



# A whole new dimension to airport!

2010 SUSTAINABILITY REPORT



# Report Outline

- **The Applicable Level of GRI G3 Guideline**

This is to disclose that Korea Airports Corporation's (KAC) Sustainability Management Report (Report) fully satisfies the requirements of 'A+' standards outlined in the GRI G3 Application Level Standard Table. An independent 3rd assurance agency has verified that this sustainability report is compliant with 'A+' Applicable GRI G3 Guideline Standards.

- **Report Outline**

  - **Reporting Guideline Principals**

The 2010 Korea Airports Corporation Report was published in accordance to the GRI (Global Reporting Initiative) G3 Guidelines and the BEST Guidelines (BEST Sustainability Reporting Guidelines), the domestic sustainability management reporting standard. The GRI Guideline and BEST Guideline reporting status can be confirmed in the GRI G3 Index table of Appendix.

  - **Reporting Period & Scope**

This report includes all the sustainable management activities of KAC from January 2009 to February 2010. Quantifiable data that provides information on KAC's past activities covers a three year period from 2007 to 2009, enabling a look into the past and future of KAC. The scope of this Report covers 3 regional main offices, including 11 regional airports across the country, which is similar to the 1st Report. During the reporting period, if there are no significant changes in general operations and business characteristics, some information maybe quoted from the previous Report.

  - **Reporting Objective**

The objective of this Report is to transparently disclose the vision and strategy of KAC's sustainability management, and to maintain KAC's sustainable growth by collecting diverse opinions and reflecting these opinions in KAC's management activities. KAC's first Report was published in December 2009 and will continue to be published annually.

  - **Verification**

This Report is confirmed reliability and accuracy through a 3rd party verification by the Korean Foundation for Quality (KFQ). In principal, units will be inscribed alongside numerical figures, while all currency units will be in Korean Won.

  - **Information Service**

The Report has been published in Korean and English. An additional summarized version containing major issues has also been published.

This Report can be accessed through KAC's homepage ([www.airport.co.kr](http://www.airport.co.kr)). For more detailed information you may contact the following:

Homepage : [www.airport.co.kr](http://www.airport.co.kr)

Email : [sustainability@airport.co.kr](mailto:sustainability@airport.co.kr)

Telephone : 82-2-2660-2527 Strategic Planning Team



---

#### Applicable Level of GRI G3 Guideline Disclosure

KAC made this Report based on the GRI GR3 Guideline which fully satisfies the requirements of 'A+' standards. A 3rd party assurance agency has also verified that this report satisfies the requirements of 'A+' Applicable GRI G3 Guideline standards.

# Contents

PART\_1 INTRODUCTION



About This Report  
CEO Message  
Corporate Profile

2

PART\_2 KAC SUSTAINABILITY



KAC's Sustainable Management  
Major Reporting Issues  
KAC's Vision & Strategy  
Ethical Management  
Corporate Governance  
Risk Management

6

PART\_3 ECONOMY



DMA  
Creating & Distributing Economic Performance  
Aeronautical & Non-aeronautical Earnings Business

16

PART\_4 SOCIETY



DMA  
Customer  
Security Safety  
Employees  
Cooperative Firms  
Local Society

26

PART\_5 ENVIRONMENT



DMA  
Environment Management System  
Realizing the Low Carbon Green Airport  
Countering Climate Change  
Eco-friendly Energy Management  
Minimizing Environmental Impact  
Noise Reduction Efforts

36

PART\_6 APPENDIX



UN Global Compact  
3rd Party Assurance Report  
GRI G3 Index  
Airport Operators Sector Supplement  
Awards & Memberships in Organizations  
Compliance Status  
Glossary  
Reader's Voice

72



## CEO Message



In order to meet the changes in environment where space utilization is changing from one of waiting to board airplanes to an area where customers are provided an opportunity to work, enjoy, rest and shop, KAC is focusing on these needs & challenges to achieve sustainable growth.



Dear Stakeholders,

I am pleased to greet you through our 2<sup>nd</sup> sustainability report on Korea Airports Corporation's (KAC) 30<sup>th</sup> anniversary this year. As we began as an airport management institution in 1980, KAC has been the legs of the Korean citizens for the past 30 years, safely and conveniently opening up the sky ways. In 2009, KAC recorded a 98.89% Aviation Safety International Standard performance rate, the highest globally, outperforming Canada at 95.38% and the U.S. at 91.13%. In addition, as a result of continuously trying to provide quality services, KAC received the overall grand prize for customer satisfaction last year.

To fulfill its responsibility as a public corporation, KAC operates 14 large and small airports across the country. KAC also contributes to the regional economy by conveniently and safely connecting the sky ways of Korea. Customized strategies have been established based on the characteristics of each regional airport, while continuous efforts are on-going to enhance the dynamics of the airports. As a result of these efforts, despite the decreasing demand for air transportation due to the H1N1 virus and the growing land traffic, KAC was able to improve its operating profit by 9.8%, maintaining overall profitability for 6 consecutive years.

Under the theme of "Creating an Advanced Public Institution," KAC was the first public institution to be able to initiate an agreed-upon salary adjustment and enhance personnel management based on a determination to mutually benefit both management and labor. This was achievable through continuous internal collaboration and change, while strengthening the organizational characteristics. Externally, KAC was able to foster its overseas business as a future growth engine by internally developing and exporting aviation safety equipment. Through this, KAC is changing itself into an export-based public institution. As a result of these management improvement efforts, KAC received the Customer Satisfaction Management award, the Korean Ethical Management award, and the National Competitive CEO grand prize. These awards attest to KAC being recognized internally and externally for its outstanding performance.

Airports are no longer just places where you can get on and off airplanes. They are changing into places that provide dreams. Airports are converting themselves into locations where one can work, enjoy, rest and shop. In order to achieve sustainable growth by adapting to the changing environment, KAC plans to concentrate its effort on the following:

First, KAC will initiate a two-pronged strategy focused on achieving economic performance, and utilizing its performance to expand its effort to contribute to the economic development of regional societies. KAC will contribute to increasing employment by successfully implementing new business opportunities such as the Sky Park and the expansion of the Jeju International Airport. As a public corporation, KAC will fulfill its social

responsibilities by enhancing support for those social groups located in noise affected areas, while carrying-out diverse activities such as supporting diverse cultural families, providing internships for the youth, initiating volunteer visit services to the estranged classes of society, implementing various educational activities and holding concerts and art exhibitions. KAC will also build itself into a corporate that is respected and trusted by all related stakeholders by strengthening partnership relations with cooperating firms, supporting low cost carriers, purchasing from small & medium enterprises as a priority, and implementing various support policies for companies doing business within the airport premises.

Second, continuous efforts will be placed on securing corporate management transparency and soundness. KAC is enhancing its ethical awareness through continued training to further strengthen its implementation of ethical and transparent management. Also, as a result of KAC's diverse effort to maintain a high degree of integrity, it maintains an 'Anti-corruption Integrity Implementation Group', which concentrates on implementing integrity enhancement policies. This resulted in KAC achieving first place in the 'Public corporation Overall Integrity Standard.' By further strengthening management transparency, KAC will do everything possible to make sure that organizational integrity takes a firm foothold in its corporate culture.

Third, KAC has been trying to actively implement diverse measures to establish 'a low carbon green' airport. Through a campaign to register Green Footprints, KAC will start by trying to reduce carbon dioxide it everyday lives. As Jeju International Airport has been designated a trial LED installation site, all fluorescent lighting will be substituted with LEDs at the newly expanded international terminal. Geothermal energy will also be used to heat & cool the facilities. In addition, 14 airports and the other branches including Gimpo International Airport, have received the 'Green House Gas Inventory Verification Statement.'

KAC will expand its eco-friendly activities in order to establish a low-carbon 'green' airport. While enhancing competitiveness and management efficiencies, KAC will further strengthen its effort to creating an ethical & transparent corporate, establishing a corporate based on sharing and volunteer services, and maintaining its leadership role in preserving the environment. This will be achieved through continuous management innovations by everyone at KAC. We continue to look forward to your encouragement and support.

Thank you.

2010. July

President and CEO of Korea Airports Corporation

Sichul Sung



# Corporate Profile

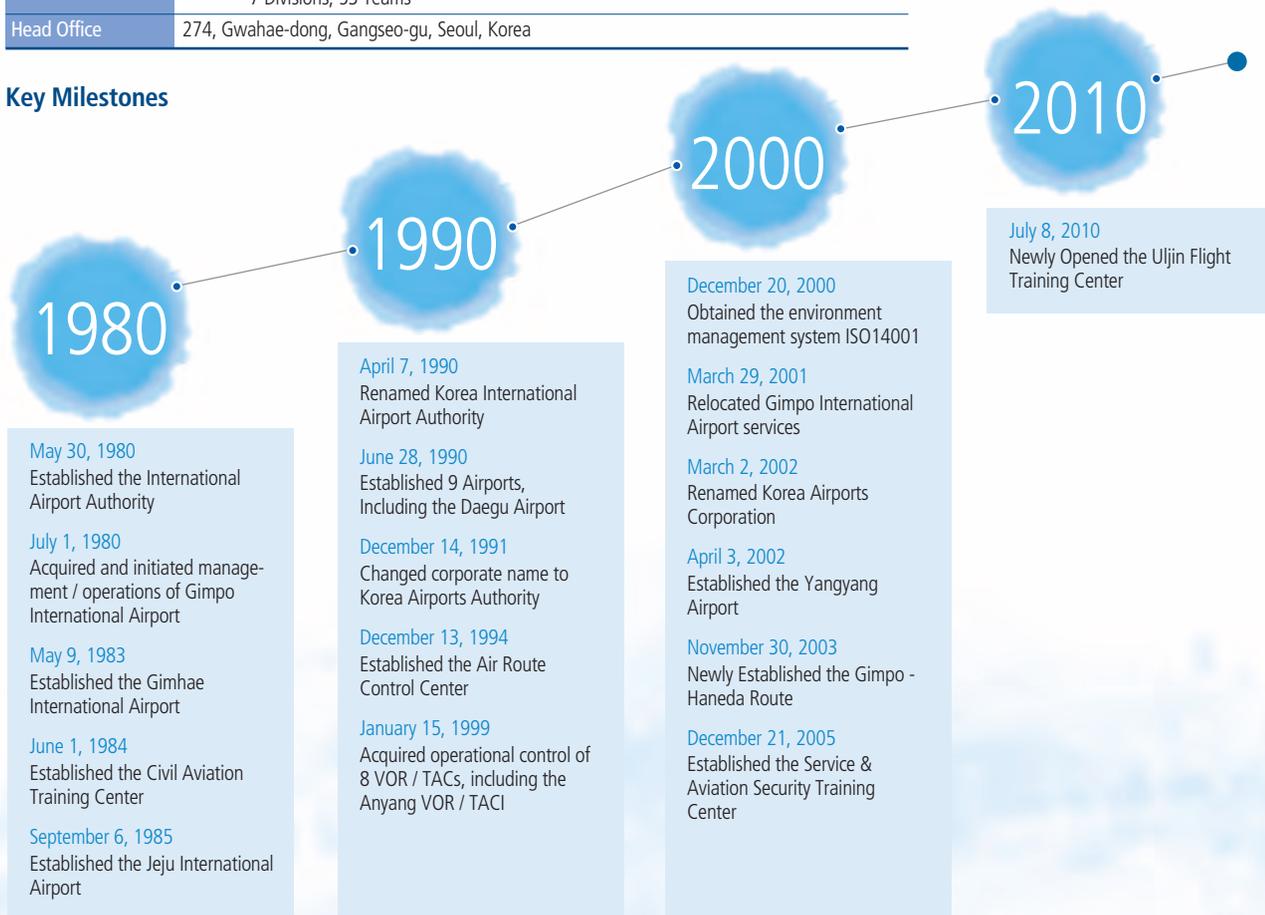
## Corporate Introduction

As national and public corporation, Korea Airports Corporation (KAC) was first established as the International Airport Authority in 1980 to effectively provide smooth air transport services by efficiently constructing and operating airports, and contributing to the national economic development and welfare. In 2002, the International Airport Authority was reorganized into the current KAC in accordance to the Korea Airports Corporation Act. KAC's major business areas include managing and operating airplane movement areas(airside) such as runways and ramps, and various general areas(landside) such as building, buildings within airports and roads. New business areas comprise of manufacturing and exporting equipment and technology such as the aviation safety equipment. Currently the Company manages and operates 7 international airports and 7 domestic airports. International airports are located at Gimpo, Gimhae, Jeju Island, Daegu, Cheongju, Muan and Yangyang, whereas the domestic airports are located at Ulsan, Kwangju, Yeosu, Pohang, Sachun, Gunsan and Weonju.

## Summary of KAC

Corporate Name	Korea Airports Corporation
Establishment Date	May 30, 1980
Capital	KRW2,089,741 million
Total Assets	KRW2,568,163 million
Sales	KRW433,688 million
Net Income	KRW42,595 million
Organizational Structure	Head office : 3 divisions, 7 departments, 1 center, 25 teams Branch : 16 branches (14 Airports, Air Route Traffic Control Center, Civil Aviation Training), 7 Divisions, 53 Teams
Head Office	274, Gwahae-dong, Gangseo-gu, Seoul, Korea

## Key Milestones







# KAC SUSTAINABILITY

KAC is aware of its social responsibilities and is seeking to achieve sustainable development by fulfilling its economic, social and environmental obligations towards its stakeholders.

# KAC's Sustainability Management

## Performance Management

KAC selected 12 core strategic objectives based on 4 major strategic directions to more systematically achieve sustainable growth and development internally. By managing and evaluating each organization's objectives and implementation tasks, KAC has been able to enhance its sustainable management performance while maintaining consistency at all ranks.

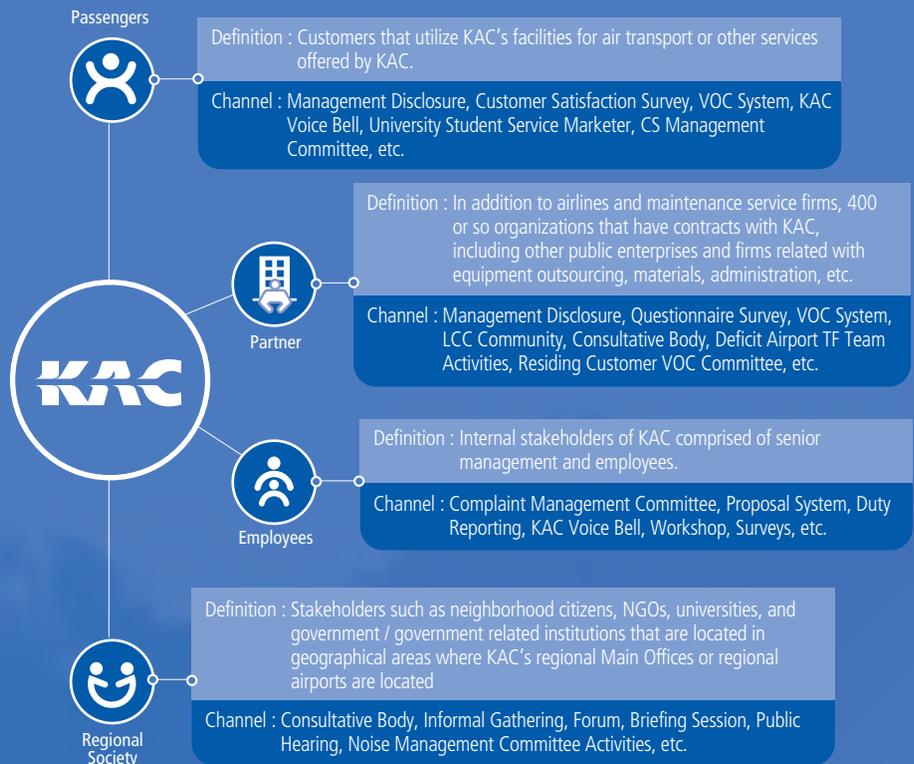
## Communications with Stakeholders

KAC maintains diverse communication opportunities with stakeholders in various areas so as to contribute to the development of the national economy and welfare of citizens, and to enhance efficiency in air transportation. Through this, KAC continues to achieve sustainable growth. KAC has been initiating communications with stakeholders in various areas, including employees, airlines, partners and regional society. By defining internal and external core issues and taking measures to overcome these issues through diverse means of collecting suggestions and opinions, KAC is creating a sustainable future.

## KAC's Stakeholders, Opening the Skies

KAC continues to maintain a system of exchange and cooperation with diverse stakeholders in areas such as the economy, society and environment in order to achieve KAC's vision as a "World-class Airports Corporation to Create Biz & Life." To realize sustainable management, stakeholders are divided into 4 segments, which include employees, airlines, partners and local society. KAC will practice sustainable management by establishing trust with all stakeholders.

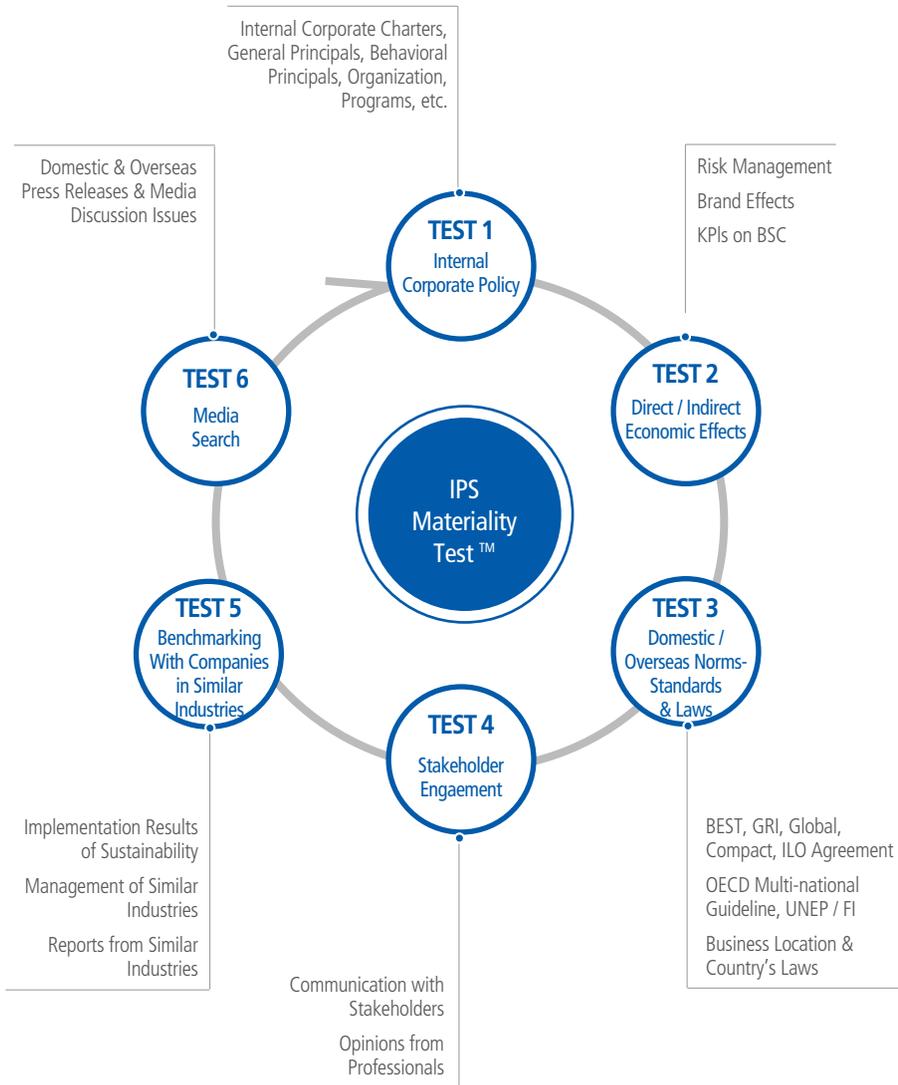
## Communications Channel with Stakeholders



# Major Reporting Issues

KAC identified a total of 20 major issues utilizing the 6 step test results from The Institution for Industrial Policy Studies' IPS Materiality Test™, which was in turn published in a report. The major issues were identified through internal policies, indirect / direct economic effects, domestic / overseas norms and laws, stakeholder participation, benchmarking similar corporations and media search. The step by step evaluation process is as follows:

## Major Evaluation Process



### Major Reporting Scope

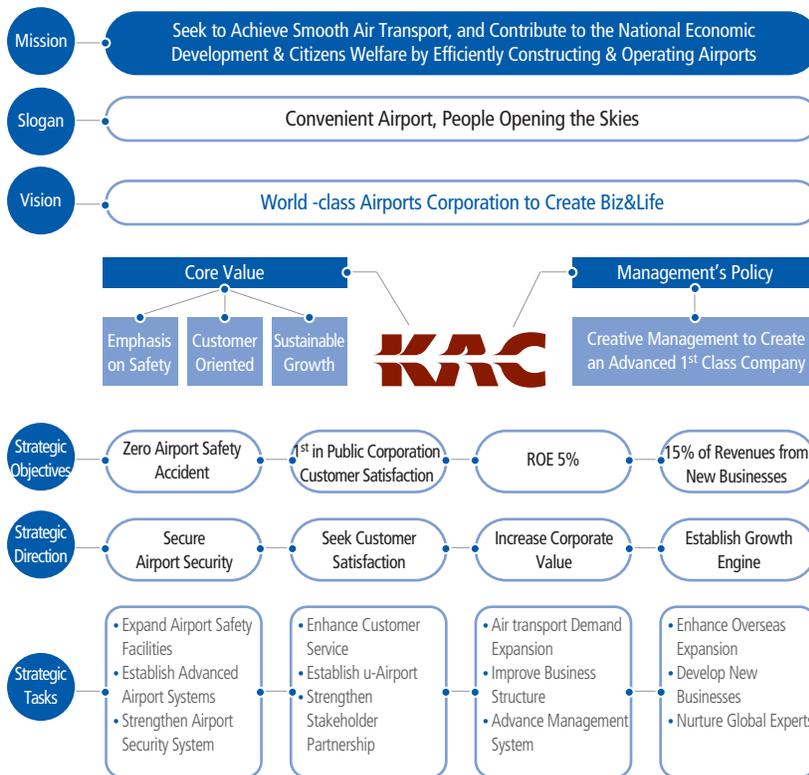
To confirm core sustainability management issues within KAC's management activities, during 2009, KAC identified 20 major issues that had significant external and internal concerns. The external concerns were derived through media searches, benchmarking of similar corporations, external surveys and interviews, while internal concerns were derived through internal policy evaluation, indirect / direct economic effects, domestic / overseas norms & laws, and survey results from employees. The major issues were then segmented and explained.



# KAC's Vision & Strategy

In 2010, KAC announced its vision, "World-class Airports Corporation to Create Biz & life", in accordance to its establishment objectives.

Based on 3 core values to achieve its vision, KAC is focused on creative management to ensure its advance as a leading corporation.



## Sustainable Management Structure

To ensure sustainable management, KAC fully acknowledges the importance of establishing trust with its stakeholders. Simultaneously, KAC is responsibly carrying-out its role in various sectors including economy, social and environment. KAC is also focused on achieving a more advanced future, while initiating profit-based businesses in the aeronautical and non-aeronautical sector to ensure sustainable growth.

As a strategic structure that defines KAC's sustainable management activities and future, based on the 3 core values, 'KAC VISION 2020' helps KAC select and manage the 4 strategic directions and 12 action plans. Establishing and implementing these strategic directions signifies the importance of social responsibility management activities as a key part of management strategy rather than just a simple separate activity. Based on this, KAC will continue to improve systems and regulations for sustainable management by widely accepting the stakeholder opinion.

## New Vision

- **Biz & Life** : It reflects a vision where the airport is not just another waiting space for travelling, but rather is a space with diverse functionalities such as business, multi-leisure activities and daily cultural activities.
- **Creating** : In addition to just providing space as a primary function, the airport is a leading creator of value by actively and voluntarily fulfilling its role.
- **World-class Airport Corporation** : It reflects KAC's intention of leading airport management in the future by securing global competencies.

# Ethical Management

● Clean ranking ● (Unit : Points)



## KAC ECHO

Refers to Ethical Management Ideals Initiated by KAC Spreading-out Like an Echo.



## KAC's Ethical Charter

Based on the top leadership's ethical philosophy that emphasizes cleanness as a core component in a corporates

- Creating a Company that is respected by all citizens through ethical management and Law abiding management
- Honest and equitable business management
- Enhance corruption prevention and foster a clean public service culture
- Practice customer satisfaction and customer-first values
- Respect employees character
- Aggressively participate in publicly beneficial activities, and contribute to creating new values and to developing the nation and society
- Respect life and protect the environment

## 'KAC, a Global Airport Corporation that Continues to Develop Along with Society'

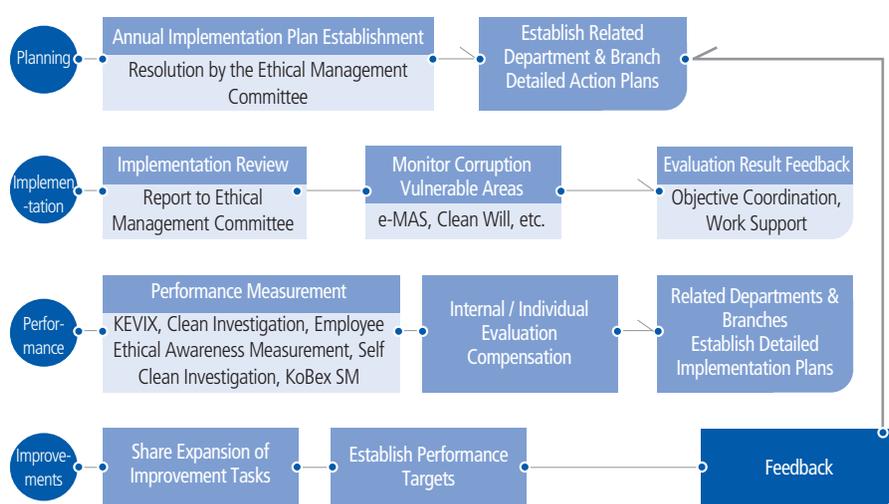
Ethical management is a key component in achieving sustainable growth. To achieve its objective of safely managing airports and enhancing profitability, as a priority, KAC is doing everything possible to establish a stable and credible ethical management structure. KAC joined the UN Global Compact and conforms to the 10 principles which include areas related to human rights, labor standards and environment. Based on a strong leadership towards ethical management, KAC is in the process of reforming its organization to strengthen ethical training for its employees and enhance corruption prevention functions within KAC. A mid-to-long-term ethical management implementation plan has been established to create a more transparent ethical management. As such, KAC selected an ethical management brand in 2009 and is currently establishing a 2010 ethical management global standard. In 2011, KAC will do everything possible to gain the love and trust from all citizens by aggressively strengthening ethical management public relations activities.

## KAC ECHO

KAC ECHO represents KAC's social responsible management ideals that places importance on the environment and seeks a clean community mentality.

## Ethical Management System

Based on the top leadership's ethical philosophy that emphasizes cleanness as a core component in a corporates competitiveness, KAC is in the process of establishing an ethical management practice process. In addition, whenever aviation or airport related policies are being established or related laws are being enacted or revised, KAC will cooperate closely with government related institutions such as the Ministry of Land, Transport and Maritime Affairs to review the legality of policies and their appropriateness. In accordance to the internal ethical charter and related regulations, KAC strictly prohibits donating to political parties or political support groups. Political activities by all employees are also prohibited.



※ KEVIX : KAC Ethics Vision Index / KAC's proprietary ethical index that encompasses KAC's vision in implementing strategic ethical management.

KoBex : Korean Business Ethics Index Sustainability Management / Ministry of Knowledge Economy and the Institute for Industrial Policy Studies uses this index to evaluate the sustainable management performance of institutions that have applied through surveys on the adoption and performance of sustainable management of major domestic public corporation and civilian companies. The surveys evaluate the contents of how well sustainable management has been implemented.

## Activity Performance as a Result of the Ethical Management System

### Diversification and expansion of ethical training

KAC continues to expand the implementation of its cyber ethical training, while carrying-out special training courses by the standing audit committee.

### Improve the reporting channels to prevent corrupt activities

As part of KAC's effort to improve the system to prevent corruption, in addition to enabling employees to report corruption by intranet, KAC has enabled employees to report corruption through the Internet on KAC's homepage, providing greater opportunities to report any corruption within KAC. The system was further improved by allowing employees to report on a no-name basis, enabling the Internal Common Benefit Reporting System to fulfill its role.

### Published & distributed an ethical practice guide book

To enhance familiarity with ethical management, a guide book was published with illustration and amusing contents. The guide book was then distributed internally and to partnership firms. It can also be accessed through KAC's homepage in a form of an e-Book.

