control aircraft noise 
▶ Minimizing resident inconvenience by simplifying application process 
▶ Eliminating the blind spot of support by reflecting resident requests 
▶ Promoting resident welfare by expanding the scope of resident support projects 

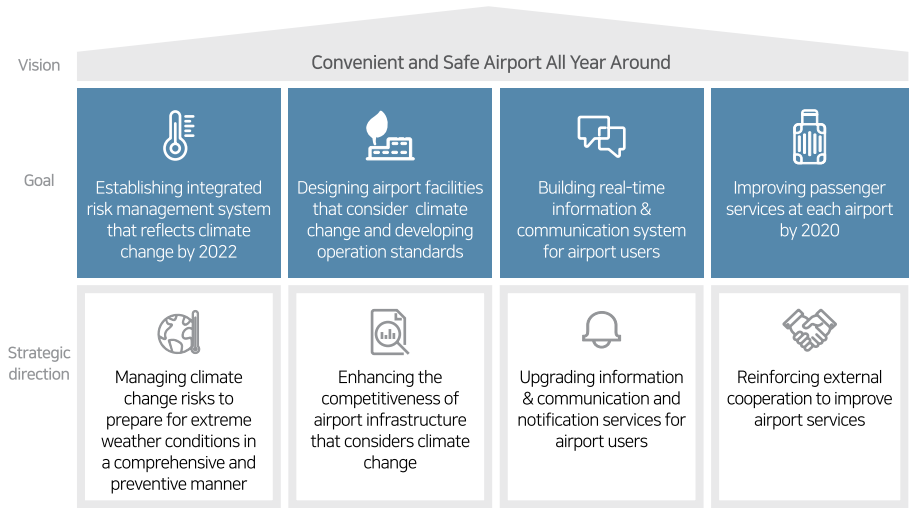
* WECPNL (Weighted Equivalent Continuous Perceived Noise Level): A comprehensive evaluation by reflecting level of noise, number of flights, and maximum level of noise.

Sustainable Environment

Developing Climate Change Adaptation Measures for 14 Airports Nationwide

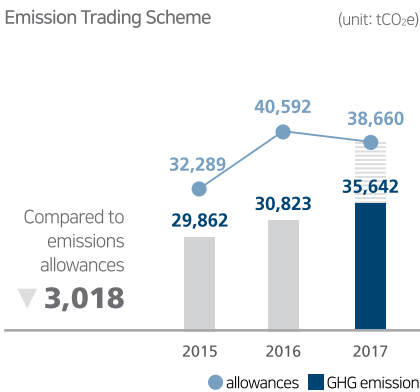
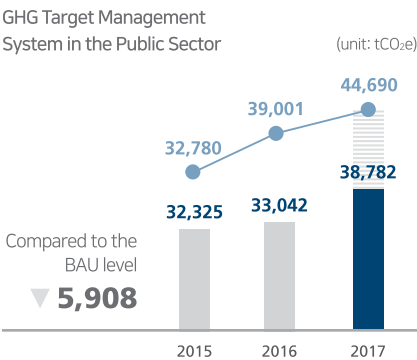
In order to actively respond to extreme weather conditions and climate change, KAC has developed climate change adaptation measures and carried out a current state analysis and prediction of climate change and also assessment of vulnerability and risk at 14 airports. This will enable us to provide airport users with necessary information and services in certain situations, such as flight delays and cancellations and staying at airports, due to weather conditions. Also, a climate change adaptation council will be organized with the participation of managers in the airport facility office at the headquarters and 14 airports, and regular (half-year) and occasional meetings will be held. In addition, related departments and 14 airports will be monitored on their implementation of adaptation measures, and specific regulations and plans for climate change adaptation will be established for each department.

Vision for Climate Change Adaption Measures



Endeavoring to Reduce GHG Emissions

With the announcement of Paris Climate Agreement in 2015, Korea has finalized its 2030 target of reducing greenhouse gas emissions by 37% from BAU levels. KAC, including Air Route Traffic Control Center, Civil Aviation Training Center and 14 airports nationwide, is subject to GHG & energy target management system in the public sector. Thanks to its efforts to decrease GHG emissions, KAC exceed its target of 24% by 9.3%p and achieved 33.3%. Meanwhile, Gimpo International Airport has been implementing emission trading system since 2015 and exceeded the reduction target by 7.8% in 2017 to secure emission rights. KAC is working hard to reduce GHG emissions while providing a comfortable air-conditioned environment for passengers by adjusting GHG emissions based on its GHG reduction targets and increasing number of flights.



Energy Globe World Awards

Selected as **Best Case**

Green World Awards

Achieving **Bronze**
in Climate Change Sector

GHG Target Management System in the Public Sector

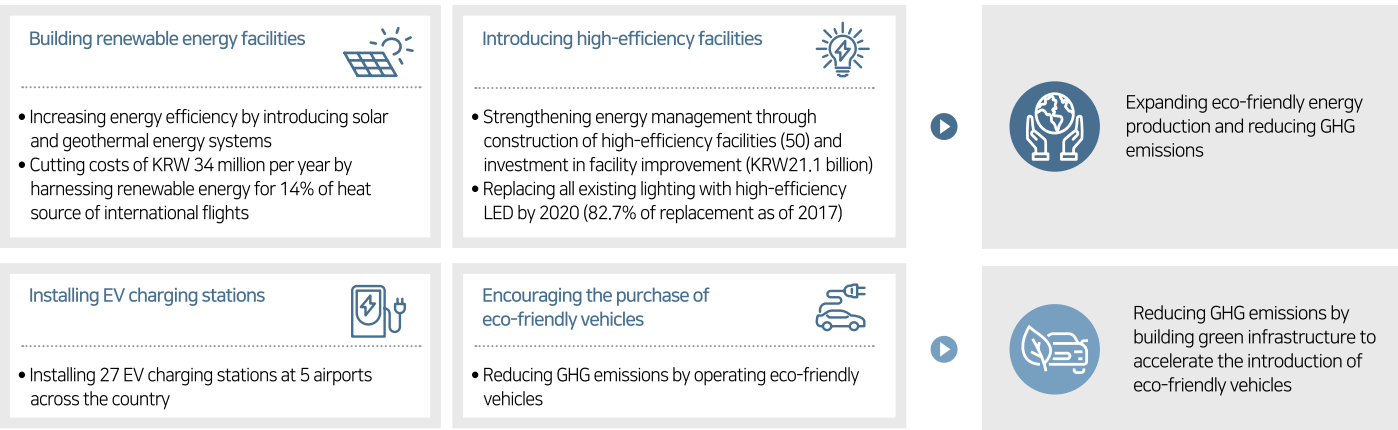
Exceeding targets for **7** consecutive years

Emission Trading Scheme

Exceeding targets for **3** straight years

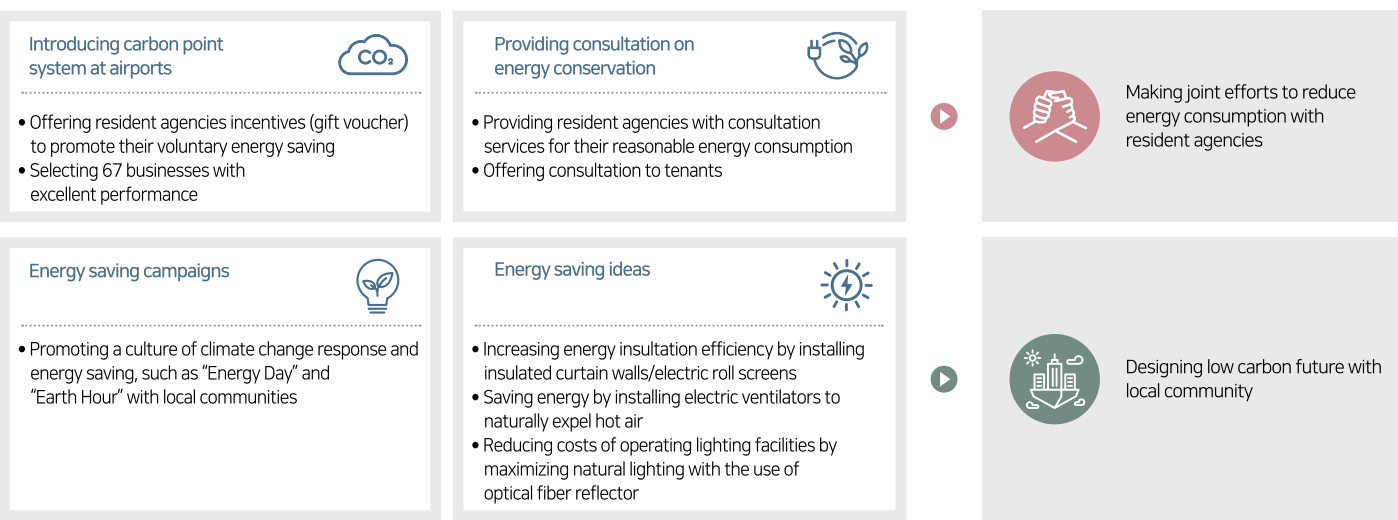
Building Eco-friendly Infrastructure

For efficient energy consumption, KAC is expanding eco-friendly infrastructure at airports nationwide, including establishment of new and renewable energy facilities and high-efficiency facilities, replacement of LED lights, introduction of electric vehicles, and installation of charging stations.



Promoting Energy Saving Activities

As part of the effort to cope with climate change, KAC collaborates with its partners to reduce energy consumption and expands the scope of energy management across the supply chain. We cooperate with our partners and local community stakeholders in carrying out various activities for energy saving and spreading a culture of energy conservation.



Winning a Gold Award at the International Green Apple Awards for Environmental Best Practice 2017

KAC was awarded the gold prize in the category of low carbon emissions at the Green Apple Awards for its various green efforts, including operation of mobile inspection team that promotes energy saving at airports to reduce GHG emissions, replacement of halogen with LED at airports nationwide (102,600 lights at 14 airports), and introduction of carbon point system.



Sustainable Environment

Eco-friendly Airports
In order to realize environmentally-friendly airports, KAC has been continuously investing in facilities and monitoring environmental activities. Apart from reducing GHG emissions across the enterprise and building green infrastructure, we are engaged in various environmental management activities with the consideration of impacts on stakeholders, such as energy saving campaign with partners and noise pollution reduction for local communities.

20 %
Using renewable energy for 20% of energy consumption by 2030

136 ton
Water use (10,000 ton)

26.8 %
Reduction of water use

3,922 ton
Waste

27 stations

Installing EV charging stations

Eco-friendly airport operation
Complying with legal standards for environmental management, adopting the ISO14001 standard

Eco-friendly system for electric and machine equipment
Introducing high-efficiency equipment including transformer and soft starter, adopting Building Energy Management System (BEMS)

368 companies

Businesses participating in carbon point system

Eco-friendly buildings
Enhancing insulation efficiency by using high-efficiency glass windows, introducing automatic sunlight adjusting system, adding a skylight for natural lighting

Energy-saving boarding bridge
Saving energy by coating glasses and roof floors with special insulative paint

LED aviation light
Saving energy consumption by 80% and increasing bulb life by 50 times compared to the use of existing halogen

Green pavement
Reducing GHG emissions by extending the life of asphalt pavement at airports

Air quality management
Measuring indoor air quality at airports nationwide, PM10 (fine dust) 28.2µg/m³ (12% to 23% lower than legal standards)

33.3 %
GHG reduction

KRW **36.7** billion
Noise control projects

By the customer, For the customer

We put customers at the center of our business.
We will do our best to improve services through customer engagement
and provide services that consider every customer.

Decrease in the
Number of Customer
Complaints (VOC)
15.9 %

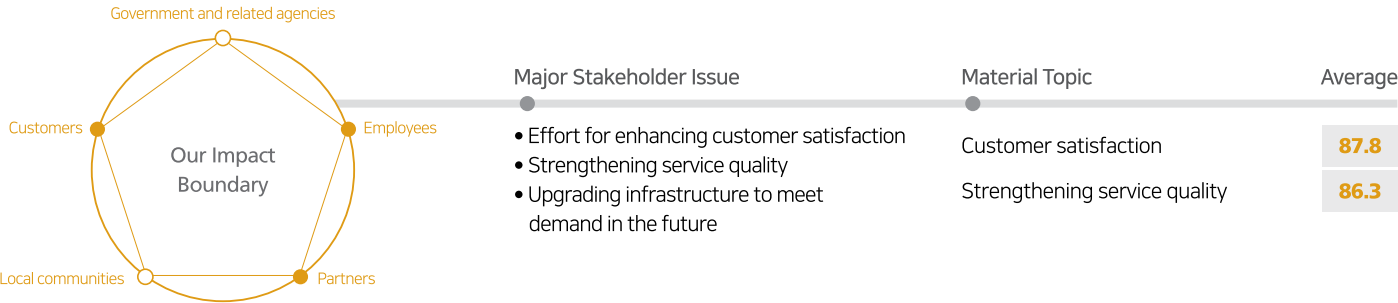
Increase in
the Number of
Applicants for
Porty Care Service
2.2 times

Time Required for
Identification
By around
65 seconds

Satisfactory Services for Everyone

Importance of Topic

The growing demand for air services has led to an increased number of airport users who have needs for more comfortable services at airports. In this regard, it is important for KAC to provide fast and convenient services at airports by minimizing the waiting time of passengers, and to enhance customer satisfaction by expanding convenient facilities. Moreover, we need to raise our competitiveness through airport operations that can satisfy every customer's need by increasing accessibility for all customers, including the transportation vulnerable, beyond their expectations, and offering differentiated airport and commercial services.



