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2011 KOREAN AIR SUSTAINABILITY REPORT



KOREAN AIR



# FROM TO SUSTAINING EXCELLENCE

2011 KOREAN AIR'S SUSTAINABILITY REPORT

## About this report

### Purpose of the report

Korean Air's sustainability report, titled "Sustaining Excellence," summarizes Korean Air's economic, social and environmental activities and achievements over the past year. In an effort to promote greater transparency, this annual report serves to disclose such information to our stakeholders, including employees, customers, shareholders & investors, business partners, government agencies and local communities, in a timely manner.

### Reporting principles

The Korean Air Sustainability Report 2011 is the airline's sixth sustainability report, prepared in accordance with the G3 Guidelines of the Global Reporting Initiative (GRI). This report also benchmarked the sustainability reports of other global airlines to reflect the aviation industry's activities and achievements in terms of sustainability.

### Reporting Content

The content of the report was compiled by Korean Air's Environment Team based on raw data and drafts of information collected from 23 related departments. Also, the content was proofread by all pertinent departments and the members of Korean Air's executive management.

### Reporting scope

This report encompasses fiscal year 2010 (Jan. 1 – Dec. 31, 2010) and contains data collected over the past three years. For more details regarding our economic performance in 2010, please refer to the Korean Air 2010 Annual Report.

<http://www.koreanair.com>

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## 2010 HIGHLIGHTS

### Korean Air Opens New Era in Air Travel with A380 Aircraft

Under its fleet modernization plan, Korean Air is phasing out old aircraft, replacing them with high-efficiency eco-friendly aircraft, such as A380s and B787s. The company has ordered ten A380 aircraft and has placed its first A380 on commercial flights to Japan and Hong Kong since June, 2011. Korean Air is proud to usher in a new era of air travel with its A380 aircraft for global passengers, solidifying its corporate image as a leading global airliner.



### Supporting Pyeongchang's bid for the 2018 Winter Olympics

For the third time, the city of Pyeongchang was again a candidate for the Winter Olympic Games in 2018. In support of the committee behind the city's bid, Korean Air mobilized its international network as a leading global airliner to bolster the city's candidacy. Korean Air's Chairman Yang-ho Cho was inaugurated as the chairman of the committee in September, 2009. Since then, Chairman Cho has lead the Committee's activities at various international sporting events and the meetings of the International Olympic Committee (IOC).



### Ranked 2<sup>nd</sup> in IATA's Global Ranking for Commercial Cargo Transport

Korean Air was ranked second in the IATA's global ranking for the transport of commercial cargo in 2011 and was ranked 13<sup>th</sup> in the transport of international passengers. Although we missed the top spot in the cargo transport ranking this year, we aim to regain the position by achieving greater customer satisfaction through enhancements to our transport service. In 2010, Korean Air had 56,9 billion in RPK (revenue passenger kilometers: the sum of the number of revenue passengers multiplied by the distance of travel) for the transport of international passengers and 9,5 billion in FTK (freight ton kilometers: the sum of the metric tons of revenue load carried multiplied by the distance of travel) for the transport of cargo.



### Global Afforestation Campaign

Committed to improving the environment, Korean Air launched a global project for the planting of trees in 2004 and has been continually to participating in these afforestation initiatives. In 2010, the company planted 87,700 trees in Mongolia, China and Los Angeles, in conjunction with NGOs. The company has now planted over a million trees around the world. In 2010, the teachers and students of the Suwon Agricultural Life Science High School, the winner of the 2009 Green Teacher Green Tour contest, also participated in the tree planting event along with students from Neimenggu University.



### Opened Venue for Art and Culture, the Ilwoo Space

The Ilwoo Foundation, under the direction of the Hanjin Group, opened the Ilwoo Space a venue for the promotion of art and culture for the general public. In seeking to give back to society, the Hanjin Group constructed the space which is dedicated to the exhibition of photos and artwork. Nestled in the vicinity of Seoul's art district near Deoksoo Palace, the Ilwoo Space helps complete an area dedicated to art and culture in the heart of downtown Seoul with cultural establishments such as the National Museum of Contemporary Art, Korea, the Seoul Museum of Art, and the Jeongdong Theater.



### Opened a User-Friendly Website for Greater Internet Inclusiveness

In 2010, Korean Air added a new webpage to its website dedicated to improving accessibility for visually-challenged users. The website uses fewer images and more text, backed by a "Screen Reader" program which reads text aloud for the benefit of visually-impaired users. For color-blind patrons, the website offers users a variety of background colors to choose from and user-friendly styles and formats. Moreover, physically-challenged users can use key commands for navigating the website.



### Opened Environmental Management Microsite

In 2010, Korean Air opened sky.koreanair.com, a microsite dedicated to the promotion of the company's environmental management activities. The new site offers information and services related to the company's environmental practices and activities such as a carbon calculator which allows passengers to calculate their carbon footprint from the air travel, information on eco-friendly tours, and pledge forms for environmental protection.



### Presidential Award for Contributions to Raising the Status of Women

Korean Air won the presidential prize for its contributions to raising the status of women at a ceremony for the 15<sup>th</sup> Women's Week. As the first signatory of the Women-Friendly Company Agreement, Korean Air has implemented various policies in support of women. In addition to maternity leaves, the company allows leaves of absence for female workers receiving medical treatment for sterility, and has separate rooms available for staff who breastfeed to collect milk at work for use at home. The company also offers Sky Mom Classes on pregnancy, childbirth and child-care for staff members and their families.



### Awards for Promotion of Consumer Rights at the 2010 National Competitiveness Awards

Korean Air won the Knowledge Economy Minister prize at the 2010 National Competitiveness Awards and a prize in the customer-oriented service category at the 2010 Consumer Rights Promotion Awards. The National Competitiveness Awards recognize companies that contribute to the competitiveness of the nation through innovations in management. Korean Air was awarded the prize for its company-wide efforts to achieve Service Excellence through ceaseless innovation and change such as upgrades to onboard facilities and equipment, the introduction of next-generation aircraft, the development of the Navoi International Airport and various social contribution activities.



### Korea's Top HRD System

For the third year in a row, Korean Air won an award for the Best HRD (Human Resources Development) at the 2010 8<sup>th</sup> Korea HRD Awards held in February, 2010. The company was awarded the top prize in the private sector for its excellent performance in and contributions to the area of HRD.



### Grand Prize of the 2010 Seoul Environmental Awards

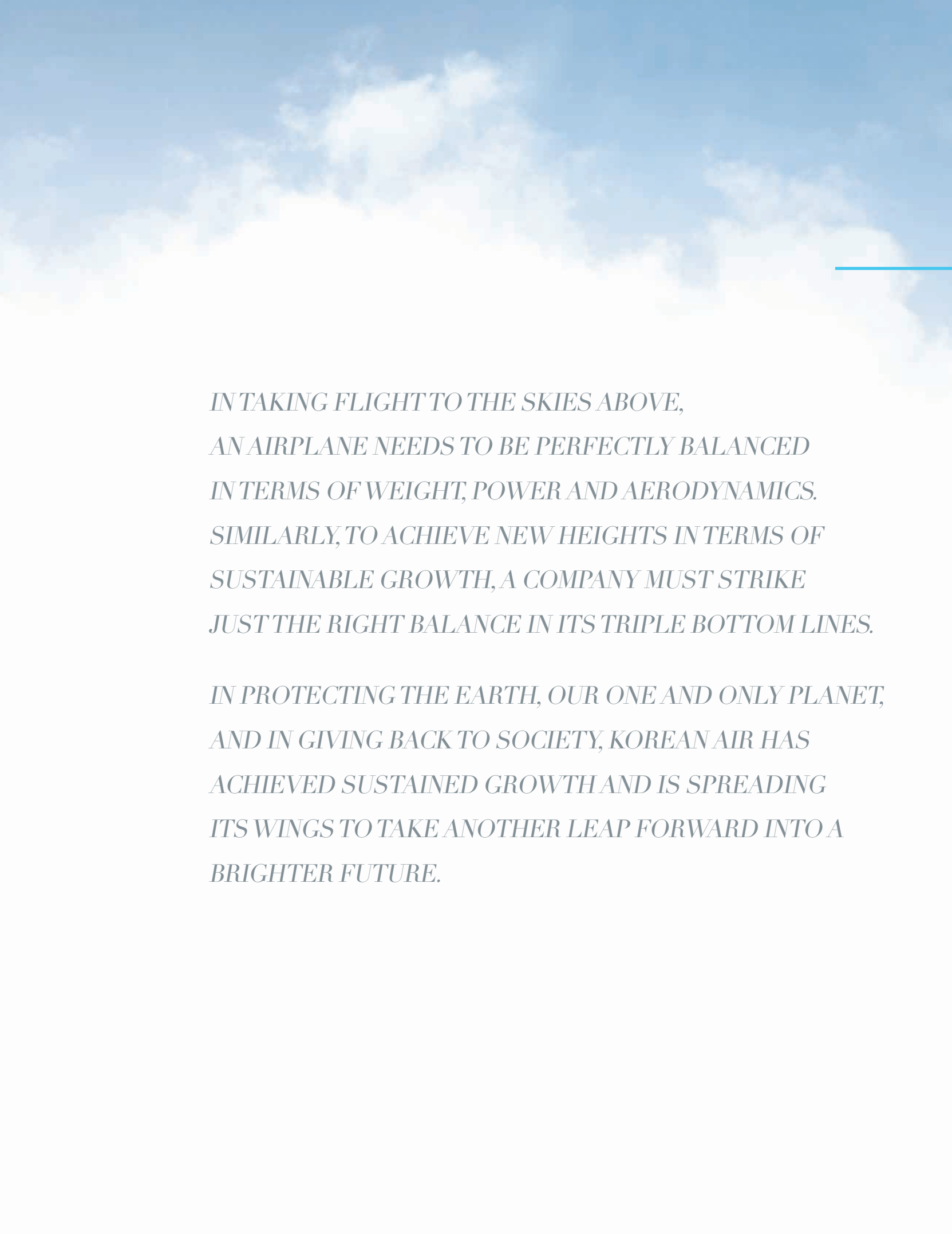
Korean Air won the grand prize at the 2010 Seoul Environmental Awards. The city of Seoul gives awards to NGOs and companies who set examples of environmental protection at home and abroad. Korean Air was awarded the grand prize for its various environmental protection activities, including its annual global campaign to plant trees to halt desertification in Mongolia, China and Los Angeles, Eco-Office drive, volunteer efforts by employees to reduce their own carbon footprint, and the company's Green Teacher Green Tour in which the company sends teachers overseas to do specialized training in environmental practices.



### Best Operation of A330 Aircraft with On-Time Ratio of 99.84%

Korean Air was awarded a prize for the "Best Operation of A330 Aircraft" at the "A330/A340 Technology Symposium" organized by Airbus. Every two years, Airbus reviews and recognizes global airliners for excellence in their on-time ratios and stellar operating standards for the A330 and A340 aircraft. With an on-time ratio of 99.84% for a period of two years from November, 2007 to October, 2009, Korean Air was ranked at the top for its operating practices of the A330 amongst a field of 27 competitors comprising the global airliners with fleets of more than 10 A330 aircraft. Over the past decade, from 2000 to 2010, the company has won the prize six consecutive times, proving its excellence in the operation and maintenance of its fleet of A330 aircraft.





*IN TAKING FLIGHT TO THE SKIES ABOVE,  
AN AIRPLANE NEEDS TO BE PERFECTLY BALANCED  
IN TERMS OF WEIGHT, POWER AND AERODYNAMICS.  
SIMILARLY, TO ACHIEVE NEW HEIGHTS IN TERMS OF  
SUSTAINABLE GROWTH, A COMPANY MUST STRIKE  
JUST THE RIGHT BALANCE IN ITS TRIPLE BOTTOM LINES.*

*IN PROTECTING THE EARTH, OUR ONE AND ONLY PLANET,  
AND IN GIVING BACK TO SOCIETY, KOREAN AIR HAS  
ACHIEVED SUSTAINED GROWTH AND IS SPREADING  
ITS WINGS TO TAKE ANOTHER LEAP FORWARD INTO A  
BRIGHTER FUTURE.*

CEO’S MESSAGE



Korean Air aims to increase its stature in the global aviation industry through effective management of its economic sustainability, environmental stewardship and commitment to corporate social responsibilities while strengthening relationships with its stakeholders.

Dear stakeholders,

I would like to express my sincere gratitude for your support and encouragement of Korean Air over the past year. In every aspect of its operations, Korean Air has sought to build relationships with its stakeholders while effectively managing economic and environmental sustainability and heeding the company’s social responsibilities. Included in our long list of stakeholders are Korean Air’s global passengers, shareholders, employees and their families, business partners, local communities, NGOs and governments all over the world. I strongly believe that the first step in a company’s management practices, in terms of sustainability, begins with a full awareness and subsequent fulfillment of the company’s roles and responsibilities to its stakeholders.

The year 2010 marked Korean Air’s 41<sup>st</sup> anniversary, and Korean Air has made consistent efforts to grow as a leading global carrier over the past decades. In the meantime, we take pride in the fact that Korean Air has long been aware of, and has long sought to fulfill its economic, social and environmental responsibilities to its stakeholders. While our products and services, tailored to the needs of our many customers, have enabled us to gain a leading position in the global aviation industry, it is the close collaboration with our stakeholders that will propel Korean Air to a brighter and sustainable future.

In the early 1990s, Korean Air formulated its environmental philosophies and has been involved in a variety of environmental management activities since then, including a global campaign to plant trees, the modernizing of our fleet with the addition of eco-friendly aircraft, and the activities to increase our energy efficiency whether in our flight operations or on the ground. Korean Air was a founding member of SkyTeam, an alliance made up of leading global airliners, which has been proactive in addressing environmental issues facing the global aviation industry.

We are also well aware of our corporate social responsibilities. In 2011, Korean Air intends to remain steadfast in its commitment to sustainability management practices, with social responsibilities standing as an essential part of such practices.

In particular, we are planning to implement a company-wide program that will enable employees to donate time, talent or money to people in need as part of the company’s efforts to give back to society through social contributions. The aim of the program is to inspire employees to volunteer, thus spreading the seeds of trust and care to every corner of society.

While this program will actively encourage everyone at Korean Air to become more involved in volunteer activities, the company will also lay the groundwork for sustainable growth through innovations in operating processes and procedures. We will continue to streamline processes to eliminate inefficiency while working to develop future engines of growth. At the same time, we will continue our efforts to establish a more flexible and dynamic corporate culture, one that will more effectively nurture our employees’ creativity and passion while attracting talented personnel to our ranks. Such talented and creative people will, in turn, contribute to the sustainable growth of the company. Before closing, I am proud to inform you that our first Airbus A380, newly added to our fleet, has been assigned to one of our commercial routes. We plan to make the best use of this new eco-friendly aircraft and to utilize its strengths improve our operating processes and the efficiency of our fleet operations. Coupled with Korean Air’s differentiated products and services, the new aircraft is expected to bolster our operating profit, especially once we take delivery of ten new A380s that are currently on order.

As a respected corporate citizen that is effectively managed for long-term sustainability, all of us at Korean Air are ready for a new year ahead as we continue to strengthen our relationships with stakeholders, including better communication with local communities. I would like to express my appreciation in advance for your support and encouragement in these endeavors. Please join with us at Korean Air as we take flight to an even brighter future.

Thank you.

  
Chairman & CEO  
Cho, Yang Ho



# VALUE CREATED

## *TAKING FLIGHT WITH SUSTAINABLE COMPETITIVENESS AS A LEADING GLOBAL CARRIER*

As Korea's top airliner, Korean Air carries 22.74 million passengers and 1.8 million tons of freight every year to 113 destinations in 39 countries around the world. Commanding the top performances in the nation in the transport of passengers and freight, the company's prestige continues to exalt the nation abroad. Korean Air's aerospace business also contributes to the development of the nation's aerospace industry, through its advanced technologies and expertise in aircraft design, manufacturing, licensing, reformulation, conversion, maintenance, unmanned aerial vehicles (UAV) and R&D in aerospace technologies.

Korean Air has consistently innovated its processes to achieve higher levels of service quality, which has enabled the company to set a lofty goal for its 50<sup>th</sup> anniversary in 2019. This goal is for Korean Air to become one of the top 10 global passenger carriers transporting 20 million international passengers per year and to maintain its top ranking in the transport of international cargo with an annual transport of 2.5 million tons of cargo by 2019.





BUSINESS PORTFOLIO

As Korea’s leading global carrier, Korean Air is involved in air transportation, aerospace, catering & in-flight sales, and hotel & limousine services.



Air Transportation

As of the end of 2010, Korean Air had 128 aircraft in its fleet and offered scheduled routes to 13 domestic and 113 international destinations in 39 countries around the world. In 2010 alone, we transported 22.74 million passengers and 1.8 million tons of freight. During the same year, we added next-generation aircraft employing state-of-the-art technologies to upgrade our existing fleet, such as Boeing’s B777-300ER and the Airbus A330-200. The new airplanes were placed on various international routes, including New York, Los Angeles, Mumbai and Melbourne, for the greater convenience of our global passengers.

We also added international routes to and from regional airports and advanced into new markets with the introduction of the Incheon-Haneda route. Furthermore, we introduced a new premium service, the “Flexjet Connect” service through a marketing alliance with Flexjet, a U.S. company. The program offers passengers on business trips flight connections to more than 5,000 U.S. airports in any of ten cities in the U.S., including New York, Chicago, and Los Angeles. With as little as 24-hour notice, passengers can take advantage of the greater convenience and savings in time by flying on high-performance Bombardier business jets.

Sales in Passenger Business (Unit: KRW in billions)

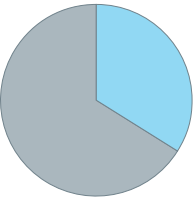


Sales in Cargo Business (Unit: KRW in billions)

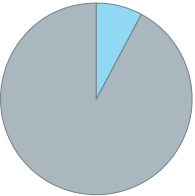
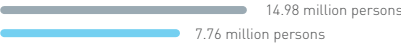


Transportation Performance

● International ● Domestic



Passenger 22.74 million persons



Cargo 1.8 million tons



The cargo transport business expanded its offering of highly-profitable charter flights and increased the number of flights on routes due to the rising demand. In line with Navoi Airport’s strategy to become an Asian hub, we expanded the number of routes from South-east Asia and Europe to the Middle East and Middle Asia. We also continued to develop new markets while securing future engines of growth. Furthermore, we developed new customized freight services tailored to customers’ need, and we began an e-Freight service to computerize our air transport cargo to enhance customer satisfaction and create new market demand.

Aerospace

Korean Air’s aerospace business is growing as one of the top 10 global total solution providers in the areas of aircraft design, manufacturing, licensing production, upgrades, restoration, conversion and maintenance. In the R&D sector for aircraft fuselages, we recently completed the development of a cutting-edge composite structure for the B787 and developed cargo doors for the A350, which we plan to supply to Airbus in 2011. In 2010, we extended a contract for forward torque box panels for Boeing’s B777 and B767 Sec 48 aircraft. Besides this, we signed a number of new contracts, having recently received orders for the design and manufacture of the A320 wing structure, the Sharklet.

Sales in Aerospace Business (Unit: KRW in billions)







We also repair and manufacture about 25,000 aircraft components, performing maintenance on 100 civilian aircraft including the B747, A330, and A300-600. We also perform maintenance on fighter jets and transporters belonging to the U.S. military stationed in the Asia-Pacific region. Recently, we landed an order for maintenance of the KC-130J, an in-flight tanker for the U.S. Navy. In the sector for R&D of unmanned aerial vehicles (UAV), we are involved in projects developing medium-altitude UAVs (MUAV), surveillance systems, small-scale stealth aircraft, and R&D of high-tech stealth capabilities.

In the aerospace R&D sector, we participated in the system assembly and engine development of Korea's first launch vehicle, the KSLV-1, and developed technology for test fa-

cilities for the KSLV-2. Currently, we are preparing for the third launch of the KSLV-1 and developing a design for a liquid rocket engine for the KSLV-2, as well as a booster tank. In the satellite sector, we are developing multi-purpose 3A satellite structures, solar panels, satellite barrel structures, and a model for the development of lunar probe structures.

Catering & In-flight Sales

Korean Air runs a profitable catering and in-flight sales business. We develop menus based on customer surveys, produce meals for scheduled flights at our catering center, and deliver meals for passengers on Korean Air flights and other carriers. Korean Air's in-flight meal catering center has acquired HACCP (Hazard Analysis Critical Control Points) certification from the Korea Food &

Sales in Catering and In-flight Sales Business (Unit: KRW in billions)



Drug Administration for its high safety standards. With the opening of a Food Safety Research Center at Inha University, we completed a systematic process for the entire chain of production, from the purchase of ingredients to the preparation and delivery of meals, while ensuring enhanced food safety and quality to meet global standards.

Korean Air's high standards in terms of menus, food services and meal preparation were again recognized for the sixth consecutive year, from 2005 to 2010, at the PAX Readership Awards sponsored by ITCA. Nonetheless, we will extend our efforts to improve our in-flight meals with the creation of new menus tailored to the unique tastes of customers differentiated by regions and routes. Korean Air continues to promote Korean food to global customers by offering a varied set of meal choices imbued with a taste of Korean traditional food. In addition, we sell in-flight duty-

free products to passengers on international routes. With careful study of the feedback and the analysis of customers' needs, we offer a variety of products while enhancing customer satisfaction through strict standards of quality control. In particular, our pre-order service has been instrumental in improving the efficiency of our in-flight sales.

