

2015 KOREAN AIR SUSTAINABILITY REPORT

SUSTAINING EXCELLENCE

BEGIN AGAIN

SUSTAINING EXCELLENCE



Since releasing our first sustainability report in 2006, we have been publishing the report every year. This year marks the tenth anniversary of the report, and we tried to express our determination to go back to square one and start with a clean slate under the slogan 'Begin Again' throughout the report. We will continue our efforts to innovate the way we do business, anchored firmly on humility and loyalty toward our stakeholders.

→ ABOUT THIS REPORT

✓ **Features of the Report** >> G4-29/G4-30

From its first publication in 2006 to the current edition, Korean Air's Sustainability Report has been published every year for the last ten years, the last report being released in August 2014. The report covers sustainability impacts and performance in such areas as economy, society and the environment. We have done our best to present all the contents accurately and clearly. Korean Air intends to publish the annual sustainability report as a channel through which it can communicate with its stakeholders and report on the sustainability issues that stakeholders care about, in a transparent manner. The previous reports can be downloaded in Korean and English from our website.

✓ **Reporting Standards** >> G4-32

This report has been prepared in accordance with the Comprehensive Option of GRI (Global Reporting Initiative) G4 Guidelines. Specific guidelines relevant to individual sections of the report are indicated where applicable for further reference.

✓ **Period, Scope, and Boundary of the Report** >> G4-17/G4-28

The report is based on the company's sustainability performance from January to December 2014, and includes some of the performance in the first half of 2015. Major quantitative data for the last three years from 2012 to 2014 is presented in chronological order to facilitate the reader's analysis of underlying trends. The report presents the consolidated sustainability performance of the headquarters of Korean Air and all of its domestic and overseas subsidiaries and branches.

✓ **Third-Party Assurance** >> G4-33

The report has been assured by the Korea Standards Association, a third-party assurance body, in accordance with AA1000AS(2008) in order to guarantee the accuracy and reliability of the report. The assurer's report is included in the section titled 3rd-Party Assurance Statement on page 88 of this sustainability report.

✓ **Significant Changes from the Previous Year** >> G4-13

- Korean Air spun off its investment project division on August 1, 2013 via an equity spinoff and set up Hanjin Kal Corporation. Follow-up actions have been taken.
- The limousine service was taken over by Korea Airport Services on February 1, 2015.

✓ **Further Information**

More information is available in the 2014 Business Report of Korean Air posted on our website (www.koreanair.com) and on the electronic disclosure system operated by the Financial Supervisory Service (<http://dart.fss.or.kr>).

✓ **Contact Information** >> G4-31

If you have any questions, comments or inquiries about this report, please contact: The Environment Team of the Environment and Construction Management Department at SELAFE@koreanair.com / Tel. 02)2656-5512

→ CONTENTS

Introduction ▼

- 02 Letter from the CEO
- 04 About Korean Air
- 08 Our Value Chain
- 10 Our Flight Routes
- 12 Our Vision and Philosophy
- 14 Corporate Governance
- 16 Ethics Management
- 18 Materiality Assessment Process

Beyond Challenges ▼

- 22 A Better Decision-Making Process
- 23 Human Rights for MOT Employees
- 24 Sponsoring the PyeongChang Winter Olympics

Sustaining Excellence ▼

I. Sustainable Growth into a Global Airline

- 30 Creation and Distribution of Economic Value
- 32 Continued enhancement of profitability
- 34 Diversification of Business Portfolio
- 38 Process Innovation
- 40 Stricter Management of Business Risks

II. People-Centered Corporate Culture

- 44 People-Centered Management
- 48 Striking a Balance between Work and Personal Life
- 51 Labor-Management Relations for Co-prosperity

III. Green Management for Future Generations

- 54 Environment Management System
- 56 Responses to Climate Change
- 60 Aircraft Noise Management
- 62 Minimizing Environmental Impact

IV. Absolute Safety and High-Quality Services

- 66 Safe Flight and Stronger Security
- 69 Branding as a Premier Airline
- 72 Customer Satisfaction

V. Shared Values for Society

- 76 Shared Growth with Suppliers
- 78 Giving Back to Society

Appendix ▼

- 82 Key Sustainability Indicators
- 88 Third-Party Assurance Statement
- 90 GRI G4 Index
- 95 UN Global Compact
- 96 Major Awards and Memberships

Korean Air is poised to rise as a leading global airline by pursuing creative changes and innovations.



Dear stakeholders,

First, I would like to express my heartfelt gratitude for your unwavering support for, and interest in, Korean Air. We at Korean Air take great pride in providing world-class air travel services to our customers, and have been striving ceaselessly to become a leading global airline that represents Korea, by constantly embracing changes and innovations. We are fully aware that all the successes and achievements that we have made so far were only made possible by your enduring support and encouragement. This 10th Sustainability Report that we are about to publish presents the results of our efforts to achieve sustainability during 2014. The report is also intended to serve as an important channel of communication with our stakeholders.

Looking back, the first half of 2014 was a testing time for all of us amid the prolonged economic slowdown and the repercussions of the sinking of the Sewol passenger ferry, while the business environment saw a turn for the better in the second half following a drop in the price of oil fell. On the other hand, we deeply regret that the incident involving Korean Air stirred up a huge social controversy and caused a great deal of distress to our stakeholders. However, I would like to assure you that we have learned our lessons and that we remain determined to take this

opportunity to transform the way we do our business, rather than merely viewing it as a case of crisis management, so that we can regain your trust and confidence.