Our Performance

Due to the steadily growing demand for air travel, the number of users at 14 airports nationwide has consistently increased to exceed 80 million in 2017. KAC has strengthened communication with customers to effectively handle their complaints and analyzed big data to provide more customized services. Also, Porty care service has been operated to guarantee the mobility rights of the transportation vulnerable, while new technologies have been utilized to realize smart airports that make passenger processing more convenient and comfortable.

Category	Task	Performance Indicator	Key Performance
Services that Customers Design	• Promoting customer satisfaction management • Improving service quality • Increasing customer convenience	Airport operating efficiency evaluation	Achieving Top 5 (Jeju International Airport 1st, Gimhae International Airport 3rd)
		Customer satisfaction (PCSI)	95.8 (S rating)
Considerate and Convenient Services	• Improving airport facilities for the transportation vulnerable • Expanding Porty care service • Establishing master plans for smart airport	Porty care service	Cooperate with social enterprises, introduce electric carts, porty pass
		Infrastructure for smart airport	Establishing master plans for smart airport, setting goals for 2025

Our Future

To truly listen to the voices of customers, KAC will encourage customer engagement in the Customer Service Committee and develop better services together with them. In addition, our big data analysis will discover the hidden needs of customers to realize more convenient services. Lastly, we are envisioning futuristic smart airports to emerge as a global airport operator that leads the 4th industrial revolution.

By the customer,
For the customer

Services that Customers Design

Promoting Customer Satisfaction Management

For the safe and convenient use of airports, KAC has improved airport services through active communication with customers, and enhanced customer satisfaction by promoting CS activities.



Offering Differentiated Service through Customer Communication Channels



KAC defines customer segments in detail and collects their opinions by group through various communication channels. For individual customers including airport users, we manage service quality and provide differentiated services. For corporate customers including airlines, ground operators, and resident partners, we seek cooperation with them to provide safer and more convenient services at airports and build mutually beneficial relationships through practical support.

‘Customer Service Committee’ for Service Improvement from Customer Perspective

The Customer Service Committee was first held at Gimhae International Airport in 2017. To effectively improve customer services, customers themselves are encouraged to examine services that they receive, point out problems, and discover ideas for improvement. The committee consists of passengers, experts, the transportation vulnerable and foreigners, and identifies improvement tasks from the perspective of various customers. From 2018, the committee will be expanded to all airports.

Improvements

Category	Improvements
Parking lot	• Redesigning directional signs at parking lots and expanding parking spaces
Security check	• Giving advance notice of security screening process for laptops and tablet PCs
Information facilities	• Improving signboards and installing more signboards for feeding rooms
Terminal facilities	• Providing playing facilities for children and desks for repackaging at the international terminal • Improving and expanding scales to measure the weight of luggage, installing diaper changing stations, and building restrooms for those accompanying infants/children

Sky Voice VOC System: A voice of customer (VOC) system on KAC's website that provides feedback on inquiries registered by customers within 48 hours

Enhancing Service Quality through Collection of Customer Opinions

KAC has contributed to enhancing the quality of airport services by actively collecting customer opinions and addressing complaints. We have analyzed the opinions collected through the Customer Satisfaction Center and the VOC system, and promoted a number of improvement activities for each airport. As a result, the number of complaints decreased by 15.9% despite the 3.87% increase in passenger numbers in 2017. We will boost customer satisfaction by not only resolving but also preventing inconvenience, based on our accumulated data on customer complaint resolution.

Major Improvements in Complaints Handling

Category	Customer Complaints	Activities for Improvement	Expectation
Parking lot	• Access is not allowed when parking lot is full	• Providing enough parking spaces: utilizing spare spaces, and building a new parking garage • Upgrading facilities: providing pedestrian footpaths at temporary parking lots, levelling land, and making improvements in flood-prone areas at Cheongju International Airport	• Relieving congestion at parking lots • Enhancing user safety • Decreasing the number of VOC by 53%
Security check	• Security checkpoints are congested	• Expanding facilities: increasing the number of security checkpoints, and introducing advanced image processing system • Improving systems: restructuring waiting lines, and opening security check points earlier than usual	• Shortening time required for security check • Easing congestion with fast passenger processing • Decreasing the number of VOC by 48%
Indoor temperature and humidity	• Requests for regulating indoor temperate properly are made	• Expanding facilities: adding temporary air-conditioners • Improving systems: adjusting GHG emission standards at Gimpo International Airport during summer season (flexible in spring and fall)	• Providing a pleasant passenger environment • Decreasing the number of VOC by 7%
Private valet parking	• Interfering with other businesses and posing a threat to public safety	• Conducting crackdown: requesting crackdown by airport police • Publicity: press release	• Upgrading valet parking services • Improving corporate image • Decreasing the number of VOC by 65%
Environmental clean-up	• Complaints about sanitation, such as ill-smelling smoking rooms and restrooms, are received	• Improving systems: getting consultation on environmental beautification, creating a manual on cleaning, and outsourcing special cleaning • Improving facilities: setting up a better ventilation system for smoking rooms	• Providing a pleasant passenger environment • Increasing customer convenience • Decreasing the number of VOC by 26%

Converting Existing Restrooms into Premium Showroom-type that Gives Pleasure to Travelers

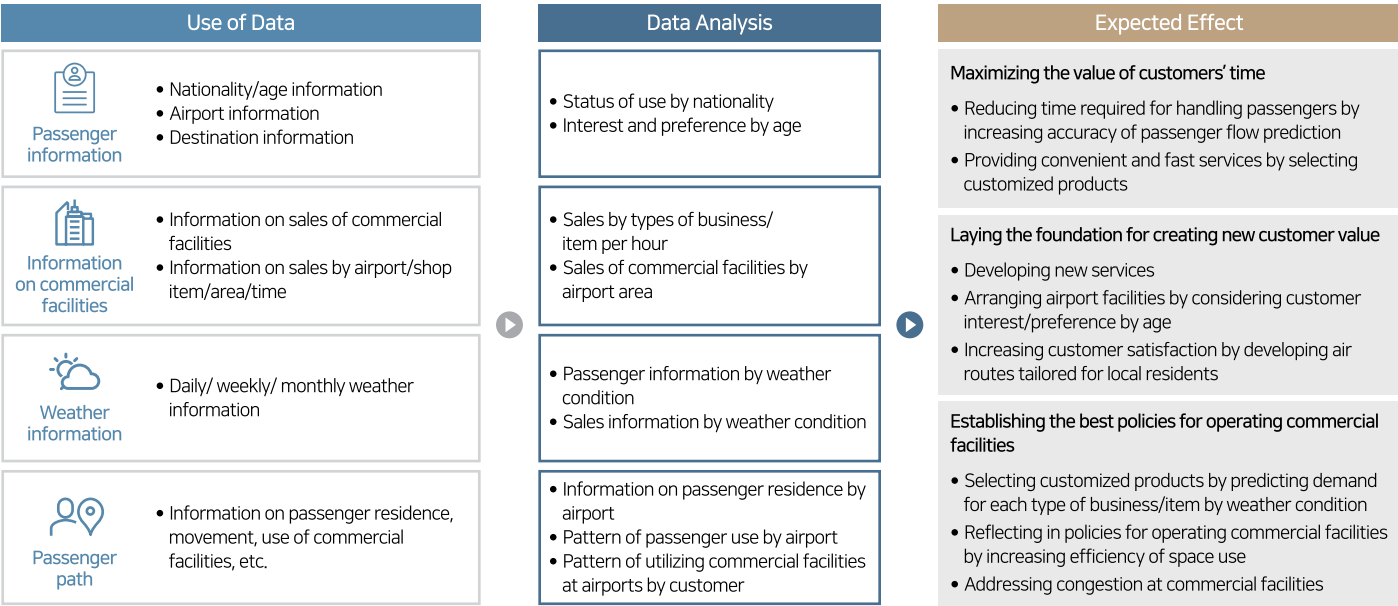
As the number of airport users had surged, it became more difficult to keep toilets clean at all times, leading to an increase in the number of customer complaints. Against this backdrop, KAC remodeled restrooms at Gimpo International Airport together with private companies, and enhanced expertise by assigning dedicated personnel. The newly renovated simple but sophisticated restrooms with modern facilities have increased customer satisfaction while the companies participating in remodeling have gained publicity by using the restrooms as a showroom to promote their products and brands.

Upgrading facilities	Assigning responsible personnel	Innovating operation process	KAC
• Introducing showroom-type restrooms in collaboration with private bathroom companies - Collaborating with private companies to provide customers with a pleasant environment in restrooms - 2 restrooms on the 3rd floor in the domestic terminal at Gimpo International Airport	• Strengthening maintenance of restrooms - Promptly responding to customers and providing best services by assigning personnel responsible for beautification and maintenance	• Enhancing expertise through collaboration and division of tasks with professionals in each area - KAC: basic facilities and airport operational know-how - Kohler and EWAI: toilet plumbing, interior design, cleaning, etc.	• Increasing convenience of maintenance • Boosting customer satisfaction
			Private specialized companies
			• Gaining publicity by using restrooms as a showroom to promote their products and brands
			Customers
			• Improving passenger convenience • Shortening sensible waiting time by providing passengers with visual treats on exterior walls

Services that Customers Design

Promoting Customized Services Using Big Data

Based on our know-how and data accumulated for 38 years, we promote customer satisfaction management by providing services that reflect customer needs. To enhance the efficiency of airport operations and effectiveness of airport services, we make efforts to customize our services, such as arrangement of commercial facilities and expansion and adjustment of routes, by utilizing the big data platform, which analyzes the passenger needs and preferences for commercial facilities at airports by nationality, age, and gender. We plan to apply this big data analysis, convergence and utilization system to future smart airports.



Improving Concession Services Reflecting Customer Needs

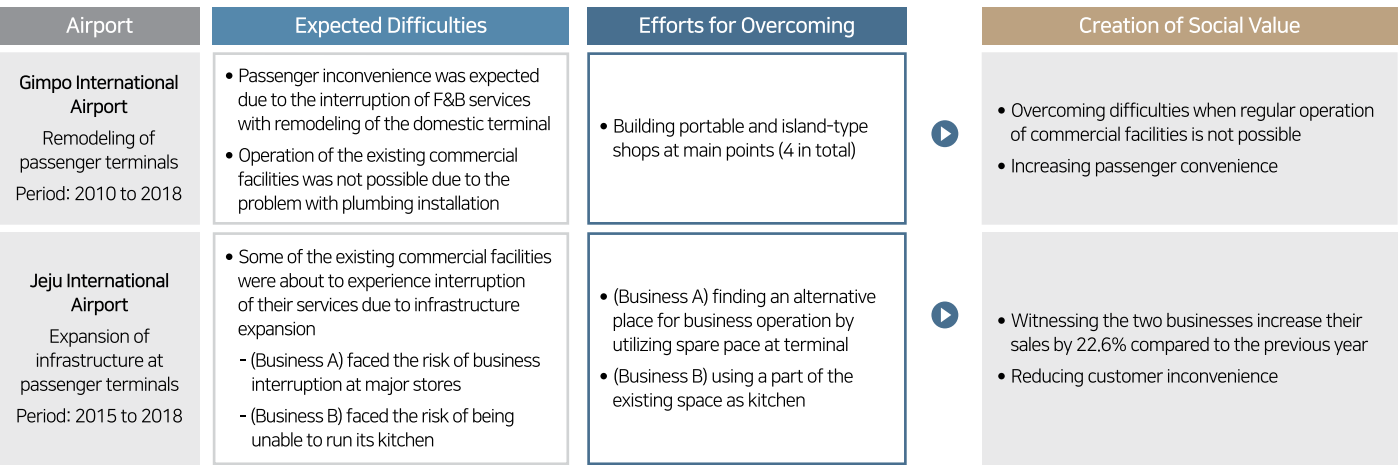
In order to reinforce the competitiveness of the concession business, KAC analyzed the trends of and customer needs for commercial facilities that provide food and beverage services at airports. As a result, we found the need to strengthen F&B services and unique commercial facilities at each airport. To address such need, we have attracted new businesses that reflect customer preferences and commercial facilities for local specialties. Also, the businesses that operate at airports have been provided with on-site coaching and monitored for the improvement of their services.

Survey on Customer Needs	Discovery of Customer Needs	Service Improvement Efforts	Results
Survey <ul style="list-style-type: none">Target: customers and owners of commercial facilities at airportsPurpose: analysis of buying patterns and discovery of improvement tasks	Unbalanced composition of business types <ul style="list-style-type: none">The number of F&B services is five times that of othersLack of diversity in commercial facilities	On-site coaching <ul style="list-style-type: none">One to one training on intensive service management by external experts (from 4 agencies)	F&B differentiation <ul style="list-style-type: none">Attracting local brands and showcasing trendy F&B products
FGI <ul style="list-style-type: none">Target: key customers of commercial facilities, resident employeesPurpose: in-depth analysis of customer needs through informal and free discussion	Less attractive commercial facilities <ul style="list-style-type: none">Impulse purchase takes up only 11%Lack of unique commercial facilities at each airport	Mystery shopping <ul style="list-style-type: none">Conducting visitor monitoring (63 businesses) together with customer satisfaction survey in 2017	Diversifying the types of stores <ul style="list-style-type: none">Bringing in health & beauty stores to diversify the existing commercial structure that focuses on convenience stores
			Expanding service facilities <ul style="list-style-type: none">Meeting customer needs by expanding service facilities at departure lounges

* Concession: A model for providing service in multi-purposed facilities such as building, shopping mall, airport, hospital, etc.