Hotel and Limousine Service

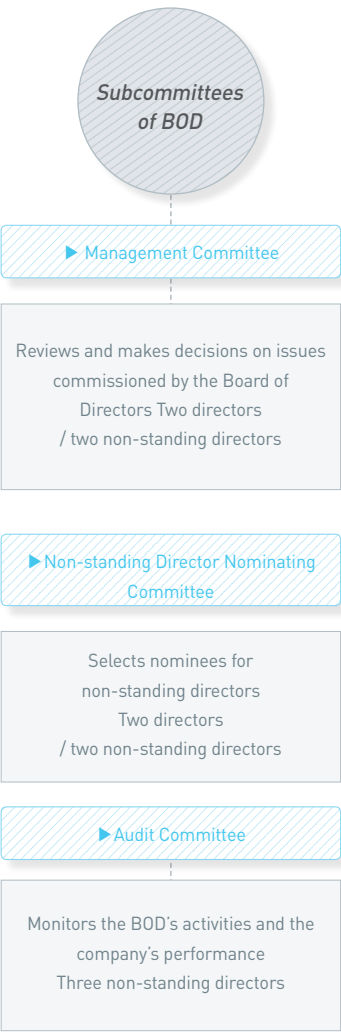
Korean Air operates KAL Hotels in Jeju City and Seogwipo, Korea, offering high-class services as a luxury hotel chain. In addition, we operate affiliated hotels such as the Wilshire Grand Hotel in Los Angeles, the Waikiki Resort Hotel in Hawaii, and the Hyatt Regency Hotel in Incheon. Furthermore, we have been providing a limousine bus service since 1992, which travels to and from downtown Seoul and between the Gimpo and Incheon Airports.

Sales in Hotel and Limousine Business (Unit: KRW in billions)



CORPORATE GOVERNANCE

A transparent corporate culture and ethical business practices contribute to corporate value. Korean Air’s executive management draws on the expertise of its members to make rational and objective decisions so as to achieve sustainable growth and to enhance shareholder value.



Korean Air’s board of directors consists of members of executive management who are leaders in the aviation industry and non-standing directors who have expertise in several fields. Non-standing directors monitor and advise executive management, thus making the management’s decision-making processes more transparent.

Board of Directors

Korean Air’s Board of Directors (BOD) deliberates and makes resolutions on issues included in the agenda approved at the general shareholders’ meeting and on issues of significance to Korean Air’s operations in accordance with company regulations and the Articles of Incorporation. The board also monitors the performances and fulfillment of duties by the company’s executive management. The Korean Air BOD is comprised of nine members including four highly capable executives who are leaders in the aviation industry and five non-standing directors who have high-level expertise in their respective fields. Under regulations governing the BOD, one or more accounting and/or financial expert(s) acts as a standing auditor(s).

Members of the BOD are given annual schedules and the agendas of BOD meetings to improve attendance and the efficiency of the BOD’s decision-making processes. Senior executives with expertise relevant to issues on the agenda are asked to attend particular meetings to provide comprehensive information related to the current matter at hand.

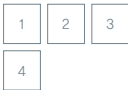
This enables the other BOD members to gain a better and fuller understanding of the topic being discussed, thus allowing for more informed decision-making. Non-standing members are provided with offices and the right of access to a diverse range of corporate information including the status of the company’s operations and performances via the company’s intranet.

At BOD meetings, the management delivers reports on progress achieved on issues placed on the agenda of previous meetings. Management also reports to the Audit Committee and the BOD regarding the company’s quarterly business results. Furthermore, three specialized committees operate under the direction of the BOD in accordance with rules and regulations relevant to each committee. These include the Audit Committee, Management Committee, and Non-standing Director Nominating Committee. Among these, the Audit Committee is composed entirely of non-standing directors to ensure the committee’s independence in monitoring the company’s performances and the activities of the BOD.

Compensation for directors is approved at the general shareholders’ meetings. In 2010, the BOD held seven meetings for deliberation and approved 38 items on the agenda. On average, 8.7 directors were present at BOD meetings in 2010, with an average attendance rate of 79% (non-standing directors: 86%).

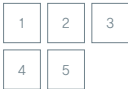
Directors

- <sup>1</sup> **Cho, Yang Ho** \_ Chairman & CEO
- <sup>2</sup> **Chi, Chang Hoon** \_ President & COO
- <sup>3</sup> **Lee, Tae Hee** \_ General Counsel
- <sup>4</sup> **Suh, Yong Won** \_ Executive Vice President



Non-Standing Directors

- <sup>1</sup> **Park, Oh Soo** \_ Professor, College of Business Administration, Seoul National University
- <sup>2</sup> **Lee, Sog Woo** \_ Lawyer, Law firm Doo-re
- <sup>3</sup> **Lee, Hee Beom** \_ Chairman of STX Energy & STX Heavy Industries
- <sup>4</sup> **Lee, Yun Woo** \_ Former management advisor, Daewoo Securities
- <sup>5</sup> **Hyun, Jung Taik** \_ Professor, College of International Trade, Inha University







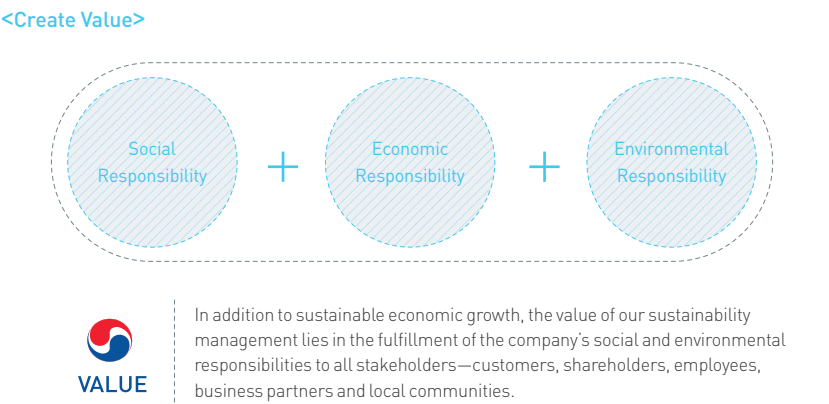
CURRENT  
EFFORT  
FOR  
SUSTAINA  
BILITY

*ACHIEVING BALANCED  
GROWTH IN ECONOMIC, ENVIRONMENTAL  
AND SOCIAL PERFORMANCES*

Korean Air remains dedicated to sustainably managing its environmental and social responsibilities while creating lasting economic value. Intent on creating a prosperous future and balanced growth for all stakeholders, we declared our commitment to managing the impact of our operations and practices on the environment as far back as the early 1990's. Since then, we have been active in promoting and managing various environmentally-friendly activities such as the global tree-planting campaign to halt desertification in Mongolia and China, the adoption of fuel-efficient eco-friendly aircraft that produce less noise, and the energy efficiency campaign. We also make concerted efforts, in conjunction with our business partners and employees, to create sustainable growth for all stakeholders through labor-management cooperation and transparency in our transactions with business partners.

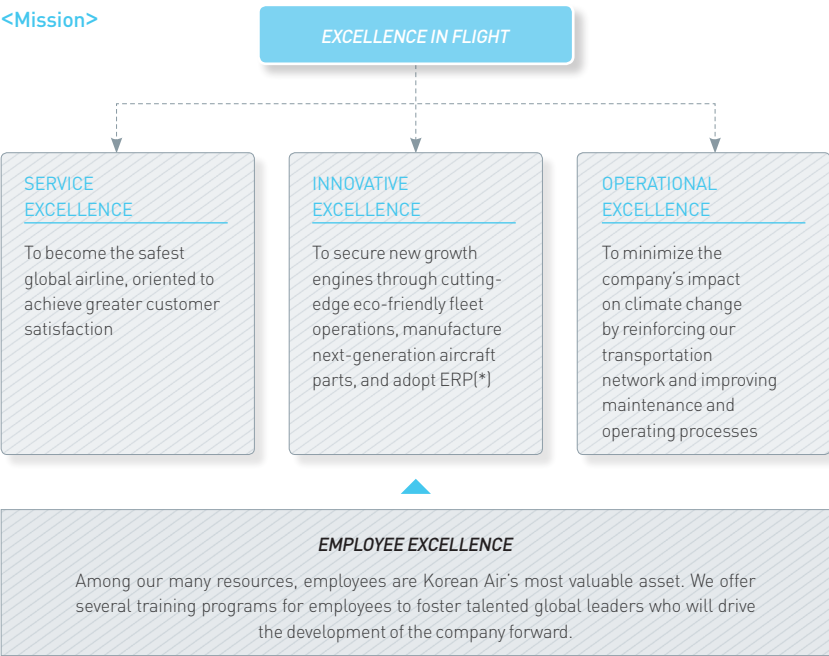
# KOREAN AIR'S SUSTAINABILITY MANAGEMENT

As a responsible corporate citizen that seeks to be respected by the present as well as future generations, Korean Air makes strenuous efforts to achieve balanced growth in its economic, environmental and social performances.

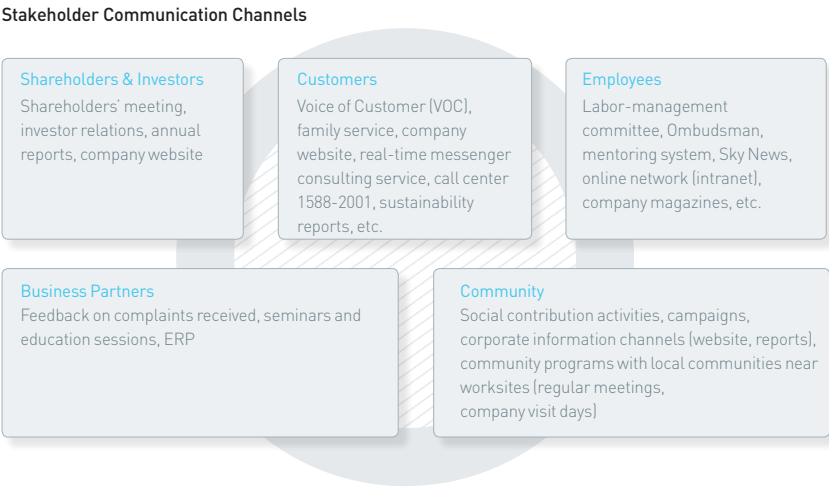


<Vision>

*To be a respected leader in the world airline community*



\* Enterprise Resource Planning (ERP): an integrated information system designed to aid in the efficient management of personnel and physical resources to strengthen the competitiveness of a company



Sustainable development is concerned with striking a balance between economic, environmental, and social goals to enhance the quality of life of both current and future generations. Although these goals are of equal significance, a compromise is required to achieve an optimal balance since each is mutually dependent on the other. To this end, Korean Air's global transportation network contributes to the sustainable development of the world in social and economic terms. Still, our usage of fossil fuels has an impact on climate change, and the levels of noise created by aircraft during take-off and landing affects those residing near airports. Thus, we endeavor, as a good steward of the environment, to minimize the impact of our operations while meeting increasing consumer demand for air transportation. Moreover, to fulfill our social responsibilities, we aim to raise the quality of people's lives through mutually-beneficial and open communications with diverse stakeholders.

01 Economic Responsibilities

Air transportation promotes balanced economic development among regions by facilitating the growth of business around the globe. It also increases travel, tourism and the conducting of business, which creates employ-

ment opportunities. Korean Air aims to fulfill its economic responsibilities of maximizing the value of society, businesses, and individuals by providing rapid and convenient passenger and cargo transportation to all corners of the world.

02 Social Responsibilities

We aim to fulfill our responsibilities as a corporate citizen to benefit those directly and indirectly influenced by our economic activities, including customers, shareholders, investors, employees, partners, and local communities. We provide customers with wonderful flying experiences, offer employees fair compensation, contribute to local communities through sharing and donating, and cooperate with partners for mutual prosperity.

03 Environmental Responsibilities

The noise created by aircraft during take-off and landing undermines the quality of life of people residing near airports. The combustion of fossil fuels causes an increase in greenhouse gases in the atmosphere, contributing to climate change. Korean Air continues to make company-wide efforts to achieve sustainable development capable of satisfying the growing demand for air transportation while minimizing the environmental impact of its operations.



BUSINESS ETHICS

Practicing and promoting ethical business practices within society



Korean Air instituted a Charter of Ethics in 2001 to serve as a guide for ethical behavior for our employees. Since then, the company has encouraged its employees to act in accordance with these higher ethical standards in performing their daily duties through various incentives and training programs.

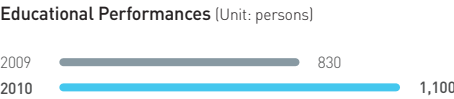
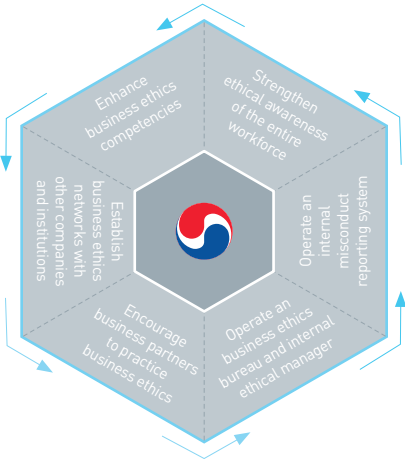
In collaboration with domestic and international organizations such as the Federation of Korean Industries (FKI) and the UN Global Compact, we promote the concept and practice of corporate social responsibilities and business ethics in society.

<Korean Air's Charter of Ethics>

Korean Air regards transparency and responsibility as vital to our management values. We also respect free market principles and abide by relevant rules and regulations in our business practices. With these principles, we strive to promote the mutual prosperity of both the company and society as a whole. To this end, Korean Air has instituted its own charter of ethics as outlined below and has pledged to put it into practice.

- ▶ We regard customer satisfaction and safety as our highest priority.
- ▶ We make every effort to maximize shareholder value for our investors.
- ▶ We respect and seek to enhance the quality of life of each and every member of our staff.
- ▶ We promote joint development with our business partners, based on mutual trust.
- ▶ We respect the principles of free competition and will continue to play a leading role in the development of the airline industry.
- ▶ We seek to contribute to the development of our country and society and to the preservation of the environment.
- ▶ We acknowledge and aim to uphold our obligations and responsibilities in accordance with the corporate principles set forth by the company.

Korean Air's Business Ethics System



Incorporating an ethical mind-set in our workforce

Korean Air includes a “Business Ethics” section on its internal communication network in order to provide training to the employees regarding business ethics as well as clear and detailed guidelines on correct behavior in business. Every year, the company provides classes in ethics for new employees and collects pledge forms from the employees, by which each agrees to uphold the ethical standards of Korean Air. In 2010, a total of 1,100 new employees completed the course in business ethics.

Internal Misconduct Reporting System

Since October 2002, Korean Air has administered an Internal Misconduct Reporting System to eradicate any possible misconduct such as unreasonable influence by individuals, financial or other irregularities, and other inappropriate financial or non-financial dealings with business partners. Not limited to employees, a stakeholder can report any type of misconduct, irregularities, and even inefficiencies in policies and management practices to the company via e-mail (personal information should be secured and fully protected when sending an email). After the accuracy of a report is ascertained, the reporter is informed of the follow-up actions taken and corrections made.

Strengthening external networks to enhance ethical management practices

In order to benchmark best practices and exchange information, Korean Air continues to build a network with outside entities through its participation in meetings, seminars and training sessions on ethical management practices corporate ethics, which are sponsored by the Korea Chamber of Commerce and Industry.

Internal Inspection of Observance of Fair Trade Regulations

In 2004, Korean Air’s management declared its commitment to observing fair trade rules. Since then, Korean Air has adopted a voluntary observation program to abide by relevant rules and regulations regarding fair trade, and set up an internal inspection system. The airline has also put in place a separate team dedicated to promoting awareness of unfair trade practices, the elimination of such practices, and the eradication of collusion in the setting of prices.

Internal Accounting Control System

To acquire reliable accounting information so as to enhance transparency in its management practices, Korean Air developed and implemented an advanced format for an internal control system to monitor the status of its internal operational controls on a regular basis. To expand the scope of the system, monitoring is not confined to the financial sector alone. We have expanded monitoring to include our overall business practices so as to detect discrepancies in and to improve our work processes.

# SKYTEAM'S JOINT STATEMENT ON SUSTAINABILITY MANAGEMENT

Joining the global aviation industry's concerted efforts to achieve sustainability in management and the prosperity of humanity

The SkyTeam Alliance endeavors to meet the growing demand for air travel while contributing to cultural exchanges between local communities. SkyTeam recognizes that economic growth must incorporate environmental protection and social development, and the al-

liance strives to set industry standards for protecting the environment, fulfilling social responsibilities and realizing equitable economic prosperity for humanity. In keeping with this philosophy, SkyTeam has adopted the following principles:

<SkyTeam's Joint Statement on Sustainability Management>

<p>01 SkyTeam is committed to realizing sustainable economic prosperity</p> <ul style="list-style-type: none"><li>▶ We are accountable for our financial results and guarantee transparency in the information we provide.</li><li>▶ We partner with local, national and international organizations to help build and strengthen the communities we serve through employment and economic growth.</li><li>▶ We act with integrity and strive to earn the trust of all of our stakeholders.</li><li>▶ We embrace safety, security and quality as the foundation for a superior level of performance in our operations.</li></ul>	<p>03 SkyTeam is committed to the protection of the natural environment.</p> <ul style="list-style-type: none"><li>▶ We endeavor to implement the best available technologies in fleet renewal and the most efficient procedures and operations to reduce noise and air emissions including greenhouse gases.</li><li>▶ We analyze our facilities and processes to identify opportunities for improving our environmental performance.</li><li>▶ We implement measures to reduce the environmental impact of our activities and ask our suppliers and subcontractors to do the same.</li><li>▶ We ensure all facilities and operations comply with environmental protection regulations.</li><li>▶ We communicate with our employees to ensure awareness of environmental goals and objectives, and support employee-driven initiatives to protect the environment.</li></ul>
<p>02 SkyTeam is committed to promoting social responsibility.</p> <ul style="list-style-type: none"><li>▶ We offer safe, motivating working conditions in accordance with applicable employment and labor laws.</li><li>▶ We strive to promote diversity and to ensure equal opportunities among all staff.</li><li>▶ We foster employee opportunities for advancement and mobility through career enhancement initiatives.</li><li>▶ We undertake to abide by all labor laws anywhere we operate, and request that our suppliers and subcontractors comply with these principles.</li></ul>	



Caring more about you





Launched in June 2000, SkyTeam is a global leading alliance of airlines. Its 14 members include Korean Air, Delta Airlines, Air France, Aero Mexico, Aeroflot, Alitalia, Air Europa, Czech Airlines, KLM, China Southern, China Eastern, Kenya Airways, Vietnam Airlines and TAROM.

Today, the SkyTeam operates 14,128 flights, carrying 474 million international passengers every day to 916 cities in 169 countries. Its cargo service, SkyTeam Cargo, covers 659 destinations in 132 countries. In the future, we expect to add new members, China Eastern Air and China Airlines of Taiwan in 2011, and eventually, Garuda Indonesia, Aerolineas Argentinas and Middle East Airlines, as the SkyTeam's routes and services continue to grow.

As an expression of its commitment to its social responsibilities, the SkyTeam organized the CSR Expert Group in 2008 and has been seeking ways to fulfill these social responsibilities as a team through regular meetings and various initiatives. With the declaration of the Joint Statement on Sustainability Management, the SkyTeam will step up its sustainability management endeavors in the future.



# 2010 KEY SUSTAINABILITY MANAGEMENT ISSUES

## 1 Economic Responsibilities

Korean Air posted KRW11,459.1 billion in sales and KRW1,119.1 billion in operating income for 2010, which are historic highs for the company. Korean Air will continue to improve its customer service and innovate its operating processes to further enhance its business performances, while distributing to stakeholders the economic value created through its business activities.

## 2 Addressing Climate Change

Korean Air's aviation operations have an impact on the environment, especially in terms of climate change, as the operating of aircraft generates CO<sub>2</sub>. At the same time, contrary to conventional thought which claims that aviation is one of the main culprits in global warming, aviation's share of the world's CO<sub>2</sub> emissions is a mere 2% of the total. Still, Korean Air is dedicated to further minimizing its environmental impact and continues to increase the number of cutting-edge fuel-efficient aircraft in its fleet and improve its operational efficiency in order to reduce its CO<sub>2</sub> emissions.

## 3 Minimizing Environmental Impact of Ground Operations

Korean Air follows a systematic environmental management system to minimize the environmental impact of its maintenance and other ground operations. At all worksites, we apply higher standards to the discharge of waste, chemical substances, wastewater, and soil pollutants, while increasing the number of aircraft in our fleet equipped with eco-friendly low-noise engines and complying with the ICAO's Noise Abatement Departure Procedures (NADP).

## 4 Customer Satisfaction

Safety is the top priority of our management policies. Thus, we make strenuous efforts to achieve accident-free flight operations. In addition, the protection of customer privacy is the underlying principle of our customer satisfaction activities, which include communication channels for receiving feedback, top-quality in-flight services, and convenient flight schedules and on-time arrivals through our global network.