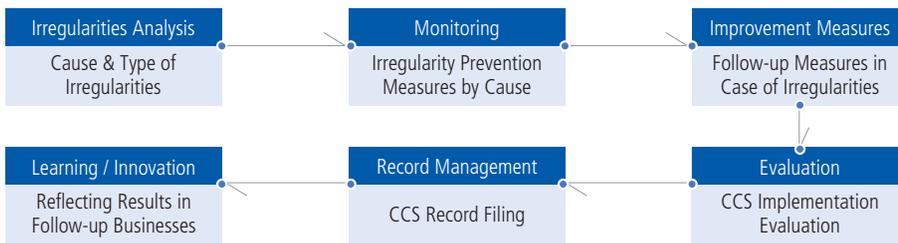
### Eliminated corruption inducing factors from KAC's corporate regulations

In May 2009, a corruption inducing factor evaluation requirement was reflected and institutionalized in the corporate management regulation. As a result, a corruption inducement evaluation was initiated in all 95 regulations. Through the evaluation, KAC improved 7 rules and 19 provisions that could potentially induce corruption.

### A Clean Clinic System (CCS) was initiated on areas that were vulnerable to corruption such as KAC and its maintenance service companies

KAC carries-out assessments and reviews through its internal CCS across all business areas including major areas where corruption management is weakest, and maintenance & repair sectors. In 2007, the CCS was applied to major business sectors that generated over KRW5 billion in transactions. However, in 2009, the application of CCS was expanded to include business sectors that generated more than KRW300 million in transactions, making it possible for management supervision in all sectors where corruption is possible. These sectors include major business areas, airport maintenance & repair contracting, major academic research contracting, and purchase business sectors.

#### ● CCS (Clean Clinic System) Management Components ●



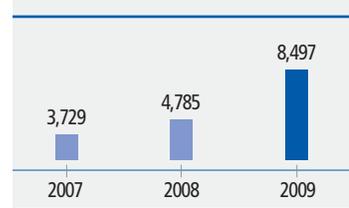
### Formal initiation of an Electronic Contract System

KAC has made the Electronic Contract System compulsory to enhance transparency when contracting.

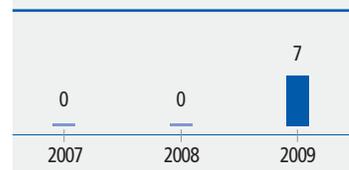
### Implemented various participatory programs to foster ethical consensus

In 2009, a total of 8 ethical consensus contests and quizzes were held, where 1,657 employees participated, contributing to enhancing the awareness of ethical management by all employees.

#### ● Annual ethical trainees ● (Unit : People)

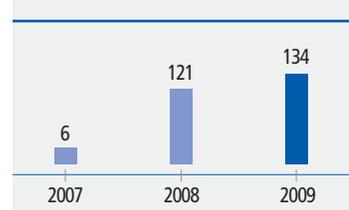


#### ● Cases of voluntary reporting of bribes related to money or other valuables ● (Unit : Cases)

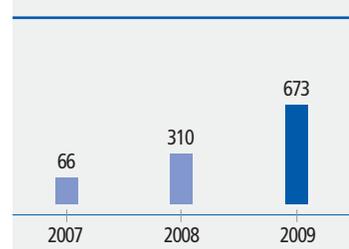


Ethical Practice Guide Book

#### ● CCS management ● (Unit : Times)



#### ● Electronic tender results ● (Unit : Cases)



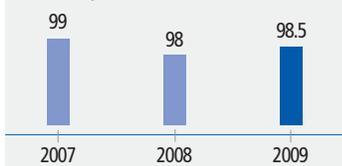
# Corporate Governance

## ● Board of directors' meeting status & agenda decision making status ●

■ Frequency of BOD Meetings (Unit : Times)



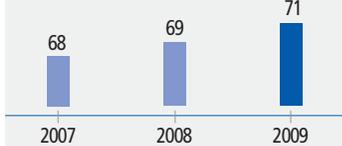
■ BOD Participation Rate (Unit : %)



■ Resolved Agenda (Cases) (Unit : Cases)



■ Ratio of Speeches by Non-executive Directors (Unit : %)



On-site BOD Meetings Held



Non-executive Advisory Committee Held

KAC is carrying-out a step-by-step implementation strategy by improving its corporate governance with the objective of advancing its corporate governance and operating professional sub-committees, while enhancing its internal control systems by 2011. KAC plans to establish a management system centered-around the board of directors, while effectively utilizing the professional knowledge & experience of non-standing members of the board. As the highest decision-making branch of KAC, the role of the board of directors will be strengthened by establishing an equitable audit system. KAC is trying to create an exemplary dynamic corporate governance system that continuously researches and inquires through various activities, including searching for ways to introduce proposals made by employees as part of the board of directors' meeting agenda in order to establish a bond between the board and employees. Through these efforts, KAC is striving to further improve corporate governance.

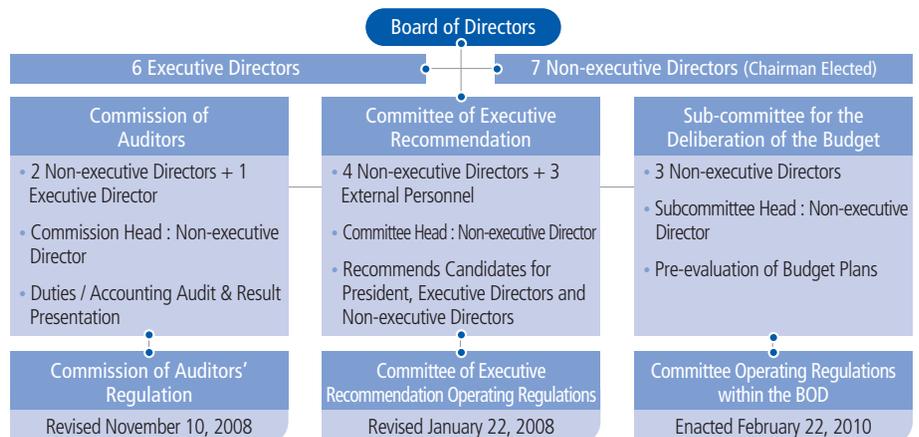
## Shareholder Structure

Established in March 2002 under the Korea Airports Corporation Act, KAC was granted all assets, claims and obligations that were once held by the previous Korea Airports Authority in accordance to Additional Provision Article 5 of the Korea Airports Corporation Act. KAC's shares are not publicly listed and is 100% owned and managed by the Korean government. As of the end of 2009, the paid-in capital was KRW2,089,741 million. Voting rights on issues related to changes in the articles of incorporation, designation of senior management and settlement approvals all belong to the Korean government.

## Board Composition and Activities

The Board of Directors (BOD) is the highest decision making body that decides on major corporate issues, except auditing. Based on the law and articles of incorporation, KAC has the right to decide on issues such as management objectives and budgets. The BOD is composed of 6 executive directors, including the president, and 7 non-executive directors. To enable a more equitable decision-making process, the board chairman is selected from the non-executive directors. This enables the non-executive directors to responsibly and independently participate in management activities. To ensure dynamism, annual operating plans and mechanisms to expedite agenda reporting to the BOD was improved. Simultaneously, all must be present. No absentee ballot is permitted. The president or any member with a special interest in any agenda is not allowed to participate as a registered board member in the decision-making process to avoid conflicts of interest. In 2009 17 board meetings were held, with 63 agenda introduced (76.5% were appropriately resolved.). Compensation for the president, auditors and executive directors are comprised of a basic salary, performance-based compensation and retirement pay, which are decided at the shareholders' meeting and by the board of directors. A short summary of the major personal record and resolutions decided upon by the executive and non-executive directors can be found on KAC's homepage.

## ● Organization of the Board of Directors and Subcommittees ●



## Utilizing the Expertise of Non-executive Directors

KAC continues to operate professional sub-committees mainly centered-around non-executive directors within the Board of Directors. Through these sub-committees, KAC has been able to increase the actual management participation rate of non-executive directors, while strengthening the checks & balance functions. The revision of the Board of Directors regulation on August 8, 2008 laid the foundation for creating sub-committees within the Board of Directors. As a result, in 2009, three new committees were formed: Commission of Auditors, Executive Recommendation Committee and Sub-committee to Review the Budget. Through this KAC was able to establish a platform for non-executive directors to demonstrate their expertise. Non-executive directors are elected through the Executive Recommendation Committee, which is comprised of 4 non-executive directors and 3 external personnel. Experts in the area of economics, society and environment are selected as non-executive directors. For newly elected non-executive directors, an overall orientation regarding airport management and operations is held to enhance airport operational understanding and strengthen the sense of belonging. KAC's business and management status reports and diverse management related documents are also presented to the newly elected non-executive directors.

## Internal Audit System

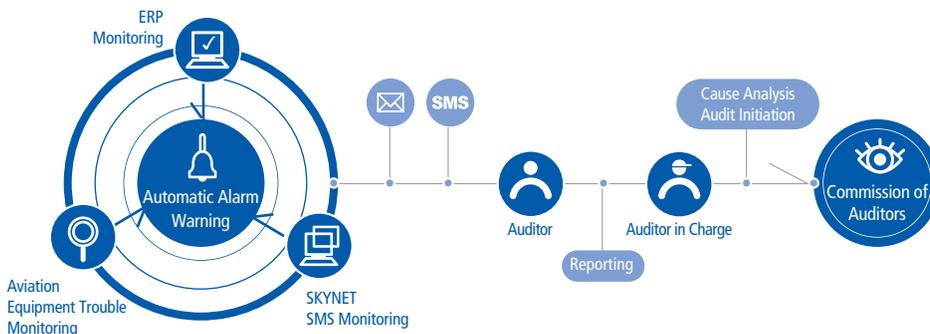
To achieve KAC's objective of 'Implementing Audits to enhance the audit functions to advanced levels and to achieve KAC's vision and objectives', KAC established the Commission of Auditors, while ensuring independence of the Audit functions. The Commission of Auditors holds formal meetings once every month. KAC has significantly improved the internal audit functions to enhance the dynamics of the Commission, including expanding agendas to be covered by the Commission. In addition, KAC established eMAS (a real-time auditing system) in 2009 to create an auditing structure based on systems. eMAS creates risk scenarios by work scope based on systems. If and when the risk level rises above the normal level due to signs of abnormality, SMS text messages or E-mails are automatically transmitted to the responsible auditor. Risk indication preventive functions through real-time monitoring brought about an innovative change to the way risk is managed.

(478 SMS Warnings in 2009)

### ● Status of the Audit Committee ●

Name	Major Experience	Remarks
Ji In Jang	Professor at Chung Ang University (Current) Chairman of the Korean Accounting Association (Current)	Committee Head (Non-executive) Professor of Business Administration / Accounting Expert
Ki Woo Kwon	Representative Lawyer at a Law Firm (Current)	Non-executive Lawyer / Legal Expert
Jong Sun Park	Secretary to the President of the Republic of Korea (Former) Kyonggi Provincial Office / Civilian Company (Former)	Executive Masters in Business Administration (MBA)

### ● Establishing an e-MIRROR AUDIT SYSTEM Warning Function ●



# Risk Management

## Improving the Risk Management Structure

Risk factors related to corporates' overall business activities are becoming more diverse and evolved. KAC has established a 'Crisis Management Principle' to protect customers using airports and stakeholders by creating convenient and safe airports. Depending on the type of potential crisis and based on priority, KAC's 'Crisis Management Principle' outlines 10 focused management factors in relation to management, disaster, PR and conflict sectors. KAC has fully prepared itself to prevent crisis disasters from occurring by drawing up manuals based on each potential crisis and through continuous inspections of simulations of each potential crisis.

In addition, by managing a risk management process based on strict standards and steps, and financial risk management systems, KAC is promoting a pragmatic and transparent decision making process. KAC will do everything possible to manage and improve risk management to ensure customers' safe and convenient utilization of air transportation.

**Concern (Target Profits : Below 105%)**

- **Air Traffic Demand :** Below 100%
- **Management Organization :** Crisis Management Department
- **Counter Measures :** Implemented a flexible usage fee to enhance Air traffic demand (Contemplating the use of incentives and reduction measures)



**Attention (Target Profits : Below 100%)**

- **Air Traffic Demand :** Decrease by Over 2%
- **Management Organization :** Crisis Management Team
- **Counter Measures :** IContemplating the restructuring of the expense budget and energy savings plan



**Caution (Target Profits : Below 90%)**

- **Air Traffic Demand :** Decrease by Over 5%
- **Management Organization :** Crisis Management Head Office
- **Counter Measures :** Excluding core operations such as airport safety management, contemplating the readjustment of investment activities



**Serious (Target Profits : Below 70%)**

- **Air Traffic Demand :** Decrease by Over 10%
- **Management Organization :** Crisis Management Committee
- **Counter Measures :** IReassigning personnel by airport , revising the mid- to long-term financial plan  
Readjusting the timing for large scale investments

## Risk Management Process

KAC has established and is managing a company-wide risk management process by segmenting its business activities into financial and non-financial risk in order to enhance corporate value by preparing for potential crisis from occurring, and to communicate with customers as a corporate fulfilling its environmental and social obligations. Financial risk that is managed through the company-wide risk management process is managed through the Financial Risk Management (FRM), while the non-financial risk management is managed by closely linking the Internal Control System and Integrated Management Information System.

## Systematically Managing Financial Risk

KAC established and implemented counter-measures by potential type of financial risk by creating 3 year simulations on market indices and regularly monitoring market data. This is to secure KAC's management stability and soundness from diverse business variables. As part of KAC's counter-measures, it established a 4 stage crisis measurement standard, which is comprised of 'Concern, Attention, Caution, and Serious' based on KAC's objectives and quantitative Air traffic demand indices.

## Adopting the Internal Control System & International Financial Reporting Standards (IFRS)

Through the Internal Control System established in 2007, KAC evaluates its internal accounting structure and management. KAC also evaluates 412 Internal Control Inspection Items under 9 sectors, and quarterly examines 182 core control items. In 2008, KAC found 19 deficiencies in the items under control. 10 items, including transportation profitability calculations were found and improvements initiated. As of the end of 2009, 9 of the items have been improved.

KAC's objective is to establish a sound financial structure utilizing the company-wide risk management structure, which is based on the Committee of Sponsoring Organization (COSO) Framework, to create pricing policies through cost analysis and improve internal accounting managing policies. In preparation for the formal adoption of IFRS in 2011, KAC has completed the necessary infrastructure for the stable initiation of accounting, financial and settlement duties. By 2010, KAC will be prepared to adopt and initiate IFRS. In relation to adopting IFRS, KAC will not only abide by domestic accounting standards, it will effectively achieve and maintain financial stability by taking appropriate measures to counter external changes such as changing legal issues.



# ECONOMY

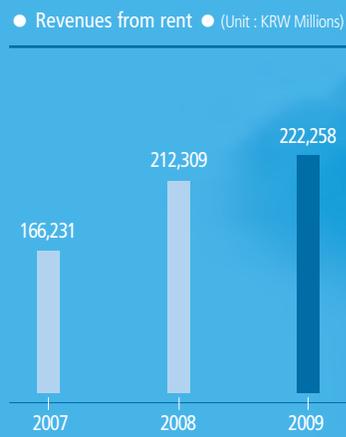
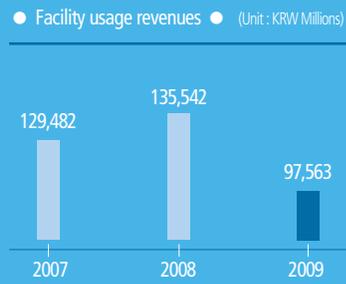
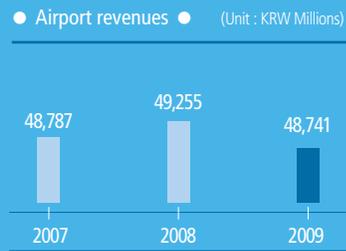
KAC will eliminate market uncertainties through accurate air traffic demand projections, while continuously investing to create new revenue sources & secure future growth engines.



DMA / Creating & Distributing Economic Performance  
Aeronautics and Non-aeronautics Earnings Business

# DMA (Disclosure on Management Approach)

## Key Performances

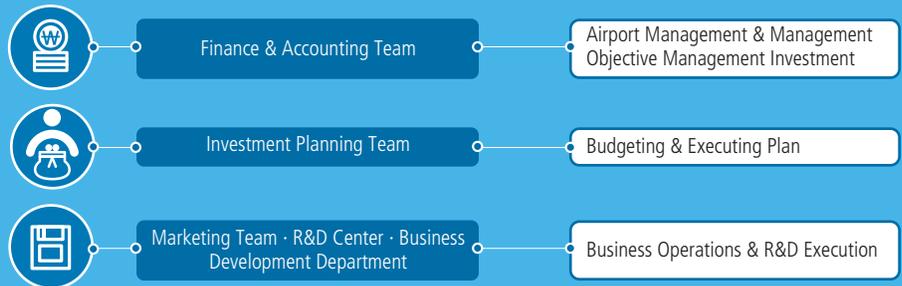


## Vision & Strategy

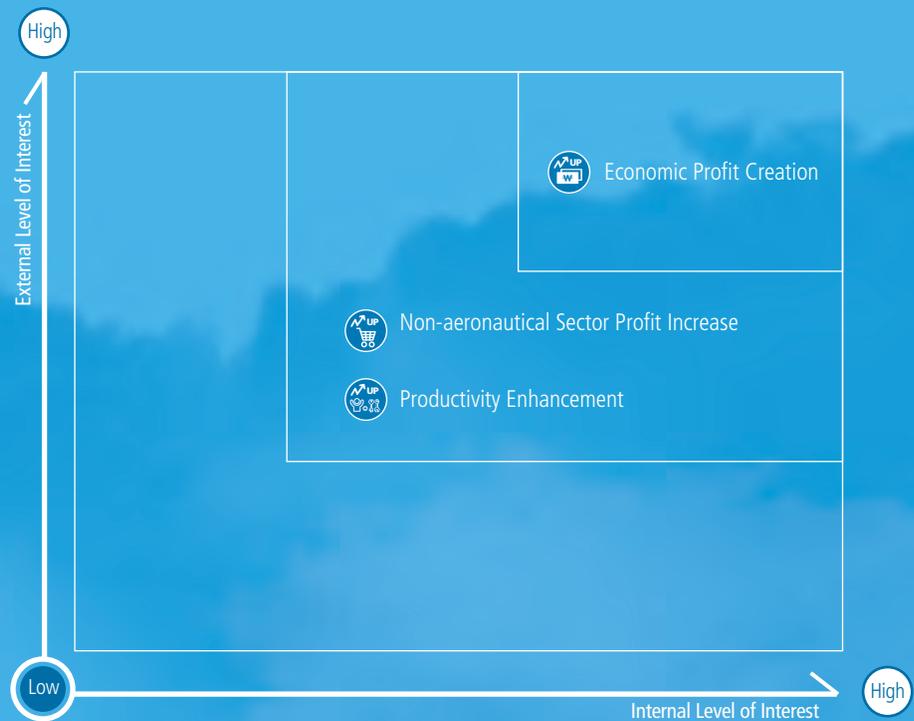
As a market-oriented public enterprise, KAC is striving to achieve a reasonable level of profitability. KAC's target economic performance is to achieve 5% ROE by 2015. This figure is a 2% decrease from last year's target. The downward revision in the target ROE was due to questions presented regarding KAC's high growth strategy target that was initially established after a 3 stage growth scenario: low, medium and high. After a careful analysis, considering the slowdown in international air traffic demand, the growth scenario was adjusted from high growth to medium growth.

KAC will try to eliminate market uncertainties to enhance accuracy of air traffic demand forecasts. KAC will also continue to focus its effort and investment on creating new profitability sources and future growth engines.

## Departments in Charge



## Issues of Importance



## Economics Expert Interview

AQ

What are the key issues regarding airport operation innovations and sustainable management targets?



Seoul National University,  
Business Administration, Professor  
Gye Sub Yoon

“

It is KAC's priority task to appropriately maintain an appropriate balance of the objectives of achieving public interests and profitability as a public enterprise. However, too much emphasis on profitability can lead to increased burden on citizens due to price increases. As such, a balanced approach of maximizing profits, while considering the enhancement of customer satisfaction will have to be carried-out in a balanced manner. The next item is the issue of solving the noise pollution. Based on the characteristics of the airports, they cannot be free from noise pollution.

That is why it is important to gain the understanding of regional societies through diverse PR activities, while at the same time becoming experts in that area. In addition, since accumulating knowledge of airport management doesn't come overnight, there is a need to expand training and maintain competitiveness to be able to develop advanced equipment, and export equipment to less developed countries.

”

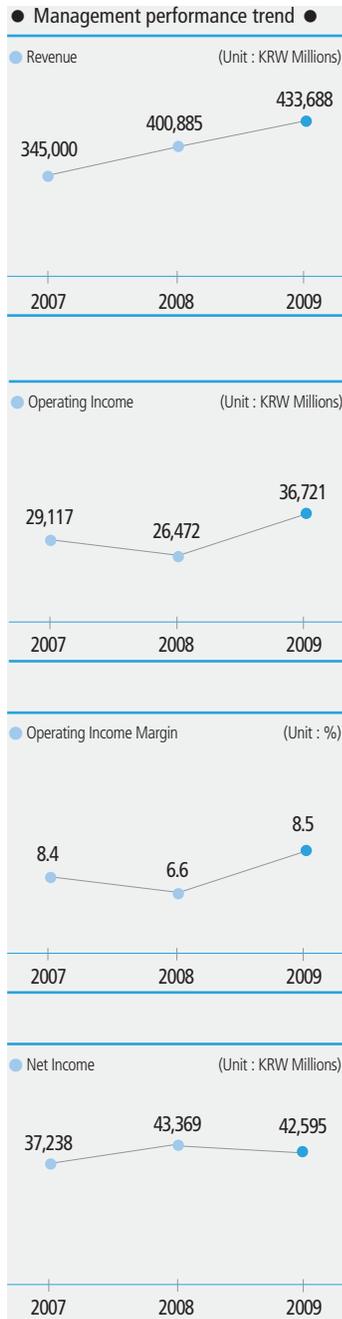
KAC

### KAC's PERSPECTIVE

As a professional airport management company, KAC fully acknowledges its responsibilities as a public enterprise. Despite trying to achieve a platform for self-support through various means such as the expansion of non-aeronautical profits, KAC is placing its effort on maintaining and operating certain low profit regional airports and meeting the needs of regional societies that requires the utilization of air transport services.

In addition, KAC is continuously committed to creating a stable portfolio from an economic perspective, through R&D, including the development airport aviation safety equipment, and overseas expansion.

# Creating & Distributing Economic Performance



## Achieving Management Efficiencies through Sound Financial Structures & Appropriate Budget Management

KAC's debt ratio was 9.896%, while revenues stood at KRW433.7 billion in 2009. Compared to the previous year, debt ratio declined by 52%, while revenues increased by 12%. Considering the risk factors such as the decline in air traffic demand and changes in FX, the results were quite comparatively satisfactory. In order to overcome the crisis, KAC will continuously maintain management stabilization through the efforts of employees to enhance productivity that desires to overcome the crisis, and through swift management decision capabilities such as reducing expenses.



## Indirect Economic Effects

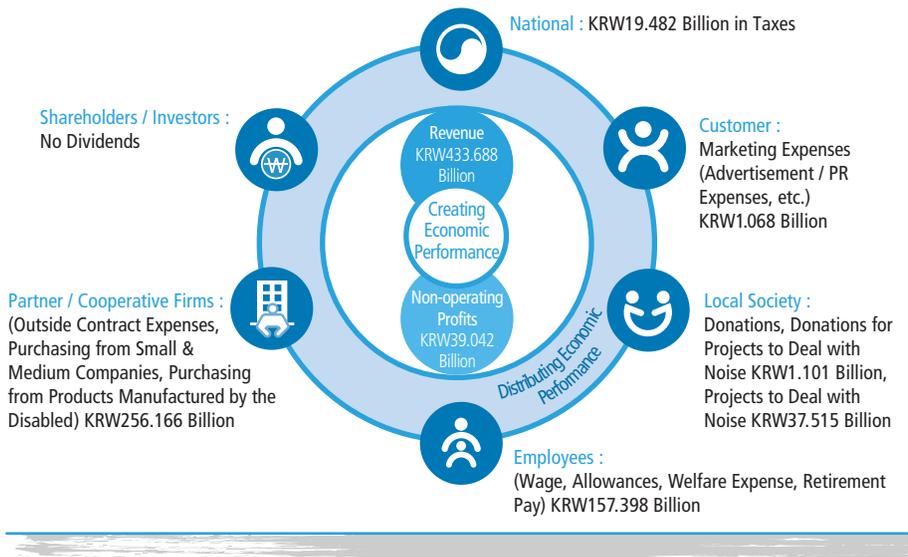
As a professional airport management company, KAC is winning the hearts of its customers through efficient airport management and improved services. In addition, as a corporate with social obligations, KAC was able to create a total of 182 jobs through its regional vulnerable class 'Find a Job' initiative, and has secured KRW18.6 billion in government funds to take aggressive measures to help noise affected regions. Through these efforts, KAC is contributing to improving the environment or regional societies.

## Value of the Air Transportation Business

By constructing and operating airports and efficiently managing air transportation, KAC is contributing to the development of the national economy. Along with vehicles, railways and sea transportation, airports are also a pivotal part of domestic and overseas distribution and transportation. Since airports comprise of 10% of the national distribution channel, airports are considered important infrastructure taking up an important role in the national industrial production and import / exports.

Airports also have a non-quantifiable security and economic value since airports can be utilized by the air force. Despite the slowdown in air traffic demand due to the global economic recession, with continuous efforts to expand profitability, KAC projects sales to reach KRW615.7 billion by 2015. If achieved, it will be 59% increase over that of 2009.

● **Creating & Distributing Economic Performance** ●



## Carrying-out Company-wide Creative / Innovative Projects

### Target Projects & Objectives

To achieve sustainable innovation and creativity, KAC enhanced work efficiencies through work projects carried-out by 93 departments utilizing SKYNET. 89 departments selected, implemented and reviewed organizational dynamics projects to improve the organizational culture.

### Held a Creative Management Excellent Case Tournament

In the management innovation sector, KAC selected case examples of work efficiency enhancements and work process improvements, in addition to quantifiable case examples such as cost reduction or profit creation. In the customer satisfaction management sector, case examples of customer (passengers, airlines, partners, etc.) convenience enhancements through improvements in regulations, work management methods and facility / equipment were selected. The selected case examples were all awarded. In 2009, as part of KAC's work improvement project, it was able to reduce expenses by KRW4.1 billion through the adoption of high efficiency LED lighting equipment.

KAC was also able to achieve excess revenues of KRW290 million through new revenue sources such as levying fees on airport entrance roadways. KAC will continue to expand innovative management thinking amongst its employees through incentives, while enabling creative management to take a foothold company-wide based on core value creation.



Creative Management BP Tournament

# Aeronautical & Non-aeronautical Earnings Business

Although facility utilization efficiency is steadily increasing due to the increase in demand from international routes, especially short routes from Japan and China, and the growth of low cost carriers, there are concerns of risks stemming from the slowdown in domestic air traffic demand due to the economic stagnation and the expansion of substitute inland transportation. In the midst of various external factors, KAC's revenue growth rate recorded a slowdown to 9% compared to that of 2008 which was at 15%. To achieve sustainable growth based on stable revenue creation sources in the future, KAC will commit its effort to eliminate economic uncertainties through scenario management, and establish stable growth conditions by expanding the performance of the non-aeronautical business sector.

## Aeronautical Business

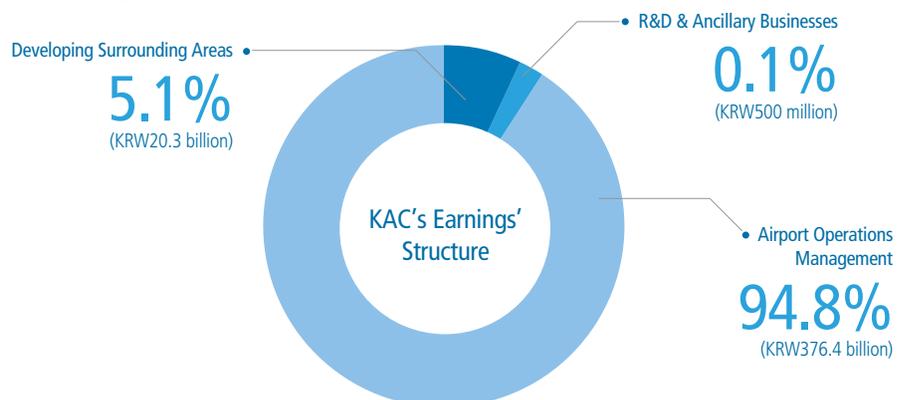
The domestic air transportation performance increased by 6.1% in 2009 compared to that of 2008, recording 36 million in passenger air transport in 2009. This increase in performance was due to the increase in market share of low cost carriers from 9.7% in 2008 to 27.4% in 2009, and the steady recovery of the economy. In the international air traffic demand sector, passengers increased by 11% during the past 3 years as a result of the 'New Korea Wave' stemming from the introduction of products linked together such as domestic tourism and the medical industry, and the increased marketing competition among airlines. KAC plans to increase passenger transport traffic to 45 million by 2015 by encouraging competition amongst airports based on strategies catered towards regional characteristics. Some of these strategies include rationally improving airport operational structures, and operating the Biz-port at Gimpo Airport.