Increasing Customer Convenience through Cooperation with Airport Families

While remodeling passenger terminals, KAC sought for plans to open airports all year round not to cause any inconvenience to both customers and businesses. To be specific, we set up temporary stores as an alternative to regular business operations and attracted commercial facilities by using the idea of ‘reconstructing space’ that utilizes spare spaces.



Creating Cultureport (Culture + Airport) for Customers

KAC holds a variety of cultural events to enhance the value of customer waiting time and provide a differentiated customer experience. Along with this, we create content through collaboration with local governments and art communities at airports nationwide and also take the lead in revitalizing local culture by giving local artists an opportunity to perform. As a result, sensible waiting time was shortened and exchange with local art communities was expanded.

Airport	Major Content	Regular Cultural Content	Cultural Event During the Peak Season	Event at Normal Times
Gimpo International Airport	<ul style="list-style-type: none">Korean wave cultural contents, performance combined with traditional dance, etc.	<ul style="list-style-type: none">Korean wave music performance, Korean traditional music performance, non-verbal performance, etc.	<ul style="list-style-type: none">Gift giving event, calligraphy, tarot card reading, etc.	<ul style="list-style-type: none">Exhibitions in collaboration with local governments and local culture and art organizations
Gimhae International Airport	<ul style="list-style-type: none">Demonstration of traditional parade and traditional wedding, gayageum & b-boying performance, showcase of queen's party, etc.	<ul style="list-style-type: none">Magic show, piano, orchestra, and non verbal performance, dance, etc.	<ul style="list-style-type: none">Wedding proposal event, traditional game, claw machine game, balloon dart game, etc.	<ul style="list-style-type: none">Contemporary calligraphy carving, photo exhibition of fireworks festival, wall art, etc.
Jeju International Airport	<ul style="list-style-type: none">‘Dance of haenyeo’ by Jeju Special Self Governing Dance Company	<ul style="list-style-type: none">Choir, folk song band, chamber orchestra, cocktail show, specialty tasting, etc.	<ul style="list-style-type: none">Family motto writing, non-verbal performance, face painting, etc.	<ul style="list-style-type: none">Exhibitions in collaboration with local governments and local culture and art organizations
Medium-sized airports	<ul style="list-style-type: none">Daegu: Korean traditional music performance, experience of traditional wedding, recital by local art schoolsUlsan: orchestra performance by local youth, classical music performance by the Music Association of Korea, etc.Cheongju: Korean traditional music performance, regular performance by Cheongju City Art Company, 30-minute concert, etc.Gwangju, Yeosu: culture and art performance (concert)		<ul style="list-style-type: none">Gift giving event, caricature, Korean paper art, nail art, traditional play, face painting, etc.	<ul style="list-style-type: none">Photo zone of Korean wave cultural contents, exhibition by local artists, exhibition of landscape paintings, etc.
Small-sized airports	<ul style="list-style-type: none">Performance: joint performance by KAC and partners, comedy show, magic show, dance, etc.Experience: flying disk(boomerang), nail art, Porty making, table football, etc.		<ul style="list-style-type: none">Instant photo taking, free medical check up, cocktail show, free sampling of seasonal fruits, traditional play, local specialty tasting, etc.	<ul style="list-style-type: none">Exhibition of potted plants, exhibition of illustrated poems, exhibition of eight scenic views of Namhae, etc.

* Medium-sized airports: Daegu, Ulsan, Cheongju, Gwangju, Yeosu Airports

* Small-sized airports: Muan, Pohang, Yangyang, Sacheon, Gunsan, Wonju Airports






Considerate and Convenient Services

Improving Airport Facilities for the Transportation Vulnerable

KAC has created a comfortable and safe environment for travelers. We built more facilities for the transportation vulnerable, including the disabled, the elderly, pregnant women and others. We expanded rest rooms for the disabled and feeding rooms, and also improved facilities, such as elevators and escalators in the waiting area and boarding bridges. We will continue to realize ‘Barrier-Free Airport’ that anyone can use conveniently.

Improving Facilities for the Transportation Vulnerable

As of February 2018

At Terminals				On Boarding
Facilities to support mobility  <ul style="list-style-type: none">• 16 areas designated for the transportation vulnerable to get on and off of transport• 14 zones for charging electric wheelchairs• 40 moving walkways	Restrooms for the disabled  <ul style="list-style-type: none">• 151 toilets• Separating restrooms for the disabled depending on gender• Installing telephones for emergency calls	Convenient facilities  <ul style="list-style-type: none">• 28 feeding rooms• Separating feeding rooms from restrooms for families accompanying infants and male customers• 3 kids lounges	Security screening facilities  <ul style="list-style-type: none">• Operating 19 fast-tracks for screening the mobility impaired	Boarding bridges  <ul style="list-style-type: none">• Installing boarding bridges that reduce the gap between wheelchair lift and bridge• Introducing wheelchair lifts at one story airport building
<ul style="list-style-type: none">• Increasing mobility and satisfaction• Protecting human rights of the transportation vulnerable				

* Transportation vulnerable: People, such as the disabled, elders, and pregnant women, experience inconvenience in travelling (defined in Article 2 of Adjustment of Transportation of Promotion Law)

* VIS(Visual Information System): A system for transforming voice into visual presentation

Airport that Provides Convenience for All



- Connecting services with domestic subway operators
- Operating low-floor shuttles in circulation
- Designating parking lots for the disabled and pregnant women
- Designating areas for the mobility impaired to get on and off of transport

Porty care service

- Using electric carts at the service counter located near passage that connects airport and subway station
- Making a reservation to use electric carts upon arrival at airport parking lot
- Allowing reservation on the day of arrival

Help point

- Setting up information desks and telephones (pagers) for the transportation vulnerable only at major points in and out of terminals
- Providing wheelchair and stroller rental service
- Guiding to medical facilities
- Offering sign language and foreign language services (in 4 languages)

Airline counter

- Issuing Porty Pass to streamline the boarding process of the mobility impaired
- Establishing systems to provide services connecting KAC and airlines
- Improving the movement procedures of electric wheelchairs

Expanding Porty Care Service

KAC provides the transportation vulnerable with Porty care service (mobile help service) so that there is no inconvenience from their arrival at airport to boarding. The number of applicants for Porty care service, which was introduced in 2015, has increased by 2.2 times compared to 2017. For the efficient connection with other means of transportation and arrival airports, the scope of the service has been expanded in cooperation with subway operators and Haneda Airport in Japan. Moreover, we have enhanced service quality and created jobs for the vulnerable by providing language services for foreigners and collaborating with social enterprises to secure dedicated staff.

Before Revising Services

Difficult for the transportation vulnerable who are not accompanied by their parents to receive services or apply for services in advance, not easy for public transportation users to use services, procedure to identify those who are entitled to services was complicated in each stage of check-ins, treatment of the mobility impaired required improvements

Nurturing professionals

- Collaborating with social enterprises and hiring professionals
- Developing training programs and making employees understand training manual on customer service

Improving facilities

- Operating electric carts through passageways connecting terminal and subway
- Setting up a service counter at underground passageways
- Establishing Help Point at Gimpo International Airport and changing location

Upgrading services

- Expanding the target to include the mobility impaired who are not accompanied by parents
- Allowing application for services at airport on the day of departure
- Providing services in 4 foreign languages (Korean, English, Japanese, and Chinese)
- Operating Porty Pass, which gives boarding priority to the transportation vulnerable, to allow them check in smoothly from arrival to boarding

- Offering high-quality personal social services
- Creating jobs for the vulnerable, such as preferential employment of the elderly

- Promoting convenient transfer for the mobility impaired
- Improving service accessibility

- Expanding service target
- Increasing the number of Porty care service applicants from 126 to 278 (by 2.2 times)



Security check point

- Those who hold Porty Pass are allowed to use fast-track screening

The disabled

- Using fast-track screening and going through pat-down search

Waiting room at departure lounge

- Restrooms for the disabled, increasing the number of elevators and moving walks
- Establishing a broadcasting system for the hearing or visually impaired
- Kids lounge
- Feeding room

Boarding gate

- Giving boarding priority to the transportation vulnerable
- Using wheelchair lifts
- Allowing convenient movement by reducing the gap between aircraft and boarding bridge

Arrival hall

- From arrival to transportation
- Tourist information service

Considerate and Convenient Services

Establishing Master Plan to Realize Smart Airport

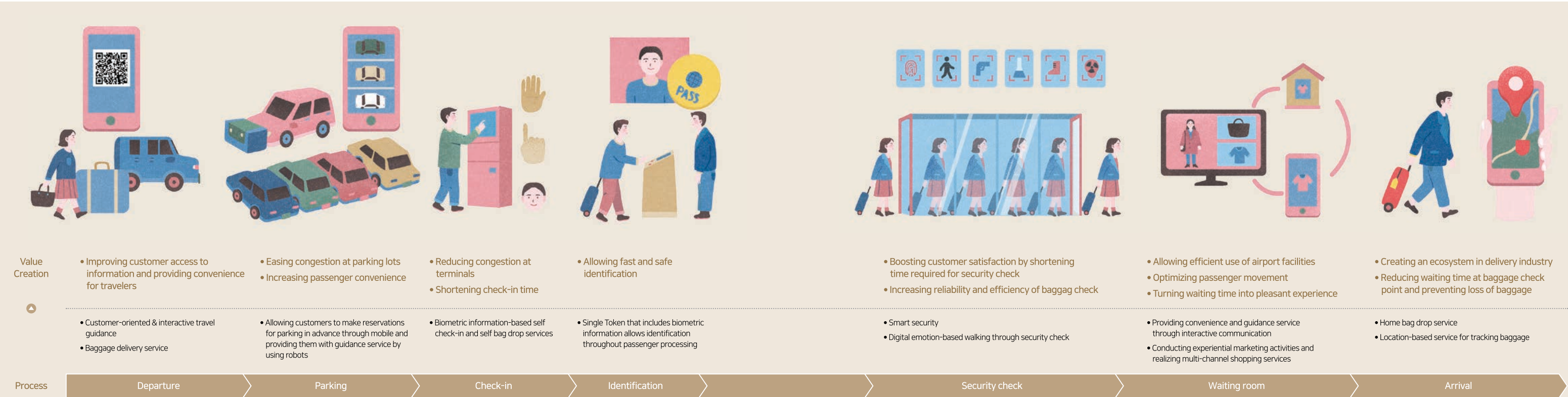
KAC has introduced advanced Information and Communication Technologies (ICT), such as artificial intelligence, robots and mobile, to improve passenger convenience and operation efficiency. In alignment with Vision 2025, we have established Smart Airport Master Plan in four strategic directions: Smart check-in process, airport services, airport operations & safety, and airport ecosystems. We are promoting smartification across airport operations and envisioning future airports by operating Smart Airport Task Force, a dedicated organization to implement the master plan.

Smart Airport Master Plan

Category	Short-term 2017 - 2019	Mid-term 2020 - 2021	Long-term 2022 - 2025	Goal 2025
Smart check-in process	• Introducing biometric authentication and self-service on a trial basis	• Expanding biometric authentication and self service	• Automating the entire check-in process, such as tunnel-type walking through	• Completing the entire check-in process in 5 minutes thanks to unmanned/ automation systems
Smart airport service	• Introducing customized services, such as robots/VR	• Expanding cultural contents at airport, such as digital experience	• Providing customized information services including shopping	• Offering passenger-tailored information and best-quality services
Smart airport operation & safety	• Establishing platform of passenger flow and airport data	• Providing real-time predictions through data linkage/analysis	• Analyzing information based on integrated monitoring and AI	• Operating airports with real-time predictions and responses and saving annual operating costs by KRW 27 billion
Smart airport ecosystem	• Collaborating with high-tech companies and creating a smart ecosystem through government R&D projects • Creating a total of 2,431 higher value-added jobs in smart airport construction project			• Building a smart ecosystem, such as creation of new jobs

ACI: Airport Council International

Future Airports for Customers



Increasing Customer Convenience with Application of Smart Technology

Category	Payment at Parking Lots by Using Fin-tech	Convenient Check-in by Using 'Consolidated Self Check-in' Service	Identification Using Biometric Information
Problems	<ul style="list-style-type: none">The number of passenger complaints increased due to growing congestion at parking lotsThe utilization of unmanned fare adjustment machine was lowThe access to real-time information on parking was not easy	<ul style="list-style-type: none">Difficulties in using self check-in machineInconvenience due to the use of individual self check-in machine by airlineCongestion at check-in counters	<ul style="list-style-type: none">Human errors due to visual inspectionThose without identification are restricted from boarding domestic flightsPossibility of security problems
Solutions	<ul style="list-style-type: none">Introducing Smart Pass (mobile payment) and Hi-Pass (for exit) systems in collaboration with private companiesEstablishing systems to provide parking information in real-time by using big data	<ul style="list-style-type: none">Introduction of consolidated self check-in kiosks (127) at the domestic terminal of 8 airportsShortening check-in time by allowing customers to collect tickets of all airlines at one consolidated kioskCutting installation costs by developing home-made equipmentHiring new employees to install and manage consolidated self check-in kiosks	<ul style="list-style-type: none">Using biometric information (palm vein) instead of identity card for passenger identificationIntroducing self-service that passengers themselves enter personal information by following the instruction of authorized security officers to enhance the security of collected information
Expected effects	Easing congestion at parking lots <ul style="list-style-type: none">Providing more choices of transportation mode that passengers can use to access airportsPreventing complaints by increasing convenience at parking lots	Promoting passenger convenience <ul style="list-style-type: none">Contributing to relieving terminal congestion and increasing space efficiencyContributing to creating jobs and developing the ecosystem of aviation industry	Increasing convenience of identification check (reducing time required for identification by about 65 seconds) <ul style="list-style-type: none">Preventing security incidents caused by human errorsIncreasing customer confidence with safely registered information

Value+ with KAC

KAC grows together with local communities.
In order to make the world a better place, we pay close attention to community issues,
and promote solid growth by further strengthening mutual cooperation with airport families.

