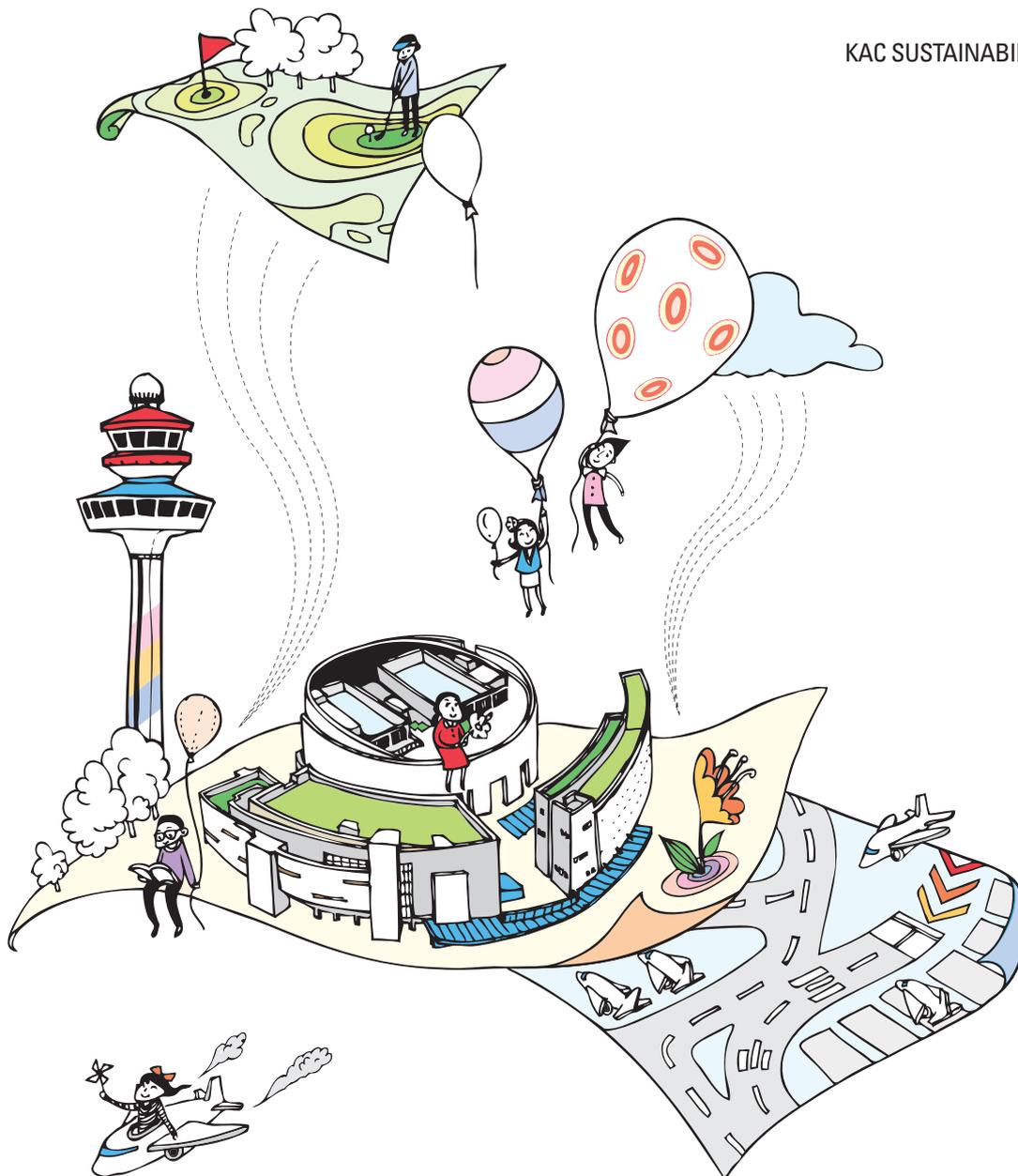


WORLD-CLASS AIRPORTS CORPORATION

CREATING **BIZ & LIFE**

KAC SUSTAINABILITY REPORT 2011



A B O U T T H I S R E P O R T

This 2011 Sustainability Report of the Korea Airports Corporation (KAC) is the third of its kind. The first one was published in 2009, and we have continued to publish them on an annual basis ever since. This allows us to pursue our goal of sustainable growth by transparently disclosing the vision and strategies of our sustainability management activities to our various stakeholders. We then reflect their viewpoints in our subsequent business operations.

PERIOD AND SCOPE

This report covers KAC's sustainability management activities from January 2010 to December 2010, although some quantitative data in it have been drawn from 2008 to 2010. Its scope includes three regional offices and thirteen regional airports spread across the country. Some of the information has been adopted from previous reports, if there were no significant changes in terms of our operations and business characteristics during this reporting period. Results from before and after the period have also been included when necessary.

PRINCIPLES

This report follows the Global Reporting Initiative (GRI) G3 Guidelines. More information on them can be found in the GRI G3 Index in the Appendix. Units are given alongside numerical figures. The basic unit of currency is the Korean won (KRW).

APPLICATION LEVEL OF GRI G3 GUIDELINES

This report fulfills all the requirements for Application Level A+ of the GRI G3 Guidelines. This has been verified by an independent third-party agency.

THIRD-PARTY VERIFICATION

The accuracy and reliability of the information contained in this report has been verified by Deloitte Anjin LLC. This report is published in both Korean and English, and a summary version of it is also available. In addition, a PDF version can be found on KAC's website, (www.airport.co.kr).

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This report contains the VOICEYE code in the upper right corner of each page. Visually impaired people can access the contents of this report by scanning the codes with their smart phone.

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Celebrating the thirtieth anniversary of our establishment, we at Korea Airports Corporation set up the “Vision 2020” corporate vision. This is to move beyond the achievements made for the last thirty years and to advance into a world-class airports corporation.

World-Class Airports Corporation Creating Biz & Life!
We will create customer values through sustainability management, fulfill the roles higher than expected for an airports corporation, and carry out the economic, social, and environmental responsibilities for all our stakeholders.



- Airports can be the start of an exciting journey for one person, a perfect place to work or relax for someone else, and a combination of exciting shopping and cultural experiences for another.

- With Gimpo Airport already named the world's best facility in its class in terms of airport service quality by Airports Council International in 2010, KAC's reputation as a company that is committed to the highest possible level of service and comfort has never been more secure.



FOCUS ON _ 01

**Committed to Customer Fulfillment,
Confidence, and Happiness**





- KAC is committed to protecting the earth and its environment for the enjoyment of future generations. For this, we do our utmost to ensure that our operations are environmentally sustainable.

- This includes the creation of a Low Carbon Green Airport vision, the publication of Korea's first-ever carbon report by a public corporation, dramatic reductions in the volume of airplane noise, and energy conservation activities designed to deal positively and proactively with the problem of climate change.



FOCUS ON _ 02

Creating Green Values and Caring for Nature





- KAC's exports of aviation equipment to the whole world and technology-based professional consulting services are a clear demonstration of our technological excellence.

- As our R&D business expands and strengthens, the future value of KAC will increase exponentially.



FOCUS ON _ 03

Flying higher with a Forward-Looking Vision Based on Constantly-Advancing Technologies





Growing into a
“World-Class Airports
Corporation Creating Biz & Life”
through our “Vision 2020”
corporate vision



Dear KAC Stakeholders:

First of all, I would like to thank you for your unwavering support and encouragement. Korea Airports Corporation operates fourteen airports across Korea, as well as an Area Control Center and ten VHF omni-directional air navigation systems. In addition, we fulfill our role as one of the country’s leading public corporations by carrying out our social responsibilities and earning the trust and respect of all the members of our society.

The year 2010 was especially meaningful for KAC, since it marked the thirtieth anniversary of our establishment. We also faced some very demanding business conditions. They included continuing growth in the international aviation market, the expansion of the Korea Train Express (KTX), and fierce competition among airport operators. Our employees responded to these challenges by developing a wide range of customer-oriented services, pursuing a number of high-value R&D projects, improving the company’s brand image, and enhancing the efficiency of our operations. Since we recently added non-aeronautical, overseas-based projects to our business portfolio, we took another important step by announcing our “VISION 2020” to create a springboard for further growth.

This is KAC’s third sustainability report. It outlines our vision of becoming a “World-Class Airports Corporation Creating Biz & Life,” as well as our determination to continue practicing sustainability management. In accordance with the ten principles



of the United Nation's Global Compact, we carried out activities for sustainability management in the areas of the economy, society, and the environment in 2010, and accomplished certain results. The purpose of this report is to disclose those activities and announce those results.

One of the company's primary goals is to improve the operational efficiency of its airports and contribute to the public good. We do this by supporting the central government's policies for enhancing the financial soundness of the country's public institutions. This includes implementing operating strategies that are custom-tailored to the circumstances of each of our airports, putting programs in place to reinvigorate the economies of the areas in which we operate, and supporting and encouraging the development of low-cost carriers. In addition, we are leveraging our technological advances in the field of aviation R&D and our successful forays into foreign markets to continue diversifying our business portfolio and create future growth engines.

Given the public's growing interest in and demand for the practice of corporate social responsibilities, it is imperative that we establish closer communications channels with all of our stakeholders. In 2010, one of our overriding goals was to operate our airports in ways that met the real needs of air travelers and companies. This, in turn, allowed us to strengthen our customer satisfaction management system. In terms of social contribution activities, we focused on ameliorating the damage caused by aircraft noise and assisting low-income families who were suffering from it. We also helped members of multicultural families residing in the country to visit their home countries.

Last winter, Korea experienced unprecedentedly cold weather and heavy snowfalls. Many people believe that this is proof positive of the damage being inflicted on our planet by climate change. Luckily for us, the Korean government had already announced "Green Growth" as its new national vision, and both public corporations and private enterprises had joined in the campaign. In line with this, KAC set its environmental vision as becoming a "Low Carbon Green Airport." The vision includes three strategies: practicing green management, becoming increasingly environmentally friendly, and enhancing our relationships with local communities. In addition, we became the very first public corporation in Korea to publish a carbon report. Some of the other environmental initiatives that we undertook include the "Green Footprints" program, which encourages our employees to alter their daily work habits to reduce energy use, our collaboration with airlines and related institutions through the Green Partnership Consultative Group, and the creation of a carbon-neutral forest.

Airports are no longer just places where travelers wait for their flights to be called. Instead, they are being transformed into venues in which we can carry on with our work, have fun, take a rest, and even go shopping. In short, they have evolved into multi-functional areas for work and leisure activities and cultural events. KAC's goal is to meet the challenge of satisfying the needs of a multitude of stakeholders. We will do this by constantly changing and innovating to embrace the future. As always, I look forward to your continuing support and encouragement.

Thank you.

July 2011
President and CEO of Korea Airports Corporation

A handwritten signature in black ink, which reads 'Sung si chul'.

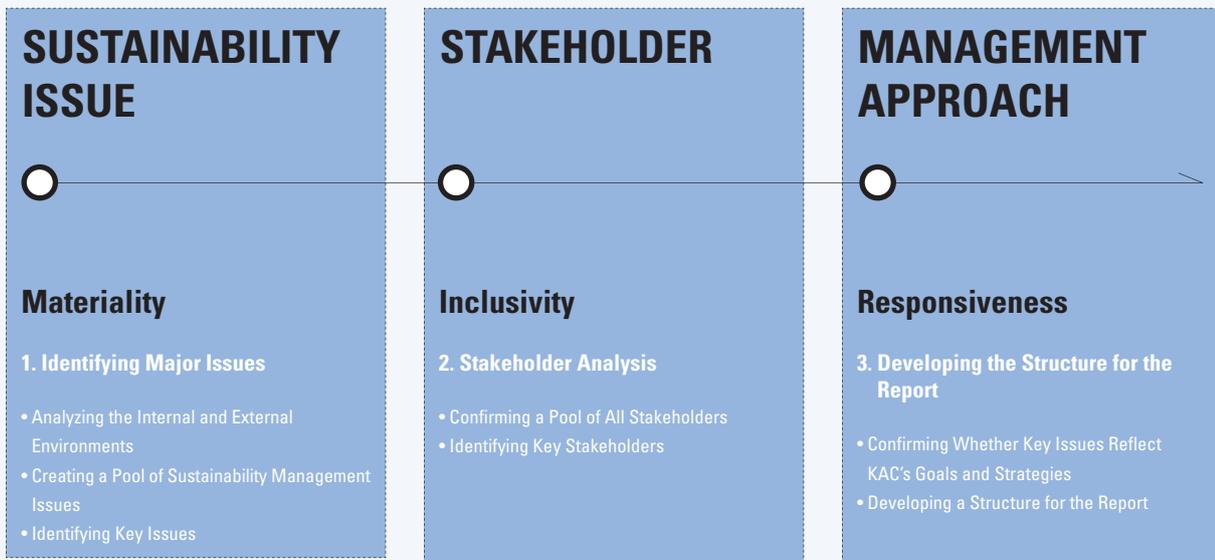
CORE TOPICS IN THE REPORT

Materiality Test

KAC developed the structure of this report after analyzing and prioritizing issues of interest to its stakeholders in various areas that constitute sustainability management. This was done pursuant to the GRI G3 and AA1000APS principles of materiality, inclusivity, and responsiveness.

Reporting Principles

KAC BUSINESS

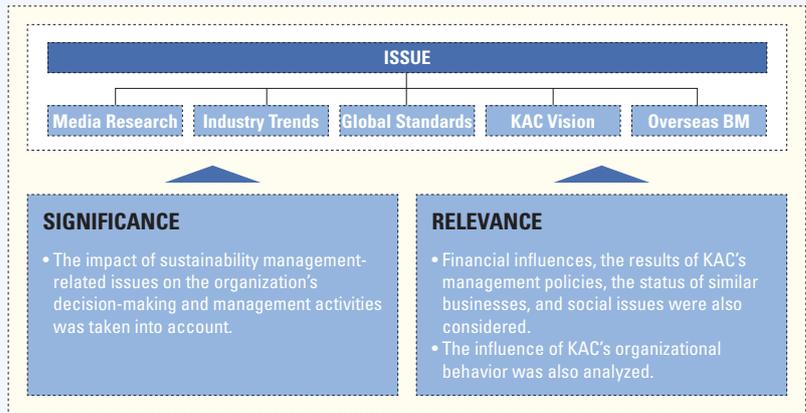




Identifying Major Issues

KAC identified major issues regarding its sustainability management activities by analyzing both its internal and external environments. We then prioritized the issues according to their significance and relevance to our overall sustainability management goals.

Sustainability Issue Pool Prioritization



Media Research

Media coverage, both in Korea and abroad, was analyzed in four different areas: general, the economy, society, and the environment. This allowed us to understand the level of media exposure that our sustainability management activities enjoyed, and assisted us in developing a list of important stakeholder issues.

Industry Trends

Major issues were also identified from studies of local and overseas sustainability management programs—especially those being carried out by leading international airport corporations.

Global Standards

We also took recent changes in global standards and guidelines (including the United Nations Global Compact, ISO 26000, and GRI G3) and other relevant issues into consideration.

KAC Vision

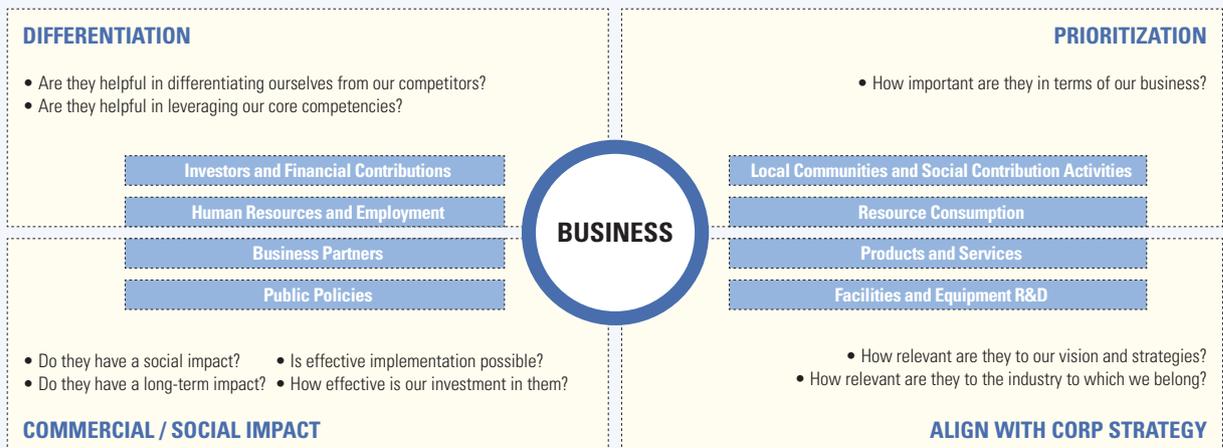
KAC's management vision, strategies, and goals were analyzed to assist in the development of major issues.

Overseas Business Models

Up-to-date developments and issues relating to sustainability management were reflected through in-depth analyses of leading overseas airport corporations.

Stakeholder Analysis

After developing this pool, KAC identified its key stakeholders by considering their impact on all aspects of its operations—including its short-term financial results, core competencies, and governmental regulations.



CORE TOPICS IN THE REPORT

Developing the Structure of the Report

After the key issues had been identified, we conducted surveys and carried out in-depth interviews with our major stakeholders to ascertain their impact on the company and their level of interest in it.



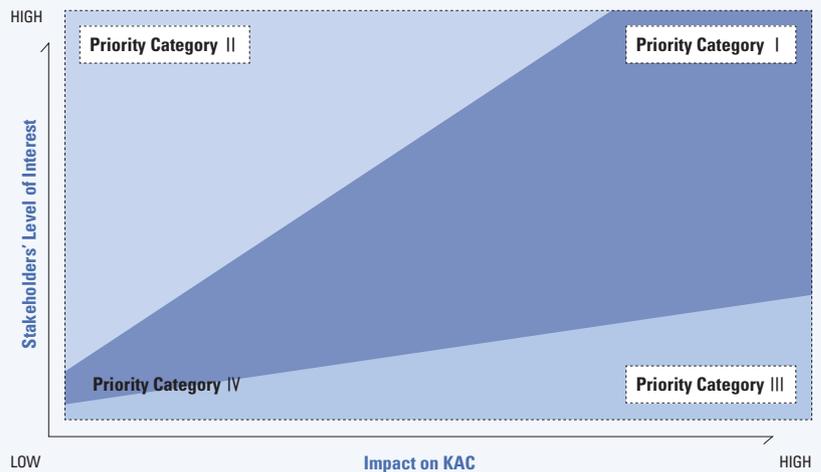
2011 KAC SUSTAINABILITY REPORT

<p>Customers</p> <p>Enhancing Public's Awareness of KAC</p> <ul style="list-style-type: none"> • In-depth Interview Seok-gyu Lee, CEO, DAU Metal (Domestic Route User) Autumn Garrett, Teacher (Domestic Route User) Jong-gu Jung (International Route User) • Survey at Cheongju Airport <p><u>Need to publicize the results of sustainability management to local and foreign customers.</u></p>	<p>Employees</p> <p>New Growth Engines, Creative Corporate Culture</p> <ul style="list-style-type: none"> • In-depth Interview Byung-no Kim (R&D Center, KAC) Ji-young Park (Customer Service Team, KAC) • Employee Survey <p><u>Need an efficient structure to pursue new growth engine businesses. Should create an aggressive, forward-looking corporate culture.</u></p>	<p>Airlines</p> <p>Reinvigorating Regional Airports</p> <ul style="list-style-type: none"> • In-depth Interview Young-wook Kim (Eastar Jet) <p><u>Should develop incentives and institutions to give a boost to regional airports.</u></p>
<p>Government</p> <p>KAC's Public Characteristics & Noise Abatement</p> <ul style="list-style-type: none"> • In-depth Interview Jin-deok Kang (Clear Environment Department, Yangcheon-gu Office) <p><u>Needs to be more active in dealing with noise issues.</u></p>	<p>NGOs</p> <p>KAC's Public Characteristics & Noise Abatement</p> <ul style="list-style-type: none"> • In-depth Interview So-hee Kim (Climate Change Center, Korea Green Foundation) <p><u>Should create a green partnership to realize low-carbon, green airport.</u></p>	<p>Local Communities</p> <p>KAC's Public Characteristics & Noise Abatement</p> <p>Distribution of KAC's Economic Proceeds</p> <ul style="list-style-type: none"> • In-depth Interview Kyung-ja Gwon (Local Community Representative) <p><u>Regions benefiting from KAC are different from those suffering damage.</u></p>



Based on the data about stakeholders' impact on the company and their level of interest, we classified the key issues into four categories. Then, we developed the structure of this report.

Materiality Test Chart



KAC Sustainability Strategy

Priority Category I	Key Issues	2011 KAC Sustainability Report	Priority Category II & III
Public Characteristics and Communications	Enhancing Public Awareness	Structures • Customer-Oriented Management: Number one in Terms of Airport Service Quality	Cost Reductions and Raising Efficiency of Management
Economic Value and Job Creation	Distribution of Proceeds	Our role in the economy	Performance and Competency-Based HR Management
Reducing Noise and Environmental Impacts	Reinvigorating Regional Airports	Change • Reinvigorating Regional Airports to Further Balanced National Development	Support for Local Communities' Development and Growth
Public Awareness	New Growth Engine Businesses	Change • Creating New Growth Engines for Non-Aeronautical, For-Profit Businesses	Service Quality Survey and Reflecting Results for Improvements
Lowering Regional Airports' Deficits	Creative Corporate Culture	Change • Human Resources Development: The Bedrock behind KAC's Competitiveness • Promoting Creative and Forward-Looking Labor-Management Relations	Exchanges and Cooperation with Local Communities base on Management for Co-Existence
Skills Enhancement and Utilizing Experts	Public Characteristics and Reducing Noise	Change • Practicing Low Carbon Green Management by Publishing Carbon Report	Contributing to the Government's Drive for a Fairer Society
Innovation and a Creative Corporative Culture		Responsibilities • Aircraft Noise Abatement and Support for Local Communities • Social Contribution Activities	Consistent and Systematic Social Contributions Activities
Employee Benefits and Healthy Work-Life Balance			Respect for Gender Equality and Diversity
Enhancing Customer Satisfaction through Differentiated Management			Realizing Low Carbon Green Growth
Customer Safety and Risk Management			Establishing Communications Channels with Local Communities

IN THE INTEREST OF OUR
CUSTOMERS AND THE
REST OF STAKEHOLDERS,
KAC IS ADVANCING INTO
A "WORLD-CLASS AIRPORTS
CORPORATION
CREATING BIZ & LIFE."





S T R U C T U R E S

Our corporate vision reflects our determination to
contribute to the advancement of the national economy
and the well-being of the Korean people.

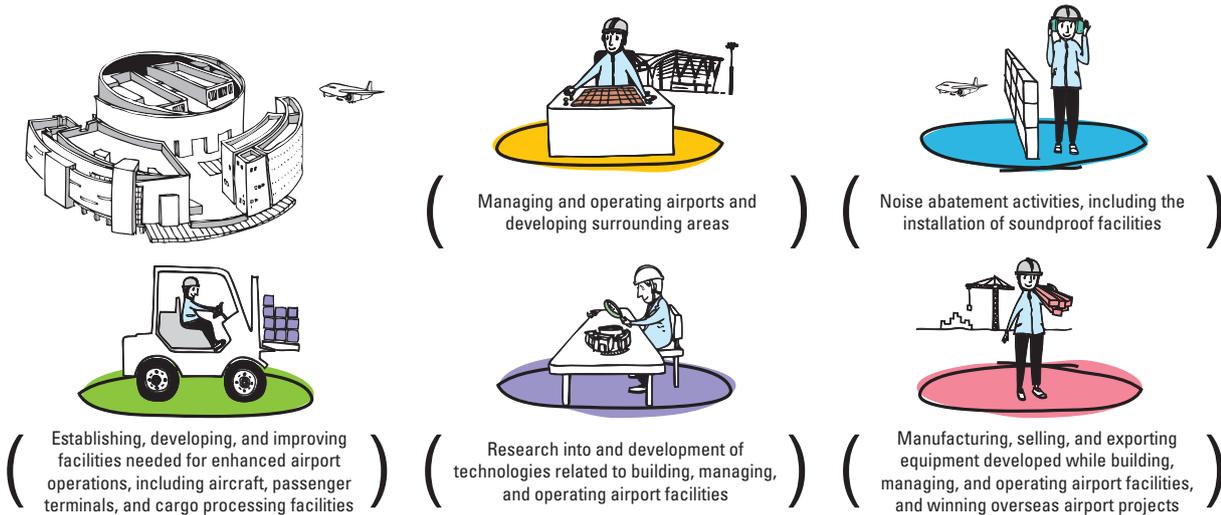
Sustainability management is a key contributor to earning
and maintaining the trust of our various stakeholders.

STRUCTURES

Comfortable Airports Opening the Skies to Everyone - KAC Overview

Korea Airports Corporation (KAC) is a public enterprise. We manage fourteen regional airports (at Gimpo, Gimhae, Jeju Island, Daegu, Gwangju, Cheongju, Yangyang, Muan, Ulsan, Yeosu, Sachun, Pohang, Gunsan, and Wonju) in a smooth and integrated manner. The company was first established as the International Airport Authority in 1980. Its mandate is to provide an efficient and effective air transport service and to contribute to the development of the national economy by building, managing, and operating airports. In 2002, the Authority was renamed Korea Airports Corporation, in accordance with the Korea Airports Corporation Act.