## 5 Human Resources Development

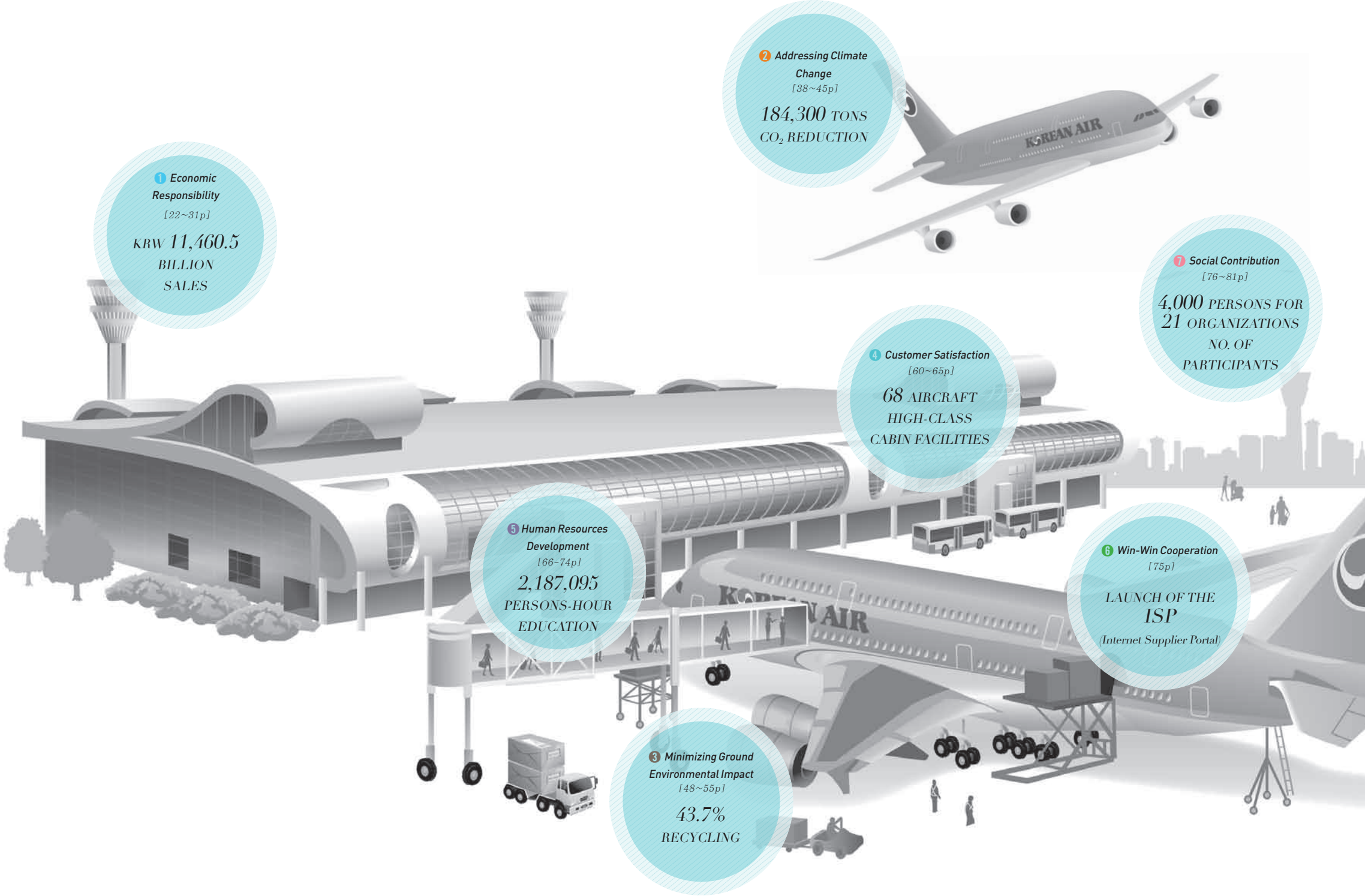
Korean Air has 16,000 dedicated employees working at its domestic and overseas worksites. Under the company's HR philosophy, that "a company is the sum of its people," we are building a great workplace for our employees. In addition, we seek to improve the quality of life for all employees through various benefits. Committed to promoting equal opportunities for women, we continue to increase the number of females working in mid- and high-level executive management, and as expatriate workers and cabin crew members. In 2005, we signed an agreement with the Korea Employment Promotion Agency for the Disabled (KEPAD) to promote the hiring of disabled persons and, to this end, set up a dedicated team in 2006 to increase the employment of individuals with special needs.

## 6 Win-Win Cooperation

Korean Air is committed to fair transactions and win-win cooperation with its business partners in mutually beneficial relationships. To promote greater transparency, we disclose all information regarding our procurement processes and policies. Also, to improve our partnerships, we apply a higher-than-standard code of ethics to facilitate transparent and fair transactions with business partners.

## 7 Social Contributions

Korean Air set corporate social responsibilities (CSR) as one of the company's major company-wide campaigns in 2010 and promoted various activities in service of the CSR concept during the year. On the first workday of the year, we declared our commitment to the principles of CSR and all employees pledged to donate their talents to help persons in need. Under four themes, "donations of talent," "donations of caring," "donations of hope," and "donations of happiness," we are involved in a diverse range of social contribution activities that allow employees to volunteer their time, talents and effort to any of these activities at least once a year.



*FROM*  
*IDEA*

*1.*

*ECONOMIC  
RESPONSIBILITY*

Entrepreneurship advances virtue in society.  
For instance, the equitable distribution of value created  
through responsible business practices enables Korean Air  
to contribute to the quality of life of all of its stakeholders.  
Committed to sustainable development, Korean Air is  
building a better tomorrow through transparent and  
responsible management practices.



#### Introduction of Enterprise Resource Planning (ERP)

“ Korean Air has successfully completed a three-year long ERP project in enterprise resource planning (ERP), which encompasses finance, procurement/ facilities, aerospace, catering, revenue management, management accounting and MRO. The benefits of the ERP system have made possible the closing of accounting periods from end to end, combining and standardizing the accounting of finance, materials, facilities and maintenance into a single system. With the practical use of real time and historical data, the system is expected to help us in reaching our goals of prompt decision-making, innovation, high productivity and reduced operating costs. ”



ERP Project Director Sang Man Lee,  
Executive Director

# TO ACTION

Korean Air aims to achieve sustainable growth by striking the right balance between its roles and responsibilities in terms of economics, the environment and society. While generating profitability from our air transport business, we will promote the balanced development of regional economies, strive to minimize the impact of our operations on the environment while fighting global warming, and contribute to the development of society as a responsible corporate citizen. In making these efforts consistent and continuous, we aim to improve the quality of life of our customers while providing “excellence in flight” services as the basis for all such efforts.





# CONTRIBUTING TO ECONOMIC DEVELOPMENT THROUGH OUR FLIGHT SERVICES

Flying around the world, we offer high-end passenger and cargo transport services to and from 113 cities in 39 countries. In connecting cities and supporting the exchange of resources, Korean Air takes pride in contributing to the development of the global economy.

In 2010, sales revenue from passenger routes grew by 16% from the previous year thanks to recovery in the domestic and global economy as well as a resultant growth in demand. Transportation volume also increased 10% due to a robust recovery in sales for international routes. While our Chinese routes maintained a 26% year-on-year growth, route sales to Japan advanced

by 17%, followed by 16% growth in Southeast Asian routes, 8% on American routes, 7% on European routes and 1% on routes to Oceania. By region, revenue from domestic routes grew by a whopping 47%, while revenues from Chinese routes improved 27%, contributing to 6% growth in revenue, from the previous year, for overseas routes.

Name	Korean Airlines Co., Ltd.
Address	1370, Gonghang-dong, Gangseo-gu, Seoul, Korea 157-712
Established	March 1, 1969
Business Area	Passenger and cargo transport, aerospace, in-flight meal service, in-flight sales, hotel and limousine service
Number of aircraft	128 (as of Dec. 31, 2010)
Flight routes	13 domestic cities 100 cities in 38 countries Total 113 cities in 39 countries



- America | Market share in sales 36%, Market share in number of passengers 12%, Market share in cargo transport 35%
- Europe/Middle East | Market share in sales 19%, Market share in number of passengers 5%, Market share in cargo transport 18%
- CIS | Market share in sales 1%, Market share in number of passengers 1%, Market share in cargo transport 1%
- China | Market share in sales 9%, Market share in number of passengers 14%, Market share in cargo transport 16%
- Korea | Market share in sales 6%, Market share in number of passengers 34%, Market share in cargo transport 6%
- Japan | Market share in sales 12%, Market share in number of passengers 20%, Market share in cargo transport 8%
- Southeast Asia | Market share in sales 13%, Market share in number of passengers 11%, Market share in cargo transport 15%
- Oceania | Market share in sales 4%, Market share in number of passengers 3%, Market share in cargo transport 1%



BUSINESS ENVIRONMENT & RISK MANAGEMENT

Rising above the global economic recession, we are taking flight to a brighter year in 2011, backed by enhanced customer-oriented business strategies, increased social contribution activities, strengthened profitability, excellent potential for growth, innovation in processes and improvements to efficiency.



2010 Business Environments and 2011 Outlook

In 2011, it is forecasted that the domestic and global economies will continue to recover on the strengths of expanding liquidity, the recovery in consumer sentiment, and the stabilization of European economies. However, the level of recovery in individual markets will be dependent on interest rates and the policies enacted by governments. A recovering global economy should also stabilize global demand for air transportation, though the growth rate may slow down slightly from the previous year. Published in March 2011, a report from IATA projected 5.6% and 6.1% year-on-year growth for 2011 in passenger and cargo transport, respectively.

While it is predicted that the won-dollar exchange rate will stabilize around KRW1,100 to KRW1,150 compared to 1 USD, the North Korea risk remains as a variable. In 2010, the price of WTI (West Texas Intermediate) crude oil stabilized at an annual average of \$80. In 2011, oil prices are likely to rise due to growing demand for commodities along with econom-

ic recovery. In addition, political instability and an inflow of speculative funds into the Middle East may lead to a sharp rise in oil prices.

2011 Risks & Opportunities

In 2011, Korean Air foresees new opportunities in the growing demand for air transport, especially those arising from the Korea-U.S. and Korea-European Union FTAs (Free Trade Agreements), and improvements in the company's corporate image as a high-end carrier with the adoption of the new A380 aircraft from Airbus. On the other hand, we foresee a growth in uncertainty from rising commodity prices due to recovery of the global economy, volatility of won-dollar exchange rates due to the North Korea risk, the likelihood of a sudden rise in oil prices due to political unrest in the Middle East and Africa, the advance of foreign air carriers into Korean markets and increased offerings of international flights by low-cost airliners.

2011 Business Strategies & Tasks

Korean Air has set several goals for management in 2011. These include becoming more

<Risk Management>

Currency Options

We have taken Zero-cost Collar options with major banks in and outside of Korea to hedge against foreign exchange risk arising from borrowing in foreign currencies.

Currency Swaps

We have concluded a currency swap contract worth USD90 million with HSBC to avoid the risk of volatility in our cash flow caused by fluctuations in interest rates and foreign exchange rates. The contract renders a floating rate of exchange on USD-denominated interest payments and pays a fixed rate of interest on the KRW-denominated principal.

Oil Price Options

We have taken Zero-cost Collar options with Morgan Stanley for the purchase of West Texas Intermediate (WTI) crude oil to hedge against increases in oil prices in the procurement of jet fuel.

Oil Price Swaps

We entered into a swap contract on WTI crude oil with Standard Chartered First Bank to reduce the risk of rising oil prices in the procurement of jet fuel.



customer-oriented, strengthening social contribution activities, improving profitability, realizing the potential for growth, innovations in processes and improvements in efficiency throughout the organization. In line with these goals, we have set the following tasks.

In order to become more customer-oriented and to fulfill our corporate social responsibilities, we are working to establish a completely safe operating system, strengthen our competitiveness through innovations in the quality of our products and services, and increase the level and scope of our social contribution activities. At the same time, we intend to strengthen our supply management system to improve profitability, secure future growth engines in new areas of business and new markets, and maximize profitability through high value-added products. Furthermore, we strive to improve overall efficiency through innovations in our work processes, the restructuring of our organization, and cost-reduction strategies.

Completed Enterprise Resource Planning (ERP) System

Korean Air undertook the implementation of an ERP System in October, 2007, with the target of building an integrated framework to support timely management decisions. ERP was launched sequentially, starting with Financial Accounting, and moving on to Procurement/Facilities, Aerospace, Catering, Revenue Accounting, Managerial Accounting, and finally,

MRO (airplane maintenance). In January, 2011, the three-year long ERP project was completed with the successful launch of the M&E (Maintenance & Engineering) ERP. One of the benefits of the ERP System is that it allows for end-to-end accounting settlements and the amalgamation of maintenance operations into a single system. Planning for materials, equipment and human resources have improved significantly with the use of a digital support system that allows for the sharing of maintenance documents, anywhere in the system and at anytime.

Meanwhile, methods for forecasting the need for engine removal and repair were designed based on established processes, thereby improving the accuracy of maintenance planning. As a result, maintenance data has become more transparent and real time monitoring is possible, creating an environment for continuous improvements in maintenance management. We plan to fully implement the ERP system in the near future and to maximize its effectiveness through efficient utilization of data. The practical use of real time and historical data is expected to assist the company in reaching its goals of prompt decision-making, innovation, high productivity and reduced operating costs. Furthermore, we have launched an Aviation Industry Strategic Council (AISC) in collaboration with Oracle's Global Development Team to ensure the continued enhancement of our ERP System.

CREATION & DISTRIBUTION OF ECONOMIC VALUE

By generating profitability through sound management activities, we distribute economic value equitably to our stakeholders.

In 2010, economic recovery and improved consumer sentiment resulted in a considerable increase in the transport of domestic passengers and cargo. Thanks to this favorable market, Korean Air achieved balanced growth in all areas of its business, including air transport, aerospace, catering & in-flight sales, and hotel/limousine services. Sales grew by 22% from the previous year to reach KRW11,460.5 billion, and operating profit increased by KRW976.2 billion to a record high of KRW1,109.6 billion.

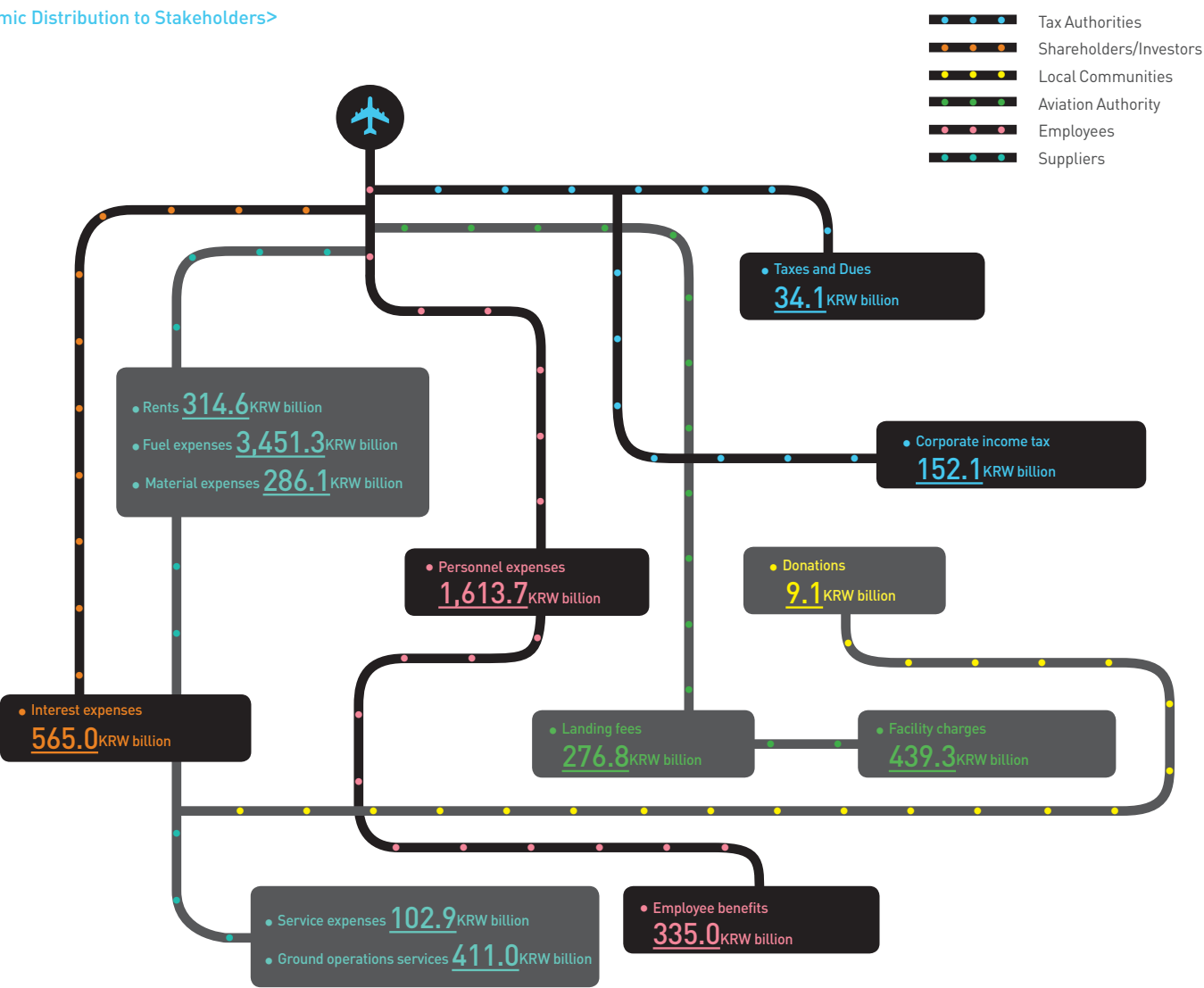
Seat sales on the company's passenger service gained 16% year-on-year thanks to the recovery in domestic demand, and the total number of passengers transported rose 10% due to a strong rebound in demand for our international routes. By route, our Chinese routes achieved the highest overall growth with an increase of 26% from the previous year as both the number of Korea-bound and China-bound flights grew equally. In addition, Japanese routes climbed 17%, Southeast Asian routes 16%, Europe 7%, and Oceania 1%. By region, revenue from domestic routes soared a whopping 47% year-on-year, whereas revenue from international routes edged up by 6%. Most notably, revenue from Chinese routes jumped 27%, mainly owing to the appreciation of the Chinese yuan and the rising average income of Chinese consumers.

Sales in Korean Air's cargo service hit a lull in the third quarter of 2010, but regained momentum as sales grew 10% in the fourth quarter, traditionally a high season for air cargo services. Nevertheless, sales growth slowed for cargo compared to 2009 due to a return to normalcy in the cargo sector after considerable growth in sales the previous year. In response, we added a number of nonscheduled flights to aggressively capture a larger share of the highly profitable market for single-delivery transport of cargo. We also expanded the number of flights on popular routes to increase profitability.

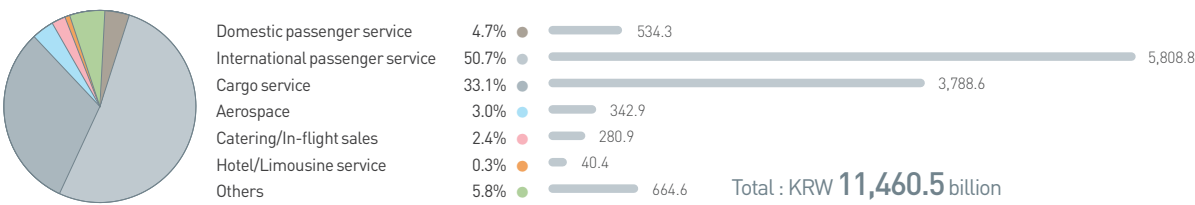
Although operating expenses climbed 12% year-on-year due to rising prices for jet fuel, operating profit jumped by a stunning 732% to KRW1,109.6 billion. As a result, the operating margin improved by 8.3%p year-on-year to 9.7%. As of the end of 2010, total assets increased thanks to growth in current and non-current assets, while total liabilities grew slightly year-on-year due to a rise in advance payments and accrued expenses. In 2010, the debt-to-equity ratio improved by 44.1%p to 409.1%, and EBITDAR grew 84.7% to KRW2,262.8 billion and the EBITDAR margin posted year-on-year growth of 6.6%p to 20.1%. The fixed charge coverage ratio also increased by 1.23x to 2.73x.

\* EBITDAR: Earnings Before Interest, Taxes, Depreciation, Amortization and Rent—as an indicator of the profitability of an airliner, EBITDAR is the sum of the above expenses.

<Economic Distribution to Stakeholders>



Sales Breakdown by Business Area (Unit: KRW billion)







# FROM

## CO- EXISTENCE

# 2.

## *ENVIRONMENTAL RESPONSIBILITY*

The normal business activities of companies inevitably have an impact on the environment. As a result, a growing number of global companies are coming to terms with their roles and responsibilities regarding the environment. Korean Air, for its part, is fully aware of the environmental impact of its business activities, such as the emission of gases contributing to global warming by our aircraft operations and the noise generated by aircraft during take-offs and landings.