Average Volunteer
Work Hours
15.8 hours

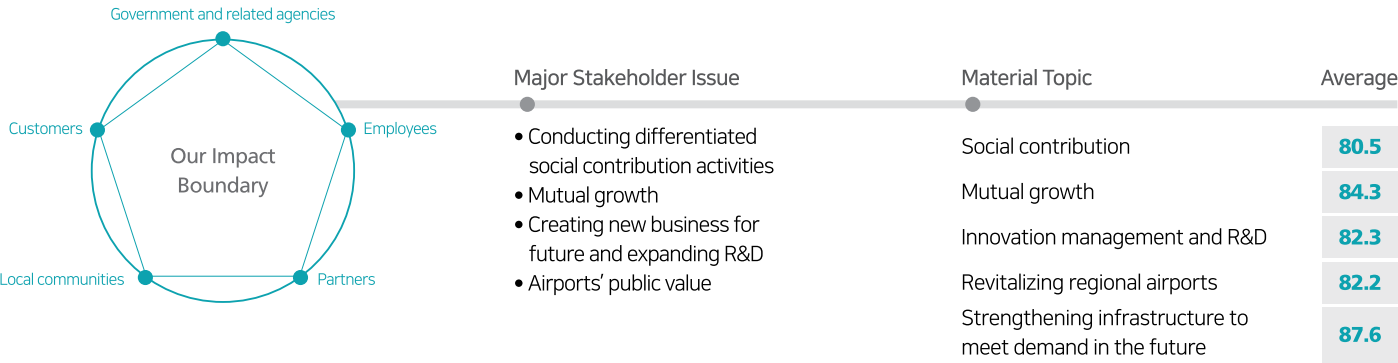
Sales in
Overseas Markets
KRW **7,941** million

Benefit Sharing
with Partner
80 cases

Community for Everyone's Growth

Importance of Topic

It is becoming more difficult for companies to secure competitiveness on their own. In order to achieve sustainable development, companies need to strengthen their competitiveness through extensive collaboration with all stakeholders. Airports now see their constantly expanding supply chains, growing influence on local communities and consequently increasing social responsibility. As an airport operator that strives to grow together with the people, it is time for KAC to think about its social roles and responsibilities and focus on creating social value.



Our Performance

KAC strives to grow together with local communities by leveraging its capabilities and resolve their economic, social and environmental problems by communicating with various stakeholders, such as NGOs and local governments. Besides, we consider our partners as members of airport family and communicate with them to achieve mutual growth through cooperation. Furthermore, we are creating public value through revitalization of regional airports for local development as well as generating profit.

Category	Task	Performance Indicator	Key Performance
Solutions that We Make Together	<ul style="list-style-type: none">• Social contribution reflecting business characteristics• Projects with local communities• Support for local community growth and self-sufficiency	Promoting strategic social contribution activities	Infrastructure for promoting strategic social contribution activity
		Average volunteer work hour per employee	15.8 hours
		Amount of donation	KRW 3,197 million (donation to sales ratio is 0.36%)
Value that We Make Together	<ul style="list-style-type: none">• Mutual growth in cooperation with local communities• Sharing R&D results and supporting commercialization• Entering overseas markets and pioneering new markets	Supporting small airlines and tourism companies	Increase in number of passengers for small airlines (97% compared to the previous year)
		Contribution for SMEs sales	KRW 3,290 million of contribution for sales
		Benefit sharing system	80 cases

Our Future

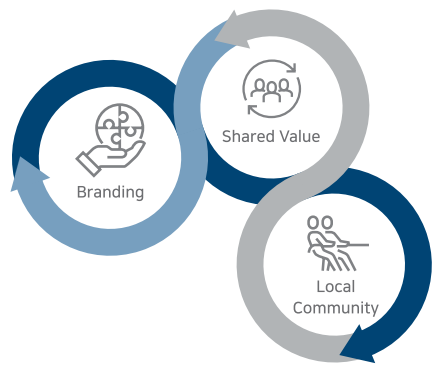
KAC promotes strategic social contribution activities, led by Social Contribution Innovation Center, which reflect the characteristics of its business, according to the mid to long-term roadmap. We plan to strengthen our unique social contribution brand by developing new social contribution programs. In addition, we will consolidate the foundation for growth by securing global technology competitiveness through R&D with SMEs and generate profits by winning overseas airport projects. Furthermore, we will strive for the development of local communities through innovation of 14 airports nationwide and the creation of public value through growth of aviation industry.

Value+
with KAC

Solutions that We Make Together

Promoting Strategic Social Contribution

Direction of Social Contribution KAC has established a social contribution strategy system in alignment with its management vision and also three strategic directions of 'branding of social contribution, promotion of CSV (Creating Shared Value), and support for local growth and self-sufficiency'. In this way, we are seeking to solve community problems and realize social value in cooperation with specialized institutions.



- With KAC**
Branding CSR activities
Social contribution reflecting business characteristics
- Together KAC**
Promoting CSV
Projects with local communities
- KAC Tomorrow**
Supporting for local community growth and self-sufficiency

With KAC: Social Contribution Reflecting Business Characteristics

KAC has been enhancing the brand value of its social contribution activities by discovering projects that utilize its business characteristics and capabilities. Based on our understanding of multinational culture, a number of social contribution activities for multicultural families have been carried out since 2010, including supporting visit to their home country. Besides, for low-income families who do not have enough money to spend on a wedding, 'KAC Porty Wedding' service was newly launched in 2017, as part of the effort to support them from wedding halls to wedding ceremonies to honeymoon trips by utilizing airport infrastructure and unused facilities. In a few years, we will establish Air Scholarship Foundation (tentatively named) to support training costs for low-income students who dream of becoming pilots.

Background	KAC Competencies	Social Contribution Activity and Performance in 2017
<ul style="list-style-type: none">Multicultural families need to get support for settlementThe youth of multicultural families need to understand the culture of their mother's countryChildren of multicultural families need bilingual education	<ul style="list-style-type: none">Utilizing network with foreign countries	<ul style="list-style-type: none">Visit to homeland ▶ 113 families (421 people)International youth camp ▶ 20 peopleMentoring for multicultural families ▶ 22 familiesVietnamese language class ▶ 7 instructors, 45 studentsHealing English Village ▶ 5 instructors, 65 students
<ul style="list-style-type: none">Low incomers cannot afford to hold a big wedding ceremony	<ul style="list-style-type: none">Experience of event organizationAirport convention	<ul style="list-style-type: none">KAC Porty Wedding ▶ 6 couples
<ul style="list-style-type: none">Obtaining a pilot certificate costs a great deal of moneyBarrier to entry for low-income families to be pilotDomestic demand for pilots has increased	<ul style="list-style-type: none">Providing administrative support for the establishment of foundation, utilizing networking in aviation industryMaking contributions to foundation	<ul style="list-style-type: none">Promoting the establishment of Aviation Scholarship Foundation (tentatively named, launching a preparation team, developing management plans, etc.)▶ Reaching a social agreement on the establishment of Aviation Scholarship Foundation (participated by 17 institutions including government, public agencies, airlines, etc.)

Voluntary Work Hours per Employee



Total Amount of Donation



Social Contribution Promotion Organization To carry out social contribution activities in a systematic way, KAC has operated Social Contribution Innovation Center, which is dedicated to social contribution activities that were conducted by the three existing departments, for the concentration of capacity. Besides, our 26 employee volunteer groups take the lead in putting sharing into action.

Awarding Excellent Volunteer Groups and Volunteers

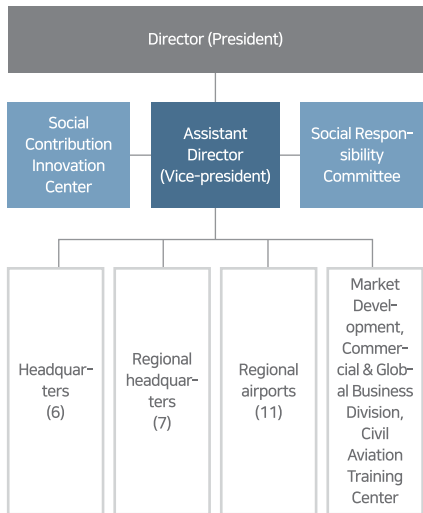
Giving an award to volunteer groups or volunteers with outstanding performance

KAC Family Volunteer Group

Each volunteer group recruits family volunteers during school vacation

"Let Me Help" Program

When employees who need help post their story on the bulletin board, volunteer groups select a number of beneficiaries and provide them with support.



Together KAC: Running Projects with Local Communities

KAC promotes mutual growth with local communities by understanding their needs and contributing to their development. To be specific, for the successful hosting of the 2018 Pyeongchang Winter Olympics, KAC, as an official sponsor in the airport service sector, has fulfilled its social responsibility by promoting regional airports through a variety of marketing and social contribution activities.

Alleys to Be Reborn – KAC, a Green Companion in the Sky

Improving the scenery and safety of old alleys in local communities, such as noise affected areas

2014~2016
KAC Guerrilla Gardening

Improving the environment in noise affected areas

2017~2021
KAC, a green companion in the sky

Enhancing residential environment considering urban renewal and pedestrian safety

▶ Seeking balanced development in noise affected areas

▶ Increasing universality in the living environment so that all residents can lead a safe and pleasant daily life.

Promoting urban regeneration



KAC, a Green Companion in the Sky

KAC with Pyeongchang 2018 Olympic Winter Games

Sponsoring Pyeongchang 2018 Olympic Winter Games

- Promoting the Winter Olympics by utilizing 14 airports
- Setting up PR booths at Gimpo International Airport and selling tickets
- Improving convenient and safety facilities at Yangyang International Airport (expanding and repaving runways, installing de-icing/anti-icing pads, replacing Flight Information Display System (FIDS), etc.

Providing opportunities to experience Olympic Games

- Young students watched freestyle skiing and figure skating (150 people, 2 nights and 3 days)
- Residents in noise affected areas watched the closing ceremony (2,400 people)

▶ Supporting the successful hosting of the Olympic Games

▶ Boosting demand for air travel and tourism

▶ Increasing opportunities for residents in noise affected areas to experience cultural events






Promotion for Pyeongchang 2018 Olympic Winter Games

Solutions that We Make Together

KAC Tomorrow: Support for Local Community Growth and Self-sufficiency

Based on its continuous interest in local communities, KAC strives to identify and solve the community problems through active communication with various stakeholders. Beyond the activities that simply provide support, we cooperate with local communities and NGOs to promote their growth and self-sufficiency.

Background	KAC Competency	Social Contribution Activities and Performance in 2017	Social Value
<ul style="list-style-type: none"> Number of neglected children was on the rise (37% of children) Neglected children needed to be protected and cared for 	<ul style="list-style-type: none"> Checking the status of child neglect after school Providing practical support and examining management plans 	<p>'Let's play with Porty at night', a night-care program for children of low-income families</p> <p>▶ Operating 7 local child care centers near Gimpo International Airport (participated by 94 people)</p>	<p>Supporting the growth of children through safety and study guidance</p> 
<ul style="list-style-type: none"> The local economies near airports suffered from business depression and increased competition 	<ul style="list-style-type: none"> Studying the actual state of small businesses, listening to their problems, and collecting their opinions about support methods Reviewing plans to enhance competitiveness of small businesses 	<p>Encouraging self-support of small businesses in Yangcheon-gu</p> <p>▶ Developing a new brand: LANTT, supporting KRW 300 million over 3 years, establishing a cooperative, operating a design studio, developing own products</p>	<p>Achieving an actual economic growth in local communities near airports</p> 
<ul style="list-style-type: none"> About 44% of child mortality accidents are caused by traffic accident, and the accidents at the crosswalk account for 81% 	<ul style="list-style-type: none"> Identifying the needs and demands of schools and local communities Establishing long-term plans to increase safety and prevent children traffic accidents in local communities 	<p>'KAC Porty Yellow Carpet' to prevent children traffic accidents</p> <p>▶ Laying 15 'yellow carpets' around 11 elementary schools near Gimpo International Airport</p>	<p>Preventing children traffic accidents through the establishment of school zones</p> 

Cooperation with NGO
Support by KAC

We Take One Step Closer to Local Communities through Sports Activities



2,916 people

Beneficiaries of Sports Support Project



30 children

Participants of Baseball Class for Children

Needs of Local Community	CSR Program	Performance	Social Value	
Stimulating local residents to engage in social sports	<ul style="list-style-type: none"> • Tennis tournaments for club members living near airports • KAC tennis tournament for national club members 	2,916 participants	Encouraging participation in social sports	Promoting health of local residents
Supporting baseball classes for children living near airports	<ul style="list-style-type: none"> • KAC children baseball class 	30 participants	Supporting healthy growth of youth	

In recent years, the importance of social sports has steadily increased in promoting health through physical activities. In this regard, KAC launched a sports support project in 2017 in an effort to build a healthy local community. We held tennis tournaments where local residents gathered to strengthen the ties of friendship and brotherhood through sports, and also local festivals where residents had a pleasant time together. In addition, we provide baseball classes for children living near airports to support their healthy growth. We will continue to conduct various social contribution activities that will enhance the health and welfare of local residents to achieve shared growth.