Main Business Area



- 1980.05.03 International Airport Authority established
- 1980.07.01 Gimpo International Airport acquired
- 1983.05.09 Gimhae International Airport established
- 1984.06.01 Civil Aviation Training Center established
- 1985.09.06 Jeju International Airport established
- 1990.04.07 Renamed Korea International Airport Authority
- 1990.06.28 Nine airports established, including the one in Daegu
- 1991.12.14 Renamed Korea Airports Authority
- 1997.01.15 Cheongju International Airport and Wonju Airport established

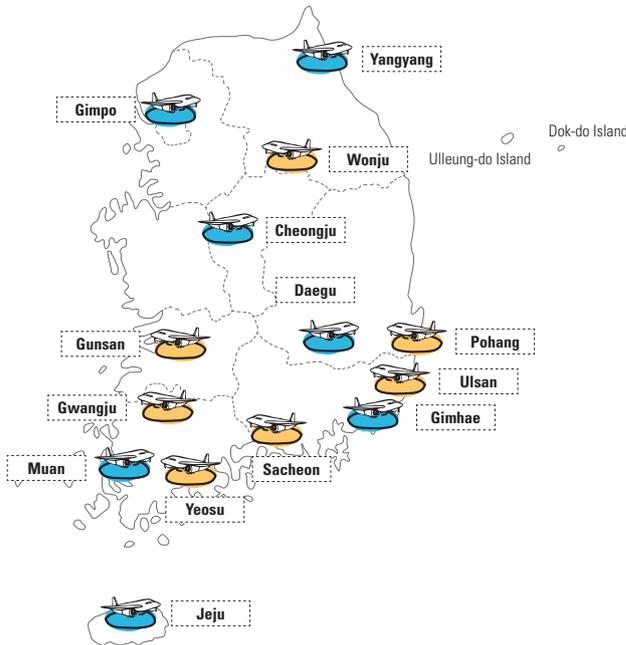
HISTORY



- 1999.01.15 Operational control of eight VHF Omnidirectional Range Tactical air Navigations (VOR/TAC) acquired (including Anyang's)
- 2001.03.29 International routes handed over from Gimpo International Airport
- 2002.03.02 Renamed Korea Airports Corporation
- 2002.04.03 Yangyang International Airport established
- 2003.11.30 Gimpo-Haneda route opened
- 2005.12.21 Service & Aviation Security Training Center established
- 2007.10.23 Muan International Airport established
- 2010.06.29 Vision 2020 announced
- 2010.07.08 Uljin Flight Training Center acquired



Status of Airports



Civil Airports [6]

Gimpo, Jeju, Yangyang, Muan	International
Ulsan, Yeosu	Domestic

Joint Civil-Military Airports [8]

Gimhae, Daegu, Cheongju	International
Gwangju, Sacheon, Pohang, Gunsan, Wonju	Domestic

International Airport: 7
 Domestic Airport: 7

Organization

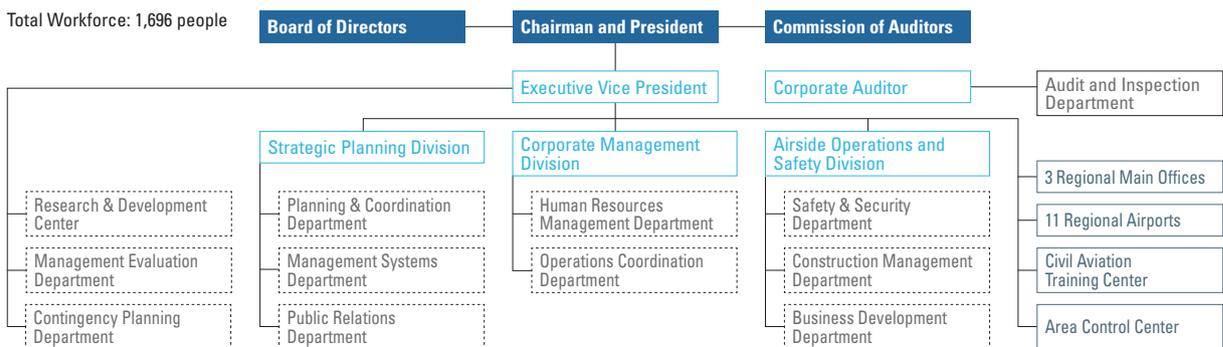
KAC consists of three main divisions, seven departments, one center, and twenty-six teams in its head office. We also manage fourteen airports, an Area Control Center, and a Civil Aviation Training Center. The Research & Development Center was established in 2011. Its goal is to help reinvigorate regional airports and boost customer demand for air travel. As a result, the number of KAC's teams rose by one from the previous year.

Organization

Head Office: 3 divisions, 1 center, 7 departments, 26 teams
 Branches: 14 airports, Area Control Center, Civil Aviation Training Center

Organizational Chart

Total Workforce: 1,696 people



STRUCTURES

Vision 2020 and Sustainability Management

Establishing Vision 2020 and Vision Announcement Ceremony

On June 29, 2010, KAC held its 30th anniversary ceremony. It was attended by about six hundred of its employees, Korea's Minister of Land, Transport and Maritime Affairs, guests from related organizations (including representatives from the company's partners, such as airlines and on-site agencies) and other stakeholders. During the ceremony, KAC announced its "Vision 2020" corporate vision. This was designed to redefine the company's core values, keeping pace with the changed government policies and the constantly-changing operating environment. It outlines the company's future goals and initiatives to achieve them through the exercise of sustainability management.

The vision also demonstrates KAC's underlying goal of contributing to the enhancement of the nation and its economy by evolving into a world-class airports corporation creating value in business and life.



30th Anniversary Ceremony



Vision Announcement Ceremony

Major Sustainability Management Tasks

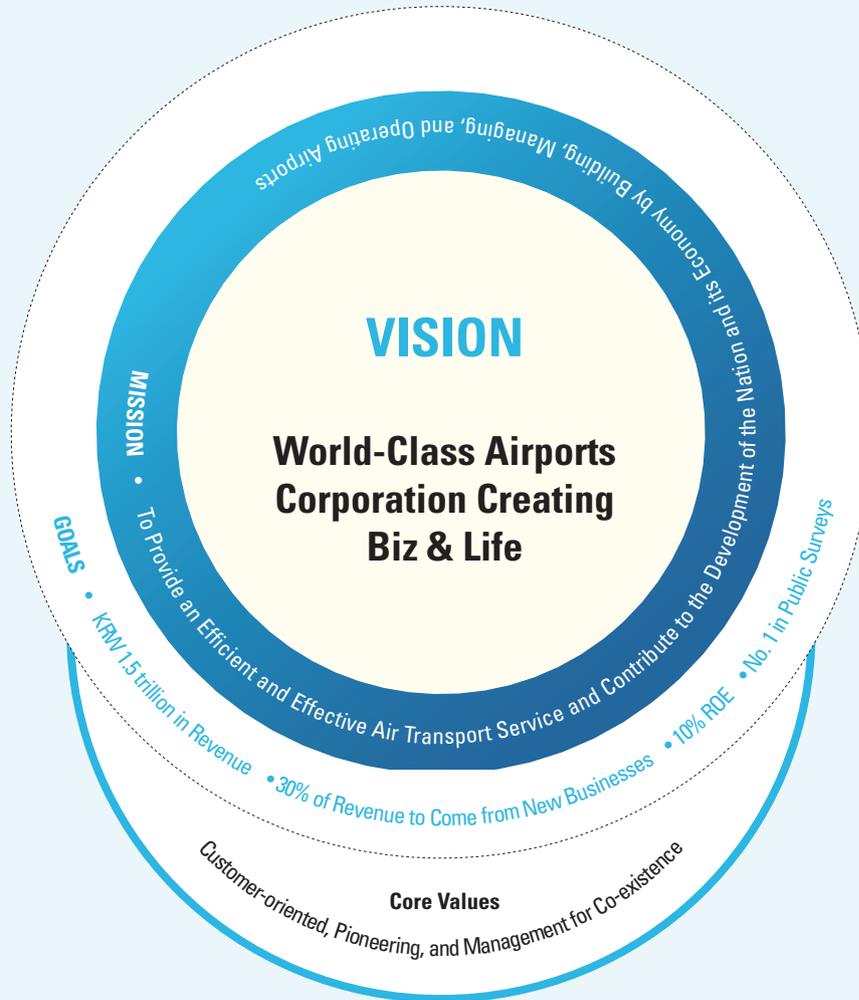
KAC is committed to sustainability management. It has embarked upon a program that will improve its sustainability management activities by managing the goals and action items of each of its operating areas and checking the outcomes on an annual basis. In order to augment the trust level of our various stakeholders, we faithfully carry out all our corporate social responsibilities in terms of the economy, society, and the environment.

Strategic Tasks for 2011





Sustainability Management Structure



Strategic Tasks

Strengthening Airport Operations	Developing New Growth Engine Businesses	Creating Customer Value	Innovating Management Infrastructure
Enhancing Competitiveness of Key Airports	Strengthening R&D and Developing New Businesses	Ensuring Highest Possible Level of Safety and Security	Strengthening Employees' Skills Sets and Improving Management Processes
Reinvigorating Regional Airports	Continuing Advance into Overseas Airport Projects	Augmenting Customer Service	Establishing a Strategic Organizational System
Realizing a Leading, Future Airports	Building a "Sky City" by Developing Areas Surrounding Airports	Strengthening Sustainability Management	Creating a Warm and Welcoming Corporate Culture
Raising Operating Efficiency of Airports			
Engaging in Construction and Operation of New Airports			

STRUCTURES

Efforts to Bring Vision 2020 and Sustainability Management to Fruition

One of KAC's main goals in developing its Vision 2020 was to strengthen the connection between its overall vision and its operational strategies. As a result, the company has improved the linkages between its fourteen strategic tasks and its internal management index. Another of its goals is to add to its competitiveness and create a performance-based corporate culture. This will be done by linking its employees' performances to their compensation and evaluations in a more direct manner.

"Received AAA" Grade from the Ministry of Knowledge Economy for KoBEX SM

The Ministry of Knowledge Economy carries out a Korean Business Ethics Index Sustainability Management (KoBEX SM) survey to measure the level of sustainability management among domestic companies and encourage their adoption and use of the tenets of sustainability management. This is done by means of a survey and by conducting a media search.



"AAA" Grade of the KoBEX SM Mark



Strengthened Linkage between Vision, Strategies, and Targets by Project and Team

- Mid-term and yearly business plans were established in line with corporate vision and strategies.
- Strategic tasks and action items were identified in relation to major projects.

Set Target Level of Projects by Strategic Task, Target, and Team

- Mid-term management goals were developed for each strategic task.
- Project-specific targets were established in accordance with goals.

Improved Linkage between Vision, Strategies, and Performance Management to Further the Implementation of Strategies

- Strategic tasks were firmly aligned with the company's management performance evaluation index.

Improved Management's Participation in Sustainability Management Activities

- Members of the company's management participated in social contributions activities thirty-two times.
- Supported members of multicultural families who wanted to visit their home countries, and established a carbon-offsetting forest. Five other events of a similar nature were held.



Communications with Stakeholders

KAC divides its stakeholders into five main groups: customers, partners, employees, local communities, and government authorities. We communicate with major stakeholders at least once a year in a number of ways, including management disclosure, surveys, and collecting customers' opinions. We will continue to pursue our sustainability management activities by building up trust with our stakeholders. This will allow us to identify and deal with issues that are important to them.

KAC's Stakeholders

Customers

Customers that utilize KAC's facilities for air transport or other services.

Business Partners

In addition to airlines and maintenance service firms, there are about four hundred organizations that have contracts with KAC. They include other state-run enterprises and firms that deal with equipment outsourcing, materials, administration, and so on.

Employees

These are KAC's internal stakeholders. They include both white- and blue-collar workers.

Local Communities

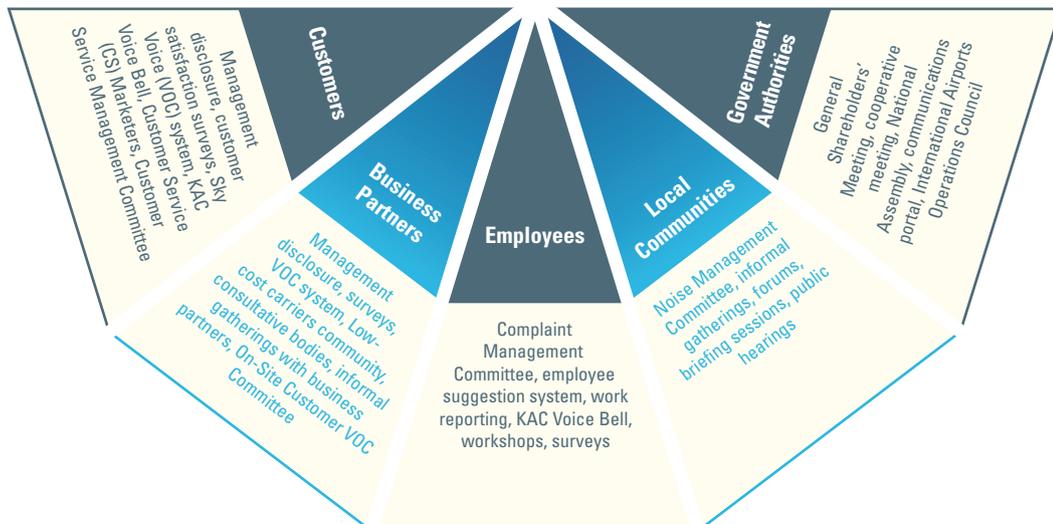
These include local residents, NGOs, universities, and research institutions in areas served by KAC's regional main offices or airports.

Government Authorities

This group includes such government bodies and agencies as the National Assembly, the Ministry of Land, Transport, and Maritime Affairs, and the Board of Audit and Inspection. Many of them work with KAC to establish legal and institutional measures to revitalize its airports.

STAKEHOLDER GROUP

Communications Channels



STRUCTURES

A Leading Practitioner of Ethical Management for Two Consecutive Years

Ethical management is an integral part of sustainable growth. KAC clearly defines the ideals of its ethical management: honest and fair business practices, prevention of corruption, customer satisfaction, respect for employees, and respect for the ecosystem. These were expressed in an anagram (KAC ECHO) as well as in our Ethical Charter. By actively practicing the ideals, we will earn the trust of all members of our society.

KAC ECHO



First Prize for Integrity and Ethical Management

KAC ECHO is an anagram for KAC's social responsible management ideals. They include preserving and protecting the environment and encouraging the development of an integrity-based community mentality.

KAC ECHO

Refers to KAC's ethical management ideals, spreading out like an echo.

E NVIRONMENT	Importance of the Environment
C LEAN	Stressing the Need for Ethical Behavior
H ARMONY	Being Community-Oriented
O BLIGATION	Corporate Social Responsibilities

UN Global Compact



<http://www.unglobalcompact.org/>



United Nations Global Compact

Ethical management is an integral element of sustainable growth. As a member of the UN Global Compact, KAC subscribes to its ten main principles regarding human rights, labor standards, and the environment, and submits a Communication on Progress (CoP) to it every year. The company's commitment to ethical management is reflected in its various employee training programs, including courses on ethical behavior and how to detect, avoid, and report on corruption.

Public Organization Integrity Ranking by the Korean Anti-Corruption and Civil Rights Commission

Year	2009	2010
Grade	Top	Top

Number of Times Management Has Expressed its Commitment to Ethical Management





Ethical Management System

KAC's ethical management system plays a seminal role in all its operating processes.



Anti-Corruption Integrity Implementation Group

KAC's "Anti-Corruption Integrity Implementation Group" is tasked with implementing the company's anti-corruption and integrity policies. We formed an organization called "Integrity TF" in January 2010 to assist with its operations.



KAC's Ethical Charter



Printed Material on Ethical Practices

- A well-respected company committed to open, honest, and ethical behavior
- Honest and equitable business practices
- Dedicated to the prevention of corruption and the establishment of a culture of integrity
- Committed to customer satisfaction and being customer-oriented
- Respect for employees
- Active involvement in areas of public interest, the creation of new values, and the development of the nation and its society
- Respect for people and environmental conservation and protection

STRUCTURES

Achievements of Ethical Management System

Dissemination and Expansion of Training in Ethical Behavior

(Unit: Persons)



* All employees of KAC are required to receive training on anti-corruption policies and procedures at least once a year. In 2010, the rate of employees receiving the training stood at 100%.

Enhanced Access to Reporting Channels to Prevent Corruption

(Unit: Cases)



■ Consultations on Code of Conduct ■ Reports on Outside Lectures ■ Reports on Return of Money and/or Valuables

100-day Ethics & Integrity Campaign "Great March"



"Integrity Golden Bell"



Integrity Memorandum

Generating Awareness of the Need for Ethical Behavior

At this stage, we focused on "understanding" and "consensus" to generate an awareness of the need for ethical behavior among our employees.

- Public contests were held in six areas, including user created contents, slogans, posters, etc.
- Employees' suggestions to engage the public's interest were collected, videos on the need for ethical behavior were produced, and training sessions were held in each department.

Involving People in Ethics & Integrity Campaign

Celebrated "Integrity Day" and "Integrity Month." A wide variety of activities and events were held to "encourage the development of" a culture of ethical behavior.

- "Integrity Month" Activities included external PR efforts, intensification of training in ethical behavior, and self-monitoring.
- "Integrity Day" (June 16) events included reading the Integrity Declaration, "Integrity Golden Bell", and an awards ceremony for contest winners.

Spreading a Culture of Ethical Behavior

By disseminating the results of the ethics and integrity campaign, a culture of ethical behavior was "established."

- The development of a culture of ethical behavior was encouraged through the use of printed materials and the establishment of a website.
- A video and a memorandum marking "Integrity Month" were distributed to both internal and external organizations through the company's intranet and website.
- A booklet recording the "Integrity Day" events was distributed to both internal and external organizations.

Response to Global Ethical Issues



International Organization for Standardization

In order to proactively deal with the requirements of the ISO 26000 (the international standard for social responsibility), KAC reorganized the Ethical Management Committee to the Social Responsibility Committee.

* The ISO 26000, developed by International Organization for Standardization (ISO), is a set of international standards outlining an organization's responsibilities in such areas as corporate governance, human rights, and consumer issues.



Customer-Oriented Management: Number one in Terms of Airport Service Quality

“No.1 in Airport Service Quality (ASQ)” by Airports Council International
“Most Efficient Airport” by Air Transport Research Society

Customer Satisfaction Management

Using the CS Management System to Advance into a World-Class Airports Corporation

In 2010, KAC took a number of steps to improve its CS management system. In addition to being an integral part of the company’s overall Vision 2020 campaign, they were designed to speed our evolution into a world-class airports corporation creating higher-than-expected customer values. One of our main objectives is to “Realize Enhanced Customer Impressions” through partnerships with a number of our stakeholders, including airlines, our commercial tenants and contractors, and organizations situated within the airports’ premises. KAC abides by all customer-related laws and regulations in such areas as PR and marketing, the protection of confidential customer data, and safety and health. There were no reports of violations in any of these areas in 2010.

KAC’s CS Vision and Strategies

- CS Vision
- Strategic Goals
- Service Identity
- Core Values

Delivering Happiness and Excitement through Enhanced Customer Impressions

Number One in Customer Satisfaction as a Public Corporation Global Top 3 for ASQ Hall of Fame for CS Management

An Airport Where Excitement Begins!

Safety Convenience Happiness Valuable Time Social Responsibilities

Strategic Directions and Mid- to Long-Term Management Plan

Advanced CS Management System <ul style="list-style-type: none"> Establishing and Implementing Mid- to Long-Term Management Plan Performance Evaluation System to Ensure Enhanced CS Management 	VOC-Based Improvements to CS Management <ul style="list-style-type: none"> Operating and Advancing the VOC System Expanding Customer Participation Intelligent Customer Contact Center 	Improvements to Services and Facilities Based on Customer Values <ul style="list-style-type: none"> Differentiated Passenger Convenience Spaces and Services Generating Profits from CS Academy Advancing into Foreign Markets 	Innovating Service Quality <ul style="list-style-type: none"> Integrated Service Quality Management System Strengthening CS Innovation System
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Named No. 1 in Airport Service Quality (ASQ)



STRUCTURES

CS Implementation Organization

KAC's CS implementation organization is called the CS Management Committee. Chaired by the CEO, it also includes relevant departments at the head office and its regional main offices, as well as a number of consultative bodies for both internal and external customers. As part of its efforts to optimize the CS implementation organization, KAC maintains an innovation TF composed of employees from its business partners. Last year, it also deployed CS Marketers (or "Sky Voices") as a vehicle for enhanced customer participation.



I'm a businessman, and I'm always short on time. When I have to go on a business trip away from the big cities, I always travel by air. Even though they're a little more expensive than other transportation modes, airplanes save me time. That's why I use them.

One thing that I really like about Gimpo Airport (also known as the "Biz-Port") is that I can book and print out my tickets at home on the Internet. It's simple, easy, and convenient. Unfortunately, a lot of other flyers don't do this because they don't know about it.

If it really wants to become "Biz-Port" serving Northeastern Asia, Gimpo needs to operate more flights. Its greatest advantages are its fast and convenient check-in and immigration procedures and its easy accessibility. But I can't fully enjoy these benefits, since it doesn't operate enough flights. If it keeps investing in advanced services, Gimpo will keep attracting more and more tourists and businessmen and grow into Northeastern Asia's leading air travel facility.

Seok-gyu Lee, CEO, DAU Metal

INTERVIEW WITH STAKEHOLDER



Establishing a Customer-Oriented, Ubiquitous Operating Environment

KAC is committed to making constant improvements to its boarding processes, its “u-Airport” project, and the development of technologies to assist it in establishing a world-class, ubiquitous operating environment in all its airports.

u-Airport



The objective of KAC’s u-Airport project is to automate all of its airport services, providing customers with speedier and more accurate boarding services and allowing it to start making further inroads into overseas markets. In 2010, after our u-Airport technologies had been installed in all our airports, our service utilization rate reached 70%. By 2012, as the system becomes more refined, we expect it to reach 90%.

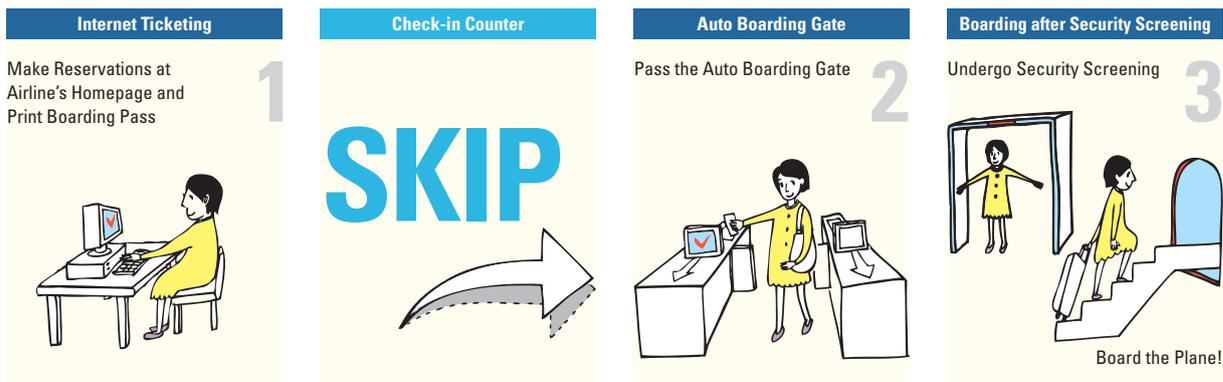
KAC’S U-AIRPORT PROJECT

U-PASSENGER	U-SAFETY	U-BUSINESS	U-FACILITY
<ul style="list-style-type: none"> • ONE-PASS Boarding Service • Common Use Self-Service Check-In Kiosks (CUSS kiosks) • Common Use Terminal Environment (CUTE) • Air Freight with RFID tags 	<ul style="list-style-type: none"> • High-Tech Security System • Airside Car Restriction System • Barrier-Restricted Area Management 	<ul style="list-style-type: none"> • Advanced Management Information System • Mileage Points Linked with Use of Airport 	<ul style="list-style-type: none"> • Integrated Facilities Management System • Intelligent Parking Management System • Broadband Communications

Establishing a ONE-PASS Boarding System

KAC has established a One-Pass Boarding System utilizing ubiquitous information technologies to provide its customers with faster and more convenient airport services. By using it, passengers with access to the Internet can make reservations and print out their boarding passes at home. Instead of checking in at a service counter, they can now board flights using their home-printed boarding pass. Put into full service in July 2010, the system is now being used by passengers taking domestic flights operated by six airlines at all fourteen of our airports. As of July 2010, the average passenger’s waiting and boarding time was shortened by 2 minutes and 4 seconds. In addition, the maximum waiting and boarding time was reduced by 20 minutes and 8 seconds.

ONE-PASS Boarding Service Process



STRUCTURES

Establishing an Integrated VOC System

The goal of KAC's "Sky Voice (VOC)" system is to integrate and manage its various customer communications channels and enhance the level of the company's VOC-based customer satisfaction processes. All customer responses are entered into a safe and secure database. In 2010, the system was refined to deal with customers' needs in a speedier and more accurate manner, allowing KAC to provide world-class service at every customer contact point.

VOC Analysis and Management Process

Processing	Processing Department	Designation of Person in Charge >> Input by Employee, VOC Type Confirmation, Etc.	Processing/Sign-off >> Review, Improvement, Confirmation, Impossible to Proceed	Results (Inputs) >> Results Notification, Confirmation, Compensation, Disposal, Etc.	
Reviews and Analyses	Cycle \ Scope	VOC Management Department	VOC Management Department	Company-Wide	
		DAILY / WEEKLY	Daily (Employee in Charge): Review Processing Status in Real Time	Daily (Employee in Charge): Review Processing Status in Real Time	Regularly (CEO): Review Processing Status and Give Instructions for Resolution
		MONTHLY / QUARTERLY	Weekly (Team Head): Review Processing Status and Deal with Disputed Items	Weekly (Team Head): Review Processing Status and Disputed Items	Every Other Week (CEO): Attempt to Alleviate Customer Dissatisfaction (Send Out Letters)
		SEMI-ANNUALLY / ANNUALLY	Monthly (Branch Head): Review Results	Monthly (Responsible Department): Aggregate and Report on Monthly Processing Results	Quarterly: Report Quarterly Processing and Analysis Results (Company-Wide Executive Meeting)
				Semi-Annually: Select and Register Issues	
				Annually: Report Processing and Analysis Results/Measure VOC Key Performance Indicators (KPI) and Make Compensation (Employees & Departments)/ Reflect on Balanced Score Card (BSC)/ Report Results of Key Issues Processed	

KAC has also introduced a VOC service enhancement program to facilitate and improve the use of customer information collected through the system. It enhances the company's ability to utilize its capabilities to the fullest by moving away from the manual use of the system.