Korean Air Forest in Mongolia

“ Near Baganuur, 150km east of Ulaanbaatar which is the capital of Mongolia, there is a forest called the “Korean Air Forest.” In collaboration with the Green Asia Network, a non-profit organization, and as a partner to the UNFCCC in the fight against climate change, Korean Air launched the forestry project to halt desertification in Mongolia and the resulting yellow sands carried by the wind throughout East Asia. In 2004, Korean Air Chairman Cho Yang-Ho and 100 new Korean Air employees planted the first trees of the forest. Since then, about 200 Korean Air employees have planted trees every spring. As of 2011, we have planted about 55,000 trees in the area. The Korean Air Forest was recognized by the City of Ulaanbaatar as the Urban Park of the Year in 2006, establishing the forest’s reputation as a local attraction.

Over the past twenty years, Mongolia has suffered from the effects of climate change with 76% of its land vulnerable to encroaching desertification, which has resulted in rising damage in neighboring countries due to yellow sand transported by the wind. New deserts contribute to this phenomenon, which has affected the health of Korea’s population and damaged the country’s industrial infrastructure. In addressing this issue, Korean Air took the initiative to institute a global approach to counter the problem. This “Korean Air Forest” project is highly significant in that it is restoring a specific area on a sustainable long-term basis. It is particularly significant given the severity of the damage caused in neighboring countries and the level of engagement of the local community and Korean Air’s employees in the program. For these reasons, this project has been a model for many Korean companies seeking activities to implement as part of their global corporate social responsibilities.

Starting on 2011, the project has expanded its scope to teenagers, introducing the concept of a “Tree Bank” to the project. In the future, the project will evolve further as it aims to move beyond the restoration of ecology to a program for assisting refugees escaping environmental degradation. Based on what Korean Air has achieved over the past eight years with the Korean Air Forest project, we hope it will be a model for other “protect your village, protect the planet” projects undertaken by companies as part of their activities aimed at making social contributions on a global scale. ”



Ki Chul Oh, Secretary General,  
Green Asia Network

TO  
CO-  
PROSPERITY

Korean Air declared its commitment to the environment in the 1990’s. Since then, we have been involved in various projects as part of our green management practices, including global tree-planting projects for the prevention of desertification, the adoption of eco-friendly aircraft with higher fuel efficiencies to reduce GHG emissions and noise levels, and various efforts to improve energy efficiency throughout our organization. Going forward, we will further our endeavors in green management for the betterment of the environment for future generations.





ENVIRONMENTAL IMPACT

Korean Air has in place a company-wide environmental management system to minimize the environmental impact of its aircraft operations and ground support services and to consistently improve fuel efficiency and the abatement of noise of its fleet.

Flight Operations

The most significant impact on the environment of our business operations stems from the use of fossil fuels. We know that the combustion of fossil fuels not only depletes reserves of natural resources, but also generates greenhouse gases which affect climate change. Furthermore, we know that toxic gases generated during aircraft take-offs and landings such as NOx, CO, and HC have an adverse effect on local air quality. Although noise from take-offs and landings has been significantly reduced compared to the past, it still has a considerable impact on local communities in the vicinity of airports. Dedicated to minimizing the environmental impact of fossil fuels and aircraft noise, Korean Air continues to invest in high-efficiency low-noise aircraft.

Ground Support Operations

The conducting of aircraft maintenance and repair entails the use of resources and chemical substances, and generates waste oil, waste organic solvents and other specified waste. The cleaning of the fuselage and other components results in discharges of wastewater. Also, as other ground support operations are also powered by fossil fuels, our overall ground support operations have an adverse effect on local air quality and climate change.



CLIMATE CHANGE

Korean Air cooperates with the IATA in joining industry-wide efforts to tackle climate change while striving to reduce its CO<sub>2</sub> emissions through fleet modernization and fuel-saving initiatives.

Goals

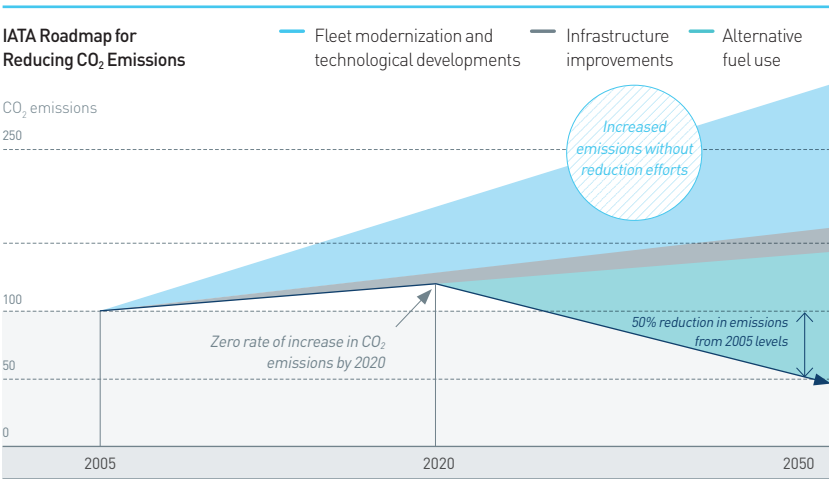
- 1 Zero rate of increase in CO<sub>2</sub> emissions after 2020
- 2 Average annual growth in fuel efficiency of 1.5% until 2020
- 3 CO<sub>2</sub> emissions 50% lower by 2050 compared to 2005



Vision and Goals

The international aviation industry accounts for only 2% of total CO<sub>2</sub> emissions generated by human activities. The 2% figure may be insignificant; however, global airlines have worked consistently to minimize the environmental impact of their operations even while meeting growing demand for air transport and the severity of climate change. Due to the industrial characteristics of operational venues, an effective counter to climate change and a reduction in CO<sub>2</sub> emissions requires the concerted efforts of all global airlines. Therefore, global airlines, led by IATA, have

joined together, and declared a lofty vision of realizing “carbon-free aircraft operations within 50 years.” In line with this statement, we have set several other goals, including that of reducing the rate of growth of CO<sub>2</sub> emissions to zero by 2020, of improving fuel efficiency by an average of 1.5% every year until 2020, and of lowering CO<sub>2</sub> emissions to 50% of the emissions output in 2005 by 2050. To attain these goals, Korean Air aims to achieve innovations in technology, while improving operational efficiency.



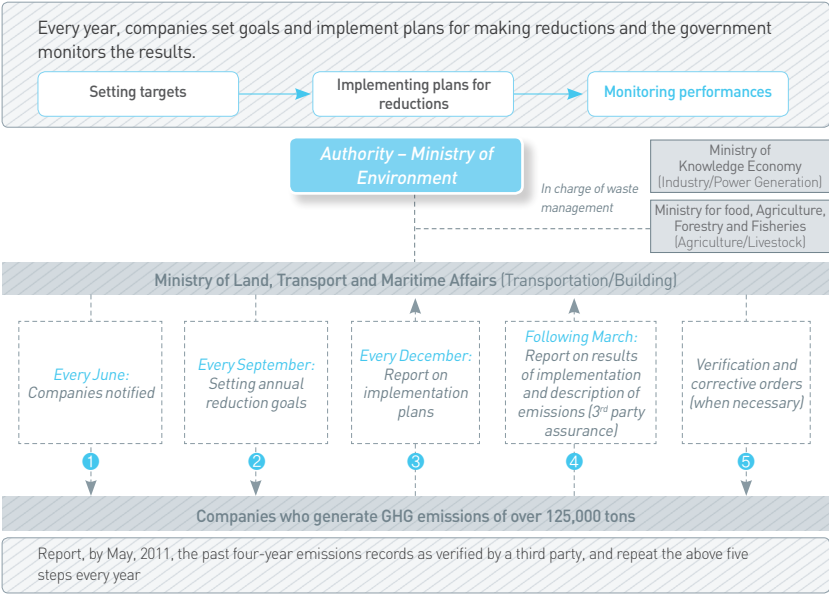
GHG & Energy Target Management System

Under the basic laws and enforcement decrees of the Low-Carbon Green-Growth initiative, the management of GHGs and energy targets began in April, 2010. In the program, 471 energy-consuming companies accounting for 60% of the nation’s GHG emissions (\*) are to set energy-saving targets and plans for implementation. The Korean government aims to reduce the nation’s total GHG emissions by 30% of estimated emissions for 2020. By May, 2011, the 471 companies are expected to report on their GHG emissions and records of energy use over four years from 2007 to 2010 and are to set goals for reductions by no later than September, 2011, with the implementation of plans to begin in 2012.

EU Emissions Trading Scheme (EU ETS)

Starting on 2012, all of Korean Air’s aircraft flying in and out of Europe will be subject to regulations limiting CO<sub>2</sub> emissions. Companies will be obligated to purchase credits to offset CO<sub>2</sub> emissions in excess of levels required by regulation through the emissions trading scheme. In response to this regulatory change, Korean Air set up a company-wide taskforce with representatives from flight operations, transport, fuel management, environment, planning and procurement in April, 2009. Korean Air submitted its M.R.V. plans to the authorities in September, 2009 and completed the development of a GHG data collection system in 2010 for the accurate monitoring of related data. The company then acquired third party assurance for the system in 2011. In responding to the EU’s Emissions Trading Scheme, Korean Air will apply strategic approaches such as new operational policies for reducing emissions of CO<sub>2</sub> during flights, new aircraft deployment policies, and strategic use of the ETS.

GHG & Energy Target Management System



(\*) Criteria: companies who generate GHG emissions of over 125,000 CO<sub>2</sub> tons and consume energy of over 500TJ, or whose plants generate GHG emissions of over 25,000 CO<sub>2</sub> tons and consume energy of over 100TJ



# ADDRESSING CLIMATE CHANGE

By adopting new eco-friendly aircraft, Korean Air is working ceaselessly to reduce carbon emissions and address climate change.

### Introduction of New Aircraft

The most effective way of tackling climate change is to make consistent investment in innovative aircraft technology. Korean Air is following a plan for fleet modernization, which will phase out the old B747 and A300 aircraft and increase the number of high-efficiency eco-friendly aircraft such as the A380, B787, and B747-8i in order to minimize the environmental impact of the fleet.

### Participation in the Manufacture of Eco-Friendly Aircraft

Korean Air is currently participating in the development of Boeing's new high-tech B747-8 model. For the project, we are manufacturing components such as wing tip extensions, flap track fairings for wings and other parts with streamlined structures, and raked wing tips. The raked wing tips are key components that require greater precision and higher technologies than other components due to their complexity. For instance, raked wing tips reduce air resistance, significantly increasing energy efficiency.

### Enhancing Efficiency through Fuel Management

In 2010, Korean Air spent KRW3,400 billion purchasing jet fuel, which accounted for 32.6% of the company's overall expenses. Better management of fuel efficiency has become imperative because of the high cost and large volumes of fuel required as well as the consumption of which negatively impacts the environment and global warming. To this end, Korean Air set up a Fuel Management Team in 2004, which sets standards and plans (missions) for greater efficiency in controlling aircraft performance, flight planning, operational procedures and weight management. In 2010, a savings of approximately 58,500 tons of fuel was achieved through consistent monitoring and control of 42 missions, with a consequent reduction in CO2 emissions estimated at 184,300 tons, and a 0.9% improvement in fuel consumption per ATK(\*) from the previous year. The ATK (Available Ton Kilometers) is an indicator of the fuel efficiency of an aircraft.



### Economical Procedures for Flight Operations

Korean Air follows various economical flight operation procedures. For instance, members of flight crews are trained to apply economical flight operation procedures, provided that flight safety or quality of service is not compromised. Crew members are directed to use minimal engine power for taxiing in consideration of flight conditions. It is also recommended that pilots make less use of the reverse-thruster while landing. These efforts contribute to economical flight operations without undermining the comfort and safety of passengers.

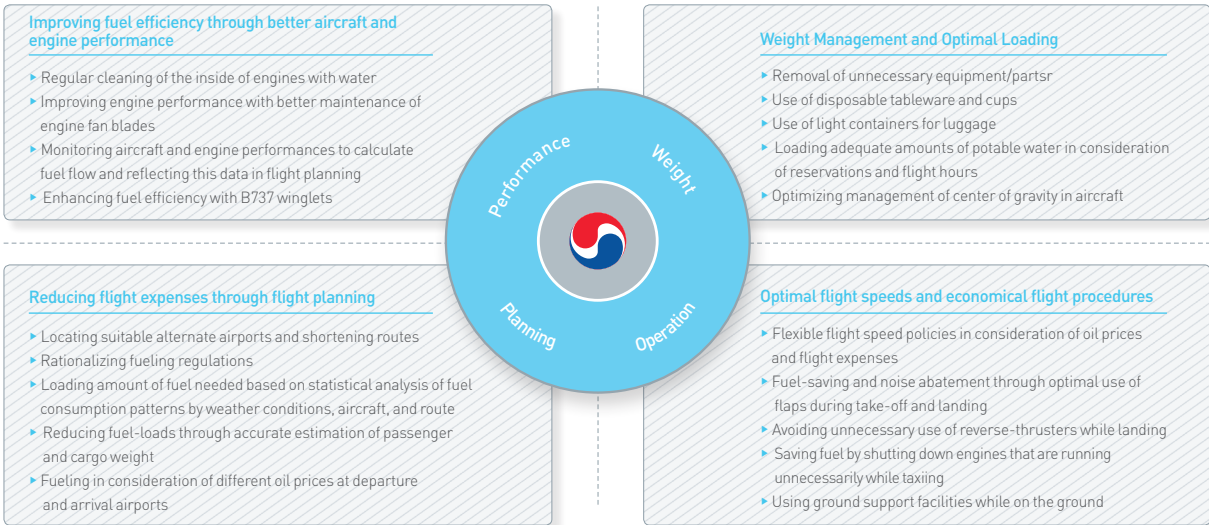
### Alternative Fuel R&D

Since the oil price hike in 2004, the aviation industry has been working to develop an alternative bio-fuel for aircraft, in consideration of the technological, economic, and sustainability aspects of such alternative fuels. In 2008 and 2009, several airlines succeeded in using a mix of conventional aviation fuel and bio-fuel in several test flights. This proved the efficacy of the technology, and now industries are actively studying the economic feasibility and sustainability of this mixed fuel. Korean Air is actively exchanging information and working with aviation associations to find ways of using alternative energy to fulfill our social responsibilities as an environmentally friendly corporation.

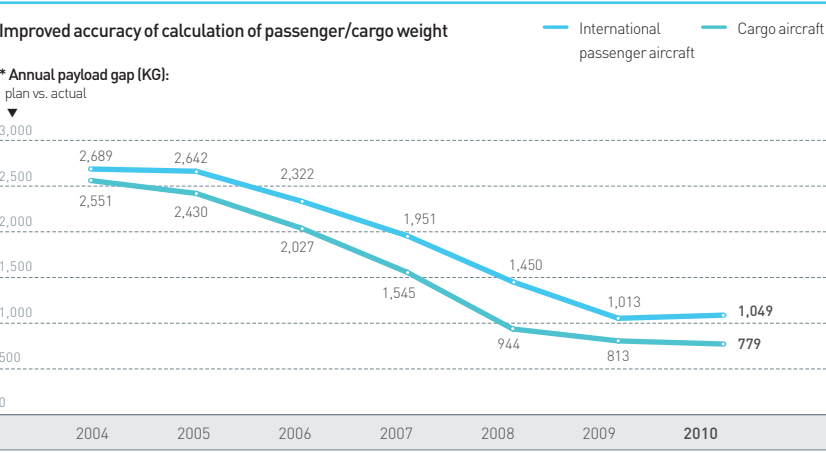
### Improving Flight Planning and Operational Procedures

An aircraft's fuel consumption varies significantly depending on weight. Therefore, accurate calculation of the weight of passengers and cargo in the flight planning stage is a prerequisite to optimal fuel loading. Korean Air has consistently improved the procedures and systems for accurate calculation of the weight of passengers and cargo. As a result, we were able to reduce the gap in the payload.

### Fuel Management Missions



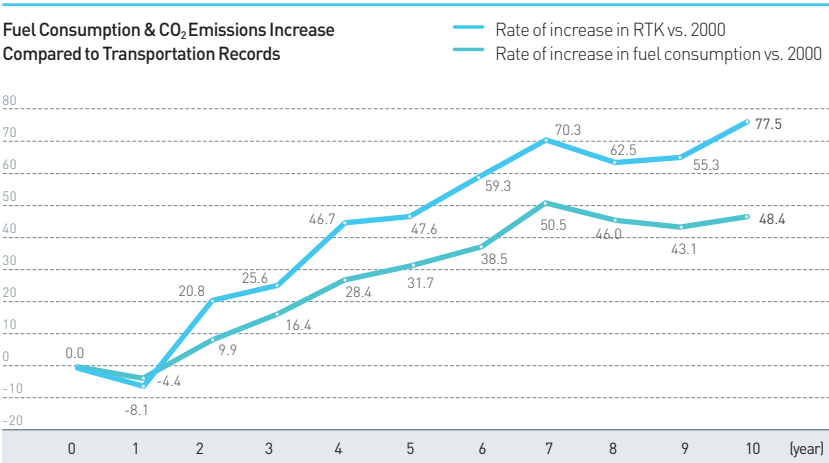
\* ATK: the maximum transport capacity of an aircraft, both passenger and cargo. 1 ATK is 1km in flying distance of an aircraft loaded with 1 ton.



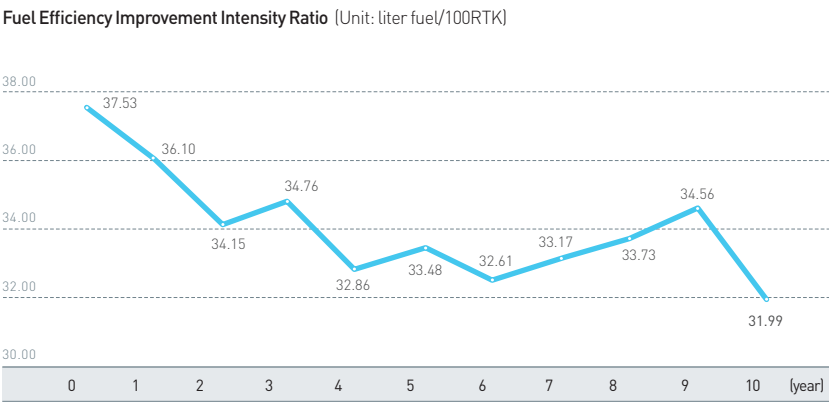


**Slower Growth in Fuel Consumption and CO<sub>2</sub> Emissions**

In proportion to the growing demand for air transportation following recovery in global economies, Korean Air's transport of passengers and cargo increased by about 77.5% in 2010 from the previous year. At the same time, our continued efforts to improve fuel efficiency resulted in only a 48.4% growth in fuel consumption and CO<sub>2</sub> emissions, reducing the stress of the added demand on the environment by 29.1%.



\* RTK (revenue ton kilometers) means one ton of revenue cargo (passengers are also considered in weight) carried one kilometer, and is the aggregate of transportable payloads for each instance of air travel multiplied by transport distance.



Aircraft CO <sub>2</sub> e Emissions	2008		
	2008	2009	2010
tCO <sub>2</sub> e	11,963,784	11,718,834	12,160,338
100RTK	139,328,519	133,207,452	149,310,435
kg-CO <sub>2</sub> e/100RTK	85.9	88.0	81.4

## FLEET MODERNIZATION

The most efficient way for Korean Air to address climate change is to replace our fleet with new high fuel-efficiency aircraft. Korean Air is following a fleet modernization plan to phase out the old B747 and A300 aircraft and increase the number of high-efficiency eco-friendly aircraft such as the A380, B787, and B747-8i, in order to minimize the environmental impact of its fleet.