Link with UN SDGs



Value that We Make Together


Leading a Culture of Fair Trade

In order to establish fair trade order, KAC ensures transparency and equal opportunities by improving contract and bidding systems and practices, and also creates an environment for mutual cooperation by systematically preventing late payment to subcontractors and overdue wages.

Category	Description	Social Value
Expanding disclosure of information on bid and contract	<ul style="list-style-type: none">Implementing '100 percent e-procurement' for bidding and contracting for 3 consecutive yearsExpanding pre-release, such as purchase specifications (items over KRW 100 million → all goods and services)	<ul style="list-style-type: none">Increasing accessibility through transparent information disclosure
Lowering barriers to entry to bidding participation	<ul style="list-style-type: none">Lowering the standard for preliminary examination on qualifications for biddingLowering the standard for examination on eligibility for facility construction: expanding the range of full marks for management statusRaising the minimum bidding price rate of goods purchase (80.5% → 84.25%)	<ul style="list-style-type: none">Ensuring equal opportunities for participation by lowering barriers to entry
Preventing overdue subcontractor payments and wages	<ul style="list-style-type: none">Confirming the provision of subcontractor payments through the win-win payment systemMaking direct payments to clients (compulsory payment of labor costs to subcontractors)	<ul style="list-style-type: none">Eliminating unfair business practices to create a healthy corporate culture

Mutual Growth in Cooperation with Local Communities


The fourteen airports, under the control of KAC, can grow only through mutual cooperation with local communities. For the development of aviation and tourism industry, KAC collaborates with government, regional governments and local companies as follows. First, we are seeking ways to boost demand at regional airports through various marketing activities and diversification of international routes. Second, in preparation for the deficit operation of inland routes and decrease in passenger numbers at regional airports, we are developing new travel products; expanding 'Air Travel Portal Service', which provides travel information through website and mobile; offering incentives to travel agencies and small airlines at regional airports; and conducting joint marketing activities.



Collaborating to revitalize inland routes

- Developing inland air tourism products through the collaboration of KAC, local governments, and travel agencies
- Creating demand for new air routes by increasing collaboration
- Diversifying promotion efforts by using on/ offline channels
- Promoting Air Travel Portal Service (2 affiliates added)


- Number of passengers of new tourism products: 3,748 people
- Increasing popularity of inland air tourism products
- Growing sales of flight tickets using portal services by more than 2 times compared to the previous year



Supporting local communities for small airlines and tourism companies

- Developing incentive systems with local governments for travel agencies at regional airports
- Conducting joint overseas marketing activities with local governments and travel agencies to maximize incentive effects
- Diversifying international routes by launching regular routes and charter flights at regional airports in response to increasing demand
- Offering incentives to small airlines and boosting their competitiveness through joint promotion

- Operating non-scheduled flights and revitalizing regional airports by providing small travel agencies with incentives of KRW 260 million for charter flights
- Diversifying international routes at regional airports and increasing the number of passengers of small airlines by 97% compared to the previous year



Creating jobs and improving infrastructure to revitalize local economy

- Creating jobs by building public golf courses near Gimpo International Airport (priority employment of local residents)
- Improving infrastructure for the convenience of residents near golf courses

- Providing 110 jobs and strengthening the ties with local residents through the development of areas surrounding airports

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Value+ with KAC

Value that We Make Together

Promoting Mutual Cooperation through Support for Partners

The capability of partner companies who are at the point of contact with airport users is a determining factor of our customer satisfaction. KAC has been implementing 'Service Level Agreement (SLA) Performance Sharing System' with its partners to enhance the quality of airport services, and also improving their business capability through best practice contests and employee overseas training. By adding an item of social responsibility to the existing SLA assessment, we encourage the fulfillment of their social responsibilities. Also, we support hobbies and activities, such as choirs and bands composed of KAC and partner employees, to increase their sense of belonging.

Category	Description	Social Value
Implementing 'Service Level Agreement (SLA) Performance Sharing System'	<ul style="list-style-type: none">Incorporating social responsibility performance indicators into SLA - Adding points for the achievement of ISO 9001, ISO 14001, OHSAS 18001, ISO 20000, and ISO 27001 certification	<ul style="list-style-type: none">Spreading a culture of performance creationMaximizing the performance of partnersExpanding the scope of social responsibility management
Holding best practices contest for partners	<ul style="list-style-type: none">Participation: 31 cases, 26 companiesAdding points to SLA and offering incentives to awardees	<ul style="list-style-type: none">Stimulating business innovation among partners
Providing overseas training for partner employees	<ul style="list-style-type: none">Reflecting request to expand overseas trainingNumber of trainees: 60 -> 100 (increased by 40)	<ul style="list-style-type: none">Strengthening the expertise of partners through benchmarking of overseas airportsImproving service quality

Responding Quickly to Minimize Damage to Partners from THAAD Deployment

The number of Chinese tourists nose-dived after the government announced the THAAD deployment in 2017, and KAC established a crisis response team and contingency plans

Airline

- Expansion of traffic rights through the collaboration among government, KAC and airlines, reduction in airport utilization fees, joint airline promotions to develop routes that replace air services to China, and sharing of pain with aviation industry through financial support

Travel agency

- Comprehensive improvement of incentive systems, and attraction of charter flights and tourists through joint overseas marketing activities

Commercial facility

- Reduction of financial burden on commercial facilities by lowering rents and allowing a grace period for payment, and promotion of mutual cooperation by improving rent calculation systems

KAC supports regional airports for the development of domestic aviation industry. As the number of international flights from China dropped sharply due to the THAAD issue in 2017, airport families, including regional airports, resident agencies, and commercial facilities, faced the risk of business interruption. Accordingly, KAC has formed a crisis response team to overcome sales decline and increase supply. We have promoted collaboration with public agencies (government and local governments) to expand routes that replace air services to China and shared the burden of commercial facilities by lowering rents.

* SLA(Service Level Agreement): SLA is a Performance Sharing System and it is a system to provide incentives to partners (SMEs) when arranged goals such as improvement in service quality, are achieved.

* Traffic right: Rights related to the number of flights in service, and it is decided by negotiation between two nations.

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Value that We Make Together

Aviation Industry Promoting Mutual Growth

From the development of technologies, promotion of aviation industry, to support for domestic and overseas markets, KAC conducts a survey of SMEs to identify their needs and develops and implements joint projects with them.

Sharing R&D Results and Supporting Commercialization KAC encourages SMEs to create new businesses by transferring new technologies, supporting infrastructure development, and providing operational know-how. By jointly researching and developing new technologies, such as air-conditioning system for both aircraft and boarding bridge, LED aviation lighting, baggage handling system and self-check-in service, we are achieving functional innovation and enhancing the technological competitiveness of SMEs.

Partner needs		KAC support
<ul style="list-style-type: none">• Lack of manpower, budget, and experience• Low external credibility and performance	+	<ul style="list-style-type: none">• Airport operational know-know and technology• Test bed, awareness and reliability as a public enterprise• Joint entry to overseas markets and overseas business personnel

Performance Sharing with and Support for SMEs

Category	Description
Technology transfer	<ul style="list-style-type: none">• Transferring new technologies to SMEs for commercialization ⇒ effective utilization of research results - Patent administration deliberation ⇨ Selection (grant /abandonment) ⇨ Intellectual property auction ⇨ Patent transfer (8 licenses, 1 free transfer)
Joint development	<ul style="list-style-type: none">• Air-conditioning and heating system for both aircraft and boarding bridge, LED aviation light, baggage handling system, and consolidated self check-in kiosk
Performance verification	<ul style="list-style-type: none">• Verification of robot-related pilot projects (2 domestic companies), bridge-mounted AC-GPS, etc.
Capacity building	<ul style="list-style-type: none">• Support for the development of start-up business models by sharing airport data
Supporting market expansion	<ul style="list-style-type: none">Construction of smart airports• Introduction of biometric identification• Installation of 127 consolidated self check-in kiosks (at 8 airports) ⇨ increasing sales of SMEs - KRW 3.93 billion, creation of 7 jobs
	<ul style="list-style-type: none">Sales of jointly developed products LED aviation light• Baggage handling system ⇨ profit generation - Joint developers: KRW 1,988 million - KAC: KRW 81 million



Air-conditioning and Heating System of Boarding Bridge

Social Value
<ul style="list-style-type: none">• Capacity building of small businesses, resolution of advantages and disadvantages depending on credit status• Promotion of mutual cooperation

- **Introducing the world's first palm vein authentication for check-in**
- Need to reduce waiting time and human errors due to the current visual inspection
- Need to include a ground for check-in process using biometric authentication in the National Aviation Security Act

● Promoting the revision of Aviation Security Act and confirming the introduction of biometric identification for check-in

- Phase 1: attracting small businesses with biometric authentication technology by not restricting the methods of authentication
- Phase 2: allowing companies with palm vein authentication technology to win new business
- Undertaking the introduction of palm vein authentication

● Consolidated self check-in kiosk developed

- Causing outflow of foreign currency due to the use of expensive foreign solutions
- Decreasing the competitiveness of aviation industry by constantly depending on foreign solutions

- Phase 1: Streamlining the bidding process to encourage the participation of promising small businesses
- Phase 2: Two consortiums that consist of SMEs participating in the bidding
- Phase 3: Starting the installation of consolidated self check-in kiosks

Entering Overseas Markets and Pioneering New Markets KAC is exploring overseas markets for the development of new businesses and the export of excellent technologies and equipment developed together with SMEs. When SMEs have difficulty in entering a foreign or new market due to their low popularity, we help them increase credibility and create synergies through collaboration. Moreover, we have introduced a multilateral system to performance sharing for overseas projects so that a multitude of SMEs can enter the market together for each performance sharing project.

Value⁺ with KAC
Value that We Make Together

Sales from Overseas Market

KRW **7,941** million

	 PBB & BHS Projects in Equatorial Guinea	 Projects in Defense Industry	 Projects in Educational Equipment	 Projects in Airport Operation
Project description	<ul style="list-style-type: none">• Passenger Boarding Bridge (PBB): Allowing the transportation vulnerable, such as the elderly and wheelchair users, to move safely by removing slope steps at points connecting tunnels• Baggage Handling System (BHS): Designed as a 3-Dimensinoal structure of dual-slope type for safe handling of baggage in narrow spaces	<ul style="list-style-type: none">• Tactical Air Navigation(TACAN): System that provides azimuth and distance information to military aircraft	<ul style="list-style-type: none">• Integrated Logistics Support (ILS): Development and support activities for integrated logistics support elements to ensure effective and economical logistics support of weapons systems	<ul style="list-style-type: none">• Cambodia CATC PMC project: delivering airport operation know-how through the establishment of Aviation Training Center
Background	<ul style="list-style-type: none">• Small businesses suffering from lack of marketing, human resources, capital, brand awareness, and credibility when making a solo bid for overseas projects	<ul style="list-style-type: none">• High humidity and irregular ridges due to the regional characteristics of Baengnyeongdo resulting in radio wave shadow areas• Excessive power loss due to the long separation distance between equipment room and antenna	<ul style="list-style-type: none">• Promoting KAC equipment by utilizing a network with small businesses• Acquiring information on the supply of educational equipment to Gambia	<ul style="list-style-type: none">• Controllers mostly depend on overseas training institutions due to poor infrastructure• Lack of experience in planning and operating training courses that meet domestic needs• Those responsible for navigation safety equipment do not have sufficient knowledge in communications and electronics
Cooperation and support	<ul style="list-style-type: none">• Participating in bidding for overseas projects together with SMEs, winning a contract, managing the process, and completing the business• Examining product designs optimized for local climate and manufacturing products• Making efforts to increase convenience for clients, such as providing consultation on airport operations, and utilizing their heavy equipment until the deadline in a timely manner	<ul style="list-style-type: none">• Installing the world's first moisture proof device inside antenna, solving the humidity problem and improving signal stability• Creating and submitting construction inspection standards suitable for local environment through the analysis of radio wave shadow areas• Preventing power loss and boosting customer satisfaction by establishing a separate equipment room under antenna	<ul style="list-style-type: none">• Establishing business cooperation plans, concluding contracts, and conducting acceptance trials at equipment plants	<ul style="list-style-type: none">• Installing 3D control simulators and normalizing operations -> successfully operating Cambodia's first own training course on radar approach control• Developing 6 kinds of practical training materials and 24 kinds of practice scenarios• Making 9 operational manuals and regulations, completing training on 212 people• Reinforcing training on basic theory and maintenance of communications and electronics
Social value	<ul style="list-style-type: none">• Winning a boarding bridge contract in Equatorial Guinea and also an order for BHS project• Implementing performance sharing system to enter overseas markets with SMEs for the first time among public enterprises -> developing into multilateral performance sharing system	<ul style="list-style-type: none">• Delivering TACAN 2 to the Navy• Advancing into the defense market with the know-how of navigation equipment development and laying the groundwork for entering overseas markets	<ul style="list-style-type: none">• Winning a contract for the supply of educational equipment ILS 1 to Gambia• Building a model for joint overseas expansion with SMEs• Encouraging collaboration and creating synergy	<ul style="list-style-type: none">• Dispatching experts and delivering know-how for the successful operation of Cambodia's first own training course on radar approach control and development of practical training materials and scenarios• Laying the foundation for independent operation of CATC

* CATC: Civil Aviation Training Center

* PMC: Project Management Consultancy

Public Value that 14 Airports Create

In order to fulfill its role as a public enterprise, KAC sets a high value on public value as well as profit. The 14 airports nationwide, including Gimpo, Gimhae and Jeju, provide balanced air transportation services throughout the country, and contribute to the development of local economy, change of local lifestyles, and enhancement of local brand value. We are also building new airports to meet the rapidly increasing demand for air travel and to improve accessibility of island areas. Moreover, we are upgrading existing airport facilities and services so that customers can use airports in a faster and more convenient way.