Main Contents of Program

- Changes in Paradigm / "Catching Up with VOC"
- VOC Procedures/Diagnoses and Analyses
- Effective VOC-Based Responses and Enhancing Usage and Response Skills

Improvements in Services/Facilities by VOC

Analysis of VOC Cases by Category in 2010

(Unit: Cases)

Critical Responses	98
Parking Management	92
Tenant	42
Public Transportation	32
Homepage	31
Non-Smoking Policy	29
Convenience Facilities	22
Indoor Temperatures	18



Improvements in Service and Facilities As a Result of VOC Analyses

Critical Response from Employees

- Conducted service education centering on real-world cases: Examples found through VOC and monitoring were used for this training.
- Continued to manage areas where complaints were raised through VOC, or where monitoring was not sufficient: Company-based trainers studied contact points and conducted further training. In addition, the assessment system for our business partners was improved (Service Level Agreement was introduced, and other measures were taken).
- Assigned innovation TF activities to business partners' employees: This helped to enhance their customer response service levels.

Complaints Regarding Parking Facilities

- Built additional parking facilities to tackle parking shortages: A new car park building for domestic flight passengers was built at Gimpo International Airport.
- Enhanced efficiency of parking facilities by establishing an intelligent parking management system.
- Added extra cameras to help resolve disputes when complaints about parking-related issues arise, such as damaged vehicles.

Illegal Taxi and Other Public Transportation Activities

- This problem has been under management since it was named as a key VOC issue in December 2009: Crackdowns are conducted on a regular basis, and extra equipment has been bought to help deal with it.
- Installed 18 CCTVs to record illegal actions and made warning announcements.

Complaints about Homepage

- Upgraded channels on which information is posted, including the FAQ page: The results of our VOC data analyses were also given.
- Provided more information on the homepage: Including real time flight schedules and Management Disclosure Day.

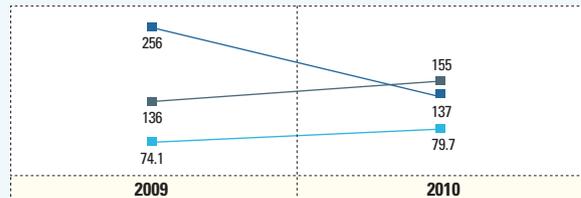
Second-Hand Smoke (Gimpo and Gimhae Airports)

- Expanded and improved smoking areas - Outdoor smoking areas were added at Gimpo Airport, raising the total to 11 - Cigarette smoke detectors were installed at 12 sites, and will be installed at all our airports in 2011.
- Designated 27 sites (including bus stops, which are the butt of the most smoking-related complaints) as non-smoking areas.

Complaints about Commercial Tenants' Services and Prices

- Improved customer satisfaction survey of commercial facilities and strengthened incentives and penalties (→ Offered rewards for "best-practice" tenants and reflected their performance when renewing contracts. Enhanced rewards system and required people who were complained about to undergo further customer service training).
- Implemented "best practices" accreditation scheme and conducted PR and marketing events.
- Introduced an Airport Prices Index management system and incorporated it into airport pricing policies.

Sky Voice System Results



■ VOC Processing Satisfaction Level (Points)
 ■ Number of Complaints through VOC
 ■ Number of Compliments through VOC



INTERVIEW WITH STAKEHOLDER

Hello! My name is Autumn Garrett. I'm working as a middle school teacher in Yongin-si. I've traveled around the world and used lots of international airports, but the airport services in Korea are especially outstanding. Clean and convenient facilities, kind and professional staff, and easy signboards (which are critical for foreigners) are some of the best things about them. However, there is one small thing that needs improvement. Compared to Japanese or Taiwanese airports, the information desks here seem a bit understaffed, especially around the baggage claim and entry areas. When I was at an airport a while ago, I looked around for someone to help me, but it was difficult to find anyone.

I hope there will soon be more personnel available to help travelers, and especially international flyers. Another suggestion is to offer courtesy phones for tourists who don't have a cell phone that works in Korea or enough Korean money to borrow one.

Autumn Garrett
 Oklahoma City, OK USA
 Public Middle School Teacher in Yongin City, S. Korea

STRUCTURES

Service Quality Management: Enhancing Customer Value

Improving Service Quality Management System

KAC is committed to improving its service quality management system to provide customers with the highest possible quality of service. After developing a wide range of service standards in 2005, the company went on to revamp its service manual, began monitoring its service providers, and strengthened its customer response quality management processes. Other improvements are being made on a continuing basis.

Improving the Customer Charter and Enhancing Service Performance Standards

KAC's commitment to customer service is reflected in its Customer Charter. In addition, its service implementation standard management index was increased to 32 items (15 measurable, 17 non-measurable) per airport. Performance results are evaluated semi-annually. The results can be viewed on KAC's homepage or through public institution disclosures.

Managing the Quality of Personalized Services

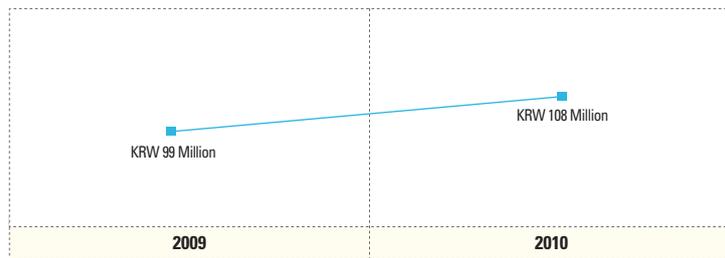
KAC provides high-quality service at all its customer contact points. This includes on-site CS training to strengthen its employees' CS mindsets and remind them to always behave courteously. The company also carries out regular monitoring activities, using a checklist it developed to ensure total objectivity. These efforts to provide the ultimate in personalized customer service will continue going forward.

CS Training Using Real-World Examples

KAC shares customer complaints and the results of its monitoring activities with employees who are responsible for CS training and includes them in its service manual. Analyzing real-world examples from the customer's point of view plays an important role in enhancing the skill sets of employees working at customer contact points.

Investments in CS Training

**9.09%
INCREASE**





Efforts to Enhance CS Skill Sets in 2010

Taking Outside Courses	Internal Drive to Enhance Skill Sets	Benchmarking through Overseas Study Trips
<ul style="list-style-type: none"> 7 courses in such areas as Quantum Creative Teaching (10 employees). CS trainers, working-level employees, etc. 	<ul style="list-style-type: none"> 3 workshops delivered by 31 in-house trainers CS Specialists Course (8 employees) 	<ul style="list-style-type: none"> Visit to Singapore's SQ Center (2 employees) CS Innovation Conference (4 employees) Benchmarking other institutions (Incheon Port Authority, etc.)

CS Achievements in 2010

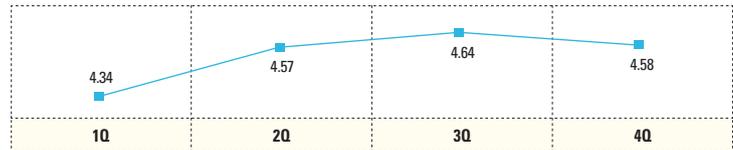


The Management Grand Award in the Customer Satisfaction Management Category

Survey of Customer-Orientedness



Airport Service Quality (ASQ) Evaluation—Number One Player in Our Group!



Self-Survey of Customer Satisfaction (KAC-CSI)



I often fly to and from Japan on business. For me, Gimpo Airport is a workplace as well as a travel facility, because I have to deal with my business for about an hour every time I visit it.

There are so many time-saving services at this airport! Gimpo really provides me with an optimal working environment. However, I would like to see even more meeting rooms with all the necessary facilities and equipment, at the same reasonable prices as now. This is important to me, because I often have meetings there with busy foreign businessmen who are time-conscious too.

The airport's design and facilities are excellent, and its staff members are wonderfully kind. I remember one of them carrying a big, heavy-looking bag for a student. While carrying it, he said "This bag is full of books. You must be a student studying overseas." I saw his kindness, and was touched by his commitment to his work and helping people.

I think that it would be a good idea to show a short video clip at Gimpo and the country's other regional airports detailing KAC's sustainability management programs and performances, so that both local and foreign visitors can see them. If everyone can see how hard KAC is working to reduce costs and energy use, they will be able to understand and support its sustainability management practices much more easily.

Jong-gu Jung, CTO, Higashiyama Film

INTERVIEW WITH STAKEHOLDER

STRUCTURES

Managing for Accident-Free Airports

Results of Airport Safety Management

The objective of KAC's airport safety policy is to avoid any and all accidents. According to Korea's Aviation and Railway Accident Investigation Board, the company was not responsible for any aviation accidents during the past five years. We are committed to ensuring that our security and safety programs are able to continue this proud record.

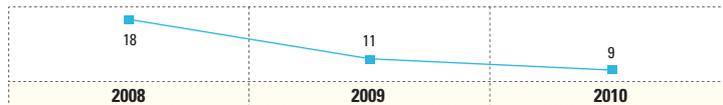
Enhancing Airport Safety

KAC is committed to safe flights and secure airports. In 2008, for example, we recorded an international airport safety standards compliance rate of 99.73%--the best in the world. To ensure that we will continue to maintain that level, we carry out a broad range of systematic and comprehensive flight safety and airport security management processes. As a result, the number of comments by Korean government inspectors regarding our level of safety and security decreased by 18% from a year ago. International standards compliance rate is assessed once every six years.

Results of Universal Safety Oversight Audit of Countries with Major Airports – International Standards Compliance Rate

Country	International Standard Compliance Rate (%)
KAC	99.73
Canada	95.38
United States	91.13
China	86.64
Germany	84.20
Norway	81.90

Number of Comments by Government Inspectors



Number of Accidents and Potential Risks

Number of Accidents			Number of Potential Risks			Potential Risks
2008	2009	2010	2008	2009	2010	
0	0	1	169	183	152	Risk factors were reduced by unearthing more potential risk factors.

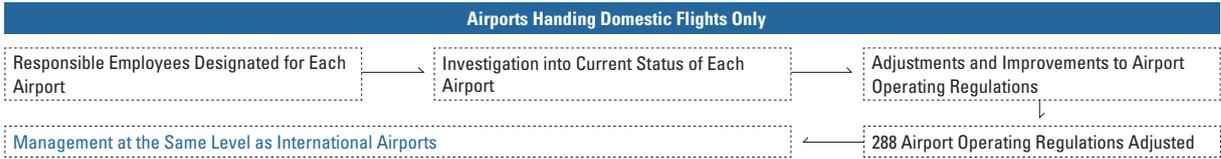
Ensuring Safety through Airport Classification System

The introduction of the airport classification system means that our inspections of take-off and landing facilities, measurements of runway friction, and rubber elimination cycle standards can be applied differently depending on the airport being studied. Before this, the standard was applied universally, regardless of the number of flights. This change has allowed us to enhance our operational efficiencies dramatically.

Enhancing Air Safety by Revising Airport Operating Regulations

We apply international airport management standards to all our facilities, including those that only handle domestic flights. This enhances our safety and security operations considerably.





Establishing a 3D Obstacle Management System

Our fully-computerized, 3D Obstacle Management System allows us to determine whether any of our structures located within height restriction zones surrounding our airports violate height limitations. We built it to eliminate factors that may cause risks to aircraft flying near our airports. In 2010, we made five improvements to the system, including adding an instrument that clearly shows the distance between an airplane and an obstacle.



3D Obstacle Management System 01

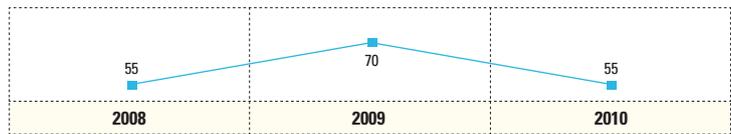


3D Obstacle Management System 02

Measures to Prevent Bird Strikes

In July 2009, KAC signed an agreement with Korea's National Institute of Biological Resources to study the types of birds that could conceivably collide with airplanes.

Number of Bird Strikes



Bird Deterrence Methods



Scarecrow at Jeju Airport



Mock Eagle at Jeju Airport



Nets in Green Areas at Gwangju Airport

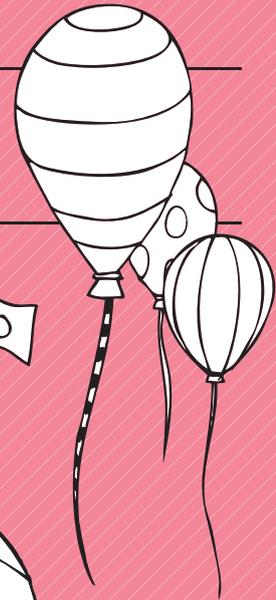
Participation by Airport Employees in Safety Management System (SMS)

KAC has established a voluntary and confidential reporting system to enhance communications with airport personnel regarding safety-related issues. This allows us to review our safety requirements and make quick and effective corrective measures. The system facilitates the voluntary reporting of potential risk factors by ensuring that the people making the reports are not penalized for their actions. In that sense, the characteristics of the system are voluntary nature, confidentiality, and immunity. Reports can be made both online (on our homepage) and offline, by phone, fax, or mail. In addition, near-accidents and instances of obstacles to aviation safety are reported according to Articles 8 and 8-2 of the Enforcement Rule of The Aviation Act. Risk assessments and reduction measures are carried out according to our risk reporting procedures.



Safety Management System (SMS)

THANKS TO THE PASSION AND
COMMITMENT OF ALL ITS
EMPLOYEES, KAC SUCCEEDED
IN RAISING THE OPERATIONAL
EFFICIENCY AND ENHANCING
THE SOUNDNESS OF ITS
FINANCIAL STRUCTURE.





OUR ROLE IN THE ECONOMY

Going forward, we will continue to distribute
a fair and reasonable share of our operating proceeds
among the society, our customers, partners, employees,
and the communities in which we work.

By doing so, we will play an important role
in creating new opportunities for growth and employment.

OUR ROLE IN THE ECONOMY

Enhancing our Economic Performance and Fair Distribution of Proceeds

Achieving Management Efficiencies through Sound Financial Structures and Careful Budget Management

KAC's sound financial structure is based on the determination of all our employees to enhance our operations by allowing management to make timely decisions regarding such issues as productivity enhancement and cost reductions.

In 2010, the economic performance of our non-aeronautical business area improved steadily, thanks to the growing revenue from renting buildings at Gimhae, Jeju, and other regional airports. Increases in the market share of low-cost carriers, a rise in the number of passengers taking Jeju-bound flights, and economic recoveries in neighboring countries such as China led to a rise in passengers, flights, and cargo volume. These factors resulted in greater profits from our variable rents, augmenting both our revenue and our net income.

Management Performance in 2010

(Unit: KRW Million)

Revenue	485,397
Operating Income	62,269
Net Income	57,654

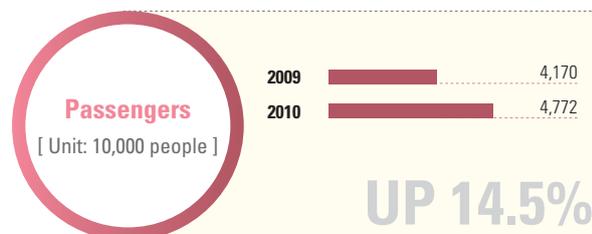
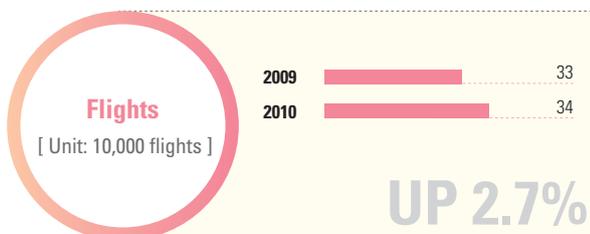
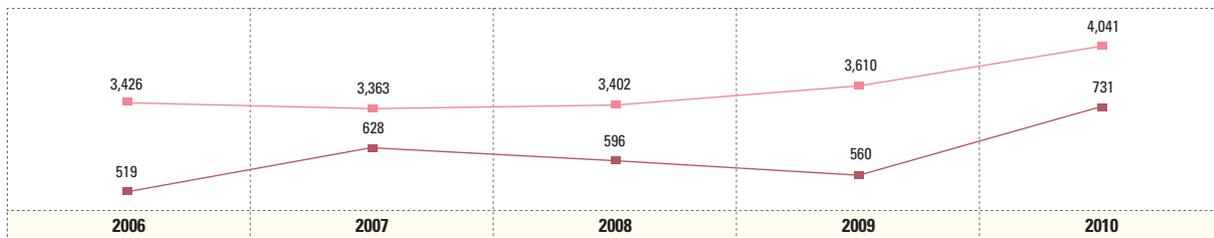
Revenue Structure

Area	Main Sources
Aeronautical Business	Fees for landing, lighting, and parking, apron fees, and passenger terminal rentals
Non-Aeronautical Business	Rent for land and buildings, in-house operation fees, parking lot income, and facility management and maintenance fees
Property Development and Rentals	Revenues from development of distant space within airports
Overseas Business	Revenues from construction and operation of overseas airports and consulting services, etc.
R&D Business	Revenues from consulting services and sale, installation, repair, and maintenance of independently-developed aviation safety equipment, etc.

Air Transport Results

■ Domestic Routes ■ International Routes

Number of Passengers (Unit: 10,000 people)





Indirect Economic Impacts

Developing Related Industries

KAC invests in aviation-related facilities and equipment and manages fourteen airports across the nation. We also contribute to the well-being of ancillary industries, such as tourism and leisure. In addition, we enhance airport security in collaboration with the Regional Maritime Affairs & Port Authorities, and support the running of Formula 1 car races.

Job Creation

In 2010, KAC contributed to job creation by hiring interns, offering jobs to the underprivileged, and maintaining a total workforce of 1,696. Employment was also provided for our business partners in such areas as airport management and passenger services.

Participating in the Nation's Development

KAC is involved in a multitude of research projects aimed at securing new growth engines. Our investment and R&D activities on this front are carried out in collaboration with the central government and various research institutes.

Supporting the Underprivileged

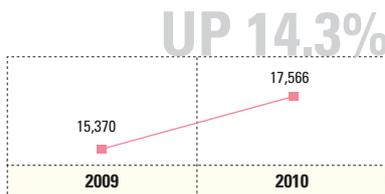
KAC provides economic and social supports for low-income families, the disabled, and people living in areas affected by noise from its operations. The main thrust of our social contributions activities is to bridge the education and information gap afflicting low-income families.

Value of the Air Transportation Business

Comprising about 10% of Korea's distribution channels, airports play an essential role in the nation's industrial development and its imports and exports sectors. They also have a non-quantifiable security and economic value, since they can be utilized by the air force at a moment's notice. KAC is also contributing to the nation's security by advancing into the defense industry.

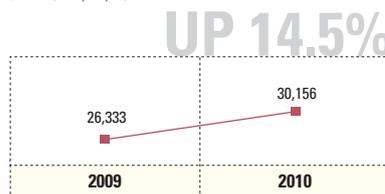
Increase in Passengers Using Gimpo Airport

(Unit: 1,000 people)



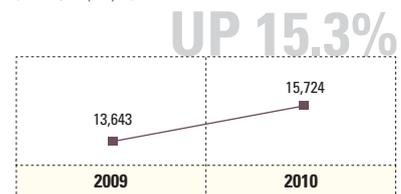
Increase in Passengers Using Regional Airports

(Unit: 1,000 people)



Increase in Passengers Taking Flights to Jeju

(Unit: 1,000 people)



Company-Wide Campaign for Creative Management

Plans for Creative Management

In order to evolve into a "World-Class Airports Corporation Creating Biz & Life", as stipulated in its Vision 2020, KAC is committed to company-wide creative management activities to achieve four strategic goals.

Strategic Goals

1.5 Trillion in Revenue

30% Revenue from New Businesses

10% ROE

Number One Ranking in Public Surveys

Targets

- Strengthen Airport Operations and Raise Management Efficiency by 10%
- Implement Creative Management to Become an Advanced, World-Class Corporation

Strategic Tasks

Enhancing Airport Operations

- Selling Operating Rights to Cheongju Airport
- Developing Open and Transparent Selling Procedures
- Selecting Best Possible Private Operator

Raising Management Efficiency

- Raising Organizational and Personnel Management Efficiencies
- Saving Budget
- Enhancing Airport Infrastructures
- Reducing Public Debt
- Enhancing Management Systems

Autonomous and Creative Management

- Establishing an Autonomous Management System
- Improving Ways of Working
- Expanding Innovation Capacity
- Establishing an Organizational Culture

OUR ROLE IN THE ECONOMY

Distribution of Economic Value

KAC distributes a reasonable portion of its proceeds among its customers, business partners, and employees, the communities in which it operates, and the larger society. This helps these stakeholders to grow economically.

PROCEEDS SHARING



Larger Society

KRW 12.0 Billion in Taxes and Imposts

KAC paid KRW 12,000 million in taxes and imposts. Some of the proceeds that we make from our business activities are paid out in the form of taxes. In 2010, the company paid KRW 11,951 million in taxes and imposts.

Customers

KRW 1.6 Billion for Digital Technologies and Customer Service Training

The company paid KRW 1,600 million for automated and digital technologies and carrying out customer service training. This includes KRW 1,521 million for airport automation facilities and digital technologies and KRW 108 million for training courses to enhance the convenience and satisfaction of its customers.

Partners

KRW 98.2 Billion for Outsourced Security and Facilities Management Services and Purchases from SMEs

KAC paid out KRW 98,200 million for outsourced security and facilities management services and purchases from small- and medium-sized businesses (SMEs). The actual breakdown was KRW 96,710 million for security and facilities management, and KRW 1,469 million for goods and supplies from SMEs.



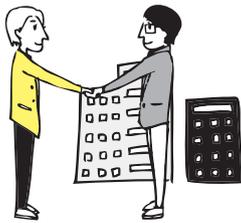
Sources of Proceeds

KRW 485.4 Billion in Revenue

KAC registered KRW 485,397 million in revenue from its aeronautical and non-aeronautical businesses in 2010.

KRW 57.7 Billion in Net Income

In 2010, the number of KAC's air passengers rose by 14.4%, helping us to realize KRW 57,654 million in net income. This was a 35% increase compared to the previous year.



Employees

KRW 119.6 Billion in Wages and Education and Training Expenses

Proceeds flowing from our employees' creativity and innovation capabilities are distributed to them equitably. Our total cost for wages and education and training expenses in 2010 stood at KRW 119,554 million.

Local Communities

KRW 39.2 Billion in Noise Reduction Efforts and Job Creation Efforts for Low-Income Earners

As part of our efforts to share our proceeds with local communities, we invested KRW 38,000 million in reducing noise in areas affected by aircraft operations and KRW 1,184 million in creating jobs for low-income earners.

Shareholders and Investors

KRW 12.9 Billion in Dividends

We believe dividends are a fair portion of our proceeds for shareholders and investors. In 2010, we paid KRW 12,971 million won in dividends for them.

KAC HAS ALWAYS BEEN AND
WILL BE A FUTURE-ORIENTED
COMPANY THAT DEALS WITH
CHANGE AND CHALLENGE
IN A POSITIVE AND
PROACTIVE MANNER.





C H A N G E

We will focus on six key management tasks of

boosting regional airports for balanced national development;

strengthening non-aeronautical, for-profit businesses;

implementing low carbon, green management policy;

developing highly-skilled human resources;

establishing a forward-looking labor relations; and

pursuing healthy and sustainable growth.

CHANGE

Reinvigorating Regional Airports to Further Balanced National Development

Turning Gimpo Airport into Northeast Asia's "Biz-Port"

After the bulk of its international routes were taken over by Incheon International Airport (IAA) when it opened in 2001, there were growing calls for Gimpo Airport to brand itself as the airport that provided travelers with the easiest and most convenient access to Seoul. It was also argued that this change would add to Korea's national competitiveness. In response, we adopted a "Biz-Port" strategy of providing flights that are custom-tailored to meet the needs of business travelers. This included adding a new route between Gimpo and Beijing, and increasing the number of flights to Japan. In addition to pressing for the deregulation of even more international routes, we have maximized the use of the airport by revamping its interior to provide our customers with enhanced shopping and leisure opportunities.

Named World's Most Efficient Mid-Sized Airport

In July 2010, the Air Transport Research Society named Gimpo the world's most efficient mid-sized airport, praising it for achieving remarkable growth by opening air routes to major cities in Northeastern Asia and operating specialized commercial services through its Biz-Port project. We also came first in an Airport Service Quality (ASQ) survey examining the level of operations and services that airports offer. Gimpo Airport received 4.53 points out of a possible 5.



Strengths of Gimpo Airport

- Proximity to downtown Seoul saves customers time, since they can easily access both subway line 9 and the IIA railway.
- The time needed to pass through customs and immigration has been shortened dramatically. In addition, an air transport network covering large nearby cities has been established.