### Fleet

**BOEING 747**  
Passenger 17 aircraft  
Cargo 24 aircraft

**BOEING 747-400**

- Seating Capacity 384/335/333/284 seats
- Maximum Distance 12,821km
- Maximum Duration 14 hours 14 minutes

**BOEING 747-400ERF(CARGO)**

- Maximum load 117.55 tons
- Maximum Distance 8,415km
- Maximum Duration 9 hours 22 minutes

**BOEING 777**  
Passenger 28 aircraft

**BOEING 777-200**

- Seating Capacity 301/261/248 seats
- Maximum Distance 12,538km
- Maximum Duration 14 hours 7 minutes

**BOEING 777-300**

- Seating Capacity 376/342/291 seats
- Maximum Distance 9,352/13,383km
- Maximum Duration 10 hours 26 minutes/14 hours 51 minutes

**AIRBUS 330**  
Passenger 21 aircraft

**AIRBUS 330-300**

- Seating Capacity 296/280 seats
- Maximum Distance 9,560km
- Maximum Duration 11 hours 8 minutes

**AIRBUS 330-200**

- Seating Capacity 256/226 seats
- Maximum Distance 10,421km
- Maximum Duration 12 hours 6 minutes

**AIRBUS 300**  
Passenger 8 aircraft

**AIRBUS 300-600**

- Seating Capacity 276/266 seats
- Maximum Distance 3,519/6,121km
- Maximum Duration 4 hours 22 minutes/7 hours 27 minutes

**BOEING 737**  
Passenger 30 aircraft

**BOEING 737-800**

- Seating Capacity 162/149/147 seats
- Maximum Distance 2,997/5,167km
- Maximum Duration 3 hours 41 minutes/6 hours 13 minutes

**BOEING 737-900**

- Seating Capacity 188 seats
- Maximum Distance 3,758km
- Maximum Duration 4 hours 33 minutes

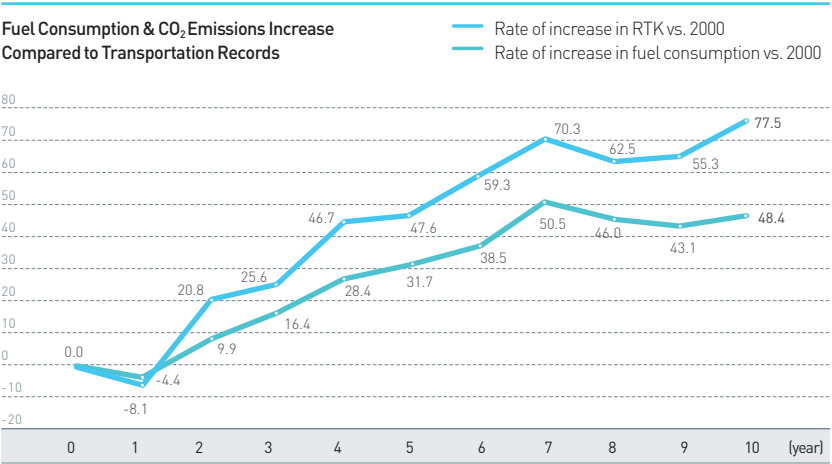
Total **128** aircraft Passenger 104 aircraft / Cargo 24 aircraft



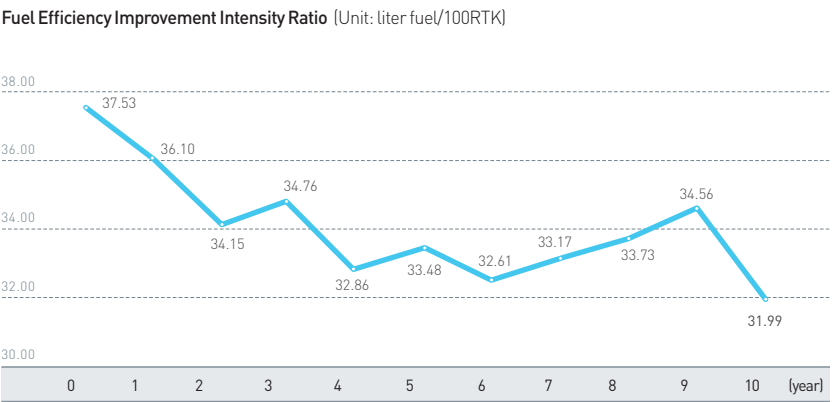


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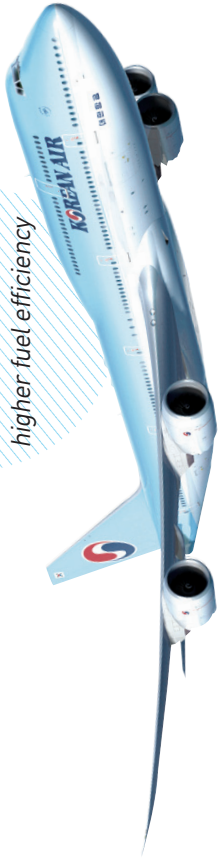
Cutting-edge technology allows for improved productivity

## B747-8i.

- 20% higher fuel efficiency
- 5 aircraft from 2013
- 13% higher economy
- 10% longer distance

The B747-8i is a new aircraft that Boeing has been developing since November, 2005. Its fuselage is 5.6m longer than the B747-400 with a seating capacity of 400 to 500 seats. The aircraft boasts 20% greater fuel efficiency with 10% longer range and 13% better fuel economy than the B747-400. Korean Air plans to introduce five B747-8i aircraft starting from 2013.

20%  
higher fuel efficiency



The entire fuselage is covered with light carbon composite materials, a first for a civilian aircraft

## B787.

30%  
higher fuel efficiency



- 30% higher fuel efficiency per seat
- 10 aircraft will be introduced from 2016
- 6,000 ft (1,800 m) optimum altitude allows comfortable light
- 15,750 km maximum distance

The B787 is a next-generation aircraft. It is a high-efficiency eco-friendly aircraft with more than 30% higher per-seat fuel efficiency than the B767. The B787's entire fuselage is covered with a light carbon composite material, and the aircraft utilizes cutting-edge engine technologies. The B787-9 aircraft, which Korean Air had planned to introduce in 2011 but has been delayed by the manufacturer, will be introduced later; the aircraft performs better and with greater efficiency than the B787-8. The maximum range of the B787-9 is 15,750km, 550km farther than the B787-8 with 30 more seats.



20%  
less CO<sub>2</sub> emissions



- 20% less CO<sub>2</sub> emissions
- 40% lesser noise footprint during landing and take-off
- 10 aircraft introduced from 2011 to 2014
- 13,473 km maximum distance
- 14 hours 48 minutes maximum duration

High performance engine/cutting-edge composite materials  
Eco-friendly jumbo jet



In June, 2011, Korean Air became the sixth airliner to adopt the A380 aircraft. The new A380 is a next-generation aircraft developed by Airbus. It has a full double-deck fuselage which makes it the largest super jumbo passenger jet in existence. Equipped with high-tech composite materials and high-performance engines, the A380 is an eco-friendly aircraft with excellent fuel efficiency. About 40% of its fuselage and components are covered with cutting-edge carbon fiber-reinforced composite materials and high quality metals. The A380 employs the GP7270 engine, which adds to the strengths of the GE90 engines while improving fuel economy, reducing noise and exhaust. The new aircraft consumes less than three liters

of fuel in carrying one passenger 100 kilometers, which is similar to the fuel efficiency of a compact car. According to Airbus, a round-trip between Seoul and Los Angeles can save 103 kilograms of fuel per passenger compared to the B747-400 and reduce CO<sub>2</sub> emissions by 327 kilograms, equivalent to the annual absorption of carbon by 33 trees. The significantly improved engine, aerodynamic structure, and performance allow for low-speed landing, reducing noise levels by half of that of the B747-400.



# NOISE ABATEMENT

To minimize the noise level of take-offs and landings in local communities around airports, we have instituted various abatement procedures and increased the number of low-noise aircraft in our fleet.

Noise Abatement in Departure & Landing Procedures & Other Noise Reduction Efforts

Korean Air duly performs noise abatement procedures during departures and landings as required by airports around the world to minimize noise levels in nearby communities. We also follow the ICAO’s Noise Abatement Departure Procedure and Continuous Descent Approach in our flight operations and employ low-noise eco-friendly aircraft to further minimize noise pollution.

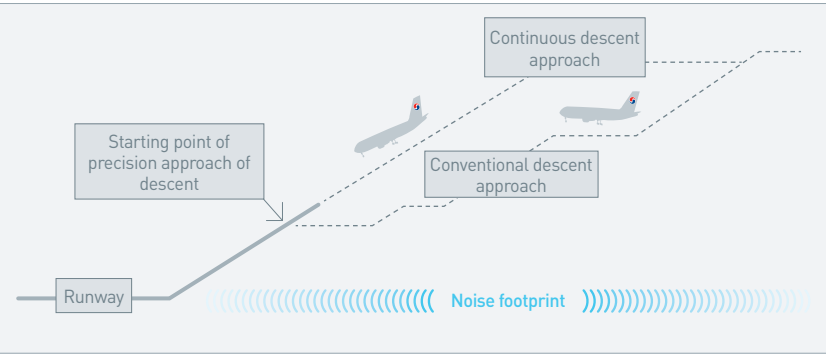
• ICAO Noise Abatement Departure Procedure

NADP 1 (Gimpo International Airport): This procedure involves a reduction in power or thrust at or above a prescribed minimum altitude (457m) and a delay in the retraction of flaps/slats until a prescribed maximum altitude (1,220m) is attained. At the prescribed maximum altitude above the aerodrome below, the aircraft accelerates and the flaps/slats are retracted on schedule while maintaining a positive rate of climb.

NADP 2 (Incheon International Airport): At first, the aircraft climbs using a prescribed thrust for take-offs. Then, as it reaches the prescribed minimum altitude (305m), it retracts the flaps and accelerates to a climbing speed until the aircraft reaches an altitude of 900m. This noise abatement procedure is used for departures when residential areas are farther away.

• ICAO Noise Abatement Landing Procedure

In November, 2007, we adopted the Continuous Descent Approach (CDA), as recommended by the ICAO, for our flights in and out of Gimpo Airport, Korea. The CDA is a prescribed procedure for descent in which the aircraft follows a smooth and continuous glide path to touchdown. This leads to significant reductions in both noise and CO<sub>2</sub> emissions compared to conventional methods of landing which are akin to descending a flight of stairs.

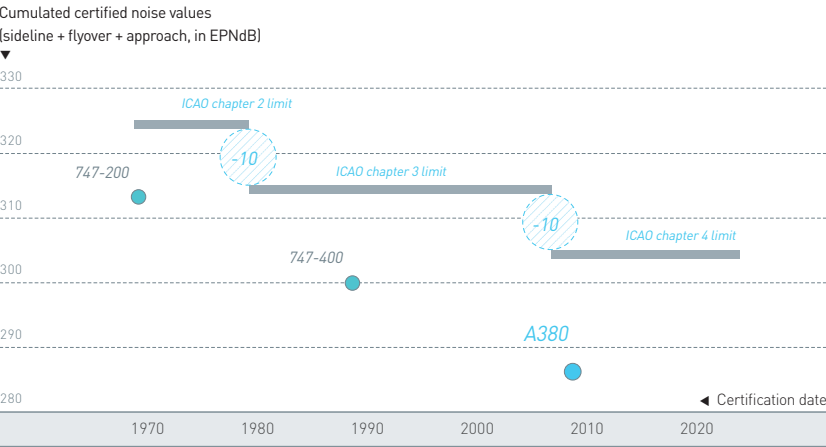


• Employing Low-Noise Eco-Friendly Engines

The ICAO first introduced noise regulations in 1969 and has, since then, continuously raised the intensity of its regulations. Since that time, aircraft technology has advanced steadily and high-performance engines have been developed, while improvements in aerodynamics and departure procedures have considerably reduced the noise pollution of aircraft, espe-

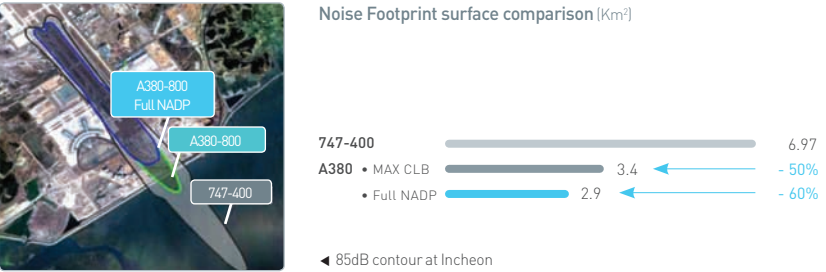
cially in comparison to the old jet airplanes of the 1960’s. Starting in 2006, all aircraft manufactured since that time are required to adhere to Chapter four standards, and all of the 128 aircraft in our fleet meet Chapter four requirements. In particular, the A380 (equipped with a GP7270 engine), which we added to our fleet in June, 2011, is known to be the quietest of the long-range jumbo jets.

EPNdB (Effective Perceived Noise Decibels)



\* Source : ICAO, FAA

A380 vs. B744 Noise Comparison



\* The A380 carries 40% more passengers with a noise footprint surface [85dB contour] of less than 50% of the B747-400.



# MINIMIZING ENVIRONMENTAL IMPACT

To minimize the impact of our operations on the environment, we have installed a company-wide environmental management system, developed a process for instituting annual environmental goals, and continue to reduce emissions of harmful gases and substances.



Environmental Management System

Korean Air has received ISO14001 certifications (an internationally recognized standard for environmental management) in five sectors – the Maintenance & Engineering Division, Aircraft Manufacturing Division, Catering Center, Headquarters & General Division, and the Hotel Division – and has operated a company-wide environmental management system since 1996.

Green Management Policy

Korean Air revised its Environmental Policies in July, 2010 to clarify its position regarding greenhouse gases and low-carbon green growth initiatives, and to remain up-to-date with green management practices and policies arising from rapidly changing circumstances in business environments. We have revised our Environmental Policies four times since instituting the policy in 1996.

Green Management Policy

We at Korean Air are concerned about creating a sustainable future for the earth. We respect universal values as a member of global society, and we adhere to the following Green Management Principles as part of our efforts to fulfill our social responsibilities as a leading global airline. We are committed to the following Green Management Principles which state that we will:

- 1. Improve flight procedures and introduce new aircraft in order to reduce noise and emissions of greenhouse gases.
- 2. Abide by national and international environmental laws and all relevant regulations, and apply stricter internal standards.
- 3. Minimize our impact on the environment through proactive measures and improvements in our performance in terms of sustainability.
- 4. Seek to make constant improvements in our performance in order to conserve and efficiently manage resources and energy.
- 5. Conduct training and provide educational opportunities for staff to strengthen their understanding and awareness of our environmental goals and to promote participation in company efforts to protect the environment.
- 6. Promote mutual cooperation with partner firms to execute green management policies and activities through communication on environmental issues.
- 7. Share information on our green management efforts and the results with the public.
- 8. Endeavor to protect the natural environment and contribute to the development of local communities through international cooperation.



Environmental Goals

In 2010, we devised a total of 112 environmental goals and achieved 96 of them.

Environmental Strategy	Mission	Number of cases	Results
Proactive response to GHG regulations	Aircraft GHG reduction	42	Accomplished
	Climate Change mitigation	5	Accomplished
	Energy process innovation	9	Accomplished
	Energy use reduction	16	Unaccomplished
Active communication on environmental issues	Environmental tour contest	1	Accomplished
	Ecoffice campaign	1	Accomplished
	Sponsoring and joint campaign with NGOs	3	Accomplished
Reinforcing compliance with environmental regulations	Preemptive pollutant management	7	Accomplished
	Increasing resource recycling	2	Accomplished
	Increasing waste recycling	1	Accomplished
	Reducing pollutant emissions	8	Accomplished
	Adopting eco-friendly processes	10	Accomplished
	Reducing waste emissions	7	Accomplished



Saving Energy

Korean Air monitors and analyzes the energy consumption at 24 of its facilities/buildings, including the Jumbos Volleyball Stadium (completed in 2008) and its headquarters, using an energy analysis web program. The total energy use in 2010 stood at 42,440 TOEs(\*).

Recycling of Resources

Korean Air's passenger and cargo transport services generate waste on a daily basis and aircraft maintenance and manufacturing processes create specified waste such as waste oil, waste paints and waste organic solvents. Korean Air strives to thoroughly control and effectively recycle these wastes. In 2010, about

44% of a total of 22,310 tons of generated waste was recycled. Food waste generated from cabin services accounted for about 30%, or 6,300 tons, of total waste and is incinerated in accordance with relevant laws and regulations. Daily waste amounted to 921 tons, or 4% of total waste, and is incinerated at our Gimhae incinerator. Incineration generates steam, which is reused in our production processes.

Energy Use (Unit : TOE)



Electricity (Unit : MWh)



Total wastes (Unit : TON)



Waste management (Unit : %)



\* TOE (Tonnage of Oil Equivalent): this is a unit of energy - the amount of energy equivalent to the energy released by the combustion of one ton of crude oil.



Air pollutant emissions (Unit : TON)

Year	SOx	Dusts	THC	NOx	Others
2008	19.2	11.4	10.1	45.4	8.1
2009	19.0	11.0	11.3	43.7	7.9
2010	17.0	10.4	10.5	40.5	7.9

Management of Air Pollutants

Operations at four of our premises generate air pollutants. To minimize the environmental load of pollutants on local communities, we adhere to internal regulations that are 50% stricter than those required by law. Our consistent efforts to manage air pollutants resulted in zero violations, whether monetary or non-monetary, of environmental regulations and sanctions for the year. We also went beyond our goal for controlling emissions of pollutants by about 14 or 15%.

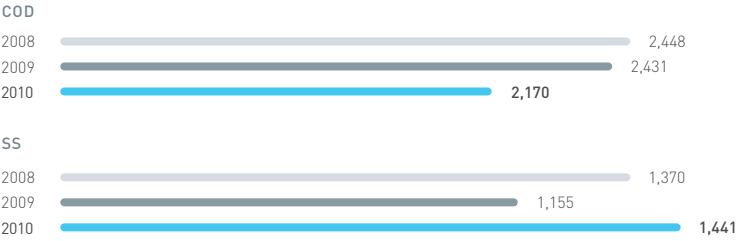
Management of Water Pollutants

Korean Air operates 16 sewage and wastewater treatment plants within its various premises. To minimize the impact of our operations on water resources, we adhere to effluent standards that are 50% stricter than those required by law. Every quarter, environmental inspectors perform checks of all environmental facilities to ensure compliance with internal regulations. They also analyze trends in the concentration of pollutants based on data recorded by a tele-metering system (TMS).

Water supply and wastewater (Unit : TON)



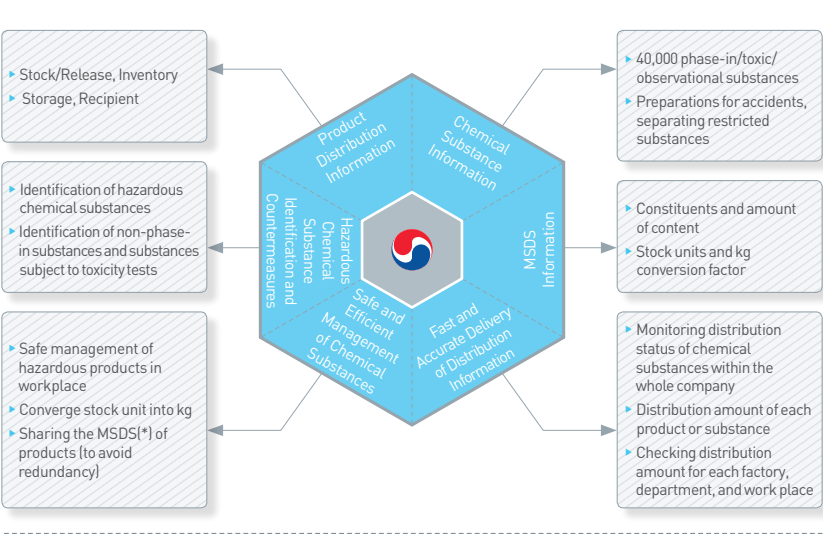
Wastewater load (Unit : TON)







Korean Air Chemical Management System (KCMS)



\* MSDS: Material Safety Data Sheet

Management of Chemical Substances

Various chemical substances are used in the maintenance of aircraft, but the amounts used are generally small. For the effective management of these chemical substances, Korean Air adopted the Korean Air Chemical Management System (KCMS) in 2006. At relevant locations, the KCMS provides easy access to information regarding the storage and release of chemical substances and the directions for handling. The system is regularly updated with new information regarding revisions to the Occupational Safety and Health Act and new chemical substances regulated by the National Institute of Environmental Research (NIER).

Management of Soil Pollution

Korean Air undertakes regular inspections of its jet and heating oil storage facilities to detect leakage and the consequent pollution of the soil.

Legal Compliance

As an eco-friendly company, Korean Air has set internal regulations that are 50% stricter than those legally required to proactively control the emission of pollutants. We also conduct annual internal and external evaluations of our environmental activities and the compliance practices of our environmental management systems, rewarding the best performers with promotional advantages and incentives.



Environmental Awards & Recognitions

Korean Air has earned a reputation as an eco-friendly company for its diverse environmental management policies, which have included the introduction of eco-friendly aircraft, efficient flight operations and fuel use, successful efforts at carbon reduction, and global tree planting projects in Mongolia and China. For instance, in 2010, we received four awards for our voluntary carbon reduction initiatives and our Eco office program, including the grand prize at the "2010 Seoul Environmental Awards," and the Korean environment minister's prize at the "2010 Low-Carbon Green-Growth Awards."

Environmental Expenses (Unit : KRW million)

Classification	2008	2009	2010
Outsourcing expenses	3,611	4,035	4,550
Operational expenses	1,788	1,837	2,358
Legal expenses	4,607	5,249	5,341
General expenses	1,334	1,255	1,517
Total	11,340	12,376	13,766

Environmental Expenses

The outsourcing of the treatment of waste and pollutants takes the lion's share of our environmental expenses, and an 82.5% growth in operational expenses for environmental facilities can be attributed to the repair and maintenance of the incinerator at the Tech Center (KRW370 million) and maintenance of our painting facilities (KRW380 million). In addition, 4.5% year-on-year growth in outsourcing expenses was due to the increased cost of outsourcing the treatment of waste solvents used in anti-icing and de-icing procedures at Incheon Airport (KRW480 million). A 5.1%

growth in legal expenses can be explained by an increase in charges for higher noise levels arising from an increase in the number of flights at domestic airports.

Environmental Education

In its educational programs for employees, Korean Air provides diverse training in environmental protection in an effort to strengthen the skills and competency of staff and to enhance awareness and knowledge of our green management policies.

