



2012 KOREAN AIR SUSTAINABILITY REPORT

SUSTAINING EXCELLENCE



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About This Report

Reporting Principle: GRI 3.1	
Reporting Scope	
This report contains data collected from Korean Air's head office in Seoul, as well as its domestic and overseas business premises, but does not include data from its subsidiaries or affiliates.	

Changes to the Reporting Methodology	
Economic Performance	
Financial reporting standards were changed as of January 1, 2010 from Korea's Generally Accepted Accounting Principles (K-GAAP) to Korean International Financial Reporting Standards (K-IFRS). Thus, the 2010 figures were prepared following K-GAAP, while 2011 figures followed K-IFRS. Please refer to our annual report for details about financial reporting standard changes and their impacts on the company's financial position, business results and cash flows.	
Environmental Performance	
Fuel consumption and electricity consumption data in the previous report was collected from 24 Korean Air business premises or business premises on lease which consumed energy in large amounts and were leased under the condition of gratuitous donation, using TOE as a standard unit. This year, however, the report covers a total of 44 business premises, including those on lease at domestic airports and smaller business premises across Korea, with GJ used as the standard unit.	

Reporting Period :	
January 1, 2011-December 31, 2011 (some qualitative data is from our 1H 2012 performance, which is specified separately)	
Reporting Standards :	
Data collected over the past three years (2009-2011) for trend analysis	
Reporting Period :	
Annual (latest publication: August 2011)	
Assurance :	
Third party assurance (AA1000AS)	
Contact information :	
Environment Team, Environment and Construction Management Department, Korean Air	
SELAFE@koreanair.com	
Tel 02-2656-5512	

For more details, visit the Korean Air website at www.koreanair.com

Towards a Higher Place

Korean Air, a leading global carrier, has 140 aircraft in its fleet, operating scheduled routes to 13 domestic and 105 international destinations in 39 countries around the world. In 2011, we transported 23.3 million passengers and 1.71 million tons of freight safely. Our business areas include air transportation, aerospace, catering & in-flight sales, and hotel & limousine services, contributing to a better life for people everywhere. In the future, Korean Air will continue to grow while contributing to the development of the company and communities by balancing its business activities socially, environmentally and economically.

Dear stakeholders,

Korean Air thrives on its close relationship with customers and other stakeholders through balanced economic, social and environmental growth. The company might have begun as a small regional airline 43 years ago, but it has grown into one of the world's leading global carriers with routes spanning the globe thanks to your unwavering support. Korean Air now carries an average of 20 million passengers annually, while maintaining unrivaled performance in transporting international freight. Along with its outstanding business performance, the company is also adamant about maintaining sustainable growth through its triple bottom line in business operations.

Sustainable development is not only related to companies and their stakeholders, but is also about sustaining the planet and future generations. Korean Air has long been aware of this, which is why it has been committed to environmental management since the early 1990s. Under strict environmental management principles, Korean Air has been actively involved in a number of activities to mitigate global warming through global reforestation projects. Also, everyone at Korean Air has been volunteering to contribute to numerous social contribution activities, making the volunteer program a crucial part of our corporate culture.

These efforts continued through 2011 under a well-organized system, when the company adopted the more eco-friendly next-generation A380 aircraft. In addition, our work process has been innovated and efficiency has been enhanced with our fleet. At the same time, we have continued to become closer to local communities. In particular, we take pride in that our patronage to the bid committee played a crucial part in Pyeongchang's winning bid for the 2018 Winter Olympic Games.

In 2012, Korean Air set a "communication and harmony" goal for the year. These two words reflect our age-old business philosophy and corporate culture, while setting the direction for a new era in the coming years. Communicating and harmonizing with company staff, customers, and society will help us effectively deal with ever-changing business environments as well as achieve sustainable growth economically, environmentally and socially.

The key to effective communication lies in flexibility and tolerance of others' opinions and beliefs. Korean Air promotes active discussion across the board to find solutions for internal issues. At the same time, we ensure steady profit levels for the company by constantly improving our fundamentals and stressing innovation to reinforce our organizational competencies and corporate competitiveness. We firmly believe we will be able to achieve higher growth and greater profitability in 2012 through these efforts.

In addition, we ensure open and direct communication with our customers for greater customer satisfaction, and we also continue to promote a creative corporate culture to attract and retain global talent, allowing the company to grow with talented employees alongside satisfied customers. As we move forward, we will also remain vigilant of our corporate social responsibilities. All of our employees will take part in the company's commitment to community engagement as the company maintains its commitment to community engagement programs.

In short, we will reinforce our competitiveness through communicative and harmonious leadership. Korean Air is taking flight to a higher place for a better future through sustainable growth.

Thank you.



Chairman & CEO
Cho, Yang Ho

→ Towards a higher place

Since its inception in 1962, Korean Air has grown to become Korea's leading global carrier. Its holding company, the Hanjin Group, is a total logistics entity specializing in transport. Korean Air also has another airline under its wing, Jin Air, a premium low-price airline. Korean Air, a founding member of SkyTeam and a leading global airline alliance, celebrated its 42nd anniversary in 2011. Korean Air's hub airport is Incheon International Airport.

→ Hanjin Group

Since the Hanjin Group was established in 1945, it has been serving Korea with its transportation services and leading the world's logistics industry. Its 51 subsidiaries serve in diverse fields such as inland, marine and air transportation, door-to-door delivery, IT, hotels, in-flight sales, tourism, catering services, aerospace, limousine services, and ground operations. <http://www.hanjin.net>

→ Jin Air

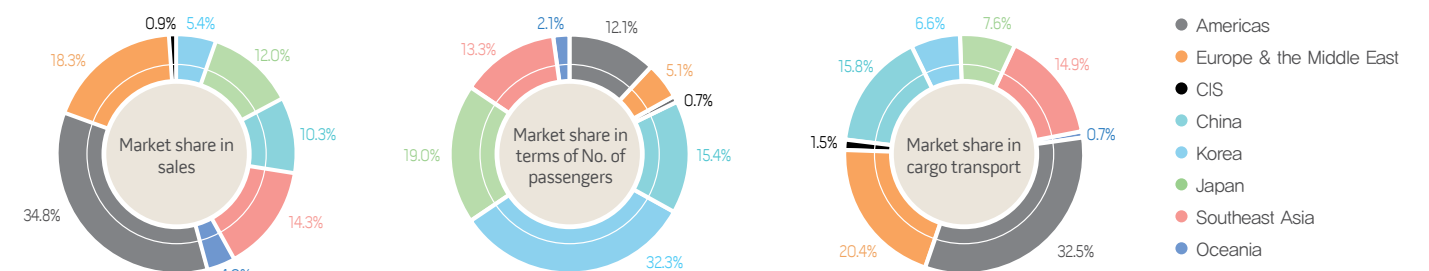
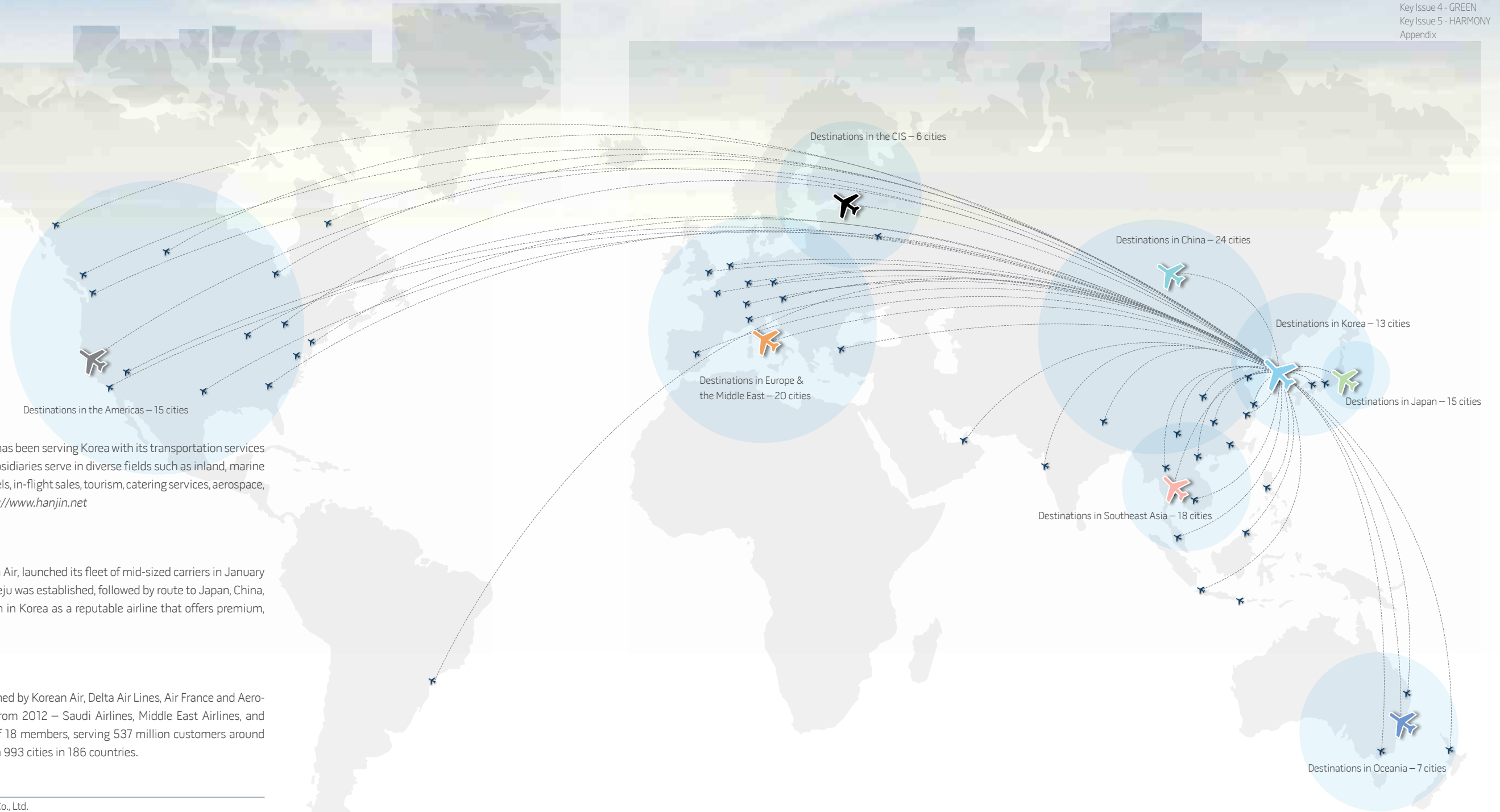
Jin Air, the premium low-price subsidiary of Korean Air, launched its fleet of mid-sized carriers in January 2008. In July 2008, a route between Gimpo and Jeju was established, followed by route to Japan, China, and Southeast Asia. Today, Jin Air is widely known in Korea as a reputable airline that offers premium, low-price flights. <http://www.jinair.com>

→ SkyTeam

SkyTeam is a global airline alliance that was launched by Korean Air, Delta Air Lines, Air France and Aero-mexico in June 2000. Including new members from 2012 – Saudi Airlines, Middle East Airlines, and Aerolíneas Argentinas – the alliance has a total of 18 members, serving 537 million customers around the world with 14,968 flights every day to and from 993 cities in 186 countries.

Company Name	Korean Air Lines Co., Ltd.
Headquarters	1370, Gonghang-dong, Gangseo-gu, Seoul, Korea
Tel.	02-2656-7114
Website	http://www.koreanair.com
Business Operations	Passenger/cargo transportation, aerospace, catering services, in-flight sales, hotels, limousine service
Sales	KRW 11,805.3 billion
No. of employees	20,508 (including overseas employees)
Fleet	140 aircraft
Routes	118 destinations in 40 countries
No. of passengers transported	23.3 million
Weight of freight transported	1.71 million tons
Subsidiaries	Refer to the company's disclosure at http://dart.fss.or.kr

*Disclosure as of December 31, 2011



→ Business Portfolio

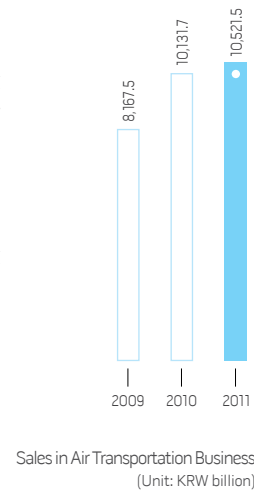
As a leading global carrier, Korean Air operates businesses in air transportation, aerospace, catering & in-flight sales, and hotel & limousine services, contributing to higher customer value and the development of society.

→ Air Transportation Business

For our business operations, we have kept oil prices and foreign exchange rate fluctuation risks under tight control, stabilizing operations through efficient route operations. In particular, cutting-edge new aircraft such as the A380s and B777-300ERs significantly improved fuel efficiency and route competitiveness. At the same time, upgraded facilities for our existing fleet enhanced the quality of passenger services. We also reinforced our global network, while developing new routes in a bid to secure future growth engines.

We have actually topped the IATA's global ranking for commercial cargo transport for six years in a row, a testament to the company's outstanding achievements in the global cargo transport market. By the end of 2011, Korean Air had 24 cargo aircraft in its fleet, flying to 48 cities around the world including 12 exclusive destinations. In 2011, its annual revenue from cargo transport sales declined by 8 percent compared to the previous year, as market demand decreased from the economic slowdown in the U.S., the European financial crisis, and other similar economic factors. In response, Korean Air has adjusted its routes to enhance profitability, while also offering charter flight operations and expanding its partnerships.

By the end of 2011, Korean Air was operating 140 aircraft in its fleet, offering scheduled routes to 13 domestic and 105 international destinations in 39 countries around the world. In 2011, Korean Air transported 23.3 million passengers and 1.71 million tons of freight. Despite the unfavorable business environment arising from the global economic slowdown and the Great East Japan Earthquake of 2011, our passenger business saw a sound 11 percent year-on-year growth in passenger route sales revenue compared to the previous year thanks to efficient route operations and an increase in market demand during the high season. Overseas revenue also increased by 16 percent overall compared to the previous year with contributions from regional growth, including a 9 percent increase in Korea and a 25 percent increase in China.



Transportation Performance
 (based on 2011 business results)

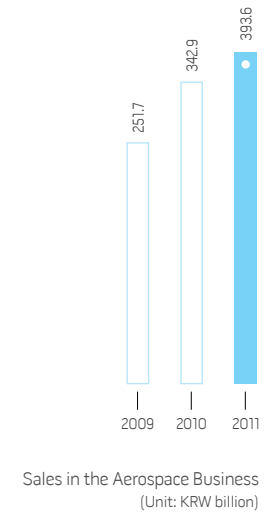
passengers
23.3 million

cargo
1.71 million tons



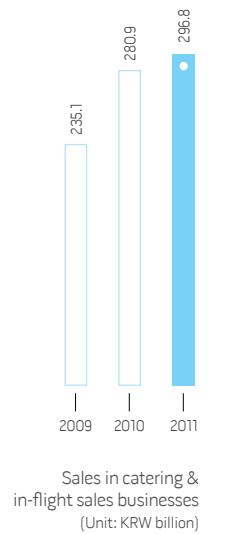
→ Aerospace Business

Korean Air's aerospace business continues to grow based on its globally competent project operational capacity, which has brought the company close to its goal of becoming one of the world's top 10 total solutions providers for aircraft. Recently, we participated in a Boeing project to develop the next-generation aircraft B787, and we are currently supplying the cargo door for the A350 series. We will also supply the sharklet for the wings of the Airbus A320 aircraft. Equipped with top maintenance capacity and large-scale maintenance facilities, we perform maintenance on 100 civilian aircraft and also repair and manufacture fighter jets, military transport aircraft and helicopters for the U.S. military in the Asia-Pacific region. In fact, we are also helping the U.S. Air Force improve the performance of F-16 fighter jets and A-10 combat aircraft. At the same time, we are solidifying our position as a total solutions provider for the domestic unmanned aerial vehicle (UAV) business and remain actively involved in the development of the KSLV-2 and multi-purpose satellite as Korea's leading launch vehicle developer.



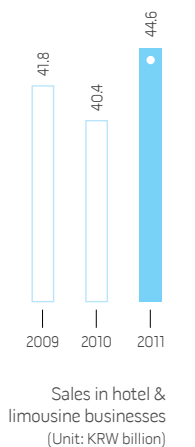
→ Catering & In-flight Sales Business

Korean Air's catering business division has developed a number of dishes to meet the needs of people per region and route, providing catering services to passengers of Korean Air and other air carriers in accordance with their specific route. Korean Air's in-flight meal catering center has obtained the HACCP (Hazard Analysis Critical Control Points) certificate from the Korea Food & Drug Administration, and it controls the entire production process systematically through the Food Safety Research Center at Inha University. Providing the highest quality of catering services, food sanitation, and high-end in-flight tableware for years, Korean Air's catering service has won the ITCAs PAX International Readership Award for seven straight years. Furthermore, Korean Air's pre-order service for its in-flight duty free sales products has garnered a positive response from passengers for its convenience and excellent customer service.



→ Hotel / Limousine Business

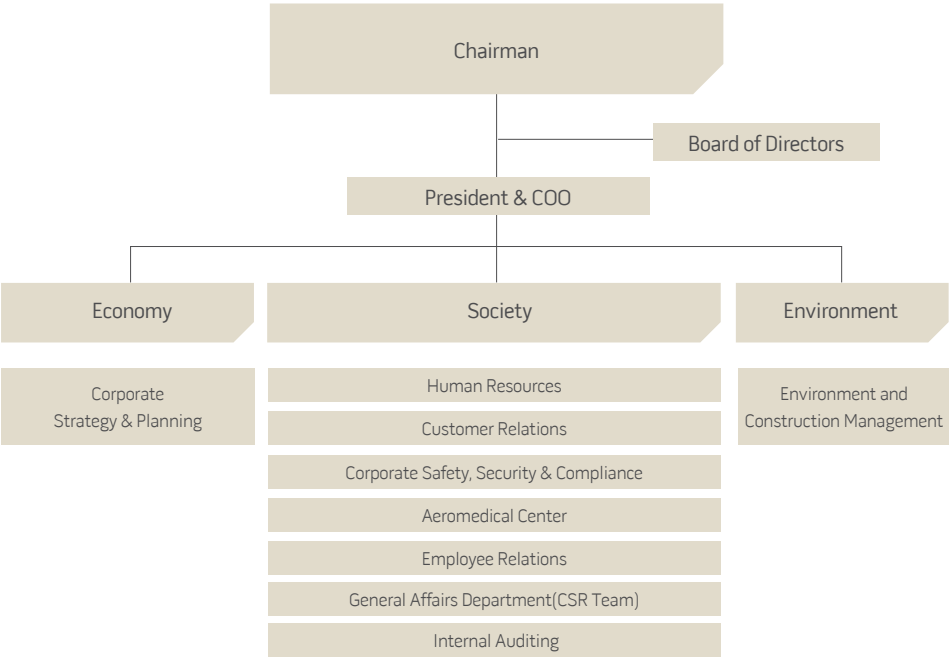
Korean Air has KAL Hotels in Jeju City and Seogwipo, and operates hotel chains through its affiliates, the Waikiki Resort Hotel in Hawaii and the Hyatt Regency Hotel in Incheon. Although the Wilshire Grand Hotel in Los Angeles terminated its business as of 2011, it will be remodeled into a more eco-friendly hotel/office complex building in the near future. In addition, our limousine buses have been offering convenient commuting services to passengers going to and from Seoul and Gimpo and Incheon Airports since 1992.



→ Business Philosophy and Sustainability Management

The right business philosophy and an intelligent management system ensure sustainable growth that benefits all stakeholders, including customers, employees, and shareholders.

Korean Air analyzes business environment and risk/opportunity factors on an annual basis to develop key performance indicators (KPI) for executives by division (Safety: Corporate Safety, Security & Compliance Department, Environment: Environment Construction Management Department, Health: Aeromedical Center, Customers: Customer Relations Department). KPI goals are set in relation to executive performance evaluations. The CEO receives a direct report on KPI performance and then gives further instructions. The KPIs are evaluated biannually and executives keep the CEO abreast of developments through direct communication channels whenever necessary.



<Sustainability Management Strategy>

	Business Strategy
Reinforcing corporate competency for stable growth	<ul style="list-style-type: none">Establishing a stable financial structureLeading profit-oriented business operationsEstablishing strategic alliances and a global networkFleet modernization and operation ratio enhancement
Human Resource Development	<ul style="list-style-type: none">Recruiting and retaining global talentExpanding education programs to help employees build global competencies
Establishing a trusted and respected corporate image	<ul style="list-style-type: none">Ensuring transparent corporate governanceEnhancing business ethics and social contributionAddressing climate change



→ Stakeholder Engagement

Korean Air remains vigilant in its efforts to be a responsible corporate citizen and constantly listens to the diverse opinions of different stakeholder groups so that it can reflect the thoughts and ideas of stakeholders' in management's plans and activities.

→ Communication and Harmony

We believe that harmony is most effective when it is based on communication. As people talk and listen to each other more frequently, they are able to share different ideas and reach agreements with one another. As a corporate citizen, Korean Air has grown alongside its stakeholders, who have actively engaged in the company's diverse initiatives and activities. We classify our major stakeholder groups as customers, employees, shareholders & investors, business partners, governments, industrial sector, non-governmental organizations (NGOs), and experts and local communities, maintaining different communication channels with each of these groups to respond to their different opinions. In 2012, we will continue to effectively operate stakeholder channels to systematically manage sustainability issues as we reflect their opinions in our management activities.

Q. What exactly do you mean by "HARMONY"?

A. "HARMONY" is the new company-wide communication slogan which we instituted in 2012. Communication is carried out when everyone comes together in harmony. It also means that everybody at Korean Air makes a concerted effort to seize opportunity from crisis.



<Stakeholder Communication Channels>



→ Public Policy and Lobbying

Korean Air participates in discussions on public policy through domestic and overseas public hearings and participation in association activities. We provide policymakers with the required expertise and information on the aviation industry to ensure that newly drafted policies and laws reflect our commitment to impartiality.

Korean Air Chairman and CEO Yang-ho Cho has served as a member of the International Air Transport Association (IATA) since 1996. Our executives are members of five of six IATA subcommittees and are actively involved in drafting policy with the International Civil Aviation Organization (ICAO).

<Stakeholder Communications>



→ 'HARMONY' campaign

Korean Air initiated its 2012 communication campaign to promote across-the-board communication and to build mutual trust among all employees. This will strengthen our corporate culture, making it more effective for us to deal with crises arising from the global economic recession, rising oil prices, and other adverse external factors.

Alongside Korean Air President and COO Chang-hoon Chi, Korean Air employees held a Communication Tree ceremony in February 2012, declaring a commitment to company-wide communication. During the ceremony, two "communication trees" were planted in employee lounges where employees were able to leave messages and cards to executives and colleagues. On the company intranet, a Communication Bulletin Board was set up for inter-departmental and individual communication on a real-time basis.

The Inter-departmental Bond program encourages exchanges and communication among employees from different departments to help lead to a better understanding of each other. On the last Thursday of every month, each team gathers for Happy Hour, a time when employees share their thoughts on any number of subjects.

In addition, every third Wednesday of the month is Family Day, a day when employees are encouraged to spend more time with their families. Korean Air also offers a raffle for families to win a chance to eat out at nice restaurants. Furthermore, Korean Air invites spouses and children of employees to the company to visit our business premises.

Our cockpit and cabin crews as well as our engineers regularly communicate with our customers via SNS as well.

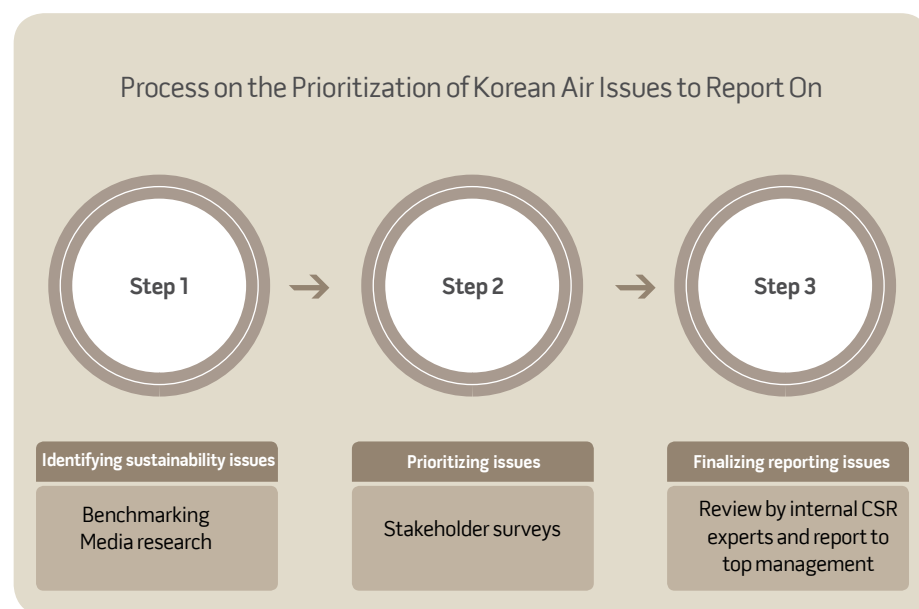
Q. What has been the biggest change to the company since the launch of the Communication Campaign?

A. Employees have been really happy with the program, especially with the monthly Happy Hour program, which provides people with the opportunity to exchange opinions on things that matter to them. The Inter-departmental Bond program also helps employees from different departments better understand each other and their jobs. Above all, employees have become more proactive in expressing themselves. The messages left on Communication Trees and Communication Bulletins are candid, and they range from constructive to laudable comments. We have received grievances on working hours and breastfeeding facilities as well as gratitude and compliments. The program is also effective in bringing about positive changes to the workforce, as employees continue to make a lot of great suggestions for the development of the company.

Young-jin Kim, Manager,
Corporate Communications Department

→ Materiality Test

Korean Air ran a materiality test on major sustainability issues and prioritized issues to report on according to the test results in order to better reflect the information on the report that are of the highest interest to our stakeholders.

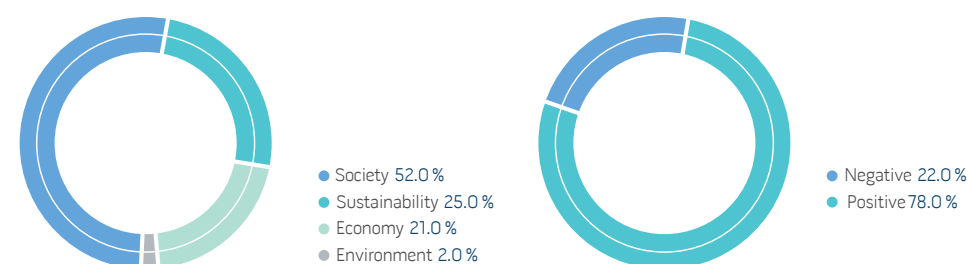


Step 1 _ Identifying sustainability issues

We identified all the major issues that are of the highest interest to stakeholders in our industry and competitors through an extensive analysis of GRI Guidelines, our CSR agency's criteria and benchmarking of industrial sustainability reports. We also conducted media research to identify major issues raised by our stakeholders.

* Media research was conducted by screening 808 major media reports on Korean Air from January 2011 to March 2012.