Status of Operational Routes and Passenger Numbers at Gimpo Airport

Category	Results in 2010
Operational Routes	11
Numbers of Passengers	14,405,000
Numbers of International Passengers	3,161,000

Advantages of the Gimpo-Beijing Route

Regular flights between Gimpo and Beijing will be operated four times a day starting in July 2011. This new route will greatly enhance the convenience of business travelers flying between Beijing and Seoul, and also make it easier for Chinese tourists to come to Korea. In addition, it will save travelers 50-60 minutes in time and KRW 5,000-56,000 in costs compared to similar flights to or from IAA. KAC's ultimate goal is to reinvent Gimpo Airport as a true "Biz-Port" by developing a "Korea-China-Japan One-Day Life-Sphere" service that will make it possible to travel between Seoul, Beijing, and Tokyo in one day.





Reinvigorating Regional Airports

KAC operates fourteen airports, but only those in Gimpo, Gimhae, and Jeju have been able to operate profitably since their establishment. This is mainly due to fundamental constraints to creating demand, such as small populations, a poor tourism infrastructure, short flight distances, and high fixed costs. In 2010, KAC developed a regional airports reinvigoration strategy to strengthen their primary role as airports and their secondary function as publicly-owned institutions. The strategy was put into action through a number of support projects custom-tailored to reflect the characteristics of each facility. They included reducing costs, adding to the number of international routes and enhancing domestic ones, revising the country's air transport licensing policy to attract more low-cost carriers, reducing the fees paid for the use of airport facilities, and adding more aviation support equipment.

<p>Gimpo/ Gimhae/Jeju</p> <p>KAC focused on efforts to develop them into Korea's 3 main domestic airports.</p>	<p>Cheongju/ Muan/Gunsan/ Yeosu/Pohang/ Ulsan/Daegu/ Gwangju</p> <p>KAC introduced a wide range of support programs.</p>	<p>Yangyang/ Wonju/Sacheon</p> <p>KAC provided additional supports for areas with underdeveloped transportation networks.</p>
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Regional Airports' Public Functions

Important National Facilities	Regional airports function as strategic facilities for national security, fill in for other nearby airports in emergencies, and lead industrial progress and growth in science and technology;
The Economy	Boost investments in areas around airports, create jobs that will benefit local economies, contribute to the invigoration of local economies through the diversification of their industrial structures;
Society and Culture	Promote cultural exchanges both at home and abroad, provide rescue equipment during disasters, and attract tourists and perform public relations functions for provinces and regions; and
Transportation Methods	Facilitate development of other modes of transportation and raise productivity by saving people's time.

Improvements to the Operations of Regional Airports in 2010

KAC is striving to upgrade the operations of its regional airports and revitalize local economies.

Enhancing Profitability

Overhaul the air transport system, increase the number of routes, augment profits from non-aeronautical activities, and readjust legal and institutional infrastructures

Improving Efficiency

Increase operating efficiencies through organizational restructuring: enhance operational efficiencies, strengthen core functions, and revamp other functions

Adding to Public Value

Develop airports' special values and positive impacts, and rationalize operations to increase public value

KAC's Efforts to Revamp Regional Airports' Functions

Merging Gwangju and Muan Airports

EXAMPLE

The separate operations of airports in Gwangju and Muan are causing inefficiencies. To tackle this problem and boost regional airports in the process, we are closely working with the Korean Ministry of Land, Transport and Maritime Affairs. By encouraging the relevant local governments to reach an agreement, we will complete the merger by the time when the Honam Line of Korea Train Express goes into service.

Main Results in 2010

Year	2009	2010	Improvement
Number of Flights Operated at Regional Airports	212,439	216,561	UP 1.9%
Number of Passengers Using Regional Airports	26,333,000	30,156,000	UP 14.5%

CHANGE

Establishing Theme-Based Strategies to Reinvigorate Gimhae and Jeju Airports

GIMHAE AIRPORT



Theme Promotion Strategy

-
- “Centum-Port”
- Build a public relations center to promote regional tourism and leisure resources.
- Develop programs to strengthen ties between Gimhae and Busan.

Invigoration Strategy

-
- Add international routes to China, Japan, and Southeastern Asia.
- Maximize use of terminals.

JEJU AIRPORT



Theme Promotion Strategy

-
- “Green-Port”.
- Establish a “culture terminal.”
- Strengthen tie-ins with cultural experience programs.

Invigoration Strategy

-
- Open new routes to meet tourist demand.
- Focus on attracting Chinese tourists.
- Strengthen relationship with stakeholders.

Preparing for the Second-Stage Launch of KTX

KAC established an airport promotion plan in February 2010 to minimize the effect of reduced demand for aviation services following the second-stage launch of KTX.

Strategy	Measures
Reduce Travel Costs	<ul style="list-style-type: none"> • Reduce parking fees for customers using home-printed boarding passes. • Reduce parking fees for customers using parking fee collection machines. • Cut LCCs’ fares by 20%. • Provide free parking times.
Maintain Flight Levels	<ul style="list-style-type: none"> • Reduce fees for use of facilities. • Meet with airlines’ CEOs. • Adjust flight schedules. • Revise regulations on supports for airlines.
Improve Transportation and Services	<ul style="list-style-type: none"> • Develop light-rail transit system and improve connecting system at Gimhae Airport. • Open VIP rooms and reserved parking spaces to the public. • Introduce air membership cards. • Shorten check-in times.

KAC’s Commitment to Joint Growth with Low-Cost Carriers (LCCs)

As part of KAC’s mid- to long-term management strategy, a wide variety of supports will be provided to assist the growth of low-cost carriers. They include lowering the standards for opening international routes so that they can compete more easily against the Korea Train Express (KTX). In addition, we have been working to develop niche routes serviced by small aircraft in an effort to operate airplanes with the number of seats appropriate for the demand of each airport.

Working with Central and Local Governments	Supporting LCCs	Encouraging the Small Aircraft Business
Loosen restrictions on market entry	Provide incentives for LCCs	Open niche routes
Increase subsidies for losses	Conduct joint marketing and public relations activities	Provide dedicated facilities





INTERVIEW WITH STAKEHOLDER

As is the case with KAC, stimulating the use of local airports is crucial for low-cost carriers like us, because our main operations are based on servicing domestic routes.

Local airports are necessary to develop local economies, but their infrastructure is insufficient, and consumer demand is too low. That's why their rate of utilization is so small. In addition, it's too expensive for budget airlines to use or rent airport facilities, making it difficult to maintain and develop local lines. In order to attract foreign tourists and increase demand, budget airlines should be given incentives so that they can use local airports more aggressively. I'm suggesting this because then budget airlines could have a competitive edge in using local airports, based on the nature of their business. We offer essential services at reasonable prices. In sum, KAC needs to hurry up and start offering special incentives to low-cost carriers like ours.

Young-wook Kim, Director, Eastar Jet

Creating New Growth Engines for Non-Aeronautical, For-Profit Businesses

Relationship between Air Transport Business and New Growth Engines

Enhance Non-Aeronautical Profits

Ease burdens on airlines and airport users by limiting increases in airport facilities user fees.

Increase Demand for Aviation Services

Contribute to the growth of non-aeronautical business profits, including rental income.

Importance of Non-Aeronautical, For-Profit Businesses

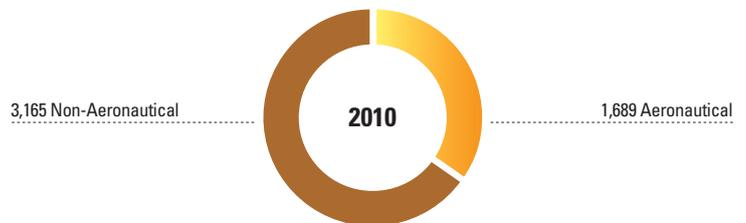
In line with the International Civil Aviation Organization's (ICAO) recommendation to recognize the importance of non-aeronautical, for-profit businesses, KAC is establishing strategies to encourage their development by benchmarking best practices at overseas airports.

ICAO Recommendations

The ICAO policy on user fees stresses the importance of non-aeronautical, for-profit businesses, and recommends the development of a wide range of these income sources. The policy excludes licenses that are directly related to aeronautical services, such as fueling, in-flight meals, and on-the-ground services.

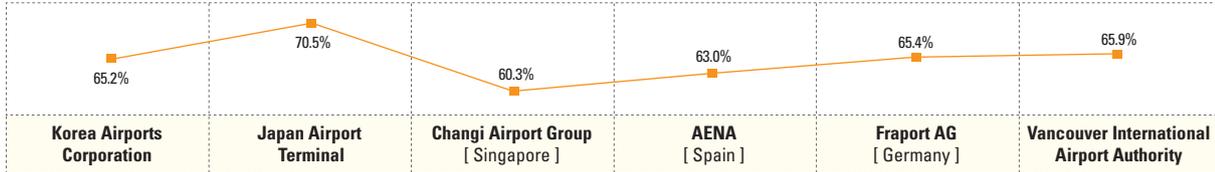
Ratio of Aeronautical/Non-Aeronautical Proceeds in 2010

(Unit: KRW 100 Million)



CHANGE

Ratio of World Major Airports' Non-Aeronautical Proceeds



KAC's Non-Aeronautical, For-Profit Businesses

KAC has established a mid- to long-term roadmap for its non-aeronautical, for-profit businesses. This will allow it to nurture new growth engines while focusing on its air transport business at the same time.

Mid- to Long-Term Roadmap

	BY 2013	BY 2017	BY 2020
Roadmap for Growth	Airport operator focusing on original businesses	Aeronautical business operator maintaining additional new growth engines	World-class airports corporation
Goals	Secure infrastructures and growth engines for sustainable growth	Expand scope of aeronautical businesses based on competencies	Becoming world-class airports corporation creating biz & life
Projects	<ul style="list-style-type: none"> Strengthen core competencies Reinvigorate regional airports Realize vision of a forward-looking future airport Reinforce business infrastructures 	<ul style="list-style-type: none"> Make inroads into overseas markets Adopt a variety of business models and form strategic alliances Participate in new airport construction projects 	<ul style="list-style-type: none"> Become a world leader in terms of revenue and profitability Increase revenues from new businesses (KRW 500 billion)

Concessions Business

KAC is uncovering new revenue sources, such as increasing its revenue from airport rentals. This is being achieved through a positioning strategy initiated by each airport. The strategy includes establishing differentiated concessions management structures and holding cultural events.

R&D Business

KAC is also securing intellectual property rights in related business areas through steady R&D efforts into aviation safety equipment. It is working to either sell or receive royalties from them by strengthening its overseas marketing activities. This includes participating in international exhibitions.

Property Development and Rental Business

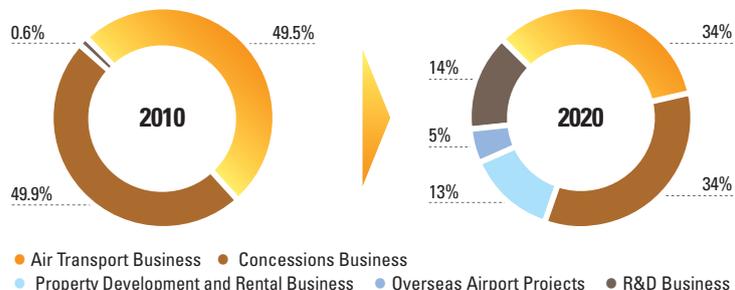
As part of its strategy of diversifying its revenue sources through new business opportunities, KAC is developing the areas around its airports. Some examples include a multi-complex area called "Sky Park" and public golf courses.

Overseas Airport Development Projects

KAC has set a goal of winning 28 overseas airport development projects by 2020. This will allow it to raise its brand image and lay the groundwork for becoming a truly global airports corporation.

KAC's Commitment to a Vigorous R&D Business

KAC has set a goal of increasing the ratio of its R&D business to its total revenue from 0.6% in 2010 to 14% by 2020.



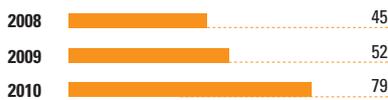


Mid- to Long-Term R&D Business Plan

		Short-term (by 2013)	Mid-term (by 2017)	Long-term (by 2020)
Goals	Revenue (KRW 100 Million)	182	1,089	1,973
	Number of Aviation Equipment Developments (Total)	12	21	27
Implementation Tasks	Establishing an R&D Master Plan	→	→	→
	Augmenting Aviation R&D	→	→	→
	Increasing Profits from R&D Developments	→	→	→
	Strengthening R&D Infrastructure	→	→	→

R&D Investment by Year

(Unit: KRW 100 Million)



DVOR/DME



Airfield LED Lighting Systems

Establishing a Proprietary Brand of Aviation Safety Equipment

KAC is seeking to increase its global market share of aviation safety equipment through competition with global aviation safety equipment manufacturers such as Thales and SELEX. Another of its goals is to produce equipment with independently developed technologies that can be used in place of imported goods. The company's ultimate goal is to establish itself as a "global top 3" player in this business area.

R&D Status

The R&D Center has sold aviation safety equipment to twelve countries, including Turkey, Iran, and Saudi Arabia. This demonstrates the high quality and cost competitiveness of our products.

Aviation Safety Equipment

ILS (Instrument Landing System) provides airplanes with runway centerline and landing path information.

DVOR (Doppler Very High Frequency Omni-Range) gives directional information.

DME (Distance Measuring Equipment) gives distance information.

TACAN (Tactical Air Navigation System) displays direction and distance for military airplanes.

Airfield Lighting Systems

ILCMS (Individual Lighting Control & Monitoring System) gives time information.

Light Emitting Diode (LED) lamps are used in airfields.

Pavement Management System

Web-Based Airport Pavement Management System enables systematic management.

Runway Roughness Analysis System ensures safe aircraft flights.

Winning Overseas Airport Projects



Winning Consulting Projects at Six Airports in Colombia

Colombia

As of 2010, KAC had been awarded consulting projects at six airports in Colombia. They include consignment operations and improvements to facilities. The fixed annual revenue from these projects, which will extend for fifteen years from December 2010, is expected to reach KRW 4 billion.

The Philippines

KAC is currently carrying out an operation & management (O&M) project at Clark International Airport in the Philippines. A memorandum of agreement was signed in 2010 for designing airport facilities and operating the airport terminal for thirty years. Total profits from the projects are estimated to be in excess of KRW 5 billion. The main contract is scheduled to be signed in the first half of 2011.

CHANGE

Developing Areas around Airports

Gimpo Airport General Development Plan ("Sky-City")

After the hand-over of its international routes to IAA, Gimpo Airport was left with many idle facilities and a lot of undeveloped land. In order to make good use of these assets, a three-stage development plan was established. The first-stage development, which was completed in 2004, turned the once-idle terminal into a complex of shopping spaces, theaters, and convention facilities. When the second-stage development project ends this year, a hotel, theme park, and department store will appear. The third, outer area, which is scheduled for completed in 2014 will feature community gymnastics facilities and golf courses. Once the project is completed, its annual revenue is expected to reach about KRW 50 billion.



First-Stage Development of Idle Facilities



Second-Stage Development of Sky Park



Third-Stage Development of Public Golf Courses



The R&D Center and its accumulated technological expertise play a significant role in KAC's business success. For example, we are aimed at representing 20% of the company's revenue by 2020. We export facilities, provide consulting services, and offer facilities grants and other forms of aid.

The R&D Center has immense potential. Our primary goal is to maximize efficiencies and reduce operating costs at the fourteen airports that KAC currently runs. The proof of our success lies in the extremely positive way that KAC is received both at home and abroad, heightening our brand value in the process. One obvious result of this was winning an airport consulting order from the country of Colombia.

We export aviation safety equipment that is based on our very own independently-developed, highly-advanced information technologies. The excellence of this equipment is recognized globally, even though most of it is only two years old. This success is due to KAC's organizational stability as a public enterprise, as well as our superb information technologies. We want to hold 15% of the world's aviation industry market for safety equipment by 2020. To accomplish this goal, we're putting immense efforts into R&D.

The R&D Center was only established three years ago, but our number of employees is increasing rapidly. Sometimes decisions have to be made in a hurry; that's the nature of the business. That's why the center needs to have an independent business structure that will allow it to respond to rapidly changing situations and enable fast decision-making. Such a change in our business structure would also supplement, and even strengthen, communication channels with stakeholders which are currently a bit insufficient. R&D investment takes time to produce results. Given this, I hope our stakeholders will continue to support and invest in the center from a longer-term perspective.

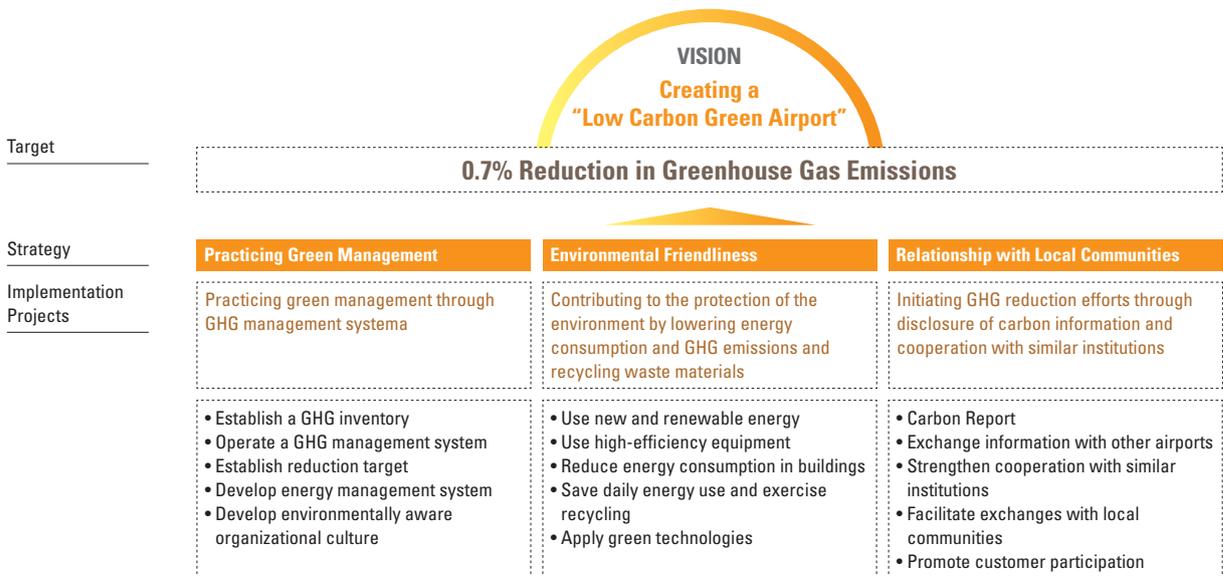
Byung-no Kim, KAC R&D Center

INTERVIEW WITH STAKEHOLDER



Practicing Low Carbon Green Management by Publishing Carbon Report

Vision of Green Management for Greenhouse Gas (GHG) Reductions



Commitment to Low Carbon Green Management

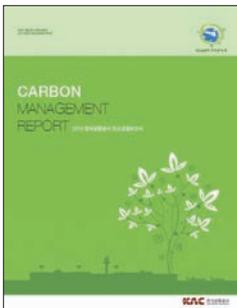
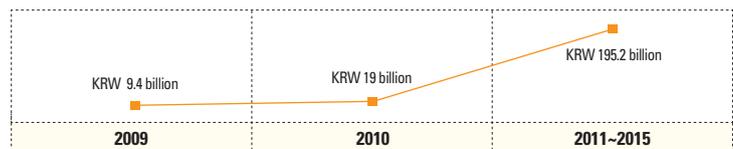
Airport Practicing Green Management

As its first step toward green management, KAC established a greenhouse gas inventory and management system. This laid the foundation for its further GHG reduction activities. Information on GHG emissions from our airports across the nation is given in the form of statistical data to ensure its objectivity and reliability. Our reduction target has been set at 0.7%, which will bring us to our 2005 level by 2015, the equivalent of a 9.8% reduction on a BAU basis. Because energy management is a critical component of its overall management activities, KAC operates an Energy Management System (EMS) and an internal management unit that are tasked with GHG-related issues.

BAU (Business as Usual)

GHG emissions forecasts based on existing GHG reduction technologies and current policies

Mid- to Long-Term Investment Plan for Carbon Management



2010 Carbon Report

CHANGE

Environmentally Friendly Airports

In order to ensure that its airports are as environmentally friendly as possible, KAC is taking aggressive steps to reduce its volume of greenhouse gas emissions and strengthen its energy efficiency by adopting new and renewable energy sources. For example, our use of high-efficiency equipment has resulted in less energy use and fewer GHG emissions. We are also conducting R&D activities into a wide variety of green technologies, including an airfield LED lighting system.

Strategy to Adopt High-Efficiency Equipment Using New and Renewable Energy Sources

Overarching Strategy	Making Airport-Specific Investments to Realize a Green Airport	
Identifying Airport-Specific Characteristics	<p>Regional main offices in Gimpo/Gimhae/Jeju-do Use too much energy due to constant operation of facilities</p>	<p>Mid- and small-sized airports to operate facilities only when need arises (e.g. actual airplane operations)</p>
Directions	<p>Reduce heating and cooling loads and electricity use for heaters</p> <ul style="list-style-type: none"> • Determine what new and renewable energy sources are appropriate for large-sized airports to reduce emissions and improve KAC's public image • Achieve GHG reductions by using more efficient equipment 	<p>Consider energy savings and emissions reductions from the perspective of lowering base loads</p> <ul style="list-style-type: none"> • Take future operational goals and the surrounding environment into consideration • Consider use of new and renewable energy sources given weather conditions and in spite of low return on investment • Consider GHG reduction effects on KAC's public image
Implementation Projects	<ul style="list-style-type: none"> • Replace existing lights with LED lamps • Lower heating and cooling load by using high-efficiency equipment • Install geothermal heating and cooling system • Power lights using solar PV generators • Cut heating load by using solar thermal system 	<ul style="list-style-type: none"> • Replacing existing lights with LED lamps • Install solar PV generation system in areas with sufficient sunlight • Cut heating load by using solar thermal system • Shift to low-carbon fuels

Relationship with Local Communities

KAC introduced its first carbon report in 2010, containing information on its GHG emissions volumes, the measures it is taking to reduce them, and related activities. New issues of the report will be published on a regular basis. We are also hoping to collaborate with other airports and institutions through information exchanges and the establishment of a "Green Partnership Consultative Group." We also signed an agreement with the Korea Forest Service to carry out a pilot carbon-offset forest project. It will be the first one in the country.

Developing Low-Power Aviation Safety Equipment

The independent development of aviation safety equipment offers KAC both technological advantages and export opportunities. It also contributes to our campaign to realize a green airport.

Green Building Project

KAC is working to develop "green" buildings that use less energy and emit fewer greenhouse gases. One of them is part of the "Sky Park" project for the revitalization of Gimpo Airport, whose terminal will be turned into an environmentally friendly meeting and travel space by 2014. In addition, eco-friendly, high-efficiency equipment will be installed at Jeju Airport as part of the expansion of its international terminal. This latter facility took many other steps toward becoming a "green" airport between 2009 and 2010, installing solar PV and geothermal systems and using high-efficiency pumps, environmentally friendly insulation materials, and recycled materials.



Green Building Project



Applying a Carbon Points Scheme to All Airports Nationwide

Our Carbon Points Scheme, which we introduced in 2010, awards stakeholders with points and other incentives according to their volume of GHG emission reductions. Airlines, commercial tenants, and on-site government agencies can claim these rewards by converting their savings in electricity use into GHG reductions.

Category	Reward
One Best Practice Winner	6-month Free Parking Ticket
Three Excellent Practice Winners	4-month Free Parking Ticket
Four Good Practice Winners	3-month Free Parking Ticket

Establishing a Carbon-Neutral Forest

Our goal in establishing a carbon-neutral forest is to work with local communities to offset CO₂ emissions. We began the program in collaboration with the Gangseo-gu Municipal Office, which administers the area that Gimpo Airport is located in. In addition to providing us with a way of contributing to the larger society, it adds to our standing as a caring and concerned corporate citizen.

The memorandum of understanding between KAC and the local administrative office includes details about the forest's maintenance, funding, volunteer work, and public relations activities. KAC will provide KRW 50 million annually for three years to assist in its development, while the Gangseo-gu Office will choose a site and carry out repair and maintenance work. In 2010, KAC planted 1,679 trees, worth KRW 50 million.

Carbon-Neutral Forest

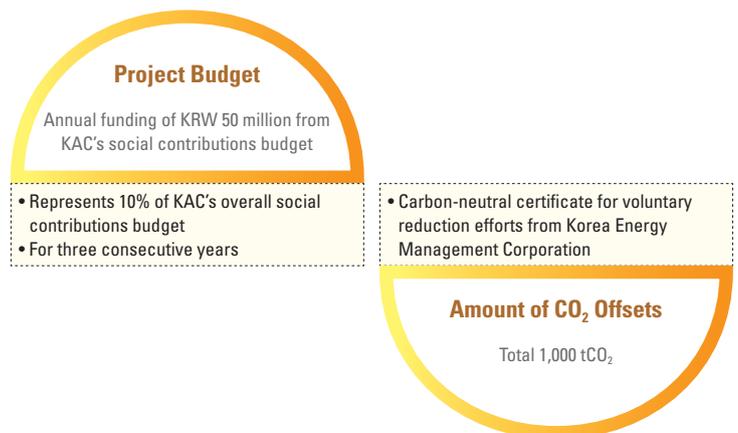


Signing Ceremony for Establishing a Carbon-Neutral Forest



Tree Planting Ceremony for Establishing a Carbon-Neutral Forest

Project Budget and Amount of CO₂ Offsets



CHANGE

Setting up a Green Partnership Consultative Group



Launching Ceremony of Green Partnership Consultative Group

KAC's campaign to develop a truly green airport includes joint efforts that will involve and benefit all its stakeholders, including on-site agencies and local communities. We set up a Green Partnership Consultative Group in 2009 to achieve this goal.