## Non-aeronautical Business

KAC is promoting 3 strategic projects to enhance corporate value through increase in non-aeronautical business earnings.

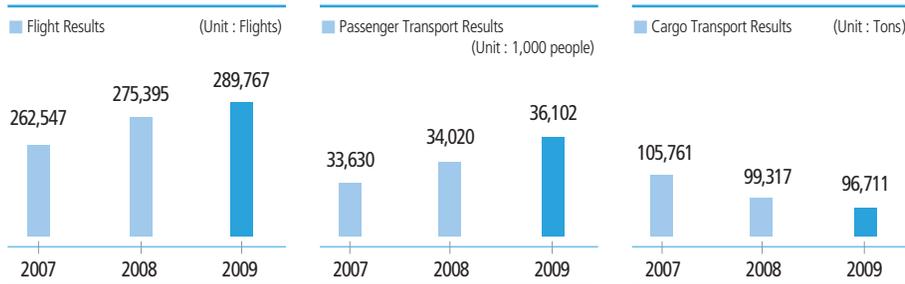
- KAC is bringing to fruition latent earnings such as increasing revenues from rents in airports. This is being achieved through a positioning strategy initiated by each airport by establishing differentiated concession management structures, and holding various cultural events.
- As part of KAC's effort to diversify its earnings source by developing new business opportunities, KAC is expediting to develop surrounding areas near airports, such as the multi-complex area called the 'Sky Park' near Gimpo Airport, and golf courses development projects. At the same time, KAC is taking every effort to overcome the limitations of the domestic airport market by expanding overseas by exporting its airport operations program.
- KAC is also focused on securing new growth engines through active R&D. KAC is steadily securing intellectual property rights in related business areas such as airport operations through continuous R&D, and 'Aviation Equipment System' development through joint R&D efforts with the air force. With these intellectual property rights, KAC is actively working to either sell or receive royalty revenue by strengthening its overseas marketing effort, which include participating in overseas exhibitions with the developed equipment.

### ● KAC's Earnings Structure ●

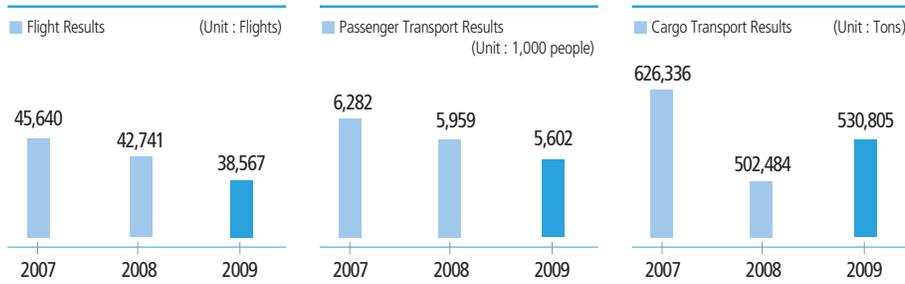


### Positioning Each Airport to Achieve Targeted Earnings

**Domestic Route :** KAC recorded an increase of 6.1% in passenger transport in 2009 compared to that of 2008 due to the increase in market share of low cost carriers from 9.7% in 2008 to 27.4% in 2009, and the steady recovery of the economy during the second half of 2009.



**International Route :** Although the decrease in demand slowed down due to the economic recovery in the 1st half of 2009, KAC recorded a 6% decrease in international passenger transport compared to that of 2008 due to the sharp decrease in demand of the China route during the first half of 2009.



**Gimpo Airport :** Gimpo Airport is expected to achieve a KRW6 billion increase in earnings as a result of facility expansion and attraction of quality brands. This has been made possible by reducing convention space to expand the international airport area and by converting idle space, due to improvements in the arrival area, to rent space. In addition, Gimpo Airport was able to achieve aesthetic harmony by installing an 'Art Wall' in the recreational space, while enhancing customer satisfaction and earnings potential by attracting quality brands into its facilities.

**Jeju Airport :** By expanding the international route area and increasing the number of concession stands, Jeju Airport is expected to increase its earnings by KRW2.4 billion. New rent revenue was possible as a result of securing additional space for concession stands, while additional earnings were possible through the expansion of the domestic duty free shop and attraction of advertisements.



Large Size LCD 'Art Wall'



Reallocated and Improved the Concession Space



Promotions Held at Jeju Airport



\* Earth excavated as a result of the 'Sky Park' construction has been reallocated to the potential golf course site to be used in the construction of the golf course. This alone has created savings of approximately KRW3.4 billion.

### Initiating Development Projects in Surrounding Areas

By developing diverse support facilities utilizing idle space such as golf courses and the complex cultural space for customers using airport facilities, KAC has been able to create the Gimpo Biz-port. Through these activities, KAC is taking every effort to secure competitiveness compared to other mediums of transport, including KTX, which has active development projects going-on. As a large scale development project which was initiated in 2007, the 'Sky Park' is being constructed using idle space within Gimpo Airport. The multi-complex will house a theme park, hotel (200 rooms), exhibition hall, commercial facilities and underground car parking space (5,000 vehicles). The 'Sky Park' will not only provide customers using Gimpo Airport with diverse convenient facilities, it will also provide customers with a spacious parking area and upgraded traffic infrastructure.

At the same time, Gimpo Airport is planning to attract a golf course outside the airport facilities. This will enable citizens living near the airport to use sound exercise facilities, while improving the surrounding environment. It will also contribute to the development of the regional society. In the process, KAC will carry-out all necessary studies and reviews in accordance with related laws and regulations so as not to cause any problems with the environment or traffic. KAC will also place every effort to project potential problems and establish and monitor measures to counter the potential problems before they occur.

### Expanding into the Overseas Airport Business

As land transport is fast developing and the domestic transport business is becoming more competitive, profitability of regional airports are steadily deteriorating. However, since many overseas airports have reached their saturation point, starting in 2001, these overseas airports have initiated expansion projects. As a result, the global Airport Service market has witnessed a sharp 30% increase to US\$95.5 billion in 2008 from US\$76.6 billion in 2004. Utilizing the vast experience, know-how and competitiveness gained from operating 14 airports, KAC continues to create new overseas markets by expanding into the fast-growing global Airport Service market. To cater to KAC's overseas expansion objectives, the 'Overseas Construction Promotion Law' was enacted on June 2009, providing KAC with the ability to expand into the overseas construction industry.

To ensure stable risk management, an Overseas Business Advisory Committee was established. In addition, KAC has already initiated its marketing effort through visits with senior management from target countries. Efforts are also underway to form cooperative partnerships with civilian companies to jointly enter the overseas market. As a result of KAC's effort, it was able to sign an airport operations service contract on November 2009 with Makta Cebu Airport in the Philippines. There are currently 3 other airport management projects that KAC is targeting to secure.

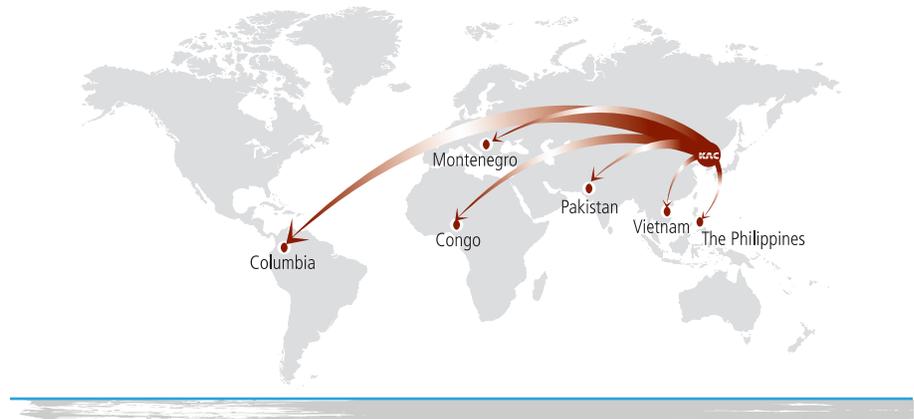


Meeting with the Philippines DOTC



Drawing of the Planned Makta Cebu Airport

#### ● Countries Where KAC is Participating in as Part of its Overseas Business ●



### Securing New Growth Engines through Active R&D

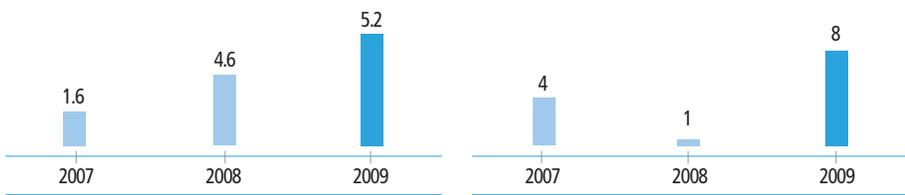
KAC is actively carrying-out R&D and overseas marketing activities for its 'Aviation Safety Equipment', which is a wireless equipment that supports the safety of airplanes landing and taking-off. Since Aviation Safety Equipment was mostly imported in the past, there were substantial foreign currency outflow and international competitiveness was low since the dependence on overseas technology was high.

To overcome these problems, utilizing its accumulated technical expertise, KAC was successful in developing 'Aviation Safety Equipment.' In addition to having completed the development of 'DVOR (Doppler Very High Frequency Omni-Range)', which provides directional information for airplanes to recognize the location of the airport, and the 'DME (Distance Measuring Equipment)', which provides information on the distance between the airplane and airport, utilizing KAC's proprietary technology, KAC completed development of the ILS (Instrument Landing System) last year, which provides information on the airplane's landing position & direction in comparison to the centerline of the runway for accurate navigating to the runway.

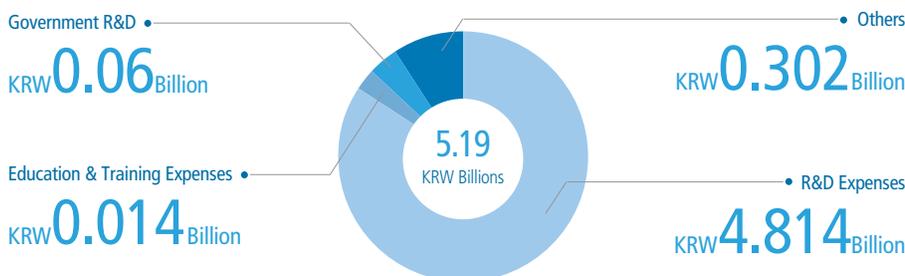
As a result of these efforts, KAC received the '2010 Aviation Safety Equipment Development Award' at the Aeronautical sector of the International Awards sponsored by Frost & Sullivan on February 2010. Utilizing the technology accumulated from installing the 'Aviation Safety Equipment' in domestic airports, the track record gained from the installation, and the domestic industrial environment-based global standard IT technology, KAC is targeting to become one of the global top 3 players in the 'Aviation Safety Equipment' market by steadily entering the global markets where most of the major players are active in.

KAC is also active in transferring its technology by initiating international training programs at its Civil Aviation Training Center (57 personnel from 40 countries have participated in the program), and by utilizing its equipment for the KOICA Developing Country Aviation Sector Training Program. Through its official declaration to expand overseas on September 2009, KAC was able to establish its image as a manufacturing and export corporation of aviation equipment.

● Annual R&D investments ● (Unit : KRW Billions)      ● Patent registration status ● (Unit : Cases)

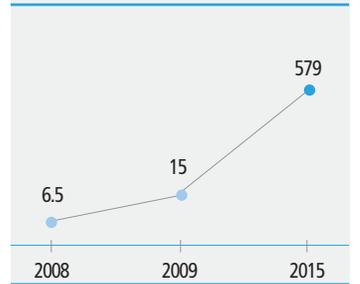


● Detailed R&D expenses ●

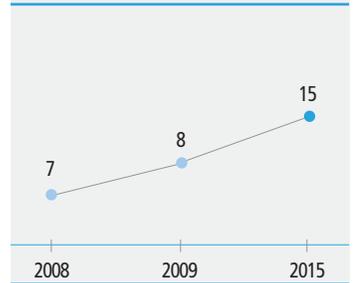


※ Equipment manufacturing of KRW3.2 billion excluded from the R&D Center's budget

● R&D revenue performance & Target ● (Unit : KRW100 million)

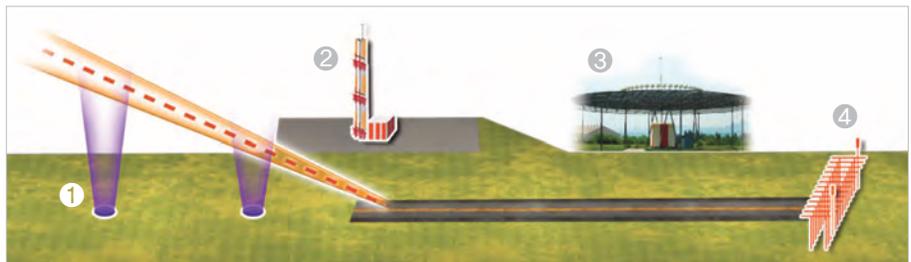


● R&D performance & target ● (Unit: Cases)



### Aviation Equipment Facilities

- **Aviation Safety Equipment** : Wireless Facility that Supports Airplanes' Safety when Landing & taking-off
- **DVOR (Doppler Very High Frequency Omni-Range)** : Provides Directional Information for Airplanes to Locate Airports
- **DME (Distance Measuring Equipment)** : Provides Information on the Distance Between the Airplane and Airport
- **ILS (LLZ / GP, Instrument Landing System)** : Provides Runway Centerline & Landing Path Information to Enable Airports to Safely Land on Runways
- **M / B (Marker Beacon)** : Equipment that Confirms the Airplanes' Decision Height & Precision Direction through Signals from a Control Point to Help Airplanes Land
- **ILCMS** : Airplane Lamp Control System
- **PMS** : System that Economically & Systematically Maintains / Manages Airport Packaging



## Creating an Active Regional Airport to Achieve a Balanced National Growth

Amongst the 14 airports operated by KAC, excluding Gimpo, Gimhae and Jeju Airports, the remaining 11 regional airports have not been able to make a turnaround from losses since their establishment. This is mainly due to deficient demand stemming from the lack of population and tourism infrastructure, and the high fixed cost, such as wages. However, even without the government subsidies, through the profits realized at Gimpo, Gimhae and Jeju Airports, KAC has been able to successfully operate the regional airports. This has not only provided local citizens with convenient air transportation, it has also enabled KAC to achieve its public objective of contributing to a balanced national growth through development of local economies.

KAC is pursuing diverse airport boosting strategies through various support programs to strengthen the airports primary role. Some of these support programs include i) establishing 'Airport Boosting Strategies' to come up with airport specific strategies, which include expanding international routes, focusing more on domestic routes and reducing costs, ii) revising the air transportation business license to further expand low cost carriers, iii) reducing airport facility usage fees, and iv) providing aviation support facilities. Various measures were implemented to enhance management efficiencies which include readjusting the functions of Gwangju and Muan Airports, reducing costs through personnel efficiencies, and establishing differentiated operating standards based on each airport. As a result of these efforts, KAC was able to reduce overall expenses, helping reduce the deficit by 6.3% (KRW3.2 billion) in 2009 compared to that of the previous year.



# SOCIETY

KAC is achieving growth with its stakeholders at its side by establishing a coexistent cooperative structure, creating a more active local society, and, as the main driver, improving national welfare.



# DMA (Disclosure on Management Approach)

## Major Results

● Customer satisfaction survey of public enterprises ● (Unit : Points)



● Number of quality management certified sites ● (Unit : Sites)



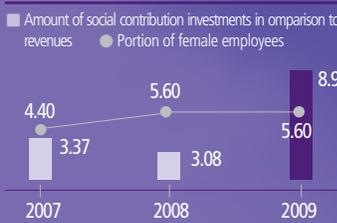
● Hours of activities / Training hours per person ● (Unit : Hours)



● Amount of social contribution investments ● (Unit : KRW Millions)



● In comparison to revenues / Portion of female employees ● (Unit : %)



## Vision & Strategy

KAC is committed to transforming its airports into a place where customers can be happy emotionally rather than just being satisfied. The objective is to make customers more than satisfied. KAC is striving to make customers impressed with the airports by constructing 2nd generation airports and operating information-based airports through the establishment of a ubiquitous management structure. In addition, as a key player in bringing vitality to regional societies and enhancing welfare of citizens, KAC is achieving growth together with its partners by pursuing a cooperative co-existence policy. KAC is also focused on promoting welfare and human rights by balancing work and personal life for employees. KAC is doing everything possible to carry-out its social responsibility by expanding job opportunities for the socially vulnerable sector of society. KAC and its employees are not only targeting to open the doors to Korea, but also to open the doors to dreams and hope for all stakeholders.

● Responsible Parties by Sector ●



## Issues of Importance



## Social Expert Interview



In respect to sustainable management activities, what social issues do you believe KAC should place priority on?



Korean Business Council for the Arts (Mecenat) Team Head  
Choong Kwan Lee



First, the airports and KAC should try to gain the respect from citizens living near the airport. Although citizens living nearby experience greater benefits compared to outsiders, the local citizens don't seem to sense the importance & necessity. Second, utilizing the global image of airports, KAC should initiate overseas educational programs for the estranged families and youth, enabling them to have dreams and hope, while at the same time, creating an environment where they can be more attached to the airports as future leaders.

Last, there is a need to effectively advertise externally KAC's donation activities. Out of the KRW430.0 billion in revenues in 2009, KRW19.6 billion was allocated to regional social donation activities. However, there is a question as to whether KAC received reasonable advertise results. There is a need to establish a structure where KAC can systematically and efficiently advertise its activities.



### KAC's PERSPECTIVE

In order to carry-out its social obligations towards the regional society and gain the support of citizens, KAC established a more aggressive social contribution vision and system, and created 24 voluntary service groups which encompass all employees of KAC. However, considering that KAC is a public enterprise, there are some limitations to external activities that KAC can pursue.

As such, rather than overly focusing on social contribution activities that catch the attention of the media, KAC is more focused on a more long-term approach by swiftly reacting to the needs of the regional society and by pursuing a more close on-site approach to social contributions.



# Customer Satisfaction Management

## u-Airport

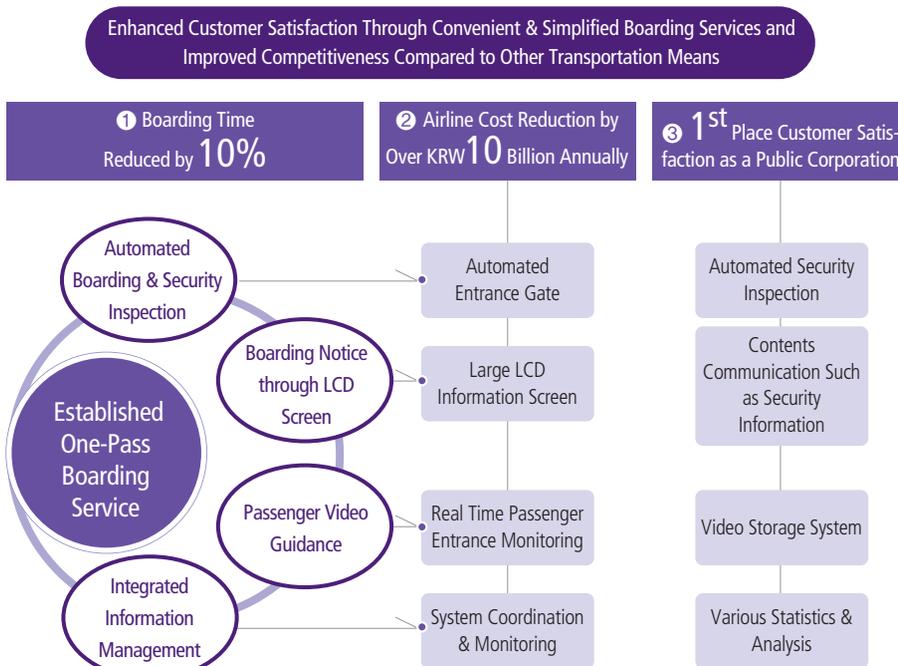
To establish a high quality service environment that reflects the diverse demands of customers, starting in 2007 KAC has been pushing forward with its high-tech IT-based u-Airport project. The u-Airport project is based on an IT environment, providing automated services so that passengers can expediently and accurately board flights. By developing these kinds of service-based technologies, KAC will take a leading role in the global airport market. In 2010, with the u-Airport technology stabilizing and by installing it in all airports nation-wide, the service utilization rate reached 70%. With further stabilization, KAC expects the service utilization rate to reach 90% by 2012. Export of this service technology will also be achieved.

## Establishing a One-Pass Boarding Environment

As part of KAC's effort to provide faster and more convenient airport services, it initiated the One-Pass Boarding service which utilizes ubiquitous-based IT technology. The One-Pass system allows passengers to make reservations and print-out boarding passes through the Internet at home (Home Printed Boarding Pass). Through this system, passengers are not required to check-in at the counter, but rather board flights with just the Home Printed Boarding Pass. By November 2009, KAC installed this system in 14 local domestic airports, providing automated boarding services.

With the One-Pass system, domestic airlines are able to save approximately KRW12 billion in operating expenses annually, while costs from printing boarding passes have also been reduced by approximately KRW300 million annually. In addition, since real-time security monitoring has been made possible screening time has been reduced and the time to take necessary action has also been reduced. Using the One-Pass system, KAC will place greater emphasis on service R&D to provide better customer service.

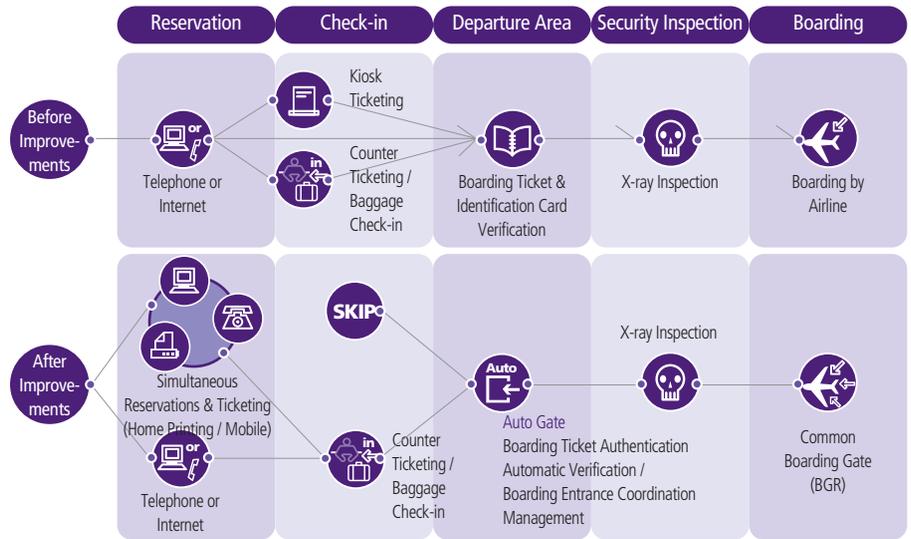
● Implementation Strategy & Direction ●





Real Time Monitoring Management

● Before & After Adopting the One-Pass System ●



Installing the Automatic Gate - Gimpo Airport

### Establishing the 'Sky Voice', an Integrated VOC System

KAC established the 'Sky Voice (VOC)' system in 2008 to integrate and manage the diverse communication channels with customers and to record the communications into a data base (DB) so as to allow VOC-based customer satisfaction to take root. In 2009, with the 'Sky Voice' being actively initiated, KAC prepared a clear management policy to expediently and accurately process VOC related issues. A Customer Cooperative Council was formed to listen to diverse customer opinions.

Through this Council, 255 meetings were held with 344 external customers in all 14 airports nation-wide. In addition, by segmenting and systemizing the VOC by type and then analyzing it, KAC was better able to deal with core VOC complaints. Going forward, KAC will operate various management and business councils (Requests to supplement facilities within the airport will be reflected and a regular opinion exchange public site will be established.) to actively expand the Complaint Compensation policy and prepare methods to enhance VOC. By collecting and reflecting the diverse opinions of customers in airport operations, KAC will do everything possible to become the leading corporation standing next to its customers.

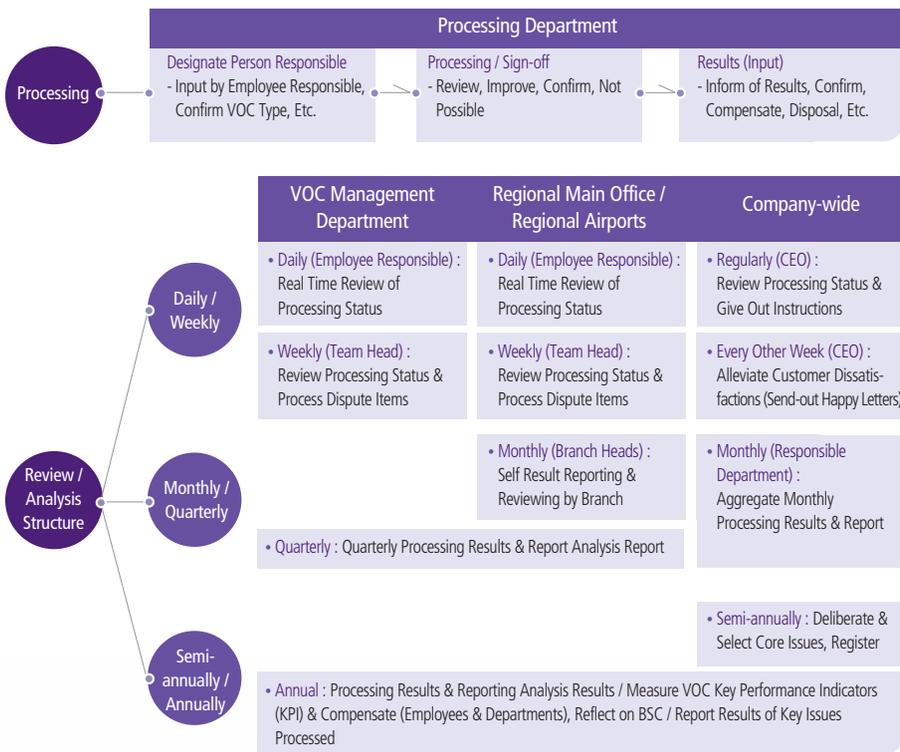
## Results from Improved Service Related to VOC

KAC has initiated various improvement activities using the results from the VOC-DB analysis so as to emotionally move the customers through VOC. Some of the improvement efforts include trying to prevent unfriendly responses, improving facilities to create customer-oriented user environments, inducing price competitiveness among the commercial facilities at the airports, and utilizing various related mediums to enhance satisfaction. In addition, by establishing a close cooperative relationship with airlines and on-site customers, KAC is committed to improving service satisfaction by swiftly reflecting the voice of customers in its operations.



On-site Service Quality Inspection

### ● 2009 VOC Analysis & Management Process ●



# Service Quality Management



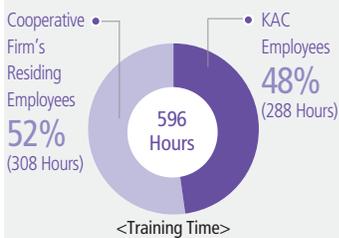
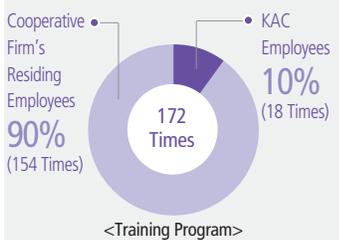
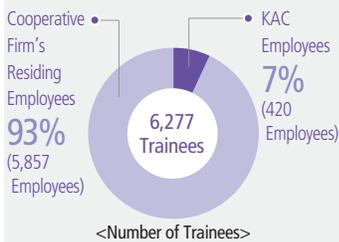
Customer Point-of-Contact Clinic

● CS clinic implementation results ●

(Unit: Times)



● 2009 CS training performance ●



## Improving Integrated Quality Management System

KAC implemented the Integrated Quality Management System to emotionally move the customers by providing the highest quality service and optimal service environment to customers. Starting off with the development of the Service Standard in 2005, KAC initiated monitoring of services to renew the service manual. Customer response quality management was further strengthened. KAC is steadily promoting the rationalization of service standards through an analysis from the customer's perspective and internal conditions.