The year 2014 marked our 45th anniversary, for which we set ourselves the goal of 'boosting our growth momentum by improving the fundamentals of our business' for 2014. To attain this goal, we made aggressive efforts toward developing markets with growth potential. Two A380 aircraft were added to our fleet to improve our passenger services, and currently a total of ten A380 airplanes fly long-distance routes to major global hubs including Los Angeles, New York, Paris, and Atlanta. In addition, we opened a new route to Houston, the largest city in Texas, U.S., further augmenting our global network.

We installed the latest models of high-efficiency equipment and machinery, secured business with global corporations, and made inroads into new markets such as Vietnam and Central and South America in order to raise the profitability of our cargo business. Korean Air also began competing globally as a developer of unmanned aerial vehicles (UAV) after developing Korea's first indigenous unmanned aerial reconnaissance vehicle.

We expect that many challenges and opportunities lie ahead in 2015, and believe that establishing a culture of flexibility and creativity will be essential if we are to bring about the necessary changes and make a new leap forward. We will overhaul management system to ensure that employees can perform their duties most efficiently, and improve corporate culture with a focus on effective communication and consensus-building, by collecting diverse opinions from within and outside the organization.

Furthermore, we will expand our growth potential by maximizing profit. Our management goal for 2015 is 'creating profit in all business areas by enhancing profitability and expanding growth potential.' In response to the growing competition brought about by low-cost airlines and the entry of foreign airlines into the Korean market, Korean Air plans to put high-tech airplanes with cutting-edge first-class and business seats such as the B747-8i and the B777-300ER onto long-distance routes,

while disposing of old airplanes such as the B747-400 in a bid to upgrade and modernize its fleet. Korean Air also plans to launch new routes to major cities in China, including Hefei, Nanning, and Guiyang, and to increase the flights on key routes including Dubai.

Our plans for 2015 include our social responsibilities as a corporate citizen. Korean Air has been involved in a variety of social activities including planting trees in the Kubuqi Desert of China and Mongolia, implementing the 'Global Planting Project,' which is aimed at making the inner city of Los Angeles greener, sponsoring Korean language services at the world's major museums, supporting disaster-struck areas, and sponsoring a variety of sporting and cultural events. As a participant in the UN Global Compact, Korean Air follows its ten principles in the fields of human rights, labor, environment, and anti-corruption, and will do its best to be a corporate citizen that earns the respect of communities and stakeholders alike.

We celebrated our 45th anniversary in 2014 and, once again, we would like to stress our appreciation of the support that you have shown for Korean Air. Over the past 45 years, Korean Air has been dedicated to carrying passengers and cargos safely around the world.

All the officers and employees of Korean Air devoted themselves to faithfully fulfilling the duties of transporting people and cargoes, and its social responsibilities as the national-flag carrier, thereby eventually contributing to the advancement of Korean society.

Just as it has survived numerous challenges and difficulties over the past 45 years, Korean Air will continue with its efforts to become a truly great company by taking full advantage of its know-how as well as the advice and support of its stakeholders. Finally, I humbly ask you to provide continued support as we grow with you.

Thank you.

April 2015

Cho Yang-ho

Chairman & CEO, Korean Air



ABOUT KOREAN AIR

INTRODUCTION

Founded in 1969, Korean Air celebrates its 46th anniversary this year. As of the end of 2014, Korean Air owns 148 units of aircraft, and offers in-flight meals, duty-free items for sale, and limousine services, in addition to passenger and cargo transportation services. As part of its continuous efforts to expand the scope of its business, Korean Air is tapping into the aerospace business including the development of aircraft parts and aircraft maintenance.

Corporate Overview

>> G4-3 / G4-4 / G4-5 / G4-6 / G4-7 / G4-8 / G4-9 / G4-10

Company Name	Korean Air Lines Co., Ltd.
Headquarters	260 Haneul-gil (1370 Gonghang-dong), Gangseo-gu, Seoul, Korea
Phone Number	02-2656-7114
Website	http://www.koreanair.com
Business Areas	Passenger & cargo transportation, aerospace, catering services, in-flight sales, limousine services
Sales	11,680,400 million won
No. of Employees	20,543 persons(including employees of overseas subsidiaries and branches)
Air Fleet	148
Routes	126 cities in 45 countries
No. of Passengers Carried	23,270,000
Cargo Carried	1,530,000 tons
Subsidiaries	See Disclosures by Korean Air** on http://dart.fss.or.kr

* As of December 31, 2014.

** 'IX. Matters Concerning Subsidiaries, etc.' on page 377 of the 2014 Business Report.

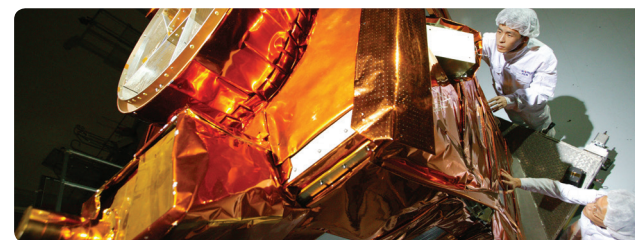
CORE BUSINESSES

Air Transportation



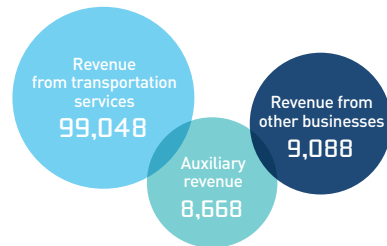
As of the end of 2014, Korean Air owns a fleet of 148 airplanes, operates scheduled flights to 12 cities in Korea and 114 cities in 44 countries, and carries 23,270,000 passengers and 1.53 million tons of cargo per year. Our aerospace business includes the designing and manufacturing of aircraft, maintenance services for commercial and military aircraft, and R&D on satellites. Our other businesses include catering services and in-flight duty-free sales. All these businesses are run in ways that can create synergy effects.