The group consists of twenty-eight KAC team leaders and junior employees responsible for dealing with GHG issues, along with representatives of eleven airlines and on-site agencies. They meet every two months to discuss such issues as joint responses to the government's low carbon policy, mutual support for CO2 reduction activities, and their GHG emissions reduction goals. Other topics that they deal with include other ways of acting together, methods for reducing emissions, the operation of the Aircraft Ground Power System (ACGPS), and replacing airport vehicles with eco-friendly ones.



Aircraft now account for 3.5% of human activities affecting climate change, and the report of the Intergovernmental Panel on Climate Change indicates that this figure will reach from 5 to 15% by the year 2050. Since air travel is on the rise everywhere, the aviation industry is experiencing correspondingly rapid growth. As a result, almost all of the airports around the world are pursuing greater profits, while also attempting to minimize their environmental impacts. This is why KAC's vision of becoming a "Low Carbon, Green Airport" is so timely and appropriate. I am very impressed to see how deeply KAC's management is committed to that vision. That's why KAC received the highest prize at the "LOHAS Management Awards 2010" in the service, finance, and distribution category from the Climate Change Center of the Korea Green Foundation. A further proof of this commitment is the publication of this sustainability report.

One suggestion that I'd like to make is to use specific figures for the previous year's target, results versus targets, and the next year's targets to express this commitment more clearly. If data on KAC's greenhouse gas emissions, energy consumption levels, water resources management, and other subjects contained in this report were to be supplemented with easy-to-understand figures, the places where the company has done well and has faltered would show up more obviously. Then new measures and plans could be set up accordingly.

In order to realize its vision of becoming a "Low Carbon, Green Airport," KAC needs to establish strategic relationships with all its business partners. The "Green Partnership" joint consultative body that the company set up in 2009 is a good start at this. However, further progress needs to be made in this area to achieve lasting results. Working with other major stakeholders, including NGOs and research institutes that deal with climate change issues, would be another good way of making new approaches to KAC's sustainable development activities.

So-hee Kim, Director, Climate Change Center, Korea Green Foundation

INTERVIEW WITH STAKEHOLDER



Human Resources Development: The Bedrock behind KAC's Competitiveness

Establishing a Competency-Based Human Resources Development System

KAC has established a human resources development system and a medium- to long-term career development roadmap to foster the growth of value-creating employees who will make significant contributions to its future success. The roadmap is used to assist in the creation of training courses based on employment position and work sector. We also established a mid- to long-term personnel policy that dovetails with our Vision 2020 corporate goals. Its purpose is to foster the growth of employees whose expertise and capacity for innovating and executing will turn our corporate vision into a reality through differentiation, efficiency, and professionalism. Thanks to these efforts, KAC was awarded the 2010 Management Grand Award for human resources development in the "innovation leadership" category by the Korea Management Association Consulting.

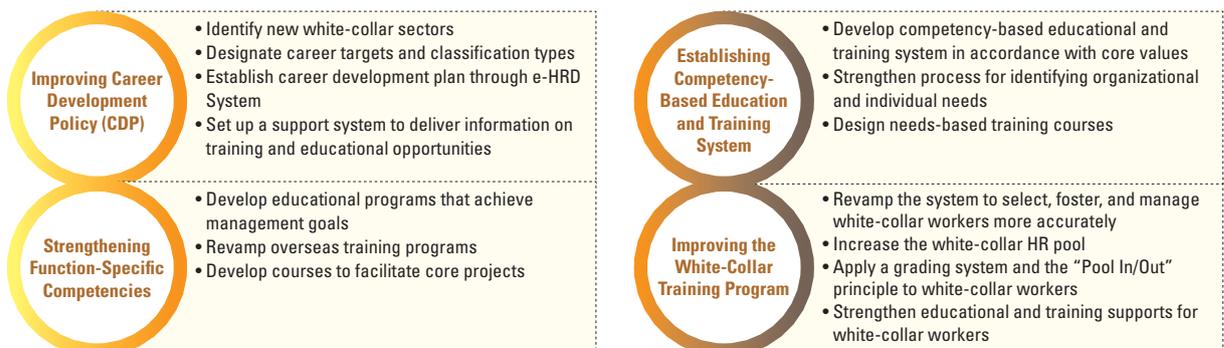
KAC's Human Resources Development System

Goal	Fostering Human Resources Who Can Bring KAC's Vision to Fruition		
Strategy	Career Development	Fostering the Development of Core Human Resources	Education and Training
Implementation Project	<ul style="list-style-type: none"> Establish two-track system: one that includes white-collar workers, and one that doesn't Determining career targets and designing career paths 	<ul style="list-style-type: none"> Define targets clearly Identify career objectives for personnel to be fostered Add to pool of white-collar workers for core business sectors 	<ul style="list-style-type: none"> Establish a competencies-based training structure Develop personal competencies diagnostic tools Establish competencies-based GAP training program
HR Infrastructure	Develop an e-HRD system infrastructure and measure employees' level of satisfaction with educational and training opportunities		

Improving Personnel Policy through HR Management Reviews

Aspects of KAC's HR development system that need improving are discussed at workshops. They are based on information and feedback gained from our employees and outside experts. We held a "White-Collar Workers Workshop" involving thirty four participants in May 2010 and an "HR Insight Workshop" in July. Follow-up briefing sessions were held the next August at the Head Office and in Jeju, Gwangju, Gimpo, and Busan. These gave our employees an advance opportunity to learn about changes to our personnel policy.

Core Projects for Human Resources Development in 2010



CHANGE

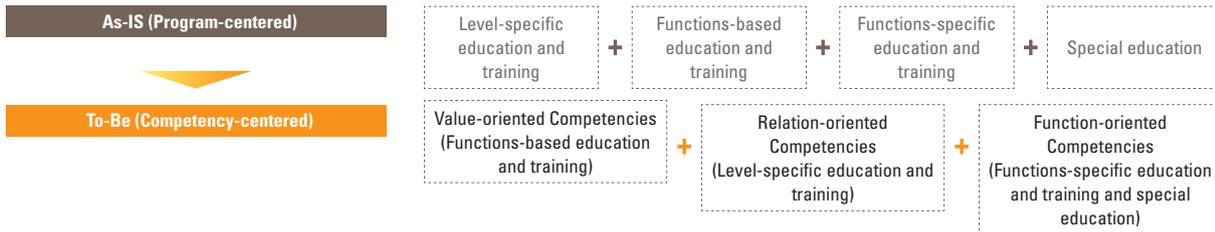
Designing Training Courses

KAC selected a number of key HR projects to pursue in 2010, after consulting with an outside professional research firm. This ensured the efficacy of our educational and training programs by establishing a competency model-based HRD process that is custom-tailored to meet our specific needs. In 2010, we offered courses that were designed to increase our employees' knowledge of our core values and vision, and stopped offering ones that were deemed to be inefficient and/or ineffective on a cost/benefit basis. The courses were ran more than four times.

Number of Employees Completing Education and Training Courses ● In-house Training ● External Training ● Cyber Education



Establishing a Competency-Based e-HRD System



Our first goal was to identify specific training needs and requirements. To accomplish this, basic and necessary company-wide skills were segmented into three divisions through the use of competency modeling. This was followed by the creation of a competency pool, enabling us to identify specific factors that accompany each skill. We also carried out a survey of our working-level divisions to determine our training needs on an organizational basis, and conducted skills evaluations with individual employees to identify them at the worker level. Following that, educational and training courses were offered to enhance unsatisfactory skills sets.

We also determined that our career development policy needed to be revamped. As part of that process, we surveyed our employees to determine what training methods and processes they would prefer.



Workshop of Employees in Charge of Each Section of Code of Conduct



Workshop of Community Service Group Leaders

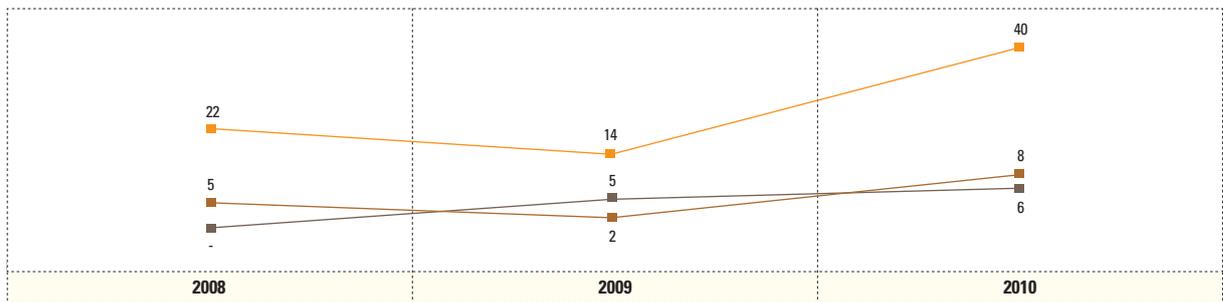


Fostering the Development of Globally-Oriented Employees

From September to December 2010, KAC operated a simulation program in which the participants took on an imaginary project. The goal of the exercise was to raise the competency levels of employees who will be involved in overseas projects in the future. Thirty-nine trainees were assigned to build and operate an imaginary airport with similar conditions (such as geographical location and size) to those that the company is targeting for possible overseas management projects. The goal of the program was to enhance the participants' problem-solving abilities. We also provide a variety of other supports for fostering globally-oriented leaders, including enrolling them in overseas MA and MBA programs, overseas training opportunities, and personnel exchanges with overseas airports.

Results of Competency-Enhancement Training for White-Collar Workers

■ Attainment of Basic Competencies (Unit: People) ■ Skills Reinforcement (Unit: People) ■ Additional Development of Global Skills (Unit: People)



Education Cost

(Unit: KRW Million)



KAC's Customer Service Team members meet people who come to its airports. I believe that enhanced customer support is a primary basis for realizing KAC's Vision 2020. That's why our team is constantly thinking up new ways to meet the diverse needs of our customers. For example, we responded to requests to deal with the problem of second-hand smoke at bus stops by initiating a non-smoking campaign and installing smoke detectors around our airports.

However, KAC doesn't have a company-wide policy or proper incentives to encourage more actions like this. If we had a corporate culture that stressed the importance of employee-led thinking about issues like these, I'm sure that our workers would come up with a host of interesting and workable ideas.

In addition, while KAC is committed to hiring more women, female employees still represent less than 10% of the total workforce. If we truly want to increase the number of women working here, we need to implement systematic training programs that can help female employees strengthen their skills sets and keep them motivated.

Ji-young Park, Assistant Manager, KAC Customer Service Team

INTERVIEW WITH STAKEHOLDER

CHANGE

Promoting Creative and Forward-Looking Labor-Management Relations

Facilitating Advanced Labor-Management Relations



In 2008, KAC became Korea’s very first public enterprise to conclude a salary agreement without any labor negotiations. This resulted in a wage freeze, a radically restructured employee benefits program, and reduced paid leaves. In 2009, we were the first Korean public enterprise to impose wage cuts. In 2010, labor and management signed an employment agreement based on the central government’s recommendations, freezing wages and eliminating special rules for retirement payments. Later on, in response to recommendations made by the Board of Audit and Inspection in 2010, KAC abolished its paid Foundation Day leave, the ten-day long-service leave for employees who have been working at KAC for ten years or longer, and long-term leaves for family events. These are all examples of the efforts that KAC is making to develop harmonious labor-management relations that can overcome economic crises and enhance management efficiency. KAC has now enjoyed disputes-free collective bargaining procedures for twenty-three years in a row.

Results of Mutually-Beneficial Labor-Management Relationship

Performance Index	2008	2009	2010
Number of Years without a Labor Disruption	21	22	23
Mutual Satisfaction Level with Labor-Management Communications	49%	52%	54%
Revenue per Employee Total Revenue/Number of Employees of the Year’s End (Unit: KRW Thousand)	208,036	246,274	295,433
Number of Employees Completing Labor Service Training Courses	65	100	156
Integrity Index (External criteria)	Average	Best	Best
Customer Satisfaction Level (Points)	85.5	93.4	95.5
Employee Cost Increase rate	0% Frozen (Increase Included)	6.8% Cut	0% Frozen (Increase Excluded)
Number of Industrial Accidents	0	0	0



Status of Labor Union

KAC guarantees its employees the three labor rights stipulated in the Constitution of the Republic of Korea: the right to association, to collective bargaining, and to collective action. As of June 2011, 1,023 employees are unionized, representing 61.3% of the total workforce (non-unionized employees include team leaders of level 2 or above, private police, and personnel engaged in HR, labor management or auditing or undertaking secretarial duties).

Communications with Employees

KAC is enhancing its labor-management relationship by sharing information regarding its management decisions and activities with its employees and developing communications channels for advanced labor-management relations. In 2009, we made a thorough revision of outmoded parts of the collective agreement. In 2010, additional revisions were made to it, bringing the revision rate to 100%. Within KAC, there are no work areas in which freedom of association and collective bargaining are likely to be critically infringed upon.

Online and Offline Communications Channels

Communications Channel	2010
On-site visits by and discussions with the CEO	45 times
Informal discussions between labor and management	23 times
Mentoring and special lectures by executives	45 times
"Sky Board"	6 times
Complaints Resolution Committee Meetings	2 times
"Sky-Net"	Frequently
CEO's Mailbox	2 times
Agora for discussion and shouts	390 cases
Self-reporting system	Frequently
KAC Voice Bell	35 cases
Proposal and Knowledge Plaza	30 cases
HR Career Market	275 cases

Improving Concentration at Work by Resolving Complaints

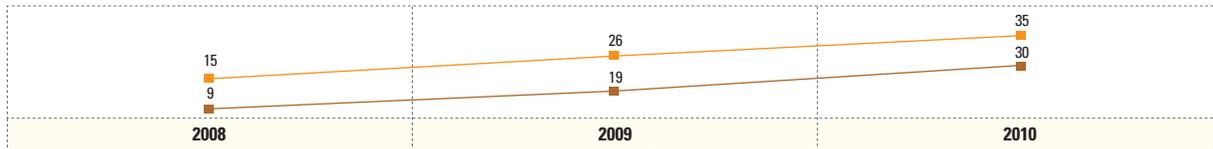


Joint Labor-Management Programs

Organization	Major Results
Employment Stability Committee	Discussed personnel reductions, plans to avoid dismissals, and employee selection methods.
Personnel Policy Improvement Consultative Group	Agreed on revision of regulations, such as encouraging voluntary retirements.
Policy Improvement Committee	Initiated labor-management discussion channel to prepare for the approval of multiple labor unions and possible prohibition of salary supports for full-time union officials.
Employee Benefits Fund Consultative Group	Decided on issues related to the fund and maed contributions to program to create jobs for the socially marginalized.
Annual Salary Consultative Group	Initiated discussions on the establishment of integrated compensation-related regulations in response to the adoption of an annual salary system.
Working-Level Labor-Management Consultative Group	Discussed the composition of training sessions, consultative groups, and workshops aimed at resolving management issues.
Complaints Resolution Committee	Maintained the complaints processing official (CPO) policy to handle individual complaints.

CHANGE

Number of Complaints Resolved ■ Number of Complaints Received ■ Number of Complaints Resolved



Complaints Resolution through Other Programs

Number of People Seeking Legal Advice



In order to enhance the execution capabilities of its CPOs, KAC has upgraded their position from the middle manager level to that of senior vice president. To ensure the complainant's privacy, they have been instructed to use only private email addresses while dealing with employee grievances. CPOs are responsible for bringing complaints to a conclusion. Typical grievance items include transfers, promotions, disciplinary actions, sexual harassment, child-rearing benefits, worker seniority, inter-personal disputes, family affairs, policies affecting female employees, and office conflicts. CPOs also offer legal advice.

Aviation Industry Cooperative System for Mutually Beneficial Growth

Establishing a Cooperative System for Mutually Beneficial Growth

KAC is committed to mutually beneficial growth in partnership with on-site agencies, business partners and their employees, airlines, on-the-ground firms, and commercial tenants. We exchange opinions with them and provide supports, including appropriate business environment. In addition, we are working to enhance the competitiveness of our partners through an On-Site Customer VOC Committee, informal discussions, and an ICAO-certified Aviation Security Training Center.

Mutually Beneficial Relationship Management System





Composition of Partners

KAC's major partners include business partners, on-site agencies, commercial tenants, and airlines. Commercial tenants using the company's airport facilities are classified as rent-paying businesses. They comprise 36% of KAC's partners. This is followed by business partners providing maintenance and equipment services (at 24%) and on-site agencies (at 23%). Airlines account for another 17%. Working relationships and areas of support between KAC and its partners are described below.

Partners	Activities	Support	Communications Channels
Airlines	Using airport facilities	<ul style="list-style-type: none"> • Reduction in airport usage fees • Joint marketing 	<ul style="list-style-type: none"> • On-Site Customer VOC Committee • Surveys and informal gatherings
On-Site Agencies	Customs, immigration, quarantines, etc.	<ul style="list-style-type: none"> • Satisfaction survey on working environment • Customer service and security training 	<ul style="list-style-type: none"> • On-Site Customer VOC Committee • Surveys and informal gatherings
Commercial Tenants	Restaurants, shops, etc.	<ul style="list-style-type: none"> • Satisfaction survey on working environment • Customer service and security training 	<ul style="list-style-type: none"> • Surveys • Informal gatherings
Business Partners	Parking, cleaning, guard, security, etc.	<ul style="list-style-type: none"> • Better environment in waiting rooms • Compensation for good performers • Financial help to attend fitness classes 	<ul style="list-style-type: none"> • Surveys • Informal gatherings

Commitment to Joint Growth

KAC holds regular discussions with representatives of its business partners and on-site employees to gather their opinions on needed improvements and discuss past changes and their results. As part of its contract system, KAC obliges its business partners to sign an integrity agreement when they sign new agreements. Service level criteria were agreed between KAC and the business partners. Based on them, performance capability evaluation is conducted and the results are shared.

Efforts to Assist in the Development of Local Communities

In order to contribute to the economic development of local communities and assist the growth of SMEs, KAC joins with local construction companies in development projects worth KRW 5 billion or less. In addition, we specify that tenders for goods and supplies can only be made by local companies.

Enhancing the Welfare of Business Partners' Workers

Business Partner Satisfaction Survey



As part of its efforts to enhance the welfare of its business partners' workers, KAC expanded and/or made improvements to the waiting rooms (21 sites at 14 airports as of 2008) used by them. In 2009, KAC revised its criteria for selecting its service providers to ensure that their employees enjoy safe and healthy working conditions. As a result, several new criteria were added. They include whether the firms pay adequate wages, abide by all labor laws, give their employees retirement pay, and provide all the insurance plans mandated by the central government.

KAC-Business Partners Joint Efforts for Service Quality Management

KAC is striving to enhance the level of its services by operating an integrated service quality management system in collaboration with on-site agencies and airlines. Our efforts included in this regard included installing an automated immigration inspection system, providing customer training courses to on-site agencies' employees, and implementing a One-Pass Boarding system offering travelers faster and more convenient boarding services.

Communications Channels

KAC has established a number of monitoring systems to measure the satisfaction levels of its business partners. They include a survey of their employees' satisfaction level with their work environment and informal meetings with our business partners. Through a conflict resolution desk, we address their complaints and listen to their suggestions for improvement.



RESPONSIBILITY

As one of Korea's leading public corporations,

a prominent member of the local communities,

and a caring and concerned corporate citizen

that wishes to play a central role

in conserving the earth's environment,

we are working our hardest to make the world

a happier and healthier place for everyone.

RESPONSIBILITY

Reinforcing Measures to Reduce Noise Pollution and Support Local Communities

Measures to Reduce Noise Levels

Korea's Aircraft Noise Prevention and Noise Prevention Support Act went into effect in September 2010. As a result, KAC began taking immediate measures to reduce noise levels in areas affected by aircraft operations. Our main goals were to ensure that people living in districts other than those designated as noise-affected areas did not suffer from aircraft noise, and to lower the indoor noise level for regions designated for noise abatement measures to below 60 WECPNL. (By point of comparison, the standard for undertaking noise abatement measures at Narita International Airport in Japan is 65 WECPNL). KAC is committed to reducing the number of people suffering from aircraft noise, resolving their complaints about it, boosting their well-being and incomes, and promoting rational land use. We are also taking steps to ensure the effectiveness of our noise reduction activities and provide fair and equitable supports for noise-affected areas. Our 2010 budget for noise reduction activities was KRW 38 billion.

WECPNL stands for Weighted Equivalent Continuous Perceived Noise Level. This is the highest level of aircraft noise with the number of flights during day, evening, and night weighted. The advantage of this measurement is that the results are close to the actual level of noise experienced by local residents. 60 WECPNL is equivalent to 65 to 70 dB in the normal listening level, which means there are no problems in studying or watching television.

Main Aircraft Noise Reduction Activities

Measures to Reduce Noise at its Source	Operating an automatic noise measurement network • Implementing low-noise aircraft operations procedures • Limiting the operation of louder-than-ordinary airplanes
Noise Impact Survey	Conducted every five years
Land Management	Land-use zoning and installation of noise reduction facilities
Financing and Budget Allocations	Implementing noise prevention programs based on stable funding and annual budgeting

Monitoring Noises

In order to minimize noise pollution, KAC is installing an automatic noise measuring system that provides results on a regular basis. The number of such system in Gimhae Airport will be raised up to three within this year. This will encourage the low-volume operation of airplanes, and ensure that people living in non-affected areas will not be disrupted by aircraft noise.

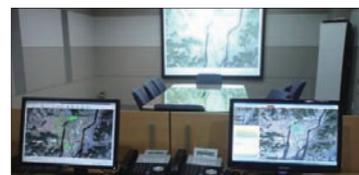
Noise Reduction Results at Gimpo Airport

■ Noise

Number of 637 Flights Number of 325 Flights



Noise Monitoring and Measuring Station



Noise Monitoring and Representation of 3D Images



Supports for Areas Suffering from Noise Pollution

People living in areas whose noise level was 95WECPNL or above were moved to new places. In addition, KAC has implemented a wide range of support programs for other areas that are less affected. They include installing soundproofing and cooling facilities in houses and schools, and offering subsidies for public service broadcasting reception costs. Schools and people who are receiving public assistance to deal with their basic living costs are provided with cooling systems and subsidies for their electricity costs.

Supports for Noise Abatement

Support	2009	2010
Soundproofing Facilities for Residents	1,857 Houses	2,653 Houses
Broadcasting Reception Fee Subsidy	-	1,006 Families
Soundproofing Facilities for Schools	7 Schools	20 Schools
Cooling Systems for Schools	16 Schools	1 School



Support for High-Performance Sports Teams



Kids Invited to Airport Experience Programs and Tours of Jeju-do



INTERVIEW WITH STAKEHOLDER

The Yangcheon-gu Office works in tandem with KAC in dealing with noise issues. Yangcheon-gu is directly affected by airplane noise from Gimpo Airport; in fact, it accounts for 78% of all the area's noise problems. We participate in KAC's Noise Management Committee in order to give local residents a voice in its deliberations and decisions. In 2010, we established our own Noise Management Consultation Group to make our thoughts known more actively.

KAC seems to do its best to reflect the opinions delivered through those channels to the extent possible. However, tangible results are still insufficient. Therefore, KAC's Noise Management Committee, which only meets twice a year currently, should meet on at least a quarterly basis. This would allow the public's opinions to be delivered more effectively, and should result in improvements to the situation.

**Jin-deok Kang, Team Leader, Clean Environment Department,
Yangcheon-gu Office**

RESPONSIBILITY

Residential Soundproofing System Satisfaction Survey

During the second half of every year, KAC conducts a survey of about 200 households in areas that are affected by airplane noise. This allows us to gauge the residents' satisfaction levels with their home soundproofing facilities. In 2010, 91% of the respondents said that they were "satisfied" or "more than satisfied."

Share of Residents Saying They Were - "More Than Satisfied"



Job Priority for People Living in Noise Mitigation Areas

KAC gives priority to people living in areas that are affected by noise when hiring new employees. For example, the Gimpo International Airport Office held consultations with five social service organizations operating in noise abatement areas, and signed a series of Job Creation Compacts with them in May 2009. As a result, a number of local residents were given jobs as helpers for the disabled or airport operations assistants.



The Gimpo Airport Noise Management Committee has been representing local residents for the past fifteen years, and KAC is committed to forging a mutually-beneficial and cooperative relationship with them. Some of the steps that we have taken include installing sound-proof windows, providing free meals for the elderly, and operating scholarship programs.

Despite this, the actual work that KAC have done to curtail airplane noise has been insufficient. Although local residents are suffering both financial losses and physical damage (such as hearing problems and tinnitus), there are as yet no concrete and practical solutions in place. Japan has a compensation system to deal with areas that are affected by aircraft noise, and residents of those areas are entitled compensation without even having to file a complaint. If we want to establish a fairer and sounder relationship with residents living near airports in this country, we need to adopt a similar program.

As for KAC's social contributions activities, local residents are telling us that they would like to see more resources channeled into areas that are more closely related to their everyday lives. Educational initiatives, such as the provision of textbooks, support for after-school activities, and scholarships would be examples of this.

KAC is also committed to strengthening local economies. Recently, it broke ground to build public golf courses near Gimpo Airport. Unfortunately, the benefits that should flow from such projects, like more jobs and healthier local economies, aren't realized equally everywhere. Some areas profit from our actions, while others don't. This is another look that we need to take a closer look at.