## Improving the Customer Charter & Service Performance Standards

KAC is doing whatever possible to fulfill its public service commitment and to be faithful to its customers. The Service Implementation Standard management index was expanded to include three additional items, which include the management of the parking fee settlement machines within the airport, management and inspection of drinking water, and opening the doors to airport facilities. In addition, 1 item was revised. An evaluation and performance result is derived on a total of 32 implementation items (15 quantifiable and 17 non-quantifiable) once semi-annually, enhancing the credibility of the results. The results are reported to the CS Management Committee, while customer opinion is reflected through an evaluation by external professional organizations. The results can be viewed twice a year on KAC's homepage and through public institution disclosures.

## Operating a Service Standard Integrated Management System

KAC expanded the Service Quality Management scope (MOT) from 10 to 15 so as to continuously improve service standards. Efforts are also being made to improve the manual to enhance customer response standards. By publishing and utilizing the video manual for each MOT, KAC is doing whatever it can to distribute its service manual utilizing diverse mediums. KAC is also enhancing quality response standards by distributing and sharing its service standards. Continuous service monitoring is carried-out by an outside professional organization, KMAC. Monitoring of 13 nation-wide airports and 69 customer point-of-contacts were carried-out 94 times in 2009. The results were utilized to provide compensation for excellent case examples and for use in service training manuals. KAC plans to utilize its 'Service Blueprint Framework' to prevent service errors. This is to prevent service failures at 5 major customer point-of-contacts, including security monitoring. By enhancing the understanding level of the overall service process and through a pre-emptive management of weak areas, KAC is trying to prevent customer complaints.

## Improving the CS Training System

To secure talented personnel that can emotionally move the customers, the CS training system was improved, while an environment where CS training focused on competencies has been established. KAC will provide whatever support to train employees, including employees in the service area, to gain expertise as professionals that can emotionally move the customers and provide happiness for customers through aggressive and differentiated services. To achieve this, the service point-of-contact is being upgraded, and the ability to manage customers through VOC-oriented services is being strengthened. In addition, KAC created a CS training system focused on competencies, and made it possible to provide on-the-job service training by designating exclusive internal trainers by sector. Going forward, KAC will foster customer-oriented CS professionals to be able to provide services that can emotionally move the customers.

## Securing CS Innovation Competencies

A roadmap to secure expertise based on the employees' career was developed in order to manage CS professionals as professional positions. By segmenting the professional employees into in-house trainers, CS Implementers (CS Function / CS Leader) and Quality Managers (ISO Function / Evaluator), KAC has enabled individuals to upgrade their competencies depending on their duties, while being able to secure specialized professionals. A CS professional course is being provided to employees divided into 4 groups depending on tenure at KAC. The CS professional course is comprised of in-house training courses and outside training courses. Each employee is obligated to complete 1 or 2 courses within a two year period.

# Airport Security & Safety Management

## Upgrading Airport Safety Management

KAC adopted the International Civil Aviation Organization (ICAO) standards and recommendations as its operational standards. To comply the ICAO standards, KAC is continuously placing emphasis on flight safety and airport security. According to ICAO safety audit report in 2009, airports operated by KAC had achieved the world's highest airport safety International Standard compliance Rate at 99.73%. For the 6 non-certified local domestic airports, KAC is committed to implementing the strengthened airport safety policies laid-out by the government through pre-evaluation inspections which include internal pre-evaluation and facility improvements. This is to expand the adoption of operating certificates by airports. In addition, by adopting the Airport classification system to enhance safety management efficiencies by benchmarking leading overseas airports, KAC is doing everything possible to ensure aviation safety and airport security. As part of KAC's effort to unearth potential risk factors in the airside area, compared to the previous year, KAC has further promoted SMS Safety and implemented diverse SMS Safety Guarantee activities and monitoring activities. Through this, KAC is committed to maintaining a 'Zero' safety accident record.

## Improving Efficiencies by Adopting the Airport Classification System

By adopting the classification system, take-off / landing facility inspection, runway friction measurement and rubber elimination cycle standards are being applied differently depending on the airport in question. Before, regardless of the number of flights, the standard was applied equally to all airports. De / Anti-icing pads were compulsory in all airports before. This was also changed to an 'if needed basis.' Through these changes, airport operational efficiencies were enhanced.

Sector	Contents	Target Airports
Personnel Management Efficiencies	Approximately 20,102 hours annually	11 Airports, including Sacheon Airport
Facility Investment Reduction	Approximately KRW34.2 billion	13 Airports, including Ulsan Airport

## Contributing to Securing Airport Safety through the Effective Safety Management System (SMS)

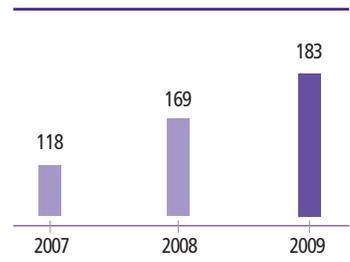
Number of Safety Accidents			Unearthed Potential Risk Cases			Remarks
2007	2008	2009	2007	2008	2009	
0 Cases	0 Cases	0 Cases	118 Cases	169 Cases	183 Cases	Enhanced ability to prevent risk factors by unearthing potential risk factors

※ Unearthing and taking action on potential risk factors that can lead to possible incidents or accidents on runways & taxiways where airplanes land, takeoff or maneuver, and within aprons where passengers board / onboard airplanes and where airplanes load / unload cargo

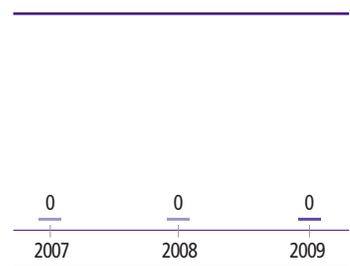
## Established Computer based 3 Dimensional Obstacle Management Systems

KAC took over the Obstacle Management service from the Ministry of Land, Transportation and Maritime Affairs in 2006 and established a master plan for improvement of obstacle management service in 2007. The computer based 3 dimensional Obstacle Management System was established at Gimpo, Muan and Ulsan Airports in 2008, and at Jeju and Yeosu Airports in 2009. This contributed to safe flights for airplanes, and to the enhancement of public services. The Obstacle Management System made it possible to systematically and effectively manage airport obstacles and constrain building new obstacles. It also greatly contributed to achieving 'Zero' airport safety accidents.

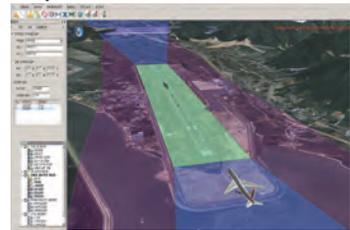
● Unearthed potential risk cases ● (Unit : Cases)



● Number of safety accidents ● (Unit : Cases)



● 3 Dimensional Obstacle Management System ●



Monitor Display of Obstacle Management System



5 Airports with Obstacle Management Systems Installed

● Adopting Bird Extermination Methods ●



Scary Man (Jeju)



Alarm System



Nets in Green Areas (Gimpo, Sacheon, Gwangju)



Model of Eagle (Jeju)

### Bird Strike Prevention Measures

On July 2009, KAC signed an agreement with the National Institute of Biological Resources (NIBR) to verify the genetics of birds to reduce airplane - bird collisions. Through this, KAC was able to establish a system to analyze the type of birds that could possible collide with airplanes. Simultaneously, bird strike prevention personnel were increased at airports with high flight demand such as Gimpo and Jeju Airports to prevent accidental collisions from occurring. KAC is strengthening its bird collision prevention activities by developing new methods to scare birds away depending on the characteristics of each airport across the country.

### Expanded Safety Facilities & Improved Airport Facilities

In addition to the runway extension at Jeju Airport on December 2009, KAC has expanded various safety facilities and improved airport facilities. KAC has also firmly established its safety management system by conducting daily inspection on landing / takeoff runways for all airports across the country, general inspection on all transportation facilities (more than once in a year), and monthly safety inspection by qualified staff. On September 2009, KAC appointed employees from partnership companies stationed in movement areas as honorary safety managers. By carrying-out joint facility inspections, KAC invited actual workers in movement areas to directly participate in appropriateness evaluations of on-site safety operations. Continuous activities focused on safety operation of airplanes are carried-out by collecting opinions through safety training of airline and on-the-ground workers, and informal meetings with airlines and ground handlers.

### Expanded SLOTS at Gimpo Airport

On July 2009, KAC expanded the operational slot per hour from 32 to 36 per hour to increase the capacity of airplanes landing and taking-off at Gimpo Airport. In addition to enhancing the utilization of Gimpo Airport since it is conveniently located as a city airport, there was a need to effective deal with the growing number of new low cost carriers and the increasing number of international flights. As a result, KAC was able to increase the number of annual flight capacity by 24,820 to 223,380 from 198,560. By increasing flight capacity, airlines were provided greater opportunities to increase the number of flights, contributing to alleviating insufficient seat supply problems in the some domestic routes.

※ SLOT : As an scheduling capacity of airplane landing and take off in an airport, it is the maximum number of acceptable flights per hour.

### Implemented the Customer Safety Environment Evaluation

KAC is forecasting and evaluating the services provided to customers, and factors that may affect the environment during development projects. This is to search for ways to reduce factors that may be hazardous to customer health and safety. In cases new airports are being constructed or convenience facilities are being expanded, KAC is placing its effort to identify factors that may have an effect on the ecology of regional society and the environment, and to prevent these factors from occurring. In 2009, there was no case customer health or safety was hazarously affected while providing services to customers or carrying-out development projects.



# Improving Aviation Security Systems

## Improved Aviation Security Management Standards

By forming a Security Monitoring Improvement Committee on March 2009, a customized security monitoring service is being provided to create emotionally moved customer satisfaction (CS). KAC was able to receive a high ranking in the passenger convenience and customer satisfaction sector by adopting an obligation charter and continuously improving the security monitoring system. In addition, KAC was the first in Korea to adopt an air cargo cargo security CBT program dedicated to air cargo screener. Customized services are provided to customers by establishing a professional cargo security training course.

## Stability of Aviation Security Management

KAC strengthened its internal security management capabilities by preventing critical failure factors that could potentially happen during flights such as blackouts through a flight security equipment development plan, and publishing a manual to successfully complete explosive removal and anti-terrorism duties. A regular ICAO aviation security course was opened to enhance aviation security training to international standards and to foster professionals in this field.

※ Improved the aviation security training course & training system structure → International Professional Training (28 trainees)

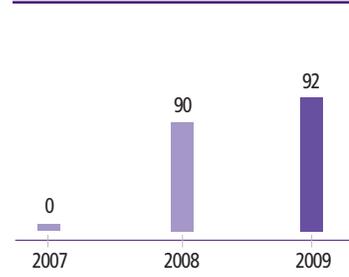
## Strengthening Disaster Management Systems

To respond to various potential disasters that are on the rise, KAC established a Situation Reporting System in all airports across the country making it possible for real time situation management. KAC is enhancing its crisis management system capabilities through exercises catered to various situations, joint equipment mobilization exercises with contractors, and tactical counter disaster trainings. 14 working manuals by the types of disasters and on-site complimentary measure manuals were published based on the Crisis Management Principles that were established. The manuals were revised to enable systematic disaster management by surveying and analyzing problems arised from the changing environment. The SMS is continuously being improved to prevent airport safety disasters. The airports were designated as basic national infrastructures and protection plans were drawn-up. KAC is fulfilling its obligation as an organization responsible for disaster management by efficiently managing the basic national infrastructures.

## 14 Crisis Sectors were Identified & Manuals Published

Sector	Type	Manual	Published Date	Amended Date
Management Risk	Type 1	Crisis Management Manual on 'Management Risk as a Result of the Construction of the New Jeju Airport'	Oct. 10, 2008	-
	Type 2	Crisis Management Manual on 'Earnings Reduction as a Result of the Opening of the Second KTX Stage'	Nov. 5, 2008	-
	Type 3	Crisis Management Manual on 'KAC's Financial Risk'	Sep. 2, 2008	-
Disaster	Type 4	Action (Heavy Rains) Disaster Crisis Management Working Manual	Jun. 17, 2005	May. 25, 2010
	Type 5	'Heavy Snow Crisis Management Action Manual'	Jun. 17, 2005	May. 25, 2010
	Type 6	'Earthquake' Crisis Management Action Manual	Nov. 28, 2007	May. 25, 2010
	Type 7	'Airplane Crash' Crisis Management Action Manual	Sep. 16, 2005	May. 31, 2010
	Type 8	'Navigational Safety Equipment Obstacle' Crisis Management Working Manual	Sep. 16, 2005	Apr. 21, 2010
	Type 9	'Fire (Explosion)' Crisis Management Action Manual	Jun. 17, 2005	May. 25, 2010
	Type 10	'Information & Communications System'	Sep. 19, 2008	-
PR Crisis	Type 11	'PR (Communication)' Crisis Management Manual	Nov. 19, 2008	-
	Type 12	'Labor Union Strike' Crisis Management Action Manual	Nov. 6, 2008	-
Conflicts	Type 13	Crisis Management Manual on 'Airport Operations Discontinuation due to Group Actions of Partnership Firms'	Aug. 8, 2008	-
	Type 14	Crisis Management Manual on 'Citizen Group Action due to on Airplane Noise'	Oct. 9, 2008	Oct. 10, 2008

● Regular ICAO aviation security course satisfaction level survey ● (Unit : %)



※ No International Courses Available in 2007 (Initiated in 2008)

● Familiarization Training on Disaster Management Manual ●



Familiarization Training on Disaster Management Manual



Familiarization Training on Disaster Management Manual by Each Airport

● Emergency Training to Strengthen Disaster Management Systems ●



Disaster Management Ground Training



Airplane Anti-terrorism Simulated Training



Cooperative Firm Equipment Mobilization Training



Airplane Accident Aftermath Management Training

Emergency Training to Strengthen Disaster Management System

To strengthen the disaster management system, various training exercises were held, which included nation-wide airport disaster management training, earthquake disaster drill, and equipment mobilization training with contractors in each airport. Problem recovery exercises on major facilities such as boarding bridges and refueling facilities are held annually.

● Air, Water, Tidal Wave Disaster Response Training ●



Receive Status Message



Internal Broadcasting



Situation Room Meeting



On-site Contact & Monitoring



Drainage Pump Operations



Preparations for Drainage Operations



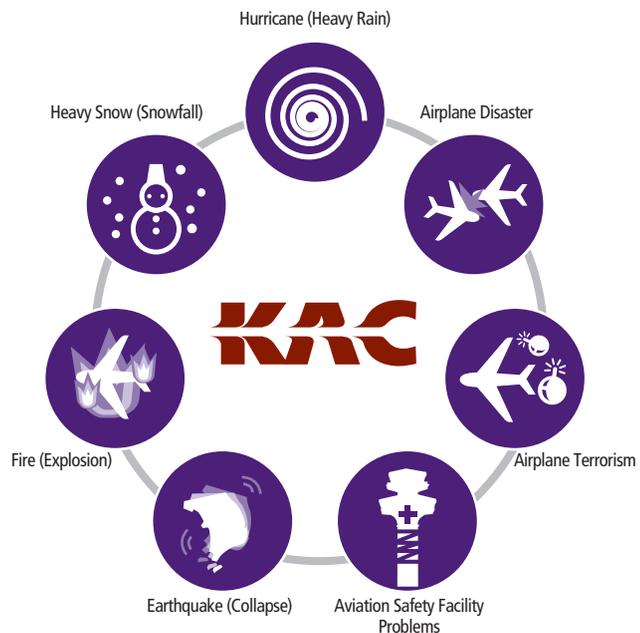
Outside Firm Arriving On-site



Temporary Restoration of broken Windows

Designated as a National Infrastructure Airport & Established Protection Plans

Six airports, including Gimpo, Gimhae and Jeju Airports, were designated as national infrastructure facilities since any functional paralysis of any of these airports will critically affect the national economy. To protect these facilities, protection plans segmented into 7 types of potential crisis were established. Protection activities are carried-out on landing / take-off (runways, taxiways, and aprons) facilities, passenger terminal & cargo processing facilities, and major navigational safety equipment (transportation equipment, water supply equipment, generation equipment, engineering equipment, ant-terrorism equipment, etc.).



# Employee Status

In November 2007, KAC converted 59 of its 69 irregular employees to regular employees, increasing its regular employees to 99.3% of the total. All those converted were entitled to the same salary and welfare benefits as the existing regular employees. As of the end of December 2009, KAC's employment creation rate stood at -8.5%, while rate of occupation change recorded 6.7%. Amongst the total managerial staff, female managers increased by 0.8% compared to the previous year, bringing the total female manager composition level to 2.8%. As part of the government's plan to upgrade the public corporations to advanced levels, KAC is obligated to reduce 305 jobs by 2011. KAC was able to reach its April 2009 target of reducing the number of jobs. KAC is trying to create a small but dynamic organization through various measures such as consigning certain inefficient work sectors to civilian institutions, and operating temporary organization to expediently carry-out required duties. Simultaneously, KAC is attempting to create new jobs as part of its effort to diversify its business. Every effort is being taken to create an institution that can provide stable employment and fulfill its social obligations by newly reorganizing its organization and personnel structure.

## Efforts to Create Jobs & Ban Discrimination

As responsible corporate citizen, KAC is actively participating in the government's policy to expand job sharing. In 2009, KAC adopted the youth internship policy. As a result a total of 148 interns were hired. This figure was 48% higher than the targeted 100. Females comprised of 57% of total interns, while interns with science & engineering backgrounds stood at 47%. 36% of the interns were regional talents. The composition of interns conforms to a policy of social balance. 300 jobs were also created for the disabled and helpers of the solitary elders located around the airports. 3,300 jobs were indirectly created through investments. In 2007, KAC eliminated restrictions on education, academic major, age, etc. expanding the opportunity to hire talented personnel. Supervision and management has been strengthened so that age, origin, etc. are not factors in the overall personnel management issues and labor environment, which includes promotion and compensation. KAC strictly abides by the labor laws and regulations set by the International Labor Organization (ILO). As such, forced labor and child labor is prohibited. There has been no such case where a case of forced labor or child labor has occurred at any of KAC's premises. From a gender harassment perspective, KAC holds gender harassment training for all 1,761 employees (including security inspectors & security guards) twice annually to minimize human rights violations. During the reporting period, there were no cases of discrimination based on origin or gender.

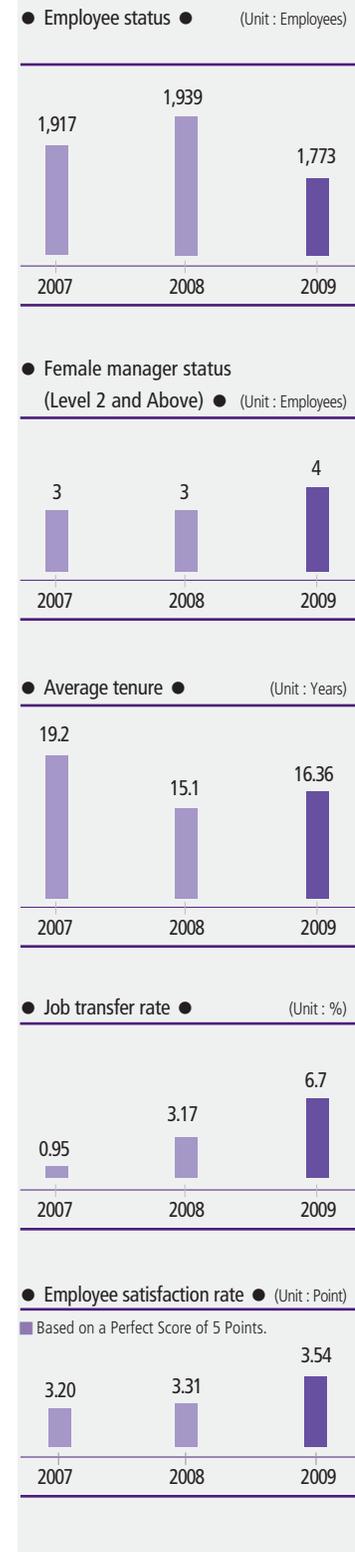
※ New Employees' (Male / Female) Salary Status: Homepage · Management Disclosure · Personnel Expenses Status

## Strategy to Hire Talented Personnel

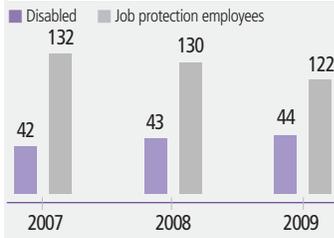
To fulfill its social obligation by hiring talented individuals, KAC's hiring process is outlined in the following statement. The hiring process is divided into two: written exam and interview. Through this way KAC will be able to hire based on talent and competency. Interviews are carried-out by outside expert to ensure fairness. Through the step-by-step process of hiring from intern to contract employee to regular employee, KAC is able to strictly verify the new employees work capabilities. For core positions, an open competitive process is carried out through open advertisement for expertise. Candidates from the outside or inside the Corporation can apply. Policies related to female employees, the disabled and person who are applied for employment protection remain unchanged.

Out of the total employee pool doing their required duties, 2.49% or 44 employees are disabled. This level is 2% higher than the legally required hiring rate of the disabled. As for those that require job protection, there are currently 122 employees, or 6.49% of the total employee pool. This is also higher than the legal employment rate of 6%.

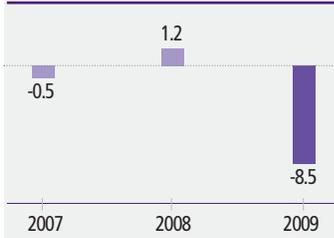
## Employee Result



● Disabled / Job protection employees ●  
(Unit : Employees)



● Job creation rate ●  
(Unit : %)



● Hiring status by regional office ●

Business Site	Number of Personnel
Head Office	25
Gimpo Airport	59
Gimhae Airport	22
Jeju Airport	19
Daegu Airport	7
Cheongju Airport	4
Gwangju Airport	6
Ulsan Airport	4
Pohang Airport	2
Total	148



GWP Public Sector Excellence Award

## Equality of Both Gender

KAC is implementing various measures to expand and maintain the female workforce. As part of KAC's effort to foster the professional female workforce, it has assigned 1 female employee to the high level manager training course and 1 female employee to the next generation leader fostering program. Approximately KRW12 million is provided as maternity leave support. Currently 44 female employees are recipients. The maternity leave period has been extended from 3 years to 4 years, while spouse childbirth leave has also been extended from 2 days to 3 days. These policies are to alleviate female workers from the burdens stemming from marriage, child birth and child care. A 'Difficulty Consultation Center' is being operated with 34 counselors to help female employees. Programs to help maintain jobs for female employees and welfare benefits are continuously being developed and expanded, including gender discrimination.

● Efforts to Maintain Employment for Female Employees ●

Sector	Contents	Implementation Results
Adapting to the Organization	Initiate Female Mentor Policy Maintain Position	Initiated female mentors (85) for 2009 new youth interns Assigning positions based on female characteristics
Fostering Female Employees	Foster level 2 or above female managers	Fostering 1 as a high level manager (Seoul National University, Public Enterprise High Level Managerial Course) Fostering 1 as next generation leader (Seoul National University Public Enterprise Policy Course)
Encouraging Child Birth	Maternity Leave Temporary Medical Leave Maternity Financial Support	3 day leave for male employees Leave once every month KRW12 million payment (44 employees)
Child Care Support	Child Care Leave Policy Child Care Support English Camp	Initiated maternity leave (2 employees) Maximum KRW253 thousand for payment Once annually for employee children

## Employee Satisfaction Management

KAC's most valuable assets are its competitive employees and management. Diverse training policies are being implemented to develop and foster personnel with expertise in each area such as the flight control sector. At the same time KAC is striving to enhance the welfare of its employees by pursuing a family-friendly management policy where a balance exists between work and personal life. A healthy internal atmosphere is being encouraged by unifying all KAC sites across the country, overcoming the economic crisis through a single spirit between labor and management, and creating trust.

## Excellent Place to Work in Korea as Evaluated by an External Institution

Sponsor : GWP Korea & Joong Ang Daily

Trust Management Index Evaluation Results : Received the Excellence Award in the Public Sector

● Trust management index evaluation results ●

(Unit : Points)



# Human Resource Development

## Establish Competency-based Talent Fostering System & Human Resource Infrastructure

A talent fostering system and medium- to long-term career development roadmap has been established to foster value creative professional personnel that contribute to achieving performance. The roadmap is utilized to initiate diverse training courses based on position and sector. The position training program has been reorganized into the working level and professional level training program. The new technology regarding navigational aid and international standard standardization courses have newly been initiated. The training conditions have been strengthened focused on working level standards. Overseas professional training programs are being promoted by diversifying overseas training locations and training institutions as part of KAC's global leadership training program. A total of 48 employees have been sent to 24 courses.

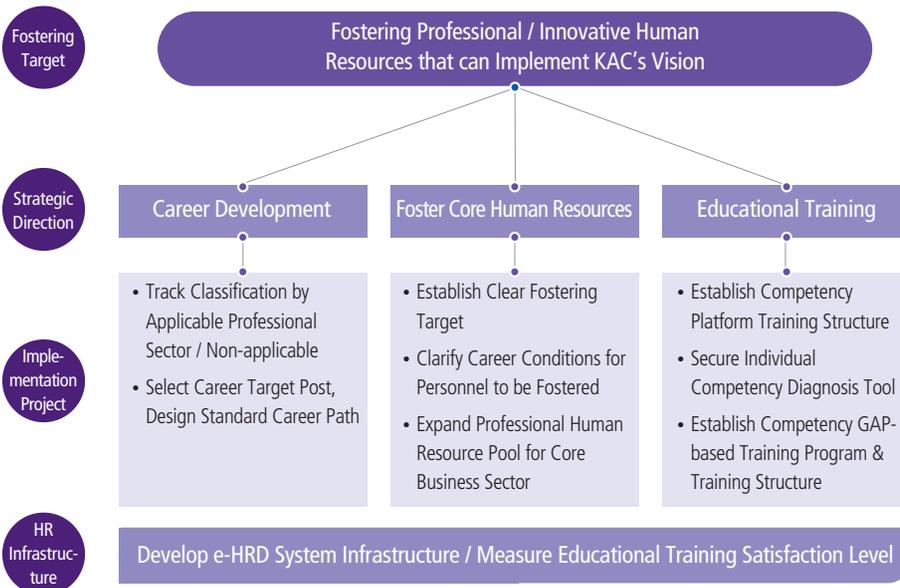


MBA Program Entrance Ceremony



New Employment Training

### Talent Fostering Strategic System



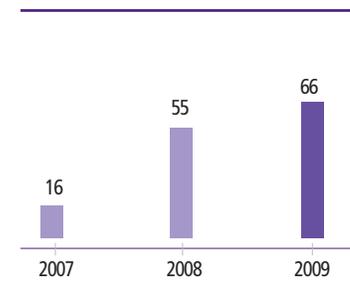
## Fostering Next Generation Core Personnel

KAC is apt to secure international competitiveness through nurturing professionals by diversifying the core personnel and next generation leadership fostering programs. As such, KAC contracted with international training institutions such as FAA and ICAO to develop professionals in each sector. This resulted in KAC being the first in Korea in October 2008 to deliver an ICAO international aviation security professor. As well, KAC is offering 6 courses including internal MBA program internal MBA program and currently 39 employees are completed the program.

## Fostering Core Professional Personnel with Global Competitiveness

KAC continues to invest in overseas training to enhance global competencies and foster core professional personnel. In 2008, 27 employees participated in the 'Secure Basic Competency' and 'Strengthen Professional Competency' courses. For the 27 employees, KRW960 million were spent. In 2009, 16 employees experienced the same program, while 5 additional employees participated in the 'Strengthen Global Competencies' program. A total of KRW5,679 million was spent in training expenses in 2009. KAC continues to increase investments in training to foster talented personnel.

● Number of next generation core personnel that completed the training program ●  
(Unit : Employees)





Training based on Employee's Duty

## Established the Competency-based e-HRD System to Efficiently Develop Human Resources

Through an outside professional service contract, KAC created an e-HRD System in 2009. The e-HRD System has made it possible to create and manage an educational training system that systematically identifies training needs and supplements lacking competencies by evaluating individual competencies and initiating Gap analysis. With this, KAC is initiating effective training programs by offering customized talent fostering processes based on competency models.



From an organizational perspective, to identify training requirements, company-wide competencies were first segmented into 3 factors using competency modeling. This was followed by creating a competency pool, enabling KAC to identify detailed competency factors for each company-wide competency. In addition, through a demand survey of the working level departments, training needs on an organizational level linked to KAC's management strategy was identified to strengthen competency factors.

On an individual level, to identify individual training needs, competency evaluations were carried out for individual employees. Depending on the results, training programs were held to supplement lacking competencies. After evaluating the need to redesign the Career Development Policy (CDP), an employee survey was held to better understand the preferred training method and process. The results of the survey are being reflected in year-by-year training plan.