Aerospace



With the experience and technological expertise we have accumulated over the past 38 years in the design and production of manned aircraft for domestic and foreign clients, licensed production, performance improvement, repair, renovation, maintenance, and development and manufacture of aircraft structures, Korean Air plans to consolidate its position as a manufacturer of finished unmanned air-

Revenue (unit: 100 million won)

116,804**Transportation**

(unit: 10,000 persons/10,000 tons)

Passengers**2,326.9**

International flights



Domestic flights

**Cargo****152.8**

International flights



Domestic flights



craft and eventually grow into an aerospace company that produces both manned and unmanned aerial vehicles.

Catering & In-Flight Sales

A) Catering _ Korean Air produces in-flight meals that cater to the varying tastes and travel schedules of our passengers. The menu is developed based on surveys on our customers' preferences. The meals are cooked on the ground in line with the flight schedules and provided to other airlines as well as to Korean Air.

B) In-Flight Sales _ Customers flying on international routes can purchase duty-free items during their flight. We operate the 'advance order system for in-flight duty-free items' as part of our efforts to make in-flight sales more efficient and convenient for our customers. Surveys are regularly conducted in order to offer a wider variety of items, meet the changing needs of customers, and raise customer satisfaction through strict quality control.

Limousine Service

Our high-quality limousine service connects Incheon International Airport and Gimpo International Airport to major hotels in downtown Seoul. Since the launch of the limousine service in 1992, it has been offering a safe and convenient transportation option for locals and international visitors alike. Korean Air transferred the limousine service to Korea Airport Services on February 1, 2015 to increase management efficiency.

OUR FLEET**A380-800**

Passenger planes 10

B747-8F

Cargo planes 5

B777-F

Cargo planes 4

B737-800 / 900 / 900ER

Passenger planes 39

B747-400Passenger planes 14
Cargo planes 17**B777-300ER / 300 / 200**

Passenger planes 33

A330-200 / 300

Passenger planes 26

TOTAL 148

Passenger planes 122

Cargo planes 26

* Excluding cargo planes under wet lease, and Biz Jets.

Korean Air,
46 Years of Commercial
Air Transportation
in Korea

1969-2014

FLY TO THE GLOBAL SKY

After Hanjin Group took over Korea Air Lines Co. in 1969, Korea's first trans-Pacific cargo route between Seoul and LA was opened in 1971, followed by the launch of the passenger route to LA the following year.

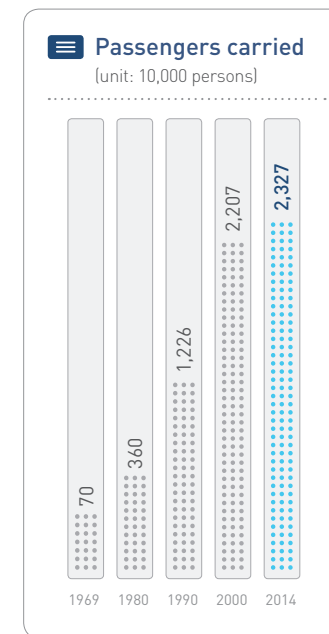
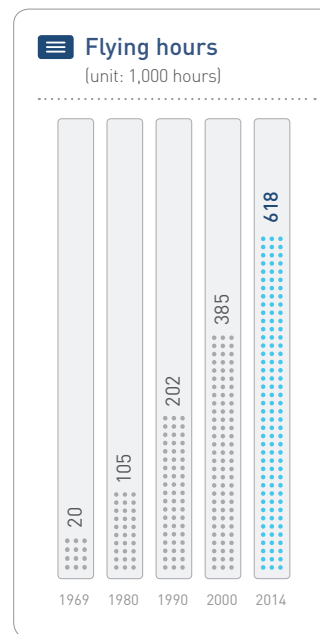
Korea's airline industry continued to grow until the mid-1990s, but it was faced with new challenges in the late 1990s due to global oversupply and intensifying competition. In 2000, Korean Air formed SkyTeam, a global airline alliance, together with leading global airlines such as Aeroméxico, Air France, and Delta Air Lines.

EXCELLENCE IN FLIGHT

In commemoration of its 35th anniversary in 2004, Korea Air declared its new vision as 'a global airline that leads the world's airline industry' and adopted 'Excellence in Flight' as its guiding mission for the future. Korean Air remained the world's No. 1 cargo carrier for six consecutive years from 2004 to 2009, emerging as a leading global airline.

'A GLOBAL AIRLINE THAT LEADS THE WORLD'S AIRLINE INDUSTRY'

This is the vision that drives Korean Air today. Korean Air rose to countless challenges and faced numerous crises in the long process of transforming a troubled Korea Air Lines into a global airline, and our success today is the culmination of our experiences in meeting the challenges head-on over the years. Korean Air soars high in the sky with the goal of becoming the airline on which customers in Korea and around the world choose to fly.