Kyung-ja Gweon, President, Gimpo Airport Noise Management Committee

INTERVIEW WITH STAKEHOLDER

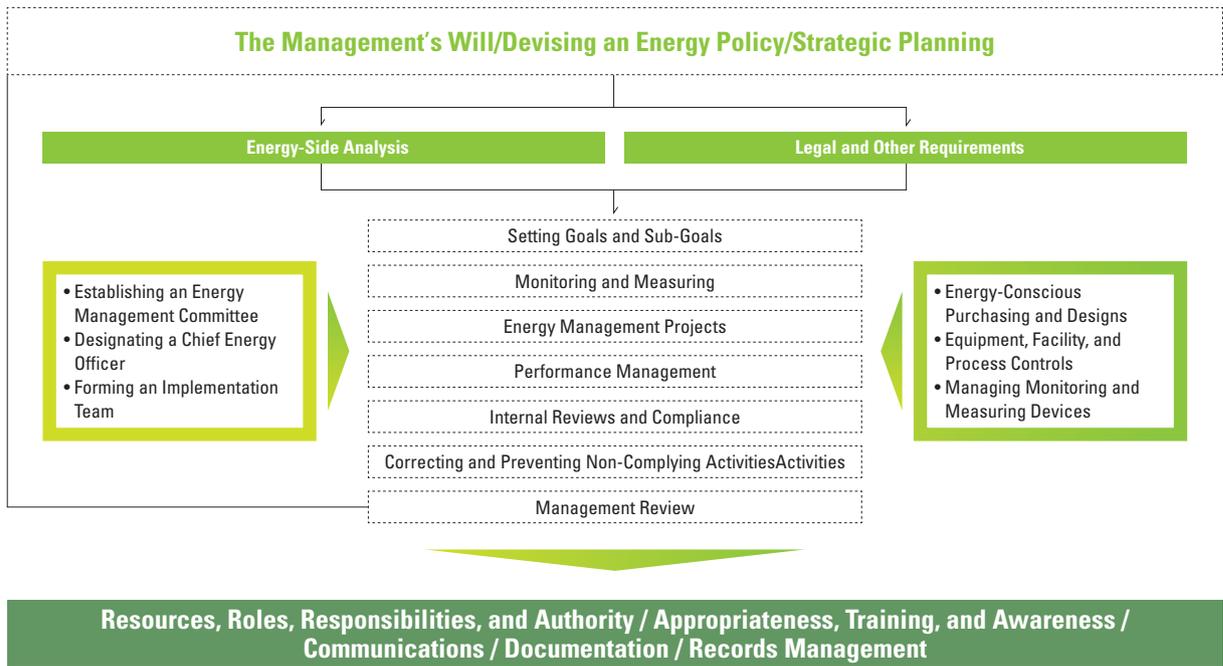


KAC's Energy Management Activities to Cope with Climate Change

Establishing an Energy Management System

Energy controls are an important element of KAC's management activities. For example, we have established a company-wide Energy Management System (EMS) to ensure the systematic use of energy at each of our airports. Its objectives are to set targets and guidelines for energy savings and to improve the mindsets of all our employees. As part of this process, a wide variety of plans and practical measures have been put in place throughout the entire organization.

KAC's Energy Management System



EMS e-Bulletin



RESPONSIBILITY

Reducing Energy Consumption

KAC has taken a number of steps to manage the amount of energy it needs to operate its facilities and equipment. They include installing new and renewable energy equipment and high-efficiency LED lamps, and accessing clean energy sources. In addition, we signed MOUs with the Ministry of Land, Transport and Maritime Affairs and the Korea Energy Management Corporation to verify our emissions reductions in accordance with the UN's Convention on Climate Change. We also launched an energy targeting scheme in accordance with the central government's energy use rationalization policy for public institutions. As a result, we were able to lower our energy consumption level by 10.5% in 2010.

Direct and Indirect Energy Consumption

Type	2008	2009	2010
Fuel (Direct Energy)	5,063	4,805	4,590
Electricity (Indirect Energy)	22,852	22,349	22,569
Total Consumption (toe)	27,915	27,154	27,159

TOE stands for tonnage of oil equivalent. This is a unit for measuring the volume of energy sources needed to generate 10 million kcal which would be produced by burning one ton (7.41 barrel) of crude oil. 1.55 tons of coal or 1,150 cubic meters of natural gas equals to one ton of crude oil. (1 terajoules: 23.8846 toe)

Amount Reduced

Type	Amount	Cost
Fuel	687 toe	KRW 602 Million
Electricity	2,492 toe	KRW 1,089 Million
		Total: KRW 1,691 Million

Replacement Rate of LED Lamps



Electric Vehicle Charging Station at Jeju Airport



High-Efficiency Transformer at Jeju Airport



LED Lighting Systems in Arrival Area at Jeju Airport



LED Lighting Systems in Departure Area at Jeju Airport



Installing New and Renewable Energy Facilities

KAC is committed to increasing its use of new and renewable energy sources, such as solar photovoltaic, solar thermal, and geothermal power. In accordance with our energy optimization plan for indoor facilities, all our employees have pledged themselves to recycling and saving resources. In addition, our provision of training and guidelines on energy savings and energy efficiency is being strengthened throughout the organization. We are also taking practical measures to meet the central government’s guidelines on energy savings and emission reductions. In addition to the introduction of a geothermal energy system at Gimpo Airport and Jeju Airport in 2010, we are planning to install an 8m² solar thermal system in the Boan VHF omnidirectional range/tactical air navigation system and a 25kw solar PV power station at Gimpo Airport. Further steps will be taken to increase the use of green energy in the future.

Fuel Reductions	Solar Thermal System	Supplementary Heaters and Coolers and Water Boilers
	Geothermal System	Substituting for Absorption-Based Heating and Cooling System
	High-Efficiency Equipment	Using High-Efficiency Equipment, including Refrigerators High-Efficiency Motors
	Enhanced Insulation	Enhanced Insulation for Windows and Roofs
Electricity Reductions	Lamps (LED)	High-Efficiency LED Lamps
	Solar PV System	Daytime Lighting Sources
	Wind Farms	Long-Term Reviews, including Measuring Wind Speeds
GHG Reductions	Conversion of Energy Sources	Conversion of Energy Sources



Geothermal Systems at Jeju Airport



Solar PV Systems at Gimpo Airport



Solar Thermal Systems at Boan VOR/TAC

Efforts to Reduce Emissions

After establishing our greenhouse gas inventory, we began to analyze our emissions trends. Our levels of emissions were forecast on a business as usual (BAU) basis after analyzing the characteristics of each source, and appropriate reductions technologies were selected following a multi-faceted review. As a result of this process, we set targets based on the anticipated benefits of our reduction activities. First we divided our airports into three categories: regional main offices, mid-sized airports, and small-sized ones. Then we reviewed multiple directions for each category, and developed our emissions reduction strategies.

In order to cope with climate change in a positive and proactive manner, we set a mid- to long-term target that will constitute a 0.7% reduction in terms of the 2005 baseline by the year 2015. In 2010, we recorded a 6.4% reduction in direct and indirect emissions on a BAU basis.

GHG Emissions

Year	2008	2009	2010
Total Emissions (Unit: tCO ₂)	60,902	60,240	60,517

RESPONSIBILITY

Saving Energy in the Workplace

KAC's employees are very involved in the company's energy saving campaign. For example, "Green Footprints" is a set of changes in everyday workplace habits that can result in dramatic energy use reductions. All our employees are making changes in the way they work, such as using their own mugs, turning off office lighting during lunch-times, turning off computers when they're not being used, maintaining moderate office temperatures, and using fewer supplies for special occasions. Some results are shown in the table below.

Type	"Green Footprints" (2009)	"Green Footprints" (2010)
Doing	Using personal mugs (producing disposable cups costs 11g of CO ₂ emissions)	Using a fan (this helps to meet the central government's target of a 10% reduction in energy consumption at public enterprises)
Turning Off	<ul style="list-style-type: none"> Turning off office lighting during lunch-times Turning off computers when not in use (100 hours of computer usage emits 9,000g of CO₂) 	<ul style="list-style-type: none"> Turning off office lighting during lunch-times Turning off computers when not in use (100 hours of computer usage emits 9,000g of CO₂)
Maintaining	<ul style="list-style-type: none"> Maintaining moderate office temperatures (above 27 °C in summer, below 19 °C in winter) Using carpools or public transportation Setting the default direction of copy paper in horizontal direction Using fewer supplies for special occasions (refraining from using disposable supplies, banners, etc., as well as simplifying ceremonies) Purchasing high-efficiency products Not wearing ties in summer and wearing innerwear in winter Turning off the tap while brushing teeth 	<ul style="list-style-type: none"> Maintaining a moderate office temperature (above 27 °C in summer and below 19 °C in winter) Pooling cars or using public transportation Setting the default direction of copy paper in horizontal direction Using fewer supplies for special occasions (refraining from using disposable supplies, banners, etc., as well as simplifying ceremonies) Purchasing high-efficiency products Not wearing ties in summer and wearing innerwear in winter Saving tap water Banning the use of personal heaters Doing more during work-hours to reduce overtime Using e-documents rather than paper ones Using the stairs to go four floors or fewer

Results of Energy Savings

Behavioral Changes	Energy Savings
Using Personal Mugs	3 each (daily use of paper cups) x 11g of carbon emissions x 1,551 people = 13 tCO ₂ per year
Turning Off Lamps	233KW of electricity consumption x 262 working days x 0.000448 = 27 tCO ₂ per year
Powering Off	Standby electricity x 12 hours x number of computers in operation = 80 tCO ₂ per year



Green Footprints Poster



Promoting the Use of a Fan



On-Site Inspection into Green Management Practices



Social Contribution Activities

Goals of KAC's Social Contributions Activities

KAC's goal is to be a world-class enterprise fulfilling its corporate responsibilities and sharing with the communities in which it operates as a caring and concerned corporate citizen. The projects in which the company participates are categorized into three main areas: social services, education and culture, and the environment. Their results are assessed and used as a basis for setting new policies.

KAC's Social Contributions Management Program



Winning Social Contribution Award 2010



RESPONSIBILITY

Social Contributions Organization

KAC's social contributions organization is headed by the CEO and composed of 24 groups: four in the Head Office, seven in the regional main offices, eleven in regional airports, one in the Area Control Center, and one in the Civil Aviation Training Center. In 2010, they engaged in community service activities 3.8 times a month on average. Group leaders meet twice a year to assess the results of their activities and set future directions.

Head [CEO]	Deputy Head [Executive Vice President]	Volunteer Groups [24]	Head Office (4)	Directly Controlled Group, Strategic Planning Division, Corporate Management Division, Airside Operations and Safety Division
			Regional Main Offices (7)	Seoul (3), Busan (2), Jeju (2)
			Regional Airports (11)	Daegu, Ulsan, Cheongju, Muan, Gwangju, Yeosu, Pohang, Yangyang, Sacheon, Gunsan, and Wonju
			Centers (2)	Area Control Center and Civil Aviation Training Center



Annual Meeting of Leaders in the First Half of 2010_01



Annual Meeting of Leaders in the First Half of 2010_02

Major Results

KAC is an active participant in the Korean government's drive to achieve a warm, welcoming, and equitable society. KAC won a Social Contributions Corporate Award in November 2010.

Helping Multicultural Families Visit Their Home Countries

KAC helps multicultural families make visits to their home countries. To facilitate this program, we signed an MOU with the Korean Red Cross. Families who are recommended by foreign missions, the Korean Red Cross, or social service organizations are given round-trip airline tickets and an allowance to cover their stay. Through this program, 341 people from 109 low-income multicultural families living in noise-affected areas or agricultural or fishing villages visited six home countries in 2010.



The Fifth Support for Multicultural Family Members to Visit Their Home Countries



The Sixth Support for Multicultural Family Members to Visit Their Home Countries



Major Achievements by Area in 2010



Festivals for North Korean Refugees



Kimchi Making for the Needy

The Environment

111 Cases
10.2%

Education and Culture
323 Cases
29.6%

Social Services
656 Cases
60.2%



Major Results of KAC's Social Contribution Activities

Forming Helping Relationships with Villages in Rural Areas

Area	Major Achievements
Specialized Social Contribution Programs	<ul style="list-style-type: none"> Helping multicultural families visit their home countries Signing an MOU for the above-mentioned program Social contributions activities in collaboration with airlines
Programs in Three Major Areas (Social Services, Education and Culture, and the Environment)	<ul style="list-style-type: none"> Social contributions activities in noise-affected areas Support for relief activities in areas affected by flooding (e.g., Gangseo-gu and Yangcheon-gu in Seoul) Management participation Joint wedding ceremonies for low-income families and donations to festivals for North Korean refugees Holding mini-concerts, photo exhibits, and other cultural events in airport waiting rooms Participation in environmental cleanup activities (oceans, rivers, and streams)
Helping Relationships with Villages	<ul style="list-style-type: none"> Providing services to villages in rural areas Purchasing agricultural products from villages in rural areas Donations to schools in Taean damaged by oil spills
Public Relations	<ul style="list-style-type: none"> MBC broadcast of "A Rainbow to Share Hope" Photo exhibits of social contributions activities Publishing first issue of "Sharing in Blue" webzine
Awards for Social Contributions Activities	<ul style="list-style-type: none"> Social Contributions Corporate Award Citations of excellence for groups and individuals by local governments

● Social Services

- Support for multicultural families' visits to their home countries
- Focusing resources on noise-affected areas
- Management participation
- Support for relief activities in areas affected by floods
- Social contributions corporate award

● Education and Culture

- Inviting kids to airport experience programs and tours of Jeju-do
- English language camps for kids
- Donations to elementary and middle school sports teams

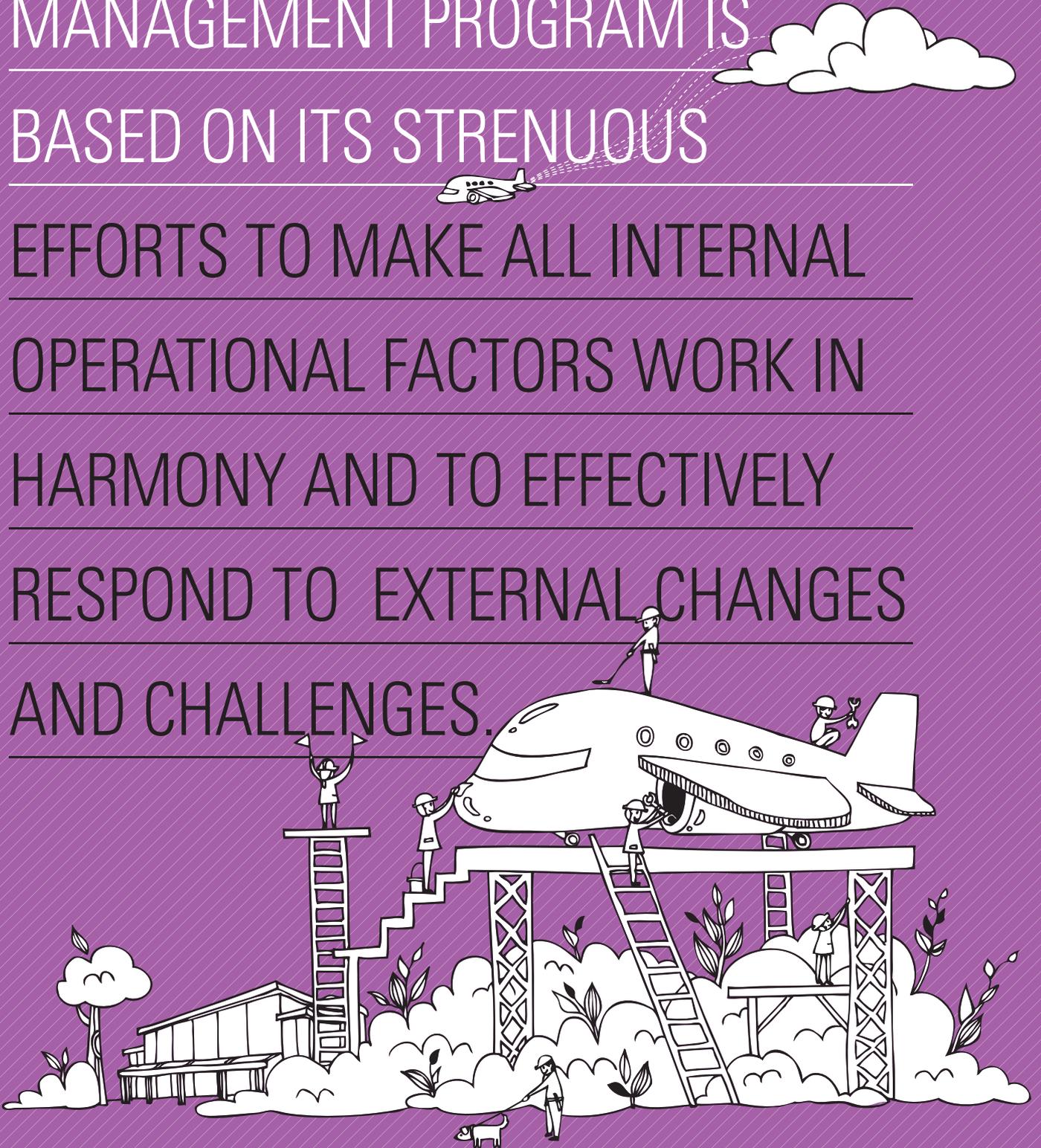
● The Environment

- Closer ties with villages in rural areas
- Purchasing agricultural products from villages in rural areas
- Conducting environmental cleanups

Type	2007	2008	2009	2010
Support for Local Communities (Cases)	957	1,154	1,169	1,090
Volunteer Activities (Hours)	29,047	27,290	28,340	25,470
Donations (KRW 100 Million)	1.17	1.94	11.01	13.32

KAC has formed helping relationships with seventeen rural villages located near its airports across the nation. We help them by purchasing agricultural products from them, helping the farmers during their busy seasons, and holding feasts for senior citizens. In addition, students and the elderly are provided with medical assistance and invited to cultural events at airports. In 2010, twenty-nine employees from the Gimpo International Airport Office worked with farmers living in Ponae 2-ri, Wolgot-myeon, Gimpo-si to sow potatoes. Later, they harvested the potatoes and distributed them to the needy.

KAC'S SUSTAINABILITY
MANAGEMENT PROGRAM IS
BASED ON ITS STRENUOUS
EFFORTS TO MAKE ALL INTERNAL
OPERATIONAL FACTORS WORK IN
HARMONY AND TO EFFECTIVELY
RESPOND TO EXTERNAL CHANGES
AND CHALLENGES.





B A L A N C E

Our sustainability management program is based on

effective crisis management,

a transparent governance structure,

an advanced organizational management structure,

and a state-of-the-art safety and security system.

When all of these factors work in harmony,

they enable us to benefit all our stakeholders

benefiting society, and caring for the environment.

BALANCE

Corporate Governance

Shareholder Structure

Established in March 2002 under the Korea Airports Corporation Act, KAC holds all the properties, rights, and duties formerly vested in the Korea Airports Authority, in accordance with Addenda Article 5 of the Korea Airports Corporation Act. KAC's shares are 100% owned and managed by the Korean government. As of 2010, paid-in capital was worth KRW 2,091,371 million. Voting rights on issues regarding changes to the Articles of Incorporation, the appointment of executives, and the approval of account settlements are vested in the Korean government.

Composition and Activities of the Board of Directors (BOD)

The Board of Directors is KAC's highest decision-making body. It makes decisions on all major corporate functions, except auditing. Based on Korean law and its own Articles of Incorporation, KAC exercises the right to decide on such issues as its management objectives and budget. The BOD is composed of six Executive Directors (including the President) and seven Non-Executive Directors. Non-Executive Directors account for 54% of the BOD's membership.

In order to ensure a fairer decision-making process, the Chair of the Board is elected from among the Non-Executive Directors. This enables non-executive members to participate in management activities in a more responsible and independent manner. To facilitate the BOD's activities, KAC establishes an annual operating plan and notifies the Board of agenda items in advance. It does not decide on any issues through resolution by written agreement without convening a BOD meeting. In an effort to prevent conflicts of interest between the BOD members and the company, members of the BOD who have a special interest in any item or items on the agenda are not allowed to participate in any discussions regarding it or them. In 2010, the BOD held thirteen meetings and dealt with seventy-four agenda items.

Compensation for the President, Auditors, and Executive Directors includes their basic salaries, performance-based compensation, and retirement pay, all of which are decided at a General Shareholders' Meeting and by resolution of the BOD. A summary of the personal records of KAC's Executive and Non-Executive Directors and copies of BOD resolutions may be found at the company's website.

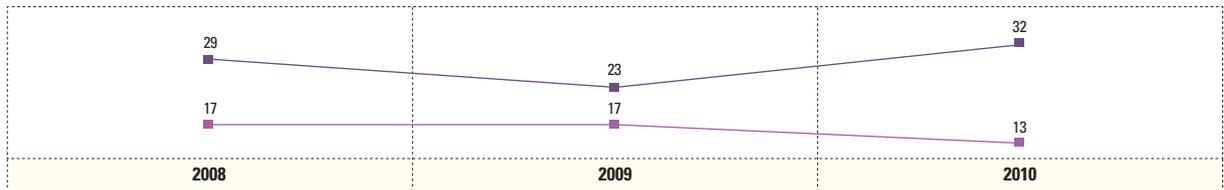




Process for Appointing Directors

Position	Process
President	By recommendation of the Executive Recommendation Committee and request of the Minister of Land, Transport and Maritime Affairs, the President of KAC is appointed by the President of the Republic of Korea after deliberation and resolution at the Public Institution Operation Commission and a resolution at a General Shareholders' Meeting.
Corporate Auditor	By recommendation of the Executive Recommendation Committee and a request from the Minister of Strategy and Finance, the Corporate Auditor is appointed by the President of the Republic of Korea after deliberation and resolution at the Public Institution Operation Commission and a resolution at a General Shareholders' Meeting.
Executive Directors	Executive Directors are appointed by the President of KAC pursuant to a resolution at a General Shareholders' Meeting.
Non-Executive Directors	By recommendation of the Executive Recommendation Committee and a request from the Minister of Strategy and Finance, Non-Executive Directors are appointed by the President of the Republic of Korea after deliberation and resolution at the Public Institution Operation Commission and a resolution at a General Shareholders' Meeting.

■ Number of BOD Meetings (Times) ■ Agenda Resolutions (Cases)

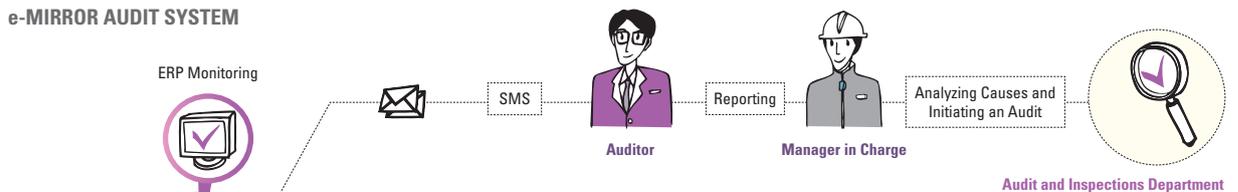


Prevention-Oriented Internal Auditing System

KAC has established an independent audit commission to strengthen its internal monitoring functions. It meets on a monthly basis. In addition, the company has been operating a real-time auditing system called eMAS since 2009 that allows it to conduct audits in a more systematic manner. If the system detects deviations in risk from a standard predetermined range based on function-specific risk scenarios, a warning message is automatically sent to the auditor in charge. This enables the company to monitor its risk levels by detecting warnings in advance.

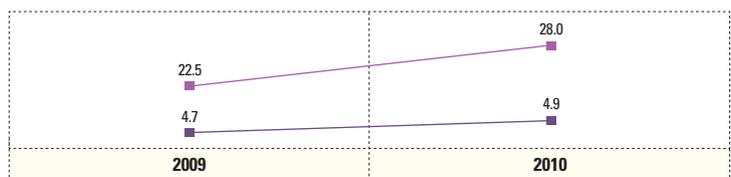
The Commission of Auditors held fourteen meetings in 2010. It also presented its operational results at a "best practices" workshop sponsored by the Ministry of Strategy and Finance.

e-MIRROR AUDIT SYSTEM



Results of Internal Audit System

■ e-MAS Utilization Rate (%) ■ Satisfaction with Internal Audit (Points)



BALANCE

Risk Management

Improving the Company's Risk Management System

KAC has identified ten potential risk factors that should be managed with special care and has sub-divided them into four categories, based on their type, probability of occurrence, and priority. They include management, disaster, PR, and conflict risks. In addition, response manuals have been developed for each crisis scenario. The simulation method is also used to help reduce the possibility of a crisis occurring.

Framework of Preventive Audit for Risk Management

Area	Financial Risk	Project Risk	Management Risk
Target	Financial control process	Implementation of major projects	Decisions regarding corporate policies
Means	Regular monitoring (eMAS)	Auditing of management activities (regular and ad hoc audits)	Auditing consulting (Auditing the diagnosis)
Post- Management	Risks are diagnosed and requests for improvements are made		Implementation is monitored
Results of risk management are considered by the Commission of Auditors and reported to the BOD			

Risk Management System

Area	Financial Risk	Project Risk	Management Risk
Target	Fifty-seven corporate finance items preset for risk control are automatically monitored by eMAS.	Unnecessary budget spending and inefficient project areas are found through intensive inspections. Improvements are made afterwards.	Areas selected for improvements are inspected and solutions are developed.
Means	Regular monitoring of fifty-seven items through eMAS	Adjustments ahead of regularly-scheduled one	Risk assessment by area, etc.
Results in 2010	Alarm sounded 257 times and action was taken in nine cases.	213 adjustments were made (KRW 2,143 million saved).	In areas determined as needing improvement, fundamental solutions were taken (KRW 5,235 million saved).

Internal Control Mechanism and Response to International Financial Reporting Standards (IFRS)

In 2007, KAC evaluated the design and operation of its accounting system through an internal control mechanism. Since then, we have been evaluating 412 internal control items and 182 core control items classified into nine sectors on a semi-annual basis. In 2010, we enhanced our evaluation activities to ensure the credibility of our financial statements and strengthen the transparency of our accounting procedures. As a result, twenty five evaluation items that were subject to changes due to the introduction of the IFRS were enhanced, while forty items relating to the design and overall operation of our accounting system were augmented. In order to better prepare for the introduction of the new reporting standards in 2011, a working-level TF was established, and an IFRS auditor position was created.