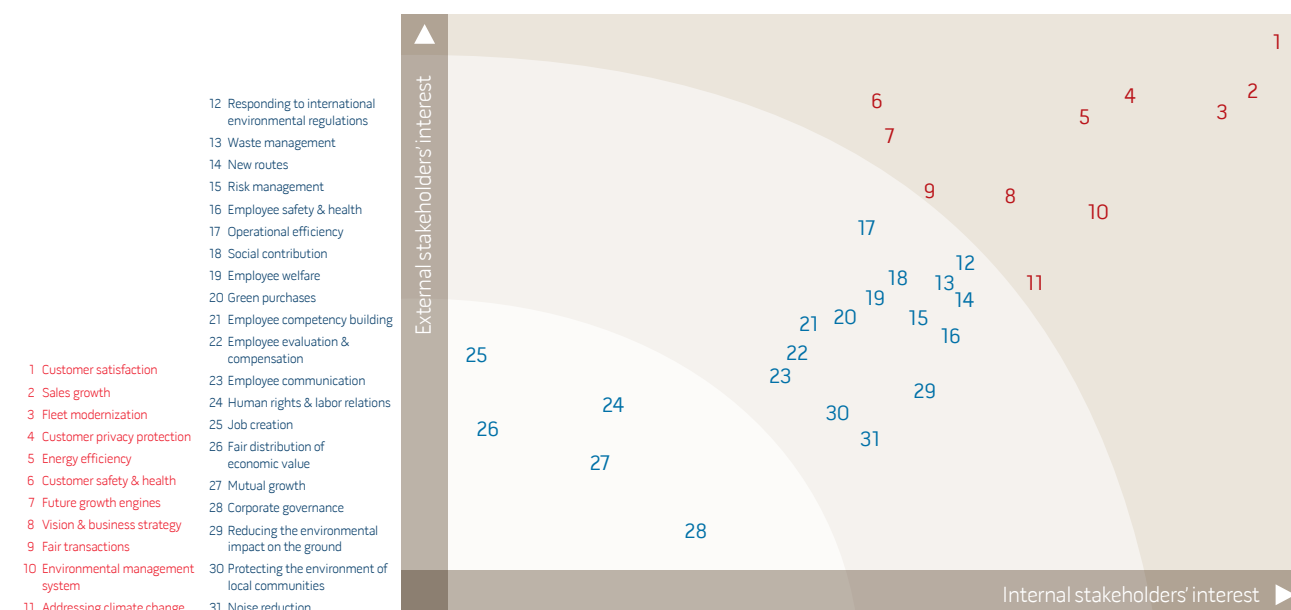
Media Research Results



Step 2 _ Prioritizing issues

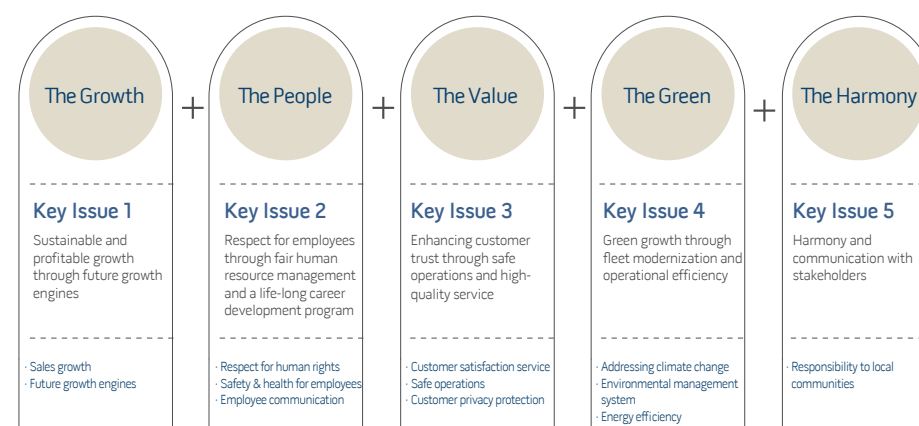
Based on the issues identified in Step 1, we developed questionnaires to survey our stakeholders. A total of 538 stakeholders answered our questions. Based on the findings, we prioritized the significance of key issues.

Materiality Matrix



Step 3 _ Finalizing reporting issues

The priority issues were reviewed by internal CSR experts and reported to top management. The issues were then finalized as issues to report on.



→ Management Stability

Korean Air's board of directors consists of competent management professionals and experts who contribute their expertise and experience in management's decision-making process through extensive discussion and discourse to protect shareholder value and the stability of management.

The annual plan for BOD meetings is delivered to BOD members in advance to improve the attendance and efficiency of the BOD's decision-making process. Senior executives with expertise relevant to issues on the agenda are asked to attend particular meetings to provide comprehensive information related to the matter at hand. This enables other BOD members to gain a better understanding of each topic, 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 performance through the company's intranet.

Management reports on the approved agenda at the following BOD meeting. Management also reports quarterly business results to the Audit Committee and the BOD.

Under the BOD are three specialized subcommittees that adhere to relevant rules and regulations. These include the Audit Committee, the Management Committee, and the Non-Standing Director Nomination Committee. The Audit Committee is composed entirely of non-standing directors to ensure the committee's independence in monitoring the company's performance and the BOD's activities.

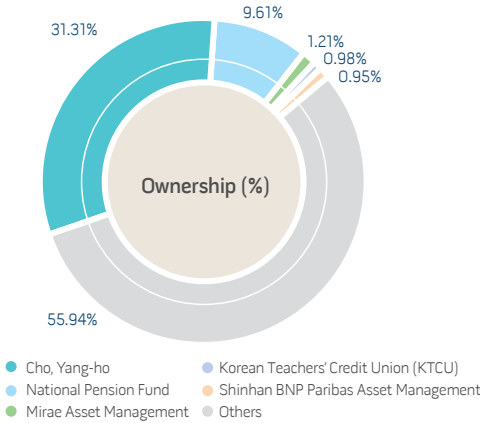
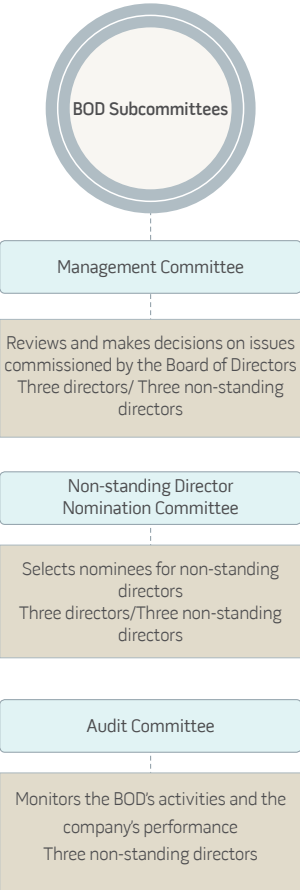
Remunerations to directors are made after acquiring approval at the general shareholders' meeting. In 2011, the general shareholders' meeting approved KRW 5.0 billion in compensation to directors for the year, with approximately KRW 4.0 billion actually being paid out.

In 2011, the BOD held six meetings to deliberate on 51 items. On average, 7.5 directors were present at BOD meetings in 2011, with the average attendance rate standing at 81 percent (non-standing directors: 89 percent).

On an annual basis, Korean Air analyzes the business environment and risk/opportunity factors to develop key performance indicators (KPI) for executives by division. The KPI goals are set in relation to executives' performance evaluation. The CEO receives a direct report on KPI performance before relaying further instructions. The KPIs are evaluated every half year and executives keep the CEO abreast of any developments through direct communication channels whenever necessary.

→ Transparent Corporate Governance

Korean Air's board of directors (BOD) consists of executive members who are leaders in the aviation industry as well as non-standing directors who have profound expertise in their respective areas. Non-standing directors contribute to the transparency of management by monitoring and advising executives. Korean Air's BOD makes resolutions on an agenda commissioned at the general shareholders' meeting and on various issues of significance regarding Korean Air's operations in accordance with company regulations and the Articles of Incorporation, while also monitoring the performance and fulfillment of duties by company directors. The Korean Air BOD is comprised of 13 highly capable executives who are leaders in the aviation industry, and seven of them are non-standing directors who have high-level expertise in their respective fields. Under the governing regulations, we have one or more accounting and/or financial expert(s) as standing auditor(s).



Introduction	Profile
Management Stability	CSR Management System
	Key Issue 1 - GROWTH
	Key Issue 2 - PEOPLE
	Key Issue 3 - VALUE
	Key Issue 4 - GREEN
	Key Issue 5 - HARMONY
	Appendix

Process to prevent any conflict of interest within the BOD

In order to prevent any conflict of interest in the decision-making process by the BOD, Korean Air's BOD regulations restrict the voting rights of any director with special interests in a subject agenda. (BOD's regulations: "If a director has special interests in a particular agenda, the director must refrain from voting on the agenda. The director who does not vote shall not be counted in the quorum at the meeting.")

Channels for employees and shareholders to have their voice heard by the BOD

In addition to business reports, quarterly reports and other regular reports, Korean Air discloses its management information in a timely and accurate fashion to its stakeholders through communication channels such as shareholder meetings, IR meetings and other related activities. Prior to each BOD meeting, the company gathers the opinions of executives and employees on each agenda item. Furthermore, the company's numerous regulations, including the duties and responsibilities to investors listed in the Business Ethics Guidelines, protect shareholder rights (attending general shareholders' meetings, voting, selection and appointment of BOD members, timely access to information, dividend payouts, etc.), while respecting and responding to shareholder demands.

Board of Directors (as of June 30, 2012)

	Name	Career	Remarks
Standing	Cho, Yang-ho	Chairman & CEO	Chairman of the BOD
	Lee, Tae-hee	General Council	
	Chi, Chang-hoon	President & COO	
	Suh, Yong-won	Executive Vice President	
	Cho, Hyun-Ah	Senior Vice President / Hotel, Catering & Inflight Sales Business Division	
	Cho, Won-tae	Senior Vice President / Corporate Strategy & Planning Division	
Non-standing	Park, Oh-soo	Professor, College of Business Administration, Seoul National University	
	Lee, Sog-woo	Former Chief Justice of the South Seoul District Court Present) Lawyer, Doo-re Law Firm	
	Lee, Hee-beom	Former Minister of Commerce, Industry and Energy Present) Chairman of STX Energy & STX Heavy Industries	
	Lee, Yun-woo	Former Vice President of Korea Development Bank/ Present) Chairman of FLC	Chair of the Audit Committee
	Hyun, Jung-taik	Former President of the Korea Development Institute/ Present) Professor, College of International Trade, Inha University	
	Kim Seung-yu	Former CEO of Hana Financial Group	
	Lee, Joo-seok	Former Head of the Seoul Regional Tax Office/ Present) Vice Chairman & COO of Woongjin Group	

* See page 148 of Korean Air's 50th Business Report at <http://dart.fss.or.kr> for more details about the careers and responsibilities of these directors.

Major Shareholders

Name	No. of shares owned (shares)
Cho, Yang-ho	22,973,266
National Pension Fund	7,054,675
Mirae Asset Management	892,212
Korean Teachers' Credit Union (KTCU)	725,199
Shinhan BNP Paribas Asset Management	699,822

→ Business Ethics

Since Korean Air enacted its charter of ethics, it has been promoting ethical practices for employees in compliance with these codes through diverse educational programs. In cooperation with external agencies such as the Federation of Korean Industries (FKI) and the UN Global Compact, it also has been promoting corporate social responsibility and the highest business ethics in Korea.

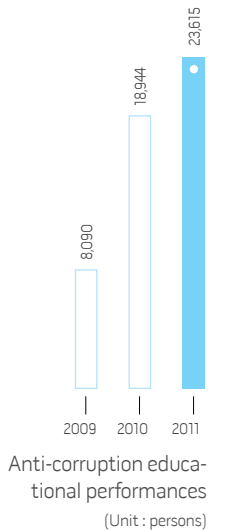
Korean Air's Charter of Ethics

Korean Air regards transparency and responsibility as vital 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 co-prosperity for both the company and society as a whole. To this end, Korean Air has instituted its own Charter of Ethics, which it vows to put into practice at all times.

- We regard customer satisfaction and safety as our highest priority.
- We respect each and every employee, and we make an effort to enhance their quality of life.
- We promote joint development with our business partners based on mutual trust.
- We respect the principles of free competition, and we are the front runner in the development of the airline transport industry.
- We strongly contribute to the development of society and to the preservation of the environment.
- We acknowledge the corporate principles set forth by the company and uphold all of our obligations and responsibilities.

23,615

* Performance on the four online courses: Business Ethics at Korean Air, Sexual Harassment-free Workplace, International Regulations on Cartels, and Anti-trust



Korean Air Business Ethics System

Korean Air has a Business Ethics Bureau (Auditing Dept.) and Chief Ethics Officer (Directors of the Business Division and Operations Division as well as executive staff in charge) to provide detailed guidelines on the work process for handling ethical issues between the company and employees as stipulated in Korean Air's Code of Ethics. The Bureau and the Officer also manage and oversee situations to help employees behave according to the Code of Ethics and to make the right decisions.

Korean Air's Code of Ethics

Korean Air enacted its Charter of Ethics, Ethics Code & Practice Guidelines, Guidelines on Solving Ethical Issues, and Whistleblowing System to encourage employees to comply with ethics codes. The company also keeps business partners up to date on its ethical policies and programs and encourages them to respect and comply with these codes. The Ethics Code & Practice Guidelines provide the outline of our duties and responsibilities to customers, investors, employees, business partners, competitors, and society as a whole. It also provides guidelines on human rights, the elimination of discrimination, corruption and bribery, as well as information on fair transactions, privacy protection, safety and health of employees, business partners and customers, security, health, environment and mutual growth.

Incorporating an Ethical Mind-set in the Entire Workforce

Korean Air runs a Business Ethics section on its internal communication network to provide business ethics training as well as clear, detailed behavioral guidelines to employees. We also operate an online course on business ethics for employees, including new employees, who have to complete this course and pledge to uphold the highest standards of business ethics. Roughly 40 percent of the business ethics course is devoted to anti-corruption issues. In addition, we also have a Sexual Harassment-free Workplace course to help employees avoid or properly respond to such incidents. In addition, security guards attend sexual harassment prevention classes, where videos and other materials provided by the Ministry of Labor and the Ministry of Gender Equality & Family are shown. The Anti-trust and International Regulations on Cartels courses are also provided to prevent irregularities or violations, and to establish transparent and fair business practices within the company.

System for Reporting Unethical Practices

Korean Air operates an internal whistleblowing program to prevent and minimize potential losses to the company which arise from any violation of relevant laws and regulations or ethical codes or guidelines in the course of employees carrying out their work. Any unethical practices can be reported via mail, e-mail (jebo@koreanair.com/whistleblower@koreanair.com), phone, or a personal visit to the Ethics Bureau which verifies the report, and then notifies the results to the person who made the report. The informant's identity and report are kept confidential. All Korean Air stakeholders including employees of Korean Air, business partners and customers are subject to be reported on, and any violation by a business partner is penalized with suspension or termination of transactions according to relevant internal bylaws.

External Networks to Enhance Ethical Management

In order to benchmark best practices and exchange information effectively, Korean Air is building networks with outside entities by joining ethical management-related meetings, seminars and corporate ethics schools sponsored by the Korea Chamber of Commerce and Industry.

Internal Inspections to Ensure the Observation of Fair Trade Regulations

Korean Air adopted a voluntary observation program to abide by relevant rules and regulations regarding fair trade, setting up an internal inspection system afterwards for its actual operation. Since 2004, when management declared its commitment to the voluntary observation of fair trade rules, Korean Air has been operating an exclusive team dedicated to promoting unfair trade, preventing unfair trade practices, and eradicating collusion.

Internal Accounting Control System

Korean Air operates an advanced internal accounting control system to regularly monitor the status of internal operations, ensuring reliable accounting information that enhances transparency in management practices. In addition, we make sure that this monitoring is not confined to the financial sector. We have expanded monitoring to all business practices to detect loopholes in the work process and to make necessary improvements.

→ Crisis Management

To guarantee optimal business operations, Korean Air has been systematically managing market risks in order to minimize the risks associated with fluctuating oil prices, foreign exchange rates and interest rates.

→ Risk Management System

Korean Air's internal bylaws and guidelines take into account all risks that could have a potential impact on business operations and runs the required organization to fulfill this responsibility. It also, assigns duties and missions, and develops contingency plans and countermeasures to minimize all risks. As a result, everyone at Korean Air is well prepared to deal with any potential risks, minimizing any potential losses to the corporate image, corporate finance or morale.

Risk Management

Category	Factors	Countermeasures
Market Risks	<ul style="list-style-type: none">Global economic developmentLow-cost carriersThe advance of international carriers into the Korean market	<ul style="list-style-type: none">Annually checking economic and aviation industry forecasts and trends as well as their impact on our business, and then developing the necessary countermeasuresPursuing profitable growth through profit-oriented route operations and an enhanced global networkFocusing on high-end customers through the strategic operation of a high-end fleet and enhanced customer servicesTimely responses to market changes and customer demands through flexible operations according to market demands
Operational Risks	<ul style="list-style-type: none">Airplane accidents or hijacking	<ul style="list-style-type: none">Establishing a safety management system under a safety first policyOperating a safety & security office under the direct control of the COO to prevent any accidentsProcedures for operating a response center by regulation, guidelines, manuals and division in the event of an airplane accidentCompany-wide drill to respond to airplane accidents (annually)Regularly checking contingency plans and revising emergency response proceduresOperating Safety Coordinators, Go Teams, and Care Teams
Resource Risks	<ul style="list-style-type: none">Oil price hikes	<ul style="list-style-type: none">Consistently monitoring oil prices and strategizing purchase plansOil price options, oil swaps, etc.
Environmental Risks	<ul style="list-style-type: none">Environmental accidentsClimate change	<ul style="list-style-type: none">Compliance with pollutant emissions regulations, company-wide environmental risk prevention activities and environmental accident contingency plansAdoption/Operation of high-efficiency aircraft, optimal routes and short-cuts, optimization of fuel loads, economic flight procedures, enhancing efficiency of aircraftGreenhouse gas inventory system
Regulatory Risks	<ul style="list-style-type: none">Abiding by local laws and regulations in each countryCarbon controls (EU ETS, GHG & Energy Target Management, etc.)	<ul style="list-style-type: none">Constantly monitoring all laws and regulationsResponding to regulatory risks with legal expertsMaximizing efficiency of fuel expenses and saving costs through the strategic operation of low-cost emissions trading
Community Risks	<ul style="list-style-type: none">Conflict with local communities, NGOs	<ul style="list-style-type: none">Investing in community development infrastructureEngaging in diverse social contribution activitiesExpanding communication channels with local communities

Crises Response Principles

1. Recognizing crises
2. Reporting crises
3. Classifying crises
4. Declaring crises
5. Organizing and launching the Emergency Response Committee
6. Operating contingency plans
7. Controlling crises
8. Returning to normal business status

→ Financial Risk Management

For sustainable and stable business operations, Korean Air has systematically been operating a risk management program since 2001 to control the financial risks arising from oil prices, fluctuations in foreign exchange rates, and interest rates. There are two ways of hedging risks: natural hedging and active hedging. Korean Air strategically operates these two strategies to effectively control its market risks.

<Korean Air's risk exposure, volatility & strategy>

(as of the end of Dec. 2011)

Variable	Position		Effect	Strategy
Oil prices	Annual oil demand: 33 million barrels		Dollar/barrel change to oil prices: leads to a USD 33 million loss to Korean Air	Natural Hedge <ul style="list-style-type: none">• Balancing out income/expense by currency• Maintaining the ratio of fixed-rate liabilities to flexible-rate liabilities at 50:50 level
Foreign Exchange Rates	Evaluation loss	USD-denominated liabilities: USD 7.3 billion	Change of KRW 10 in foreign exchange rate: leads to a KRW 73.0 billion loss from evaluation of foreign currency (no relation to cash flow)	Active Hedge (hedging through derivatives) <ul style="list-style-type: none">• Oil prices/Foreign exchange rate<ol style="list-style-type: none">1. Basic hedge: hedging 30% of annual exposure according to statistical data and market developments2. Additional hedge: additional hedge in the case of an abrupt change in the forecast of oil prices or foreign exchange rates• Interest rates: interest rate swap contract that switches back and forth between flexible and fixed interest rates in accordance with market developments
	Cash Flow	Annual shortage in USD: approximately USD 2.0 billion	Change of KRW 10 in foreign exchange rate: leads to approximately KRW 20.0 billion in cash flow	
Interest rates	Fixed-rate liabilities: KRW 6.5 trillion Flexible rate liabilities: KRW 7.4 trillion		A 1% change in average interest rates: leads to a KRW 74.0 billion change in interest expenses	

Responding to Non-Financial Risks

Korean Air experienced several non-financial risks in 2011, including the uprising in Egypt, the Great East Japanese Earthquake and the ensuing nuclear power plant meltdowns, and the severe floods in Thailand. These incidents had a significant impact on the aviation industry, as these places are popular overseas destinations for many travelers, including Koreans. In the event of or anticipation of unforeseeable crises, Korean Air runs a correlation analysis of these crises and develops countermeasures to minimize losses from these risks. When developing countermeasures, we run a simulation analysis based on similar incidents in the past and make decisions based on these results. The results and lessons learned from responding to these crises are accumulated in our database for future response measures. With crises in 2011, we identified their financial impact through scenario analyses and analyzed flight reservation trends by each region and route, allowing us to effectively respond by suspending flight services on routes with an issue or decreasing the number of flights or changing aircrafts to these routes with an issue, which minimized potential losses.

→ Mutual Growth

We fulfill our corporate social responsibility through the promotion of fair transactions and the support of business partners to realize mutual growth and to coexist with business partners and society.

→ Selection, Collaboration, and Evaluation of Business Partners

Korean Air ensures fair and transparent procedures in the selection of business partners under internal bylaws and guidelines on procurement. We opt for bidding in principle when a number of companies are applying at the same time and select business partners based on the total cost of ownership (TCO) methodology. We also consider business ethics practices, financial stability, education programs, safety and health in the workplace, human rights and compliance with labor laws, acts and policies to prevent physical or psychological harassment, elimination of abuse and discrimination, respect for collective bargaining and union membership, environmental certification, safety, quality and technology before finalizing our business partners. In addition, our business partners are subject to regular follow-up evaluations, with results reflected in future transactions.

→ Mutual Growth Policies

The mutual growth of large corporations and their SME partners is a prerequisite to sustainable development in the global market. Korean Air is reinforcing its partnerships with business partners to promote mutual growth and to mutually benefit from this growth. We make transactions with our business partners based on mutual trust. At the same time, we pursue mutual growth along with our SME partners in step with our sizeable growth, while fulfilling our social responsibilities.

In a bid to realize mutual growth alongside our SME partners and ensure the sustainable growth of both parties, Korean Air held a ceremony in 2011 with 19 of its business partners to sign an agreement on mutual growth. Under the agreement, we now operate a Mutual Growth Council which serves as a channel for communication with partners who are members of the council for effective cooperative measures for mutual growth.



→ Major Achievements in 2011

As of 2011, Korean Air operated a number of mutual growth programs for its 726 business partners, including the settlement of suppliers' bills in cash and instant reflection of changes in raw material prices or foreign exchange rates in supply costs under a Raw Material Price Pegging system. We also purchased expensive equipment and leased them to business partners who were unable to afford such expensive equipment under the Sale & Leaseback program, and shared profits from the costs saved from innovation drives with our business partners under our Profit Sharing program. Furthermore, we offered financial and technical support and subsidized overseas technology training to help our business partners build their competencies.

Concurrently with the adoption of the enterprise resource planning (ERP) system in January 2009, we launched the iSP (Internet Supplier Portal) for our business partners. This allows them to check orders, storage, and payment information on a real-time basis and also gives them the opportunity to ask questions or make inquiries. Korean Air's procurement staff and other staff from each division regularly communicated with business partners to learn about current issues and inconveniences and to offer solutions to these problems, which helped build mutual trust. We also surveyed business partner satisfaction on our policies and studied any shortcomings in order to improve mutual growth.

In addition, we have completed a Business Partner Performance Evaluation system in collaboration with a credit rating agency. This allowed for the systematic evaluation of our business partners' performance and has significantly enhanced our supplier relationship management and helped foster better business partners. As mutual growth with our business partners is the key to sustainable economic growth, Korean Air will continue to promote more opportunities for win-win partnerships with its SME suppliers, building a more sustainable mutual growth platform.

→ Mutual Growth Programs

- Mutual Growth Council: signing ceremony for mutual growth, communication channel with business partners
- Cash settlement of bills
- Raw material price pegging system: reflecting changes in raw materials prices and foreign exchange rates in supply costs
- Sale & leaseback of expensive instruments: purchasing expensive instruments and leasing back to business partners
- Profit sharing: sharing with business partners the profits from joint development of technologies and the resultant cost savings
- Providing technical support and training to business partners
- Providing educational support and meetings/seminars to business partners

→ Overseas Local Procurement Policy

Korean Air makes purchases only after following the applicable procedures under the internal procurement guidelines. Our internal procurement guidelines mandate that objects be bought locally. The local procurement procedures are reviewed by relevant departments and the roles and responsibilities are articulated accordingly. The work process also ensures that local procurement is carried out fairly under the relevant standards.

Roadmap up to 2019

- Goal by 2019 (50th anniversary business goal)
- KRW 25 trillion in sales, KRW 2.5 trillion in operating profit (operating margin of 10%)
- A fleet of 180 aircraft, flying to 140 destinations
- One of the world's top 10 passenger airlines, the world's No. 1 cargo transport airline
- Long-term Growth Strategy
- Reinforcing a leading airline brand image through top safety and high-end customer services
- Enhancing marketing activities to secure market leadership and consistent profitability
- Diversifying our business portfolio by expanding into the logistics business
- Enhancing productivity through process innovation
- Strengthening business risk management



Business Strategy & Key Tasks

Achieving profitable growth through crisis management and global competencies

- Reinforcing our response to the business environment
- Preemptive responses to global economic crises
- Aggressive marketing activities in response to intensifying market competition with international airlines in the Korean market
- Flexible and timely responses to market and customer demands
- Enhancing competitiveness by improving our fundamentals
- Ensuring profitability and growth potential by tapping into our global sales network
- Establishing a low-cost system by improving productivity
- Creating greater value through a creative corporate culture

- Developing new growth markets
- Expanding sales in existing markets and exploring new markets in Latin America, Africa and Central Asia
- Expanding networks by tapping into the network and resources of SkyTeam
- Increasing connections to other transportation means such as trains and trucks
- Efficient operation of management resources
- Maximizing efficiency in the operation of aircrafts, including new aircrafts
- Utilizing up-to-date management systems such as ERP
- Fostering and retaining global talent

Major Performance Indicators

GOALS	2010	2011	2012 PLAN
Sales	KRW 11,278.8 billion	KRW 11,805.3 billion	KRW 12,820.0 billion
Operating margin	KRW 1,158.9 billion	KRW 394.1 billion	KRW 820.0 billion
Adding new routes	Adding five new routes (for a total of 113 destinations)	Adding nine new routes (for a total of 118 destinations)	Adding three new routes for a total of 121 destinations Aggressively penetrating into Latin America, Africa, and Central Asia
Consistent investment in fleet modernization	KRW 1,638.2 billion	KRW 2,400.6 billion	Adding 14 more aircrafts (A380, B777-300ER, B747-8F, B777 freighters, etc.)
Expanding our global network	• Vietnam Airlines and TAROM Romanian Air Transport joined SkyTeam	• Taiwan's China Airlines joined SkyTeam • Signed a codeshare agreement with Canada's WestJet Airlines (Aug.)	• Saudi Arabian Airlines, Middle East Airlines, Xiamen Airlines (scheduled) and Aerolíneas Argentinas joined SkyTeam • Signed a codeshare agreement with Virgin America (Feb.) and JetBlue

KEY ISSUE 1

THE FUTURE OF GROWTH

→ Sustaining Profit Growth through Future Growth Engines

→ Review of 2011 & Outlook for 2012

In 2011, the global business environment was mired in problems. Influenced by the European financial crisis, the U.S. economic slowdown, uprisings in the Middle East, and the Great East Japanese Earthquake, global economic growth slowed, with fluctuating oil prices and foreign exchange rates affecting airline market demands. According to the IATA, international air transport increased 5.9 percent for passengers, but decreased 0.7 percent for cargo transport in 2011.