## Systematic Competency Development to Enhance Functional Expertise

In-house training programs were divided into working and professional courses to enhance functional expertise for employees. A new course related to management strategy was initiated for all training programs to help employees better understand corporate strategy. In addition, based on the newly identified organizational competency structure, in-house training programs and courses were improved by opening new courses which include level (position) training and managerial courses that helps enhance problem solving capabilities and create results, the overseas airport consulting program, and the internally developed navigational safety facility design and installation professional program.

To promote regular learning by employees, contracts were consigned to outside firms in plural (2008, 2 firms → 2009, 4 firms) to improve the cyber training system. The training program was expanded from 505 in 2008 to 1,461 in 2009. Completion standard points were strengthened to enhance training effectiveness by reflecting KAC's internal completion point of 80 points in addition to the Ministry of Labor's completion point of 60 points. A policy to encourage the employees to obtain professional qualifications, such as master degrees, was created. As a result, to contribute to employee competency development, 125 employees in 2008 were provided KRW24.5 million and 132 employees in 2009 were provided KRW26.2 million in financial support.

## Strengthened Training Support for Partner Companies

In addition to strengthening internal training for employees, training courses for people working in airlines related areas within the airport and security related dispatched personnel are being held. The purpose of the training is to form a common conviction towards customer service and safety / security. 2009 training results are as follows:

Major Contents	
CS Training	Total of 5,857 Personnel in Trainings Related to VOC & Service Manual
Aviation Security	Total of 1,778 Personnel in Trainings Related to Security Inspection and in Security Personnel Training
Airport Security	Total of 669 Personnel in Airport Airside Area Safety Training and Fire Fighting Training



Supporting Training for Partner Firms

## Equitable Performance Evaluation & Compensation

KAC pursues individual competency and management efficiency enhancements by rationally assigning positions, promotions, and compensations based on capabilities and performance. An equitable personnel policy is being implemented to enhance performance and career development satisfaction through the work process of employees. What was once applied to the managerial staff (Level 2 and above) only, the annual pay system has been extended to all employees. This enables all employees to guarantee their obligations and responsibilities. Through a Team structure, the team head's authority has been extended to the lower echelons of the organization. Based on the role and responsibilities of employees that are level 3 or lower, the gradation in the performance based compensation level has been significantly widened. As of 2009, the performance based compensation level stood at  $\pm 100\%$ . This was a significant change from  $\pm 10\%$  in 2008.

● Annual performance based compensation gradation rate / Expanded annual pay system ● (Unit : %)



## Employee Welfare



Gymnasium



Health Management Center

For the welfare and safety of its employees, KAC holds regular annual medical examinations for its employees to create a healthy work environment. A professional health manager resides at a health management center located within the premises of the airports. Employees can also freely utilize the gym to better their health. KAC also operates a loan policy for employees in case of marriages or housing to ensure a stable lifestyle.

KAC also operates life training and vacation facilities where employees can utilize all year round to regenerate the tired body and mind while being away from the office. Every effort is taken to establish welfare policies that cater to the changing times.

Welfare points that were uniformly distributed were changed to a gradation system where welfare points are distributed depending on the tenure of service to the company. In preparation for the low birth aging society, educational and PR activities were held to encourage employees to subscribe to the retirement pension so as to ensure a stable old life for the employees. As a result 1,010 employees newly subscribed to the retirement pension, which was a significant 148% jump over that of the previous year.

In monetary figures, the total retirement pension amount increased by 86.1% to KRW53.63 million in 2009. Currently 89.7% of the employees have subscribed to the retirement pension. Efforts are continuously being made to establish a platform for rationally operating policies through regular employee welfare satisfaction surveys and diverse communication channels between labor and management.

### Welfare Expense Management

Based on the government's guidelines, KAC is focused on rationally managing welfare expenses. By either integrating or reducing welfare expense items, from the 26 items in 2008, 7 items were combined or eliminated, resulting in a total of 19 items in 2009. With the agreement of the labor union, KAC was the first public enterprise to reduce salaries in order to overcome the national economic crisis, thus taking a leading role in salary reduction and management efficiencies. As a result, welfare expenses per employee was reduced to KRW8 million in 2008 and to approximately KRW6 million in 2009.

### Welfare Policy Satisfaction Survey & Policy Improvements

KAC initiates satisfaction surveys on various items of the welfare policy to make improvements that reflect the needs of employees by collecting employee opinions on existing welfare policies. Employee satisfaction levels are continuously confirmed through regular surveys regarding the employee cafeterias in order to improve employees' dietary life. Suggestions like diversifying the menu are delivered to the cafeteria operating firm to enhance the welfare of the employees. In addition, a survey on the satisfaction level of vacation facilities was initiated to identify the preferred vacation location, resulting in new additional contracts.

Preferences on lunar new years and thanksgiving gift certificates were identified and provided to employees. After converting the corporate-type welfare cards to individual-type welfare cards, a survey was initiated to identify inconveniences. As a result, the inconveniences were heard and due improvements were made. However, results of the 2nd half survey showed a drop of approximately 5% in terms of satisfaction level compared to the same period in 2008. The main cause is presumed to be the reduction in welfare expenses as a result of a drop in salary. In light of this, KAC will continuously seek ways to enhance the welfare satisfaction level through continuous policy improvements.

### Promote Labor / Management Channels to Enhance Employee Welfare

In an effort to enhance employee welfare, KAC is actively promoting discussion channels between labor and management. Through the Labor Management Council, both labor and management have jointly tried to enhance the welfare of employees. Some of the changes include the welfare card management improvement plan, night duty administration improvements, sports field environment improvements, employee cafeteria & night duty administration improvements in Gimpo International Airport Office, and youth intern welfare enhancements.

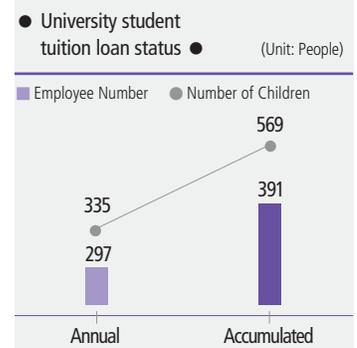
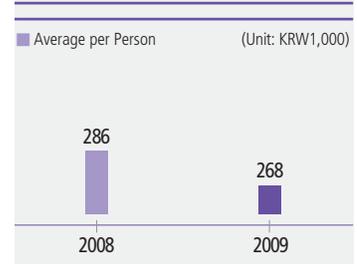
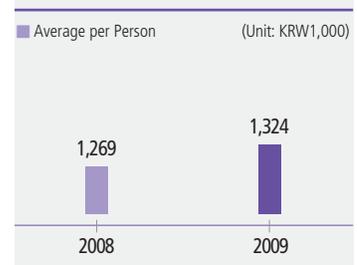
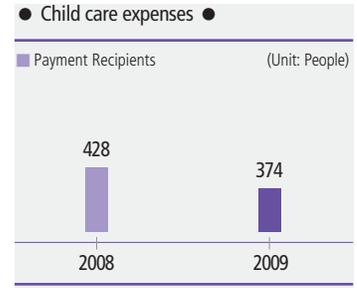
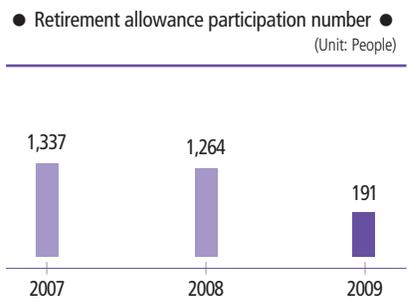
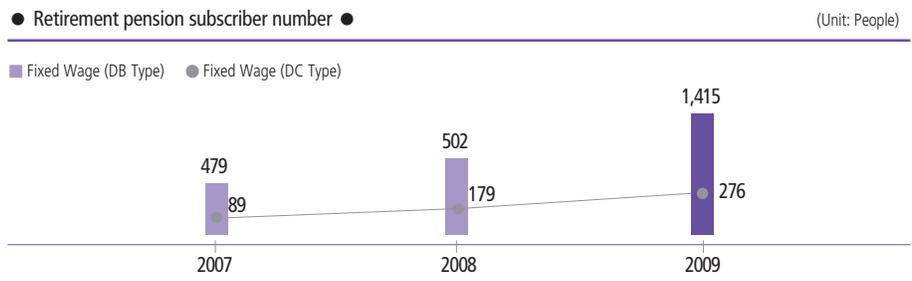
### Welfare Catered to a Low Birth, Aging Society

By operating a welfare policy that caters to a low birth, aging society, KAC is trying to create a welfare policy that meets the needs of the period. To support and encourage birth, a three day leave for pregnancy treatment is provided and a one day medical examination leave once a month is provided for pregnant employees. For pregnant employees, KAC provides financial support and a paid leave. Child care leave has been prolonged to one year until the child reaches the age of 3; thus, making child raising condition more favorable.

Economic support is also provided for childcare. In 2009, KRW495 million was provided to 374 employees. An English Camp was also held for 35 children of employees, helping alleviate private educational expenses for employees. University tuition fee loans were also provided for employees with university students, helping lower the financial burden to the employees. As of the end of 2009, a total of KRW4.7 billion in accumulated student loans were outstanding. In addition to child educational support, KAC also provides support for lifelong educational opportunities to its employees. A digital university and industry-educational institution cooperation programs have been set up. There are currently 14 employees participating in the program. By promoting cyber · communications training, a total of 2,965 employees have completed the program.

### Expanding the Retirement Pension Policy to Guarantee Old Age

In accordance to the Employee Retirement Salary Guarantee Law, KAC first initiated the retirement pension policy in 2007 with 30% of its employees subscribing. Through continuous PR and change in employee awareness, the figure increased to close to 90% by 2009.



Loan Amount: KRW992,130 Thousand  
 ▶ KRW4,723,353 Thousand

# Industrial Health Safety

KAC abides by the International Labor Organization's (ILO) labor standard regulations and the Industrial Health Management Criteria. By outlining the essentials of health safety, KAC is trying to maintain and promote safety and health of employees by preventing disasters and fostering a pleasant working environment. To achieve a 'ZERO' industrial disaster target, KAC strengthened its disaster prevention activities. As a result, 102 cases of potential risk factors were identified and improved, helping prevent 0.34 employees from experiencing a major accident. These efforts paid-off, enabling KAC to achieve its disaster-free target in 2009 in all its branches across the country, including Head Office.

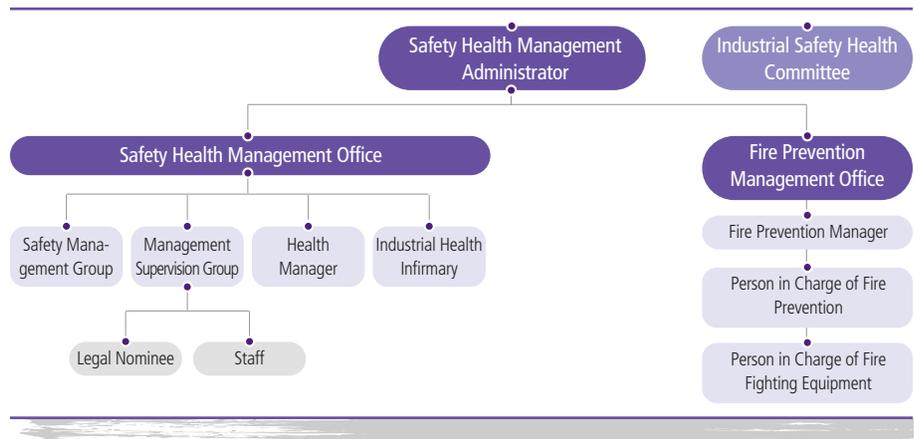
※ Employee Safety & Health: Homepage · Management Disclosure · Related Laws & Articles of Incorporation

## Employee Health Management

As part of KAC's effort to protect its employees from the hazardous substances of smoke, a Smoking Prohibition Program is being initiated with a success rate of 34.4%. Overall health is promoted by providing programs where employees can measure their physical status in detail and appropriate physical training methods to help prevent habitual diseases and muscle / bone diseases. A program to help prevent H1N1 virus was also initiated. The health level of cognitive abilities were also measured and evaluated.

As part of the health promotion program, efforts to enhance cognitive abilities were initiated utilizing cognitive promotion training courses taught by outside lecturers and cognitive promotion activity brochures. Every effort is taken towards employee health management through diverse health promotion programs.

## Health Safety Management Structure Chart



### ● Risk Factor Identification Cases ●

#### Number of Potential Risks Identified by Airport

Gimpo	22
Gimhae	9
Jeju	16
Daegu	15
Ulsan	5
Cheongju	5
Muan	8
Gwangju	6
Yeosu	8
Pohang	4
Wonju	6
Air Route Traffic Control Center	2
Civil Aviation Training Center	6
<b>Total</b>	<b>102</b>

## Safety Accident Prevention Activity Results

Airport Safety Accident: Maintained at Same Level for 2007, 2008, 2009

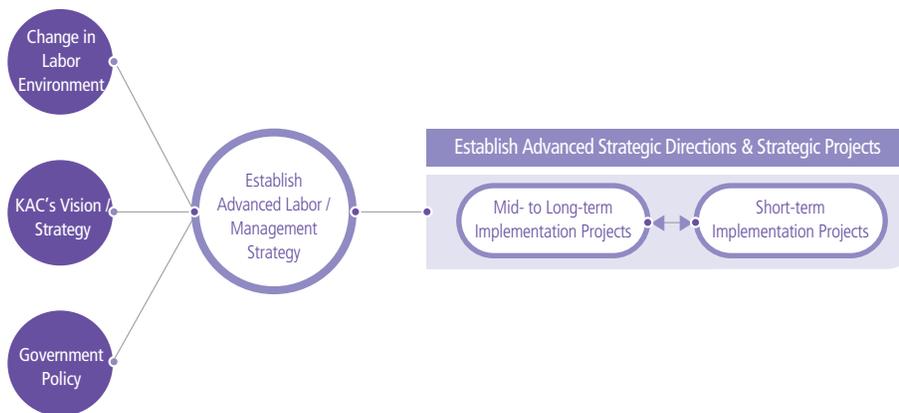


# Coexisting Labor / Management Relations

In 2008, KAC was the first public enterprise to conclude a salary agreement without any bargaining, resulting in freezing wages, restructuring welfare and reducing paid leaves. In 2009, to overcome the global economic recession, KAC was the first public enterprise to agree to wage cuts. Labor and management agreed to a total 6.8% personnel expense reduction, which is equivalent to an approximately KRW7 billion cut. Through this process, KAC was able to maintain 22 years of consecutive dispute free agreements. Labor and management was able to also establish measures and cooperative plans to counter the changing management environment such as holding joint labor and management campaigns to stop the H1N1 flu, and forming measures to jointly manage changes in labor related laws and regulations.

By reducing personnel by 305, or 15.2% of total employees as part of government's plan to enhance management efficiencies, KAC was able to reach the government's target early. With the voluntary participation of all employees, KAC was able to receive the number one place in the public enterprise overall clean ranking.

## Labor / Management Relations Upgrade Strategy



### ● Results of the Labor / Management Coexisting Relationship ●

Performance Index	2007	2008	2009
Continued Years of No Dispute	20 Years	21 Years	22 Years
Satisfaction Level of Labor / Management Communications	n.a.	49%	52%
Revenues per Employee (Unit: KRW thousands)	180,366	202,160	226,587
Number of Labor Management Meetings Held	64 Times	102 Times	256 Times
Labor Service Training Completed Employees	38 Employees	65 Employees	100 Employees
Clean Index (Outside Index)	9.15	8.07	9.33
Public Enterprise Customer Satisfaction	90.2	85.5	93.4
Employee Expense Increase Rate	2%	0% Freeze	6.8% Reduction
Number of Industrial Disasters	0 Cases	0 Cases	0 Cases

## Labor Union Status

In accordance to related laws and collective agreements, KAC guarantees its employees the three labor rights stated in the Korean constitution, which are the right to forming an union, the right to collective bargaining and the right to collective action. Labor union membership is limited to employees that are level 3 or lower. However, employees that are responsible for staff, labor services, audit and secretarial duties are excluded. As of the end of December 2009, 1,084 employees, or 63.9% of total employees have joined the labor union.

※ Labor Union Related Status: [Home Page](#) · [Management Disclosure](#) · [Other Items](#) · [Labor Union Related Status](#)

## Employee Communications

KAC is creating an advanced labor / management cooperation partnership by sharing management information between labor and management, and through active communications in order to establish an advanced labor / management relationship based on coexistence. In 2009, to settle current issues such as labor conditions and environmental improvements, a labor / management council was formed.

5 meetings were held that year. To expediently solve current issues related to major work duties by department, a labor / management working level council was formed comprising of 4 members including the head of human resources management, head of labor relations & welfare team, head of the office of business affairs, and head of the policy office. The council meets almost daily to discuss and resolve strategic measures related to the advancement of labor / management relations.

## Communications Channel

KAC is forming an advanced labor / management relationship through labor / management harmony and unity. Diverse communications channels, including the Labor / Management Council, are kept open, resulting in 5 council meetings in 2009 to share information related to labor conditions and environmental improvements. Through the Complaint Processing Committee to process individual employee complaints, the council met 26 times in 2009.

The Labor / Management Working Level Council met 256 times to resolve issues related to major pending issues and disputes related to work being initiated. 34 presentations on management issues were held to reach a common understanding related to management efficiency measures.



## Operating Joint Labor / Management Programs

Sector	Major Results
Employment Stability Committee	Discussed personnel reduction, dismissal avoidance plans, and target employee selection methods
Personnel Policy Improvement Committee to Manage Change in Laws / Policies of Labor / Management Relations	Discussed revising regulations such as encouraging honorary retirement Allowed plural labor unions & initiated the labor / management discussion channel to prepare for possible prohibition of salary support to predecessor
Labor Welfare Fund Committee	Decided on various issues related to the fund & contributed to the resources for creating jobs for the socially weak
Annual Pay Salary Promotion Committee	Discussions initiated on compensation related integrated regulation revisions as a result of adopting the annual pay salary system
Labor / Management Working Level Committee	Held workshops and training session to solve management issues and discussed the composition of the committee
Complaint Processing Committee	Operated a Complaint Processing Office by item to process individual complaints

### Held joint briefing sessions to form / spread consensus on the management crisis

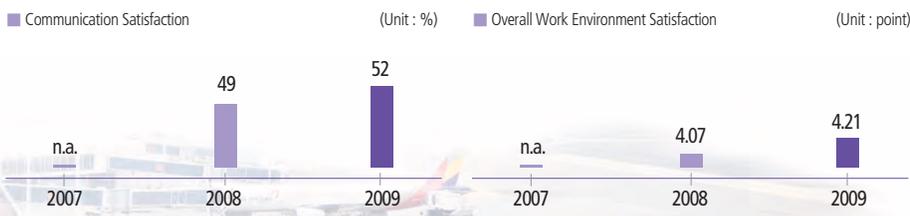
After listening to labor / management’s opinion of management issues, labor and management jointly hold briefing sessions and discussion forums to form a consensus. 400 employees, including management, participated in the Current Issue Branch Discussion Forum and collected diverse opinions on personnel expenses and methods to enhance personnel efficiencies. During the Current Issue Labor Union Briefing Session, deliberations on ways to minimize employee reduction were presented.

### Held a competency enhancement program for the employee in charge of labor services and manager.

KAC holds diverse training courses to establish expertise for employee in charge of labor services as managers and to strengthen competencies. Through the Labor / Management Partnership Duty Function Training Program, 16 employees in charge of labor services and 3 senior labor union staff met for 3 days in a camp to increase mutual understanding.

For the 2 month course officially recognized labor service cyber course, 6 employees applied. This was an opportunity to acquire greater professional knowledge. KAC fostered 578 labor service management specialists through additional means such as internal MBA courses, labor / management work function training, and labor policy training courses.

### Promoted a cooperative labor / Management culture through surveys related to labor / Management communications satisfaction levels & overall work environment satisfaction levels.

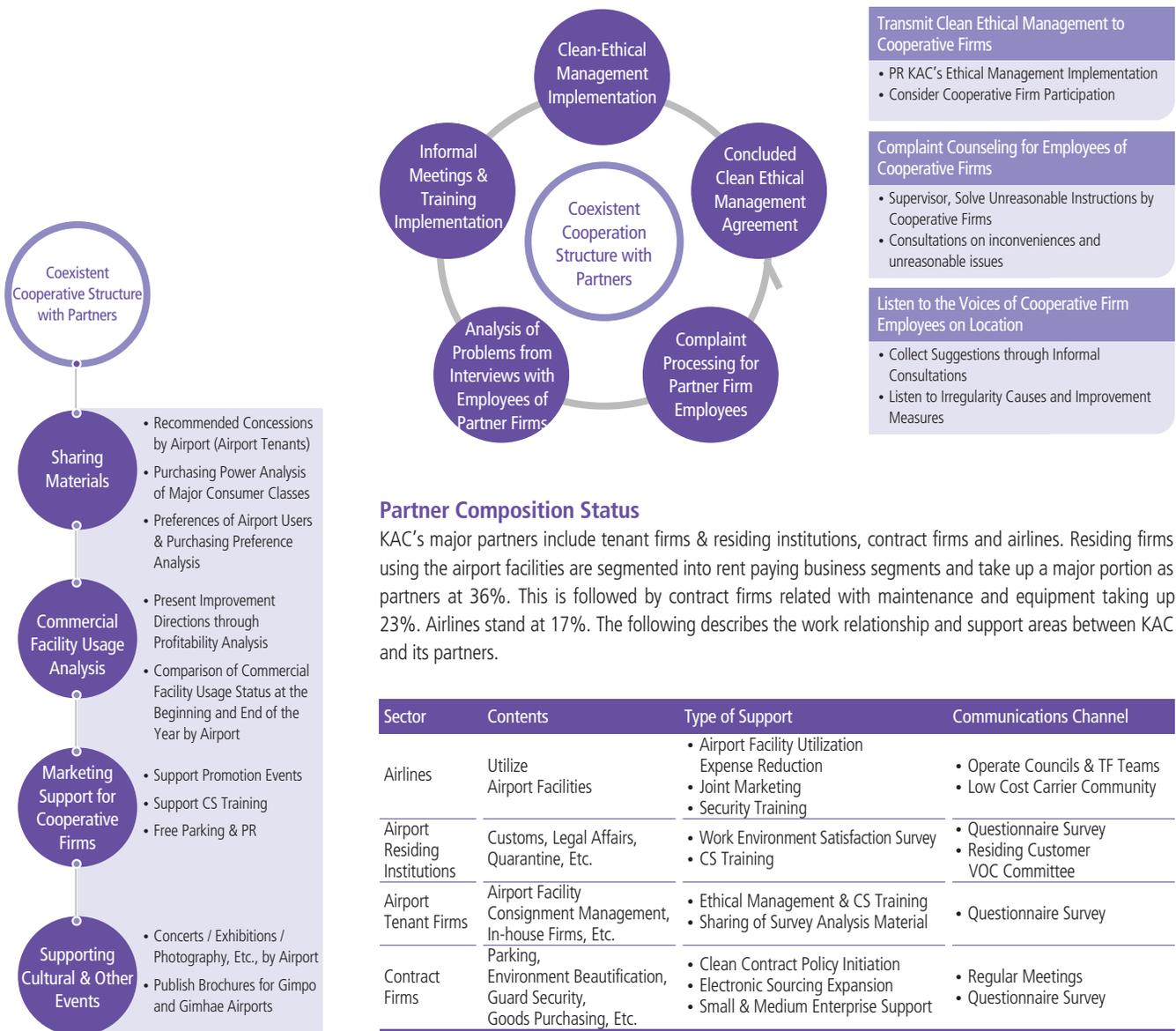


# Aeronautical Industries' Coexistent Cooperative Structure

## Establishing a Coexistent Cooperative Structure

In relation to operating airports, KAC respects Cooperative Customers and Residing Customers as partners that deliver value. Cooperative firms and their employees, airlines, on-the-ground operating firms, and tenant firms are all considered partners with KAC on equal footing. On a company-wide basis, KAC tries to enhance and foster competitiveness of its cooperative firms by actively collecting opinions / suggestions from the cooperative firms and providing an appropriate sales environment. Through actual programs, KAC is helping cooperative firms concentrate on enhancing their core competencies through Tenant VOC Committees, informal discussions with cooperative firms, and aviation security training center.

## Coexistent Management Implementation Structure



## Partner Composition Status

KAC's major partners include tenant firms & residing institutions, contract firms and airlines. Residing firms using the airport facilities are segmented into rent paying business segments and take up a major portion as partners at 36%. This is followed by contract firms related with maintenance and equipment taking up 23%. Airlines stand at 17%. The following describes the work relationship and support areas between KAC and its partners.

Sector	Contents	Type of Support	Communications Channel
Airlines	Utilize Airport Facilities	<ul style="list-style-type: none"> <li>• Airport Facility Utilization</li> <li>• Expense Reduction</li> <li>• Joint Marketing</li> <li>• Security Training</li> </ul>	<ul style="list-style-type: none"> <li>• Operate Councils &amp; TF Teams</li> <li>• Low Cost Carrier Community</li> </ul>
Airport Residing Institutions	Customs, Legal Affairs, Quarantine, Etc.	<ul style="list-style-type: none"> <li>• Work Environment Satisfaction Survey</li> <li>• CS Training</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire Survey</li> <li>• Residing Customer VOC Committee</li> </ul>
Airport Tenant Firms	Airport Facility Consignment Management, In-house Firms, Etc.	<ul style="list-style-type: none"> <li>• Ethical Management &amp; CS Training</li> <li>• Sharing of Survey Analysis Material</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire Survey</li> </ul>
Contract Firms	Parking, Environment Beautification, Guard Security, Goods Purchasing, Etc.	<ul style="list-style-type: none"> <li>• Clean Contract Policy Initiation</li> <li>• Electronic Sourcing Expansion</li> <li>• Small &amp; Medium Enterprise Support</li> </ul>	<ul style="list-style-type: none"> <li>• Regular Meetings</li> <li>• Questionnaire Survey</li> </ul>

# Promoting the Aeronautical Industry through Partnerships

## Policies for Coexistent Management

As part of KAC's contract management with its partners, clean & ethical management agreements are obligatory when concluding new contracts. Standards are established regarding mutual consignment levels, while efforts are made to mutually share the partner's execution capability evaluations results. In addition, regular informal meetings are held with partner company presidents and on-site employees to collect demands and improvement suggestions. A consignment work related council is formed to establish major policy improvement directions and to target sharing results.

## Joint Effort to Develop the Regional Society

In order to contribute to economic development of regional societies and foster small & medium construction firms, KAC will join with local construction companies as joint developers for construction projects under KRW5 billion. As for purchasing goods and articles, KAC will initiate a limited tender for local firms. Through these efforts, KAC hopes to achieve regional economic growth. Going forward, KAC will continue to develop and implement realistic support programs to help in the development of regional economies. KAC will continue to contribute to the regional economic development along with its partners.

## Enhance the Welfare of Cooperative Firm Employees Working On-site

KAC has adopted various policies to enhance the welfare of employees working for cooperative firms. Waiting rooms for cooperative firm employees were expanded and improved (Improvements made at 14 airports and 21 areas in 2008), while old fixtures and furniture were replaced (KRW50 million was executed at 14 airports in 2009, and KRW165 million has been budgeted for 6 airports in 2010). Continuous efforts are being made to improve the work environment for partner company employees through investments. Surveys are also carried-out annually regarding work environment satisfaction.

Through this, improvement points are identified and reflected. Financial incentives (KRW10 million budget has been allocated) are provided to excellent service employees of partner firms, and excellent work performance is recognized and awarded a commendation by the president of KAC. These efforts are enhancing work motivations and improving service quality.

## Strengthening the Welfare of Cooperative Firm Employees

A complaint resolving window is being operated to receive and resolve complaints from partner company employees. Diverse efforts are being made to improve the work environment for partner company employees. Some of the benefits offered include supporting athletic events, expanding the grant of vacation rewards, granting the opportunity for these employees to participate in KAC's language program, and providing reduction on airport parking fees.

Additionally, KAC has been able to increase satisfaction by enhancing the quality and design of the uniforms provided to partner company employees working in KAC's facilities. The frequency of change has also been improved.

## Strengthening Joint Marketing

Through joint marketing efforts with partner companies, KAC is trying to increase sales and improve services. Rent payments have been changed from year end settlements to monthly settlements. PR brochures at Gimpo and Gimhae Airports have been published to provide information on the usage of airports and to help advertise partner firms. To help clear bottlenecks and improve service towards partner firm employees, free of charge service training is held, while a standard manual is distributed outlining the services available for these employees. A one-stop service team is available at each airport to help improve services to the partner firms.