Management Performance Trends

Management Performance Trends in 2010

(Unit: KRW Million)

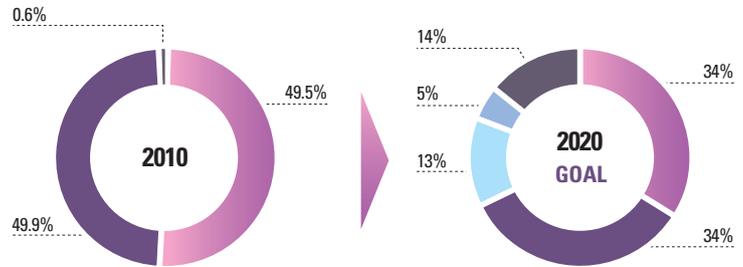
Year	2008	2009	2010
Revenue	400,885	433,688	485,397
Operating Income	26,472	36,721	62,269
Net Income	43,369	42,595	57,654

(Unit: %)

Year	2008	2009	2010
ROE	1.9	1.8	2.4
Operating Income Margin	6.6	8.5	12.8
Debt Ratio	12.4	9.9	9.7
Fixed Assets to Long-Term Capital Ratio	91.8	87.2	88.5
Total Capital Productivity	10.9	11.4	12.6

Revenue Structure

● Air Transport Business ● Concession Business ● Property Rentals and Development ● Overseas Projects ● R&D Business



BALANCE

Aviation Safety System

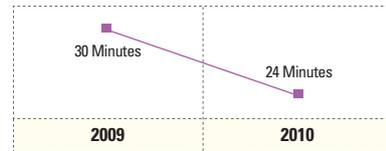
Enhancing the Aviation Safety System

KAC installed a Barrier Management System at its airports in Jeju-do and Yeosu in 2009 to meet international safety standards. In 2010, we began managing our airport operations certifications more comprehensively, and developed additional barrier management techniques to ensure that our aviation safety management system was operating as effectively as possible. As a result, we have achieved a 100% pass rate for our flight inspections for seven consecutive years. In order to respond to disasters more quickly and proactively, we began using a Situation Reporting System at all our airports, allowing us to deal with disaster situations on a real-time basis. Other steps that we have taken to enhance our crisis preparedness include simulation exercises, map-based drills for disaster management, and equipment mobilization exercises that are undertaken in tandem with our contractors.

Climate Change and Aviation Safety

The Korean peninsula experienced unprecedentedly abnormal weather conditions in 2010, such as heavy snowfalls, severe cold, and gale-force winds. In response, KAC added ten winter service vehicles to its fleet, bringing our total number to twenty-four. We also succeeded in shortening our runway clearance service time by six minutes. As a result, airplanes at Gimpo Airport can now land and take off in twenty-four minutes, even if there is a 2.5cm accumulation of snow.

Time Needed for Snow Removal at Gimpo Airport



Aviation Security System

Establishing a Global-Standard Aviation Security System

KAC has been making steady marketing efforts and maintaining a cooperative relationship with the International Civil Aviation Organization (ICAO) since the establishment of its Aviation Security Training Center in 2003. As a result, the ICAO certified the Center to serve as its first-ever northeastern Asia aviation security training base. This happened in September 2010, allowing us to play a central role in establishing global aviation security standards in Korea.

Number of Airport Security Incidents and Terrorist Threats

Year	2009	2010
Airplane Security Incidents (Cases)	-	-
Airport Security Incidents (Cases)	-	-
False Terrorist Attacks (Cases)	21	17

National Crisis Management

A host of VIPs flew to Gimpo Airport to attend the G20 Business Summit in Seoul in 2010. To ensure their security, KAC drew up an aviation security plan and took rigorous measures to ensure a high level of safety at the airport. As a result, no incidents or accidents occurred during the event. KAC was given a plaque of appreciation by the Presidential Security Service for its role in supporting the meeting.



G20 Business Summit



Plaque of Appreciation by the Presidential Security Service



Environmental Management System

Environmental Principles

KAC is committed to environmental conservation and protection, and is continually striving to make its airports more sustainable and environmentally friendly. In addition to taking a series of steps to reduce the incidence of environmental pollution, we abide by all environmentally-related rules and regulations, and have established in-house standards that are even stricter than those mandated by statute. The following are some of the environmental principles to which we adhere.

- Minimize negative impacts on the environment by saving resources, and reduce emissions through energy saving.
- Make the purchasing of eco-friendly goods a priority, and maximize the use of products that are recyclable and reusable.
- Improve the environment by establishing realistic but detailed environment targets.
- Minimize atmospheric and water contamination.
- Guarantee the transparency of our environment management practices by providing our environmental principles and operational results to stakeholders upon request.

Establishing an Environmentally Friendly Airport Operating System

KAC acquired an ISO14001 environmental management system certification in December 2000. In 2010, the number of our employees who were working on certification-related matters was four at the Head Office, four at Gimpo Airport, and seven at the airports in Busan and Jeju-do. They made 127 improvements in such areas as the environmentally friendly operation of our airports and ensuring that all rules and regulations pertaining to the environment are being adhered to. The number of requests for improvements from certification institutes was only twenty-four in 2010, down significantly from forty-nine in 2009.



DNV Certification for the Head Office and Gimpo Airport

Environmental Training for Employees

In order to ensure the professionalism and credibility of our environmental management programs, we offer our employees periodic training through outside professional institutions. In addition, we began offering two new in-house ISO14001 inspector courses within the Aviation Technology Training Center to foster the development of environmental specialists. This was done to enable our ISO14001 environmental management system, which we adopted in 2007, to take root. In addition, we have contracted with outside environmental institutions to train our employees in such matters as environmental conflict management, ensuring that our staffers in charge of environmental protection have been provided with up-to-date information and knowledge. Thirty employees completed this program in 2010.

Green Purchasing

Green Purchasing
Activities
Government Standard: 80%

97.5%

KAC's Record in 2010

KAC's employees are very involved in the company's energy saving campaign. For example, "Green Footprints" is a set of changes in everyday workplace habits that can result in dramatic energy use reductions. All our employees are making changes in the way they work, such as using their own mugs, turning off office lighting during lunch-times, turning off computers when they're not being used, maintaining moderate office temperatures, and using fewer supplies for special occasions. Some results are shown in the table below.

BALANCE

Minimizing Environmental Impacts

Managing Air Pollution

KAC's efforts to minimize air pollution in 2010 were based on the Ministry of Environment's Comprehensive Air-Quality Index (CAI), which measures air quality based on the health risk of six different categories of air pollutants. Some of the steps that we took in this regard included installing wheel washers, car washes, and dust removal facilities at our construction sites to reduce the incidence of scattered dust. There were no cases of major environmental impacts due to our service or business activities in 2010.

Air Pollution Measurement Results in 2010

Pollutants	SO ₂ (ppm)	NO ₂ (ppm)	CO (ppm)	O ₃ (ppm)
Standard	0.05 or beolw	0.06 or beolw	9 or beolw	0.06 or beolw
Results	2008	0.002	0.03	0.009
	2009	0.004	0.026	0.016
	2010	0.004	0.035	1.867

Measured at Gimpo Airport



Air Quality Measuring Equipment

Managing Indoor Air Quality

KAC is placing its effort on enhancing air quality in the passenger terminals to enable the pleasant usage of the airport facilities by minimizing particulate particles. To accomplish this, the frequency of changing air filters within the terminals have been reduced, while greater focus has been placed on interior cleaning of the terminals. Monitoring frequency for particulate matters has been extended from once every year to four times a year. By measuring airside emissions at more airports, the emissions grade was raised to A in 2010 from B in 2009.

Particulate Matter Concentration

Year	2008	2009	2010
Particulate Matters (Unit: $\mu\text{g}/\text{m}^3$)	39.5	32.6	30.4

Criteria for Particulate Matters is below 150 $\mu\text{g}/\text{m}^3$



Measuring In-Door Air Quality_01



Measuring In-Door Air Quality_02



Managing Water Quality

Everyday wastewater at KAC's airports is treated in accordance with the central government's Water Quality and Aquatic Ecosystem Preservation Act and Sewerage Act. To reduce the volume of water pollution at its passenger and cargo terminals and other ancillary facilities and protect water resources, KAC operates wastewater treatment facilities whose capacity varies according to the size of each airport. In addition, three automatic water-quality measurement networks have been installed in the drainage system at Gimpo Airport, meaning that the quality of its water is measured twenty-four hours a day. Outside firms measure the quality of this water at major drainage spots. Based on their objective data, the water at Gimpo is not polluted at all.

In addition, the company has established a number of water quality management plans to deal with non-point pollution at such areas as its runways. The volume of pollutant materials in this water is measured regularly by an outside firm on a semi-annual or monthly basis, depending on the airport's treatment capacity. There have been no reported cases where the pollutant level has exceeded legal standards.

Status of Water Resources Management Activities

Type	2008	2009	2010
Tap Water	348,765	394,302	369,225
Heavy Water (Recycled Water)	131,563	188,406	183,393
Underground Water	554,363	501,736	645,897
Total Volume (m ³)	1,034,691	1,084,444	1,198,515

Results of Water Quality Analyses at Wastewater Treatment Facilities in 2010



Sand Filter at Waste Water Treatment Facility

Measurements	Gimpo Airport	Jeju Airport	Treatment Criteria
pH	7.19	8.4	5.8~8.6
COD(mg/l)	7.2	3.9	130 or below
SS(mg/l)	4.4	1.0	120 or below
n-H(mg/l)	-	-	5 or below
T-N(mg/l)	3.36	2.15	60 or below
T-P(mg/l)	0.078	0.04	8 or below
ABS(mg/l)	0.04	0.05	5 or below

Water Discharge

Type	2009	2010
Gimpo Airport (ton)	357	95
Jeju Airport (ton)	40	37

KAC has been operating its own wastewater treatment plants in Gimpo, and Jeju.

Managing Waste Materials

Waste materials at KAC's facilities are classified as specific waste materials or general waste materials, depending on how they are managed and handled. Specific waste materials, such as waste water, used deicing/anti-icing fluid, wastewater sludge, and incinerated ash are stored in approved containers and sent to outside contractors for treatment. General waste materials, including recyclable materials such as plastics, are separated and collected to reduce their volume.

Volume of Waste Materials Treated

Type	2008	2009	2010
Specific Materials	84	338	75
General Materials	2,469	2,805	3,057
Total (Ton)	2,553	3,143	3,132

BALANCE

Managing Soil Pollution

Soil pollution and leakage tests were carried out within the facilities and surrounding areas at some of the airports that manage jet fuel and kerosene storage facilities. The test results showed that KAC's total petroleum hydrocarbons (TPH) level was within allowable limits, and that there was no leakage. KAC's fuel storage facilities are inspected daily, monthly and annually.

Soil pollution tests are carried out periodically depending on the opening year of airports. Thus, airports in Jeju, Daegu, Muan, and Yangyang were not subject to the test in 2010.

Airport	Measurement Spot	TPH Test Results (mg/kg)
Gimpo Airport	Tank Area	32.05
	Pipe Area	32.40
	Surrounding Area	32.50
Gimhae Airport	Tank Area	87.50
	Pipe Area	443.50
	Surrounding Area	38.00
Pohang Airport	Tank Area	10.30
	Pipe Area	10.00 below
	Surrounding Area	10.00 below

Criteria for TPH (mg/kg) is below 2,000



Measuring Soil Pollution Level_01



Measuring Soil Pollution Level_02

Activities to Protect Ecosystems

Although KAC's facilities are not located in areas that contain important biological life-forms or wetlands, there are always concerns about birds colliding with airplanes. We are committed to finding environmentally friendly ways of tackling this problem. In addition, we are continually reviewing the possibility that ecosystems in areas near our airports may be altered due to airplane noise. Our actions include seeking advice from environmental experts. Going forward, we will pay special attention to any factors that could precipitate this change, and focus on finding measures to deal with them.



Employee Status

Organizational and Human Resources Management

KAC manages its organizational and human resources in accordance with the central government's plan to advance public corporations while rationalizing their management. As part of its efforts to fulfill its social responsibilities, KAC strives both to create jobs and to seek organizational efficiencies through downsizing. Our 2008 to 2011 goals of minimizing the workforce at Yangyang Airport and cutting 305 surplus jobs at all our facilities through outsourcing were achieved in 2010, a year earlier than originally scheduled. We are now taking a variety of steps to remove obstacles to downsizing without having to resort to forced layoffs. For example, workers who opt for voluntary retirement are entitled to a period of up to six months to prepare for their transition to new jobs while being paid their basic salaries. This enables prospective retirees to leave the company whenever they choose.

Adhering to Global Standards

KAC abides by all regulations set by the International Labor Organization (ILO) prohibiting forced and child labor. In addition, we hold twice-yearly training sessions to educate our employees in gender discrimination and harassment issues. During the period covered by this report, no cases of discrimination based on gender were reported to us.

Employee Status

Criteria	2008	2009	2010
Employee Status	1,939 Employees	1,773 Employees	1,696 Employees
Average Tenure	15.1 Years	16.36 Years	16.84 Years
Turnover Rate	3.17%	6.7%	5.0%
Number of Female Managers (of Level Two or Higher)	3	4	4
Disabled Workers	43	44	42
Employees under Job Protection	130	122	123

Creating Jobs

In order to fulfill its responsibilities as a publicly-owned enterprise, KAC is actively participating in the Korean government's job-sharing policies. In 2010, we hired ninety-five interns, providing them with the same training opportunities enjoyed by our existing employees. One of them was hired afterwards as a contract employee. If he then applies for a regular position after having worked with us for more than a year, he will be given an extra 10% on the results of his written test. As of March 2011, there were thirty-five interns working at KAC. Twenty-four of them were female, twelve had science and engineering backgrounds, and twenty five came from outside the Seoul Metropolitan Area.



Winning the Human Resources Development Leader Award

BALANCE

Creating Public-Interest Jobs

In 2010, we hired 338 people as helpers for the disabled through our social services job creation program. In 2007, we abolished all hiring restrictions based on educational level, major at university, and age. In addition, we ensure that our employees are not discriminated against based on their gender or place of birth, either in terms of working conditions, promotions, or pay. Our “Sky Park” and public golf course construction projects created 7,455 jobs.

Strategy for Hiring High-Quality Human Resources

In order to ensure that it always hires the most qualified and skilled candidates possible, KAC has established a two-part hiring process comprising a written exam and an interview. The interviews are carried out by outside experts to ensure transparency and fairness. After an employee has gone through a step-by-step employment process that ranges from being an intern to being a contract employee to being a regular worker, KAC is able to determine his or her work capabilities extremely accurately.

In the case of core positions, an open, competency-based hiring process is carried out through advertisements. Candidates from inside or outside the company can apply. We also have a policy to ensure that female employees, the disabled, and those under employment protection are able to retain their jobs. In addition, we attend Public Corporations Job Fairs and publicize our hiring process as part of our effort to support the government’s goal of realizing a fairer and more harmonious society.

Equitable Working Environment

In order to encourage the development of a professional female workforce, KAC has enrolled one female employee in a high-level management training course and another in its next-generation leadership development program. In addition, our maternity leave period has been extended from three years to four, while the child-birth leave for new fathers has been increased from two days to three. Other programs to help our female employees stay at their jobs and enjoy enhanced benefits are being developed. This includes a counseling service that helps female employees deal with instances of gender discrimination. We also uphold the central government’s requirement that disabled people and seniors must constitute at least 2% of a workforce, and give priority in hiring to “persons of national merit.”

Efforts to Retain Women in the Workforce

Area	Programs	Results
Adapting to the Organization	Female Mentoring Policy	Provided female mentors for interns
	Placement Management	Assigned women to positions considering their needs
Fostering Women Employees	Fostering Female Managers at Level 2 or Above	Enrolled one in a senior manager course and another as a next-generation leader
Encouraging Childbirth	Maternity Leaves	Paid three-day leaves for male employees
	Leaves for Pregnancy Checks	One day off every month
	Financial Supports for Childbirth	-
Supports for Childcare	Childcare Leaves	Launched maternity leave policy
	Financial Supports for Childcare	-
	English Language Camps	Held once a year for employees’ children



Management for Employee Satisfaction

Employee Satisfaction

KAC runs a variety of employee benefits programs to enhance their satisfaction levels. One of them is a free annual medical check-up to protect their health.

Results of Employee Satisfaction-Oriented Management

Indicator	2008	2009	2010
Per-Capita Labor Productivity	KRW 1.36 Million	KRW 1.44 Million	KRW 1.78 Million
Job Satisfaction Level	-	4.08	4.10
Retirement Pension Subscription Rate	35%	90%	91%
Employee Benefits Satisfaction Level	-	3.92 Points	4.11 Points

Employee Benefits

KAC is committed to following the central government’s guidelines on rationalizing the costs of its various employee benefits programs, with a special emphasis on female workers’ benefits. We conduct surveys of our employees’ level of satisfaction with various items in our employee benefits package, and use the results to make improvements to it. Our workers’ level of satisfaction with our cafeteria services is also surveyed. Suggestions like diversifying the menu are then delivered to the catering firms.

Internal Employee Benefits Programs

Employees’ Children’s School Tuition Supports	Tuition fees for middle and high school-aged children of employees • Interest-free loans for university students
Statutory Social Security Programs	Health Insurance, National Pension, Employment Insurance, and Industrial Accident Compensation Insurance
Internal Employee Benefits Fund	Supports for family events • Scholarships for university students • Supports for victims of disasters (floods, fires, etc.) • Subsidies for hobby groups • Loans to cover employees’ wedding costs • Loans to cover employees’ house purchases • Flexible benefits card
Other	Subscription to group non-life insurance policy • Care payments under the Infant Care Act • Supports for childbirth • Year-round operation of recreation center and vacation facilities • Flexible benefits card • Fitness center

Promoting Labor-Management Harmony to Enhance Employee Well-Being

In order to enhance the well-being of its employees, KAC is encouraging the development of improved discussion channels between labor and management. Our jointly-operated Labor-Management Council is one of the bodies that are tasked with improving the well-being of employees. The areas where such improvements were actually made include employees’ benefit cards, the night shift system, our sports fields, employee cafeterias, and the welfare programs for youth interns. In 2010, KAC increased its number of vacation facilities from seventeen to twenty-two, improved the environment of employee cafeterias, and carried out a remodeling of staff lounges.

BALANCE

Retirement Pension Plan for a Financially Secure Old Age

Number of Labor-Management Council Meetings



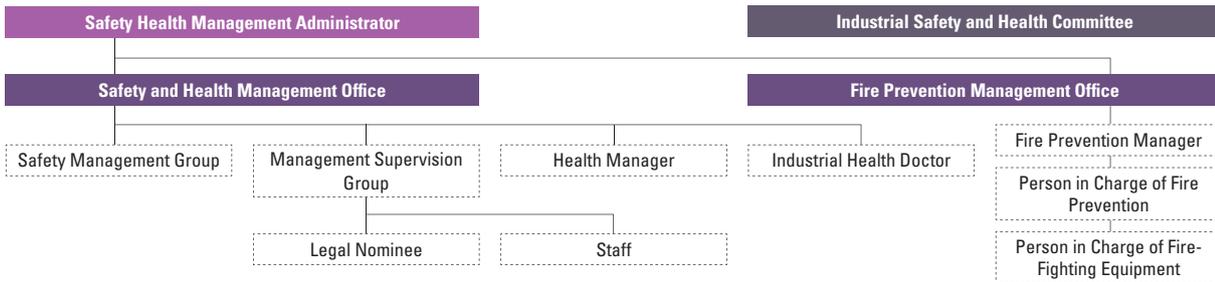
In accordance with the Guarantee of Workers' Retirement Benefits Act, KAC initiated a retirement pension policy in 2007. In addition, we strengthened the program's foundation by depositing 92% of the pension money that we had collected in outside institutions. This will enable us to provide our pension subscribers with more secure retirements.

Year	Retirement Pension Subscription Rate
2008	35%
2009	90%
2010	91%

Employee Health and Safety

KAC abides by all of the International Labor Organization's labor standards and regulations and Korea's Industrial Health Management Criteria, and attempts to prevent accidents by informing its employees about essential health and safety practices. These efforts enabled us to achieve an accident-free year in 2010. As part of our goal of protecting our workers from the hazardous effects of smoking, we are carrying out an anti-smoking campaign. We also promote the health of our employees by enrolling them in programs in which they can calculate their health in detail and engage in physical training methods to avoid illness and the development of diseases of the muscles and bone.

Health and Safety Management System Structure



"Healthy Diet Day"



Anti-Smoking Programs



Group Sports Therapy_01



Group Sports Therapy_02



APPENDIX

- Independent Assurance Statement
- GRI G3 Index
- Airport Operators Sector Supplement
- ISO 26000 Checklist
- United Nations Global Compact
- Status of Compliance
- Awards, Memberships, and Certifications
- Glossary
- Questionnaire for Readers

APPENDIX

Independent Assurance Statement

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Independent Assurance Statement to Korea Airports Corporation Management

We have performed to provide independent assurance services over selected aspects of Korea Airports Corporation's 2011 Sustainability Report (the "Report"). The management of Korea Airports Corporation is responsible for preparing the Report. Our responsibility is to carry out a limited level of assurance engagement on the information presented in the Report and to provide our conclusion.

We conducted our assurance engagement in accordance with ISAE3000 ("Assurance Engagements other than Audits and Reviews of Historical Financial Information") issued by International Auditing and Assurance Standards Board (IAASB). The extent for a 'limited level' of assurance is less than that of a 'reasonable' assurance engagement and therefore a lower level of assurance is provided for the Report. An engagement is limited primarily to inquiries of company personnel and review procedures applied to the data Korea Airports Corporation provided. The scope of our work was restricted to 2010 performance only. Information relating to the earlier periods has not been subject to our assurance.

We conducted assurance work on the following selected information of the Report.

• **STRUCTURES**

- Customer-Oriented Management: Number One in Terms of Airport Service Quality (pages 25-29)
- Service Quality Management: Enhancing Customer Value (pages 30-31)

• **OUR ROLE IN THE ECONOMY**

- Enhancing our Economic Performance and Fair Distribution of Proceeds (pages 36-39)

• **CHANGE**

- Reinvigorating Regional Airports to Further Balanced National Development (pages 42-45)
- Creating New Growth Engines for Non-Aeronautical, For-Profit Businesses (pages 45-48)
- Human Resources Development: The bedrock behind KAC's Competitiveness (pages 53-55)
- Promoting Creative and Forward-Looking Labor-Management Relations (pages 56-58)

• **RESPONSIBILITY**

- Reinforcing Measures to Reduce Noise Pollution and Support Local Communities (pages 62-64)

• **BALANCE**

- Minimizing Environmental Impacts (pages 80-82)



Our work included the following activities.

- Interviews with the personnel responsible for aggregation and report of the subject data
- An evaluation of the design, existence and operation of the systems and methods used to collect and process the subject data
- Review of the subject data through inquiries and analytical procedures
- Visit one local airport for a limited testing of the subject data aggregation and preparation
- Verify the financial data that they were correctly derived from the audited financial statements

In conclusion, nothing has come to our attention that cause us to believe that the subject data referred to above are not fairly stated, in all material respects, in accordance with the reporting principles of Korea Airports Corporation.

A handwritten signature in black ink, appearing to read 'S.H.K'.