● International airport ● Domestic airport



Production Inducement
KRW **134.7** billion

Employment Inducement
19,452 people

Added-value Inducement
KRW **31.1** billion

Local Economic Development

- Increase in production
- Creation of local jobs
- Inducement of value added
- Expansion of airport SOC business
- Establishment of industrial foundation, such as logistics, aviation and industrial complex
- Promotion of competitiveness of local tourism

Change in Local Life

- Growth in resident population
- Enhancement of transportation convenience
- Improvement of local cultural level and benefits
- Expansion of intermodal transportation system
- Diversification of occupational groups in the region

Increase of Local Brand Value

- Enhancement of city brand image
- Role of local landmark
- Strengths in attracting large-scale events such as international contests
- Expansion of urban culture contents

Public Value that 14 Airports Create

14 Airports Nationwide Strive for Local Development

From Gimpo International Airport, the nation's first airport built in 1939, to the recently constructed Yangyang and Wonju International Airports, we operate 14 airports close to residential neighborhoods across the country. Each airport serves as a regional transportation hub and contributes to regional development. In recent years, the development of various means of transportation connecting the whole country, such as KTX, has led to a decreased number of passengers taking domestic flights and sales decline accordingly. Nevertheless, we are promoting balanced regional development and change of local lifestyles in the aspect of public value.



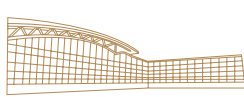
Gimpo International Airport



- Providing differentiated services, such as VIP lounge, by establishing Seoul Gimpo Business Aviation Center (SG BAC) in 2016
- Emerging as a smart airport with advanced systems by completing the remodeling of domestic passenger terminal in 2018
 - Increase in the total area of domestic terminal by 13.6%, annual passenger handling capacity by 12.1%, and establishment of 13 moving walks
 - Establishment of 5 restrooms for pregnant women and children, and expansion of restrooms for the disabled from 8 to 37
 - Reduction in baggage handling time from 15 to 5 minutes



Gimhae International Airport



- Serving as the backbone of regional economy in Busan and Gyeongnam
- Increasing convenience in local communities by expanding convenient facilities
 - Number of passengers reaching 16.4 million in 2017, a 12.3% increase over the past five years
 - Expansion of convenient facilities for travelers and the disabled and also parking buildings
- Contributing to the invigoration of sharing economy
 - Establishing car sharing zones, etc.



Jeju International Airport



- Serving as an important gateway for Jeju tourism
 - Number of passengers reaching 29.5 million in 2017, the highest among 14 airports (90,000 per day during holiday seasons)
- Creating new demand for tourism through joint marketing in Southeast Asia
 - Attracting various local tourists and managing risks in local tourism industry through diversification of non-Chinese routes



Cheongju International Airport



- Commemorating the 20th anniversary of opening in 2017 as a hub airport in the central region and a gateway airport of the administrative capital
 - With the transportation of 370,000 passengers in the first year of opening, the number of passengers reaching 2 million in 2015 and 2.57 million in 2017
- Revitalizing regional economy by increasing accessibility to public transport and expanding SOC businesses as demand increases



Daegu International Airport



- Being located at the center of Gyeongsang-do, serving as a hub airport in Yeongnam area, and thus increasing access of local residents to transportation
- Playing a key role in attracting foreign tourists by serving as a hub for local tourism
- Contributing to regional economic revitalization by boosting demand
 - Number of passengers per year exceeding 3.5 million in 2017 and operating in the black for 2 consecutive years

Ulsan Airport



- Playing a key role in expanding local tourism infrastructure, such as designating 2017 as the year of visit to Ulsan
 - The ratio of tourists to passengers increasing to 25% (businessmen accounted for more than 90% before)
- Contributing to the economic development in Ulsan area
 - 'Ulsan Airport launching new air routes and increasing flights' being selected as the best administrative performance of Ulsan City in 2017

Pohang Airport



- Introducing 4 international flights (Vietnam) through cooperation with local governments
- Creating new aviation demand through development of tourism products including tickets for nearby tourist attractions and airplanes
 - Providing a stamp tour covering major attractions in Pohang, Ulsan, and Gyeongju and also a discount for 4 hotels on business agreement

Sacheon Airport



- Increasing passenger traffic by 18.7% compared to the previous year thanks to the efforts to revitalize local communities and airports
- Conducting joint marketing activities with KTX to enhance competitiveness and boost demand for inland routes, leading to a 21.3% increase in passengers at Gimpo and a 19.1% increase in revenues from parking lots

Wonju Airport



- Promoting joint marketing activities with local governments for airport revitalization
- Improving access convenience and expanding customer events



Muan International Airport



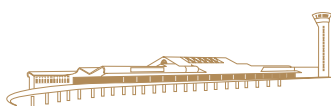
- With the number of passengers reaching 300,000 in 2017, serving as a hub for tourist transportation in the Southwest region
 - Supporting the change of Southwest region into a base of international recreation, tourism and logistics, such as designation as Southwest Coast Tourism & Leisure City
- Increasing accessibility to public transport and convenience of community transportation system

Yeosu Airport



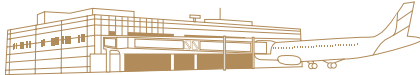
- Increasing transportation convenience for local residents
 - Taking less than 30 minutes to Yeosu and Suncheon downtown
- Contributing to boosting tourism in Jeollanam-do as a gateway airport in Jeonnam area
 - Taking 55 minutes from Seoul to Yeosu and 45 minutes from Jeju to Yeosu to increase the number of local tourists
 - Number of passengers exceeding 500,000 in 2017, posting a 17.1% increase from the previous year

Yangyang International Airport



- Serving as the only international airport in Yeongdong area, contributing to increasing regional income as a gateway for tourism
- Designated as an official airport for the PyeongChang Winter Olympic Games in 2018 to provide convenience and ensure safety for passengers
 - Improving accessibility of the athletes and spectators by operating flights between Incheon and Yangyang during the Olympic Games

Gwangju Airport



- Playing a central role of air transportation in Southwest Korea
- Posting a 14% increase in passengers through attraction of new LCC and increase of flight operations

Gunsan Airport



- Overcoming the limitations of small airport and exceeding 200,000 passengers in 2017
- Expanding convenient facilities for passengers, such as waiting room, and for the mobility impaired

Public Value that 14 Airports Create

We will improve infrastructure and establish new airports with top priority on public value

KAC has been constantly improving airport infrastructure to meet the changing demand for air services, and relieving congestion at terminals by applying advanced technologies and utilizing spare spaces to increase convenience for airport users. As the government plans to build new airports in Gimhae and Jeju areas, KAC has selected new airport construction as its core task and established plans by phase to examine how to build, operate and finance. In addition, we are engaged in the construction of small airports in Ulleungdo and Heuksando so as to enhance transportation services in island areas and secure new tourism resources. In this way, we will increase accessibility to remote areas, contribute to regional development and thus create public value.

Improving Airport Infrastructure

Building The Future

Gimpo International Airport

Successful remodeling of domestic and international terminals

- Operating airports without interruption of services or safety incidents
- Minimizing customer inconvenience due to remodeling
- Building smart systems by applying ICT technology

Yangyang International Airport

Renovation for the 2018 PyeongChang Olympic Games

- Establishing a new office of protocol at the international terminal, and painting the exterior of terminals
- Replacing boarding bridges and decrepit facilities

Jeju International Airport

Expansion of facilities at airside and terminal

- Reducing runway occupancy time and adding 4 slots
- Enhancing take-off and landing capacity to increase the number of flights to 17,000 per year
- Expanding terminals and remodeling passenger and cargo facilities

Expansion of infrastructure at landside

- Opening a parking building that goes well with Jeju Island (3 floors, 4 levels, 850 spaces)
- Reducing the number of full parking lot days by 91%, and creating a natural airport landscape
- Reduction in terminal congestion and role as a downtown landmark in Jeju Island

Gunsan Airport

Expansion and remodeling of terminals

- Terminal expansion: 161 m²
- Remodeling of internal and external facilities including relocation of facilities
- Mitigation of congestion and promotion of fast check-in

Cheongju International Airport

Expansion of domestic and international terminals

- International terminal: expansion of 1,937 m² and relocation of facilities
- Domestic terminal: expansion of 5,598 m² and remodeling

Gimhae International Airport

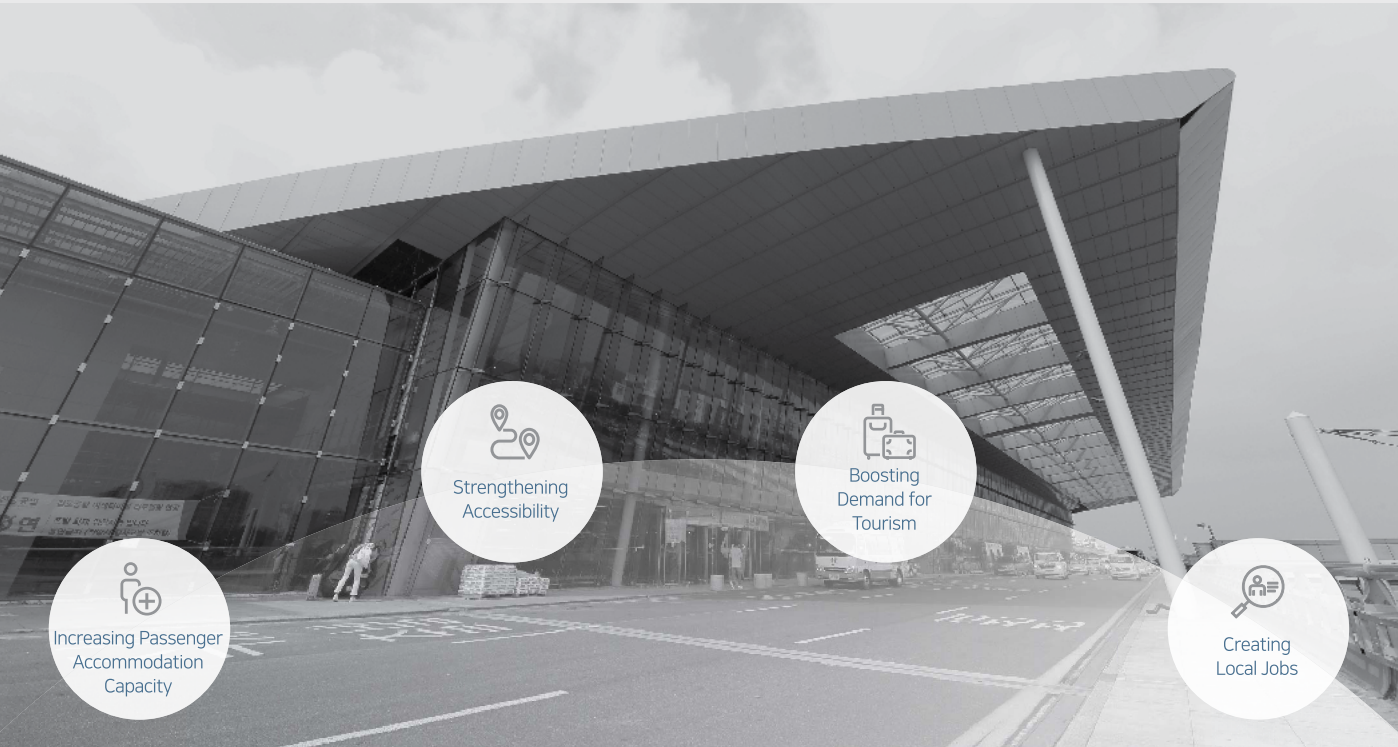
Expansion and remodeling of international terminal