Work Enhancement Training



Partner Firm Employee Service Training

### Contract & Procurement Transparency

Through amendments made to the Company Selection Evaluation Criteria in 2009, several criteria were added to encourage contract companies to ensure appropriate working conditions to its employees. The additions to the criteria when selecting facility related contract firms include whether the contract firms are providing an appropriate salary level to its employees, whether retirement pay & the 4 main insurance payments are being made, and whether the contract firms abide by the labor laws.

### Utilizing Active Communications

As greater emphasis is being placed on mutual growth with partner firms and on strategic partnerships as the corporate environment is changing, efforts are being made to improve complaints and suggestions from residing customers by collecting opinions and suggestions from consignment firms through diverse monitoring policies. Policies include a survey on work environment satisfaction levels of partner firm employees, informal meetings with partner firms and implementation of Service Level Agreements.

### Service Complaint Preventive Measures

continuing operational management activities are being implemented targeting towards major cooperative firms to help develop the cooperative firms and improve customer service. Since the customers are KAC's responsibility, point-of-contact services have been improved, and to take preemptive action towards complaints from residing customers, KAC operates a visiting service. KAC is able to prevent and take swift action towards complaints from cooperative firms by establishing a one-stop team to oversee the collection and processing of VOC rounds of cooperative firms, and inspecting regularly passenger convenient facilities and rent facilities. In addition, the pre-inspection activities that were carried-out by function was integrated and managed into zones.

## Cooperative Firm Evaluation & Program

### Differentiated Support to Cooperative Firms

With the same objectives as the cooperative firms, KAC is carrying-out diverse cooperative activities through an objective evaluation and appropriate compensation structure. The evaluations are carried-in consideration of the cooperative firms and their employees. Through the KB-Partnership Loan, KAC was able to provide support to 48 cooperative firms. The wage payment status of cooperative firms is constantly monitored, resulting in a more realistic salary level, which was increased by 6.1%. Performance is rewarded through a satisfaction survey. Rewards were given to 30 cooperative firm employees in an amount of KRW6.5 million in total. KAC continues to provide support to cooperative firms and enhance satisfaction.

### Internationalization of Aviation Security Training & Training Professionals

Based on KAC's experience and knowledge in operating airports, an Aviation Security Training Center has been established. By improving the Aviation Security Training Program and Training System Structure, KAC held functional training for 1,785 people in the security sector, and International Professional Programs for 28 people. As a regular ICAO Aviation Security Program, the International Professional Program Training currently has 28 attendees, including 10 foreigners. The training satisfaction level increased by 2% to 92% compared to that of the previous year. In addition, through consignment training by an outside professional institution, KAC was able to foster professional anti-terrorism personnel, while strengthening the overall training structure. As a result, in addition to 2008, there was no aviation security or terror cases in 2009. The frequency of the ICAO certified international training increased to three times annually from once annually, while an in-house anti-terrorism functional program was initiated by the security training center. As of the end of 2009, 118 people completed the course.

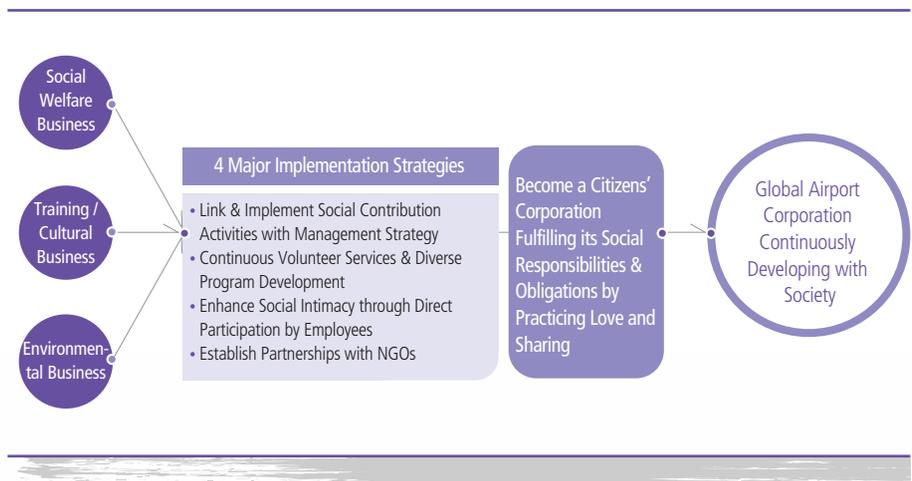
# Contributing to the Regional Society

As a citizens' corporation fulfilling its social obligations, KAC's objective is to grow alongside regional societies. Trying to create a specialized social contribution brand through strategic and systematic social contribution activities, with the full support and participation of management, KAC puts every effort as a corporate citizen to meet its responsibilities and obligations through 3 core businesses that include social welfare, education and environment.

Going forward, KAC will initiate social contribution activities in concert with airlines and concentrate on social contribution activities in noisy areas. Through development and implementation of specialized social activity programs such as supporting multicultural families to visit their homeland, KAC will do its best to become a role model for other organizations and corporates.

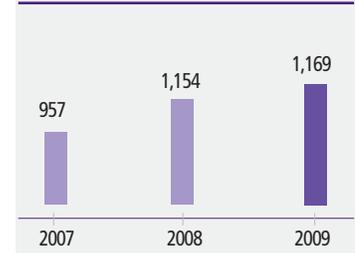
## Social Contribution Strategic Structure

KAC's social contribution structure is focused on becoming a specialized airport operating company that can actualize impression of customers and that can fulfill its social responsibilities. Realistic activities related to the 3 core businesses, social welfare business, educational / cultural business, and environmental business, were selected. Under active participation from employees and management, the selected businesses were implemented. Through the social contribution evaluation system that was first initiated in 2007, the social contribution activities by volunteers are assessed and reflected to create new policies.

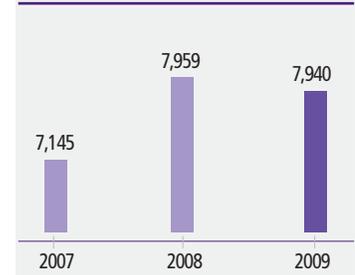


## Major Social Contribution Results

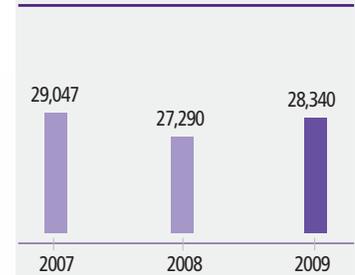
● Regional society support activities ● (Unit : Case)



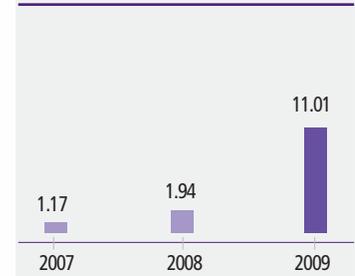
● Regional society volunteer employees ● (Unit : People)



● Community service hours ● (Unit : Hours)



● Donations ● (Unit : KRW100 Million)

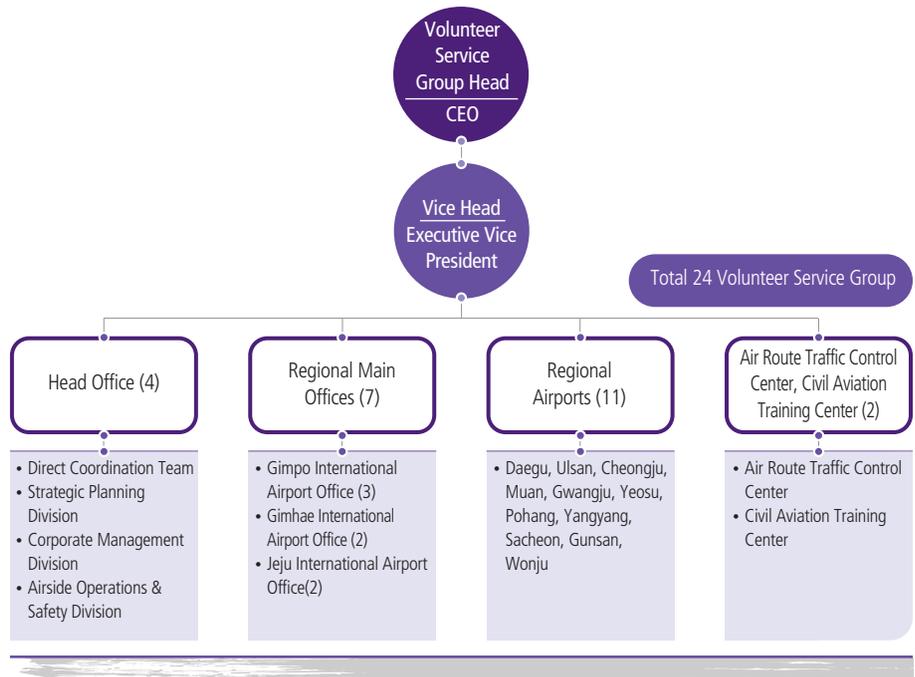




Social Contribution Group Leader Meeting

## Implementation Organization

The social contribution activity organization, head by the CEO, is comprised of 24 volunteer groups: 4 at Head Office, 7 at regional main offices, 11 at regional airports, Air Route Traffic Control Center, and the Civil Aviation Training Center. Under the leadership of the social contribution group leader, social contribution activities are carried out on-site. Social contribution leader meetings, with the group leader presiding, are held twice annually. At the meetings, annual activities are analyzed and future implementation directions are set. In addition, long-term social contribution visions are established and objectives decided-upon during the ethical management committee meetings which are held twice annually. As an active member of the regional society, KAC's social contribution group will continue to faithfully carry out its role.



## 2009 Performance Status by Sector



## Result on Performance of 3 Major Core Projects

KAC has tried to create a place for communication with the regional societies through regional society volunteer and social contribution activities. To actively promote its employees diverse social contribution volunteer activities, KAC will not only support the employees with equipment and time, it will also provide incentives based on the evaluation system. Diverse support structures will continue to be developed and improved.

### Social Welfare Business

KAC will actively pursue management based on 'love & sharing' through not only contributions and entrusted donations, but also through diverse support programs. With all employees participating, the afternoon of the last Wednesday of the month has been designated the 'Social Contribution Activity Day'.

On this day, the CEO and management actively participate in for a one day volunteer activity. As company growing alongside regional societies, KAC will grow into a warm corporation that takes into consideration the socially weak groups.

#### Helping the underprivileged neighbors

By establishing a partnership with the Korean Red Cross in May 2007, KAC and the Red Cross are jointly providing diverse support activities for the underprivileged class of society. Simultaneously, KAC is trying to cure the pains in our society through diverse volunteer activities for those that need support like lonely elders and child family heads. Activities include providing baths, sharing winter Kimchi and 'Love' bread.



Winter Kimchi Sharing Event



'Love' Bread Sharing Event

## Sponsoring Multi-cultural Families to Visit their Home Country

As part of KAC's specialized social contribution program, KAC is supporting model multi-cultural families that have faithfully been part of Korean society to visit their home country.

KAC concluded agreement with the Korean Red Cross in relation to the 'Multi-cultural Family Sponsorship for Visiting Homeland' KAC provides round-trip flight tickets to their home country and travel expenses to those families that have been recommended by a certified social welfare institution, including embassies and the Korean Red Cross.

Approximately KRW200 million has been budgeted this year. With this budget, 10 multi-cultural families every month will have the opportunity to visit their home countries. In July 2010, for celebrating KAC 30th anniversary of its establishment, KAC is drawing up plans to allow 30 families to visit their home country. KAC plans to continue this business of allowing at least 100 to 120 families annually to visit their dear home country.



Multi-cultural Family Home Country Visit Sponsorship Business

### Creating Jobs for the weak class

To practice regional society job sharing, KAC gives priority to residents living in noise affected areas around the airports when hiring. In May 2009, Gimpo International Airport Office signed a 'Job Creation for the Weak Class Agreement' with 5 social welfare organizations that are located in airplane noise affected areas. Through the weak class job creation business, KAC was able to achieve its job sharing initiative by creating jobs for 182.



Job Creation Agreement



One Company One Village Volunteer Service



Children Jeju Tour Event



Excellent Sports Team Sponsorship

#### Establishment of one company, One rural community sister relationship & support activities

As part of its farming community service, KAC established sister village relations with 17 villages located near the airports. Through this, various activities have been initiated, which include helping sale of farm products (rice), providing a hand during the busy farming season, and preparing a feast for the aged. Students and the elderly living in the sister villages were invited to cultural events held in airports and medical support volunteer activities were carried out.

#### Educational / Cultural Business

KAC initiated various educational and cultural programs for youth in regional societies that have little opportunity to participate in cultural events and education. By providing free English Classes, inviting the youth to cultural performances and supporting athletic activities, KAC hopes to overcome the cultural gaps between regions, and contribute to fostering future resources.

#### Jeju tour experience for children

During May, the 'Family Month', to plant dreams and hope in children's mind, in conjunction with airlines, invite children from noise affected areas and low income families in farm area for a tour of the airport and Jeju Island.

#### "Raising Dream Trees" sponsoring excellent sports teams

As part of KAC's regional society educational / cultural sponsorship business, every year, elementary, middle and high school excellent sports teams located in noise affected areas around the airports are recommended by the Ministry of Education and are provided with athletic equipment and sponsorship funds. In 2009, sponsorship was provided to two school near Gimpo Airport.

The two were Shingang Elementary School (Volley Ball Team) and Gangseo Elementary School (Soccer Team). In 2010, sponsorships are being provided to Shinwol Middle School (Baseball Team) and Gangshin Elementary School (Swimming / Track & Field Team).

#### Children's english camp

To strengthen ties with the regional society and practice socially responsible management, starting in 2007, KAC initiated the "Fun English Camp with Korea Airports Corporation," which lasts for one month for children living in areas around airports.

The English Camp is led and taught by an English advisor who has been working at KAC and had lived in Canada. The response was very positive from students. With this kind of response, starting in 2010, KAC not only plans to maintain the summer English Camp, but also establish a winter English Camp for children.

- Summer English Camp : July - August 2010
- Winter English Camp : November - December 2010

#### Environment Support Business

KAC has a lot of interest in regional societies' environment business. Especially regarding airplane noise, KAC maintains continuous communication with institutions and groups within the regional societies to identify complaints and to reflect those complaints on a real-time basis. The scope of KAC environment support business will be expanded.



# ENVIRONMENT

In relation to solving problems related to climate change, KAC adopted the Environment Management System ISO14001 to focus on systematically managing environment quality.

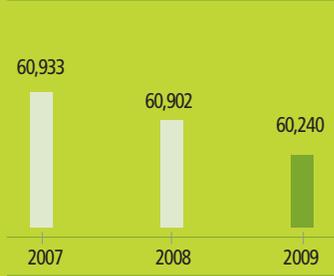


DMA /  
Countering Climate Change / Eco-friendly Energy Management  
Minimizing Environmental Impact / Noise Reduction Efforts

# DMA (Disclosure on Management Approach)

## Major Results

● Green house gas emissions amount ● (Unit : tCO<sub>2</sub>)



● Environmental law breach cases ● (Unit : Cases)



● Environment protection related investments ● (Unit : KRW Millions)



● Eco-friendly product ratio ● (Unit : %)



## Vision & Strategy

As a corporate citizen, KAC is doing everything possible regarding preserving the global environment and saving energy, two major issues. In relation to climate change problems and issues, which were selected as major issues during the 2009 Importance Evaluation Result, KAC is systematically managing the quality of the environment by acquiring the Environment Management System ISO14001 environment certification. These efforts attest to management's strong will to construct a sustainable eco-friendly green airport. In addition, environmental impacts from airport operations and development are being minimized, while green house gas emission amounts in all 14 regional airports are being tracked, observed and managed. By establishing various measures such as promoting the use of eco-friendly energy, holding energy savings campaigns and recycling resources, KAC is actively meeting the international environment initiatives and actively conforming to government policies.

## Department Responsible



Safety Environment Team,  
Green Airport Team

Establishes and executes overall plans to realize an eco-friendly airport



Gimpo International Airport Office  
(Environmental Management Team,  
Mechanical Systems, Electrical Facilities Team)

Management & operations of Environment-related facilities



Gimhae & Jeju International Airport Office  
(Architecture & Mechanical Systems Team),  
Regional Airports (Facilities Team)

Management & operations of regional environment-related equipment

## Issue of Importance



## Environment Expert Interview



How should future implementation strategies for constructing eco-friendly green airports proceed?



Chung Ang  
University Professor  
Chung In Kim



First, people should first have a 'green' mentality. Diverse and in depth training and education should be provided to the CEO, management, employees and outside workers focused on a "green" mentality.

Second, standardization should be achieved, while establishing an eco-friendly airport operations structure based on regional characteristics. KAC's image should first be projected externally through a select & focus strategy.

Third, the organization in charge should be strengthened and through overseas benchmarking, case examples should be researched to be used in improving the airports image. There is one case where customers were provided an environment education opportunity. This is like a niche market in a way. Since passengers generally wait 30-40 minutes to board, you may consider developing programs to emphasize the importance of the environment. Considering the characteristics of KAC, this kind of cultural event will be possible. It will also be an opportunity to achieve significant results.



KAC

### KAC's PERSPECTIVE

KAC is doing everything possible to ensure that the eco-friendly mentality takes a strong foothold in the minds of employees. Through regular training programs, environment management experts' expertise & credibility are being enhanced. Employees' eco-friendly green airport vision is being shared through in-house broadcast. In the future, KAC will produce and distribute environment protection programs catered to the different regional characteristics. Through this, KAC will take a leadership role in constructing eco-friendly green airports with the help of customers.

# Environmental Management System

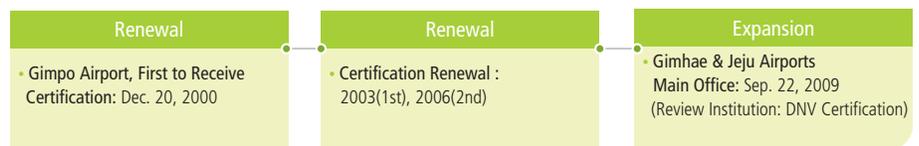
Starting in December 2000, for Head Office and Gimpo International Airport Office, KAC acquired and manages the ISO14001 certification, which is an environment management system. KAC also completed updating the International Standard Specification certification requirements for Head Office and Gimpo International Airport Office. Efforts are being made to establish KAC's image as an eco-friendly green airport by abiding to the government's environment management system expansion policy through the expansion of the environment management system certification to Gimhae & Jeju International Airport Offices. KAC will continue to carry-out its systematic management supervision role in relation to an eco-friendly management structure based on its strategic objectives of 'Green Management Practicing Airport', 'Global Environment Friendly Airport', and 'Airport that Goes Hand in Hand with the Regional Society.'

## Environment Principles

Under the conviction that human life and nature should be protected, KAC's employees are striving to construct and operate a sustainable eco-friendly airport. Not only is KAC preventing environmental pollutions and abiding by related laws and manuals, it has established internal standards that are stricter than what the law stipulates. Through this, KAC is leading the effort to protect the environment as a public enterprise. KAC is actively carrying-out the following environment principles.

- Minimize negative effects on the environment, such as climate change, by saving resources and suppressing pollution emission through energy savings.
- Place priority on purchasing eco-friendly goods, and maximize the usage of reusable goods.
- Continue to improve the environment by establishing environment targets and detailed targets.
- Minimize atmospheric & water contamination substances and waste emissions.
- Guarantee environment management transparency by providing KAC's environment principles and environment results to stakeholders when requested.

## Update Environment Management System Specifications & Expand Application

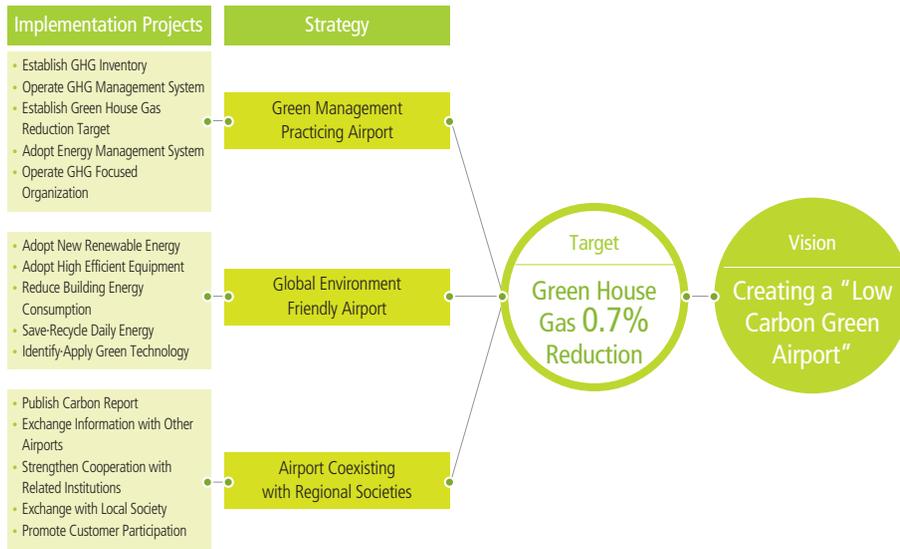


DNV Certification – Jeju International Airport



DNV Certification – Gimhae International Airport

## Low Carbon Green Airport Implementation Strategy



## Organization Responsible for the Environment

The Safety & Environment Team which is under the Airside Operations & Safety Division manages and supervises environment management on a company-wide basis, and an Environment Management Office (Gimpo : Environment Management Team) was selected for all 14 airports, including 16 branches. The Safety & Environment Team and the Environment Management Office work organically, leaving no gap in implementing environment management.



## Environment Training

To ensure the environment management office's professionalism and credibility, periodically, environment training is being implemented through outside professional institutions. KAC opened two new ISO14001 internal inspector courses within the Aviation Technology Training Center, a training institution within KAC, to foster environment specialists. This was initiated to effectively enable ISO14001, an environment management system, which was adopted in 2007, to take a foothold. In addition, to enable the person in charge of environment to continuously acquire the most recent information and know-how, outside environment training professional institutions have been contracted to train employees through 11 courses, including environment management conflict courses. In 2009, a total of 20 employees completed this program.

# Realizing the Low Carbon Green Airport

As the Kyoto Protocol took effect on February 2005, there is a high possibility that Korea may be included as a country that is required to reduce green house gases starting in 2013 as a result of the Bali Roadmap being adopted at the Climate Change Conference held on December 2007. Meanwhile, from a perspective of airport operations, there are risks that the burden of green house gases will increase due to the growth in international transportation and the potential expansion of the tourism industry. On this point, KAC carried-out its 'Declaration of a Low Carbon Green Airport Vision' on February 2009, declaring the peoples' will and implementation strategy towards Green Airport. Managements' and employees' will of realizing a Low Carbon Green Airport was declared publicly through this.

※ KAC was awarded the Prime Minister's Award for the 'Mutual Survival' idea related the Green Growth on April 2009.

## Methods to Promote Low Carbon Green Airports

KAC is taking steps to realizing the construction of a Low Carbon Green Airport through actual green house gas reduction policies in order to meet the requirements of the climate change accords to alleviate global warming. In order to meet the requirements set by the government's eco-friendly policy to achieve low carbon, green growth, KAC has invested in adopting high efficiency, new renewable energy facilities (KRW27.1 billion), green purchasing (KRW45.5 billion), creating Green buildings (KRW149.6 billion), and developing LED type-airfield lighting (KRW1.4 billion). The total investment comes to KRW223.6 billion. In addition, on August 2009, KAC established a 'Green Partnership' with 10 firms, including airlines and on-the-ground firms to strengthen mutual cooperation for promoting the low carbon green airport target. The partnership working meeting is held every two month. The major agendas include reducing green house gases in possible areas within the airports areas and adopting eco-friendly vehicles.

## Yearly Investments Results & Plans for a Low Carbon Green Airport (unit : KRW100 Million)

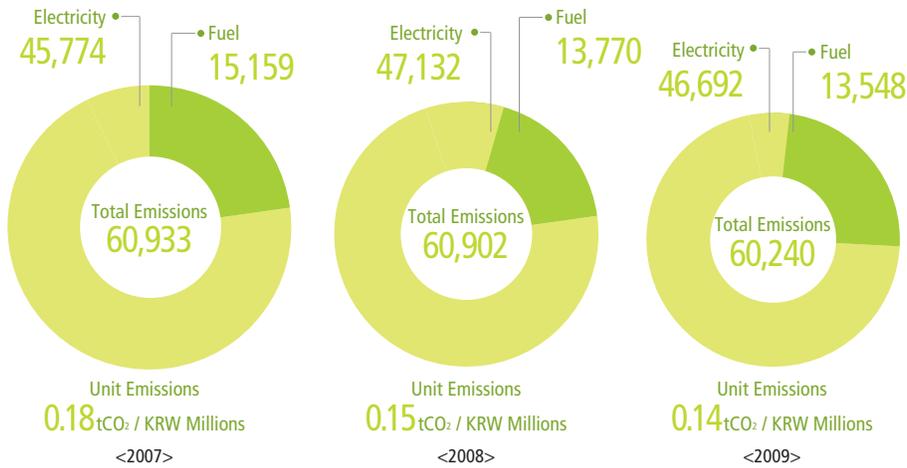
Investment Details		2009	2010	2011	2012	2013	2014	2015	Sub-total
High Efficient New Renewable Energy	Photovoltaic power	1.8	-	1.3	4	1.3	-	1.3	10
	Solar Heat	-	-	2	1.1	0.3	0.3	0.6	4
	Geothermal	-	24	-	12	-	-	-	36
	High Efficient Equipment	9.4	-	4	8	3	13	6	44
	LED Adoption (Airfield Lighting)	13.5	24	10	44	19	19	8	137
		-	-	-	10	10	10	10	40
	Sub-total	24.7	48	17.3	79.1	33.6	42.3	25.9	271
Green Purchasing	Eco-friendly, High Efficient Materials	42	40	40	40	40	40	38	280
	Replacing Work Related Vehicles	0.2	2.3	-	10	25	67.5	70	175
	Sub-total	42.2	42.3	40	50	65	107.5	108	455
Creating Green Buildings	Gimpo Airport	2.4	22.3	95.5	124.1	123.4	62.1	353.2	782
	Jeju Airport	24.5	44.7	2.7	-	-	-	-	72
	Sky Park	-	200	303	-	-	-	-	503
	Gimpo Airport Distribution Center	-	-	-	139	-	-	-	139
	Sub-total	26.9	267	401.2	263.1	123.	462.1	352.2	1,496
Technology Development	Airfield Lighting (LED Development)	-	0.3	3.7	-	-	-	-	4
Green Partnership	GPS Installation	-	-	4	-	6	-	-	10
	Grand Total	94	358	466	392	228	212	486	2,236

# Countering Climate Change

In addition to establishing strategies to counter climate change to actively manage climate change issues, which is a global issue, KAC established medium- to long-term green house gas reduction targets. The target is to reduce green house gases to 2005 standards at -0.7% by 2015. In 2009, the direct and indirect green house gas emission amount stood at 60,240tCO<sub>2</sub>, a 1.1% decline over that of the previous year. Despite the increase in passengers at Gimpo and Jeju Airport due to the improvement of the economy, and the enhanced business at regional airports, KAC was able to reduce green house gases to its aggressive energy savings activities.

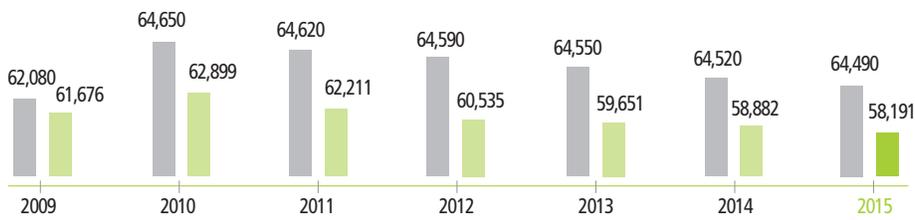
## Green House Gas Emission Amount

(Unit : tCO<sub>2</sub>)



## Medium / Long-term Green House Gas Reduction Targets

■ BAU Forecast ■ Projected Emissions After Adopting Reduction Technology (Unit : tCO<sub>2</sub>)



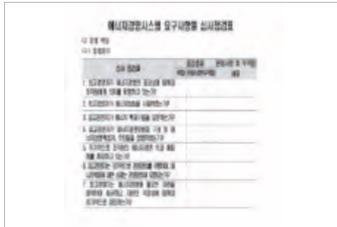
■ Compared to 2005 ■ Compared to BAU (Unit : %)



KAC 2005 Emissions: 58,615tCO<sub>2</sub> - e [C]

Future Green House Gas Emissions When Existing Green House Gas Reduction Technology is Used, while Maintaining Current Policies.