Partner **Se Hwan, Kim**

Deloitte Anjin LLC
Seoul, June 2011

APPENDIX

GRI G3 Index

Index Number	Description	Reported	Page	If applicable, indicate the part not reported	Reason for omission	Explanation
Strategy and Analysis						
1.1	Statement from the most senior decision-maker of the organization.	●	8-9			
1.2	Description of key impacts, risks, and opportunities.	●	76			
Organizational Profile						
2.1	Name of the organization.	●	16-17			
2.2	Primary brands, products, and/or services.	●	16-17			
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	16-17			
2.4	Location of organization's headquarters.	●	16-17			
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	16-17			
2.6	Nature of ownership and legal form.	●	16-17			
2.7	Markets served (including geographic breakdown, sectors served, and types of customers / beneficiaries).	●	16-17, 21 / Customer as those who utilize KAC's facilities for air transport or other airport services.			
2.8	Scale of the reporting organization.	●	16-17, 77, 83 / Number of employees: 1,696.			
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	16-17			
2.10	Awards received in the reporting period.	●	98			
Report Parameters						
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	C2			
3.2	Date of most recent previous report (if any).	●	C2			
3.3	Reporting cycle (annual, biennial, etc.).	●	C2			
3.4	Contact point for questions regarding the report or its contents.	●	C2			
3.5	Process for defining report content.	●	10-13			
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	C2			
3.7	State any specific limitations on the scope or boundary of the report.	●	C2			
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and / or between organizations.	●	C2, 16-17			
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	○	C2		Does not exist	Details of calculations and techniques are not listed because KAC only followed the standard method, no unique assumptions or estimations.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	C2			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	C2			
3.12	Table identifying the location of the Standard Disclosures in the report.	●	92			
3.13	Table identifying the location of the Standard Disclosures in the report.	●	88-97			
Governance, Commitments, and Engagement						
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	74-75			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	74-75			
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members.	●	74-75			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	21, 57, 74 / KAC's shares are 100% owned and managed by the Korean government. There are various communication channels between employees and the governance body. Details of the communication mechanism are only partially reported due to its minor materiality level.		Does not exist	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.	●	74-75			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	74 / In an effort to prevent conflicts of interest between the BOD members and the company.			
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	74-75			
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	22-24			
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	74-75			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	74-75			



● Reported ○ Not Reported ◐ Partially Reported N/A Not Applicable

Index Number	Description	Reported	Page	If applicable, indicate the part not reported	Reason for omission	Explanation
Governance, Commitments, and Engagement						
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	74-75			
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	97-98			
4.13	Memberships in associations (such as industry associations) and / or national / international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues, or views membership as strategic.	●	97-98			
4.14	List of stakeholder groups engaged by the organization.	●	21			
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	11, 21 / KAC identify major issues and analyze stakeholders in order to select the key stakeholders.			
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	21 / We communicate with major stakeholders at least once a year in a number of ways.			
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	12-13, 21			
Economic Performance						
	Disclosure on Management Approach	●	42			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	36			
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	◐	49-52		Not available	KAC did not fully pointed out the financial implications for its climate change related activities. Throughout its reporting, KAC described the risk & opportunities. KAC just needed to quantify its own learnings.
EC3	Coverage of the organization's defined benefit plan obligations.	○	85		Not material	KAC is state-owned company. All state-owned companies in Korea follow the same retirement plans - government employees pension. Thus it was not necessary to report such details.
EC4	Significant financial assistance received from government.	◐	44		Not material	KAC is 100% owned by the government. It does receive subsidy however due to such unique circumstances, it is partially reported.
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	◐	83-84		Not material	KAC is state-owned company. It's standard entry level wage is set by the law. Thus it is partially reported.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○	N/A		Not applicable	Purchasing promotion policy for specific regions will no longer be available as qualifications for bidding are equally applied through DART (data analysis, retrieval and transfer system).
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	◐	64		Not material	Procedures for local hiring is same as other hiring procedures, thus it is partially reported.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	69-71			
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	36-39			
Environmental Performance						
	Disclosure on Management Approach	●	49-52, 65-68, 80-82			
EN1	Materials used by weight or volume.	○	N/A		Not applicable	No relevant materials used, KAC is in service business.
EN2	Percentage of materials used that are recycled input materials.	●	80-82			
EN3	Direct energy consumption by primary energy source.	●	66 / 192.170 terajoules (2010)			
EN4	Indirect energy consumption by primary source.	◐	66 / 944.903 terajoules (2010)		Not available	Renewable vs non renewable primary source is not yet available (To be reported in 2012).
EN5	Energy saved due to conservation and efficiency improvements.	●	65-68			
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	65-68			
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	65-68			
EN8	Total water withdrawal by source.	●	81			
EN9	Water sources significantly affected by withdrawal of water.	○	N/A		Not available	Unable to provide the requested data (To be reported in 2012).
EN10	Percentage and total volume of water recycled and reused.	●	80-82			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	◐	82		Not applicable	KAC's facilities are not located in protected areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○	N/A		Not applicable	KAC's facilities are not located in protected areas.
EN13	Habitats protected or restored.	◐	82		Not applicable	KAC's facilities are not located in protected areas.

APPENDIX

GRI G3 Index

Index Number	Description	Reported	Page	If applicable, indicate the part not reported	Reason for omission	Explanation
Environmental Performance						
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	33, 82			
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	N/A		Not applicable	No relevant species in the operation area.
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	67			
EN17	Other relevant indirect greenhouse gas emissions by weight	○	N/A		Not available	Other indirect greenhouse gas emissions is yet to be counted. However KAC currently published 'the carbon report' and it is developing the system to do so. The data shall be available the next year (To be reported in 2012).
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	49-52			
EN19	Emissions of ozone-depleting substances by weight.	●	80		Not available	GHG gas by weight.
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	80			
EN21	Total water discharge by quality and destination.	●	81			
EN22	Total weight of waste by type and disposal method.	●	81		Not material	Disposal method has no uniqueness nor high materiality. Thus it is partially reported.
EN23	Total number and volume of significant spills.	●	82			
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	●	81		Not applicable	KAC has no waste shipped internationally.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	80-82		Not available	KAC has not yet identify details of such issues.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	49-52			
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○	N/A		Not applicable	KAC is in service business.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	97			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	80-82		Not available	KAC has not yet identify details of such issues.
EN30	Total environmental protection expenditures and investments by type.	●	49			
Labor Performance						
Disclosure on Management Approach		●	56-57			
LA1	Total workforce by employment type, employment contract, and region.	●	83		Not material	KAC partially reported the workforce by employment region as it is less material. It is because due to its business characteristics, employees work placement changes frequently.
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	83		Not material	KAC partially reported the turnover rate by age, group, gender as it is less material. It is because turnover rate itself is too low to be specified.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	83			
LA4	Percentage of employees covered by collective bargaining agreements.	●	57 / As of June 2011, 1,023 employees are unionized, representing 61.3% of the total workforce.			
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	56-59		Not material	KAC's Joint labor-management program includes notice periods and related procedures.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	●	86		Not material	The Committees represent the total employees who have joined the union.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	56		Not material	There has been zero serious injury, occupational diseases and work related fatalities. KAC reported partially because it is in service business. There is low materiality and extremely low accidents regarding this issue.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	86		Not material	KAC's Health & Safety Management system includes such data. KAC partially reported due to its low materiality.
LA9	Health and safety topics covered in formal agreements with trade unions.	●	86		Not available	Topics are listed however KAC did not specify which is included in the formal agreements.
LA10	Average hours of training per year per employee by employee category.	●	53-55		Not material	Instead of training hours, KAC reported size and the contents, system of training due to its great importance.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	53-55			
LA12	Percentage of employees receiving regular performance and career development reviews.	●	54		Not available	% has not been calculated however reported the diagram showing the number of employees receiving education versus the total number of employees (To be reported in 2012).



● Reported ○ Not Reported ◐ Partially Reported N/A Not Applicable

Index Number	Description	Reported	Page	If applicable, indicate the part not reported	Reason for omission	Explanation
Labor Performance						
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	◐	83-84		Not applicable	Composition of governance bodies is controlled by the government.
LA14	Ratio of basic salary of men to women by employee category.	◐	83-84		Not material	KAC is state-owned company. It's basic salary is set by the law. Thus it is partially reported.
Human Rights Performance						
Disclosure on Management Approach		●	53-55			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	◐	23-24, 58-59		Not applicable	KAC's Ethical Charter include the human rights clauses, thus every contract and investments undergoes the screening.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	◐	23-24, 58-59		Not applicable	KAC's Ethical Charter include the human rights clauses, thus every contract and investments undergoes the screening.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	◐	24, 54		Not applicable	Instead of training hours, KAC reported size and the contents, system of training due to its greater importance.
HR4	Total number of incidents of discrimination and actions taken.	●	83-84			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	57 / Within KAC, there are no work areas in which freedom of association and collective bargaining are likely to be critically infringed upon.			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	83 / At present, the risk of child labor in KAC is extremely low.			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	83 / At present, the risk of forced labor in KAC is extremely low.			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	◐	83		Not material	All employees are educated and trained regarding human rights.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	62-64, 97 / No instances of violation.			
Social Performance						
Disclosure on Management Approach		●	22-23, 69			
S01	Nature, scope, and effectiveness of any programs and practices that evaluate and manage the impacts of operations on communities, including entering, operating, and exiting.	◐	36-39		Not applicable	Establishment and closing of KAC's business units are determined by government policies and managed by the laws.
S02	Percentage and total number of business units analyzed for risks related to corruption.	●	22-24 / KAC administers corruption risk management in all business units.			
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	24 / All employees of KAC are required to receive training on anticorruption policies and procedures at least once a year. In 2010, the rate of employees receiving the training stood at 100%.			
S04	Actions taken in response to incidents of corruption.	●	22-24			
S05	Public policy positions and participation in public policy development and lobbying.	●	22-24			
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	22-24			
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	97 / No violation.			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	97 / No violation.			
Product Responsibility Performance						
Disclosure on Management Approach		●	25-33			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	32-33			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	32-33, 97			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	○	N/A		Not applicable	KAC is in service business.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	○	N/A		Not applicable	KAC is in service business, no incidents of non-compliance.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	25-31			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	25-31, 97			
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	25, 97			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	28			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	25, 97			

APPENDIX

Airport Operators Sector Supplement

● Reported ○ Not Reported ◐ Partially Reported N/A Not Applicable

Index Number	GRI - AOSS Index Contents	Reporting Level	Page
ENVIRONMENT			
AOSS1	Number of wildlife strike overall	●	32-33
AOSS2	Number of wildlife strikes leading to aircraft damage	●	32-33
AOSS3	NO _x , SO _x Annual average concentrations	●	80
AOSS4	Number of people residing in areas affected by noise and percentage change	◐	62-64
AOSS5	Number of people residing in areas affected by noise at night and percentage change	◐	62-64
AOSS6	Geographical area covered by noise contour	◐	62-64
AOSS7	Number of noise events above a certain threshold	◐	62-64
LABOR			
AOSS8	Number of new cases of noise-induced hearing loss	◐	62-64
SOCIETY			
AOSS9	Number of people displaced broken down by gender	●	83-84
AOSS10	Report on compensation paid to displaced persons, and describe what compensation covered	●	83, 86
AOSS11	Describe issues raised through community consultations and grievance mechanisms	●	62-64
AOSS12	Community investment initiatives and ratio of the value of community investments and turnover or net income	●	36-39
PRODUCT RESPONSIBILITY			
AOSS13	Number of incidents when the airport is completely (or partially) shut down to air traffic longer than 6 hour due to unplanned events(total hours, percentage of weather related)	●	32-33
AOSS14	Recovery time for airports to return to full operation after a complete or partial shutdown to air traffic due to unplanned events	○	-
AOSS15	Percentage of total airport land developed relative to total area available for development	◐	48



ISO 26000 Checklist

● Reported ○ Not Reported ◐ Partially Reported N/A Not Applicable

Core Subjects	Issue	Reporting Level
Organizational Governance	• Decision-making processes and structures	●
Human Rights	• Due diligence	◐
	• Human rights risk situations	◐
	• Avoidance of complicity	◐
	• Resolving grievances	●
	• Discrimination and vulnerable groups	●
	• Civil and political rights	◐
	• Economic, social and cultural rights	●
Labour Practices	• Fundamental principles and rights at work	●
	• Employment and employment relationships	●
	• Conditions of work and social protection	●
	• Social dialogue	●
	• Health and safety at work	●
The Environment	• Human development and training in the workplace	●
	• Prevention of pollution	●
	• Sustainable resource use	●
	• Climate change mitigation and action	●
Fair Operating Practices	• Protection of the environment & biodiversity, and restoration of natural habitat	●
	• Anti-corruption	●
	• Responsible political involvement	◐
	• Fair competition	●
	• Promoting social responsibility in the value chain	◐
	• Respect for property rights	◐
Consumer Issues	• Fair marketing, factual and unbiased information and fair contractual practices	●
	• Protecting consumers' health & safety	●
	• Sustainable consumption	●
	• Consumer service, support and complaint and dispute resolution	●
	• Consumer data protection and privacy	●
	• Access to essential services	●
Community Involvement and Development	• Education and awareness	◐
	• Community involvement	●
	• Education and culture	●
	• Employment creation and skills development	●
	• Technology development and access	◐
	• Wealth and income creation	●
	• Health	●
• Social investment	●	

APPENDIX

United Nations Global Compact

KAC joined the United Nations Global Compact (UNGC) in October 2007, a global initiative which stipulates corporate social responsibilities. By joining it, we declared our commitment to abide by the Compact's ten principles in the areas of human rights, labor, the environment, and anti-corruption. Through the annual sustainability report, we will report on the results of our implementation of the principles.

Areas	Principles	Implementation Performance Index	GRI	Page	
Human Rights	1. We should support and respect the protection of internationally proclaimed human rights; and	<ul style="list-style-type: none"> Employee Training Human Rights Training, Ethical Management Training Sexual Harassment Prevention Training 	HR1 HR2 HR3 HR4 HR5 HR6	53-55	
	2. make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> Total Number of discrimination cases 	HR1 HR2 HR3	83-84	
Labor	3. We should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> Labor Union & Labor Union Membership Status Whether there has been labor disputes 	HR5 LA4 LA5	56-57	
	4. the elimination of all forms of forced and compulsory labor;	<ul style="list-style-type: none"> Whether standard labor laws, ILO or cooperative agreements have been abided 	HR7	56-57	
	5. the effective abolition of child labor; and	<ul style="list-style-type: none"> Whether standard labor laws, ILO or cooperative agreements have been abided 	HR6	83	
	6. the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> Disabled Employment Rate Female Employment Rate Expansion of hiring from other provinces 	HR4 LA2 LA10 LA13 LA14	83-84 64	
The Environment	7. We should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> Non-financial risk management Environment Management Principles 	4.11	76 79	
	8. undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> Environmental Impact Evaluation Environmental Impact Reduction Environment Quality Management Environment Performance Management Green House Gas Reduction 	EN2 EN5 EN6 EN7 EN10 EN13 EN14 EN18 EN21 EN22	80-82 49-52	
	9. encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> Energy Savings Activities Environment Investment Expenses Global climate change prevention activities 	EN2 EN5 EN6 EN7 EN10 EN18 EN26 EN27	49-52	
	Anti-Corruption	10. We should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> Adopted & concluded Clean Contract principles 		
			<ul style="list-style-type: none"> Operate Internal Reporting Policy Strengthen Ethical Management Self 	S02 S03 S04	22-24



United Nations Global Compact





Status of Compliance

KAC abides by the UN Global Compact, all the ILO's Labor Standards, and all laws promulgated by the Republic of Korea. In 2010, none of the following agreements or laws related to the economy, society, or the environment was breached by us.

Gas Act	Basic Social Security Act	Disabled Employment Promotion and Job Rehabilitation Act
High-Pressure Gas Safety Management Act	Industrial Disaster Compensation Act	Basic Low Birth/Aging Society Act
Employment Insurance Act	Commercial Act	Contagious Diseases Prevention Act
Framework Act on Employment Policy	Income Act	Act on Customer Protection in Electronic Transactions
Act on Protecting Private Information at Public Companies	Fire Act	Special priority to purchase products manufactured by the seriously disabled
Act on the Management of Public Corporations	Act on the Management of Fire-Fighting Facilities and Safety Management	Basic Sustainable Management Act
Act on Disclosing Public Corporation Information	Noise Vibration Restrictions Act	Underground Water Act
Act on Improving the Management Structure of Public Corporations and Privatization	Special Act on the Improvement of the Air Environment in Metropolitan Areas	Basic Disaster and Safety Management Act
Public Hygiene-Related Act	Metropolitan Area New Airport Construction Promotion Act	Act on the Promotion of Purchasing Eco-Friendly Goods
Act on Litigation to Which the State is a Party	Act on the Preservation of Water Quality and Water Ecology	Soil Environment Preservation Act
Basic National Standards Act	Elevator Safety Act	Patent Act
National Accounting Act	Special Act on Obligatory Facilities Safety Management	Wastewater Management Act
National Pension Act	New and Renewable Energy Development, Utilization, and Distribution Promotion Act	Act on the Promotion of Wastewater Treatment Facilities, and Support for Surrounding Areas
National Audit and Investigations-Related Act	Wildlife and Plant Life Preservation Act	Act on the Fairness of Expressed Advertising
Act on the Promotion of Labor Participation and Cooperation	Outdoor Advertisements Management Act	Act on the Fairness of Sub-Contracting
Act on Equal Employment and Support for Work and Family Reconciliation	Act on Medical Emergencies	Sewerage Act
Trade Union and Labor Relations Adjustment Act	Usage and Distribution Promotion Act	Korea Airports Corporation Act
Public Usage Facilities, such as Indoor Air Quality, Management Act	Basic Energy Act	Aviation Safety and Security Act
Air Environment Preservation Act	Energy Usage Rationalization Act	Air Transport Business Promotion Act
Monopoly Regulation and Fair Trade Act	Dangerous Materials Safety Management Act, Transportation Safety Act	Act on the Conversion to an Eco-Friendly Industrial Structure
Act on the Development and Operation of Distribution Facilities	Natural Disasters Management Act	
Mother and Child Health Act, Corporate Tax Act	Natural Environment Preservation Act	
Act on Subsidy Budgets and their Management	Act on Resource Savings and Recycling Promotion	
Value-Added Tax Act	Disabled Employment Promotion and Job Rehabilitation Act	
Basic Social Security Act	Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons	

APPENDIX

Awards, Memberships, and Certifications

Awards

Airport Air Navigation Solutions Provider of the Year by Frost & Sullivan
New Quality CSR Award by Korea Foundation for Quality
Gimpo Airport Named World's Most Efficient Mid-sized Airport by Air Transport Research Society
Grand Prize for 2010 Global Leader by Hankyung Daily
Grand Prize at the National Spatial Data Infrastructure KOREA 2010 by the Ministry of Land, Transport and Maritime Affairs
Single-Market Company of the Year in Asia by International Business Awards
Customer Satisfaction Management Grand Award by Korea Management Association Consulting
Human Resources Development Leader by Korea Management Association Consulting
The Best Performing Institution Audited by the Land and Maritime Affairs Committee of the National Assembly
Third Prize in the Organizational Innovation Best Practices Contest 2010 by the Ministry of Land, Transport and Maritime Affairs
Second Prize in the LOHAS Management Awards 2010 in the Service, Finance, and Logistics Category by Korea Green Foundation
Social Contribution Award 2010 in the Social Development Category (Support for Non-Korean Families) by Hankyung Daily and Open Management Research Inc.
Minister of Gender Equality and Family Prize in Korea Communication Awards 2010 in the Printed Company Magazine Category by the Korean Association of Company Magazines
The Best Performing Institution in 2010 in the Integrity and Ethics Category by the Korean Institute of Internal Auditors

Memberships

General Membership in the UN Global Compact Network Korea
Special Membership in the International Contractors Association of Korea
General Membership in the Korea Engineering and Consulting Association
General Membership in the Korea Information Comm. Contractors Association
Special Membership in the Korea Navigation Institute
General Membership in the Public Corporations Consultative Group for a Transparent Society
Official at the Asia-Pacific Regional Board of Airports Council International
General Membership in the Korea Integrated Logistics Association
General Membership in the East Asian Airports Alliance
Duty and General Membership in the Korea Electric Engineers Association
General Membership in the Korea Institute of Construction Engineering and Management
Special Institutional Membership in the Aviation Management Society of Korea
General Membership in the Korean Society of Public Enterprises
General Membership in the Korea Civil Aviation Development Association

Certifications

Best Practices Institution in the Customer Satisfaction Survey by the Ministry of Strategy and Finance
Head Office and Airports in Gimpo, Gimhae, and Jeju Certified for Best Quality Service in Korea by the Korean Agency for Technology and Standard of the Ministry of Knowledge Economy
"Good" Grade in the 2009 Survey of Management by Heads of Institutions by the Ministry of Strategy and Finance
"A" Grade in the 2009 Survey of Management by Public Institutions by the Ministry of Strategy and Finance
Aviation Security Training Center Certified by the International Civil Aviation Organization (ICAO).
Elected to the ICAO Board for Four Consecutive Years
"AAA" Grade in the Korean Business Ethics Index Sustainability Management (KoBex SM) survey by the Institute for Industrial Policy Studies of the Ministry of Knowledge Economy
Gimpo Airport Ranked No 1 in the Airport Service Quality in its Class by the Airports Council International



Glossary

Airport Operations Certification

The International Civil Aviation Organization (ICAO) made it mandatory for all 190 member countries to acquire government certification to establish safety management systems at airports that provide international airline services. KAC is expanding the certification to all its domestic airports by satisfying airport facility standards and preparing operating procedures.

Ubiquitous Airport (u-Airport)

The word ubiquitous means being present everywhere at the same time in Latin. Today, it refers to the information and communication environment where users can freely connect to network without recognizing the network or computers. In this sense, u-Airport is an airport equipped with advanced automation, intelligent information technologies that provide passengers with convenient services.

Airport Barrier Management System

A comprehensive system that enables an efficient and systematic analysis, evaluation and management of barriers in barrier restricted areas based on the 3D video information produced through precision measuring of the areas. Upon receiving the responsibilities from the government, KAC is going to establish the management system at its six civilian airports in Gimpo, Jeju, Ulsan, Yangyang, Yeosu, and Muan.

AIRSIDE, Movement Area

The Airside includes the areas required for landing and taking-off such as runway, landing pad, taxiway, and parking ramp. Public access is restricted.

Common Use Self-service KIOSK (CUSS-KIOSK)

An automated check-in system that enables passengers to issue their boarding pass themselves. Using the system, they can confirm their online reservations, choose their seat, make payment on credit card, and scan their passport (In the future, such features as electronics passport and biometric recognition will be added).

Common Use Terminal Equipment (CUTE)

A standardized system that allows airlines' sharing check-in counters (including boarding gates). This is possible by flexibly assigning counters to airlines depending on congestion within terminals. New airlines can secure check-in counters more easily thanks to this system.

Distance Measuring Equipment (DME)

A system that continues sending the information on distance between the location of the system to flying aircrafts using frequencies.

Doppler VHF Omnidirectional Range (DVOR)

Equipment that provides flying aircrafts with data on a full 360-degree range from the point of the system installed.

Global Reporting Initiative (GRI)

Based in Amsterdam, the Netherlands, GRI is an organization established in 1997 to set internationally accepted guidelines on corporate sustainability report. CERES, a US network of environmental organizations and the United Nations Environment Program (UNEP) led the creation of the organization. Since announcing the first guideline in June 1, 2000, the organization set a policy to revise the guideline every two to three years in accordance to the changing environment. Accordingly, GRI G2 Guideline was announced in May 2002 and the G3 Guidelines, in October 2006 (www.globalreporting.org).

International Civil Aviation Organization (ICAO)

Under the convention on International Civil Aviation (also known as Chicago Convention signed in 1944, the ICAO was established as a specialized agency of the United Nations in 1947. Its objectives are developing the international civil aviation transport industry and securing safety; creating an efficient and economical transport industry; and realizing development in airplane design and

aviation technology. Major bodies within the organization include the General Committee, Board of Directors and Executive Office. The Board of Directors' support commissions include the Air Navigation Commission, the Air Transport Commission and the Legal Commission. (www.icao.int)

Low Cost Carrier (LCC)

LCC refers to airlines offering less in-flight services at lower fares. There are currently five such airlines operating domestically.

ONE-PASS Boarding Service

The ONE-PASS Boarding Service provides a swift boarding process using automatic recognition system thereby lessening passenger inconveniences due to congestion caused by manual identification process.

Radio Frequency Identification (RFID)

Wireless radio-frequency technology used to store and manage individual identification information in tags with integrated circuit (IC) chips and antennae embedded. KAC established the RFID-based baggage tracking system, with which RFID tags are attached to passenger baggage and then tracked through the reader throughout the entire cargo handling process. KAC hopes to lay the foundation to create a u-Airport based on the system.

Tactical Air Navigation (TACAN)

TACAN is a navigational method to find the relative direction and distance between airplane and ground control. Once the airplane's TACAN system channel is adjusted to ground control's TACAN channel, a radio wave is automatically sent to ground control from airplane. The response signal from ground control is used to simultaneously display the direction and distance from ground control on the navigational instruments of the airplane, enabling the pilot to identify the airplanes location.

UN Global Compact

The UN Global Compact was initiated at the proposal of the former Secretary General of the United Nations, Kofi Anan at the Davos Forum, Switzerland in January 1999. The Compact is a voluntary agreement under the UN, comprised of ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption based the Global Human Rights Declaration, ILO Declaration, Rio Declaration and UN Anti-Corruption Agreement. KAC joined the Compact in October 2007. (www.unglobalcompact.org)

Weighted Equivalent Continuous Perceived Noise Level (WECPNL)

WECPNL is a noise evaluation measurement unit recommended by the ICAO. The aircraft noise for landing and taking-off is comprehensively evaluated by applying weights according to the flight frequency, time, and maximum noise level. WECPNL is calculated by adding the weighted average by time period to the average dB of the maximum aircraft noise level every time an airplane. The current aviation law stipulates to classify the areas experiencing the noise level of over 80 WECPNL as potential noise affected areas. Areas experiencing over 90 WECPNL are considered noise affected areas. In this case, related government agencies should set up and implement measures to move affected households or prevent noise.

ISO 26000

International standard on corporate social responsibility launched by the International Organization for Standardization (ISO). It consists of seven core subjects (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development) and guidelines on thirty six issues. Although not legally binding, the standard has become major international criteria for social responsibility. Thus, it is expected to serve as an important yardstick for corporate management.



Statement GRI Application Level Check

GRI hereby states that **Korea Airports Corporation** has presented its report "KAC Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

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

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

Amsterdam, 28 July 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a light blue circular graphic element.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Korea Airports Corporation has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 July 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

Questionnaire for Readers

We want to hear from our stakeholders with regard to this 2011 Sustainability Report. Your opinions and suggestions will be reflected in our sustainability management activities.

Address: Korea Airports Corporation, Strategic Planning Team, 64 Haneul-gil, Gangseo-gu, Seoul

Telephone: 82_2_2660_2527

Fax: 82_2_2660_2240

E-mail: seypark@airport.co.kr

Website: www.airport.co.kr



1. What is your category?

- Customer
- Partner
- Government
- KAC Employee
- Local Resident
- NGO or Civic Group
- Other ()

2. Why did you read this report? (Multiple answers possible)

- To Obtain Information about KAC
- To Assess the Results of KAC's Sustainability Management Activities
- To Compare and Analyze the Characteristics of the Industrial Category KAC Belongs To
- For Educational Purposes

3. Which part(s) of the report interested you the most? (Multiple answers possible)

- Introduction
- Core Topics in the Report
- Structures
- Our Role in the Economy
- Change
- Responsibility
- Balance

4. If there is any section that requires supplementing, which section is it? (Multiple answers possible)

- Introduction
- Core Topics in the Report
- Structures
- Our Role in the Economy
- Change
- Responsibility
- Balance

5. Please give us your opinions on KAC's sustainable management activities, and your suggestions regarding the overall structure and content of this report.

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Scan the quick response (QR) codes below with your smart phone. You will access the information you need to know about us anytime, anywhere.

Introduction to KAC
(Including Real-time
Flight Schedules)



KAC Voice Bell