1960s

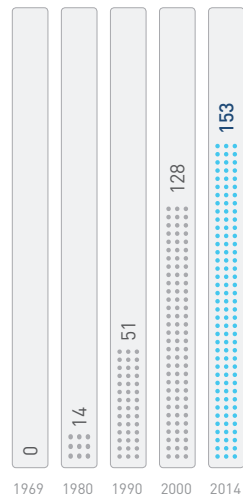
Mar. 1969
Foundation of Korean Air

1970s

Apr. 1971 Opening of the first scheduled cargo route to North America (Seoul-Tokyo-LA)
Oct. 1973 Opening of the first scheduled cargo route to Europe (Seoul-Paris)
Mar. 1979 Opening of the first passenger route (Seoul-New York)

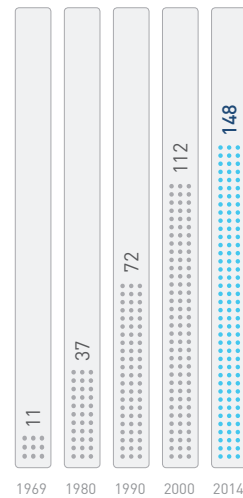
Cargo carried

(unit: 10,000 tons)



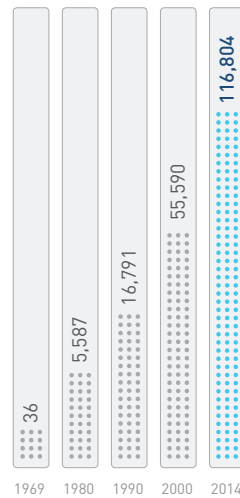
Aircraft

(unit: air plane)



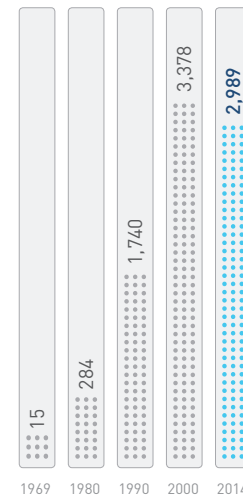
Operating income

(unit: 100 million won)



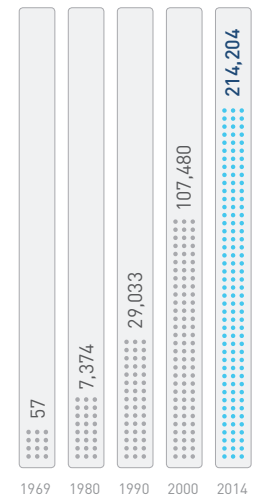
Equity capital

(unit: 100 million won)



Total assets

(unit: 100 million won)



1980s

- Dec. 1981** Completion of Korean Air's cargo terminal at Los Angeles International Airport
- Jan. 1983** Launch of the Total Passenger Service System (TOPAS)
- Jan. 1984** Opening of the Incheon Flight Training Center
- Jun. 1989** Purchase of the first B747-400

1990s

- Apr. 1990** Opening of a passenger route to Oceania(Sydney)
- May 1992** First graduates from Korean Air Pilot Training Academy
- Oct. 1992** Opening of a passenger route to South America(Sao Paulo)
- Dec. 1994** Opening of a route to China(Beijing)
- Mar. 1995** Delivery of our 100th airplane (B747-400)

2000s

- Jun. 2000** Formation of SkyTeam, a global alliance, together with Aeroméxico, Air France, and Delta Air Lines
- Jun. 2005** World No. 1 ranking in cargo transportation
- Sep. 2005** Introduction of a new uniform for flight attendants
- Oct. 2006** Publication of first edition of in-flight monthly entertainment magazine 'Beyond'

2010s

- Jul. 2011** Introduction of next-generation aircraft A380
- Mar. 2012** Introduction of Enterprise Resource Planning (ERP)
- Apr. 2013** Korean Air signs a contract to acquire a stake in state-run Czech Airlines (Korean Air becomes the second largest shareholder of Czech Airlines)
- Sep. 2014** Launch of the new Passenger Service System (PSS)

“

Korean Air has in place multiple channels through which it communicates with stakeholders in all aspects of business activities from procurement to provision of services; it is taking active steps to meet their demands and expectations.

”

PROCUREMENT

Purchase of agricultural products(ingredients for in-flight meals), jet oil, and other products necessary for aircraft operation from farms, markets, oil refineries, and other stakeholders.

- Responses to Climate Change (p.56) · Aircraft Noise Management (p.60)
- Minimizing Environmental Impact (p.62)
- Shared Growth with Suppliers (p.76) · Giving Back to Society (p.78)



MARKETING & SALES

Planning and implementation of marketing campaigns for Korean Air's services and products, and sales thereof, e.g. promoting and selling air tickets, cooking in-flight meals, and performing aircraft maintenance.

- Process Innovation (p.38) · Diversification of Business Portfolio(p.35)
- Branding as a Premier Airline (p.69)



COMMUNICATION CHANNELS

Communication with local communities and community support programs(sister relations with rural villages), local procurement, Shared Growth Council, Internet Suppliers Portal(ISP), regular meetings with suppliers, Technology Council

- 1,283,000 trees have been planted so far as a result of our global afforestation project.
- 1,334,000 million won has been invested in purchasing aircraft.
- Contracts signed to export more fresh Korean produce.

Korean Air's website, SNS channels such as blogs, PR events, fair trade agreement, 24-hour real-time chat service, travel information website(travel.koreanair.com), Sky News(skynews.co.kr).

- The new passenger service system PSS has been introduced.
- Traditional Korean course menu, and steamed rice with soybean paste sauce have been added to the in-flight meal options.



FLIGHT OPERATION ▼

Transportation of passengers and cargo. Passenger transport includes check-in, boarding, meal service, and in-flight entertainment.

- A Better Decision-Making Process(p.22) · Human Rights for MOT Employees (p.23)
- Striking a Balance between Work and Personal Life (p.48)
- Safe Flight and Stronger Security (p.66)



POST-FLIGHT OPERATION ▼

Cleaning of aircraft and disposal of waste after provision of all services. Surveys of customers' opinions on services and reflection thereof in future operations.