More encouragingly, the IATA forecast 4.2 percent year-on-year growth in passenger transport for 2012 and a small increase in cargo transport in 2012 over the fourth quarter of 2011. Given the lingering uncertainties in the European financial sector and an unlikely recovery in the U.S. economy, KRW/USD exchange rates are expected to fluctuate. In addition, oil prices are likely to rise with growing geopolitical risks in major oil producing countries in the Middle East, and expectations for a moderate recovery in the global economy.

→ Business Environment in 2011

Korean Air had 4.7 percent year-on-year growth in annual sales for 2012, reaching KRW 11,805.3 billion, and an operating margin of KRW 394.1 billion. However, sales growth was undermined by a weakened operating margin, which lowered to almost half from the previous year due to more than a KRW 1 trillion rise in fuel expenses arising from skyrocketing oil prices. Also, the 11 percent year-on-year growth in passenger route sales revenue, which reached KRW 7 trillion for 2011, was compromised by an 8 percent drop in the cargo route sales revenue, which reached KRW 3.5 trillion in 2011. Although our operating margin declined, we consistently expanded our global network by launching new routes and improved our transport performance through increased overseas sales, allowing for further growth in 2011. In addition, we successfully incorporated 5 new A380 aircraft, furthering our position as a leading global carrier.

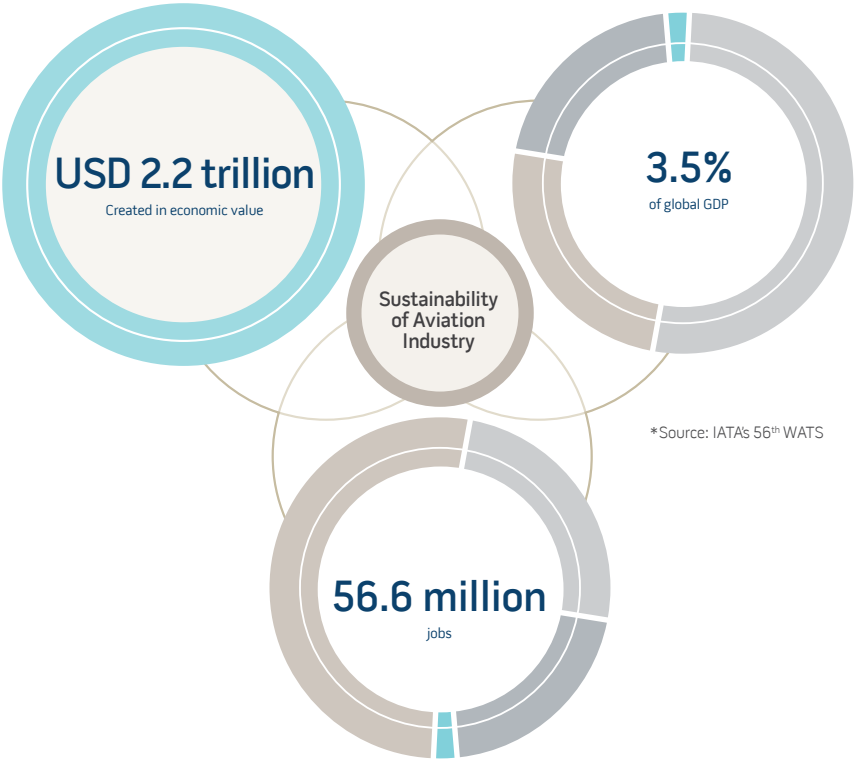
→ Risks and Opportunities in 2012

In 2012, Korean Air sees opportunities in the exploding demand for overseas travel by Chinese passengers and a growing number of flights into Korea by international K-POP fans. There is also opportunity with the increasing international sales of Korean carmakers following the Korea-U.S. Free Trade Agreement (FTA), the growing number of Korean families going abroad for the weekend as Korean schools begin closing on Saturdays in 2012, and other global events such as the Yeosu Expo and the London Olympic Games.

These opportunities, however, come with risk factors as well. The global economic recession is going to dampen the increase in air transport demand, with fluctuating oil prices and foreign exchange issues also posing threats to the aviation industry. Furthermore, an increasing number of low-cost carriers in Asia are tapping the Korean market, while Chinese cargo carriers are expanding in size and threatening Korean Air's market share.

In response to these risk factors, Korean Air is consistently striving to secure a foundation for sustainable growth. As we expand our global network, we are also aggressively adding cutting-edge new aircraft to our fleet. In addition, we are investing in the development and manufacturing of aircraft components and unmanned aerial vehicles (UAV) in a bid to secure future growth engines.

In 2012, Korean Air has set its business policy to pursuing profitable growth through an enhanced crisis response capacity and global competencies, with the goal of reaching KRW 12,820.0 billion in sales and KRW 820.0 billion in operating margin.



→ Indirect Economic Benefits of the Aviation Industry

Air transport is the fastest, safest form of international transportation with human and material resources, making it the heart of global trade. Its related industries, which include business, travel and tourism, also contribute to job creation. In step with the growth of the world aviation industry, the global economy has been developing faster than ever. This has led to the development of the aviation industry, creating a virtuous circle. In fact, the global aviation industry accounts for 3.5 percent of global gross domestic product (GDP), with 56.6 million jobs and USD 2.2 trillion in economic value. (Source: IATA's 56th World Air Transport Statistics [WATS])

In 2011, Korean Air transported 23.3 million passengers and 1.71 million tons of freight, helping contribute to global economic development. Through its global network, the company directly hired 3,064 people and contributed to the balanced growth of regional economies through its global network. Its direct influence on the import and export of a number of manufacturing and logistics activities and exchange of financial and service businesses served both Korean and regional economic development. Furthermore, we are active in various aerospace business sectors, including the improvement of military aircraft, as well as designing, developing and launching satellites.

→ Achieving Profit Growth through Global Competencies

Korean Air is actively expanding its global network and adopting cutting-edge aircraft as it continues to invest in R&D to secure future growth engines for more sustainable growth. To this end, the company is carrying out strategies in line with its business policy for 2012, which is to pursue profitable growth through an enhanced crisis response capacity and global competencies.

→ Securing Future Growth Engines

In the face of the global economic slowdown, Korean Air is making aggressive investments in future growth engines.



Market expansion



Introduction of next-generation aircraft



Manufacture of next-generation aircraft components and UAVs



Construction of Navoi International Airport and Logistics Center

→ Expanding Our Global Network

In 2011, Korean Air aggressively expanded its global network. We added passenger routes from Incheon to Huangshan China and to Palau, and from Gimpo to Beijing China. We also added cargo flights to Zaragoza Spain and Chengdu China. In 2012, we will continue advancing into the Latin American, African and Central Asian markets. In addition, SkyTeam's new members – Saudi Arabian Airlines, Middle East Airlines, Xiamen Airlines (scheduled) and Aerolíneas Argentinas – will help us further expand our global network.

→ Routes Operation Strategy

- Consistent market expansion and network-building
- Developing new growth engines through consistently developing new markets in Africa, Latin America and Central Asia
- Improving connection flight schedules through efficient flight scheduling
- Tapping into the SkyTeam network and resources
- Reinforcing global competencies by establishing regional hubs through the SkyTeam network
- Maximizing profits by increasing highly profitable long- and short-haul routes
- Strengthening schedule competitiveness and profitability by increasing the number of major routes

- Strengthening high-end service marketing campaigns
- Increasing high-end service sales through customized services and new aircraft

<New Routes Launched in 2011>

Route	Aircraft	Frequency	Launch	Remarks
Incheon/St. Petersburg/Frankfurt	B744F	twice/week	Mar. 23	Cargo route
Incheon/Irkutsk	B737	twice/week	June. 29	
Gimpo/Beijing	A333	seven/week	July. 1	
Incheon/Brussels/Zaragoza/Navoi	B744F	twice/week	July. 4	Cargo route
Trans-Atlantic cargo routes (Incheon/Dallas/New York/ Brussels Incheon/Miami/New York/Brussels)	B744F	twice/week	July. 6	Cargo route
Xingdao/Hangzhou	B737	three/week	Aug. 18	
Incheon/Chennai/Chengdu	B744F	twice/week	Sep. 21	Cargo route
Incheon/Palau	B737	twice/week	Dec. 1	
Busan/Cebu	B737	four/week	Dec. 1	

<New Routes in Plan for 2012>

Route	Aircraft	Frequency	Launch	Remarks
Incheon/ Da Nang	B737	twice/week	Jan. 19	
Incheon/London (Gatwick)	B777	three/week	Apr. 28	
Incheon/Nairobi	A332	three/week	June 21	

→ Passenger Business Strategy

Although global economic recovery is expected to be compromised by the European financial crisis in 2012, we expect growth in Korean aviation market demand, mainly in short-haul routes to destinations in China and Southeast Asian countries. We also expect fierce market competition in the domestic aviation market due to high oil prices and the growing market share of low-cost carriers. As a result, Korean Air's passenger business division will pursue efficient business operations and adopt cutting-edge new aircraft to expand the number of its high-end customers, while consistently expanding the company's growth platform through new routes.

To begin, we will expand overseas and reinforce our global network. We plan to launch new routes to Da Nang Vietnam, Yangon Myanmar, and Nairobi Kenya. Our service launch to Nairobi marks a significant advance into the African market. In addition, we plan to increase nonscheduled flights to markets with high growth potential, such as Zhangjiajie, Guilin, and Chengdu China, Nha Trang Vietnam, and to the Philippine island province of Palawan, securing more future growth engines. We are also planning to expand connecting flights to Incheon International Airport by connecting routes between European countries and Oceania and by improving our network between countries in the Americas and Southeast Asian countries.

Second, we will concentrate on attracting high-end customers through the strategic operation of top aircraft such as the A380-800 and the B777-300ER, with enhanced customer service. The highly fuel efficient A380-800 will be used on long-haul routes to New York, Los Angeles and Frankfurt, improving our route competitiveness.

Third, we will establish a profit-oriented route operation system and reinforce our global sales network so as to achieve both growth and profit at the same time. We will also timely respond to changing market and customer demands. Furthermore, in a bid to increase our online sales, we will tap into social networking services (SNS) and diversify our sales channels, which will strengthen our global sales network.



→ Cargo Business Strategy

In 2011, the global air cargo transport market suffered economically and from political instability in Africa and the Middle East. Influenced by a slowing demand for international air cargo transport, Korean Air's cargo business also suffered. In response, we worked hard to improve profitability by eliminating lesser-performing routes and launching new routes to St. Petersburg Russia, Zaragoza Spain, Chengdu China, and trans-Atlantic routes, securing a long-term growth platform.

The 2012 outlook for air cargo transport looks dim given the sluggish recovery in the market demand for air cargo transport. This will intensify market competition amid growing uncertainties in the global economy and high oil prices. Still, we see opportunities in the concerted efforts of the international community to overcome the global economic slowdown, the FTAs between Korea and other nations, the London Olympic Games, and the growth of emerging markets in Latin America and Vietnam.

In 2012, Korean Air's cargo business division will respond to changing market environments to secure a sustainable growth platform through diversified routes, stable supplies and excellent transport services. We are also adopting new routes in line with industrial and logistics market developments and overall market demands, while consistently developing new and specialized services in the transport of valuable freight, fresh freight and medical supplies. In addition, we are addressing basic demands through strategic alliances with global shippers and forwarders. To enhance customer satisfaction, we are making use of the most advanced IT technology to expand our e-Freight service, monitoring the entire process of cargo transport from shipping to delivery.

Fleet Modernization and Sustainable Growth

Economic benefits

The addition of new routes and increased flights on existing routes with highly efficient, long-range aircraft such as the A380, B747-8 and B787 will contribute to economic development, cutting import/export expenses and flight duration.

Social benefits

Increased flights will contribute to direct and indirect job creation, with a modern fleet enhancing customer convenience, while increasing passengers' choice of aircraft and flight schedules.

Environmental benefits

Continued introduction and operation of highly efficient/low-noise cutting-edge aircraft such as the A380 and B787 will reduce exhaust gas emissions and lower them during landing and take-off.

- The A380 generates 37 percent less noise than the B747 in its external noise footprint and 5dB less noise in its internal noise footprint. It also generates 70-80 percent less NOx exhaust gases and 30-40 percent less HC, CO and smoke compared to international limits.
- The B787 is made of cutting-edge composite materials, with 20 percent higher fuel efficiency than existing regional aircraft.

→ Cutting-edge New Aircraft

Korean Air plans to adopt 52 new passenger aircraft (five A380s, five B747-8Is and ten B787s) and 12 new cargo aircraft (seven B747-8Fs and five B777Fs) from 2012 to 2018 in order to meet growing market demand for air transport. The new aircraft are suitable for long-range routes with their high fuel efficiency. Also, with their lighter materials, their flight distance has been significantly expanded. As a result, the existing lower efficiency aircraft, such as the A300-600 and B747-400, will be phased out in the future. This plan for cutting-edge aircraft is part of Korean Air's mid- to long-term goal for fleet modernization, and it shows Korean Air's commitment to sustainable growth.

• Fleet

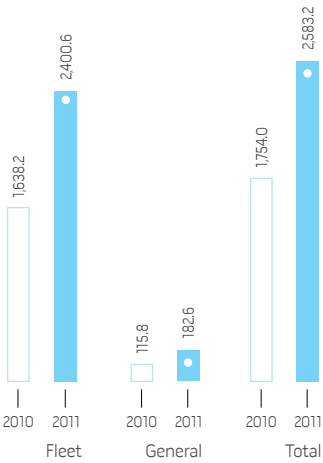
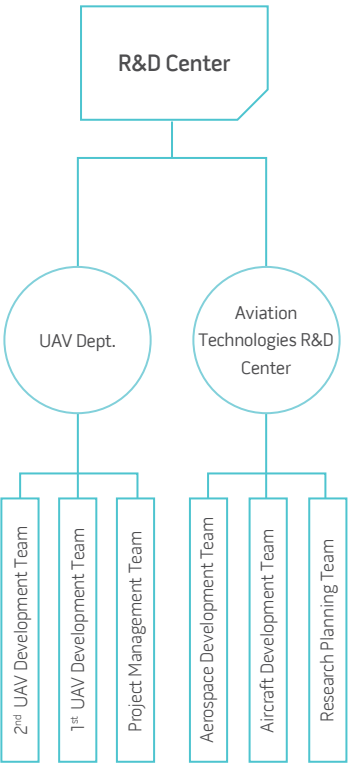
Model	2010	2011
Passenger aircraft	A380-800	5
	B747-400	17
	B777-300ER	6
	B777-300	4
Jumbo jet total	27	34
B777-200	18	18
A330-200	5	7
A330-300	16	16
A300-600	8	7
B737-800	14	16
B737-900	16	18
Regional and small aircraft Total	77	82
Passenger aircraft Total	104	116
Cargo aircraft	B747-400F	24
Cargo aircraft Total	24	24
Total	128	140

• Introduction of Aircraft

Aircraft	No. of Aircraft	Introduction
A380-800	5	May, July, Aug., Sep., Nov.
B777-300ER	3	May, June, Nov.
A330-200	2	Feb., Mar.
B737-800	4	July, Oct., Nov., Dec.
B737-900ER	2	June
Total	16	

• Disposition/Renovation of Aircraft

Aircraft	No. of Aircraft	Introduction	Remarks
B747-400	1	Dec.	Sold
A300-600	1	Oct.	Returned as the lease terminated in Oct.
B737-800	2	July, Dec.	Leased out to Jin Air
Total	4		



Investment Performance
(Unit: KRW billion)

→ Manufacturing Components for Next-generation Aircraft & UAVs

Korean Air is using its accumulated experience and technologies to participate in the international joint development of civil jumbo jets for Boeing, Airbus, and new growth R&D projects such as developing next-generation UAVs, satellites, and launch vehicles. This is reinforcing our core competencies, while generating synergies with our advanced technologies and competitiveness to become a leading global aerospace business.

Korean Air has a specialized R&D Center which engages in a number of R&D projects in the aerospace industry, including UAVs, satellites and launch vehicles.

In the aircraft development sector, we also participate in joint R&D for next-generation military UAVs and Korean Utility Helicopters (KUH), and participate in developing Korean Fighter Experimental (KFX) and Light Armed Helicopters (LAH). We are also part of joint projects to develop civilian aircrafts such as the six parts for B787s, including the aft body and raked wing tip, as well as the cargo door for the A350 and sharklets for the A320.

In the aerospace business, we are helping prepare for a third launch of the KSLV-1, the advanced R&D for the Korean launch vehicle, structural system development for multi-purpose satellite 3A, developing verification models for the telescope structure for satellite cameras and the advanced development for a moon explorer.

<2009-2011 R&D Performance>

Year	Major Project	Expected Benefits
2009	Basic design of the pilot facility of liquid rocket engine combustion	New technology & business R&D
	Developing repair and manufacture elements for military UAVs	New business R&D
	Developing the multi-purpose satellite No. 5 simulator	Localization of product
	Technology R&D for assembling prototype liquid engines	New technology & business R&D
	Developing a multi-purpose satellite 3/5 structure	Localization of product
	Developing UAVs for close-range surveillance (phase 2)	New business R&D
	Developing composite tail rotor blades	New business R&D
	Cutting-edge aircraft using hot drape forming (HDF) equipment	New business R&D
	Development of cargo door for the A350	New business R&D
	Improving the reliability of aircraft components	Improvement of Reliability Technology R&D
2010	Preliminary design of an assembly complex for liquid rocket engines	New business R&D
	System assembly for the KSLV-1 launch vehicle	New business R&D
	Mechanical assembly of the flight model for the Communication, Ocean and Meteorological Satellite	Localization of product
	AV-NAV reliability project	New business R&D
	Development of technology for the A320 sharklet	New business R&D
	Development of technology for the B787-9 AWWB, Stringer	New business R&D
	Developing the impact test for composite materials	New business R&D
	Designing/Manufacturing the tail rotor and rear system of the KUH	New business R&D
	Specific designing (phase 1) of the pilot components of propelled engines	New business R&D
	Designing and modeling the assembly device of liquid rocket engines	New business R&D
2011	Manufacturing of specimen for KSLV-II inter-tank composite panel	New business R&D
	Advanced development of the system assembly process for the KSLV-II propeller	New business R&D
	Manufacturing an empirical model for a telescope structure made of composite materials	Localization of product
	Developing UAV-integrated simulators	New business R&D
	Developing highly functional solar array deployment products	Localization of product



Major Contracts

KUH Pilot Production

- Contractor: Korea Aerospace Industries, Ltd.
- Project: supplying Korean Air products for the strategic production of KUH

Boeing 777 FSF/RWT/WBE/AFWT Projects

- Contractor: Boeing, U.S.
- Project: manufacturing fairings for Boeing 777

Boeing 737 FSF/Radome Project

- Contractor: Boeing, U.S.
- Project: manufacturing fairings for existing Boeing aircraft

Boeing 747 Radome Project

- Contractor: Boeing, U.S.
- Project: manufacturing radomes for Boeing 747

B747-400SF Maintenance Project

- Contractor: World Airways, U.S.
- Project: 2C-CHECK for 747-400SF Boeing aircraft

Stripping and painting helicopters for the U.S. Army in Korea

- Contractor: U.S. Army
- Project: stripping and painting UH-60/CH-47/ AH-64

Replacing the frames of F-16s for the U.S. Air Force

- Contractor: U.S. Air Force
- Project: replacing the rear frame of F-16s

Phase 2 Development of a satellite telescope structure

- Contractor: Korea Aerospace Research Institute (KARI)
- Project: phase 2 verification of the photonic structure, using high-stability, high-strength composite materials model design & manufacturing

Follow-ups for the repair and manufacturing of F-15s for the U.S. Air Force

- Contractor: U.S. Air Force
- Project: repair and manufacturing the fuselage on F-15s

Follow-ups for the manufacturing of A330/340 section-15

- Contractor: Latecoere, France
- Project: manufacturing section-15 of the A330/340

→ A New Growth Engine: Becoming the Logistics Hub in Central Asia

Korean Air's Navoi Project is about creating a logistics hub connecting air and inland transportation in Navoi by capitalizing on the geographical advantage of Navoi Airport, which is located strategically between Asia and Europe. By taking advantage of the geographical advantage of the airport, we will establish a logistics hub connecting air and inland transportation.

In May 2008, Korean Air signed a memorandum of understanding (MOU) with Uzbekistan Airlines on construction of a logistics center at Navoi International Airport, agreeing to cooperate in developing Navoi Airport as an international airport. Starting with our launch of the new cargo route connecting Incheon, Navoi and Milan, we are aggressively pursuing the logistics market in Central Asia through Uzbekistan.

In addition, Korean Air is modernizing the airport facilities under its management contract and is leasing two cargo jets, including an A300-600, to Uzbekistan Airlines for five years. We are ushering in a new air cargo transport era in Uzbekistan by transporting cargo to and from Southeast Asia and Russia and CIS countries to Europe. We have also launched a joint venture with the local inland transporter Central Asia Trans, completing a comprehensive logistics network that connects Navoi Airport with inland transportation to Russia, Europe, East Asia and Central Asia. A Central Asian logistics network centered on Navoi Airport has been established and Korean Air is going to maximize its potential as an Asian logistics hub.



→ Economic Performance & Distribution

→ Economic Performance in 2011

According to the IATA, annual international air transport increased by 6.1 percent in the passenger business in 2011, but decreased by 0.5 percent in the cargo business. Despite an increasing number of air travelers, the global aviation industry only saw USD 6.9 billion in profit for 2011, or half what that figure was in 2010, due to the unstable political situation in the Middle East and high oil prices. The IATA forecasts a 4.0 percent growth in passenger transport and stagnant market demand in cargo transport for 2012. In Korea, the number of travelers increased 5.7 percent from 2010 to 2011, but the aviation industry is forecast to see moderate profits due to lingering uncertainties in advanced economies and oil price hikes amid the unstable political situation in the Middle East.

Korean Air saw a 4.7 percent year-on-year growth in sales for 2011, reaching KRW 11,805.3 billion, with an operating margin of KRW 394.1 billion (KRW 12,269.1 billion in sales and KRW 460.2 billion in operating margin on a consolidated basis). Despite the sales growth, however, oil price hikes and the resultant KRW 1 trillion increase in fuel expenses halved our operating margin compared to the previous year. Although the operating margin halved, Korean Air sustained growth through global expansion and new routes, as well as increased overseas sales, while reinforcing its position as a leading global carrier with the introduction of five new A380 aircraft

Despite the unfavorable business environment due to the economic slowdown and the Japanese earthquake in 2011, annual passenger sales revenue saw an 11 percent year-on-year growth thanks to the efficient operation of routes in response to changing market demands. Overall international transport volume grew 8 percent over the past year as well. By route,

the Southeast Asian routes increased 13 percent, Chinese routes increased 11 percent and American routes increased 10 percent over the past year, while Japanese, Oceania and European routes remained the same as the previous year.

By region, Korean routes saw a 9 percent growth in sales revenue despite the domestic economic slowdown. Internationally, Chinese route sales surged 25 percent from the previous year thanks to visa deregulations for Chinese travelers and the popularity of the K-Pop wave. Overall sales revenue from overseas routes also increased 16 percent from 2010.

However, annual sales revenue from cargo routes for 2011 declined 8 percent from 2010 due to the sluggish U.S. economy and the European financial crisis. In response, Korean Air adjusted its route operations while returning charter planes to their owners before the end of their lease period. We also increased marketing with large-scale shippers in order to overcome the challenging market environment. In 2012, we will continue to overcome remaining uncertainties in the market environment through the timely response to market demands and by securing stable sources of revenue from fixed volume transport, while also aggressively pursuing emerging markets to secure new growth engines.

As of the end of 2011, cash and cash equivalents stood at KRW 1,465.7 billion, with other financial assets reaching KRW 183.5 billion, up KRW 614.2 billion and down KRW 112.0 billion from 2010, respectively. Current assets and non-current assets increased from the previous year, with total assets reaching KRW 22,388.3 billion. Total liabilities increased 17.3 percent over 2010 to KRW 19,619.4 billion due to the increased non-current portion of liabilities such as short-term borrowings and lease liabilities. On a consolidated basis, Korean Air's cash flow from business activities reached KRW 2,025.2 billion, while the company recorded a net cash outflow of KRW 586.2 billion from investment activities. Cash flow from financial activities resulted in a KRW 833.0 billion net cash outflow.



Labor costs KRW 1,334.0 billion
Welfare expenses KRW 221.1 billion

EMPLOYEES

Dividend KRW 34.5 billion

SHAREHOLDERS

* Korean Air paid KRW 34.5 billion in dividends on March 18, 2011. Although the payment was made in 2011, it was for 2010 performance. Therefore, the dividend payment was classified as an expense for 2010.

Interest expenses KRW 497.6 billion

CREDITORS

TAX SERVICE

Taxes and dues KRW 42.4 billion

Income tax revenue KRW 141.9 billion

* Income tax revenue for 2011 due to pretax net loss

AVIATION AUTHORITIES

Landing fees KRW 290.9 billion

Facility charges KRW 433.6 billion

Donations KRW 12.4 billion

LOCAL COMMUNITIES

SUPPLIERS

Rent KRW 263.9 billion Service expenses KRW 120.6 billion

Fuel expenses KRW 4,589.4 billion Material costs KRW 397.7 billion

Ground operation services KRW 405.3 billion

KEY ISSUE 2



Vision

Under the founder's business philosophy that a company is the sum of its people, Korean Air is building a great workplace where its employees can lead a quality life both physically and psychologically, ensuring that they are fairly compensated based on their expertise and accomplishments.

Our Commitment

- We respect the dignity of our employees, maintain a trust-based relationship with labor and value our employees as the most valuable asset.
- We operate our human resource management system in a transparent and indiscriminate way through fair compensation based on the accomplishments, performance and capabilities of employees.
- We set clear business goals in line with the company's corporate philosophy and assist our employees so they understand this philosophy through diverse programs.
- We provide the best possible benefits for a higher quality of life for employees and support our employees' self-development and self-realization with a wide range of programs.
- We operate an Air Maintenance Care System to provide safe, healthy and agreeable working conditions and to prevent any occupational diseases arising from our unique working conditions.
- We provide timely and accurate information to employees through effective communication.

KEY Performance Indicator

Indicator	2011 Achievements
Promotion of disabled employees	• 11% increase from 2010
Reshuffling field-oriented job training organization	• Establishment of a Sales Transportation Training Team to enhance the correlation between on- and off-line courses and expertise in job training in the long-term (July 2011)
Activating internal employee communication	• HARMONY campaigns • Offering a "Learn about Korea" program which offers overseas employees opportunities to experience and learn about Korean culture
Safe workplaces	• Maintaining occupational injury rates at 0.08%

→ Human Rights at Our Workplaces

We contribute to creating jobs, promoting gender and disability equality, and protecting human rights in the workplace.

→ Respect for Human Rights

Under a management principle which respects employees and promotes their quality of life, Korean Air upholds the human rights of all its employees at every workplace. We also comply with local laws and regulations at all our operations at domestic and overseas worksites, and we do not allow forced labor and child labor as stipulated in the Korean Labor Standards Act and ILO conventions. Furthermore, we do not tolerate any form of discrimination in employment, assignment, evaluation and compensation, whether based on gender, age, religion, or regional background. A respect for human rights is at the top of the priority list in our decision-making process with important investments or transactions with business partners. As a result, we had no cases of discrimination or violations of labor regulations during the reporting period.