# Eco-friendly Energy Management



Inspection Evaluation Table by Energy Management System Demand Factors



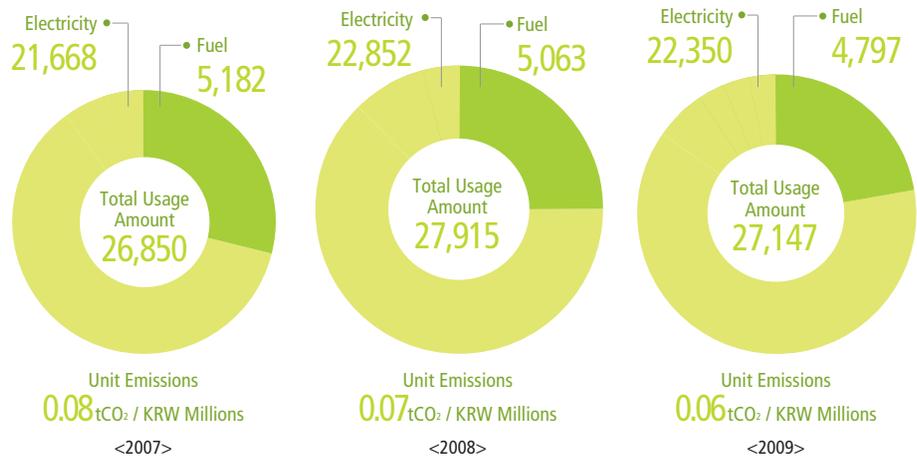
Green House Gas Inventory System

KAC is making every effort to effectively manage and reduce energy used in facility equipment operations. KAC is converting to clean fuels by newly adopting new renewable energy equipment and high efficient LED lighting systems. The Energy Management System (EMS) was adopted to supplement for the lack in carbon reduction targets from direct usage of fossil fuels, and the inefficiency of the energy management system stemming from managing the system by organizations.

KAC's energy management system is based on 26 inspection review tables, enabling efficient energy management operations based on the system. To actively prepare for the green house gas amount inspection based on the climate change accord, KAC concluded a working agreement with the Korea Energy Management Corporation on May 2009. As a result, KAC was able establish and operate a green house gas inventory system to analyze carbon emissions and trends of 16 branches, including 14 airports across the country, enabling KAC to effectively reduce carbon emissions.

## Direct / Indirect Energy Usage Amount (Including Operations, Product Manufacturing)

(Unit : toe)



## Energy Savings Results

(Unit : tCO<sub>2</sub> / Year)

Sector	Business Contents	Annual Savings Amount
New Renewable Energy	Photovoltaic Power Installed a 20kW Solar Generator on top of Jeju Airport's Energy Building	11
High Efficiency	LED Lighting System Installed 6,040 LED Lightings within KAC's all Airports	588
Clean Fuel	City Gas Changed from Kerosene Oil to City Gas for Heat Source	267
Total green house gas emissions were reduced due to the high efficient / New renewable energy project		866

## Adopting New Renewable Energy Facilities

KAC is contemplating expanding the usage of new renewable energies focused on Photovoltaic power, solar heat and geothermal heat. Plans are being considered to optimize the use of energy within the facilities. Efforts are also being taken to encourage responsible employees to increase the re-usage of resources and save resources. KAC is strengthening employee training and principles to enhance energy savings and efficiencies company-wide.

Additionally, KAC actively abides by the governments principles to save energy and reduce green house gases. Going forward, KAC will focus on installing high efficient boilers and LED lightings to reduce energy usage and enhance efficiencies. By enhancing the voluntary efforts of employees, KAC plans to contribute to the global environment preservation efforts that befits KAC's objective of projecting its image globally.

In addition to the planned adoption of the geothermal system at Gimpo and Jeju Airports in 2010, KAC plans to install a 8m<sup>2</sup> solar heating system in Boosan VOR / TACs and 97m<sup>2</sup> in Jeju Airport. Jeju, and a 22KW Photovoltaic power system at Gimpo. KAC will place greater efforts to expanding the use of eco-friendly energies.



Solar Energy Generator System - Jeju

## Adopting Highly Efficient Equipment / LED

Based on annual plans, KAC plans to adopt equipment that are highly efficient such as high efficient boilers and absorption refrigerating machine. By 2015 KAC plans to replace 44% of lightings with LED lightings to optimize electricity consumption.

### High Efficient Equipment



### Lightings Installed in New Buildings



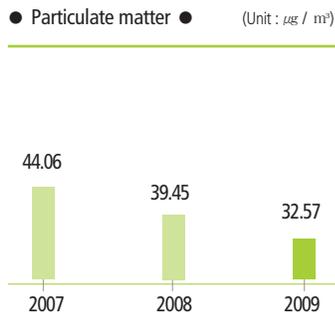
# Minimizing Environmental Impact

## Air Pollution Management

As a result of the air quality automatic measurement network, all measurement factors at Gimpo Airport were below the environmental standard level. The air quality automatic measurement network equipment that was installed at Gimpo Airport in 2006, is a system that can observe air quality 24 hours a day, enabling it to analyze the changes in air quality environment based on the operations of the airport. In addition, a bacterial cleansing and dust protection facility was installed at KAC, enabling measures to be taken against scattered dust. There were no major environmental impacts due to the employees' service and business activities.

### Pollution Measurement Results (2009)

Sector	SO <sub>2</sub> (ppm)	O <sub>3</sub> (ppm)	NO <sub>x</sub> (ppm)	CO(ppm)	Particulate Matter
Environmental Standard	Below 0.15	Below 0.1	Below 0.1	Below 25	Below 100
Measurement Results	0.004	0.016	0.026	1.9	51

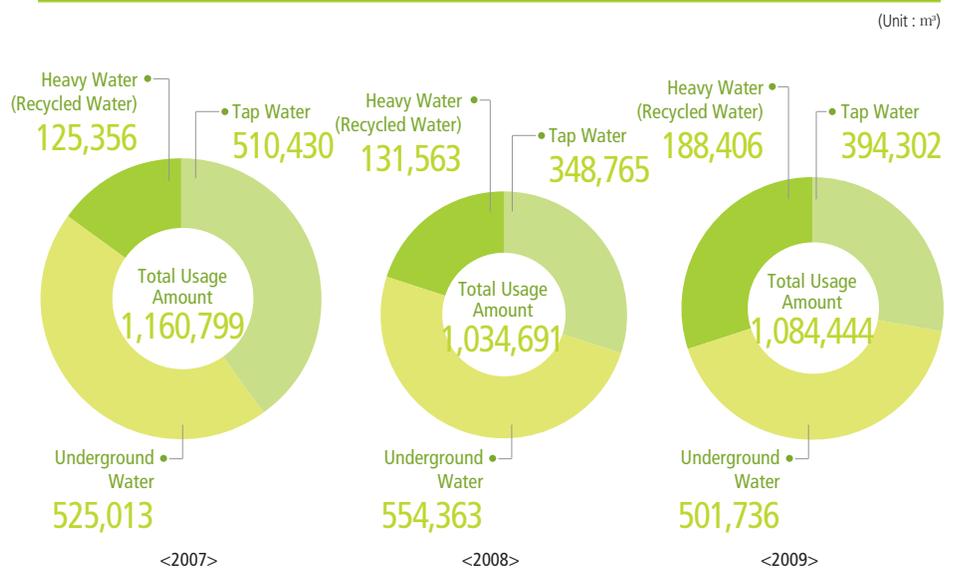


## In door Air Quality Management

Considering the increased social concerns regarding the environment, KAC is placing its effort on enhancing air quality in the passenger terminals to enable the pleasant usage of the airport facilities by minimizing particulate particles that are linked to the health of citizens. To accomplish this, the frequency of changing air filters within the terminals have been reduced, while greater focus has been placed on interior cleaning of the terminals. Monitoring frequency for particulate matters has been extended from once every year to 4 times a year.

## Water Resource Management

16 branches at KAC obtain their water supply from the city and underground wells. The water is first used and the used water is recycled to be used in bathrooms. KAC used 1,084,444m<sup>3</sup> of water in 2009. From the waters consumed in 2009, 188,406m<sup>3</sup> was recycled water. As a major airport, Gimpo Airport sources its water from Poongnab Reservoir. There has been no reported environmental impact from sourcing water from the Poongnab Reservoir.



## Water Quality Management

Daily waste water is treated in accordance to the 'Water Quality and Water Ecology Preservation Law' regarding waste water, and the 'Sewer Law.' In regards to the operations of the airports, to prevent water pollution from passenger and cargo terminals and other ancillary facilities, and to protect water resources, KAC installed and operates waste water treatment facilities with water treatment capacities catered to the needs of each airport.

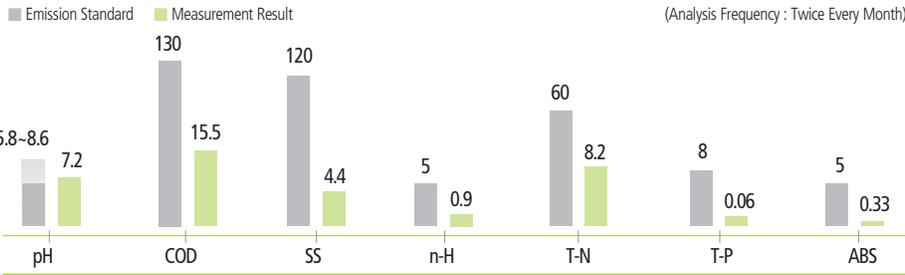
Currently, 3 water quality automatic measurement networks are installed in drains within Gimpo Airport. Water quality is measured and monitored 24 hours a day. In major drainage spots an outside professional measurement firm is contracted. Based on objective data, water pollution is eliminated.

In addition, water quality pollutant material are regularly measured and analyzed in polluted water and waste water treatment facilities by an outside measurement firm either once semi-annually or once monthly based on the airport's treatment capacity. In 2009, there were no cases where the pollutant level exceeded legal standards. Additionally, to prepare for non-point pollution in areas such as runways, a core facility, plans have been established.

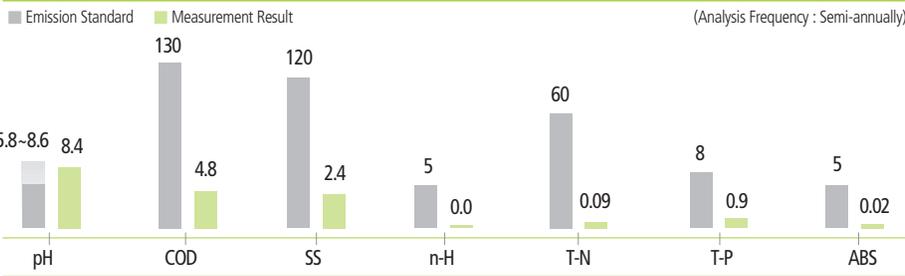
### Waste Water Treatment Water Quality Analysis Results (2009)

(Unit : m<sup>3</sup>)

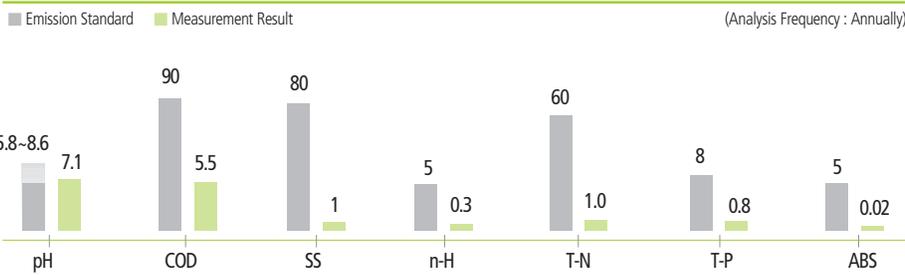
#### ● Gimpo ●



#### ● Jeju ●



#### ● Cheongju ●

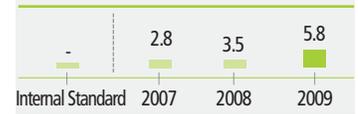


### Automatic Water Measurement Network( Gimpo Airport)

#### ● pH ● (Unit : mg / L)



#### ● DO ● (Unit : mg / L)



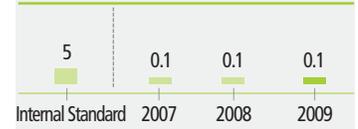
#### ● SS ● (Unit : mg / L)



#### ● COD ● (Unit : mg / L)



#### ● n-H ● (Unit : mg / L)



※ pH : Hydrogen Ion Concentration / Refers to the Mol quantity of hydrogen ion in the IL solution. The more hydrogen ion, the closer the solution becomes to acidity.

DO: Dissolved Oxygen / Amount of oxygen in molecular form that is dissolved in water or solution.

SS: Suspended Solid Quantity / Shows the quantity of substances suspended in a fixed quantity of water.

COD: Chemical Oxygen Demand / Amount of oxygen required to dissolve contaminated substances such as organic compounds through oxidation.

n-H : Normal Hexane(C6H14) / Mainly used in dissolving contaminated substances in waste water.

T-N : Total Nitrogen / Substance that needs to be eliminated when purifying water.

T-P : Total Phosphorus / Substance that needs to be eliminated when purifying water.

ABS: alkybenzene sulfonate / As one of the negative ion composite detergent substances, degradation level is low and could cause problems to one's health.



### Airport Nonpoint Pollution Management

Although none of the airports operated by KAC are currently obligated to manage nonpoint pollutions, in accordance with the Ministry of Environment's 'Water Environment Management Basic Plan (2006~2015)', existing facilities will be legally obligated, starting in 2011, to manage nonpoint pollutions, making it imperative to establish measures regarding the prevention of nonpoint pollutions, and eco-friendly airport management.

As such, KAC will minimize the impact on the ecology from water pollutants by establishing natural, structural, non-structural and optimal management measures such as utilizing vegetated filter strips from the grasslands on the runway, and the apron's and parking area's nonpoint pollution reduction facilities. In addition, a diverse range of organisms will be secured. Through these measures KAC is establishing its image as an eco-friendly green airport. Since the Ministry of Environment's nonpoint pollution reduction target for the '4 Major Lake Project' is 34.3% by 2020, with an average nonpoint pollution BOD reduction of 37.6% for its regional airports, KAC has already met the government's target. KAC's major regional airport, Gimpo Airport's nonpoint pollution area is the Han River. However, there have been no reports of any pollution.

※ Nonpoint Pollution Source: Pollutant areas that have a wide emission route such as nurseries (farms), open storage facilities, farm land drains, city road drains, etc. Non-specific pollutant source: sub-county pollutant source, moving pollutant source or other water pollutant sources.

### Major Water Treatment Facility Results by Major Airports (2009)

Airport	Facility Capacity (m <sup>3</sup> / Day)	BOD (mg / L)		SS (mg / L)	
		Standard	Measurement Results	Standard	Measurement Results
Gimpo Airport	4,000	20	5.0	20	8.6
Gimhae Airport	1,700	20	5.4	20	3.3
	30	20	4.8	20	4.5
Cheongju Airport	200	8	5.2	20	3.6
Yang Yang Airport	400	10	1.6	10	1.1
	2	10	1.5	10	2.2
Muan Airport	933	5	1.7	5	1.1
Yeosu Airport	400	20	4.4	20	10.9
Sacheon Airport	60	20	4.4	20	4.8
Pohang Airport	400	5	2.3	5	0.4
Gunsan Airport	30	20	9.5	20	7.0

### Eco-friendly Product Purchase

In accordance with the 'Eco-friendly Product Purchase Promotion Law', products with the eco-friendly mark will be purchased as a priority. KAC is actively abiding by government policies. KAC continuously receives information on eco-friendly products through the Internet, using the information in its purchasing decision. If not eco-friendly, KAC will place priority on products that are eco-friendly in terms of high efficiency and power consumption.

## Waste Material Management

Waste material from KAC's facilities is classified as specific waste material depending on how the general waste materials and facility materials are managed and handled. Specific waste material such as waste water, frozen waste liquor in levees, waste water sludge, and incinerated ash amounts are stored in approved containers and sent to contract treatment firms for treatment. In case of general waste material, recyclable materials such as plastics are separated and collected to try to minimize the quantity of waste material. In 2009, general waste materials generated from KAC's facilities stood at 2,821 tons, a 12.5% decrease over the previous year which was at 2,469 tons. As for specific waste material, due to the effects from the construction of Sky Park, it increased to 339 tons in 2009 from 84 tons in 2008, an approximately 403% increase.

## Environment Pollution & Breach Cases

Effects from environmental pollution is being prevented through systematic environment management system management. Compliance training is also being implemented for employees. As a result, there were no environmental pollution accidents in all areas related to air, water, waste material and soil at Head Office and 14 regional airports in 2009. KAC will fulfill its obligation as a safe and credible public enterprise by continuously holding compliance training courses and advocating the eco-friendly mentality.

## Ecology Preservation Activities

Although KAC's facilities are not located in ecologically important areas where important biological life or wetlands exist, there are always concerns of birds colliding with airplanes. KAC is taking precaution to find eco-friendly measures to overcome this concern. KAC continuously reviews the possibility that the ecological environment in areas near the airport may change due to airplane noise. For this reason, KAC continuously seeks advice from ecological environment specialists. In the future, KAC will carefully approach factors that could possibly change and focus on finding measures to deal with the changes in order to operate airports alongside the natural ecological environment.



## Soil Pollution Management

In some of the airports that manage jet fuel storage facilities and boiler kerosene (for cooling and heating) storage facilities, regular soil pollution tests and leakage tests are carried-out within the facilities and surrounding areas. The test results showed that the Total Petroleum Hydrocarbons (TPH) level was within allowable limits, and there were no fuel leakages. Fuel storage facilities are inspected daily, monthly and annually.

Airport	Measurement Spot	TPH Test Results (mg / kg)		
		Standard Concern	Standard Measures	Inspection Results
Gimpo Airport	Tank Area			Below 67.205
	Pipe Area	2,000	5,000	Below 37.698
	Surrounding Area			53.474
Gimhae Airport	Tank Area			86
	Pipe Area	2,000	5,000	Not Detected
	Surrounding Area			124
Jeju Airport	Tank Area			Not Detected
	Pipe Area	2,000	5,000	Not Detected
	Surrounding Area			Not Detected
Daegu Airport	Tank Area			-
	Pipe Area	2,000	5,000	-
	Surrounding Area			-
Muan Airport	Tank Area			-
	Pipe Area	2,000	5,000	-
	Surrounding Area			-
Pohang Airport	Tank Area			10.3
	Pipe Area	2,000	5,000	Below 10
	Surrounding Area			Below 10
Yang Yang Airport	Tank Area			Not Detected
	Pipe Area	2,000	5,000	Not Detected
	Surrounding Area			Not Detected

# Noise Reduction Efforts

As the demand for air traffic demand increases due to the economic recovery, so does the noise factor. KAC is systematically establishing measures to deal with the noise factor through domestic and overseas case research and opinions & suggestions from stakeholders. As part of KAC's measures, it established a mid- to long-term strategy based on laws and regulation. Existing projects, including the residential soundproofing project will be completed by 2014. The resident support budgets were also allocated by province and airport. For 10 years, the total budget was set at KRW435.5 billion.

## Noise Monitoring System

To actively implement measures regarding noise and to minimize the effects from noise, the noise standard was readjusted from 89.8dB(A) to 84.0dB(A) on July 2008, while an automatic noise measurement network was installed at Gimpo and Jeju Airport simultaneously to constantly measure the noise level. On December 2009, the automatic noise measurement network was installed in 6 areas at Gimhae Airport, while the automatic noise measurement network was improved in 6 areas at Jeju Airport. KAC will try to encourage airlines to lower the noise level and reduce the noise affected areas by expanding the installation of the automatic noise measurement network. By 2011, the automatic noise measurement network is planned to be installed at Ulsan and Yeosu Airports.

## Measures Regarding Airplane Noise

In accordance with article 107 of the Aviation Law starting in 1994, Gimpo, Gimhae, Jeju, Ulsan and Yeosu Airports were designated as airplane noise affected areas. In these areas KAC has carrying-out various noise prevention projects such as installing soundproofing facilities for residents, solving TV reception problems, installing soundproofing facilities for schools, installing cooling facilities, and helping install public usage facilities. Briefing sessions are being held regarding noise related measures, and noise occurrence status and measures are being advertised in detail to various stakeholders. To effectively and rationally deal with civil complaints, a Noise Situation TF Team was formed to actively come up with plans to effectively deal with noise complaints. In addition to reacting to issues after it occurs, KAC is also actively establishing measures to prevent noise from occurring. To do this, KAC has substantially increased its budget. Additional projects are also being initiated to reduce noise and provide convenience to the residents. The scope of public facilities has been expanded, while the support limitations for resident welfare projects have increased from 10% to 25%. Eligible beneficiaries have also been expanded to cover multi-cultural / athletic school facilities, enabling residents and students to become beneficiaries of KAC's support.

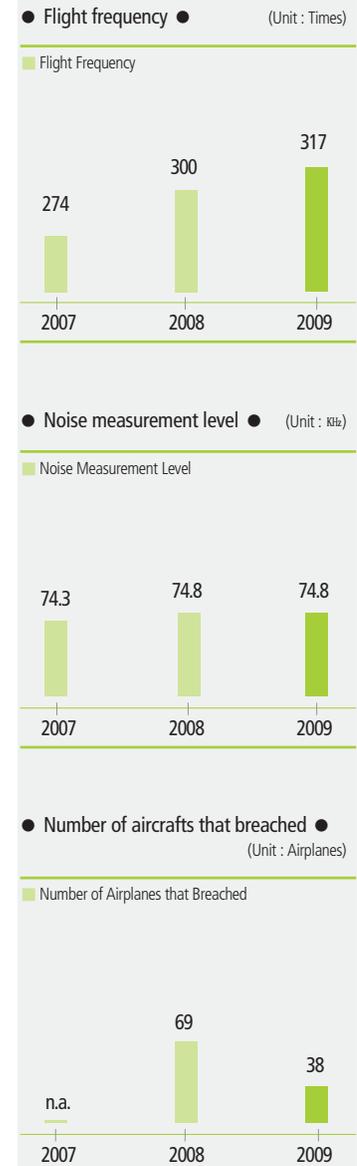
## Status of Noise Effected Areas by Airport

Out of the 14 airports, Gimpo, Gimhae, Jeju, Ulsan and Yeosu Airports have been designated as areas requiring projects to reduce noise in accordance the enforcement ordinance article40 of the Aviation law. The noise from the five airports covers an area totaling 56.48km<sup>2</sup>, effecting 49,410 residents. KAC is placing greater focus on monitoring aircrafts that breach KAC's noise standard so as to minimize areas affected by the noise of airplanes.

## Budget for Noise Reduction Measures Increased

Out of the total budget of KRW37,958 million allocated for noise reduction projects in 2009, KRW25,350 million was spent early on, satisfying the government's policy to reinvigorate the economy and promote stronger relations with the region. 2009's budget, which includes government aided funds increased by approximately 204% in 2009 from KRW12,479 million in 2008, attesting to the importance placed on finding measures regarding noise by KAC.

## Number of Aircrafts that Breached the Noise Level at Gimpo Airport



※ In accordance to the low noise flight procedures at Gimpo Airport outlined by the Seoul Regional Aviation Administration (December 31, 2007), Aircrafts that breached the noise standards were exposed starting on July 1, 2008.

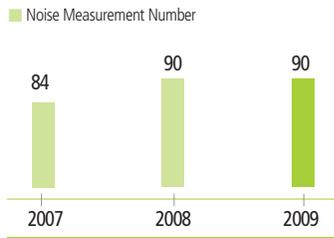


Assessing the Noise Level Around Airports



Monitoring Airplane Noise

● Resident soundproofing satisfaction survey ● (Unit : %)



**Number of Civil Complaints**

The number of civil complaints in relation to noise dropped from 6 cases in 2008 to 0 cases in 2009, while petitions and suggestions also dropped from 11 cases in 2008 to 3 cases in 2009, a 72% decline. This was due to the fact that KAC placed its project priorities towards noise affected areas and strengthened its support initiatives. KAC will place its mid- to long-term efforts as an excellent company finding ways to counter noise and prevent group demonstrations from occurring and negative petitions or suggestions from being presented through greater effort.

**Noise Reduction / Convenience Projects for Residents**

In order to allow students in the noise affected areas to study in a more pleasant and quite environment, KAC is expanding its effort to build additional soundproofing facilities and cooling facilities for schools. In 2009, the support structure and size was expanded. KAC is also trying secure budgets to extend its support to cover the local residents through public facilities.

● Residential soundproofing facility ●



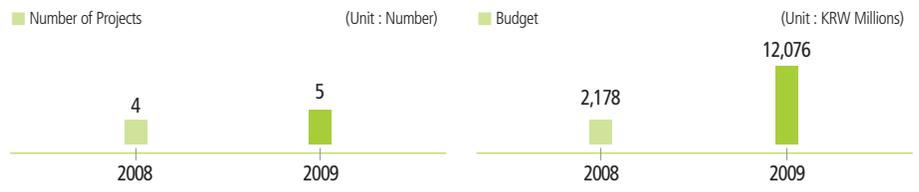
※ Improved Living Environment

● School soundproofing / Cooling facility ●



※ Fostered Studying Environment

● Support of public facilities number of projects ●



※ Provided Convenience to Residents

● Residential relationship activities ●



※ Supported Alienated Class



# Appendix

# UN Global Compact



As a corporate citizen seeking to fulfill its social responsibilities, on October 2007, KAC joined the UN Global Compact (UNGC), an international agreement that stipulates social responsibility. By joining the UNGC, KAC declared its commitment to sincerely uphold the 4 major provisions, which include human rights, labor, environment and anti-corruption, and the 10 major principles. Through the annual sustainability report, KAC will report the results of its implementation of the UN Global Compact.

Category	Principles	Implementation	Performance Index	GRI	BEST	Page (s)
Human Rights	① Businesses should support and respect the protection of internationally proclaimed human rights.	• Employee Training		HR1 HR2 HR3 HR4	PN2 PN3 EM7 EM8 EM9	40
		• Human Rights Training, Ethical Management Training		HR5 HR6 HR7	EM10 EM30 EM31 CO2	38
	• Sexual Harassment Prevention Training		HR8 HR9		38	
	② make sure that they are not complicit in human rights abuses.	• Total Number of discrimination cases		HR1 HR2 HRI	PN2 PN3 EM31	39
Labor	③ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	• Labor Union & Labor Union Membership Status		HR5 LA4 LA5	EM8 EM12 EM13	46~48
		• Whether there has been labor disputes				
	④ the elimination of all forms of forced and compulsory labour.	• Whether standard labor laws, ILO or cooperative agreements have been abided.		HR7	EM10	47
	⑤ the effective abolition of child labour.	• Whether standard labor laws, ILO or cooperative agreements have been abided.		HR6	EM9	47
	⑥ the elimination of discrimination in respect of employment and occupation.	• Disabled Employment Rate		HR4 LA2 LA10	EM2 EM3 EM5	38~39
	• Female Employment Rate		LA13 LA14	EM7 EM17 EM27		
	• Expansion of hiring from other provinces					
Environment	⑦ Businesses should support a precautionary approach to environmental challenges.	• Non-financial risk management		4.11	GR11	34~35
		• Environment Management Principles				59
	⑧ Undertake initiatives to promote greater environmental responsibility.	• Environmental Impact Evaluation		EN2 EN5 EN6 EN7	EV1 EV2 EV3 EV4	59~71
		• Environmental Impact Reduction		EN10 EN13 EN14	EV16 EV17 EV23	
• Environment Quality Management		EN18 EN21 EN22	EV26 EV27			
• Environment Performance Management						
	⑨ encourage the development and diffusion of environmentally friendly technologies.	• Green House Gas Reduction				
• Energy Savings Activities			EN2 EN5 EN6 EN7	EV4 EV5 EV18 EV23	63	
• Environment Investment Expenses			EN10 EN18 EN26		64	
		• Global climate change prevention activities		EN27		62
Anti-corruption	⑩ Businesses should work against corruption in all its forms, including extortion and bribery.	• Adopted & concluded Clean Contract principles		SO2 SO3 SO4	CO5 EM25 EM26	12, 50
		• Operate Internal Reporting Policy				12
		• Strengthen Ethical Management Self				11

# Third Party Assurance Report



## Introduction

The Korean Foundation for Quality carried-out the Assurance on Korea Airports Corporation's 2010 Sustainability Management Report ("Report"). The preparation standard for this Report was decided by KAC, while the Korean Foundation for Quality has a responsibility to provide its assurance opinion on this Report.

## Independency of the Assurance Review

Other than providing 3rd party assurance services, Korean Foundation for Quality does not in any way have profit-making interests with KAC's overall business activities. In addition, The Korean Foundation for Quality does not have any prejudiced opinions of any of KAC's stakeholders.

## Assurance Review Standard & Scope

The Korean Foundation for Quality planned and initiated its assurance of the Report based on the AA1000 Standards announced by the firm, AccountAbility in 2003, while GRI's (Global Reporting Initiative) 2006 Sustainability Reporting Guidelines (G3) was applied as a standard in preparing the Sustainability Management Report. The Assurance scope was carried-out on 3 regional main offices and 11 regional airports, including KAC's Head Office focused on the efforts and performance of sustainability management.