- Continued Enhancement of Profitability (p.32)
- Stricter Management of Business Risks (p.40) · Customer Satisfaction (p.72)



Communication Plaza, support for emotional laborers, collective agreement, Intranet, Labor-Management Council, Grievance Resolution Office, mentoring system, IATA(International Air Transport Association), AAPA(Association of Asia Pacific Airlines), SkyTeam, a microsite dedicated to environmental issues (sky.koreanair.com)

- *394 posts on Communication Plaza
- The Labor-Management Council met once.
- 512 employees completed mental healthcare education programs.

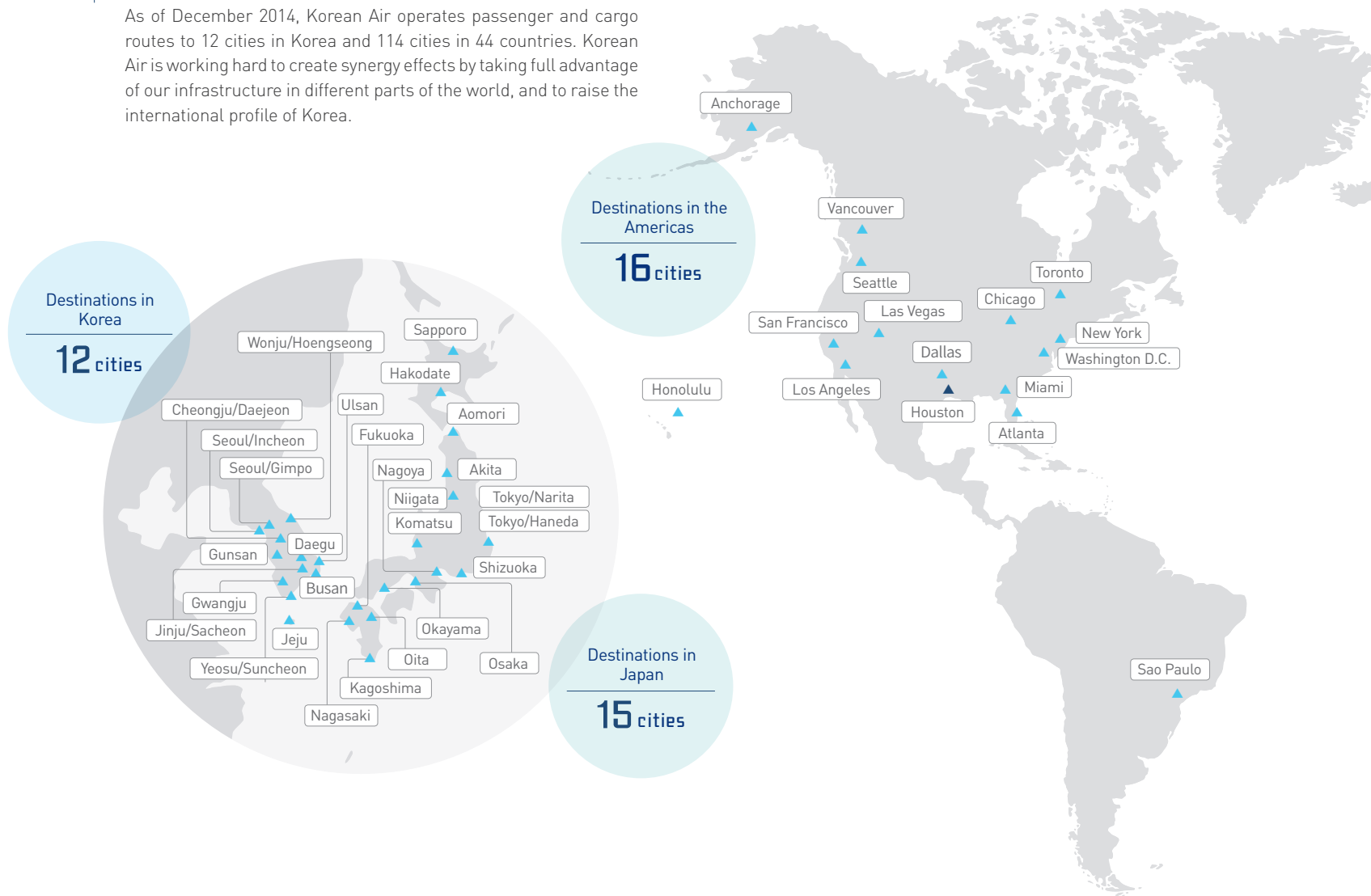
*Data from March to May 2015

IR meetings, corporate information sessions, disclosures, annual reports, insider information from employees, sustainability reports, Voice of Customers(VOC), travel photo contest(photo.koreanair.com)

- 58,061 posts on VOC / decreased by 5%

OUR FLIGHT ROUTES

As of December 2014, Korean Air operates passenger and cargo routes to 12 cities in Korea and 114 cities in 44 countries. Korean Air is working hard to create synergy effects by taking full advantage of our infrastructure in different parts of the world, and to raise the international profile of Korea.