<No. of Employees by Category>

Category	Office (general administration, finance, sales, transportation)	Flight operations (cockpit, cabin)	Engineering (aviation, aerospace, research, procurement, operation management, communication)	Etc. (computer-related work, catering)	Total
MALE	3,441	2,614	5,079	474	11,608
FEMALE	2,994	5,734	55	117	8,900
NO. OF EMPLOYEES	6,435	8,348	5,134	591	20,508

* Including overseas employees/Excluding executives

→ Elimination of Discriminating against Temporary Employees

Korean Air does not discriminate against temporary workers with respect to its full-time employees. We apply equal conditions and compensation, from basic salary and performance incentives to safety allowances and other monetary compensations. We also offer the same benefits to our full-time and temporary employees in terms of free air tickets, compassionate allowances and leaves, medical subsidies and time-share condominiums. However, some benefits that are based on the number of years a person has been with the company, such as individual pension premiums, insurance, and loans, are applicable only to full-time employees.

<No. of Employees by Type>

Category	Total
No. of employees	20,508
Full-time	17,292
Temporary	3,216

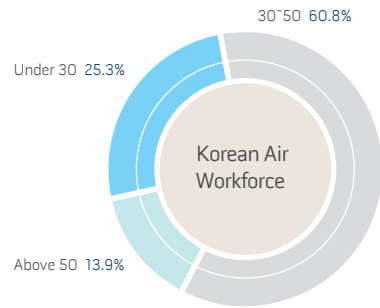
→ Overseas Employment and Locally Hired Managers

Globalization is a prerequisite to becoming a leading global carrier. Thus, we mobilize every resource to recruit and retain competent international talent. We do not discriminate against employees based on their nationality, culture, or religion, and we hire people from local communities on a continual basis. Our competency-building human resource development program for both domestic and overseas employees has increased the number of locally hired managers at our global operations.

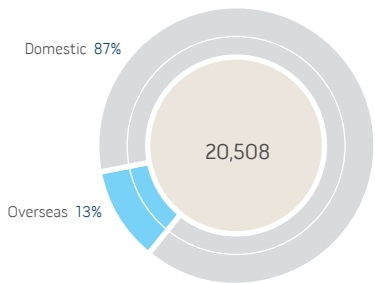
<Locally Hired Managers>

No. of overseas employees	2,729
Percentage of locally hired employees	84.2%
Percentage of locally hired managers	10.5%

Workforce Breakdown by Age



Domestic/Overseas workforce by region



→ Promoting Female Employment

Korean Air has continuously been increasing the number of its female workers. As of 2012, the number of female employees stood at 43 percent of the entire workforce. Lately, the number of female crew members has been increasing in the flight crew and engineering job sectors, two jobs which men have traditionally held. In fact, Korean Air ranked number two in a 2007 survey with female university students on the best company to work for, and became the most admired company by female consumers in 2008. In order to provide more women-friendly working conditions, Korean Air operates a number of programs and benefits in addition to the legally mandated ones. For instance, we give pregnancy leaves to pregnant flight attendants and fertility treatment leaves to any female employees for artificial insemination and/or in vitro fertilization treatment. We also run various programs to improve gender equality at the managerial level, such as overseas assignment programs and cabin crew member training. In practice of our commitment to female employment promotion, we became the first Korean company to sign an agreement with the Ministry of Gender Equality & Family as a "Women-Friendly Company" in December 2008. In 2009, we were awarded the gold prize by the Korean Federation of the Business & Professional Women (BPW), and awarded the presidential prize for our meritorious service to enhancing female welfare through female employment and the practice of gender equality in 2010.

<Return to work and retention rates after parental leave (domestic/full-time staff)>

No. of employees on maternity leave	527
Return to work rate after maternity leave	100%
No. of employees on pregnancy/parental leave	712
No. of employees on pregnancy leave	231
No. of employees on parental leave	481
Rate of male employees to female employees on parental leave	0.8%

→ Ratio of Basic Salary of Men to Women by Employee Category

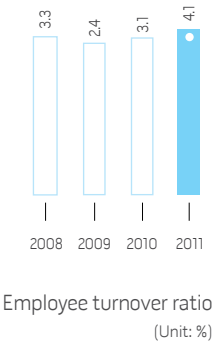
Korean Air does not discriminate by gender. Thus, there is no difference in the ratio of basic salary of men to women by employee category.

→ Employment of the Disabled

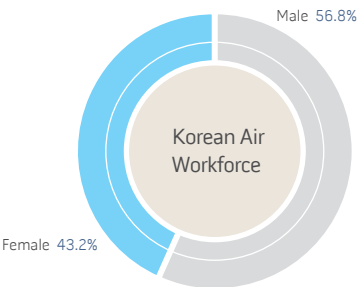
Korean Air has been endeavoring to increase the employment of disabled people since 2000. In 2005, the company advanced this initiative by signing an agreement with the Korean Employment Promotion Agency for the Disabled (KEPAD). While increasing the number of disabled people at the company, we have also expanded the scope of positions for the disabled, from flight booking, ticketing and transportation to computer-related work and general administration in order to accommodate an increasing number of disabled job seekers, including the severely disabled. We have also increased opportunities for disabled employees to become full-time employees. In 2007, we adopted a home-based telework program into full-time employment, ensuring job security for mobility challenged people. In recognition of these efforts, Korean Air was awarded with the grand prize at KEPAD's 2007 True Company Awards.

Category	2010	2011	Change (%)
No. of disabled employees	131	145	11

* Job duties: flight booking, ticketing, transportation, computer-related and general administration work



Workforce Breakdown by Gender



→ Human Resource Development



→ Human Resource Development System

Under the firm belief that people are our most valuable asset, Korean Air operates diverse programs to build global competencies in its employees. In fact, its HRD strategy and system have won the Korea HRD Association's HRD Management Awards' Grand Prize for five years in a row. The Human Resource Development Center at Korean Air is in charge of company-wide integrated education programs, including manager training and core value training. A separate training center also offers specialized courses for flight operations, maintenance, and cabin services in order to maximize expertise through educational programs. Korean Air's basic education system is divided into different levels depending on the roles and responsibilities required for each position. The on/off-line mixed courses maximize the effectiveness of the program. We have also realigned the passenger and cargo job functional training system to support field operations.

<Company-wide HRD System>

Business Management					Specialized training according to positions					Service training	Foreign language training				
Category	Leadership course		KE Core Value course	Global competency building											
Executive	Korean Air Executive Development Program (KEDP)		Executive seminars												
Team leader	Course for increasing team leaders' competencies(KTDP)		Workshop for team leaders												
GM	MBA	Airline Management School		(newly promoted) General Managers (GM)	Training course for foreign managers	Invitation for foreign employees to visit the head office in Korea	Passenger	Cargo	Cabin	Maintenance	Operations				
SM				(newly promoted) Senior Managers (SM)			Advanced courses	Passenger Management	Cargo Management	Specialized training for newly assigned team leaders		Captain training			
MNG		Courses for improving basic competencies (mandatory/online) 9 for SM 12 for MNG 11 for AM 10 for staffs		(newly promoted) Managers (MNG)			Intermediate courses	Passenger/Working-level	Cargo	Higher class specialized training	Specialized maintenance by aircraft type		Promotion to captain	Service Management	
AM				(newly promoted) Assistant Managers (AM)			Intensive course	Beginner courses	Basic passenger	Cargo working-level	New employees special training	Maintenance working-level	Co-pilot training/formation	Service Working-Level	
Staff	Flight Operations Basic Course										Service Basic course				
	New Employee Orientation												English, Japanese, Chinese, and other foreign languages		



Realigning Job Training Programs Based on Field Need

In July 2011, we established a new Sales Transportation Training Team to enhance the correlation between on/off-line courses and expertise in our job training by taking a long-term and integrated approach. On-the-job training (OJT), due diligence, quality assurance (QA) and post-responsibility programs take a process-based approach to education. These new programs have helped us enhance the quality of customer service.

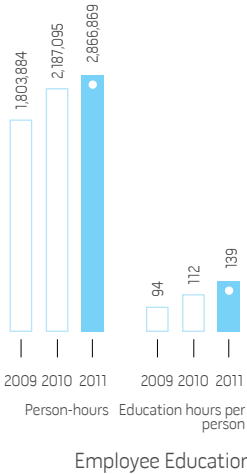
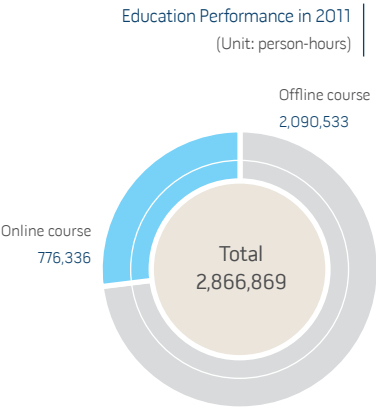
Training Managers

We run a course for increasing team leaders' competencies around the year and have developed case study content about management, leadership and coaching, significantly strengthening these manager training courses. In addition, the new Team Leader Workshop program helps all team leaders better understand the company's vision and business environment, helping team leaders think congruously when it comes to management issues.

Training Overseas Employees

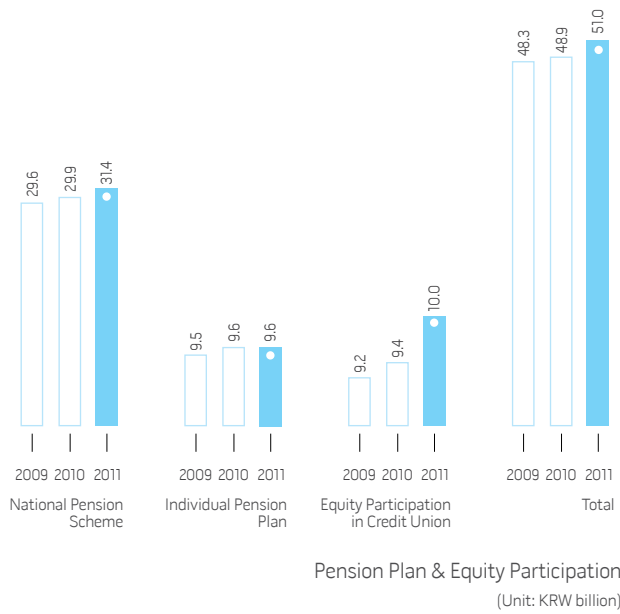
Korean Air has a number of education programs to help its overseas employees who are hired locally. In fact, they account for 11 percent of Korean Air's entire workforce. We launched an Overseas Education Group to provide the proper education and systematic job training programs so as to enhance our customer service at overseas operations. Employees from the Seoul head office are dispatched to new route branches or poorly performing branches to give them intensive assistance on practical information and principles concerning the passenger and cargo businesses.

We also foster a select number of locally hired employees overseas as job and service instructors to promote education and training at each regional headquarters. In addition, we increased the frequency of orientation for locally hired employees overseas from an annual basis to a monthly basis, helping them develop a sense of loyalty to the company and better understand the company as a whole. This has also enhanced efficiency in human resource management at the branch level. Furthermore, we promote mutual understanding among different job functions through a cross-job education program with cabin and flight operations.



→ Compensation & Benefits

Korean Air has a Comprehensive Compensation System which combines performance-based wages with benefits that are closely related to employees' livelihood.



→ Wages and Incentives

Korean Air pays wages and provides incentives that are among the highest in the aviation sector. This helps employees work to the best of their abilities and ensures that everyone is fairly compensated based on their individual competencies and performance through equal opportunities. In addition to annual performance-based incentives, the company offers safety incentives to encourage employees to pay closer attention to safety and work-life balance issues.

- Wage & Incentives: differential but reasonable financial rewards based on individual performance and capabilities
- Retirement Allowance System: a Retirement Allowance System under which retirees receive average wages for 30 days per one year of consecutive work

Korean Air's Initial Wage vs. Legal Minimum Wage

Korean Air pays wages that are among the highest in the aviation sector. New employees with a bachelor's degree are paid roughly 300 percent more than the legal minimum wage in Korea, which in 2011 stood at KRW 4,320.

Performance-based Remuneration to Executives

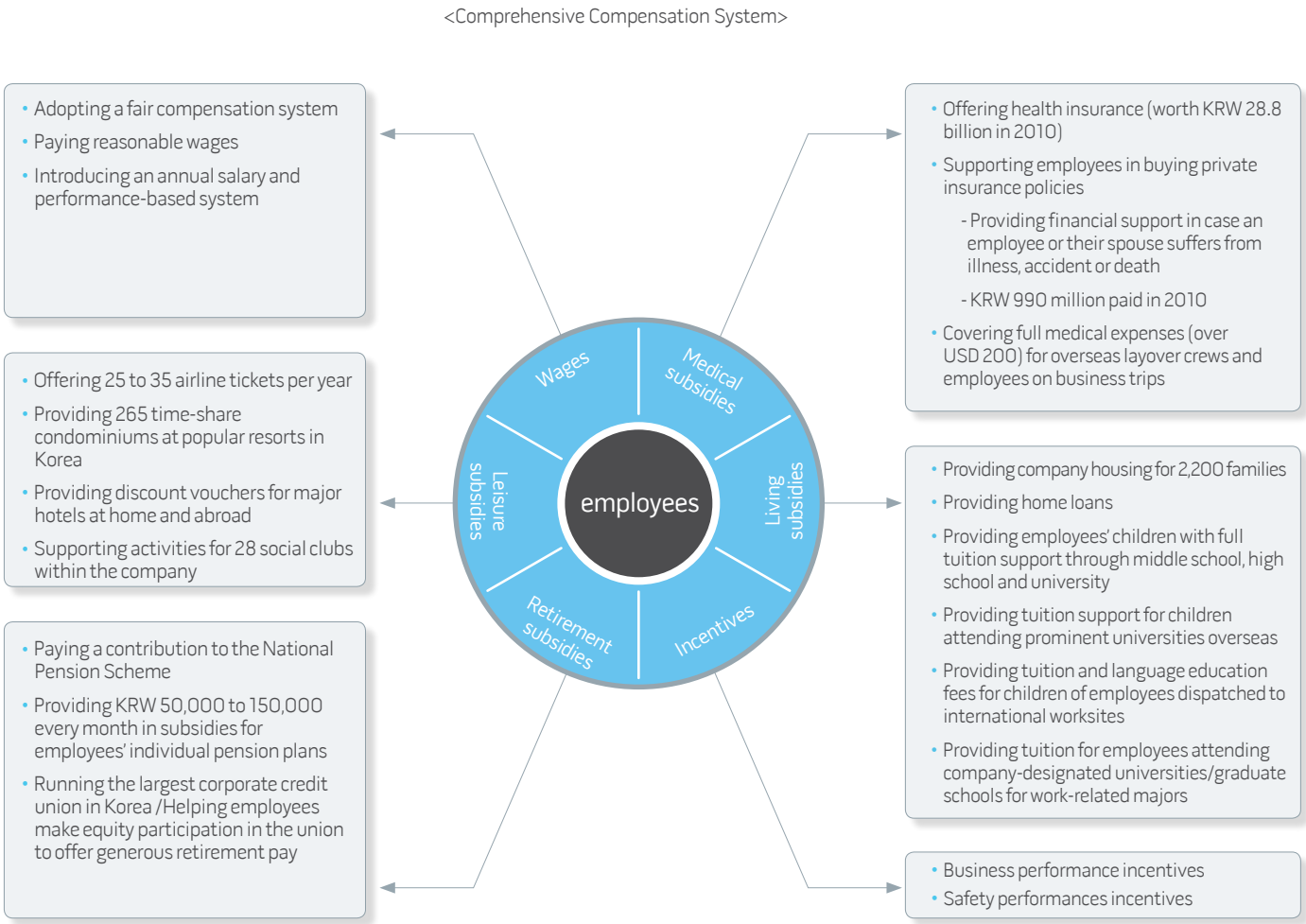
Executive management makes rational management decisions based on the objective analysis of data and information, allowing sustainable profitability and enhanced shareholder value. Remunerations are made to executives based on the evaluation of accomplishments and contribution against the annual KPI goals, pegging remuneration to organizational performance.

Evaluation and Differential Compensation

Korean Air runs its own multi-layered evaluation system according to different job function which is called the KAL Performance Appraisal System (KALPAS). Every employee is required to develop their own key objectives and plans in line with their team and company goals, with their performance evaluated by assessing all accomplishments against the indicators. For staff working in the field whose duties are measurable, their performance is evaluated based on the Standard Performance Indicators by job function. As for crew members, their performance is evaluated by tracking their flight destinations, pilot technology by aircraft type, and competency of following emergency procedures in the event of an emergency. The evaluation results are reflected in the annual pay rate and promotion review by job function and class under the differential compensation scheme.

→ Benefits

Korean Air provides employees and their families with airline tickets annually to help broaden their global leadership. To enhance their quality of life, the company also offers a wide range of other benefits, including company housing, tuition support for the children of employees, medical subsidies, support for leisure activities and post-retirement plans.



→ Health & Safety at Work

→ Employee Health Care Service

Health Check-ups & Management

For prevention, early detection, and treatment of health problems, Korean Air operates regular and special (employment, return to work, overseas assignments) health check-ups and provides follow-up check-ups and health management services. The integrated medical service system, called KALMED, controls and manages the health of the entire Korean Air workforce as soon as they join the company until they retire.

Primary Health Care

In the event of any health issues at work, first aid is provided, followed by treatment from a doctor, medicine, and any other necessary medical services. In addition, the company provides vaccination for influenza and cervical cancer to protect employees.

Health Promotion & Health Education

Consulting services on improving life habits and health problems are provided within our premises; professional dieticians, health coaches, and counselors who help employees quit smoking and operate health programs that suit individual needs. On/off-line health education courses are also provided quarterly along with useful health information to aid our employees with the management of their health wherever they are.

Flight Attendant Physicals

We make every effort in our health management programs for cabin crew members to be as safe as possible. Korean Air comprehensively issues and manages a domestic/international certificate for aviation physicals, and engages in preventive health care activities to ensure safe flight operations.

Preventing Musculoskeletal Disorders

In order to protect cabin crew members from musculoskeletal disorders, Korean Air regularly conducts physical fitness tests on cabin crew members and provides continued health management programs.

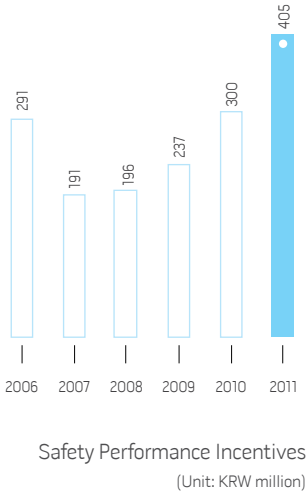
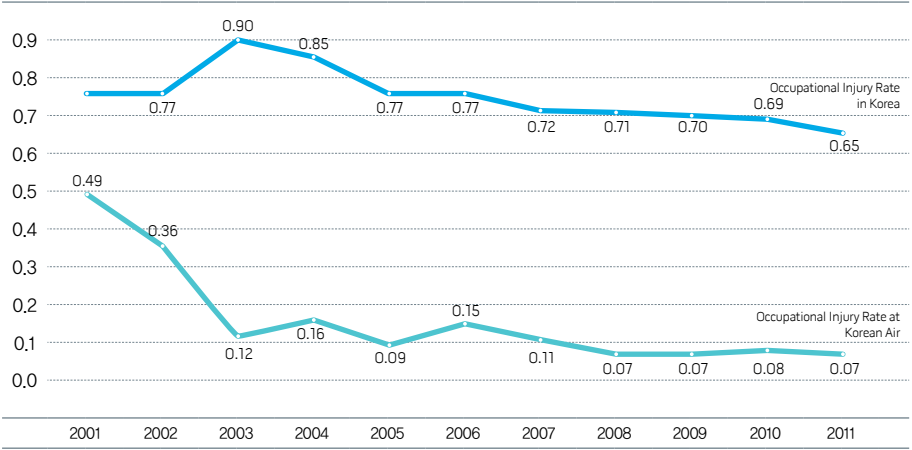
→ Occupational Environment and Health at Work

Korean Air continues to check on a regular basis for any hazards on its occupational environment and subsequently make appropriate improvements to ensure a safe and agreeable workplace. In addition, a joint team of doctors, nurses as well as occupational and environmental hygienists provide health and medical services such as counseling and education, occupational disease prevention, and improvement to working conditions through regular visits. Under the Occupational Safety & Health Act, we conduct special and pre/post-assignment health check-ups to ensure our workforce is as healthy as can be.

→ Accident-free Workplace

Korean Air has been consistently striving to create an accident-free and healthy workplace for its employees. Recently, we have been focusing on health and safety support activities, promoting spontaneous accident-prevention activities at each division, which has helped raise safety awareness with employees. Every employee follows the given work process and continues to improve safety risks at workplaces. As a result, we have maintained a low occupational injury rate, which in 2011 stood at 0.08 percent.

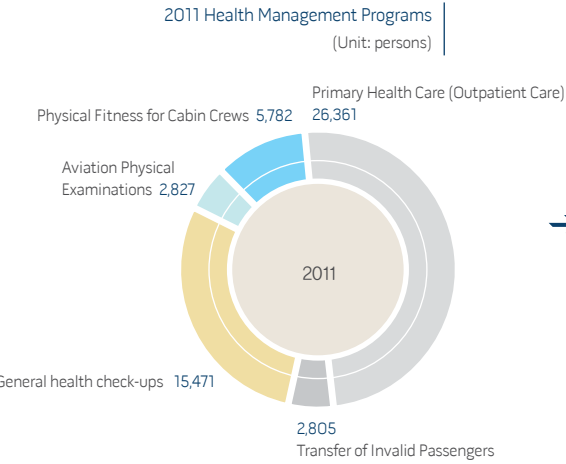
<Occupational Injuries per 100 Employees> (UNIT: %)



Korean Air's Job Hazards Analysis allows employees to self-check any hazardous factors and to apply appropriate improvement to the issue. As a result, the prevention rate has significantly improved. As for any work process with the slightest possibility of occupational accident, a risk assessment is conducted, followed by appropriate improvements and follow-ups through regular check-ups. In addition, we have consistently promoted accident-free campaigns and raised safety awareness with employees, offering incentives for accident-free performance.

In response to radiation anxiety after the Great Japanese Earthquake, Korean Air screened all passengers flying from Japan with radiation monitors in cooperation with the Korea Institute of Nuclear Safety, and disclosed the daily measurement of radiation exposure to each airport where one of our flights had departed from. The data was then delivered to our crew members in the form of daily reports.

Korean Air will continue to encourage its entire workforce to participate in the company's safety promotion campaigns so as to minimize any hazardous factors at work and to build a safer workplace as an accident-free airline company.



→ Communication at Work

→ Cooperative Labor-Management Relations

Korean Air upholds the freedom of association and collective bargaining rights as stipulated by the International Labor Organization (ILO) convention. Korean Air has two labor unions: the Korean Air Labor Union, consisting of workers in positions such as cabin service, maintenance and general administration, and the Korean Air Pilots Labor Union. The Korean Air Labor Union has remained free of disputes during collective bargaining for 43 straight years. The Korean Air Pilots Labor Union has also maintained cooperative relations with the company in an effort to weather the economic crisis and raise corporate competitiveness.

<Labor Unions>

Year	Korean Air Labor Union		Korean Air Pilots Labor Union	
	No. of Members/ No. of Eligible Employees	Membership Rate	No. of Members/ No. of Eligible Employees	Membership Rate
2011	9,719 / 13,889	70 %	1,196 / 2,178	55%
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%

* All collective agreements with the labor unions or labor-management council's resolutions cover the entire workforce at Korean Air, whether union members or not.

→ Ombudsman Program

Korean Air operates an Ombudsman Committee and HRM Counselor Program to proactively offer solutions to employee grievances and respond to their suggestions to promote a better HR network and raise morale within the organization. All counseling data is recorded and kept in the counseling room, and remains confidential. Counselors respect the individual dignity of each person so that they feel comfortable with the counseling.

Hotline

All Korean Air employees can log on to the HRM portal system to contact the HRM or sexual harassment counselors instantly.

→ Labor-Management Communication on the Intranet

Employees at 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 intranet systems, which include the Employee Information System (KALMAN), the Work Management System, and the HANWAY system. KALMAN allows employees to check their personnel or income information or apply for benefits like airline tickets. KALMAN also serves as an online channel for across-the-board interactive communication.

The company shares major management issues with all employees and posts changes such as revisions to internal bylaws, reorganization, recruitment, promotions, transfers, and retirement information on the intranet in accordance with Articles 22 and 30 of our Collective Agreement, which stipulates advanced notification of lay-offs (50 days in advance) and dismissals (30 days in advance) and instant notification in the event of any significant change to business operations. This transparent management practice is a basic principle of Korean Air's management and is articulated in the collective agreement. In addition, labor and management come together through four regular labor-management council meetings, annual wage negotiations, and biennale collective bargaining sessions. In addition, the two sides hold collective negotiation and council meetings whenever necessary. In the event of a need for an enactment or revision to regulations, they form a project team to discuss and consult with each other for the mutually beneficial development of both sides



→ Harmonious Labor-Management Culture for Employees, Families, and the Company

Korean Air hosts a variety of labor-management events for its employees and families every year. In 2011, we held a marathon and cultural events in celebration of the company's 42nd anniversary, helping employees gain a stronger sense of loyalty to the company and balance their work and life. In addition, we hold a table tennis competition every year to build solidarity among employees.

→ Labor-Management Culture for Sharing

Korean Air's labor and management have the same beliefs when it comes to social contribution, which is why the two parties engage in a number of community service programs together. In 2011, they delivered briquettes to low-income families, helped elderly citizens living alone, delivered living necessities to the families of disabled people, and provided free meals to undernourished children. They also donated books to children overseas and delivered disaster relief supplies to communities hit by earthquakes. In addition, Korean Air employees donate a small amount of their monthly pay (under KRW 1,000, executives under KRW 10,000) to maintain a fund that was established in 2003. The company contributes the amount matching the fund raised by employees to form a charity fund. In the future, Korean Air's labor and management will continue to work together in more diverse social contribution activities at home and abroad to build a better world for everyone.





Vision

Customer safety and satisfaction are at the top of our priority list.

Our Commitment

- We do our best to provide the most excellent customer service possible so that passengers can enjoy safe and comfortable flights.
- We provide our customers with convenient air transport service, which will lead to a service-oriented culture wherein customers around the world place their trust on us. Our Total Travel Service system will provide useful travel information and travel convenience to our passengers to satisfy their needs.
- We operate the safest flights, from take-off to landing, with an established “safe flight system.”
- With respect to passenger rights, we treat everyone with respect regardless of their culture, customs, traditions or values.
- By listening to customers, our Customer Service Center is able to offer solutions to any inconvenience instantly. In addition, the Real-Name Service program is enhancing the transparency and accountability of our customer service.
- We continue to transparently disclose information to customers, while customer information that we access in the process of our customer service shall be protected confidentially, and not leaked or abused.