Basic Course	* These programs aim at instilling in our employees the basic concepts of green management, thereby enhancing environmental awareness.
Job Competency-building Course	* We provide a variety of job training programs to enhance the competencies of environmental officers in our five EMS (Environmental Management System) sectors, including environmental management, energy, and environmental technology.
Working-level Course	* We provide training for working-level managers involved in environmental pollution control, prevention, handling and management, duly following all legal requirements in terms of providing specialized environmental training for specified staff.
On-the-job Course	* New employees are obliged to participate in the global tree planting project in Mongolia and China, and are also required to participate in various environmental protection activities.



# ENVIRONMENTAL PROTECTION CAMPAIGNS



We engage in diverse internal environmental protection campaigns to awaken our employees to the importance of protecting the environment.

The winner of the Green Teacher Green Tour program was awarded at Korean Air headquarters.

**Eco Office Campaign** Korean Air initiated “Eco Office Activities” in December, 2009, to raise awareness of global environmental issues and to fulfill its responsibilities as a good steward of the environment. All employees signed a pledge to follow eco-friendly practices and participate in such initiatives as “No Driving One Day of the Week” which is a “Two Wheels Movement” to encourage bike-riding, saving energy at home, and other activities to reduce CO<sub>2</sub> emissions. When employees find ways to reduce CO<sub>2</sub> emissions, they are given EcoPoints equivalent to the reduction, which are accumulated over the year and then donated to environmental NGOs. In addition, we have initiated a Save the Paper Competition among departments as well as other environmental activities that are easily incorporated into the everyday lives of employees. Korean Air plans to further develop “Eco Office Activities” as a key environmental platform of the company.

**Green Teacher Green Tour** We believe that education is the key to the future, but we also recognize that it requires a span of about a hundred years for the results of education to come to full fruition. Therefore, Korean Air continues to support a Green Teacher Green Tour program in conjunction with the Korean Ministry of Environment. The program was designed for teachers trained in environmental practices to go abroad to learn about environmental best practices, and then teach their students upon returning home. Thirteen teachers in five teams were selected through a contest and sponsored on a trip around the world. After the trip, teachers wrote about what they discovered and learned in terms of ideas for best protecting the environment. The essays and ideas were published and distributed as a booklet, and students from the schools affiliated with the teachers were given the opportunity to plant trees in Mongolia.

## Korean Air's Green Ambassadors - “Mr. Greene” and “Miss Love”

At Korean Air, we believe that protecting endangered species such as the Panda and the Asiatic Black Bear is the first step in protecting humanity and the planet. To demonstrate our commitment to this philosophy, the company designated a pair of teddy bears to be green ambassadors heralding the need for protecting endangered species. Named Mr. Greene and Miss Love, these 160cm-tall teddy bears dressed as Korean Air crew members were customized by the Teddy Bear Museum. In the run-up to the 16<sup>th</sup> Asian Games in November, 2010, Korean Air staged an eco-friendly campaign at the Baiyuan Airport in Guangzhou, China, where the teddy bear ambassadors were used to promote information on how to protect the environment and to encourage passengers to participate in Korean Air's Low-Carbon Green-Growth Initiative and Green Asian Games campaign. In the future, we plan to hold more global green campaigns in Tokyo, London, Madrid and other cities around the world.

## Distributing Herb Growing Kits to Domestic Passengers on Tree-Planting Days

Korean Air has distributed plant-growing kits of pine trees and wild flowers as well as flower seeds on every tree-planting day since 1998 in order to raise the environmental awareness of the public. In 2010, we provided growing kits of cherry tomatoes and in 2011, herb kits containing herb seeds and a soil mixture. Korean Air hands out the herb-growing kits at the airline's 12 boarding counters for domestic flights at the Gimpo, Jeju and Busan airports as well as its office building in downtown Seoul.



Korean Air hands out flower seeds, pine trees and wildflowers to passengers and citizens every tree-planting day.

Korean Air appointed the teddy bears Mr. Greene and Miss Love as green ambassadors at Gimpo Airport.







# *FROM* *HOPE*

## *3.*

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### *SOCIAL RESPONSIBILITY*

Companies are responsible for creating value for customers and shareholders, helping employees to reach their full potential and assisting in community development. Korean Air is well aware that customer satisfaction is fundamental to its business as a transportation service provider. Satisfied customers lead to better financial results and employees are able to reach their full potential in contributing to a successful business. Consequently, corporate value is enhanced and social development is achieved when a company effectively meets the needs of its customers.



*From me to we, We give back to society.*

*“It’s been years since I first joined the volunteer corps, the Very Special Angels, and paid a visit to the Hwaseong Orphanage. Children there used to be shy, but now we have become close enough to feel like members of the same family. I remember when I prepared meals for hundreds of people for the company’s fund-raising bazaar in 2010. The work was exhausting and laborious, but I was filled with joy in doing it. Whenever I visit the children at the orphanage, they always call me “flying aunt,” and that always makes me feel proud of myself and my job as a flight attendant.”*



Jeong Hee Jang, flight attendant,  
member of Gonihoe, Korean Air Volunteer Corps

# TO HAPPINESS

Korean Air gives back to society through its sustainability management practices as a way of thanking its customers for all they have done for the company. These practices include sharing with needy people and contributing to cultural development while building a better world for all.





# COMMUNICATING WITH CUSTOMERS

As a leading global carrier, Korean Air strives to achieve complete customer satisfaction through upgrades in service and to establish mutually beneficial relationships with its customers through regular communication.



### Communicating via Social Media

In January, 2010, Korean Air launched a twitter service both in Korean ([http://twitter.com/Koreanair\\_Seoul](http://twitter.com/Koreanair_Seoul)) for domestic customers and English ([http://twitter.com/Koreanair\\_Home](http://twitter.com/Koreanair_Home)) for international customers. Social media refers to the open online tools and media platforms through which people can share ideas, opinions, experiences and points of view. Korean Air strives to remain up-to-date with such popular SNS (social networking services) as Twitter, Facebook and MeToday (a Korean version of twitter) to take advantage of these newer-style channels of communication.

### Voice of Customer (VOC) Management

Our voice of customer (VOC) service is Korean Air's key means for receiving feedback, managing contacts, and providing customer services. At the moment, about 60,000 to 70,000 VOC comments—including praise, complaints, inquiries and suggestions—have been collected via e-mail and onboard VOC cards written in eight languages (Korean, English, Simplified & Traditional Chinese, Japanese, German, French and Russian) through our nine global websites for Korea, North America, Southeast Asia, Oceania, China, Hong Kong, Japan, Europe and the CIS (Commonwealth of Independent States).

Number of VOCs

#### Complaints



#### Praises



#### Inquiries



#### Suggestions



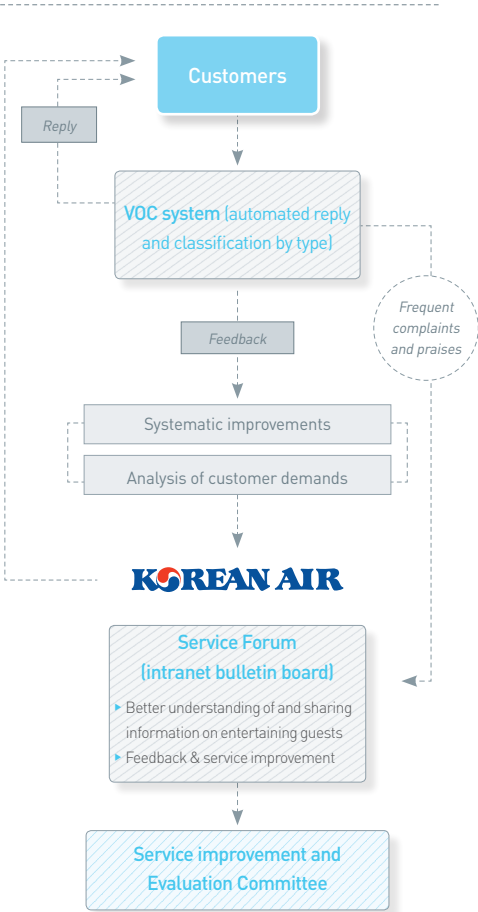
#### Others



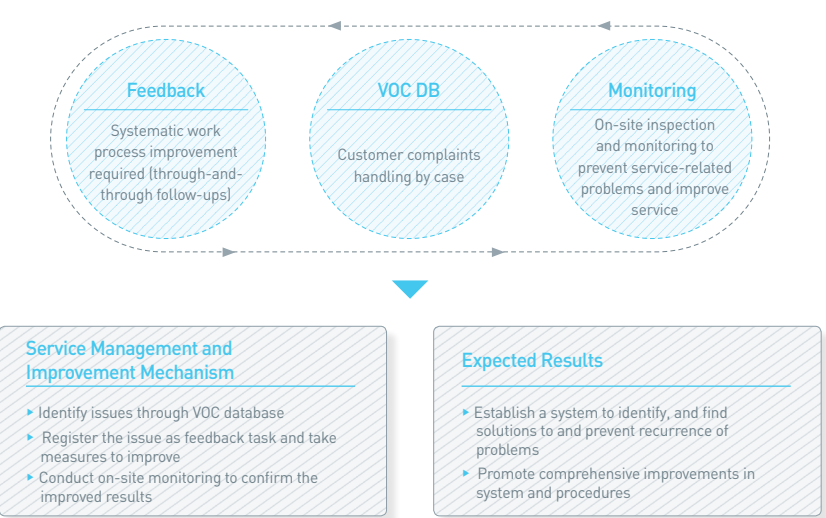
#### Total



VOC Flow Chart



Service Improvement Mechanism



In 2010, the number of comments received by the VOC grew by 17% from the previous year, with 19% increase in complaints and 14% and 0.4% increases in inquiries and suggestions, respectively. The numbers show a clear evidence of the public's higher expectations of Korean Air. At the same time, a 25% increase in the number of messages offering praise attests to our tireless efforts to improve the quality of our services.

### Service Excellence Program

On a quarterly basis, the Service Excellence program selects and rewards employees who have earned customer praise for excellent service in order to raise morale and instill a service mindset in our employees. The names of the winners are posted on the company's intranet bulletin board and featured as case studies in various educational materials.

### External Recognition of Korean Air's Service Quality

Our tireless endeavors to improve our customer service proved successful with Korean Air's ranking as the top performer in the air passenger transport service category of the "2010 Global Customer Satisfaction Competency Index (GCSI)" by the Japanese Management Association Consulting (JMAC). Developed by the JMAC, the GCSI is an index used to evaluate customer satisfaction with global companies. Since 2005, Korean Air has remained at the top of the index for six years in a row. In addition, the Korean Standards Association named Korean Air as the top airline of the year in its 2010 Korea Standard-Service Quality Index (KS-SQI) for the second year in a row. We, at Korean Air, are proud of such recognition and as a global carrier, our aim is to remain at the top in terms of customer satisfaction for years to come.

# IMPROVEMENTS IN CUSTOMER SERVICE QUALITY

We consistently seek to offer the highest levels of safety and convenience in the industry for customers using our passenger and cargo transport services.



Passenger Service

• Top-Class Cabin Service

The ‘Top-Class Cabin Service’ project entails the unprecedented renovation of cabins, which has changed the concept of service in flight. From 2005 to May, 2011, we renovated the interior of the cabins of 49 aircraft, including B747, B777, and A330 aircraft in our fleet. To date, we have upgraded the cabins of 68 aircraft, with all seats equipped with an AVOD system and power supply. In addition, washroom facilities and galleys have been upgraded, considerably enhancing customer convenience.

• One-stop Boarding Service for Smartphones

In March, 2011, Korean Air launched a smartphone application for international flight ticketing and seat-booking for smartphones on a real-time basis. When passengers purchase international air tickets, they can opt for the one-stop check-in service, which allows them to choose their seats anytime from 4 to 24 hours prior to departure by using a smartphone. After check-in, a passenger merely needs to provide identification at a given counter at the airport to receive their tickets.

• New Website for Visually-Challenged Persons

Korean Air opened a new website for special users ([www.koreanair.com/text](http://www.koreanair.com/text)) in March, 2010, with an improved user-interface made exclusively for persons who are visually-challenged. Comprising mostly text, this website uses a ‘Screen Reader’ program, which reads text aloud. The website also features useful functions for persons with other physical disabilities.

Improving Air Cargo Transport Service

• Special Care Service for Important Cargo

Special cargo, such as fragile cutting-edge IT devices, temperature-sensitive medicines, living beings, and ultra-large/ultra-heavy cargo, account for 25% of the freight transported by Korean Air. For safer and more efficient transport of these types of cargo, Korean Air offers a ‘special care service.’ Korean Air’s Special Care Service Team monitors these special types of cargo from reservation through delivery to the owner(s), providing services customized for the different characteristics of each particular cargo. Furthermore, we provide an e-Track service that notifies customers via email of the exact location of a cargo at every stage of transportation.



• Improving Customer Convenience at Incheon Airport

We offer a reservation system for customers who import or export freight through the Incheon Airport to allow for drop off or pick up without delays. When customers make reservations on our cargo websites and, designate a desired time of arrival, they are informed as to when the freight can be delivered to and retrieved from the airport. In case of delays in the departure or arrival of aircraft or delays stemming from ground support operations, customers are immediately notified via email and SMS (short message service).

Customer Health

• Transfer of Passengers with Medical Conditions

To ensure the safety and convenience of a flight for passengers suffering from a medical condition, we decide on the feasibility of flying based on the recommendation of a doctor. Passengers cleared to fly are provided with all required medical supplies and services such as portable oxygen or a flight bed.

• In-Flight First Aid

Every aircraft in Korean Air’s fleet carries an emergency medical kit (EMK), which includes a first aid kit (FAK), universal precaution kit (UPK), resuscitator bag and automated external defibrillator (AED), and an automatic blood pressure monitor and medical bag. Knowledge of safety guidelines, CPR certification, and training in other emergency measures are required of all flight attendants. In addition, Korean Air’s Emergency Medical Call System (EMCS) has emergency medical personnel and nurses on standby around the clock to provide medical advice in the event of in-flight emergencies, thereby reducing the potential for in-flight fatalities and decreasing the need for emergency landings and rerouting.

• Controlling Epidemics of Contagious Diseases

Korean Air continually monitors the potential for the spread of epidemics via air travel. In addition, Korean Air works in collaboration with domestic and international authorities and organizations in the event of an outbreak of disease to prevent such occurrences.



CUSTOMER  
HEALTH AND SAFETY

To ensure the highest levels of safety and security, we have an exhaustive inspection and security system in place to guarantee the comfort and peace of mind to our passengers.



Measures to Prevent Aircraft Accidents

Korean Air has earned a reputation as one of the world’s safest airlines. In particular, we have been taking the lead in flight safety as a member of IATA and as a member of the SkyTeam Alliance, including membership on its board of directors, a committee and a working group dedicated to security issues. With the establishment of an ICAO Safety Management System at Korean Air, the company has adopted the highest levels of safety standards, management processes and IT systems in the industry. In October, 2009, we strengthened our management of aviation safety by introducing SafeNet, which is an IT-based, company-wide system for managing safety issues. Consequently, SafeNet’s excellent risk management performance was widely recognized in 2010, with the system being selected as the most innovative security system in the aviation industry by EtQ, the world’s leading system developer.

Flight and Ground  
Safety Management System

Korean Air has operated a Flight Operational Quality Assurance (FOQA) system for 19 years, for the effective enhancement of flight safety. The system was upgraded to third-generation in 2011, with plans for implementation later in 2011. The 3G FOQA enables the collection of a greater diversity of information, thus improving analysis of flight data regarding flight safety, the quality of repairs performed and fuel management.

Korean Air’s ground support operations is moving ahead with plans to adopt a preventive safety management system, the “Ramp Operation Safety Audit Program,” and is encouraging suppliers to install the system, as well. The system is expected to be effective in detecting and preventing the occurrence of lapses in safety and security. This system will be adopted by the company as part of a more proactive approach to ground safety through its existing ground operation safety audit system.



SafeNet

Safety Check and Safety Audits

In September, 2010, Korean Air was audited for the fourth time for the renewal of its IOSA certification. In all four audits by IOSA, Korean Air passed all 900 criteria, successfully extending its IOSA certification until January, 2013. Since 2009, Korean Air has utilized the IATA Safety Audit for Ground Operations (ISAGO) to enhance safety and security involving ground operators from around the world. We conduct internal safety checks four to six times per year following IATAs ISAGO audit guidelines, and this information is shared with other members of the ISAGO Pool Advisory Group. In 2010, Korean Air was appointed to the ISAGO Oversight Committee. In addition, we undergo inspections by the U.S. Department of Defense (DOD) every two years as a DOD-approved carrier. Another inspection is slated for July, 2011.

Prevention of Security Incidents

Korean Air analyzes security information from cities on its flight routes on a monthly basis. In the event of an incident, the airline’s security system instantly responds by sharing information with relevant branches, related departments and national security agencies, while raising the alert level of its internal flight security system and instituting countermeasures. In preparing extensively for possible se-

curity incidents, Korean Air cooperates with national and international security agencies and organizations. We also equip our aircraft with a variety of security equipment and periodically train our flight attendants in anti-terrorism drills and measures.

Protection of Customer Information

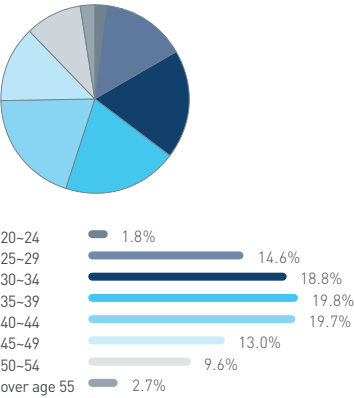
Korean Air provides internal guidelines on the securing of customer privacy. All of our internet-based reservation and ticketing service systems have obtained Information Security Management System (ISMS) certification, allowing for enhanced safety and security in using e-commerce systems.

EMPLOYEES

We respect and protect human rights and gender equality in the workplace while creating employment.

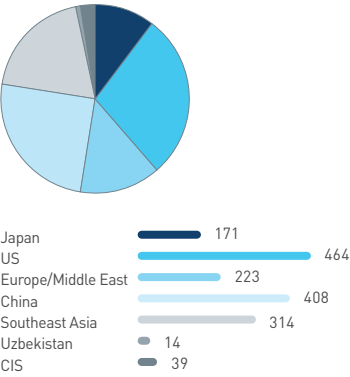
Workforce Breakdown by Age

\* Average age : 39.2 (Male : 42.6 / Female : 32.7)



Overseas Employment

\* Total : 1,633



Workforce Breakdown by Gender & Average Years of Service (as of Dec. 31, 2010)

Gender	Office General administration, Finance, Sales, Transportation	Flight Operations Cockpit, Cabin	Engineering Aviation, Production technology, Procurement, Communication, Facilities, Operation management	Etc. Computer-related work, Research, Catering, etc.	Total	Average Years of Service
Male	2,439	2,467	4,921	348	10,175	16.51
Female	2,022	3,334	36	52	5,444	10.14
Total	4,461	5,801	4,957	400	15,619	14.29

\* Excluding 1,633 overseas employees

\* Excluding executives

Korean Air actively supports its workforce in cultivating expertise and professional skills. Its annual recruitment drive creates employment, contributing to the number of those who are employed at home and abroad.

Respect for Human Rights

Under the philosophy of “a company is the sum of its people,” Korean Air respects human rights and strives to enhance the quality of life of its employees. We do not discriminate on the basis of gender, age, religion or regional background, nor do we allow discrimination in terms of type of employment, assignment, evaluation or compensation. To ensure adherence to these policies, an ombudsman program has been implemented at our counseling center to address employee complaints and receive suggestions. All information pertaining to counseling is kept confidential, and counselors are trained to respect the dignity of clients and to put them at ease in dealing with underlying issues. For the

prevention of sexual harassment in the workplace, we have set forth internal guidelines on how to prevent or respond to sexual harassment. In addition, all employees are obliged to complete on- and off-line courses on the prevention of sexual harassment at least once a year. Korean Air prohibits forced labor and child labor as stipulated by the Korean Labor Standards Act and ILO (International Labor Organization) conventions. No violations of labor regulations occurred during the reporting period.

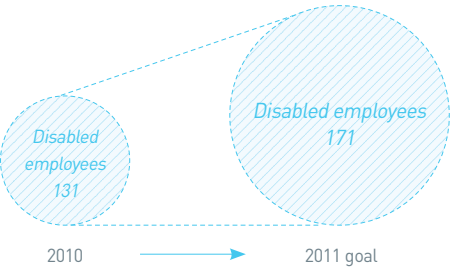
Increasing the Number of Female Workers

Korean Air has continuously increased its employment of female workers; as of the end of 2010, women accounted for over 35% of the total workforce. The percentage of new female employees has remained steady at around 58% of total new staff for the last three years. Lately, the number of female crew members has increased with more women joining flight crews or becoming flight engineers. Also,



Disabled Workforce

Job Functions :  
Flight-booking, ticketing and transportation  
Computer-related/general administration



we have continued to upgrade our human resources management policies to promote gender equality in overseas assignments and in training for cabin crew members. In December, 2008, Korean Air became the first Korean company to enter into a “Women-Friendly Company” agreement with the Ministry of Gender Equality & Family. In addition to complying with the legal requirements of the labor act, the company offers various additional benefits to female workers, including pregnancy leaves for flight attendants and leaves for fertility treatment. As a result, a 2007 survey of female university students ranked Korean Air as one of the top two companies to work for, and a 2008 survey ranked Korean Air as the company most admired by female consumers.