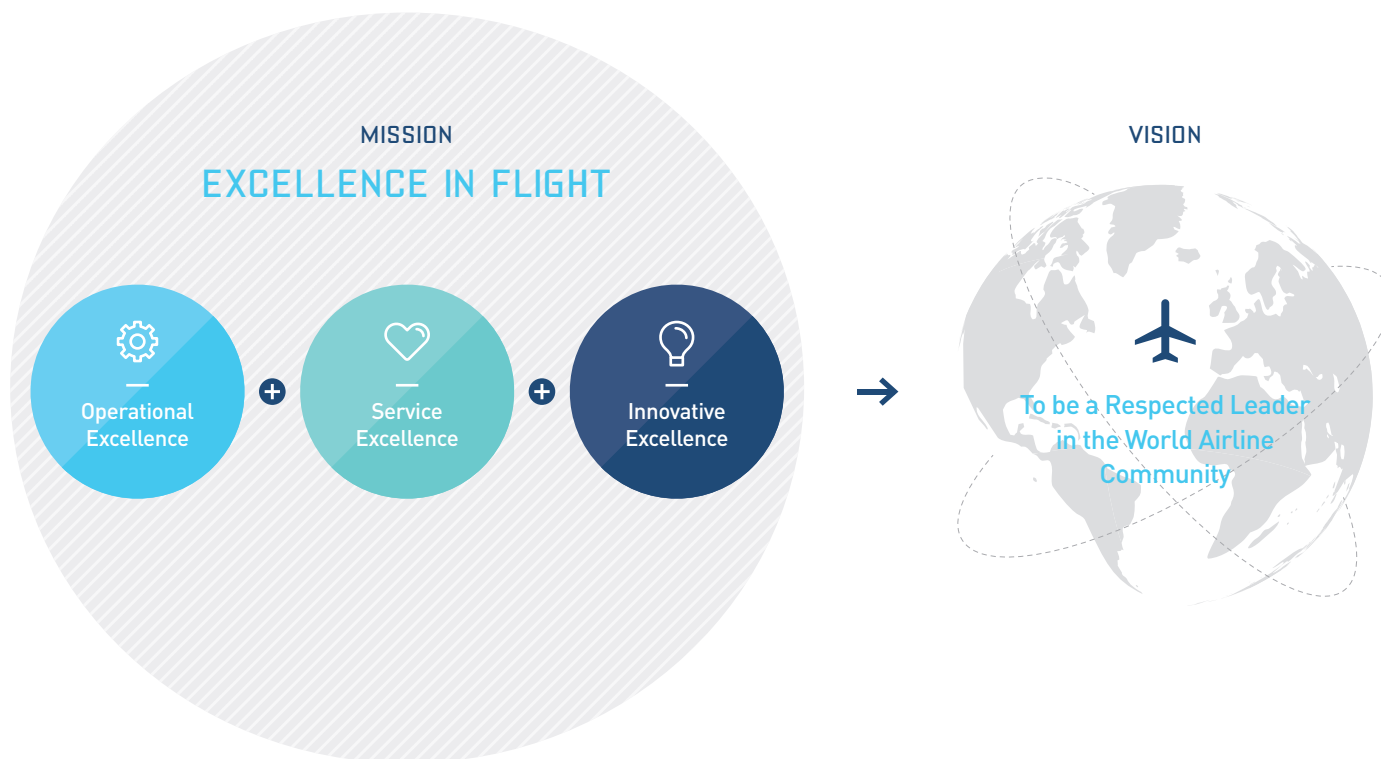




OUR VISION AND PHILOSOPHY

Korea Air is stepping up its efforts to offer innovative services in order to maximize customer satisfaction and transform itself into a global airline that plays a leading role in the international airline industry, while remaining firmly bound by its basic values and prin-

ciples. Our goal is to grow with society and to create new values with all our stakeholders. Our vision and philosophy are based on this sense of mission.



BUSINESS PHILOSOPHY

Adhering to standards and principles ▼

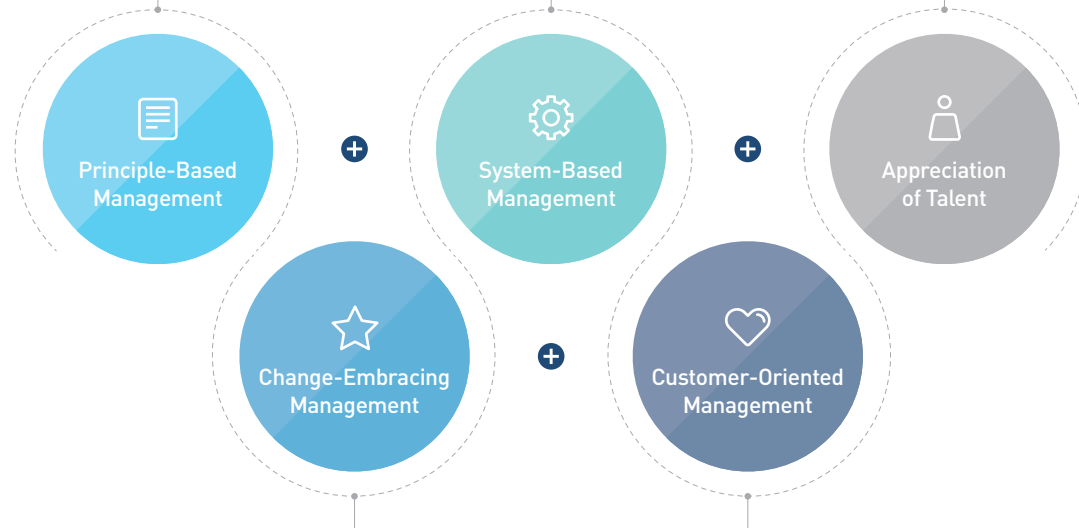
- Establishing standards and principles on par with global standards
- Pursuing flexibility in business based on standards and principles
- Eliminating short-cut business operations