## Assurance Review Procedures

The Assurance Procedures were planned so as to provide rational confidence that the Report does not contain major errors or inaccurate information. The internal process to ensure credibility of the contents of the Report, to generate data that has been reported, and to prepare the Report, was reviewed as follows

- Document Review

The level the Report was prepared from KAC's perspective was evaluated by comparing the Report to information researched through the media and Internet, and the GRI Guidelines.

- On-site Assurance Review

To confirm the credibility of sustainability management activities and performance data contained in the Report, and to evaluate the validity of the Report preparation process, an on-site Assurance Review was carried-out focused on the functions of the Head Office and regional main offices. Based on sampling principles in consideration of prioritizing information on their importance, evidence was collected through interviews with personnel in charge of internal documents and information. At the same time, systems to manage these information and Report preparation processes were analyzed.

- Verification

It has been confirmed that partial errors, inaccurate information and unclear expressions found were appropriately rectified and reflected in the final Report.

### Consideration & Restraining Factors

The completeness and accuracy of the data contained in the Report inhibits its own limitations depending on the characteristics of the data, and the method of deciding on, calculating and projecting the data.

### Assurance Review Conclusion

Based on the Assurance activities above, the Korean Foundation for Quality believes it has secured rational evidence to make the following conclusion on the Report:

- ① KAC is carrying-out processes to identify and understand the activities, performance and effects of environment management activities, and the perspectives of stakeholders. KAC has appropriately recorded its efforts and performance regarding the management of major issues that have been identified.
- ② KAC is validly initiating internal systems to generate, collect and analyze publicly disclosed information. In conclusion, from an importance perspective, no distorted section in the Report has been identified.

### Suggestions for Improvement

The Korean Foundation for Quality would like to suggest that i) a standard performance index be developed that can accommodate core and supplemental indexes that is demanded by GRI's Sustainability Reporting Guidelines (G3) preparation standard, ii) continuous consideration be given to link these performances from a sustainability context, and iii) a more balanced approach to handling diverse efforts and performances that encompasses positive and negative effects be initiated from the stakeholders perspective and in consideration of the importance of the subject. In addition, the Korean Foundation for Quality would also like to suggest that the demands of stakeholders be continuously identified through various channels and that KAC more effectively utilize these demands as important fundamental information.



June. 2010  
Korean Foundation for Quality CEO  
Jae-Ryong, Kim

# GRI G3 Index

● Reported   ● Partially Reported   ◇ Not-Applicable   ○ Not Reported

Sub-category	Index Number	GRI Index Details	Reporting Level	Related Page	BEST Guideline Index No.
<b>Corporate Outline</b>					
<b>Strategy and Analysis</b>	1.1	Statement from the most senior decision-maker in regards to organization & strategy related to sustainable performance	●	2-3	A_1
	1.2	Major risk & opportunity factors	●	15	A_2
<b>Organizational Profile</b>	2.1	Name of the organization	●	4	A_3
	2.2	Primary brands, products, and / or services	●	4	A_4
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and affiliated companies.	●	5	A_5
	2.4	Location of organizations main office / regional head offices	●	4	A_7
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to sustainability issues covered in the report.	●	4	A_7
	2.6	Nature of ownership and legal form	●	4	A_8
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers / beneficiaries).	●	5	A_9
	2.8	Scale of the reporting organization. (Employees, Net Earnings, Total Capital, Products & Services, etc.)	●	4	A_10
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	4	B_8
	2.10	Awards received in the reporting period.	●	81	C08
<b>Report Parameters</b>	3.1	Reporting period (e.g., fiscal / calendar year) for information provided.	●	C2	B_3
	3.2	Date of most recent previous report.	●	C2	B_8
	3.3	Reporting cycle (annual, biennial, etc.)	●	C2	B_6
	3.4	Contact point for questions regarding the report or its contents.	●	C2, 87	B_9
	3.5	Process for defining report content.	●	8-9	B_4
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	9	B-1
	3.7	State any specific limitations on the scope or boundary of the report.	●	8	B-2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and / or between organizations.	●	C2, 4-5	A_6
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	C2	-
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	C2	-
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	C2	B_5
	3.12	Table identifying the location of the Standard Disclosures in the GRI report.	●	76-80	B_10
	3.13	Policy and current practice with regard to seeking external assurance for the report.	●	C2	B_7
<b>Governance, Commitments, and Engagement</b>	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	13	GR1
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	13	GR1 GR3
	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.	●	13	GR2
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	13	GR12
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.	●	13	GR7
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	14	GR13
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	13	GR4
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	9	-
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	13-14	GR5
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	13-14	GR6
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	14	GR11

Sub-category	Index Number	GRI Index Details	Reporting Level	Related Page	BEST Guideline Index No.
<b>Corporate Outline</b>					
<b>Governance, Commitments, and Engagement</b>	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	73	GR10
	4.13	Memberships in associations (such as industry associations) and / or national / international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues, or views membership as strategic.	●	81	A_11
	4.14	List of stakeholder groups engaged by the organization.	●	7	C_1 C_2
	4.15	Basis for identification and selection of stakeholders with whom to engage.	●	7	C_1
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	7	C_2
	4.17	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	7	C_3
	<b>Economic Performance</b>				
<b>EC</b>	<b>Disclosure on Management Approach</b>		●	17	
<b>Economic Performance</b>	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	19	EC1
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	62	EC2
	EC3	Coverage of the organization's defined benefit plan obligations.	●	44	EC3
	EC4	Significant financial assistance received from government.	●	71	EC5
<b>Market Presence</b>	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	◐	38	EM4
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	N / A	.	EC4
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	◐	39	EC4
<b>Indirect Economic Impacts</b>	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	52~55	EC6
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	19	EC7
<b>Environmental Performance</b>					
<b>EN</b>	<b>Disclosure on Management Approach</b>		●	57	
<b>Materials</b>	EN1	Materials used by weight or volume.	N / A	.	EV10
	EN2	Percentage of materials used that are recycled input materials.	◐	57~65	EV11
<b>Energy</b>	EN3	Direct energy consumption by primary energy source.	●	63	EV7
	EN4	Indirect energy consumption by primary source.	●	63	EV8
	EN5	Energy saved due to conservation and efficiency improvements.	●	63	EV5
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	64	EV5
<b>Water</b>	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	63~64	EV5 V25
	EN8	Total water withdrawal by source.	●	65	EV9
	EN9	Water sources significantly affected by withdrawal of water.	●	65, 67	EV20
<b>Bio-diversity</b>	EN10	Percentage and total volume of water recycled and reused.	●	65	EV18
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	68	EV22
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	68	EV22 EV26
	EN13	Habitats protected or restored.	●	68	EV27
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	68	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	.	EV28

● Reported    ◐ Partially Reported    ◇ Not-Applicable    ○ Not Reported

Sub-category	Index Number	GRI Index Details	Reporting Level	Related Page	BEST Guideline Index No.
<b>Environmental Performance</b>					
<b>Emissions, Effluents, and Waste</b>	EN16	Total direct and indirect greenhouse gas emissions by weight.	●	62	EV12
	EN17	Other relevant indirect greenhouse gas emissions by weight.	●	62	EV13
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	62	EV4
	EN19	Emissions of ozone-depleting substances by weight.	○	-	EV14
	EN20	NOx, SOx, and other significant air emissions by type and weight.	●	65	EV15
	EN21	Total water discharge by quality and destination.	●	66	EV17
	EN22	Total weight of waste by type and disposal method.	●	68	EV16
	EN23	Total number and volume of significant spills.	●	69	EV21
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○	-	EV29
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	65-67	EV19
<b>Products &amp; Services</b>	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	59	EV23
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	N / A	-	EV24
<b>Compliance</b>	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	68	EV31
<b>Transport</b>	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◐	59	EV30
<b>Overall</b>	EN30	Total environmental protection expenditures and investments by type.	●	57	EV1
<b>Labor Performance</b>					
<b>LA</b>		Disclosure on Management Approach	●	27	
<b>Employment</b>	LA1	Total workforce by employment type, employment contract, and region.	●	38	EM1
	LA2	Total number and rate of employee turnover by age group, gender, and region.	◐	38	EM5
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	38	EM20
<b>Labor-Management Relations</b>	LA4	Percentage of employees covered by collective bargaining agreements.	●	47	EM12
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	◐	47	EM13
<b>Health &amp; Safety</b>	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	●	47	EM14
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	47	EM19
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	◐	47	EM18
	LA9	Health and safety topics covered in formal agreements with trade unions.	◐	47	EM15
<b>Training &amp; Education</b>	LA10	Average hours of training per year per employee by employee category. Health and safety topics covered in formal agreements with trade unions.	●	27	EM27
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	40-41	EM28
<b>Diversity Performance</b>	LA12	Percentage of employees receiving regular performance and career development reviews.	●	40-41	EM29
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	38-39	EM2
<b>Equal Opportunity</b>	LA14	Ratio of basic salary of men to women by employee category.	◐	38	EM3

Sub-category	Index Number	Index Contents	Satisfaction Level	Related Page	Related BEST
<b>Human Rights Performance</b>					
HR		Disclosure on Management Approach	●	27	
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.	◐	51	PN2
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	◐	51	PN3
	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.	●	12	EM30
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken.	●	39	EM7
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 actions taken to support these rights.	●	47	EM8
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	38	EM9
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	38	EM10
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.	●	38	EM31
Indigenous People's Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	70~71	CO2
<b>Social Performance</b>					
SO		Disclosure on Management Approach	●	27	
Communities	SO1	Nature, scope, and effectiveness of any programs and practices that evaluate and manage the impacts of operations on communities, including entering, operating, and exiting.	●	52	CO2
	SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	12	CO5
Corruption	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	12	CO5
	SO4	Actions taken in response to incidents of corruption.	●	12	CO5
	SO5	Public policy positions and participation in public policy development and lobbying.	●	11	CO6
Public Policy	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	11	CO7
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	12	CS3
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	12	CO9
<b>Product Responsibility Performance</b>					
PR		Disclosure on Management Approach	●	27	
Customer Health & 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.	●	35	CS4
	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.	●	35	CS11
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.	N / A	.	CS5
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N / A	.	CS12
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	27, 29	CS9
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	29	CS13
	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.	●	29	CS14
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	29	CS15
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	29	CS12

# Airport Operators Sector Supplement

● Reported    ◐ Partially Reported    ◇ Not Applicable    ○ Not Reported

GRI Index	Index Number	GRI - AOSS Index Contents	Satisfaction Level	Page
Environment	AOSS 1	Number of wildlife strike overall	●	34
	AOSS 2	Number of wildlife strikes leading to aircraft damage	●	34
	AOSS 3	NO <sub>2</sub> , SO <sub>2</sub> Annual average concentrations	●	65
	AOSS 4	Number of people residing in areas affected by noise and percentage change	◐	71
	AOSS 5	Number of people residing in areas affected by noise at night and percentage change	◐	71
	AOSS 6	Geographical area covered by noise contour	●	70
	AOSS 7	Number of noise events above a certain threshold	●	70
Labor	AOSS 8	Number of new cases of noise-induced hearing loss	●	71
Society	AOSS 9	Number of people displaced broken down by gender	●	38
	AOSS 10	Report on compensation paid to displaced persons, and describe what compensation covered	●	44
	AOSS 11	Describe issues raised through community consultations and grievance mechanisms	●	70~71
	AOSS 12	Community investment initiatives and ratio of the value of community investments and turnover or net income	●	20
Product Responsibility	AOSS 13	Number of incidents when the airport is completely (or partially) shut down to air traffic longer than 6 hour due to unplanned events(total hours, percentage of weather related)	●	34
	AOSS 14	Recovery time for airports to return to full operation after a complete or partial shutdown to air traffic due to unplanned events	○	·
	AOSS 15	Percentage of total airport land developed relative to total area available for development	○	·

# Awards & Memberships in Organizations

## Group & Association Membership Status

	External Group Name	Membership Status
1	UN Global Compact Network Korea	General Membership
2	International Contractors Association of Korea	Special Membership
3	Korea Engineering & Consulting Association	General Membership
4	Korea Information Comm. Contractors Association	General Membership
5	The Korea Navigation Institute	Special Membership
6	Public corporation Transparent Society Implementation Association	General Membership
7	Airports Council International (ACI)	Asia-Pacific BOD Official
8	Korea Integrated Distribution Association	General Membership
9	East Asian Airports Alliance (EAAA)	General Membership
10	Korea Electric Engineers Association	Work & General Membership
11	Korea Institute of Construction Engineering and Management	General Membership
12	Aviation Management Society of Korea	Special Institution Membership
13	Korean Society of Public Enterprise	General Membership
14	Korea Civil Aviation Development Association	Association Chairman

## Corporate Awards & Certifications

Date of Awards(Certifications)	Award Type	Award Ranking	Sponsor
April 22, 2009	Coexistent Economy, Citizens Idea Public Contest (Green Growth Sector)	Prime Minister Award	Ministry of Public Administration & Security
June 25, 2009	Service Quality Certification (Gimpo, Gimhae, Jeju)	Gimpo AAA Gimhae · Jeju AA+	Korea Management Association Consulting (KMAC)
September 14, 2009	Corporate Magazine, International Business Awards (IBA)	Marketing Sector Grand Prize	International Business Award
October 8, 2009	Overall 1 <sup>st</sup> Place, Korea Ethical Management Awards	Ethical Management Grand Prize	Hankyung Business
October 15, 2009	Korea's Good Working Place (GWP)	Public Corporation Excellent Award	GWP Korea
November 24, 2009	Overall 1st Place in Customer Satisfaction Management	Honor of Korea	Korea Management Association Consulting (KMAC)

## Personal Awards

Award Date	Award Name	Award	Sponsor
June 4, 2009	Silver Tower Industrial Award	Received the Highest Global Aeronautical Safety Evaluation	ICAO
December 28, 2009	National Competitive Awards, CEO Best Awards	National Competitiveness Enhancement Committee Sponsorship	Korea Management Institute
December 31, 2009	Award for Meritorious Tourism Development	Minister Award	Ministry of Culture, Sports and Tourism

# Compliance Status

KAC abides by the UN Global Compact, an international agreement, ILO Labor Standards, and domestic laws, which is critical for business. In 2009, KAC has not in any way breached the following agreements or laws related to the economy, society and environment.

Gas Act	Occupational Safety and Health Act	Disabled Employment Promotion & Job Rehabilitation Act
High Pressure Gas Safety Management Act	Industrial Disaster Compensation Act	Low Birth · Aging Society Basic Act
Employment Insurance Act	Commercial Act	Contagious Disease Prevention Act
Framework Act on Employment Policy	Income Act	Act on Customer Protection in Electronic Transactions
Act on Protecting Private Information in Public Companies	Fire Act	Special Priority to Prioritize Purchasing from Products Manufactured by the Seriously Disabled
Act on the Management of Public Corporations	Act on the Maintenance of Fire Fighting Facilities & Safety Management	Sustainable Management Basic Act
Act on Managing Public Corporations, Act on Disclosing Public Corporation Information	Noise Vibration Restriction Act	Underground Water Act
Act on Improving the Management Structure of Public Corporations & Privatization	Special Act on the Improvement of Air Environment in Metropolitan Areas	Disaster & Safety Management Basic Act
Public Hygiene Related Act	Metropolitan Area New Airport Construction Promotion Act	Act on the Promotion of Purchasing Eco-friendly Goods
Act on Litigation to which the State is a party	Act on the Preservation of Water Quality & Water Ecology	Soil Environment Preservation Act
National Standard Basic Act	Elevator Safety Act	Patent Act
National Accounting Act	Special Act on Obligatory Facility Safety Management	Waste Water Management Act
National Pension Act	New Energy & Renewable Energy Development, Utilization, Distribution Promotion Act	Act on the Promotion of Waste Water Treatment Facilities & Support for the Surrounding Areas
National Audit & Investigation Related Act	Wild Life & Plant Life Preservation Act	Act on the Fairness of Expressed Advertising
Act on the Promotion of Labor Participation & Cooperation	Outdoor Advertisement Management Act	Act on the Fairness of Sub-contracting
Act on Equal Employment and Support for Work-Family Reconciliation	Act on Medical Emergencies	Sewerage Act
Trade Union and Labor Relations Adjustment Act	Usage, Distribution Promotion Act	Korea Airports Corporation Act
Public Usage Facilities such as Indoor Air Quality Management Act	Energy Basic Act	Aviation Act
Air Environment Preservation Act	Energy Usage Rationalization Act	Aviation Safety and Security Act
Monopoly Regulation and Fair Trade Act	Dangerous Material Safety Management Act, Transportation Safety Act	Air Transport Business Promotion Act
Act on the Development & Operations of Distribution Facilities	Natural Disaster Management Act	Act on the Conversion to an Eco-friendly Industrial Structure
Mother / Child Health Act, Corporate Tax Act	Natural Environment Preservation Act	
Act on Subsidy Budgets & Its Management	Act on Resource Savings & Recycling Promotion	
Value Added Tax Act	Disabled Employment Promotion & Job Rehabilitation Act	
Social Security Basic Act	Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons	

# Glossary

## Establishing a Broadband Communications Network

A communications network that enables diverse communications functions with one copper cable, such as two-way interactive video phones, data Communications, facsimile, and newspapers, in addition to cable television.

## Airport Integrated Monitoring

Established and operated a measurement network integrated monitoring center in all airports to reduce cost and effectively observe the environmental pollution situation such as noise, water quality and air quality.

## Airport Operations Certification

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

## Airport Capacity Evaluation

Calculating and evaluating the processing capacity of all major airport sectors (runway, taxiway, mooring & passenger terminal, air transport control duties, and other factors that affects airport capacity) based on standards presented by the government's airport development mid- to long-term general plan, and ICAO, FAA & IATA.

※In accordance to the Ministry of Land, Transport and Maritime Affairs' Aeronautical Safety Directive clause 116 「Airport Capacity Establishment Guideline」 that was enacted and presented (December 29, 2006), airport operatives are required to calculate the processing capacity for all major sectors of the airport.

## Airport Barrier Management System

Overall system that generates 3D video information through detailed measures of barrier restricted areas, and that enables an efficient and systematic analysis, evaluation and management of barriers. Since the government's responsibilities have been transferred, a barrier management system will be established in the 6 civilian airports: Gimpo, Jeju, Ulsan, Yangyang, Yeosu and Muan.

## u-Airport : Ubiquitous Airport

- Ubiquitous: Meaning to "Exist Whenever & Wherever" in Latin, it refers to a telecommunications environment where the user can freely connect to the network without being conscious of the network and computer.
- u-Airport refers to creating an automatic and intelligent hi-tech airport to provide passengers with convenient services through ubiquitous IT technology.

## Disaster Preparation Safe Korea Exercise (SKX)

In accordance to the Disaster & Safety Management Basic Law Clause 73, SKX is a disaster preparation training exercise, based on the type of disasters (wind / water disasters, earthquake, fire, radioactivity, etc.), held on ground and on-site utilizing situation broadcast systems under total management of the National Emergency Management System in order to strengthen national disaster management capabilities, and to establish a cooperative structure with disaster management responsible organizations.

## Disaster General Situation Management System

(ISP : Information Strategic Planning)

The construction transportation disaster general ISP is a system that manages and provides integrated and systematic information through an integrated data base by linking all dispersed disaster related information into one.

## Integrated VOC (Voice of Customer) Establishment

Customer management system that helps secure customer loyalty and share customer information company-wide by systematically and uniformly managing demands by customer point-of-contact.

## Aeronautical Security Quality Control

As expressed in the International Civilian Aeronautical Agreement Annex 17 (Aeronautical Security), the Aeronautical Security Quality Control provides methods for systematically selecting, training and certifying aeronautical security personnel, and securing effectiveness in various security measures through regular security evaluations. In accordance to the International Aviation Security Assessment Plan (USAP), starting in 2002, ICAO carries-out security evaluations on the 190 member countries. The government also implements quality control by certifying aeronautical security training centers, and regularly carrying-out security evaluations on aeronautical security supervisors.

## Environmental Measurement Network

The Environmental Measurement Network continuously measures on a real-time basis environmental pollutions related to water quality, air and noise. These measurements are then sent to the Environmental Observation Center which is used to analyze the changes in the environmental pollution level and to establish environmental pollution reduction measures.

- Information on the installation of the Environmental Measurement Network

Automatic Noise Measurement Network: Gimpo (9 Sites), Jeju (6 Sites)

Automatic Water Quality Measurement Network: Gimpo (3 Sites)

Automatic Air Quality Measurement Network: Gimpo (1 Site)

#### AIRSIDE, Movement Area

The Airside includes the runway, landing pad, taxiway, and parking ramp, areas that are required for landing and taking-off. The Airside is off-limits to the general public.

#### Aeronautical Telecommunication Network (ATN)

ATN is a digital telecommunications network using the satellite and is used to connect the global telecommunications network into one as recommended by ICAO. The ATN is an Internet network for the aeronautical sector, enabling transmission of voice, data and multi-media.

#### Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Established in 1985 as a U.S. group evaluating the internal control systems of corporates, COSO introduced the Internal Control Framework in 1992. KAC uses the COSO model, which is comprised of 5 internal control elements: control environment, risk management, regulations, communications and monitoring.

#### Curfew Time (Airplane Flight Restricting Time)

As part of a process to alleviate airplane noise, a Curfew Time is applied to airports, restricting night flights. KAC relaxed the Curfew Time for Daegu Airport, Cheongju Airport, Gimhae Airport and Jeju Airport, extending the flight time.

#### Common Use Self-service KIOSK (CUSS-KIOSK)

CUSS-KIOSK is an automated check-in system that enables the individual to self check-in (boarding pass issuance). Functions of the CUSS-KIOSK include automatic scanning & recognizing of the contents on passports and the Internet issued ticket, self selection of seats by passengers, and credit card payments (In the future, additional functions such as electronic passport and biometric recognition will be added.).

#### Common Use Terminal Equipment (CUTE)

With system standardization, CUTE enables plural airlines to use a common check-in counter (including boarding gate) allowing counters to be assigned at will during busy hours within the terminal. One advantage is that it makes it easy to assign a check-in counter for new airlines.

#### Distance Measuring Equipment (DME)

Using airplane radio frequencies, the DME continuously sends out information on distance from where it is installed to airplanes.

#### Doppler VHF Omnidirectional Range (DVOR)

Using radio frequencies from airplanes in flight, the DVOR sends out information covering a 360° range from where it is installed.

#### Federal Aviation Administration (FAA)

KAC carries-out training on consignment from overseas airport expert training institutions such as the FAA and ICAO.

#### Field Test Set (FTS)

The FTS is a measurement equipment that analyzes spatial radio frequencies used in equipment such as the ILS and DVOR to help in maintaining the equipments' precision level.

#### Global Reporting Initiative (GRI)

Located in Amsterdam, the Netherlands, GRI is an organization established in 1997 to draft corporate 'Sustainable Report' guidelines that can commonly be used globally. At the center of GRI are CERES, a U.S. environmental coalition group, and UNEP (UN Environmental Planning). The first guideline was announced in June 1, 2000. The policy is to revise the guidelines every 2 to 3 years in accordance to the changing environment. GRI G2 Guideline was announced on May 2002, while the G3 Guideline was announced on October 2006.

(<http://www.globalreporting.org>)

#### Glide Path (GP)

Installed next to the runway where airplanes land and take-off, the GP is an aeronautical wireless telecommunications equipment that provides airplanes with information on landing angle (3°).

#### International Air Transport Association (IATA)

IATA was established on April 1945 to i) develop the air transport industry and research various problems, ii) establish safe and economical air transport, and iii) promote amicable relations between membership companies. In addition to the General Committee and Executive Committee, IATA is comprised of 6 permanent committees. A General Meeting is held annually. With the cooperation of related organizations, activities such as deciding international air fares are carried-out. The head office is located in Montreal, Canada, while an office is located in Geneva, Switzerland. Currently IATA has 240 members from 126 countries. Korean joined in 1989, while Asiana in 2002. (<http://www.iata.org>)

#### International Civil Aviation Organization (ICAO)

ICAO was established based on the Convention on International Civil Aviation (also known as Chicago Convention) which was signed in 1944. In 1947, ICAO became a specialized agency of the United Nations with the objective of i) developing the international civil aviation transport industry & securing safety, ii) creating an efficient & economical transport industry, and iii) realizing development in airplane design & aviation technology. Major bodies within ICAO include the General Committee, Board of Directors and Executive Office. The Board of Directors' support commissions include the Air Navigation Commission, Air Transport Commission and Legal Commission. (<http://www.icao.int>)

#### Landside

Landside refers to areas open to the general public such as the passenger and baggage processing facilities, ancillary facilities, parking space, etc.

#### Low Cost Carrier (LCC)

LCC refers to airlines that have reduced in-flight services, while also reducing air fares. There are currently 4 LCC operating domestically.

#### Localizer (LLZ)

As part of the ILS (Instrument Landing System), the LLZ is wireless beacon that provides landing directions (i.e., in the direction of the center line on the runway) via radio frequency to landing airplanes. The LLZ uses the 108.1 · 111.9MHz frequency.

#### ONE-PASS Boarding Service

The ONE-PASS Boarding Service provides a swift boarding service through an automatic boarding pass recognizing equipment to alleviate passenger inconveniences during busy periods at airports due to manual ID recognizing procedures.

#### Radio-Frequency Identification (RFID)

As a wireless radio-frequency technology, individual identification information is stored and managed in tags with embedded IC chips and antennae. Through the RFID tag issuing equipment installed in airports, tags are attached to passenger baggage and are tracked and managed with the RFID reader throughout the entire airport cargo processing stage. Through this system, KAC hopes to establish a platform to creating a u-Airport.

#### Tactical air Navigation (TACAN)

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

#### UN Global Compact

The UN Global Compact was proposed by the former Secretary General of the UN, Kofi Anan, on January 1999 at the Davos Forum, Switzerland. The UN Global Compact is a voluntary agreement under the UN, comprised of ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, which are based the Global Human Rights Declaration, ILO Declaration, Rio Declaration and UN Anti-corruption Agreement. KAC joined the UN Global Compact on October 2007. (<http://www.unglobalcompact.org/>)

#### u-IT Leading Business (Ubiquitous Information Technology)

The ubiquitous Information Technology refers to a ubiquitous environment platform where one can access the network without being restricted in terms of time and location. KAC received funds from the Korea Communications Commission to develop the air cargo processing technology based on the RFID platform. KAC is striving to lead the IATA international standard in the air cargo sector and to expand overseas with this technology.

#### Weighted Equivalent Continuous Perceived Noise Level (WECPNL)

WECPNL is a noise evaluation measurement unit recommended by the ICAO. The noise level of airplanes landing and taking-off are comprehensively evaluated by adding additional points to maximum flight frequency, flight hour and noise. WECPNL is calculated by adding the weighted average value derived by time period whenever an airplane passes by to the average dB value of the maximum noise level from the airplane. If the noise level surpasses 80 WECPNL, it is classified as a potential noise affected area. At over 90 WECPNL, it is considered a noise affected area, prompting government related institutions to plan and implement transferring and soundproofing options.



## “We Welcome Your Precious Suggestions”.

- Address : Korea Airports Corporation Gwahae-dong Gangseo-gu Seoul (Seoul 157-711 Korea) Strategic Planning Team, Sustainability Management
- Telephone : 82-2-2660-2527
- Facsimile : 82-2-2660-2240
- E-mail : [sustainability@airport.co.kr](mailto:sustainability@airport.co.kr)
- [www.airport.co.kr](http://www.airport.co.kr)

# Readers' Voice

As KAC publishes its 2nd Sustainability Report, KAC is initiating a Readers' Voice section to listen to diverse suggestions from stakeholders. The precious opinions and suggestions from the readers will be reflected in KAC's sustainable management activities and will be invaluable in implementing these activities.

●○ What is your affiliation?

- Customer
- Partner & Cooperative Firm
- Government
- KAC's Employee
- NGO
- Local Citizen
- Others(     )

●● Which section provided you with the most interest in this Report? (More than one answer is possible)

- Profile Section
- Sustainable Management Section
- Economic Section
- Society Section
- Environment Section

●● If there is any section that requires supplementing or improving, which section is it? (More than one answer is possible)

- Profile Section
- Sustainable Management Section
- Economy Section
- Society Section
- Environment Section

●● Please freely provide your opinion on KAC's sustainable management activities, and suggestions on the overall structure and contents of the Report.

---

---

---

---

---

---

---

---

Thank you





274, Gwahae-dong, Gangseo-gu, Seoul, Korea  
Tel. 82-2-2660-2114 [www.airport.co.kr](http://www.airport.co.kr)



This report was printed with soy-based ink on eco-friendly paper.