KEY Performance Indicator

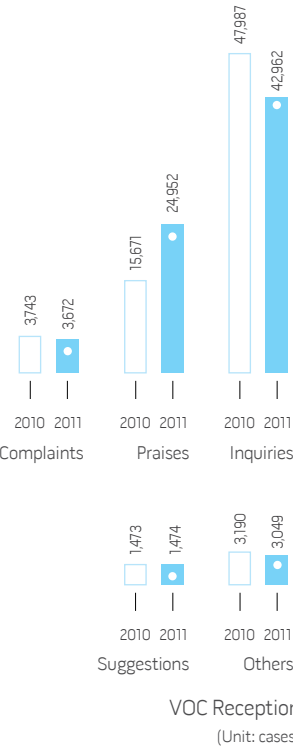
Indicator	2011 Performance
Improved customer service and convenience	<ul style="list-style-type: none">• Completed the Top-Class Cabin Service project on 49 airplanes (B747, B777, A330) from 2005 to 2011• Created a prestige class on the entire 2nd floor of an A380 aircraft, with the least number of economy seats compared to any other airline, replacing seats with a duty free store, bar lounge and other amenities for passengers• 50 cabin crew members were dispatched to complete a bartender course at Absolute of Sweden• Launched a mobile cargo service website (mcargo.koreanair.com)• Commenced a project to upgrade the Amadeus Altea Customer Relationship Management Solution program that encompasses booking, ticketing, transport, IT and systems
Expanded communication with customers	<ul style="list-style-type: none">• Invited customers to help produce a TV commercial under the theme of “A Place of Our Own”• 3rd My Amazing Plane drawing competition• 4th round of sponsorship of the Korean On-Air Program
Improved customer health and safety	<ul style="list-style-type: none">• Continuously increasing the portion of organic and low-calorie food in catering and receiving the HACCP certificate• Completed IT system upgrades for safety management by investing USD 190,000 from Sep. to Dec. 2011
Customer privacy protection	<ul style="list-style-type: none">• Shared useful information on protecting personal information to other companies as the vice-chairman of the Korean Council on the Protection of Personal Information (KCPPI), which was launched in 2010

→ Learning from Customers for Greater Customer Satisfaction

Korean Air listens to customers and reflects their opinions in its management by using the voice of customer (VOC) program, which allows Korean Air to receive customer feedback and make improvements to its service structure. Today, we receive 70,000-80,000 comments annually, including praise, complaints, inquiries, and suggestions through e-mail and our global website, which is available in 10 languages: Korean, English, Simplified & Traditional Chinese, Japanese, German, French, Spanish, Portuguese and Russian.

Complaints, praise and suggestions from customers received through the Voice of Customer (VOC) system are kept on record and reflected in future management planning. The VOC is shared across the board to better understand customer needs for our services and analyzed and evaluated by related departments to develop solutions and improvements for shortcomings. The monthly Service Improvement Evaluation Committee then assesses improvement performance and feedback on shortcomings and issues to improve on. A monthly webzine called Service Bulletin was first published in September 2006 and as of December 2011, the 106th issue was published. The webzine covers case studies on customer complaints, features employees with excellent service records on the Service Champion and Service Excellence pages, and provides information on customer trends, as well as useful information on customer service and the aviation industry.

In addition to the VOC, Korean Air has a round-the-clock chat consulting service. It is a real-time customer service for more efficient and instant communication. We offer this service to customers in Korea, the U.S., Japan and China. From 2010, we have been communicating with our customers via a number of social media, including Twitter, Facebook and MeToday. For a more integrated and strategic approach to SNS communication with customers, we have established a new SNS Team under the Corporate Communications Department.



→ A Trust-based Relationship with Customers

→ Operation of Safe Flights

Safety is a top priority for us. Everyone at Korean Air makes the utmost effort to improve upon safety in all flight operations and maintenance & engineering. As a result, we were awarded the Ministerial Prize as the top safety operator among large airlines for 2011 on December 28, 2011 because of our leading accident-preventive maintenance and safety operations. In October 2011, Airbus selected Korean Air as the best on-time performer among 24 global carriers that operate the A300-600. This has led to Korean Air gaining a solid reputation for its top safety operations.

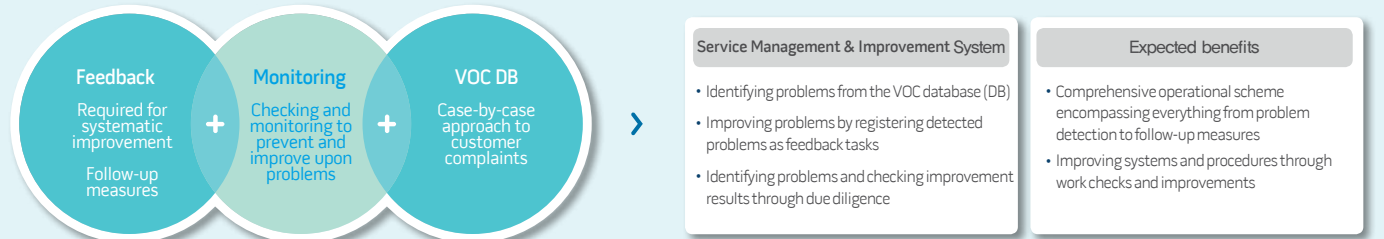
Korean Air is an active member of several international airline alliances, such as the IATA, AAPA, FSF, and SkyTeam, for which it is as a member of the board, committee or working group. We also closely cooperate with the Ministry of Land, Transport and Maritime Affairs (MLTMA), the Korean Air Force, and KAIST for safe flight operations. In addition, we participate in the IATA's Safety Audit for Ground Operations (ISAGO), which was formed by the IATA to improve quality of operational process and the safety of ground operations. We also became an ISAGO pool member in April 2008. Furthermore, we share audit reports with our ground operations for the efficient and systematic controlling of ground operations to prevent accidents.

Korean Air adopted its SafeNet system in October 2009. Based on a safety management IT system, SafeNet preemptively detects and monitors safety hazards, and qualitatively analyzes and evaluates these factors. The highly efficient crisis management function of SafeNet was given an excellent evaluation and selected as the best innovative system in 2010 by the U.S.-based global system developer EtQ.

In September 2011, we invested USD 190,000 to upgrade our safety control IT system. In addition, we continue to invest in human and material resources for scientific analysis, risk assessment of safety risks, and work process risks detected in safety accidents and evaluation. Based on these results, we develop company-wide prevention measures.



<Service Improvement System>





→ Flight and Ground Safety Management System

Learning a hard lesson from London's Stansted Airport tragedy in 1999, Korean Air has made tireless efforts to promote air transport safety. After inviting international aviation safety experts as the chief in command of safety and security, we also adopted a Fleet Manager system under the control of the Safety & Security Team for differentiated flight safety control by type of aircraft.

We also computerized our safety control system. Cockpit crews are now mandated to submit Air Safety Reports (ASR) via an IT system, and an internal inspection on abnormal flight operations is tracked via our safety management system, which is called SafeNet. As such, safety control based on this IT system allows us to keep a database of safety information, allowing us to react differently to safety management; we used to respond reactively to safety management in the past, but we now react proactively to safety management. While we concurrently conduct reactive measures by detecting and eliminating safety risk factors one by one, we also keep monitoring the risk factors by type to understand overall occurrence trends and properties. Based on our accumulated database, we can make proactive safety management decisions to prevent recurring risk factors.

We have now completed computerizing past safety information and current data which are controlled through our IT system, improving our flight operation safety indicators. We take pride in the fact that we have remained free of any fatal accidents since 1999. The annual average incident occurrence rate remained at 7 in the 1990s, but this figure decreased to 5 in 2000s and to almost 2 since 2010 thanks to SMS technology.

Although it is the best policy to eliminate all risk factors, there are inevitable factors or natural disasters that are bound to occur. Thus, Korean Air prioritizes safety risks through its IT system. In the future, we will continue eliminating these risk factors and will thoroughly control more trivial risk factors. In short, we will not stop making efforts towards absolute safety operations through a preemptive management system.



→ Evaluation of Domestic and International Safety Quality

Korean Air has an internal quality evaluation program within its operational division. We also develop and put in place regular and ad hoc safety quality evaluation plans company-wide. We also repeat quality evaluations on our shortcomings (airports).

Our aircrafts meet all 900 international safety guidelines, including those of the IATA Operational Safety Audit. As a result, Korean Air became the first airline company in Korea to receive an IOSA certificate from the IATA in January 2005, and has maintained the same certificate through three renewal verifications.

In addition, we have been participating in the ISAGO program since April 2009, cooperating and sharing information with the aviation industry and related authorities for international safety control standards and the improvement of safety quality and ground operations worldwide.

The U.S. Department of Defense has a safety certification program called the Airlift Transportation Program, which classifies safety practices of civilian airlines for its employees and U.S. military to use for business trips. The Air Carrier Survey and Analysis Team under the Commercial Airlift Review Board pays visits to airliners for due diligence every two years and runs a paper screening process every six months. Korean Air passed all safety criteria in due diligence in July 2011, obtaining the certificate from the U.S. Department of Defense.

→ Strengthening Preventive Security Measures for Passenger Safety

Korean Air has strengthened its preventive security activities to preemptively protect its passengers and aircraft from any illegal actions. To that effect, we analyze security information on our travel destinations every month and then grade their aviation security level. In the event of any security issues such as a terrorist attack, we quickly take the appropriate measures in collaboration with authorities at local branches and in the national security department.

By sharing information with authorities who are in charge of national security, we are able to develop responsive measures instantly. We also participate in several international organizations for security reasons and apply these measures to our management practices by benchmarking globally recognized practices to develop the required security system.

In order to instill and raise security awareness in our employees, we implement regular training and recurrent training on security practices every year. In particular, we provided special training for the success of the 2012 Seoul Nuclear Security Summit.

Korean Air runs responsive drills in collaboration with governments and related authorities to cultivate responsiveness in our employees in the event of crises. In prevention of terrorist attacks, we give training on how to respond to hijackers and how to deal with potential risks to help our employees appropriately respond to potential risks. We also run a simulation program called "armed security guards on board." We supply an assortment of security devices on board for safe and effective responses during an emergency, and we ensure the highest possible safety standards by providing intense training to our cabin crews.

→ Health & Safety on Flights

→ In-Flight First Aid & Contagious Disease Control

In preparation for an emergency on flight, Korean Air's flight attendants are required to be trained in CPR and other first aid guidelines. All our aircraft are equipped with an assortment of first aid equipment to provide appropriate first aid in any emergency. On the ground, the Emergency Medical Call System runs around the clock, providing medical advice in the event of in-flight emergencies and support for the safe transportation of distressed passengers. In addition, we monitor the spread of epidemics via air travel and collaborate with domestic and international authorities and organizations in the event of outbreaks or epidemics to prevent the spread of such diseases via air travel.

→ Meticulous Hygiene Control of In-flight Meals

In-flight meals require special attention from preparing, loading, storing and serving. Korean Air's in-flight meal catering center was the first Korean catering service to win the HACCP (Hazard Analysis Critical Control Points) from the Korea Food & Drug Administration. From the purchase of ingredients to cooking, storing, setting, loading and cleaning, the center's state-of-the-art computerized system and facilities check food materials from different sources, accepting only materials that have passed domestic and international hygiene standards as well as the company's own hygiene criteria. In 2008, Korean Air opened the Food Safety Research Center at Inha University, where experts with degrees in various fields of food safety monitor the safety of the company's catering service and the safety control of suppliers. These same experts also give HACCP training and run macrobiotic analysis tests, ensuring the highest level of safety for our catering service.

Recently, we have been increasing the number of items we serve on airplanes. After having signed a partnership with organic food producers in 2006, Korean Air has been offering organic food in its catering service to first class and business class passengers, while increasing the portion of organic food in economy class dishes as well.



→ Privacy Protection System

→ Customer Privacy Protection

From top management to employees of Korean Air, everyone is well aware that customer privacy is a critical factor to the continuity of business. With that said, all of us at Korean Air make a concerted effort to protect customer information. In 2002, we established a department to exclusively deal with customer privacy protection, and the department has been handling privacy protection ever since. Also, customer privacy officers are assigned to every department that has access to our customers' information. Every Korean Air employee working at customer contact points is obliged to attend a customer privacy protection training session online and on other designated occasions. The company also runs hacking simulation on a regular basis.

Korean Air also relays useful information on protecting personal information to other companies, as it serves in the vice-chairman position of the Korean Council on the Protection of Personal Information (KCPPI), a private organization for protecting personal information that was launched in 2010. In 2005, we also received the Information Security Management System (ISMS) certificate, issued by the Korea Internet Security Agency (KISA), which is still valid. In 2012, Korean Air was selected as an excellent practice of privacy protection by the KCPPI and received the Presidential Prize.

The annual average of customer complaints remain under five cases per year and the number lowered to two cases in 2011. The two cases involved customers who complained that they were still receiving e-mail alerts even after they unsubscribed and that we allegedly provided private information to the family of the customer. In the future, we will heighten our control over customer privacy protection practices.

Amadeus Altea Customer Relations Management Solutions

For greater customer convenience, Korean Air ambitiously upgraded its IT system for flight booking, ticketing and transport to a system called Amadeus Altea Customer Relations Management (CRM) Solutions. In June 2011, a team was created for the new passenger service system project. The team consisted of 180 members, and it was the largest taskforce team in Korean Air history for the development and testing of a new system that included employee training and pilot service. The project is still ongoing, and with a total investment of USD 100 million over three years, the new system is expected to fully launch in May 2014.

The new passenger service system is part of Korean Air's effort to becoming one of the world's leading airlines, and is matched with next-generation aircraft and an enterprise resource planning (ERP) system. When completed, Amadeus Altea CRM Solutions will take an integrated approach to all customer service, from booking and boarding to upgrading our service quality.

→ Customer Service

→ Family/UM Care Service

Korean Air offers special help to customers who are new to long-haul flights and minors traveling alone. The Family Care Service offers special aid for boarding to unaccompanied elderly passengers 70 years of age or older, female passengers with two or more infants or children under the age of 7, as well as transfer passengers who face linguistic problems. The UM Care Service is for unaccompanied minors to ensure they travel safely from the moment they board until they join their guardians at the destination. The Flying Mom Service ensures that the UM feels at home during the flight. Offered for long-haul international flights that are five hours or more, Korean Air's flight attendants take care of the in-flight conditions of the UM and write a letter describing the food the child ate, how they slept, their overall health and other general conditions of the UM to the guardians or parents at the destination. The service won the top prize in the in-flight service category at the Mercury Awards in 2007.

→ Customized Catering Service

Upon prior request, Korean Air provides special in-flight meals to customers with allergies, or religious or age issues which prevent them from eating normal in-flight meals. Special in-flight meals include infant/toddler meals, kids' meals, vegetarian meals, dietary meals (diabetes, low-salt, low-fat), religious meals and other special meals. Customers with health issues are provided with a dietary meal that is prepared on the consultation of medical and nutrition experts. Religious meals include those for Muslims, Hindus, and Jews.



→ CSR Campaigns

→ Inviting Customers to Make TV Commercials

Korean Air ran "A Place of Our Own" TV commercial film campaign under the theme of Beautiful Korea from July to October 2011. The campaign was about discovering beautiful places in Korea and to promote the country's cultural heritage to instill pride in Koreans. Planned in four phases – "Launching," "Main Theme," "Inviting" and "UCC" – the campaign was well received for its innovative marketing idea. In particular, the "Inviting" theme commercial was highly praised for inducing interactive communication with customers by inviting customers to make their own commercials and share them through SNS.

(<http://korea.koreanair.com>)

→ Korean Air Future Artist Olympiad

The "Korean Air Future Artist Olympiad" is a children's drawing contest that was initiated to give children hope, to let them dream about the sky and airplanes, and to broaden their view of the world. Launched in 2009, the Olympiad is an annual competition for elementary school students from across the nation, contributing to the development of art education for children. The first place winner's picture is painted on the exterior of Korean Air planes. The winner is also given free tickets to travel overseas. The theme of the third competition in 2011 was "Where is the most beautiful place in Korea that you would bring a friend from another country?" The first winning drawing is now painted on our planes, which are flying around the globe and promoting beautiful Korean places to the world.

(<http://myplane.koreanair.com>)

→ Korean On-Air

As part of its global cultural sponsorship program, Korean Air sponsors a Korean language guide service at overseas museums such as the Louvre, the British Museum and the State Hermitage Museum. At the same time, Korean Air runs a special program called Korean On-Air, where we broadcast live the challenges of younger people who are learning about global culture and introducing Korean culture to the world to promote creativity and originality for future generations. The first sponsorship was made in 2009 when we sponsored two Koreans studying in Strasbourg, France, who produced and distributed Korean guidebooks at tourist attractions in the area. In May 2010, we subsidized Ko Eun-bi, who traveled to 14 American cities over 46 days, to publish her backpacking trip story. The third sponsorship was made to a Korean university group called KebiKebi from Keimyung University who put on nine performances of Korean traditional dance at the Edinburgh Fringe Festival from August 5-16, 2011. The fourth program was launched in January 2012 to sponsor six Korean students from Korea Aerospace University who were studying at North Dakota University as part of an exchange program. They were a club introducing Korean food through a program called the Korean Food Teaching Club (KFTC). In the future, Korean Air will continue with this Korean On-Air program to encourage an enterprising spirit in younger people, while introducing Korean culture to the world and communicating with our customers.

(<http://travel.koreanair.com>)



KEY ISSUE 4

THE GREEN



Vision

We are proud to enrich people's lives through the harmony of the aviation industry and the environment.

Our Commitment

- We are modernizing our fleet and improving flight operation procedures to reduce greenhouse and noise emissions.
- We are applying stricter internal standards in compliance with domestic and international environmental laws and regulations.
- We are minimizing our environmental impact through preventive environmental management, and we are continuing to improve our performance.
- We are continuing to improve our operational efficiency to conserve resources and energy.
- We are training and educating employees to inspire them with environmental activities.
- We are closely communicating and cooperating with business partners to encourage green management.
- We are transparently disclosing all information on our green management performance and efforts.
- We are making use of a global network to protect the planet and contributing to the development of local communities.

KEY Performance Indicator

Indicator	2011 Performance
Reducing CO ₂ emissions by conserving jet fuel	Saved 137,270 tons of jet fuel in 129 cases, reducing CO ₂ emissions by 432,401 tCO ₂
Energy Conservation	Saved 22.8TJ of energy and 1,181.5 tCO ₂ eq of greenhouse gases through 26 initiatives which include more efficient facilities, more efficient air conditioning, facility improvements, and operational improvements. These efforts have saved Korean Air KRW 320 million in energy expenses.
Voluntary Agreement on GHG Reductions by the Aviation Sector	From August 2010 to July 2011, we implemented VA provisions with the aim of cutting GHG emissions by 2.5 percent of the base year (2007-2009 average), and achieved 3.1 percent higher fuel efficiency.
Global Reforestation Projects	Planted 10,000 trees in Baganuur, Mongolia, and 78,100 trees in China's Kubuqi Desert

→ Our Impact on the Environment

At Korean Air, we make every effort to minimize our environmental impact, while meeting the growing demands for air transportation so as to achieve sustainable growth. We continue to monitor the environmental impact of our normal business activities such as greenhouse gas emissions and the generation of pollutants.

INPUT

Fuel Consumption by Air Transport Business (Unit: Ton)

	2009	2010	2011	Change(%)
Jet fuel	3,682,853	3,823,040	3,967,681	3.78

* The amount of jet fuel used for domestic and international flight operations

Direct Energy Consumption for Ground Operations (Unit: GJ)

	2009	2010	2011	Change(%)
B-B oil	16,269	17,741	15,814	-10.86
B-C oil	252,247	245,151	262,658	7.14
Gas/Diesel	260,859	264,247	281,864	6.67
Boiler kerosene	35,925	37,018	17,130	-53.72
By-product gas No. 1	18,741	20,542	18,345	-10.70
Gasoline	11,687	11,587	11,399	-1.62
Jet fuel	41,263	44,194	42,409	-4.04
LNG	212,309	242,949	249,978	2.89
LPG	6,148	6,803	7,339	7.88
Total	855,448	890,234	906,936	1.88

* The direct/indirect energy consumption amount is monitored on 44 of our business premises and assured by authorities under the Low-Carbon Green Growth Basic Act. (KFQ(2009~2010), PWC(2011))

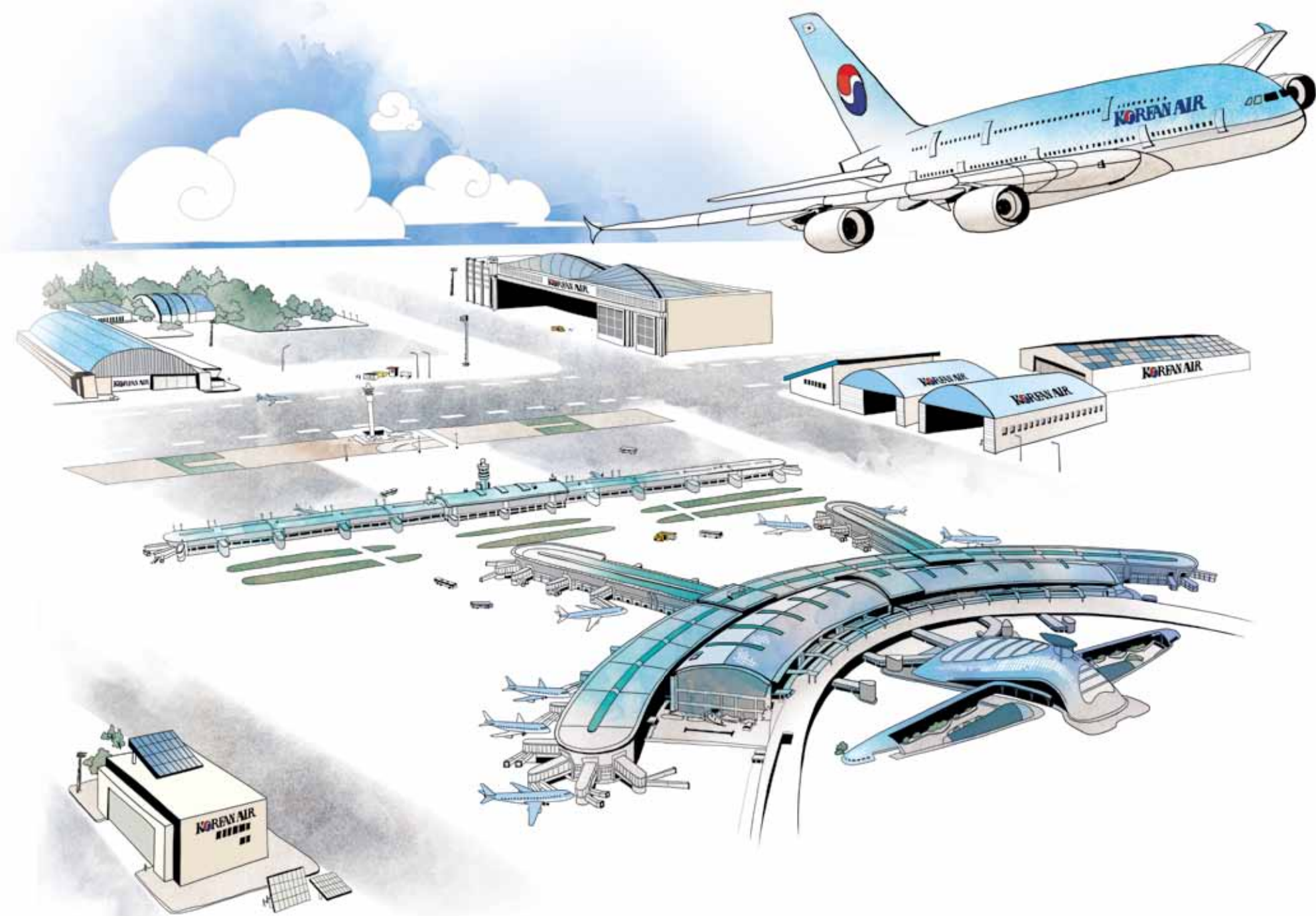
Indirect Energy Consumption for Ground Operations (Unit: MWh)

	2009	2010	2011	Change(%)
Electricity & Hot Water	137,062	144,366	143,875	-0.34

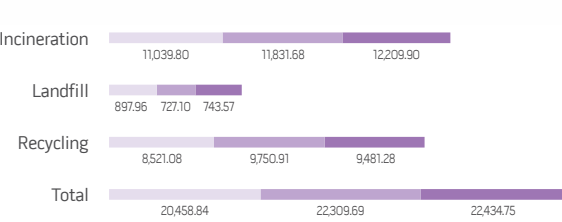
Water Use (Unit: Ton, %)

	2009	2010	2011	Change(%)
Total amount of water used	1,382,993	1,402,514	1,500,600	6.99
Recycled amount	27,223	26,169	24,624	-5.90
Recycling rate	1.97	1.87	1.64	-0.22

* Water use does not include leased places (19 premises including regional airports)
* Total amount of water used includes the use of water supply, water recycling and underground water. The amount is calculated by adding up the bills issued by suppliers.
* The recycled amount includes the amount of recycled water used at the Korean Air Building at Gimpo.

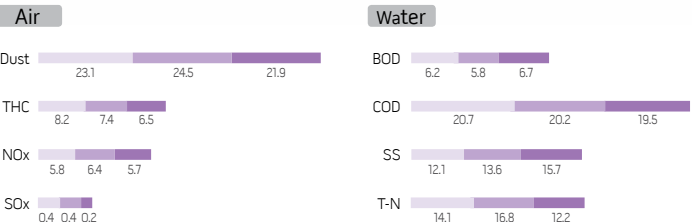


Waste Amount (Unit: ton)



* The sum of the waste amount is the amount outsourced for treatment and disposal from January 1 to December 31, 2011.
* The waste amount disposed of with biodegradable plastic garbage bags is excluded.

Emissions Concentration vs. Legal Limits (Unit: %)



Our Impact on the Environment

OUTPUT

GHG (Scope 1) Emissions by Air Operations (Unit: ton)

	2009	2010	2011	Change(%)
CO ₂	11,604,397	12,045,260	12,186,003	1.17
CH ₄	17	18	18	0.00
N ₂ O	368	370	387	4.59
CO ₂ e	11,718,834	12,160,338	12,306,351	1.20
100RTK	133,207,452	149,315,515	142,326,383	-4.68
kg CO ₂ e/100RTK	88.0	81.4	86.5	6.17

*Greenhouse gas inventory applies Tier 2 IPCC 2006 National Greenhouse Gas Inventory Guidelines
*CO₂e is the sum of emissions of CO₂ equivalents of CH₄ and N₂O.