Organizational management based on expertise and autonomy ▼

- Mutual respect for expertise in various fields
- Rational decision-making based on an efficient management system
- Seeking creative solutions through harmonious relations

Developing future growth engines with competent human resources ▼

- Formulating a top-tier team
- Devoting to fostering of key talent
- Gearing toward 'employee-first' corporate culture



Creating an innovated and bettered corporate culture ▼

- Embracing a progressive and youthful mindful
- Change-embracing organizational culture
- Future-oriented reshuffling of business structure by focusing on core competencies

Creating customer loyalty with highest level of customer satisfaction ▼

- Comprehensively and systematically approaching customer relations
- Promptly attending to customer needs
- Maximizing customer value through the Management By Wandering About (MBWA) practices

CORPORATE GOVERNANCE

BOARD OF DIRECTORS >> G4-38 / G4-40

Our board of directors, which is composed of the CEO, four internal directors, and five external directors from diverse backgrounds in academia, law, government, and finance, thoroughly reviews key issues and analyzes their impact on the economy, environment, and society before making decisions. External directors are appointed by a resolution at a general shareholders' meeting. Prior to the reso-

lution, the members of the nomination committee, the majority of whom are external directors, selects candidates. Shareholders who meet specific criteria can recommend external director candidates in accordance with the pre-determined procedures. Personal information - including the qualifications of director candidates including external director candidates - is disclosed on the electronic disclosure system prior to the general shareholders' meeting.

Members of the Board

Type	Name	Gender	Position/Career Background	Date of Appointment	Term (years)	Note
Internal directors	Cho Yang-ho	Male	Chairman & CEO	Mar. 22, 2013	3	Chairman of the board
	Chi Chang-hoon	Male	President & COO	Mar. 22, 2013	3	
	Lee Sang-kyoon	Male	President & CFO	Mar. 21, 2014	3	
	Cho Won-tae	Male	CMO	Mar. 27, 2015	3	
External directors	Kim Seung-yu	Male	Chief Director of Hana High School, former CEO of Hana Financial Group	Mar. 27, 2015	3	
	Lee Sog-woo	Male	Lawyer, Doore(law firm), former Chief Justice of the South Seoul District Court	Mar. 22, 2013	3	
	Lee Yun-woo	Male	Chairman of Geojje Big Island Asset Management, former vice president of Korea Development Bank	Mar. 27, 2015	3	Chief of the Audit Committee
	Bahn Jahng-shick	Male	Dean, Graduate School of Management of Technology, Sogang University Former vice minister of the Ministry of Planning and Budget	Mar. 27, 2015	3	
	Ahn Yong-seok	Male	Lawyer, Lee & Ko Law Firm	Mar. 21, 2014	3	

Committees of the Board of Directors (as of Mar. 27, 2015)

Committee	Members	Name	Purposes and Authority
External Director Candidate Nominating Committee	Internal directors 2 External directors 3	Cho Yang-ho, Chi Chang-hoon, Kim Seung-yu, Lee Sog-woo, Bahn Jahng-shick	To nominate external director candidates according to the laws, the company's bylaws, and the regulations of the Board of Directors.
Audit Committee	External directors 3	Lee Yun-woo, Lee Sog-woo, Bahn Jahng-shick	To audit the books and business operations, and execute matters delegated by the Board of Directors to the committee according to the laws, the company's bylaws, and the regulations of the Board of Directors.
Management Committee	Internal directors 3 External directors 3	Cho Yang-ho, Chi Chang-hoon, Cho Won-tae, Kim Seung-yu, Lee Sog-woo, Ahn Yong-seok	To make decisions on other matters than those that the relevant laws and the company's bylaws require should be decided at a general shareholders' meeting, and matters delegated by the Board of Directors to the committee.
Insider Trading Committee	Internal directors 1 External directors 2	Lee Sang-kyoon, Lee Sog-woo, Lee Yun-woo	To perform preliminary reviews of material inside trading activities involving specially-related persons as defined in the Fair Trade Act, and recommend corrections to inside trading activities that may potentially violate laws.

Statistics on BOD Activities

No. of meetings



No. of resolutions



Rate of attendance(all directors)



Rate of attendance(external directors)



COMMITTEES OF THE BOARD OF DIRECTORS

Korean Air's Board of Directors consists of four committees: the Audit Committee, the External Director Candidate Nominating Committee, the Internal Trading Committee, and the Management Committee. These committees work to ensure the efficient operation of the Board of Directors and its compliance with laws and regulations. Notably, the Audit Committee is composed entirely of external directors so as to enable strict monitoring of the directors' performance of their duties and the company's operations, and to provide an effective system of checks and balances. Senior executives in charge of finance and audit attend the meetings of the Audit Committee to provide assistance with the review of issues.

ACTIVITIES OF THE BOARD OF DIRECTORS >> G4-43

Korean Air's board of directors held nine meetings to discuss and vote on fifty-one matters. The BOD meets regularly at least once every quarter to engage in in-depth discussions on and thoroughly review major corporate issues; and extraordinary meetings are convened whenever necessary. The annual meeting schedule is published in advance in order to increase the rate of attendance. The average rate of attendance was 80% (89% for external directors), i.e. the meetings were attended by 10.2 directors on average in 2014. Senior executives in various business areas such as passenger and cargo transportation, finance, and technology attend the board meetings in order to help the directors better understand the issues discussed at the meetings. Executives in charge of individual business areas present the relevant issues to the board and answer any questions pertaining to those issues.