Increasing the Number of Disabled Workers

Since 2000, Korean Air has endeavored to increase its employment of disabled persons. In 2005, the company spurred on these efforts by signing an agreement with the Korean Employment Promotion Agency for the Disabled (KEPAD) to promote the hiring of disabled persons. While increasing the number of disabled persons on our staff, we have expanded the scope of positions for the disabled as well, from flight booking, ticketing, transportation, and computer-related work to general administration in order to accommodate an increasing number of disabled job seekers including the severely disabled. We also have increased opportunities for disabled employees

to become permanent employees. In 2007, we adopted home-based telework as regular employment, ensuring job security for people who are mobility-challenged. In recognition of these efforts, Korean Air was awarded the grand prize at the “2007 True Company Awards” organized by the KEPAD.

International Employment

As a globally competitive airline company, Korean Air has expanded its overseas operations, and accordingly, has recruited highly talented workers in its locales worldwide. Individuals are selected on merit and Korean Air does not discriminate on the basis of nationality, culture, or religion, thereby contributing to job creation in the regions in which the company operates. Furthermore, Korean Air applies standardized criteria in its hiring of both domestic and foreign staff to ensure equality of opportunity for candidates, and we have a zero tolerance policy regarding child labor and forced labor in full compliance with local labor laws.



# HUMAN RESOURCES MANAGEMENT

Our employees are our most valuable asset. We help our employees reach their full potential through fair evaluations and compensation programs.



HR Philosophy

“A company is the sum of its people” is the underlying philosophy of Korean Air’s human resources management policy. As the late founder, Cho Choong-hoon, noted, “It is people that make a company and it is the sum of such people that enables a company to grow and develop.” In addition, Korean Air strives to improve the quality of life of its employees and to support employees in both their personal and professional development by providing a physically and psychologically sound working environment.

Korean Air’s Ideal Talent

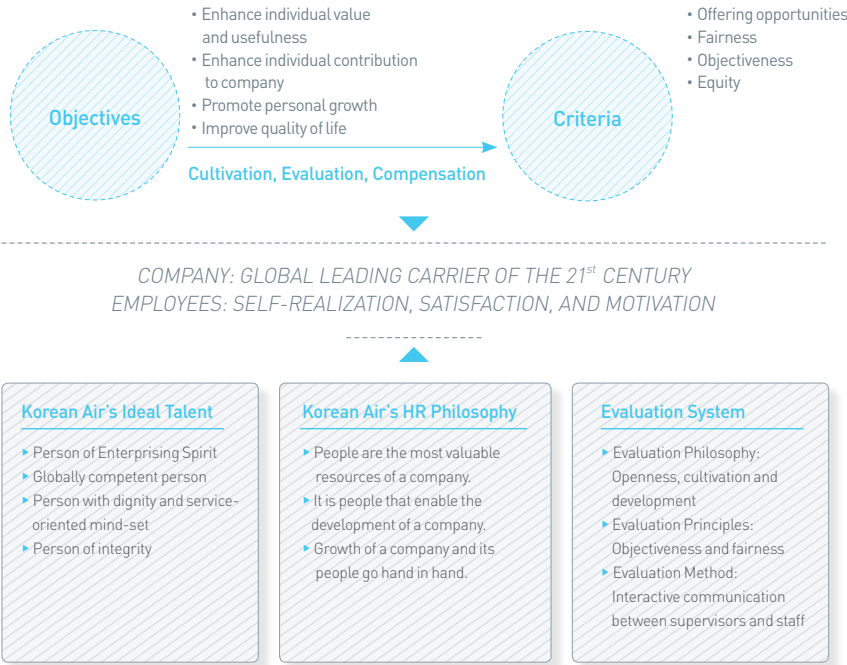
Korean Air pursues talented people who use creativity and innovative thinking in dealing with uncertainty or adversity. Our idea of a tal-

ented individual can be summed up as an enterprising person with global competencies who possesses a service-oriented mind-set as well as dignity and integrity.

Personnel Management

Korean Air’s workforce is classified under the categories of general administration, engineering, flight crew and cabin crew. Within each category, positions range from entry-level to executive, with many requiring varying levels of expertise or professional certifications/standards. Korean Air’s HR system is called a Total System, in which employee cultivation, evaluation and compensation are closely connected.

HRM System



Evaluation Scheme

Korean Air aims to motivate its employees through job satisfaction and self-actualization. We also seek to stimulate workers to work hard and achieve more through multi-layered systems in training, evaluation and compensation customized to differing job functions. Our evaluation scheme focuses on measuring the personal competencies of individual employees and their contributions

to the company. Our evaluation scheme is fair and objective, and it promotes transparency as an important part of our system for the development of human resources. Based on the results of evaluations, we provide individual feedback to each employee, encouraging further improvements in personal competencies.

Evaluation Philosophy	Openness, cultivation and development
Evaluation Principles	Objectiveness and fairness
Evaluation Method	Interactive communication between supervisors and staff

# HUMAN RESOURCES DEVELOPMENT

We invest in the fostering of talented people through customized educational programs and pursue openness in our corporate culture in which all employees share Korean Air’s corporate vision.

### Customized Education System

Under our strong belief that a company is the sum of its people and that a good education can lead to change in people, Korean Air offers various educational programs to cultivate the global competencies of its employees. Korean Air’s Human Resources Development Center is in charge of a number of company-wide integrated educational programs, including the training of managers and special programs for teaching core values. A separate training center also offers specialized courses in flight operations, maintenance, and cabin services in order to maximize employee expertise in these areas.

Korean Air’s basic education system is divided into different levels depending on the roles and responsibilities of each position. Educational programs are also categorized under business management, specialized training according to position, service training, and foreign language training. Recently, the business management

courses have been tailored for specific purposes and segmented to address ever-changing needs. The business management course is divided into a “leadership course,” “KE Core Value Course,” and “Global Competency-building course,” each customized as to the underlying purpose of each course. In particular, the course for increasing the competencies of team leaders has been established as a year-round program, while a new course dedicated to newly-promoted managers has been established as well.

### Core Values & Solidarity

In 2010, Korean Air renamed its educational programs as the Communication Excellence School, and the programs have been upgraded to instill in the minds of employees the company’s core corporate values and visions. All newly-promoted employees in all positions are expected to complete the course so as to ensure communication across-the-board, trust and solidarity within the



company’s corporate culture. We also hold annual seminars for all executives from our domestic and overseas operations to discuss and develop business strategies and ideas for innovation and to cooperate in achieving business goals. In addition, we have launched workshops for team leaders to educate them on business plans, policies and principles in a timely manner.

vatating required competencies for successfully fulfilling their job duties in a new country. In addition to these courses, branch managers should complete additional on-the-job training before beginning their work in the field.

Through year-round courses for local managers and hands-on training, Korean Air aims to provide more educational opportunities for overseas employees. Korean Air’s training courses for new employees and service training for overseas staff have proven effective in raising the competencies of employees and their commitment to the company. To ensure that overseas employees receive good education from the best instructors, Korean Air runs courses to train instructors and instructors are selected only from those who have completed the courses.

### Cultivating Global Competencies

Korean Air’s programs for building global competencies are classified into courses for employees who are newly-assigned to international posts and courses to assist in the localization of skills and competencies. Employees who are assigned to international posts attend preliminary courses and orientations. The three-month orientation courses are programmed to assist employees in culti-

Basic Education System

Business Management				Specialized training according to positions					Service training	Foreign language training			
Category	Leadership course		KE Core Value course	Global Competency-building									
Executives	KEDP		Executives' seminars										
Team leaders	Course for increasing team leaders' competencies		Team leaders workshops										
General Managers	M B A	Airline Management School	Courses for improving basic competencies (mandatory/online) 9 for deputy managers 12 for managers 11 for assistant managers 10 for staffs	Beginners course for newly-promoted managers	Communication Excellence School (Newly promoted)	Courses for employees assigned to international posts	Foreign employees dispatched to Seoul	Passengers	Cargoes	Cabin	Main-tenance	Flight operations	
Deputy Managers								Advanced courses	Passenger management	Cargo management	Specialized training for newly-assigned team leaders	Maintenance supervisors	Captain training
Managers		Courses for increasing managers' job competencies						Intermediate courses	Passenger care	Cargo care	Higher-class specialized training	Specialized maintenance by aircraft type	Promotion to captain
Assistant managers								Beginners courses	Passenger	Cargo	New employee training	Basic maintenance	Co-pilot training/orientation
Entry level	Airline Operations Basics												
	Course for new employee training												

2010 Education Performance (Unit: person-hours)





LABOR-MANAGEMENT RELATIONS

We have maintained cooperative labor-management relations and have been free of labor disputes for 42 years.



Korean Air’s Union Memberships

Category	Korean Air Labor Union		Korean Air Pilots Labor Union	
	Number of members/Number of eligible	Membership rates	Number of members/Number of eligible	Membership rates
2010	9,943 / 13,753	72 %	1,203 / 2,115	57 %
2009	9,970 / 13,801	72 %	1,251 / 2,078	60 %
2008	9,207 / 13,522	68 %	1,279 / 1,980	65 %
2007	9,281 / 13,276	70 %	1,273 / 1,829	70 %

\* All collective agreements with labor unions or the labor-management council’s resolutions cover the entire workforce of Korean Air, whether one is a member of a union or not.

Labor Unions

Korean Air has two labor unions, the Korean Air Labor Union which consists of workers in cabin service, maintenance and general administration, and the Korean Air Pilots Union. Relations with Korean Air’s Labor Union have remained dispute-free during collective bargaining for 42 consecutive years as Korean Air and the Labor Union have worked to build harmonious relations. Also, Korean Air’s Pilots Union has maintained cooperative relations with the company in a mutual effort to weather the economic crisis and raise corporate competitiveness.

Information Sharing & Mutual Cooperation

To promote transparency, Korean Air pledges to share management information as a principle in the collective agreement. Accordingly, the company immediately posts information regarding revisions to corporate rules, organizational restructuring, hiring, promotions, reshuffling of personnel, and retirement on its in-house website. Other than regular labor-management councils (held four times a year), wage negotiations (once a year), and collective bargaining (every two years), Korean Air holds additional collective bargaining or labor-management councils only if necessary. To promote mutual cooperation between labor and management, Korean Air convenes a labor-management task force team when making changes in major policies.

Labor-Management Communication through the Company Intranet

All employees of Korean Air have real-time access to corporate information such as company news, daily sales, major economic indicators, and corporate policies and regulations through the company’s various intranet systems such as the Employee Information System (KAL-MAN), the Work Management System, and the HANWAY system. KALMAN allows employees to monitor personal or income information or to apply for benefits including airline tickets. KAL-MAN also serves as an online channel for open and candid communications.

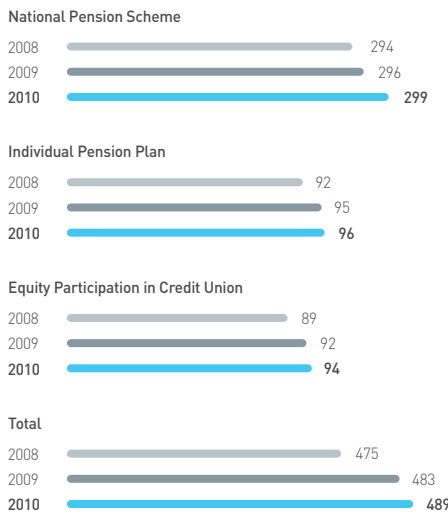
Labor-Management Culture of Sharing

Korean Air holds various special events for its employees and their families every year. In 2010, the company held a “Table Tennis Tournament” and a “41<sup>st</sup> Anniversary Marathon” to increase solidarity and cooperation amongst employees. Every year, the labor union and management jointly participate in volunteer activities such as delivering briquettes to needy people. In the future, we intend to increase opportunities for joint labor-management participation in volunteer activities. To this end, we are planning such joint activities as the cleaning up of buildings and facilities belonging to charities for the disabled, extending a helping hand to mentally-challenged farmers, and making Song-pyeon (rice cakes for Korean Thanksgiving) for the disabled.

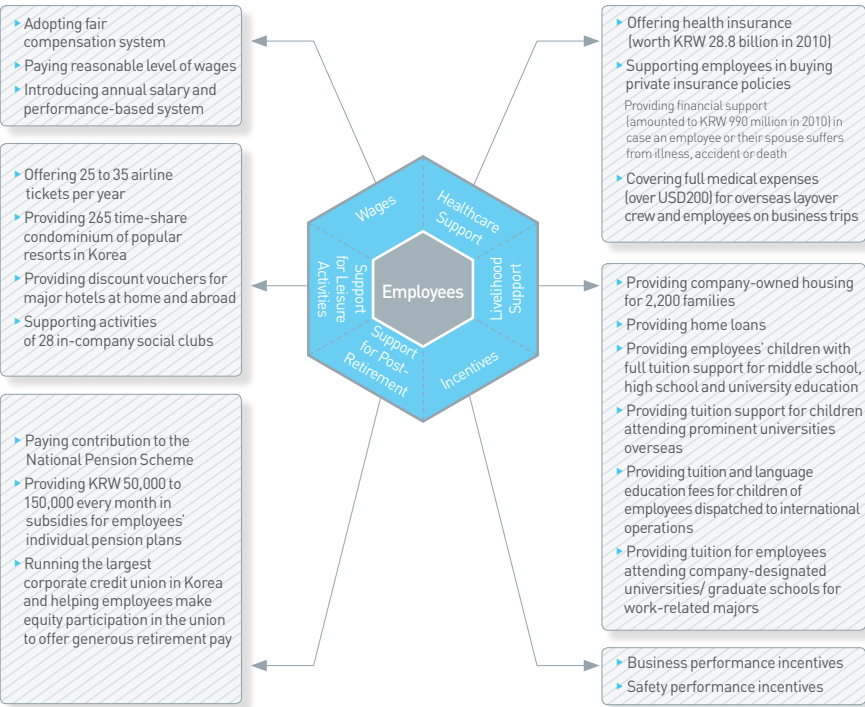
WAGES & WELFARE BENEFITS

Korean Air has adopted a Total Compensation System, which combines performance-based wages with benefits that are closely related to employees’ lifestyles.

Pension & Equity Participation (KRW 100 million)



Total Compensation System



Korean Air’s Total Compensation scheme offers reasonable performance-based compensation and welfare benefits that are closely related to employees’ lifestyles to help them in reaching their full potential.

Wages and Incentives

Korean Air pays top wages and incentives in the aviation industry. New employees with a bachelor’s degree are paid wages that are about 300% higher than the legal minimum wage in Korea. Korean Air offers every employee equal opportunities for advancement based on individual capabilities and performances, backed by the proviso that any form of discrimination related to religion, age, gender, or academic background is strictly prohibited. In addition, Korean Air provides incentives based not just on that year’s business performances but also on safety-related performances in order to encourage employees to remain vigilant in terms of safety.

▶ Wage & Incentives | reasonable financial rewards based on individual performances and capabilities.

▶ Retirement Allowance System | a system under which employees receive funds for retirement equivalent to their wages for 30 days times every year employed by Korean Air. The introduction of a retirement pension scheme is under consideration based on a broad consensus of its necessity, but the timing of the introduction has not been fixed as of yet.)

Welfare Benefits

Korean Air offers employees 25 to 35 airline tickets annually to encourage the enjoyment of leisure time and to broaden minds in terms of global leadership. In addition, the company offers a wide range of welfare benefits including low-rental company-owned housing, tuition support for the children of employees, medical subsidies, and support for leisure activities and post-retirement plans.

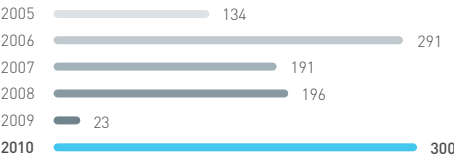
HEALTH & SAFETY

We operate state-of-the-art facilities at our Aviation Medical Center to more effectively manage the health and occupational safety of our employees.

2010 Health Care Programs

Category	Health Care Services (persons)
General Medical Check-ups	14,503
Aviation Physical Examination	2,669
Physical Fitness for Cabin Crews	4,514
Primary Health Care (outpatient care)	10,865
Transfer of invalid passengers	2,622

Safety Performance Incentives (KRW million)



Employee Health Care Service

Korean Air gives regular medical check-ups to all employees for the prevention, early detection, and treatment of health problems. We also run various health care programs such as first-aid training, and sponsor campaigns promoting vaccinations for influenza and cervical cancer. Regular monitoring of workplaces to ensure the health and safety of employees is undertaken by joint teams of doctors, nurses, and occupational and environmental hygienists who pay regular visits to workplaces. These health professionals offer practical down-to-earth advice and medical care and post health information on- and off-line for the benefit of employees.

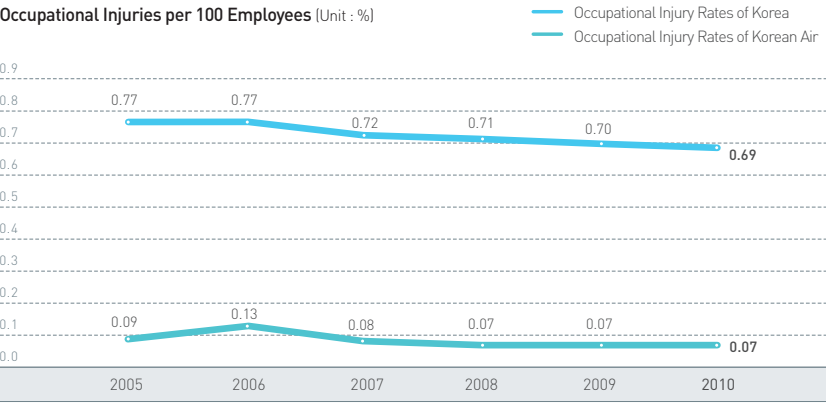
Health Care & Physical Examinations for Flight Attendants

Through our health management programs we make every effort to ensure the health and safety of our cabin crew members so as to secure the safety of flights and the fulfillment of duties. Korean Air issues and manages a comprehensive domestic/international certificate for aviation physical exams, and offers preventive health care to ensure safe flight operations. In order to protect cabin crew members from musculoskeletal disorders, Korean Air regularly conducts physical

fitness tests and provides continuing health management programs based on the results.

Occupational Safety

Korean Air has promoted campaigns for accident-free workplaces and is committed to providing healthy, accident-free workplaces for its employees. Employee concern and awareness of workplace safety have led to voluntary activities aimed at the prevention of accidents. All employees duly follow given work processes and continue to improve safety at workplaces. As result, we have maintained a low occupational injury rate of 0.07% for the past three years and the figure continues to decline. In addition, Korean Air has reinforced its injury-prevention activities with the introduction of a Job Hazards Analysis, a system that encourages workers to identify and address risk factors in the workplace. We also conduct risk assessments of work processes susceptible to occupational accidents and take corrective action to mitigate such risks and to secure safety measures. We also offer incentives to promote awareness of safety violations and to prevent injuries.



WIN-WIN PARTNERSHIPS

We promote fairness in transactions and offer various support programs for our business partners to achieve win-win partnerships.

〈Major Achievements of Win-Win Partnerships〉

- 1 Bill payments in cash
- 2 Technical support and training
- 3 Education/training and seminars
- 4 Commodity prices-linkage system
- 5 Regular meetings and reward programs



Fair Trade

Korean Air makes the utmost efforts to promote fairness in its transactions and achieve mutual growth with its business partners. In strengthening partnerships with other businesses, we aim to spread the practice of corporate social responsibilities so as to grow mutually beneficial. To this end, we collaborate with our business partners in a variety of businesses, not only air transportation but manufacturing and services, as well. Furthermore, our quality-oriented fair transaction programs allow for greater transparency in our purchasing policies and processes. We have established a strict code of ethics as well, and we invite our partners to abide by this code.

Partnerships and Mutual Growth

The mutual growth of Korean Air and its business partners is integral to sustainable economic growth. Thus, Korean Air continues to establish and strengthen win-win partnerships through various strategic alliances. With the opening of an iSP (Internet Supplier Portal), a website for suppliers, along with the introduction of an ERP (Enterprise Resource Planning) system in January, 2009, Korean Air has strengthened its relationships with

suppliers. The iSP system enables suppliers to monitor the status of orders, deliveries and payments more quickly, and it also allows suppliers to address problems through a Q&A bulletin board. Furthermore, managers from all departments make regular visits to suppliers to listen to and address concerns so as to reinforce mutual trust. Korean Air also conducts supplier satisfaction surveys on a regular basis to identify policies and support measures requiring improvement, and the results are reflected in adjustments to policies. As for financial support, Korean Air contributes to the stable management of its suppliers by conducting all transactions in cash.

Green Purchasing

Korean Air supports green purchasing, which is the practice of buying environmentally-friendly products and services. Such practices include the purchasing of cutting-edge aircraft and engines with high fuel efficiency and new aircraft equipment and lightweight products that contribute to reduced fuel consumption. As a responsible corporate consumer, Korean Air will continue to participate in the purchase of green products to promote a culture of sustainable consumption



SOCIAL CONTRIBUTIONS

Under the themes of “sharing talent,” “sharing love,” “sharing hope,” and “sharing happiness,” we engage in a variety of social contribution programs.