GHG (Scope 1) Emissions by Ground Operations (Unit: ton)

	2009	2010	2011	Change(%)
CO ₂	57,409	58,867	60,315	2.46
CH ₄	3.178	3.230	3.236	0.21
N ₂ O	1.450	1.439	1.452	0.91
CO ₂ e	57,926	59,381	60,833	2.45

GHG (Scope 2) Emissions by Ground Operations (Unit: ton)

	2009	2010	2011	Change(%)
CO ₂	61,627	65,039	63,912	-1.73
CH ₄	0.695	0.735	0.731	-0.62
N ₂ O	0.348	0.368	0.365	-0.61
CO ₂ e	61,750	65,169	64,041	-1.73

Air Pollutant Emissions (Unit: ton)

	2009	2010	2011	Change(%)
Dust	25	26	25	-3.02
THC	57	64	77	19.86
NOx	61,548	63,928	64,732	0.01
SOx	12	11	11	-2.76
SO ₂	3,658	3,797	3,843	1.20

* Air pollutant emissions are the sum of the pollutants generated from aircraft LTO procedures and six major sources of air pollutants. (Incheon Maintenance & Engineering Division (A), Korean Air Building at Gimpo, Engine Assembly Line in Bucheon, Component Repair Plant in Bucheon, Seogwipo KAL Hotel and Gimhae Tech Center)

Amount of Water Pollutants (Unit: ton)

	2009	2010	2011	Change(%)
BOD	1.015	0.958	0.978	2.2
COD	2.388	2.161	2.500	15.7
SS	1.199	1.431	2.299	60.6
T-N	0.496	0.706	0.945	33.8
T-P	0.088	0.098	0.124	25.8

* The amount of water pollutant emissions is the sum of water pollutants generated by wastewater from the 8 wastewater treatment plants (Korean Air building in Gimpo, Catering Center in Gimpo, Limousine Service Office, Engine Repair Plant in Bucheon, Incheon Major Cargo Terminal, Incheon Catering Center, Incheon Maintenance & Engineering Division (A), Gimhae Tech Center)

→ Minimizing Our Environmental Impact

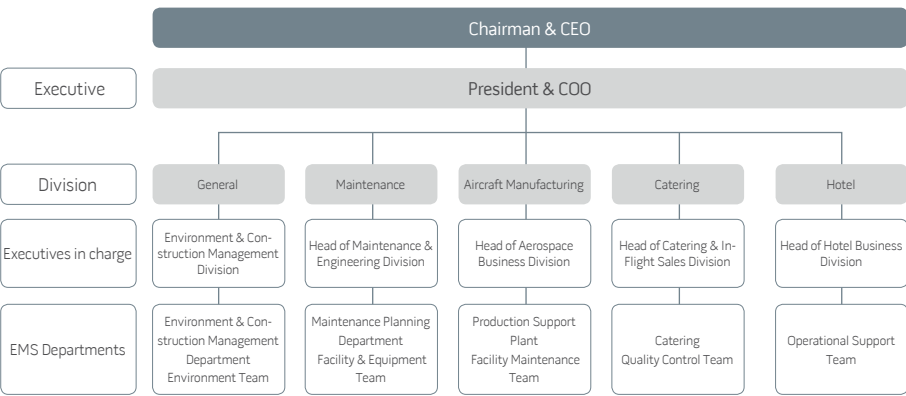
Green Management Policy



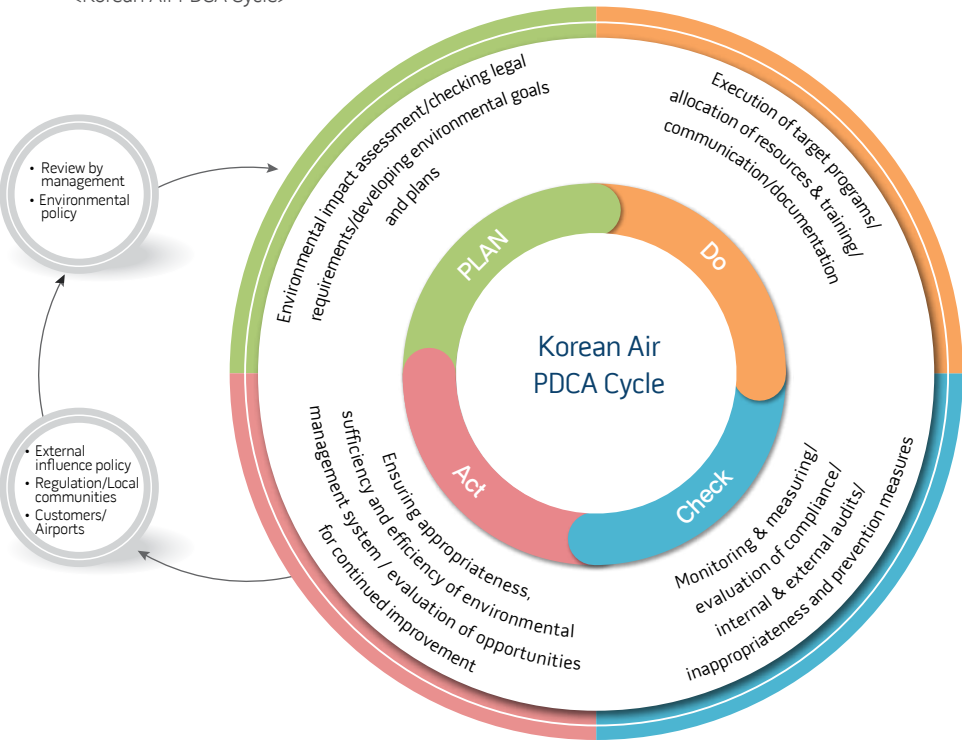
→ Environmental Management System

Korean Air meets international environmental management standards according to ISO 14001 certification in five sectors: Headquarters & General Division, Aerospace Business, Maintenance & Engineering, Catering Center and Hotel Division. We strive to prevent environmental pollution as much as possible by using eco-friendly resources, recycling waste resources, following environmental regulations and preemptively preventing environmentally hazardous substances through the PDCA cycle.

<Environmental Management System (EMS) Organization>



<Korean Air PDCA Cycle>



→ Environmental Management Strategy, Goals, & Achievements

Korean Air strategically develops and implements environmental goals and detailed execution plans at each division every year. In 2011, we fell short of GHG emissions reduction goals at Ground Operations due to the high target and increased energy use as a result of increased business activities.

Strategy	Goals	No. of Initiatives	Performance
Setting the foundation for responding to the GHG Target Management System	Reducing GHG emissions from aircraft	129	Accomplished
	Reducing GHG emissions from ground operations	17	Not accomplished
	Improving the GHG emissions process	9	Accomplished
Controlling pollutants in compliance with legal limits	Reducing the emission of pollutants	10	Accomplished
	Reducing waste emissions	7	Accomplished
Reducing pollutant emissions	Increasing waste recycling	2	Accomplished
	Applying an eco-friendly process	8	Accomplished
Promoting environmental communication	Eco Office campaign	7	Accomplished

Note) No. of initiatives: number of detailed initiatives implemented by each department to achieve a given target

→ Assessment of Environmental Impact

Korean Air reviews its environmental impact every three years in order to monitor the environmental impact of its business activities, products and services and to minimize its environmental impact on local communities. The reviews are made on air pollutants, waste and wastewater control, soil pollution, and hazardous substance control at all our business premises to ensure safe and healthy workplaces. The latest review was made in 2011 and the findings detected 46 cases of environmental impact at 20 of our business premises. The findings have been reflected in our environmental goals and plans for improvement of the following year.



→ Mitigating Climate Change and Our Environmental Impact

Korean Air closely cooperates with the IATA in addressing climate change, and has implemented four strategies internally to mitigate climate change.

→ Aviation Industry & Climate Change

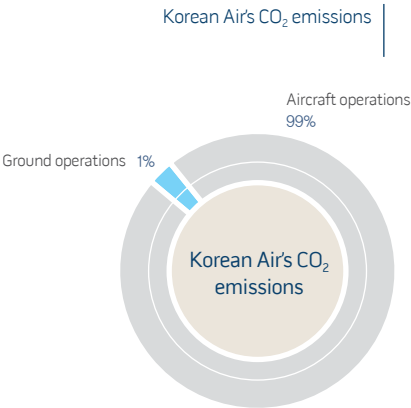
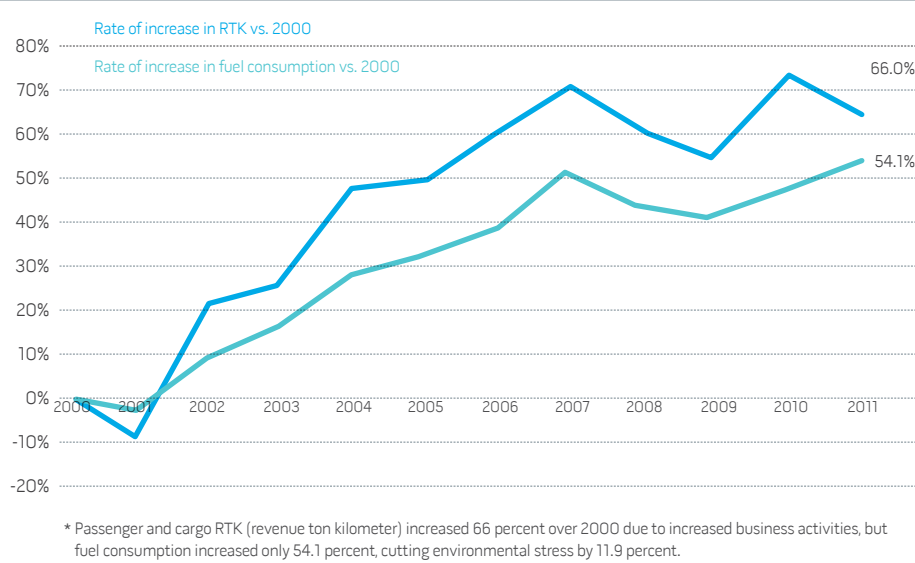
Climate change is one of the most important environmental issues of today. Conventional thought is that the aviation industry is one of the main culprits. On the contrary, its share of contribution to the world's CO₂ emissions is only 2 percent. Still, greenhouse gas emissions from aircraft have an impact on the entire global community. As a result, the aviation industry makes the mitigating of climate change its top priority and makes various efforts to deal with it.

→ Risks and Opportunities of Climate Change to the Aviation Industry

Climate change poses both risks and opportunities to the global aviation industry directly and indirectly. Climate change results in an increased frequency of natural disasters such as typhoons and hurricanes, which lead to the shutdown of airports, irregular flight operations and even flight cancellations. Consequently, the extended ground standby duration undermines efficient fleet operations, causing additional costs. A decrease in passenger flights to a given destination due to a natural disaster has a direct influence on our business and sales revenue. Characteristically to the carbon-intensive aviation industry that consumes fuels to transport passengers and cargo, environmental regulations to address climate change inevitably generates increased costs to airlines such as emissions trading expenses. Rising consumer environmental awareness can also result in a decrease in market demand for air travel (e.g. people might choose a video conference over a business trip).

Nevertheless, Korean Air is determined to turn these risks arising from climate change into opportunities. Efforts to enhance fuel efficiency in response to climate change will save costs for the company. They will also provide us with many opportunities through GHG regulations to gain a competitive edge over competitors through maximized fuel efficiency and economic emissions credit. Moreover, our cutting-edge fleet and operational system and development of biofuel will also create new opportunities for the aviation industry.

<CO₂ Emissions Growth vs. RTK>



→ Handling Civil Complaints over Environmental Pollution

Korean Air established a standard procedure for communication under environmental management regulations, allowing the relevant department to respond instantly regarding any complaints over environmental issues. Minor issues are dealt with by relevant departments and major issues are referred to upper level and top management for a company-wide response. Complaints are analyzed for causes and education is carried out based on the results to prevent a recurrence of the same case. As a result, we have had no complaints over environmental issues for the past 10 years.

→ Environmental Risk Management

Korean Air has established a contingency plan and behavioral guidelines at all airports which it operates in Korea in the event of an aircraft accident. We have an emergency network and control devices for saving people's lives as well as controlling environmental pollutants in the event of an aircraft accident. Preparing different environmental risk scenarios by type, we run mock drills to minimize losses in the event of an actual case. For aircraft accidents, we operate an environmental countermeasure center to prevent pollution arising from any possible wreckage. In the case of an environmental risk situation with high potential for environmental complaints and social disturbance over the issue, we have in place an environmental emergency team. As for other environmental pollution cases, such as oil leakage from a storage tank or environmental pollution arising from the outbreak of a fire, we run an environmental management system (EMS) organization for instant response and countermeasures.

→ Protecting Biodiversity

Korean Air is fully aware of its role as an airliner in protecting biodiversity and actively participates in international drives to protect biodiversity. Korean Air prohibits the air transport of endangered species, rare species and protected species through its internal bylaws. In 2010, the year of biodiversity, we produced a video called "Many Species, One Planet, One Future" in cooperation with the UNEP, awakening people to the importance of protecting biodiversity.

→ Ozone Depleting Substance Control

Korean Air has phased out ozone depleting substances categorized by the Montreal Convention, following all requirements set out by international conventions on the environment. From 2004 to 2008, we replaced seven CFC-contained detergents for aircraft maintenance with those without ozone depleting substances. From 2009 to 2010, we reduced CFC (chlorofluorocarbon) use by eliminating eight Ground Refrigeration Units (GRU) that use CFC refrigerants to cool off overheating aircraft electronic equipment. All chemical substances used by Korean Air are controlled under the Korean Air Chemical Management System (KCMS). However, since 2008 we have not calculated the amount of ozone-depleting substance emissions, as the amount is negligible. Korean Air autonomously conducts a review if chemical substances in use can be replaced with eco-friendly ones and maintains communication with producers to increase the use of eco-friendly products.

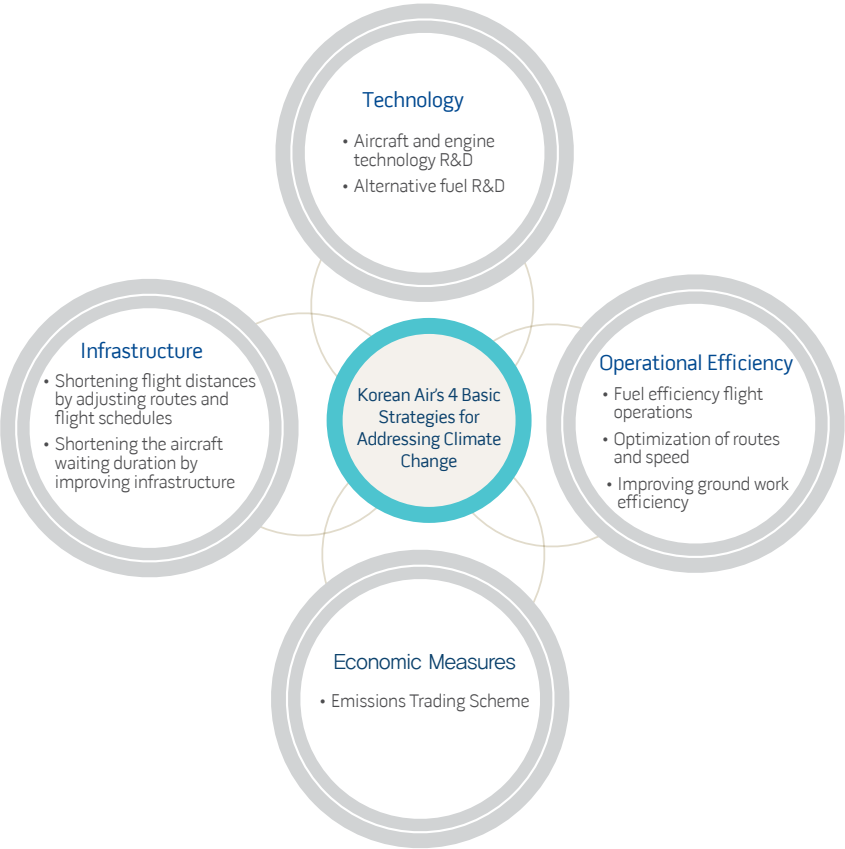
→ Climate Change Regulations

EU Emissions Trading Scheme (ETS)

Starting from 2012, all aircraft of the 4,000 airlines around the world that fly in and out of Europe are obliged to obtain GHG emissions credit, then required to purchase credits for CO₂ emissions in excess of regulatory standards through the emissions trading scheme. In response to this regulation, Korean Air developed an internal IT system and realigned its monitoring, reporting and verification (M.R.V.) system. Having acquired third party assurance every year, we report our GHG emissions to local authorities (Germany's Environmental Department). In order to reduce our greenhouse gas emissions on EU routes, we replaced existing B774 aircraft with higher fuel-efficient B773 and B772 planes on some routes and removed unnecessary seats from cargo transporters to reduce the aircraft weight. Korean Air will continue to increase the number of highly fuel efficient aircraft on EU routes in the future in response to the EU ETS.



* In accordance with ETS MRV procedures, Korean Air developed a new GHG inventory system called ETS OMS. The appropriateness, objectiveness and transparency of the data collecting process were verified with third party assurance by Samil PWC.



Energy & GHG Target Management

Korea's Low-Carbon Green-Growth, GHG, and energy target management began in April 2010 under the basic law and enforcement decree. As part of the program, high energy-consuming companies who account for 60 percent of the nation's GHG emissions are to set energy-saving targets and implementation plans. Following this procedure, Korean Air has reported its GHG emissions from its 40 business premises and domestic routes since 2007 to the Ministry of Land, Transport and Maritime Affairs (MLTMA), which has allotted a GHG emissions target for Korean Air. In order to achieve that goal, Korean Air developed its own greenhouse gas management program for real-time data collection of energy consumption and monitoring of GHG emissions, significantly enhancing the reliability of our database. Korean Air will replace existing A300-600 with new aircrafts and consistently implement fuel efficiency initiatives, while replacing old facilities with more efficient ones on the ground. Korean Air will also apply stricter guidelines on air conditioners in order to reduce greenhouse gas emissions.

Voluntary Agreement (VA)

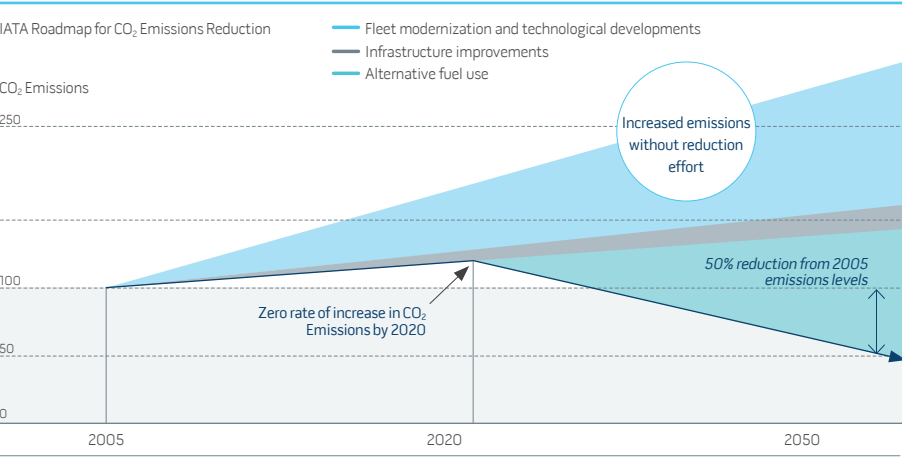
Korean Air reached an agreement with the MLTMA and set its reduction goal at 2.5 percent of its annual average fuel efficiency for the past three years. We worked out the details of the plan and signed a voluntary agreement on reducing greenhouse gases.

We ran about 140 fuel efficiency initiatives to achieve the goal under the VA and saw 3.1 percent improvement compared to 2011, the base year. Encouraged by this performance, we set the target for 2012 at 2.0 percent compared to the base year. We will continue to increase the number of new aircraft and improve operational efficiency to attain that goal.

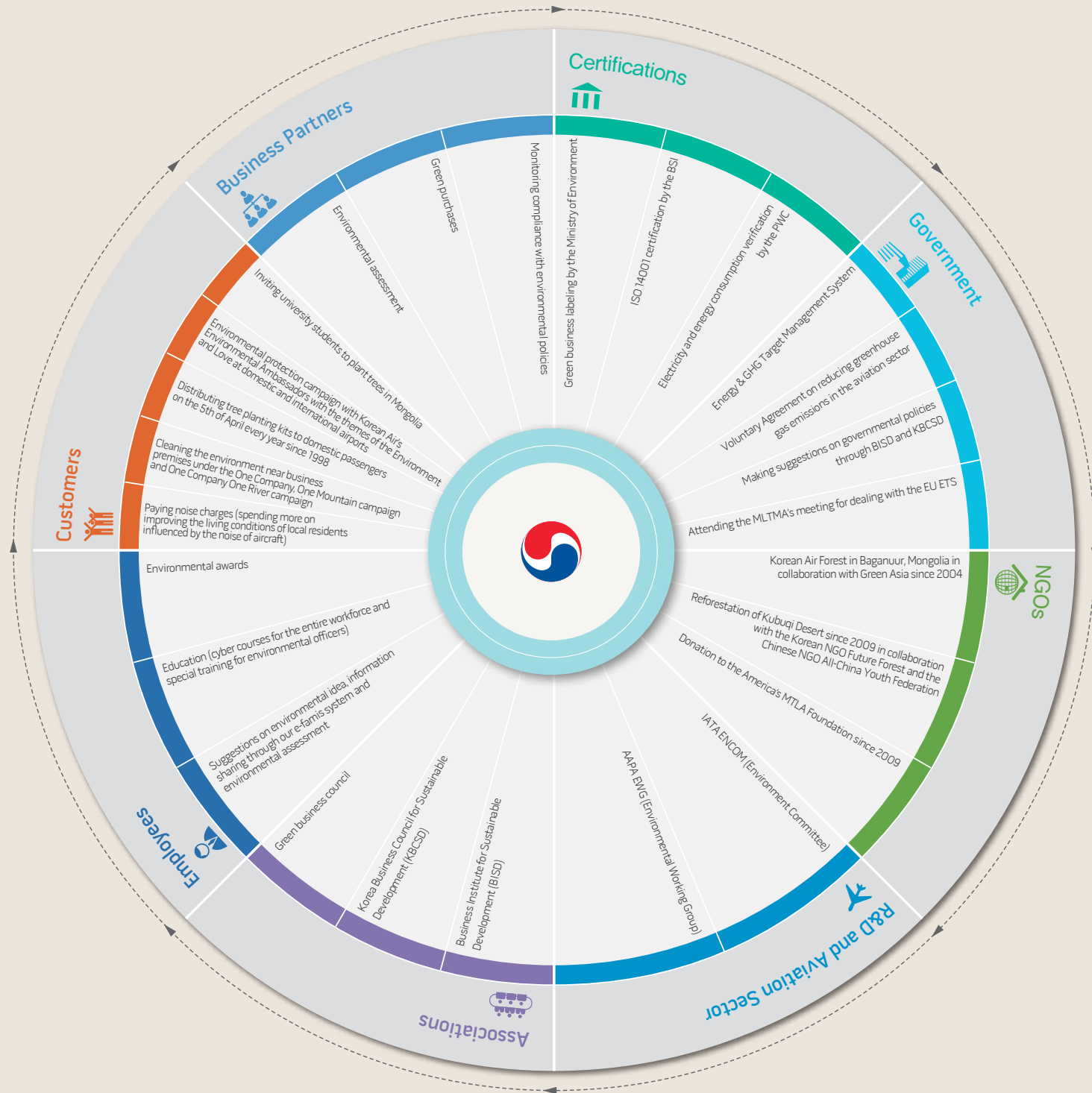


→ Addressing Climate Change

The international aviation industry accounts for only 2 percent of total CO₂ emissions generated by human activities. However, the figure is on the rise due to the growing demand for air transport. Thus, Korean Air joined hands with the IATA and declared the lofty vision of reducing the increased rate of CO₂ emissions to zero by 2020 and to lower CO₂ emissions to 50 percent by 2050 in comparison to 2005 levels. To attain these goals, Korean Air has 4 strategies: technology innovation, infrastructure innovation, improving operational efficiency and economic measures.



→ Stakeholder Communication

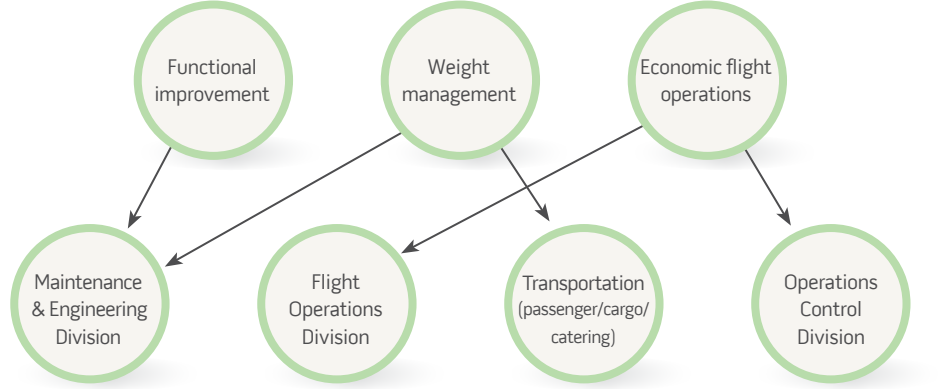


→ Aviation Sector

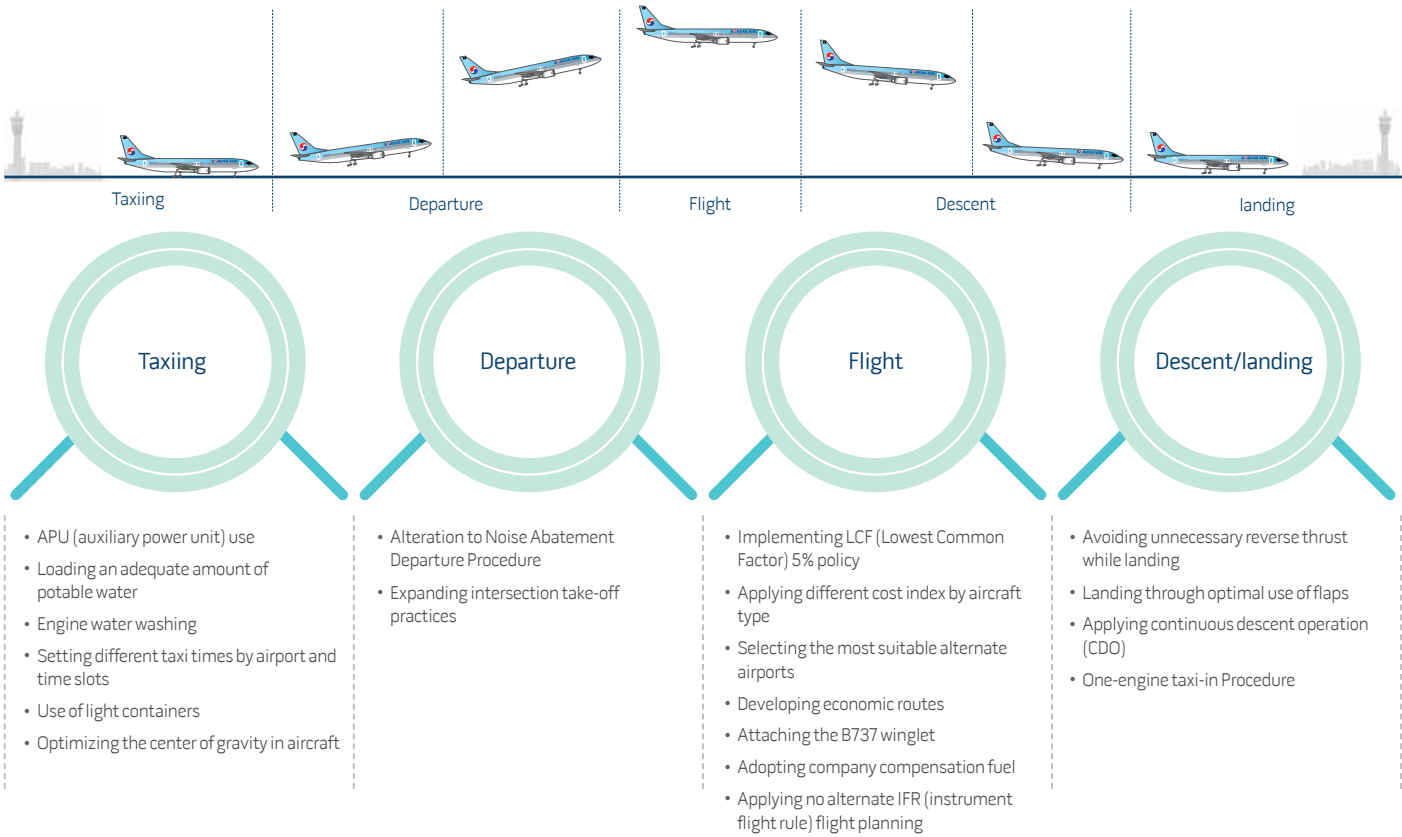
<Fuel Management Strategies>



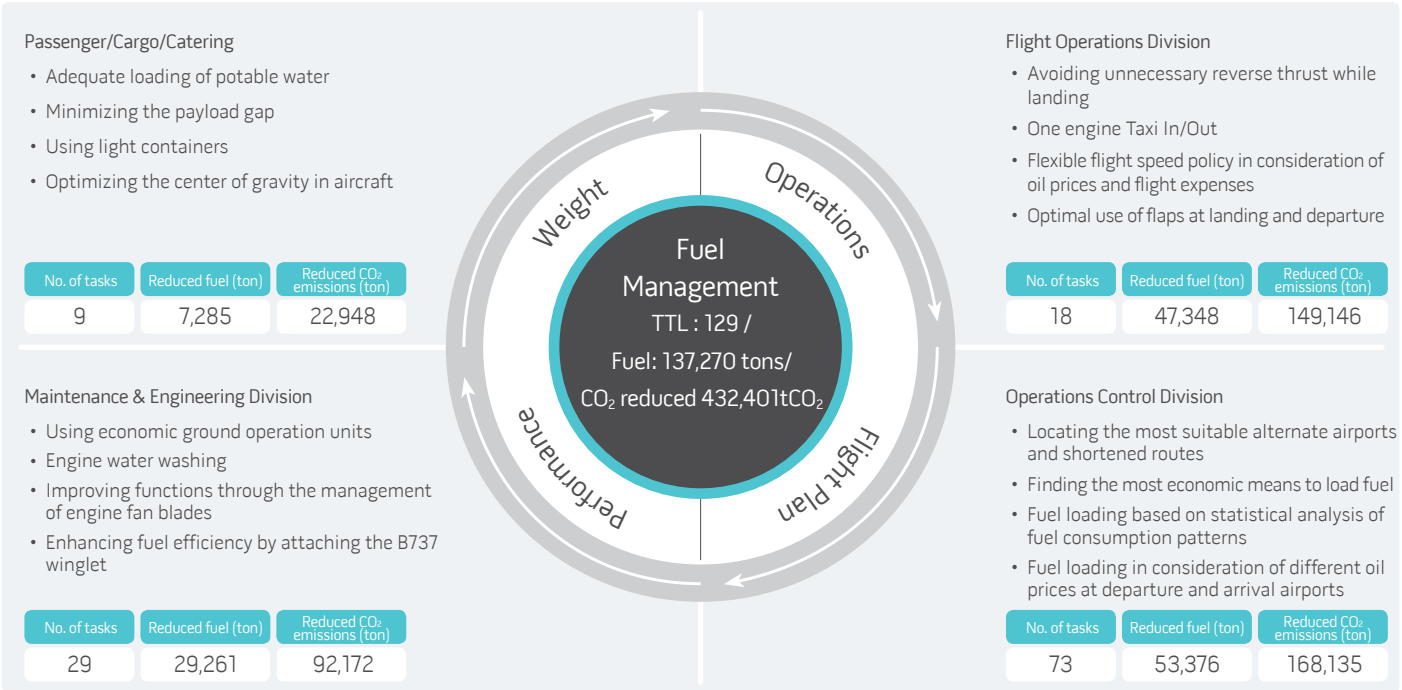
<Fuel Management Organization>



<Flight Tasks by Phase>



<Tasks by Division>



Adopting Green Cargo Aircraft

Korean Air successfully introduced the next-generation passenger aircraft A380 in 2011. Encouraged by this success, we adopted next-generation cargo aircraft with maximized fuel efficiency in February 2012 which is called Green Cargo Aircraft. The B747-8F and B777F are eco-friendly aircrafts with a higher transport capacity and lower fuel consumption. Korean Air is the first airline in the world to have both types of planes. The B747-8F has a 5.7 m longer fuselage than the existing B747-400F, and it can load 134 tons of cargo, 24 tons more than the existing airplanes, with 17 percent better fuel efficiency and 17 percent less CO₂ emissions. The B747-8F is special to us because we took part in the manufacturing process of the aircraft, as Korean Air manufactured the special wing tip structures, the raked wing tips, and wing tip extensions, which significantly reduce air resistance. The B777F has the longest flight range among twin engine cargo aircraft, flying 9,045 kilometers with a maximum load of 103.9 tons of cargo, and with 16 percent higher fuel efficiency than the existing B747-400F. In addition to these two cargo aircrafts, Korean Air plans to purchase seven more B747-8F models by 2016 and five more B777F models by 2015.