- Successfully completing terminal expansion over 5 years, shortening departure and arrival time by more than 3 minutes, and addressing congestion at terminal
- Applying advanced technology to enhance terminal energy efficiency
- Three major safety improvements: earthquake, fire, and power outage
- Enhancing customer safety and check-in convenience

Daegu International Airport

Replacement and remodeling of facilities

- Replacement of departure baggage handling system and escalators in the domestic terminal
- Remodeling of 3 restrooms
- Decrease of congestion and increase of convenience at check-ins



Promoting Construction of New Airports

Creating Social Value

New Gimhae International Airport

Project costs	KRW 5.96 trillion	<ul style="list-style-type: none">Response to increase in passenger demandContribution to attracting tourists in Busan and Gyeongnam areaExpansion of transportation infrastructure (establishment of Dongdaegu branch line, construction of a link road between Daegu Busan Expressway and Namhae Expressway Branch 2)
Site area	approx. 3 million m ²	
Capacity	38 million people/year (10 million for domestic and 28 million for international)	
Opening	by 2026	

Secondary Jeju International Airport

Project costs	KRW 4.87 trillion	<ul style="list-style-type: none">Addressing the issue of congestion at Jeju International AirportResponding to increasing demand for tourism, including foreign tourists, in Jeju area
Site area	approx. 5,024,000 m ²	
Capacity	25 million people/year (20 million for domestic and 5 million for international)	
Opening	by 2025	

Heuksan Airport

Runway	1,200m X 30m	<ul style="list-style-type: none">Improving the quality of life, such as traffic convenience and access to emergency medical care in remote areas (52 days of ferry cancellation in 2017)Revitalizing regional economy through development of tourism resources and increase of tourism revenues
Apron	5 passenger planes, 1 de-icing machine	
Terminal	3,200 m ²	
Parking lot	3,900 m ²	
Airport development area	683,448 m ²	

Ulleung Airport

Runway	1,200m X 30m	<ul style="list-style-type: none">Easing traffic inconvenience in remote areasStrengthening the competitiveness of tourism service industry with four-season sightseeing (ferry cancellations for about 100 days per year due to high waves during the fall and winter seasons)Increasing the number of tourists and tourism revenues for local residents
Apron	5 passenger planes, 1 de-icing machine	
Terminal	3,500 m ²	
Parking lot	3,900 m ²	
Airport development area	412,950 m ²	

Appendix

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Corporate Governance

Composition of Board of Directors and Operation

The Board of Directors (BOD) deliberates and decides on major issues as the top decision-making body and consists of twelve directors: five executives and seven non-executives. The BOD holds regular meetings once a month and also ad-hoc meetings if necessary to examine and resolve pending issues. For a transparent director appointment procedure, the Director Recommendation Committee was established pursuant to Article 25 of the Act on the Management of Public Institutions to appoint directors with diversity and expertise. Candidates are selected through an open competition and undergo document screening and in-depth interview before appointment to ensure the fairness of procedure.

Transparency and Diversity of Board of Directors

For a transparent and objective decision-making process, directors with special interests in an agenda of the BOD are prohibited from participating in the resolution of the agenda. The minutes and results of the BOD meetings are disclosed on a government portal for public institutions called the ALIO (All Public Information In-One) system. In addition, the BOD does not put any restrictions on candidates joining the Board or discriminate against members on the basis of gender, religion, race, and nationality to ensure diversity and balance of the Board. In 2018, women directors were appointed to increase diversity and non-executive directors with knowledge and experience in a variety of areas including law, economy, media and academia were elected to secure the expertise of the board.

Subcommittee under the BOD

In order to enhance business expertise and efficiency, KAC has established and operated the Innovation and Strategy Committee, the Budget and Investment Committee, and the Audit Committee within the BOD. The Audit Committee consists of two non-standing directors and one standing auditor to ensure independence, and one or more members are appointed as accounting or financial experts. The Director Recommendation Committee is composed of four non-standing directors and three outside directors for unbiased and transparent election of directors.

Corporate Social Responsibility Committee

KAC has expanded the functions of the Corporate Social Responsibility Committee to incorporate the pursuit of social value into its business activities. The Corporate Social Responsibility Committee is an organization under the direct control of the CEO which deliberates and decides on annual plans for ethics management, social contribution, anti-corruption & integrity and environmental management, and subsequently reviews the results. The Committee will extend agendas and increase the number of external advisory committee members to ensure the systematic fulfillment of social responsibilities and objectivity in decision-making. The major resolutions in 2017 include mid to long-term CSR strategies and charter of human rights, and the opinions of the Committee are fully reflected in our CSR management.

Open Innovation Committee

The Open Innovation Committee was launched in March 2018 to create a better airport with the public. The Committee plays a role in deliberating and coordinating the establishment of basic plans for open innovation, the discovery and promotion of innovation tasks, and the cooperation with private sector. Consisting of seven civilian members from civic groups and aviation industry and six internal members including the head of Strategy and Planning Division, the Committee fully reflects various external opinions with the participation of civil members as a majority. To encourage more civil participation, we changed its name to "Citizen Participation Innovation Party" in July 2018 and plan to increase outside members in the years to come. The Committee will serve as a window to communicate with the people and actively consider various opinions to prepare for the future.

BOD Meetings

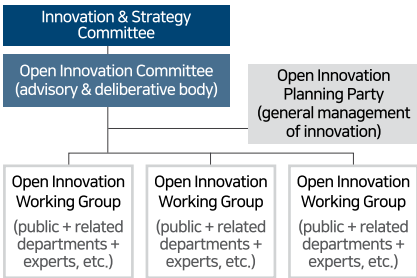
16times

Participation Rate of BOD

89.4%

Members of the BOD As of May 2018

Executive Directors		
Name	Position	Gender
Kim Myung-woon	Acting president, Executive Vice President	Male
Nam Dong-kyun	Corporate Auditor	Male
Lim Gwi-seop	Director of Operations Division	Male
Jeong Se-young	Director of Construction & Technology Division	Male
Park Sun-cheon	Director of Market Development, Commercial & Global Business Division	Male
Non-executive Directors		
Name	Area of expertise	Gender
Lee Wun-woo	Transportation/Security	Male
Kang Seok-hun	Law (Auditor)	Male
Shin Dong-jin	Management/Budget	Male
Park Won-hwa	Diplomacy	Male
Kim Young-hwan	PR	Male
Yoo Kwang-suk	Management	Male
Jin Hyoung-hye	Law	Female



Risk Management

Risk Management System

As part of the effort to manage potential threats to sustainability management, KAC has established a risk management system and a manual according to 25 risk types in 4 areas (management, disaster, communication, conflict). In particular, we have added 5 types of potential management risks of high importance, so that we can anticipate and categorize the range of risk impacts in advance and come up with countermeasures to immediately respond to risks upon the occurrence thereof.

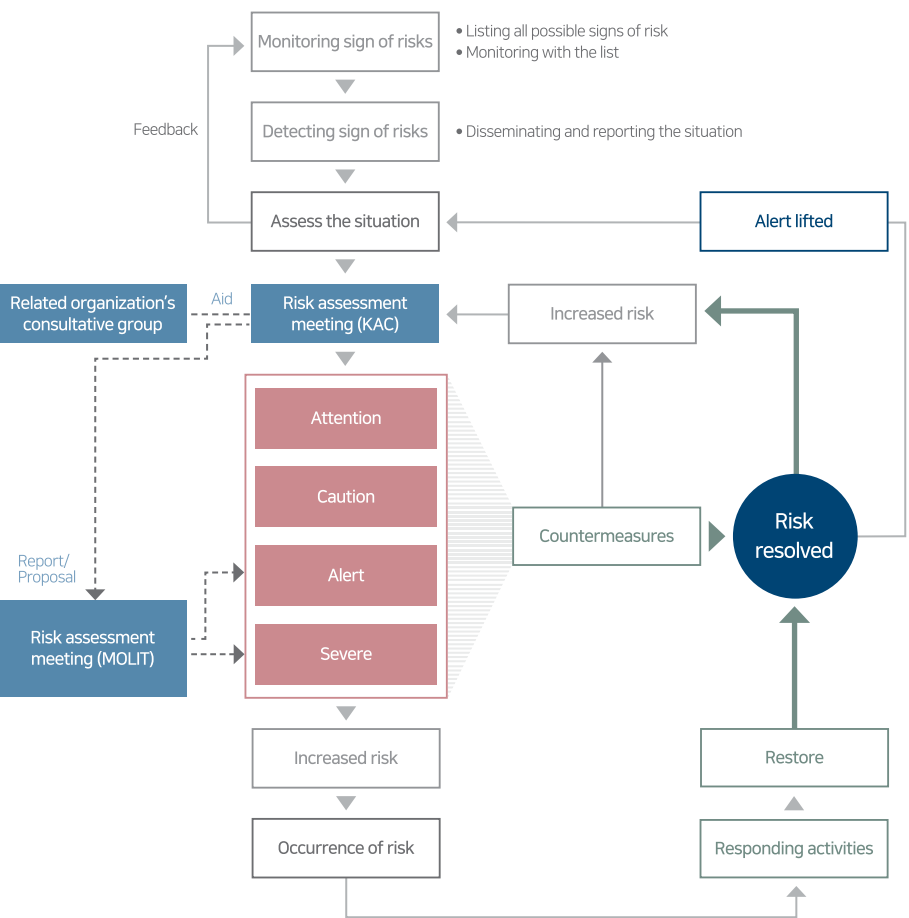
Organizational Structure for Risk Management

KAC's risk management is supervised by the Chief Risk Officer (CRO). In cases of risk takes place, a Risk Management Committee, overseen by CEO as a chair, is immediately summoned and respond to the risk.

Risk Management Process

In order to respond to risks in advance by strengthening function of risk awareness, KAC has categorized risks which are related with advanced prevention (management related risks) and post-counteraction (other risks). The Planning & Coordination Department has newly established a potential management risk response system to respond to risks related with management. For other types risks, KAC takes a urgent response activity when risks take place through continuous risk management.

Risk Sign Monitoring/Risk Alert System



Priority Control

Management	Disaster
8 types including the 3rd national railway network plan, change in travel trends, moderate demand for air services, etc.	12 types including typhoon, heavy snow, and earthquake
Communication (publicity)	Conflict
Tarnished corporate image due to incorrect report, exaggerated report, and negative report	4 types including conflicts between labor and management, conflicts with partners, civil complaints about noise, and conflicts between labor and management of airlines

Business Risk Management System



CSR Management Performance

Economic Performance

★ Important Figures

Summarized Financial Position				
	Unit	2015	2016	2017
Current assets	KRW million	845,786	774,804	576,500
Non-current assets		3,490,959	3,657,810	3,988,059
Total assets		4,336,745	4,432,614	4,564,559
Current liabilities		268,695	201,316	245,446
Non-liabilities		138,519	176,368	139,111
Total liabilities		407,214	377,684	384,557
Capital stock		2,357,766	2,357,766	2,357,766
Others		1,571,765	1,697,164	1,822,236
Total equity		3,929,531	4,054,930	4,180,002

Summarized Income Statement				
	Unit	2015	2016	2017
Revenue	KRW million	808,840	830,297	883,196
Cost of revenue		511,478	518,831	567,666
Selling and administrative expenses		71,555	75,586	88,202
Operating income		225,807	235,880	227,328
Other income		14,684	11,165	6,714
Other expenses		6,508	7,465	5,450
Other gains (losses)		-173	-489	13,226
Financial income		18,344	13,927	10,353
Financial costs		5,107	4,248	4,007
Income before tax		247,047	248,770	248,164
Income tax expenses		59,628	58,579	58,388
Net income		187,419	190,191	189,776

Net Income Margin				
	Unit	2015	2016	2017
Net income margin	%	23.2	22.9	21.5

Passenger Traffic				
	Unit	2015	2016	2017
Domestic flights	10,000 people	5,625	6,218	6,526
International flights		1,311	1,634	1,599
Total		6,936	7,852	8,125

Cargo Traffic Performance				
	Unit	2015	2016	2017
Cargo traffic	1,000 tons	764	824	806

R&D Performance				
	Unit	2015	2016	2017
Number of patents applied (accumulated)	Case	191	206	219
Number of international patents applied (accumulated)		27	37	51
Revenue of new growth business	KRW 100 million	49.8	63.9	★ 121.4

Participation of Non-executive Directors				
	Unit	2015	2016	2017
Management proposals	Case	40	35	27
Reflected proposals		40	35	★ 27
Management consulting (mentoring)		15	14	13

Environmental Performance

Energy Use					
		Unit	2015	2016	2017
Direct energy	Fuel	TJ	186	206	235
	Vehicle		42	26	26
Indirect energy	Electricity		1,015	1,321	1,337
Total energy use			1,243	1,553	★ 1,598

GHG Emission				
	Unit	2015	2016	2017
Direct GHG	tCO ₂	12,573	12,671	14,124
Indirect GHG		44,759	51,144	57,172
Total GHG		57,332	63,815	★ 71,296

Airport Carbon Point System				
	Unit	2015	2016	2017
Amount of GHG reduction	tCO ₂	767	796	★ 658
Number of participating companies	Company	390	386	368