Under our founder’s belief that companies should share their profits with the society in which they operate, Korean Air engages in various social contribution activities locally and internationally. For instance, we lend Korean Air’s business acumen to the transport of disaster relief supplies and potable water to survivors of floods, and our 20 volunteer groups run various community engagement programs in the areas of academics, culture and arts, and sports. Social contribution activities are an integral part of our sustainability management practices and play an important role in enhancing our corporate value in the long term. Therefore, we will continue to share and promote the significance of social contribution activities with all stakeholders.

2010 Korean Air’s Social Contribution Activities

Korean Air set corporate social responsibility (CSR) as the main theme of a company-wide campaign for 2010 and implemented various activities in support of this theme. Beginning with a presentation on CSR at the opening ceremony for the year 2010, the company conducted a number of programs to direct the attention of employees to the values of CSR. Each and every employee was encouraged to

make a pledge to donate time and talents and to participate in at least one volunteer activity under the four themes of “sharing talent,” “sharing love,” “sharing hope,” and “sharing happiness.” New employees were introduced to volunteer groups and encouraged to become honorary members. A campaign for the “donation of less than KRW 1,000 from each paycheck” was also promoted on a company-wide level. Korean Air will continue to promote social contribution activities in the daily lives of its employees, giving back to society monetarily and in terms of time, talents and concern.

Online Website for Pledges to “Sharing”

In 2010, Korean Air launched an online website for sharing, where its employees can make pledges to participate in social contribution activities through monetary or voluntary participation. The website aims to get the attention of employees so as to encourage participation in the company’s social contribution drives. On the website, employees can not only sign pledges but also learn about the company’s current CSR practices and plans through a VoD service available on the website.

2010 Social Contribution Volunteer Hours & Expenses

Number of Volunteers	Approximately 4,000 people from 21 groups
Volunteer Hours	8 person-hour/month
Expenses	Approximately KRW 8.5 billion (company donation and CSR fund included)

from

SHARING BEGINS WITH SOWING THE SEEDS OF CARE IN THE MIND OF A GIVER. EVERY EMPLOYEE OF KOREAN AIR ACTS AS A SEED OF CARE, PUTTING INTO ACTION OUR COMMITMENT TO THE VALUES OF CSR.



to

SEEDS GROW ROOTS AND BRANCH OUT. EACH BRANCH BEARS THE FRUITS OF PROSPERITY AND CREATES A CARING MINDSET. A MIND FOCUSED ON SHARING BRINGS HOPE TO THOSE IN NEED.



Education

- Full subsidies for operating expenses and the tuition of all students of Jeongseok University
- Construction of a library at Inha University



Culture & Art

- Sponsor of Korean language guide service at famous overseas museums
- Flying Art Ambassador
- Korean On-Air Program



Sports

- Sponsor of the Pyeongchang 2018 Olympic Bid Committee
- Airline tickets for prospective professional athletes



Environment

- Afforestation campaign at Baganuur, Mongolia
- Afforestation campaign in Kubuchi desert, China
- Tree Planting Campaign in Los Angeles



Disaster Relief

- Deployment of special aircraft to transport relief supplies in the event of major disasters at home and abroad

# SUPPORT OF SPORTS ACTIVITIES



Similar to the Pyeongchang 2018 Olympic Bid Committee’s slogan, “New Horizon,” Korean Air will work ceaselessly to create a new horizon for the development of the Korean and Asian sports industries.



In a bid to contribute to the development of Korean winter sports and other national sports, Korean Air was the first Korean company to sponsor a male speed skating team. We also sponsor a table tennis team and a volleyball team.

## Sponsoring the Pyeongchang 2018 Olympic Bid Committee

After 12 years of persistence and patience, Pyeongchang finally won the bid to host a Winter Olympics, the 2018 Games. This winning of the bid is fraught with significance. Domestically, the nation was rewarded for its determination and desire, and the games are expected to propel the country’s economic, social, cultural, and sports development forward. Internationally, the win literally opens a “new horizon” for the winter Olympic Games, taking them out of Europe and the Americas and placing them in Asia, a region that has long been neglected as a venue for the Winter Olympic Games. In sponsoring the work of the committee, Korean

Air assigned executive members to the bid committee provided full support of the committees’ activities over the years.

Our extensive global network of overseas branches in 100 cities in 40 countries served as the regional headquarters for the committees’ activities in respective regions, while the company took advantage of its network of leading global carriers through the SkyTeam alliance to support the activities of the bid committee. Korean Air chairman, Yang-Ho Cho, was inaugurated as the chairman of the Pyeongchang 2018 Bid Committee in September, 2009. In this capacity, he traveled a total of 509,133km, equivalent to traveling around the plan-

et 13 times, to promote the work of the committee at 34 international sports events. The Pyeongchang 2018 Olympic Bid Committee’s slogan was “New Horizon,” an indication of the committee’s commitment to winter sports and the Winter Olympics. Similarly, Korean Air will work ceaselessly to create a new horizon for the development of the Korean and Asian sports industries.

## Korea’s First Company-Owned Speed Skating Team

In February, 2011, Korean Air became the first Korean company to launch a male speed skating team. In a bid to retain the momentum of the successes of Korea’s speed skating teams at the 2010

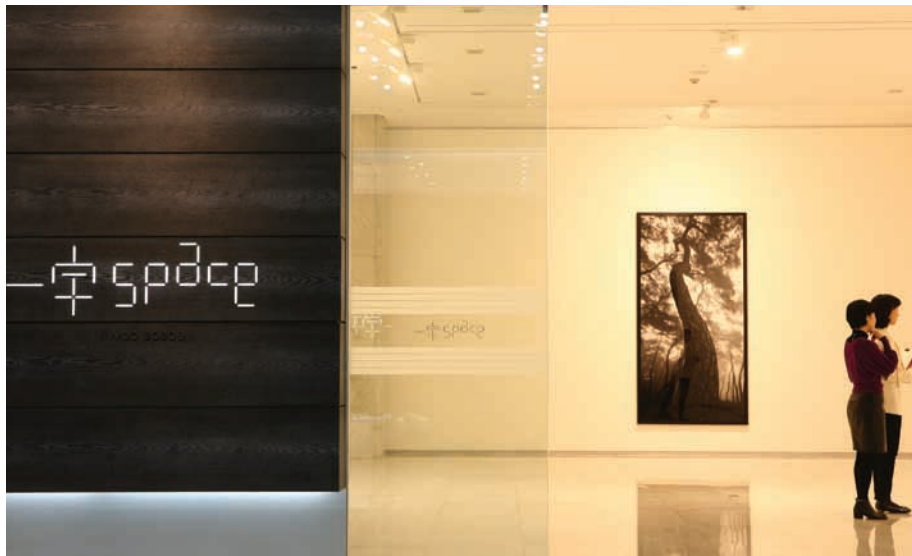


# SUPPORT OF CULTURE & ARTS

## Opened the “Ilwoo Space,” a Photo/Art Gallery

As a cultural ambassador in the sky, Korean Air integrates its commitment to cultural and educational development into its various corporate social responsibility activities. In line with Chairman Cho’s CSR philosophy, “we should take care of the underprivileged to build a happier society,” we actively promote various cultural and educational programs. For instance, one of our most conspicuous achievements in 2010 was the opening of the Ilwoo Space, a gallery for the exhibition of photos/fine art, in August of 2010. Located on a boulevard in the Seosomun district of Seoul, the 10m-wide window gallery with 3.7m-high ceilings has become a local attraction, with passersby being invited in to view high quality cultural programs and art exhibitions. In the future, the gallery plans to hold various exhibitions and art lecture programs for the public. Furthermore, we sponsor Korean language multimedia guide services at world famous museums and have been heralding Korean culture and traditions in the global community. The Korean On-Air Program sponsors young Koreans in their efforts to promote and introduce Korean culture to the world.

10m×3.7m Opened on the ground floor of the Korean Air office building in Seosomun in August, 2010, the Ilwoo Space is a 10m-wide window gallery with 3.7m-high ceilings, dedicated to photo/art exhibitions.





# GLOBAL AFFORESTATION EFFORTS



Korean Air has been building a vast erosion control forest, called the Korean Air Forest, in the desert of Baganuur in Mongolia since 2004.

Through its global tree-planting project, Korean Air has taken the lead in global cross-border initiatives to address environmental issues.

Tree-Planting in Mongolia, China and Los Angeles Korean Air has been building a vast forest in the desert of Baganuur in Mongolia since 2004. Also, we have been planting trees in the “Korean Air Botanical Garden” in the Kubuchi Desert in China since 2007. As such, Korean Air has been planting trees as part of a global tree-planting project to protect and preserve our Green Planet. Since 2009, we have extended our tree-planting campaign to urban areas of Los Angeles. In 2010, 11 teachers and students of the Suwon Agricultural Life Science High School, the winner of the 2009 Green Teacher Green Tour contest, also joined the tree-planting event along with 50 students from Neimenggu University.

Category	Year	Afforestation Size	Number of Trees Planted	Participants	Remarks
Mongolia (Baganuur)	2004	1.10 ha	3,000	200 sophomore employees	Green Asia's tree-planting event
	2005	1.00 ha	4,500		
	2006	1.50 ha	4,000		
	2007	1.10 ha	4,000		
	2008	12.00 ha	12,000		
	2009	6.20 ha	9,000		
	2010	2.00 ha	10,000		
	2011	2.5 ha	10,000		
	Total	27.40 ha	56,500		
China (Kubuchi Desert)	2007	200.00ha	653,000	Newly promoted managers (50 persons)	Communist Youth League of China tree-planting
	2008	53.33 ha	167,000		
	2009	31.86 ha	82,000		
	2010	31.28 ha	77,000		
	Total	285.19 ha	979,000		

# EDUCATIONAL BUSINESS & RELIEF EFFORTS



The Hanjin Group runs several academic institutes which promote the development of human resources and the concept of life-long learning.

Korean Air supports the sending of relief supplies to domestic and international locales suffering from disasters.

Educational Business Korean Air’s parent group, the Hanjin Group, runs three academic institutes, including Inha, Jeongseok and Hanjin, in putting into practice its dedication to human resources development and lifelong learning. The Inha Academic Institute has Inha University, Inha Technical College, and the Inha University Busok Middle and High Schools under its umbrella. Jeongseok runs Korea Aerospace University and Jeongseok Aviation Technical High School. The Hanjin Academic Institute operates an in-house university called Jeongseok University. The Hanjin Group has subsidized its academic institutes for the past decade, providing KRW20 billion in support each year.

In 2003, Korean Air built the Jungseok Information Center, a top-class e-library, at Inha University. In 2004, we led an effort to establish a global research institute at the University of Southern California for the development of aerospace engineering and related technology. The Jeongseok Academic Institute offers scholarships every semester to high achievers at the Korea Aerospace University. In 2010, Korean Air provided a total of KRW1.2 billion towards scholarships for 546 students. Since the graduation of the first class of 95 students in 2002, Jeongseok University has graduated a total of 3,235 graduates to date, including 806 with bachelor’s degrees. The Hanjin Group is actively involved in various domestic and international scholarship programs, academic and cultural programs, and welfare projects through the Ilwoo Foundation. Korean Air selects and sponsors talented students in Mongolia, Cambodia and Uzbekistan to study at Korean universities. In addition, we award prizes to young and talented photographers in the areas of art, advertising, and documentary photography through the Ilwoo Photo Competition.

Relief Efforts As a leading global carrier, Korean Air lends its business acumen to the transport of relief supplies to survivors of disasters. In 1997, the company convened a disaster relief team and regularly charts aircraft to transport disaster relief supplies to disaster zones around the world. In fact, we send life-saving helicopters and cargo planes as humanitarian support for the survivors of disasters. For instance, we sent cargo planes to transport blankets and potable water to refugees of the Great Sichuan Earthquake in 2008. We also made donations to help with restoration efforts in the aftermath of an earthquake in Qinghai Province in 2010. In February, 2011, we sent 18 tons of potable water to survivors of a devastating earthquake that had hit Christchurch, New Zealand. In March and April of the same year, 2,057 of our employees donated 7,768 boxes of potable water over six days and the company donated 5,000 boxes of potable water, 2,000 blankets and KRW0.7 billion to the Korean Red Cross to help Japanese survivors of a tsunami caused by an unprecedentedly strong earthquake.

# APPENDIX

UN GLOBAL COMPACT / 2010 Awards / GRI SUMMARY / Readers' Feedback

## UN GLOBAL COMPACT



### UN GLOBAL COMPACT

The UN Global Compact is a strategic policy initiative, by which corporations commit to aligning their operations and strategies in keeping with ten principles related to human rights, labor, the environment and anti-corruption. Korean Air joined the UN Global Compact in July, 2007, because the core values of the Compact

are in line with the company's commitment to ethical and transparent management practices and to the fulfillment of its corporate social responsibilities. We will continue to embrace and support the ten universally-accepted principles of the UN Global Compact that are listed below:

### PRINCIPLES

#### HUMAN RIGHTS

Principle 1: We support and respect the protection of internationally proclaimed human rights.

Principle 2: We ensure that we are not complicit in human rights abuses.

#### LABOR

Principle 3: We uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: We uphold the elimination of all forms of forced and compulsory labor.

Principle 5: We uphold the effective abolition of child labor.

Principle 6: We uphold the elimination of discrimination in respect of employment and occupation.

#### ENVIRONMENT

Principle 7: We support a precautionary approach to environmental challenges.

Principle 8: We undertake initiatives to promote greater environmental responsibility.

Principle 9: We encourage the development and diffusion of environmentally friendly technologies.

#### ANTI-CORRUPTION

Principle 10: We work against corruption in all its forms, including extortion and bribery.

### Activities Related to the UN Global Compact

Classification	Principles	Performances	Pages
HUMAN RIGHTS	1. We support and respect the protection of internationally proclaimed human rights. 2. We ensure that we are not complicit in human rights abuses.	• Compliance with UN Global Compact 10 Principles and ILO conventions • Company-wide business ethics education and sexual harassment prevention programs	16-17, 66-71
LABOR	3. We uphold the freedom of association and the effective recognition of the right to collective bargaining. 4. We uphold the elimination of all forms of forced and compulsory labor. 5. We uphold the effective abolition of child labor. 6. We uphold the elimination of discrimination in respect of employment and occupation.	• Upholding the freedom of association and the right to collective bargaining • Compliance with the Labor Standards Act and ILO Convention on forced labor and child labor and no case of violations • Increase the number of female employees and disabled employees • International employment without discrimination based on nationality, culture, religion and other personal backgrounds	66-67, 72-73
ENVIRONMENT	7. We support a precautionary approach to environmental challenges. 8. We undertake initiatives to promote greater environmental responsibility. 9. We encourage the development and diffusion of environmentally friendly technologies.	• Strict compliance of regulations on pollutant discharge within the business premise • Company-wide certification of the ISO14001 • Greenhouse gas inventory system-building and greenhouse gas reduction initiatives	32-55
ANTI-CORRUPTION	10. We work against corruption in all its forms, including extortion and bribery.	• Declaration of the Charter of Ethics and UN Global Compact 10 Principles • Business ethics education and whistle blowing programs • Introduction of the Compliance Program	16-17, 82-83



2010 AWARDS

DATE	2010 AWARDS	INSTITUTION	RECOGNITIONS
2010.01.20	Grand prize at the Strongest Airline Brand Awards	Travel & Leisure	Recognized for excellence of brand image by frequent flyers and industrial experts
2010.02.19	2010 Grand Prize for Most Reliable Brand in Customer Choice - Airline category for transportation services	Chosun.com	Consumer-oriented mindset, constant efforts to induce customer satisfaction and create customer value
2010.02.23	Best HRD Award	Korea HRD Association	Excellence in staff education
2010.03.09	2010 K-BPI – topped the airline category (12 consecutive years), Korea Management Association (KMA)	Korea Management Association Consulting	Number 1 among airline companies in the Korea Brand Power Index for 12th year in a row
2010.03.23	2010 Brand Star Award Korea (1st in the Airline Category)	Brandstock	Selected best brand after consumer trend analysis
2010.04.29	2010 Grand Prize at 2009 Korea Best Brand Awards – airline category (3 consecutive years)	Donga.com/Hankyung.com/imbc	Ranked top among airline companies in terms of brand competitiveness according to brand awareness, purchases, and preferences
2010.05.14	2010 Korea Green Growth Brand Awards	Korea Brand Management Association	Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities
2010.06.04	Certificate of appreciation	Governor of Shizuoka Prefecture	Honored for contributions to improving convenience for citizens of Shizuoka Prefecture and for the safety of its operations and excellent customer services. Awarded in celebration of the first anniversary of the commencement of Incheon-Shizuoka route
2010.06.11	Number 1 in the Global Customer Satisfaction Index	Japan Management Association Consulting	Ranked top in a customer satisfaction survey in the airline category for excellent quality service (six years in a row)
2010.06.21	Certificate of appreciation for excellence of maintenance for the F-4D aircraft	Korean Ambassador Extraordinary and Plenipotentiary in Japan	Contribution to increasing the number of teachers at the elementary school of Tokyo Korea School
2010.06.25	Number 1 in the 2010 Premium Brand Index (KS-PBI) – aircraft cabin service	The Air Force Chief of the General Staff	Commendation for contributions to strengthening Korea's military with its maintenance support of 150 F-4Ds, which have remained accident-free since 1988
2010.07.14	Best Reliability/Zero Delays category of the 2010 United Caterer Awards	Korea Standards Association	For contributions to enhanced brand management practices in Korea and for suggesting brand premium strategies for Korean companies
2010.08.01	Best Reliability/Zero Delays category of the 2010 United Caterer Awards	UNITED AIRLINES	Awards in terms of on-time operations, safety, and customer satisfaction, as determined by dividing the number of service routes by the number of flights
2010.08.10	10 Best Airlines in the World	Smart Travel Asia	Selected as one of the world's top 10 airline companies
2010.10.18	Korean Air's safety management system won prize as 'most innovative'	U.S. EtQ	Korean Air's safety management system "SafeNet" was selected as the most innovative practice for its excellent risk management performances and for being a model for SMS IT systems in the global aviation industry
2010.10.20	Number 1 in KS-SQI in the Airline Category (second year in a row)	Korea Standards Association	Excellence in customer satisfaction, survey of service quality (third time since 2007)
2010.10.24	Grand prize of the 2010 Green Growth Awards	Ministry of Environment	Selected as Korea's best practitioner of environmental management for its excellent performance in addressing climate change and instituting green management practices
2010.11.01	2010 Outstanding Food Service by a Carrier in Asia at the PAX Readership Awards	PAX International	Globally renowned magazine published by the International Travel Catering Association
2010.11.05	2010 LOHAS Management Awards	Green Fund	Selected for excellence in green management practices in the service/finance/transportation category
2010.11.17	2010 Korea CSR Awards	Hankyoreh	Selected as best practitioner of CSR among 109 Korean companies listed on the FTSE Index
2010.12.03	Korea Internet Communication Awards – aviation/transportation category	Korea Internet Communication Association	Selected for excellence in internet-based communication with customers in aviation/transportation category

GRI SUMMARY

The Korean Air 2011 Sustainability Report was compiled based on the GRI G3 Guidelines and its recommendations. We declare that the contents of this report meet the requirements for Level A of the Application Level Table as provided by GRI.

CONTENTS	PAGES	GRI INDICATORS									
		STRATEGY & ANALYSIS	ORGANIZATIONS	REPORT STRUCTURE	CORPORATE GOVERNANCE	ECONOMIC RESPONSIBILITY	ENVIRONMENTAL RESPONSIBILITY	LABOR	HUMAN RIGHTS	SOCIAL RESPONSIBILITY	GREEN PROCUREMENT
Report Information	Cover			✓							
Profile	6-11		✓		✓						
Sustainability Management	14-21	✓									
Economic Responsibility	26-31	✓				✓					
Environmental Responsibility	36-55	✓				✓	✓				
Customers	60-65										✓
Employees	66-74							✓	✓		
Business partners	75						✓		✓		
Local communities	76-81						✓			✓	
Appendix	83			✓	✓		✓	✓	✓		

Cut along the line



Readers’ Feedback

Korean Air values your opinion of its sustainability report. Your opinions and suggestions are reflected in our sustainability management activities and reports, and assist in advancing our sustainability management practices. Thank you for your time and effort in making your voice heard.

1. Which of the following stakeholder groups do you belong to?

☐ Customers

☐ Shareholders & Investors

☐ Employees

☐ Local communities

☐ NGOs

☐ Business Partners

☐ None of the above (    )

2. Which of the following sections do you find most interesting? (select one or more)

☐ Report Information

☐ Business Overview

☐ Sustainability Management

☐ Economic Responsibility

☐ Environmental Responsibility

☐ Social Responsibility

3. Which of the following sections do you think needs improvement? (select one or more)

☐ Report Information

☐ Business Overview

☐ Sustainability Management

☐ Economic Responsibility

☐ Environmental Responsibility

☐ Social Responsibility

4. Please feel free to share your opinions and suggestions about Korean Air’s sustainability management activities and the structure or content of this report.

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