Biofuel

The global aviation industry is paying a great deal of attention to the technological, economic and sustainability potential of bio-jets as an alternative fuel source and has implemented a number of R&D activities on these jets. Pilot operation has proven the technical appropriateness of bio-jets and is currently running a feasibility study in terms of its economic and sustainability value. Many airlines have completed pilot operation of the fuel section and some airlines, including KLM and Lufthansa, currently operate scheduled flights to some routes with aircrafts fueled by bio-jets. Korean Air is keeping up with the IATAs bio-jet phase-in policy and follows their guidelines. At the same time, we are collecting information on industrial trends in collaboration with fellow members of SkyTeam and the industrial sector. Korean Air plans to use bio-jets at the appropriate time and when the need becomes apparent. Also, Korean Air will wait until bio-jets are commercialized and achieve economic stability with the required infrastructure and industrial network which first needs to be established between bio-jet producers and aircraft manufacturers.

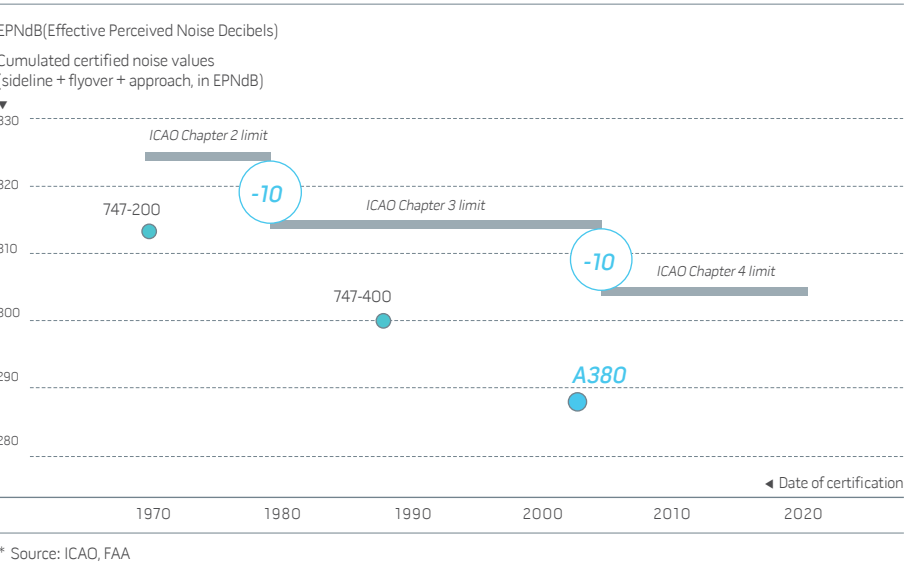
→ Noise

Korean Air's Aircraft Meet ICAO Chapter 4 Requirements

The ICAO first introduced noise regulations in 1969, and has since constantly raised the intensity of its regulations. At the moment, most international airports demand airplanes to meet Chapter 3 requirements. Any aircraft obtaining certification for operation since January 2006 is required to meet Chapter 4 requirements, which applies 10EPNdB lower noise requirement than Chapter 3 requirements on the sum of noise measured at three points. All 140 of Korean Air's fleet satisfy the highest Chapter 4 requirements of the ICAO, including aircraft authorized before 2006. The Korean Aviation Act separates ICAO Chapters 2, 3 and 4 into six classes of noise level, and Korean Air's fleet currently reaches grade 6, the quietest level.

Noise Abatement Policies

Committed to preventing and alleviating noise pollution and the impact on surrounding communities of its operations, Korean Air pays a noise charge on every one of its flights. The noise charges are allocated to budgets at related airports for preventing noise and supporting noise countermeasures like installing soundproof facilities in residential areas near airports. In 2011, Korean Air paid KRW 4.3 billion in noise charges to airports around the world. In addition, Korean Air sends children from local communities to Jeju Island as an acknowledgement of its noise footprint around Gimpo Airport.



→ Ground Operations

Energy

Korean Air has signed a voluntary agreement with the Korean government on reducing energy consumption and greenhouse gas emissions not only in its flight operations but also with its buildings. In 2011, we reduced GHG emissions by 1,181.5tCO₂eq through 26 initiatives, saving KRW 320 million in annual expenses.

For instance, we maintained the indoor temperature at below 24°C in winter and above 26°C in summer following government recommendations, significantly cutting our air conditioning energy expenses. We also replaced boilers, freezers, and pumps with higher efficiency facilities, installed high-efficiency lights, and improved facilities such as disrupting pipelines.

<2011 Energy Conservation Practices >

Case	No. of cases	Investment (KRW million)	GHG reductions (tCO ₂ eq)	Energy (TJ)	Saved expenses (KRW million/year)
Replacement with highly efficient facilities	5	683.2	343.4	6.7	66
Air conditioning	14	0.0	580.0	11.5	195
Facility improvement	4	76.4	133.9	2.3	33
Operational innovation	3	76.2	123.2	2.4	30
Total	26	835.8	1,180.5	22.8	324

Eco Labeling, LEED

Korean Air is preparing to acquire an eco labeling on its renovation of the Wilshire Grand Hotel in Los Angeles and is constructing a new building of Incheon H2 Hyatt Regency. Called, Leadership in Energy and Environmental Design (LEED), this labeling is authorized by the U.S. Green Building Committee (USGBC) to buildings that were constructed in an eco-friendly way, from design to engineering to operations, all of which minimize a building's environmental impact.

Minimizing the Environmental Impact of Aircraft Paint

We reviewed the effectiveness of the clear paint that was used on the colors of our aircraft and found it had nothing to do with preventing ultraviolet waves from decoloring aircraft paint. Thus, since 2011 we have worked to remove the coating process from the aircraft maintenance manual and have been reducing the use of paint and reducing weight. This effort saved 372 gallons of chemical substance usage and 458 tCO₂ of GHG emissions.

Moreover, in March 2011, we installed paint boot for painting and drying aircraft components and energy-conserving air conditioners that recover more than 70 percent of waste heat from ovens and humidity controllers. These facilities have cut down on GHG emissions by 100 tCO₂eq annually.

Reducing GHG emissions and Air Pollutants with Ground Support Type of Batteries

We applied electric-powered batteries to forklifts that transport components and heavy weights within the Tech Center at the Busan Aerospace Business Division, reducing greenhouse gases and air pollutants. The battery powered transporters at the Tech Center are operated on contract with the Korea Airport Service (KAS). Out of the 39 forklifts, 36 are battery-motored ones, while the remaining three are powered by an engine to transport heavy equipment and raw materials.



Influence of Wastewater on
Nearby Water Bodies and Ecosystems

Korean Air's main business operations are at airports in Gimhae, Incheon and Gimpo. Waste-water from its business operations are treated at internal wastewater treatment plants and discharged only when they meet the 50 percent stricter internal requirements than legal lim-its. In order to minimize the impact of wastewater on nearby bodies of water and ecosystems, we monitor the water quality and clean nearby rivers nearby on a regular basis.

First, we treat wastewater from the Aerospace Business Division at Gimhae Airport and dis-charge it only after lowering the average chemical oxygen demand (COD) under 18.6 PPM to the nearby Seolman River, which eventually meets downstream with the west Nakdong River before flowing into the ocean.

Secondly, we treat the wastewater from our 3 operations at Incheon International Airport to lower the COD to stricter internal requirements than the average 100 PPM before discharg-ing it to water in the vicinity. The Incheon International Airport Corporation annually moni-tors the marine ecosystem to protect the environment and makes sure that the discharge is not harmful to the marine ecosystem before water is discharged to the ocean beyond the northern sea dike.

Thirdly, we have two business premises at Gimpo Airport, where we treat wastewater to lower the COD under an annual average of 5 PPM, meeting internal requirements by more than 90 percent. The treated water is then sent into a sewage line near the airport, which leads to the sewage pipes of Gimpo Airport and the Gonghang-dong area. Finally, it is discharged to the Han River after it is treated again at a wastewater treatment plant southwest of Seoul.



→ Environmental Expenses

(Unit: KRW)

	2009	2010	2011
Management expenses	3,092,861,148	3,225,032,195	3,772,788,681
Outsourcing expenses	4,035,513,008	4,550,786,183	4,135,893,630
Legal expenses	5,247,793,653	5,340,490,506	4,877,423,726
Subtotal	12,376,167,809	13,116,308,884	12,786,106,037
Environmental facilities investment	-	650,000,000	-
Total	12,376,167,809	13,766,308,884	12,786,106,037

Management expenses

Administrative expenses for maintenance and repair of environmental facilities, electricity, environmental procurement, and other environmental management expenses, including labor costs and depreciation of the environmental facilities

- Labor costs include retirement pay, bonuses, and welfare benefits as well as monthly pay
- Depreciation adopts the straight-line depreciation that reflects the endurance period in the environmen-tal facilities acquisition value

Outsourcing expenses

Expenses for outsourcing the collection, transportation and treatment of waste and pollutants, including outsourced measurement of pollutants, outsourcing labor costs, aircraft anti-icing and de-icing expenses and aircraft toilet sewage treatment expenses

Legal expenses

Noise charge for the noise generated from aircraft departure and landing at domestic and international air-ports, airport facility charges for using state-owned environmental facilities and other environmental charges

Environmental facilities investment

Environmental facilities refer to the land, buildings, construction machinery, structures, machines and transporters for preventing, minimizing or eliminating environmental pollution arising from our business activities. The acquisition value of environmental facilities in the given year and the existing facility repair and maintenance expenses and other capital expenses



KEY ISSUE 5

THE HARMONY

Vision

Under the firm belief that a company should share its profits with the society in which it operates, Korean Air continues to fulfill its corporate responsibility.

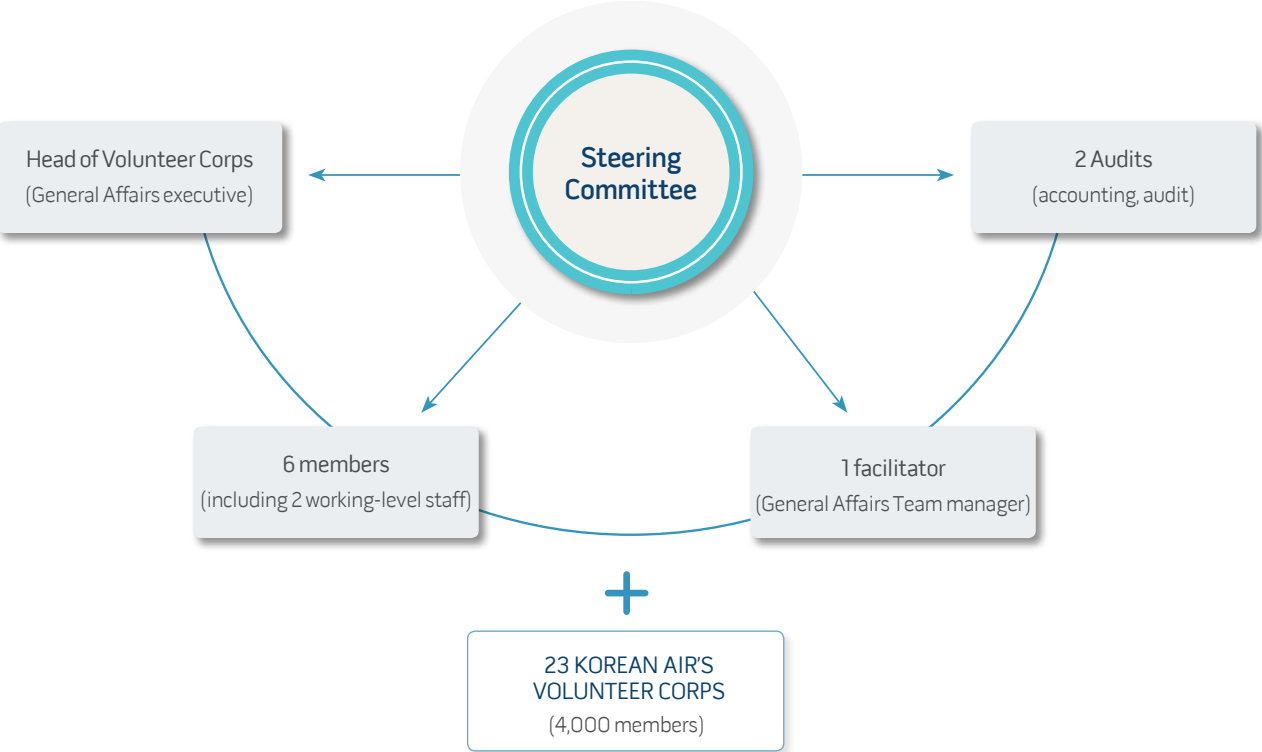
Our Commitment

- We fulfill our responsibility to society as a corporate citizen that grows alongside each society it operates in.
- We sustain sound growth through the efficient operation of resources and contribute to the sustainable development and welfare of local communities.
- In the operation of our aviation and logistics business, a national backbone industry in Korea, we continue to contribute to the economy through an efficient logistics infrastructure.
- In compliance with laws, regulations and ethics codes, we respect and promote local laws, regulations, customs, cultures and values, contributing to the cultural development of local communities.

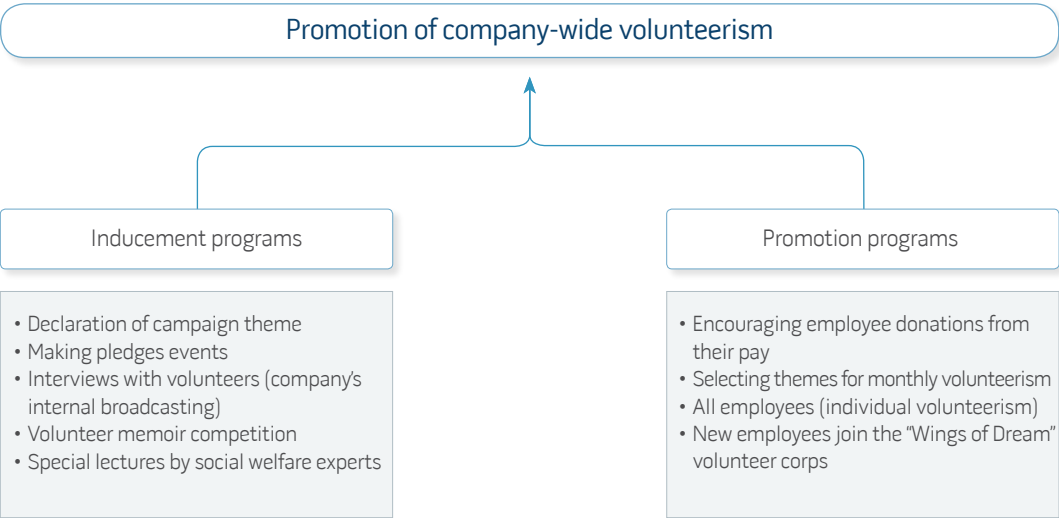
KEY Performance Indicator

Indicator	2011 Performance	
	<ul style="list-style-type: none">• Investment in medical centers and marina industries as part of community programs• Inviting children from local communities affected by our noise footprint to Gimpo head office and Jeju Island• Participation in local knowledge contribution activities such as "Reach for the World," "English Camp at Airport," and "Aerospace Science Class"• Delivering briquettes and living necessities to elderly citizens living alone and low-income families in the neighborhood of the Gimpo head office• Supporting health check-ups and household medicine to underprivileged people	
Education	• Signing an MOU with the Ministry of Education, Science and Technology to promote donations to educational causes	
Mecenat Programs	• Third competition of the "Korean Air Future Artist Olympiad"	• 18 th annual Korean Air Travel Photo Competition
Employee Volunteerism	• "From-To" campaign	• New employees' volunteering at social charities
Disaster Relief	• Disaster relief supplies to flood victims in Thailand	• Disaster relief supplies to tsunami victims in Japan

→ Social Volunteer Steering Committee & Volunteer Corps

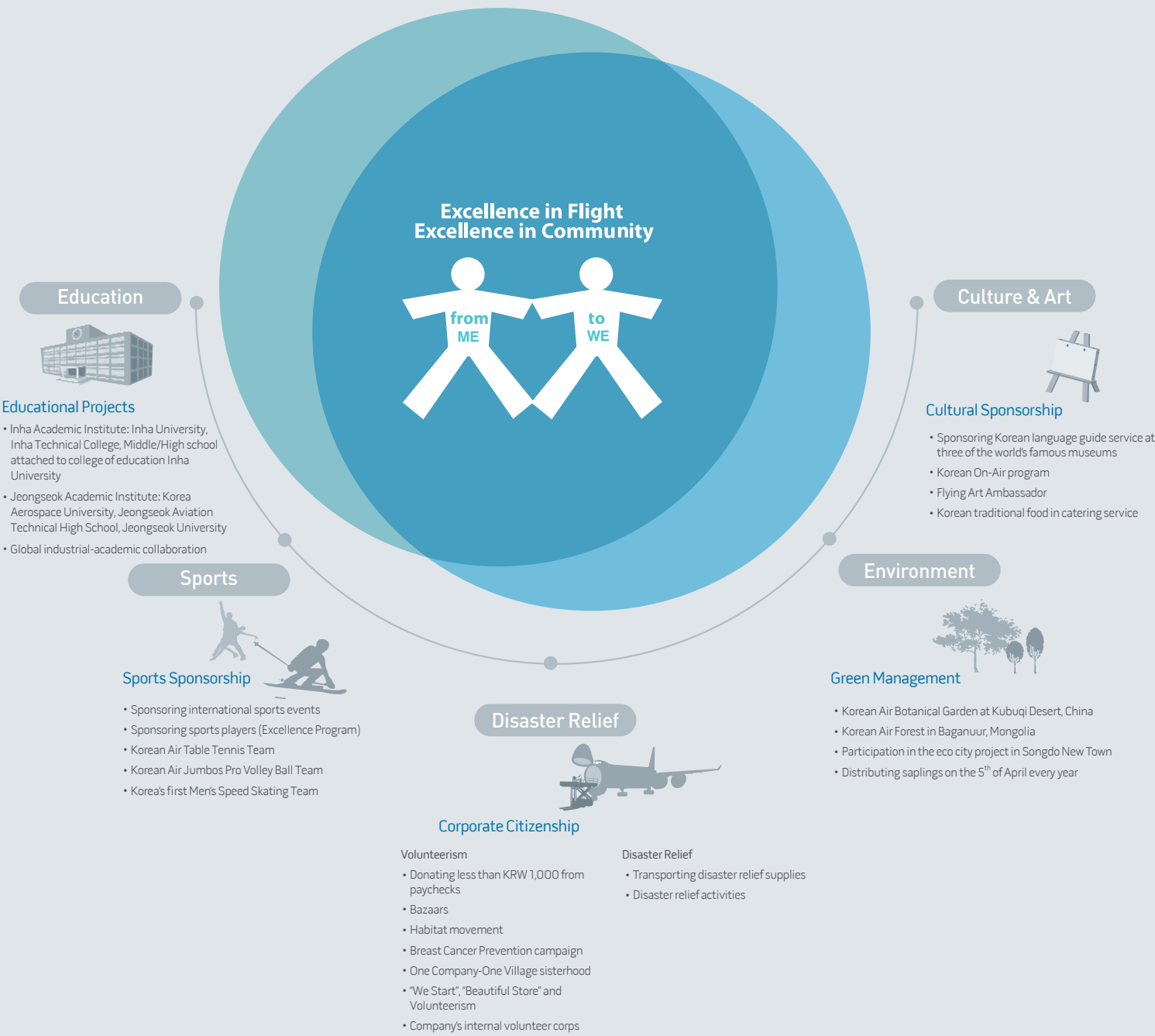


→ Social Contribution Programs



from

Sharing starts when seeds are sown. Korean Air's social contribution begins with every one of its employees making a small contribution to society, just like sowing small seeds throughout the land.



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.

→ Educational Work

Korean Air takes a long-term approach in its commitment to education.

Korean Air has been investing in education by taking a long-term approach in its commitment to education around Korea. In fact, Korean Air's founder believed that the most valuable business in life is all about fostering talent. Following his philosophy, we have sponsored a number of universities and academic institutes in Korea, and over the past 10 years, we have donated KRW 20.0 billion to Inha and Jeongseok Academic Institutes every year. In 2003, we completed the nation's largest digital library, the Jeongseok Memorial Library, as well as the HiTech Hall at Inha University. In February 2006, we completed the second dormitory at the university, helping improve academic conditions. As part of a global industrial-academic collaboration initiative, we sponsored the construction of the Pratt & Whitney Institute for Collaborative Engineering (PWICE) at the University of South California (USC). We also induced quadripartite industrial-academic collaboration among Inha University, Korea Aerospace University, USC and Airbus.

Inha Academic Institute
(Inha University, Inha Technical College, Middle/High school attached to college of education Inha University)



Inha Academic Institute has been running Inha University, Inha Technical College, Middle/High school attached to college of education Inha University under its arm since 1968. In 2003, Korea's leading digital library, Jeongseok Memorial Library, was completed at Inha University and the institute led the construction of an international industrial-academic R&D institute at Inha University and USC for the R&D of the high-tech aerospace industry and the development of application technologies.

Jeongseok Academic Institute
(Jeongseok University, Jeongseok Graduate School of Logistics, Korea Aerospace University)

Established in 1979, Jeongseok Academic Institute has been operating Korea Aerospace University, Jeongseok University, Jeongseok Graduate School of Logistics, and Jeongseok Aviation Technical High School, helping contribute to the development of the Korean aerospace industry. Korea's first technical college established under a company in 1988, Jeongseok University is home to a number of globally competent talent versed practically and theoretically. In 2006, Korea's first logistics-specialized academic institute, Jeongseok Graduate School of Logistics, was also established.



→ Cultural Sponsorship

Korean Air is actively involved in a number of cultural sponsorships around the world.



Korean Air sponsors the Korean language guide service at three world famous museums: the Louvre in Paris, the British Museum in London, and the State Hermitage in St. Petersburg. Starting in 2008, we have phased in this service, sponsoring the replacement of PDAs with new ones at these museums. This sponsorship was well-reputed for raising national pride and promoting Korean culture to the world. In recognition of this contribution, the Minister of Culture and Sports conferred an appreciation award on Korean Air, a first for a Korean company.

In March 2008, trained flight attendants began providing a special introduction to local museums and art museums during flights to Paris, London, Amsterdam, and Madrid. Our flights bound to Incheon are also introducing Korea's famous attractions, such as the National Museum of Korea and the National Museum of Contemporary Art Korea to international passengers, which has garnered a great response. We have also sponsored a number of international art exhibitions in Korea such as *Van Gogh*, *Monet*, *Musee d'Orsay* and *Louvre* and cultural festivals including the 11th Bucheon Fantastic Film Festival.

In the future, we will continue to expand our sponsorship for Korean language services in the world's most famous museums, raising national pride as we sponsor many more cultural events.

<Korean Air Sponsorship of the World's Museums>

	Louvre Museum	British Museum	State Hermitage Museum
Location	Paris, France	London, UK	St. Petersburg, Russia
Annual visitors	8 million	6 million	2.6 million
Service launch	February 2008	At the end of 2009	March 2009
Service devices	PDA	PDA	Audio set
No. of art pieces described with the Korean language service	600 pieces	200 pieces	300 pieces
No. of service languages	7 languages (Korean, French, English, German, Japanese, Italian, Spanish)	11 languages (Korean, French, English, German, Japanese, Italian, Spanish, Russian, Chinese, Arabic, British sign language)	7 languages (Korean, French, English, German, Japanese, Italian, Spanish)

→ Corporate Citizenship

Under the slogan “Wings of Touch, Wings of Hope,” Korean Air proactively engages in programs that contribute to local communities through volunteerism.