Water Use				
	Unit	2015	2016	2017
City water	ton	354,189	481,616	501,649
Underground water		670,478	646,012	660,972
Grey water		183,054	200,575	201,027
Total		1,207,721	1,328,203	1,363,648

Water Recycle				
	Unit	2015	2016	2017
Water recycle	%	15.1	15.1	14.7

Water Discharge				
	Unit	2015	2016	2017
SS	mg/L	6.6	5.65	13.9
COD	mg/L	10.3	10.9	9.2
Total water discharge		193	147	184

* SS, COD is data of Gimpo International Airport. Total amount is data of Gimpo, Jeju, Cheongju International Airports

Waste Discharge				
	Unit	2015	2016	2017
Regular waste	ton	2,700	3,662	3,787
Designated waste		143	169	135
Total waste discharge		2,843	3,830	3,922

* Excluding data of Air Route Traffic Control Center and Civil Aviation Training Center

Air Pollution Emission				
	Unit	2015	2016	2017
Particulate matter	µg/m ³	27.6	27.7	★ 28.2

* Average of all airports

Social Performance

Employees				
	Unit	2015	2016	2017
Total number of employees		1,860	2,057	2,155
Existing employees		1,798	1,932	2,109
Regular retirements		42	0	1
Early voluntary retirements		0	16	14
Contracted		10	11	0
Non-regular workers (Direct employment)	Person	14	21	★ 27
Indirect employment		3,541	3,866	4,254
Female employees		182	208	★ 248
Female managers		10	11	★ 16
New recruits		81	178	★ 198

Social Equity Employment			
	Unit	Target	2017
Youths		3.0	★ 8.4
The disabled	%	3.2	★ 3.0
National veterans		6.0	★ 6.0
Local talents		35.0	★ 37.4

Parental Leave				
	Unit	2015	2016	2017
Parental leave (female)		15	19	13
Parental leave (male)	Person	4	4	4
Total		19	23	★ 17
Rate of return to work after parental leave	%	100	100	★ 100

Flexible Working System				
	Unit	2015	2016	2017
Part-time work		6	10	2
Flexible working system	Flex-time work	33	27	★ 85
	Alternative work schedule	31	26	★ 76
	Compressed work	5	3	★ 21
Satisfaction of flexible working system	Point	4.42	4.30	4.28

Welfare satisfaction index				
	Unit	2015	2016	2017
Welfare satisfaction index	Point	69.8	69.7	73.3

Employee Training and Education				
	Unit	2015	2016	2017
Training hours per person	Hour	131.9	125.4	139.4
Training budget per person	KRW 10,000	188	156	176

Training by Job Position				
	Unit	2015	2016	2017
Level 1		344	329	621
Level 2		1,243	1,360	2,232
Level 3		1,033	2,300	4,128
Level 4	Person	2,227	4,791	8,354
Below level 5		2,359	4,483	9,967
Total		7,206	13,263	25,302

Labor Union				
	Unit	2015	2016	2017
Rate of joining the labor union	%	99.9	99.9	99.9

* All employees except Level 2 and above, Level 3 team leader and a representative of user profits are eligible to join the labor union

Employee Satisfaction				
	Unit	2015	2016	2017
Employee satisfaction	Individually	4.34	4.13	4.19
	Organizationally	4.40	4.23	4.23
Trust index survey (TI)		91	86	81

Customer Satisfaction				
	Unit	2015	2016	2017
Public-service Customer Satisfaction Index (PCSI)	Rating	A	A	★ S
Average handling time of complaints	Hour	24hrs 35mins	27hrs 21mins	27hrs 51mins
Average handling time compliance rate	%	97.6	99.1	97.73

Preferential Purchasing Performance				
	Unit	2015	2016	2017
SMEs		306,211	366,500	★ 481,897
Social enterprises		2,834	3,700	3,317
Severely disabled/Men of national merit	KRW million	3,087	3,100	6,384
Female-owned companies		27,872	61,700	76,346
Technology development		9,513	11,700	12,507

Business Partner				
	Unit	2015	2016	2017
Number of partners		46	46	54
Outsourcing	Company	59	64	75

Social Contribution				
	Unit	2015	2016	2017
Voluntary work hour	Total hour	35,616	31,262	★ 29,433
	Average	19.8	16.9	15.8
	Participation rate	74.7	69.5	73.0
Donation	Amount of donation	3,199	3,069	★ 3,197
	Donation-to-sales ratio	0.40	0.37	0.36

Ethics Management				
	Unit	2015	2016	2017
External	Comprehensive integrity	8.6	7.7	★ 8.6
	Result of self-assessment for integrity	9.7	9.7	9.7
Internal	KEVIX (KAC Ethics Vision Index)	A	A	A

Safety Performance				
	Unit	2015	2016	2017
Number of bird strikes		58	55	47
Risk assessment and improvement		775	903	1,123
Number of natural disasters		0	0	0
Number of safety accidents	Case	0	0	0
Number of ground safety accidents		3	2	2
Number of aerodrome facility function failure		1	0	0

Independent Assurance Statement

KMR assurance statement

To the Readers of 2018 KAC Social Responsibility Report:

Foreword

Korea Management Registrar Inc.(hereinafter “KMR”) has been requested by Korea Airports Corporation (hereinafter “KAC”) to verify the contents of its Social Responsibility Report 2018 (hereinafter “the Report”). KAC is responsible for the collection and presentation of information included in the Report. KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

KAC describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR’s assurance team(hereinafter “the team”) evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the ‘Core Option’ of GRI Standards which covers the followings.

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
- Management approach of following Topic Specific Standards
- Economic Performance: 201-1, 201-2
- Indirect Economic Impacts: 203-1, 203-2
- Procurement Practices: 204-1
- Anti-Corruption: 205-2, 205-3
- Water: 303-1, 303-3
- Emissions: 305-1, 305-2
- Employment: 401-1, 401-2, 401-3
- Training and Education: 404-1, 404-2
- Diversity and Equal Opportunity: 405-1
- Rights of Indigenous Peoples: 411-1
- Local Communities: 413-1, 413-2
- Customer Health and Safety: 416-1
- Air Industry Standard Disclosure: A01, A02, A03, A04, A05, A07, A08, A09

This Report excludes a data sand information of joint corporate, contractor etc. which is outside of the organization, i.e. KAC, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with KAC on the revision of the Report. We reviewed the Report’s final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- Inclusivity
Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability
- KAC is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder KAC left out during this procedure.
- Materiality
Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
- KAC is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
- Responsiveness
Responsiveness is an organization’s response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
- The assurance team could not find any evidence that KAC’s counter measures to critical stakeholder issues were inappropriately recorded in the Report.

Recommendation for improvement

We hope the Report is actively used as a communication tool for stakeholders and recommendation for improvements.

- Systematic CSR: KAC made remarkable effort to identify various risks in terms of its CSR activities and prevent them. It is advised to further systemize and manage plans and quantitative measures for implementing CSR strategies included in the report.
- Prioritization of Stakeholders: While it is important to have a list of stakeholders, prioritizing them is necessary for effective distribution of limited resources. Conflicts among the stakeholders can be a potential risk for the organization. Therefore, for effective operation, matters should be prioritized and evaluated and managed accordingly to understand which issue can pose the biggest threat or risk against the company.
- Human Rights Management: KAC’s declaration of human rights management and consistent tracking of relevant risks puts it in a leading position among public agencies. In the future, the organization might want to expand the practice to the entire value chain in order to identify related issues and formulate solutions through human rights impact assessment.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other KAC’s business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

September 11, 2018



Hwang Eun-ju, CEO *E. J. Hwang*

GRI Content Index

Universal Standards (GRI 100)

GRI Index		Contents	Page & Remarks	UN Initiatives	ISO 26000
Organizational Profile	GRI 102-1	Name of the organization	4	UNGC 22	6.3.10, 6.4.1, 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8
	GRI 102-2	Primary brands, products, and services	4	UNGC 1, 22	
	GRI 102-3	Location of the organization's headquarters	About This Report, 4	UNGC 22	
	GRI 102-4	Number of countries where the organization operates, and the names of countries	4~5	UNGC 1, 22	
	GRI 102-5	Nature of ownership and legal form	4	UNGC 22	
	GRI 102-6	Markets served	4	UNGC 1, 22	
	GRI 102-7	Scale of the organization	4	UNGC 22	
	GRI 102-8	Information on employees and other workers	4, 78	UNGC 22	
	GRI 102-9	Organization's supply chain	62~65	UNGC 2, 18, 22	
	GRI 102-10	Significant changes to the organization and its supply chain	4~5	UNGC 22	
	GRI 102-11	Precautionary Principle or approach	75		
	GRI 102-12	External initiatives	61, 84	UNGC 17, SDGs 17	
	GRI 102-13	List of the main memberships of industry or other associations.	84	UNGC 17, SDGs 17	
Strategy	GRI 102-14	Statement from senior decision-maker	2~3	UNGC 19	4.7, 6.2, 7.4.2
	GRI 102-15	Key impacts, risks, and opportunities	2~3	UNGC 1	
Ethics and Integrity	GRI 102-16	Values, principles, standards, and norms of behavior	8~9	UNGC 3-5, UNGC 12-14, SDGs 16	4.4, 6.3
Governance	GRI 102-18	Governance structure	5, 74	UNGC 20	6.2, 7.4.3, 7.7.5
	GRI 102-22	Composition of the highest governance body and its committees	74		
	GRI 102-24	Nomination and selection processes for the highest governance body	74		
	GRI 102-27	Measures taken to develop and enhance the highest governance body's collective knowledge	74		
Stakeholder Engagement	GRI 102-40	List of stakeholder groups engaged by the organizaiton	14, 19	UNGC 21	5.3
	GRI 102-41	Collective bargaining agreements	79	UNGC 22	
	GRI 102-42	Identifying and selecting stakeholders	14	UNGC 21	
	GRI 102-43	Approach to stakeholder engagement	18~19, 48	UNGC 21	
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Sector Specific Disclosures: Airport Operator

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Customer Health and Safety	A09	Total annual number of wildlife strikes per 10,000 aircraft movements	37		6.7.4

Awards, Certifications and Memberships

Awards and Certifications

Awards	Granted by
Grand Prize at 2017 Add Happiness CSR Awards	Korea Employers Federation, Association of Korean Journalists
Gimpo International Airport, 2nd Rank in Mid-sized Airport Sector at ASQ	ACI (Airport Council International)
Group Prize from Prime Minister for Public Relations in 2016	Ministry of Culture, Sports, and Tourism
Grand Prize in Public Enterprise Sector at the 20th Korean Logistics Awards	Korea Logistics Society
Best Workplace in Asia	GPTW Institute
Prime Minister’s Award on the 52nd Invention Day	Korea Invention Promotion Association
Asia’s Best Airport Group and Airport in Airport Operating Efficiency Survey of ATRS in 2015	Air Transport Research Society (ATRS)
Prime Minister’s Award at 2017 Korea Management Awards	Dong-A ILBO
‘Social Responsibility for Diversity’ Award at UNGC Value Awards	UNGC
Gold Prize at 2017 International Business Awards	STEVIE AWARDS
Member of Merit Award	Korean Red Cross
Letter of Appreciation	HQ, Republic of Korea Army
Gold Prize at 2017 International Trade Fair ‘Ideas - Inventions - New Products’ in Nuremberg	International Invention Commission on Inquiry
Special Prize at 2017 International Trade Fair ‘Ideas - Inventions - New Products’ in Nuremberg	China Association of Inventions
Gold Award at 2017 International Green Apple Awards	The Green Organization
Grand Prize at Top 100 Best Workplaces in Korea 2017	GPTW
Government Prize at the 5th ‘The Most Loved Companies in Korea’	Ministry of SMEs and Startups
A rating in the 10th Korea Social Communication Satisfaction Index	Korea Internet Communication Association
Prime Minister’s Award at 2017 Public Purchase Promotion Contest	Ministry of SMEs and Startups
President’s Award to Member of Merit at 2017 Public Purchase Promotion Contest	Ministry of SMEs and Startups
Bronze Prize at Green World Awards 2017	The Green Organization
Gold Prize at 2016-2017 Vision Awards Sustainability Report Competition	LACP
S rating in Public Service Customer Satisfaction Index 2017	Ministry of Strategy and Finance

Memberships

Korea		
CSR Innovation Forum	Korean Society of Public Enterprise	Korea Society of Air and Space Law and Policy
Best (Business Ethics and Sustainability Management for Top Performance) Forum	Korea Mecenat Association	Korea Civil Aviation Association
Korean Network on Anti-corruption and Transparency	Korea Industrial Technology Association	The Korea Navigation Institute
The institute of Internal Auditors	Korea Fire Safety Conference	International Contractors Association of Korea
Korea Public Organization Audit Conference	Korea Safety Management Conference	UN Global Compact Network Korea
Abroad		
ACI World Standing Committee	ACI Asia-Pacific	ATRS (Ari Transport Research Society)
EAAA (East Asian Airport Alliance)	ICAO TRAINAIR PLUS	

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This is the 10th social responsibility report of Korea Airports Corporation
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78 Haneul-gil, Gangseo-gu, Seoul, Korea (07505)
TEL. +82-2-2660-2651 www.airport.co.kr



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