Under the General Affairs Department, we set up a CSR Team which oversees company-wide volunteerism and CSR activities. All Korean Air employees donate a small portion of their paychecks (under KRW 1,000) that goes towards a fund for social causes, with the company matching all contributions made by employees. In addition, there are 22 volunteer corps, including Gonihoe and Seungwoohoe, within the company. The members of these groups help teenage household heads and provide free meals to elderly people living alone. They also arrange cultural and artistic events for underprivileged children on a regular basis. In addition, they participate in the Habitat for Humanity program, the One Company-One Village sisterhood program and flea markets.

Korean Air and its volunteer corps supported disaster relief supplies to damaged areas after the 2004 Indian Ocean earthquake and tsunami, the 2005 Sumatra earthquake, the 2007 Taeon oil spill in Korea, the 2008 Sichuan earthquake, and other earthquakes in New Zealand and Japan.

Korean Air's Global Volunteerism

Medical services for child patients around the world
In 2007, we sponsored the medical operation of children with cardiac diseases in Mongolia, Vietnam, the Philippines and Kenya in collaboration with Good People. Starting in 2008, we also participated in the Iraq Relief & Reconstruction Project, and have been providing medical services to local child patients annually.

Global Volunteerism by Shinwoohoe
In 2006, the corps visited six villages in the jungle near Penang, Malaysia and gave medical services, haircuts and ran kids' programs. In 2007, the activity was expanded to Dumai, Indonesia.

Love Program in China
We deliver hope to local children by donating books and bookshelves to elementary schools in Beijing, Wuhan, and Xian, China. We also built the Korean Air Dream Library and donated PCs.



Disaster Relief Supplies Transportation

[1998]
Transported relief supplies to flood victims in Hubei, China

[Aug. 1999]
Transported relief supplies to flood victims in North Gyeonggi province (multi-purpose, medium-sized helicopters and trucks)

[Aug. 1999]
Transported relief supplies to Turkey after a devastating earthquake (B747-400F cargo aircraft)

[Oct. 1999]
Transported relief supplies to earthquake victims in Taiwan (A300F cargo aircraft)

[Oct. 2000]
Transported relief supplies to earthquake victims in Niigata, Japan (A330 cargo aircraft)

[Sep. 2002]
Transported relief supplies to victims in Gangneung who were devastated by Typhoon Rusa (A300-600)

[Apr. 2004]
Transported relief supplies to victims after the huge explosion at Yeongcheon Station in North Korea (two B747-400 special aircraft)

[Jan. 2005]
Transported relief supplies to victims of a tsunami in Southwest Asia

[Aug. 2005]
Transported relief supplies to refugees after Hurricane Katrina hit the U.S.

[Jun. 2007]
Transported the remains of victims from a plane crash in Cambodia with an A330-300 jumbo jet

[May 2008]
Transported relief supplies to the victims of a cyclone in Myanmar

[May 2008]
Transported relief supplies to victims of the Sichuan earthquake (B747-400)

[Mar. 2011]
Provided clean water to victims of the earthquake in Christ Church, New Zealand

[Mar. 2011]
Provided clean water and blankets to victims of the Great East Japan Earthquake

<Korean Air's Social Contribution Activities>

Activity	Descriptions	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12
Habitat for Humanity	In partnership with Habitat Korea, Korean Air's employees and their families participate in building houses for homeless families (providing KRW 770 million in construction expenses and 42 international air tickets up until 2011)												
Share your change campaign	All Korean Air employees voluntarily donate change under KRW 1,000 from their monthly paychecks and the company then matches that amount												
Pink Ribbon breast cancer prevention campaign	Promoting the Pink Ribbon campaign to passengers in October, distributing breast cancer self-check test cards												
Reforestation in Mongolia	Creating a botanical garden by planting trees in collaboration with an NGO called Green Asia in Baganuur, Mongolia												
One Company-One Village	Providing medical services and helping farmers every summer through sisterhood ties with a village called Myeongdong-ri												
Sponsoring a Korean language guide service in museums internationally	Offering a Korean language service on audio guide devices at the Louvre, the British Museum and the State Hermitage Museum												
Aviation Medical Center's medical service	A group of doctors from Korean Air's Aviation Medical Center provides medical services in local communities												
Sky Love Bazaar	A cabin crew volunteer corps hosts a bazaar with souvenirs and specialties from around the world and donates all proceeds to charities												
Inviting underprivileged children to Jeju Island	From 2010, we began inviting underprivileged children from local communities that live under the influence of an airport noise footprint to a three-day trip to Jeju Island and to Korean Air's head office												
One Company-One Troop	Starting in June 2012, we began sponsoring and providing exchanges with the Capital Division (Tiger) through sisterhood ties												

→ Green Management

Korean Air's Green Management practices include annual events where we plant trees to prevent seasonal yellow dust storms. We are also introducing eco-friendly aircraft and implementing more stringent environmental protection policies.



Korean Air plants trees in Mongolia and China in order to prevent desertification and yellow dust storms. We planted 56,500 trees on a land size spanning 27.40 ha in Baganuur, Mongolia from 2004 to 2011 and 1.8 million trees over land spanning 6 million m² in the Kubuqi Desert in China between 2007 and 2011, helping create the Korean Air Botanical Garden. We take pride in that we contributed to a friendly partnership between Korea and China and in reducing yellow dust storms, which cause severe damage to Korea every spring. From 2009, we have been taking part in a global initiative to make the urban area of Los Angeles greener, donating a total of USD 160,000 to the Million Trees LA Foundation over that time.

Furthermore, Korean Air participates in the Songdo Green Urbanization project and supported nationwide efforts to register the volcanic isles and lava caves of Jeju as UNESCO Natural World Heritage sites. We also actively implement various environmental protection policies while introducing next-generation, eco-friendly airplanes, setting the model for green management.

→ Sports Sponsorship

Like the Pyeongchang 2018 Bid Committee's slogan of "New Horizons," Korean Air will not cease finding a new horizon for the development of sports in Korea and Asia.



As an advocate of the positive energy that sports brings to society, Korean Air has been contributing to the development of sports in Korea for years. Everybody at Korean Air made a concerted effort to win the bid to host a Winter Olympics in Korea, which the country got for the 2018 Games after two failed bids.

Also, Korean Air is the first Korean company to run its own professional speed skating team and sponsors athletes such as Lee Seung-hoon and Moh Tae-beom. In addition, our Excellence Program provides airline tickets to sports stars who have raised national pride. We sponsored the 2011-2012 Short Track World Cup, which was organized by the International Skating Union, to help bring more national attention to winter sports. We were also an official sponsor of the 2011 Qatar Peace and Sports Table Tennis Cup as a messenger of peace beyond race, ideology, and religion. In the future, Korean Air will remain a firm supporter of Korean sports and carry out its duties as a responsible global corporate citizen.

APPENDIX

UN Global Compact / Awards & Associations / GRI Index / Third Party Assurance Statement / Questionnaire

UN Global Compact

UN GLOBAL COMPACT

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies through 10 principles related to the areas of human rights, labor, environment and anti-corruption. Korean Air joined the UN Global Compact in July 2007. The core values of the Compact are in line with our commitment to ethical and transparent management practices and to fulfilling our social responsibilities. We will continue to embrace and support the 10 universally accepted principles of the UN Global Compact, as listed below.

PRINCIPLES

HUMAN RIGHTS

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

Principle 2: We make sure that we are not complicit in human rights abuse.

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.

UN Global Compact Compliance at Korean Air

Area	Principles	Compliance	Reported pages
HUMAN RIGHTS	Principle 1: We support and respect the protection of internationally proclaimed human rights.	• Compliance with the UN Global Compact's 10 principles and International Labor Organization Conventions	8-9, 36
	Principle 2: We ensure that we are not complicit in human rights abuse.	• Training on business ethics and sexual harassment prevention	16-17
LABOR	Principle 3: We uphold the freedom of association and the effective recognition of the right to collective bargaining.	• Upholding the freedom of association and collective bargaining rights	34-45
	Principle 4: We uphold the elimination of all forms of forced and compulsory labor.	• No forced labor or child labor under stipulations as provided in the Korean Labor Standards Act and the ILO conventions. No case of violations.	
	Principle 5: We uphold the effective abolition of child labor.	• Expanding female and disability employment	
	Principle 6: We uphold the elimination of discrimination with respect to employment and occupation.	• Hiring international talent without discrimination based on nationality, culture, or religion	
ENVIRONMENT	Principle 7: We support a precautionary approach to environmental challenges.	• Strict compliance with GHG emissions regulations at all our business premises	56-73
	Principle 8: We undertake initiatives to promote greater environmental responsibility.	• Company-wide ISO 14001 certification	
	Principle 9: We encourage the development and diffusion of environmentally friendly technologies.	• GHG Inventory System & GHG emissions reduction initiatives • Adopting cutting-edge, eco-friendly aircrafts and engines with higher fuel efficiency and less noise	
ANTI-CORRUPTION	Principle 10: We work against corruption in all its forms, including extortion and bribery.	• Enactment and declaration of the Ethics Charter and compliance with the 10 principles of the UN Global Compact • Ethical education and whistleblowing program • Adopting the Compliance Program	16-17, 20-21

→ Awards and Associations

2011 Awards

Category	Award	Date
Economy	2011 K-BPI – topped the airline category (13 consecutive years) by the Korea Management Association (KMA)	Mar. 09, 2011
	2011 Brand Star Award Korea (1 st in the airline category) for three consecutive years	Mar. 22, 2011
	2011 Top airline with in-flight duty free sales service at the DFNI Awards in the Asia/Pacific region by the Duty Free News International	May. 17, 2011
	Asia's Best First Class Service Airline at the World Travel Awards 2011 Asia-Australia	Sep. 28, 2011
	Brand of the Year for 2011 by the Korea Advertising Society	Oct. 14, 2011
Society	Won nine awards in five categories at the 2011 Korea Advertisement Awards by the Korea Federation of Advertising Associations (KFAA)	Nov. 09, 2011
	2011 The most trusted brand by Korean consumers	Jan. 11, 2011
	Best HRD Award by the Korea HRD Association	Feb. 23, 2011
	Topped the domestic and international airline category of the 2011 National Customer Satisfaction Index (NCSI) by the Korea Productivity Center	Mar. 29, 2011
	No. 1 in the Global Customer Satisfaction Index by the Japanese Management Association Consulting	June 23, 2011
	2011 Plus Happiness CSR Awards	June 01, 2011
	Best Operator of the Airbus A300-600	Oct. 28, 2011
	2011 CSR Awards by the Chinese CSR Organizing Committee	Dec. 15, 2011
	2011 Aircraft Safety and Security Awards by the Ministry of Land, Transport, and Maritime Affairs	Dec. 30, 2011
	No. 1 in the airline category in the 2011 Korea Sustainability Index (KSI) by the Korea Standards Association	Oct. 06, 2011
Environment	2011 Carbon Management Industry award for the Carbon Disclosure Project	Oct. 26, 2011
	No. 1 in the transportation category of the 2011 1 st Green Ranking	Dec. 27, 2011

Associations and Memberships with National/International Organizations

Category	Association
Aviation	International Air Transport Association (IATA), Association of Asia Pacific Airlines (AAPA), SkyTeam, Korea Civil Aviation Development Association, Federation of Korea Aeronautics, Korea Aeronautical Engineers Association, Korean Society for Aeronautical & Space Sciences, Korean Association of Air and Space Law, Aviation Management Society of Korea
Economy	Korea Business Council for Sustainable Development, Business Institute for Sustainable Development of Korea Chamber of Commerce and Industry (KCCI), The Federation for Korean Industries, Korea Economic Research Institute, Korea Employers Federation, Korea Chamber of Commerce and Industry, The Federation of Economic Organizations, Korea-Japan Economic Association, Korea Listed Companies Association, Korea Exchange, Korea Customs Logistics Association, International Management Institute, Gangseo-gu Branch of KCCI, Korea International Trade Association, Pacific Economic Council (PBEC), Korea-U.S. Economic Council
Environment	Green Company, Business Council for Green Growth, Gangseo Business Group for Environmental Practices, Voluntary Agreement of the Aviation Industry on GHG Reductions
Society	Nanum Korea, Koran Council on the Protection of Personal Information, Gangseo-gu Scholarship Foundation, Gangseo Integrated Defense Conference, Korea Forum for Progress, Asia Society Korea Center, Korea-Mongolia Forum, Visit USA Committee Korea, Seoul International Forum, New Asia Research Institute, The Corps of Honorary Consuls in Korea, Korean Business Council for the Arts, Korea Management Association, Takamadonomiya Memorial Foundation, Tumen River Area Development Plan (GTI) BAC, Korea Support Committee for the International Vaccine Institute

→ GRI Index

●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

Description of Indicators		Assured by KPC on July 26			
		Category	Page	Reporting Level	Remarks
Strategy and Analysis	1-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	3	●	
	1-2	Organization and sustainability : Description of key impacts, risks and opportunities	3, 19, 24, 63	●	
Organizational Profile	2-1	Name of the organization	4	●	
	2-2	Primary brands, products and services	6,7	●	
	2-3	Operational structure of the organization, including main divisions, operation companies, subsidiaries and joint ventures	8	●	
	2-4	Location of organization's headquarters	4	●	
	2-5	Number of countries in which the organization operates, and the names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	5	●	
	2-6	Nature of ownership and legal form	15	●	
	2-7	Markets served (regions, business area, customer / beneficiary types)	5	●	
	2-8	Scales of the reporting organization	4	●	
	2-9	Significant changes during the reporting period regarding size, structure, or ownership		N/A	No major changes
	2-10	Awards received in the reporting period	86	●	
Report Parameters	3-1	Reporting period	0	●	
	3-2	Date of most recent previous report (if any)	0	●	
	3-3	Reporting cycle (annual, biennial, etc.)	0	●	
	3-4	Contact point for questions regarding the report or its contents	0	●	
	3-5	Defining report content	12,13	●	
	3-6	Boundary of the report	0	●	
	3-7	State any specific limitations on the scope or boundary of the report	0	●	
	3-8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		N/A	No subsidiaries or facilities that can significantly affect comparability
	3-9	Data measurement techniques and the bases of calculations	0	●	
	3-10	Explanation of the effect of any re-statement of information provided in earlier reports, and the reasons for such re-statement	0	●	
Governance, Commitments, and Engagement	3-11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	0	●	
	3-12	GRI content table	87~91	●	
	3-13	External assurance	92,93	●	
	4-1	Governance structure of the organization	14	●	
	4-2	Indicate whether the chair of the highest governance body is also an executive administrative officer	14	●	
	4-3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members	14	●	
	4-4	Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body	15	●	
	4-5	Linkage between compensation for members of the highest governance body for guiding the organization's performance	14	●	
	4-6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	15	●	

Introduction	
Profile	
CSR Management System	
Key Issue 1 - GROWTH	
Key Issue 2 - PEOPLE	
Key Issue 3 - VALUE	
Key Issue 4 - GREEN	
Key Issue 5 - HARMONY	
Awards and Associations	Appendix
GRI Index	

●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

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●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

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●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

		Section	Category	Page	Reporting Level	Remarks
Employment	LA1	Total workforce by employment type, employment contract, and region	key	36	●	
	LA2	Total number and rate of employee turnover by age group, gender and region	key	39	●	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	supplementary	41	●	
Labor Relations	LA4	Percentage of employees covered by collective bargaining agreements	key	44	●	
	LA5	Minimum notice period (s) regarding significant operational changes (& its inclusion in the collective bargaining)	key	44	●	
Occupational Health & Safety	LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	supplementary		●	Specially monitored by separate safety and health organizations under Korean Aviation Law (members do not represent labor unions)
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities (by regions)	key	41	●	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	key	42	●	
	LA9	Health and safety topics covered in formal agreements with trade unions	supplementary	44	①	
Education & Training	LA10	Average hours of training per year per employee by employee category	key	39	●	
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	supplementary	40	①	
	LA12	Percentage of employees receiving regular performance and career development reviews.	supplementary	40	●	Performance evaluation – entire workforce, career development – internal standards
Diversity/ equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	key	15	●	
	LA14	Ratio of basic salary of men to women by employee category	key	37	●	
Employment	LA15	Return to work and retention rates after parental leave, by gender	key	37	●	

Human Rights ●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

Section			Category	Page	Reporting Level	Remarks
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	key	20	0	Business partner performance evaluation includes screening on human rights, but no data available for technical reasons
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	key	20	0	
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	supplementary	17,36	0	
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken	key	36	0	
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and measures taken to ensure freedom of association and collective bargaining	key	44	0	
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor	key	36	0	
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor and measures taken for prevention	key	36	0	
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	supplementary	16	0	
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	supplementary		0	No such violations
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	key		0	Screening on human rights at domestic and international premises is not yet in place but will be in the future.
Remediation	HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	key	11,44,62	0	

●: Complete ●: Partial ○: Not Reported N/A: Not Applicable

		Section	Category	Page	Reporting Level	Remarks
Local Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	key		①	We forecast future demand and the potential impact on local communities before launching new routes
Anti-Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	key	16	①	
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	key	17	●	
	SO4	Actions taken in response to incidents of corruption	key		N/A	No cases of corruption
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	key	11	●	
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	supplementary		N/A	Political donations by a business is prohibited under the Korean Political Funds Law
Anti-Competitive Behavior	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	supplementary	17	●	No such cases
Legal Compliance	SO8	Monetary value of significant fines and total numbers of non-monetary sanctions for non-compliance with laws and regulations	key		●	No such fines or sanctions
Local Community	SO9	Operations with significant potential or actual negative impacts on local communities.	key		●	We review our environmental impact every year to prevent risks and there has been no premise with a significant impact on local communities to date.
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	key	62,77	①	

Product Responsibility

		Section	Category	Page	Reporting Level	Remarks
Customer Health and Safety	PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	key	51,52	●	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	supplementary		●	No such incidents
Product & Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	key	51`53, 71	●	
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	supplementary		●	No such incidents
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	supplementary	27,86	●	
Marketing Communications	PR6	Programs for adherence to laws, standards and voluntary codes related marketing communications, including advertising, promotion and sponsorship	key	55	●	Under the Compliance Program, we have an internal bylaw that stipulates we must consult with related departments prior to promotion or advertisement with customers
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	supplementary		●	No such incidents
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	supplementary	53	●	
Legal Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	key		●	No such incidents

→ Third Party Assurance Statement on Korean Air's 2012 Sustainability Report

To All Stakeholders at Korean Air

The Korea Productivity Center (hereinafter the "Inspector") was commissioned by Korean Air to review its 2012 Sustainability Report (hereinafter the "Report")

Accountability and Independence

Korean Air takes full responsibility for the information and comments contained within this Report, and are responsible for providing assurance statements. As an independent agency, we are not engaged in producing the Report and have no relationship with Korean Air, which would otherwise hinder our independency.

Assurance Standard

Our assurance is in accordance with Type 1 moderate assurance engagement as defined by AA1000AS (2008). We also verified if the Report conformed with principles of inclusivity, materiality, and responsiveness in relation to AA1000APS (2008) assurance standards. Furthermore, we validated if reported materials complied with GRI (Global Reporting Initiative) G3.1 guidelines.

Scope

The assurance was made based on Korean Air's 2011 performance, but the scope of our responsibility did not include assuring the reliability of such information as financial performance, environmental data including greenhouse gas (GHG) emissions, links to websites, or aviation research data. Our onsite visits were restricted to the Korean Air head office in Gimpo. Consequently, additional assurance procedures could alter the results of our assurance.

Approach

Our assurance procedures included the following work:

1. Reviewing the frequency of the indicators and the description method of each GRI G3.1 guideline indicator to check if GRI application level A requirements were satisfied
2. Identifying if the content and quality comply with GRI G3.1 guideline principles
3. Reviewing the selection of key issues and the propriety of the described content contained within this Report through media research and benchmarking analyses
4. Reviewing the propriety of details and errors expressed in the Report through comparative analysis with other sources
5. Conducting onsite visits to the head office in Seoul, identifying supporting key data and information, and reviewing internal processes and systems

Conclusion

The Inspector confirmed that Korean Air's sustainability activities and performance were well reflected in this Report. We also confirmed that the Report satisfied GRI application level A requirements, which the Company independently declared.

1. Inclusivity: Stakeholder Participation

Korean Air classifies its stakeholder groups as employees, business partners, customers, the government, shareholders & investors, and local communities. Through this assurance procedure, the Inspector confirmed that Korean Air consistently maintains diverse communication channels to collect stakeholder opinions. With internal stakeholders, the company has maintained interactive communication with its employees through our Ombudsman, consulting hotline, and Harmony communication campaign. With external stakeholders, the company has been actively communicating with its customers through SNS, its website and real-time chatting service, and has been commenting on governmental policies through public hearings and association memberships. In addition, it has been cooperating with business partners through seminars and education seminars, while also listening to their grievances.

In addressing customer issues, the company has been operating a multi-lingual platform for the voice of customers, and has been addressing customer issues by disclosing customer issues to the entire workforce for future improvement. These efforts are highly appreciated.

On the other hand, the details of issues raised through communication with business partners, industrial agencies, and NGOs were not disclosed. In the future, it is recommended that the company check and evaluate its sustainability management from the point of view of external stakeholders, such as stakeholder panels. We also recommend the integrated management of on- and off-line communication channels.

2. Materiality: Selection and Reporting of Key Issues

Korean Air operates several communication channels to identify sustainability issues such as benchmarking, stakeholder surveys and global initiatives. In addition, the company's media research covers not only positive but negative coverage as well, allowing it to effectively respond to its sustainability issues. The key issues were prioritized from issues identified through stakeholder surveys. We confirm that the Report fairly discloses all key issues. In particular, the Report analyzes and provides details of the impact of the company's fleet modernization on its sustainability management. The Report also provides statements on the aviation industry's risks and opportunities arising from climate change, and covers the company's proactive response to domestic and international environmental regulations. In the future, we recommend more comprehensive information regarding the company's waste management practices, including recycling resources. We also recommend more sophisticated management of stakeholder relations by adding more industrial issues to the report and more detailed coverage of materiality test methodologies and processes.

3. Responsiveness: The Organization's Response to Issues

We confirmed that Korean Air analyzes the risks and opportunities every year in line with its business strategies and develops and monitors key performance indicators on its management activities. By setting key performance indicators by strategic tasks, the company has been able to keep track of annual achievements and review the performance of executives in this regard. We acknowledge the company's efforts to align sustainability management strategies with business strategies by connecting business performance indicators with sustainability performance indicators. However, the company needs a more integrated strategy for its social contribution, mutual growth and environmental management for more systematic and comprehensive sustainability management practices. The Inspector recommends that the company develop a company-wide scheme to manage the performance and goals of sustainability management by area. It is our recommendation that the company develop a comprehensive sustainability management strategy for the integrated management of performance and goals in triple bottom line form and to continue tracking the goals and achievements of key performance indicators in line with business strategies and long-term sustainability strategies in future reports.

Recommendations

We recognize Korean Air's efforts to enhance sustainability, and recommend the following to improve upon future versions of this report and the level of sustainability management.

1. We recommend a more balanced reporting practice by disclosing the company's responses and future plans for improvements to negative media coverage.
2. We recommend developing and applying more systematic materiality test methodologies by reflecting the risk management process and prioritizing business strategies for future reports.
3. We recommend managing key performance indicators and including them in future reports. In particular, we recommend a more systematic management of indicators comparable with peer competitors such as individual training hours, social contribution hours, and the intensity of environmental data.
4. We recommend developing sustainability management strategies for a better organized management of performance and goals, and operating a special organization (i.e. Sustainability Management Commission) that directly reports to top management.
5. We recommend establishing an enterprise integration system for the management of diverse sustainability management performance indicators, which it can then utilize in future versions of this report.

Third Party Assurance Statement on Korean Air's 2012 Sustainability Report — Appendix



진홍

July 2012
Korea Productivity Center
Chairman & CEO

Jin Hong

D. S. Kim
Kim, Dong-soo
KPC director

서정석
Seo, Jeong-seok
team manager

Jenni
Park, Joo-mi
expert advisor

The Korea Productivity Center's Sustainability Management Center is qualified to conduct independent assurance work as an assurance agency and is officially certified by AccountAbility, which established the AA1000, an international standard related to stakeholder participation and assurance. Moreover, its Assurance Committee consists of professionals who have completed a professional education and have experience in consulting and sustainability management assurance.

→ Questionnaire

Korean Air welcomes your thoughts on the sustainability management of Korean Air and its sustainability reports.



*Contact: Kim, Min-sun, Assistant Manager, Environment & Construction Management Department, Korean Air at +82-2-2656-5512, or e-mail via kimmsun@koreanair.com

1. Which of the following stakeholder groups do you belong to?
- ☐ Customers ☐ Employees ☐ Business Partners ☐ Shareholders & Investors ☐ Government ☐ NGO ☐ Mass media ☐ Academia ☐ Business ☐ Special institutes (R&D/rating)
2. What do you think of Korean Air's sustainability management activities?
- ☐ Very positive ☐ Positive ☐ Not bad ☐ Unsatisfactory ☐ Very unsatisfactory
3. What do you think of Korean Air's sustainability management performance?
- ☐ Well-balanced in the triple bottom lines of economy, environment and society ☐ Good performance only economically (profitability, job creation, business ethics) ☐ Good performance only socially (employee satisfaction, mutual growth, social contribution) ☐ Good performance only environmentally (environmental management, climate change, waste management) ☐ No significant achievements in either of the triple bottom lines of economy, environment or society
4. Do you think Korean Air is transparently disclosing its sustainability management performance?
- ☐ Focused on only positive aspects and selective disclosure on negative aspects ☐ Transparently disclosing both positive and negative aspects ☐ Disclosing both sustainability management goals and achievements ☐ Transparently disclosing positive and negative aspects as well as sustainability management goals and achievements ☐ Not enough disclosure
5. What do you think of Korean Air's stakeholder communication practices?
- ☐ Unilateral ☐ Interactive on a handful issues ☐ A partnership sharing all stakeholder issues with stakeholders ☐ A partnership solving stakeholder issues along with stakeholders ☐ Not sure
6. Please pick the most interesting parts of the following.
- ☐ Legal compliance & business ethics ☐ Corporate governance ☐ Economic performance ☐ Risk management ☐ Customer satisfaction ☐ Health & Safety (customers) ☐ Mutual growth programs ☐ Employees' competency building programs ☐ Health & Safety (employees) ☐ Social contribution activities ☐ Addressing climate change ☐ Environmental management

7. Prioritize the following economic issues of Korean Air's sustainability.

Details	Very high	High	Medium	Low	Very low
Setting a vision and business strategies					
Corporate governance					
Sales growth					
Operational efficiency					
New route expansion					
Future growth engines					
Job creation					
Fair distribution of economic value					
Enhancing brand equity					
Risk management					

8. Prioritize the following environmental issues of Korean Air's sustainability.

Details	Very high	High	Medium	Low	Very low
Environmental management system (ISO14001 certificate)					
Energy efficiency					
Noise abatement					
Addressing climate change (GHG reduction)					
Minimizing environmental impact (ground)					
Waste management					
Fleet modernization					
Green purchases					
Environmental protection activities in local communities					
Response to global environmental regulations					

9. Prioritize the following social issues of Korean Air's sustainability.

Details	Very high	High	Medium	Low	Very low
Customer satisfaction					
Customer privacy protection					
Fair evaluation and compensation of employees' performance					
Human rights and labor-management relations					
Communication with employees					
Employees' competency building					
Employee benefits					
Employees' health and safety					
Mutual growth with business partners					
Fair transactions					
Social contribution activities					
Health and safety for customers					

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

→ Previous Reports

Sustainability reports



2006



2007



2008



2009



2010



2011

SUSTAINING
EXCELLENCE