AVOIDING CONFLICT OF INTEREST WITHIN THE BOD >> G4-41

The bylaws and the rules of the BOD stipulate that the voting right of directors who are specially interested in the matters to be voted on at a board meeting is restricted, and that such directors are not counted among the number of directors required for a resolution. Members of the board are informed of this rule ahead of a resolution.

HIGHEST GOVERNANCE BODY AND SOCIALLY RESPONSIBLE MANAGEMENT

>> G4-34 / G4-35 / G4-36 / G4-37 / G4-39 / G4-42 / G4-49 / G4-50

The CEO and chairman of the company concurrently holds the position of chairman of the board so as to deal with major business issues more efficiently, and is entrusted with the management of all business matters, including economic, environmental and social issues, to ensure that business decisions are made in a timely manner. The high-level council, a standing body composed of executives who are heads of key divisions or higher in position, makes decisions on strategic business and sustainability management. This council functions as an effective decision-making body by actively responding to the expectations and demands of stakeholders on economic, environmental, and social trends and by reviewing and reaching a consensus on issues from a company-wide perspective. The council meets regularly to monitor and evaluate the progress of the issues discussed at the meetings.

EVALUATION OF AND REMUNERATION FOR DIRECTORS AND SENIOR EXECUTIVES

>> G4-44 / G4-45 / G4-46 / G4-47 / G4-51 / G4-52 / G4-53 / G4-54 / G4-55

The executive remuneration cap is determined by a resolution at a general shareholders' meeting (GSM). The 2014 GSM approved 5.0 billion won for executive remuneration, of which 4.67 billion won was paid. The top decision-making body analyzes the business environment and the risks and opportunities associated with individual businesses each year in order to set sustainability management performance indicators for senior executives, and their bonuses are paid according to their performance. The median value of the combined pay awarded to all Korean Air employees was 2.54% of the annual salary of the highest-paid employee. There is a gap of 3.2% in the growth rate between the pay of the highest-paid employee and the pay of all employees.

CHANNELS OF COMMUNICATION WITH STAKEHOLDERS >> G4-48

Korean Air uses a variety of channels including business reports, semi-annual and quarterly reports, the posting of IR information on the corporate website, general shareholders' meetings, IR sessions, and the electronic disclosure system to communicate major business issues to shareholders and stakeholders in a timely fashion, and to gather opinions from them at the same time. Approval for publication of the sustainability report, a major channel of communication with stakeholders, should be obtained from the vice presidents and presidents of all the business divisions prior to publication.

ETHICS MANAGEMENT

Korean Air declares the code of ethics publicly to make it known to all its employees and to interested persons outside the company. All employees at Korean Air are encouraged to faithfully follow the code of ethics in the course of performing their duties. In addition, we make continued efforts to put various systems in place and educate our employees so that ethics management remains an integral part of our business operations.

KOREAN AIR'S CHARTER OF ETHICS >> G4-56

Korean Air regards transparency and responsibility as vital management values. We respect free market principles and abide by relevant rules and regulations in our business practices. With these principles, we strive to promote prosperity for the company and society as a whole. As a result, Korean Air institutes a Charter of Ethics, which we vow to put into practice at all times.

- ✓ Regard customer satisfaction and safety as our highest priority.
- ✓ Respect all employees and make an effort to enhance their quality of life.
- ✓ Exert best efforts to increase investment value for our investors.
- ✓ Promote joint development with our business partners based on mutual trust.
- ✓ Respect the principles of free competition and that we are the front-runner in the development of the airline transport industry.
- ✓ Contribute strongly to the development of society and to the preservation of the environment.
- ✓ Acknowledge the corporate principles set forth by the company and uphold all of our obligations and responsibilities.

OUR ETHICS MANAGEMENT SYSTEM

Under our ethics management and supervision system, the Audit Office serves as the ethics secretariat and the heads of business divisions and executive officers function as ethics managers. The system encourages our employees to make the right decisions based

on sound judgements, to behave appropriately, and to take proper actions. A whistle-blowing system has been introduced to discourage employees from violating the rules and regulations in the course of performing their duties. In addition, a self-regulation program has been adopted to ensure fair trade, along with an internal supervision system. Since the management declared its commitment to voluntarily observing the rules of fair trade in 2004, Korean Air has been operating an independent organization within the company dedicated to promoting fair-trade practices, preventing unfair trading activities, and eradicating cartels.

BUSINESS ETHICS PROGRAMS

Our business ethics programs include the Charter of Ethics, guidelines on the implementation of the code of ethics, and the whistle-blowing system. These programs apply to all Korean Air employees at home and abroad.

Program	Content
Charter of Ethics	Presents the corporate philosophy and management direction.
Guidelines on the implementation of the code of ethics	Set forths 7 principles on how to make the right value judgements and behave appropriately.
Guidelines on dealing with ethics issues	Provides specific guidelines and clear standards on how to respond to problems.
Risk management system	Whistle-blowing system Appointment of compliance officer Employees are required to voluntarily report potential conflicts of interest that may arise from family members or relatives who work for companies associated with or related to Korean Air.

THE WHISTLEBLOWING SYSTEM >> G4-57 / G4-58 / G4-S05

The whistleblowing system was introduced in 2002 in an effort to root out personal and business favors requested and/or provided by employees, illegal acts, corruption and other irregularities that often arise in deals involving suppliers. Anyone can report any of the above-

mentioned irregularities via e-mail at jebo@koreanair.com. Once a report has been received, the facts will be established through investigation, and punishment and corrective actions will be imposed according to the findings. Whistleblowers are strictly protected according to the internal rules and procedures, and are kept up to date with how the case is being handled. In 2014, a total of seventeen anonymous letters and reports were received, and all of them were thoroughly investigated and dealt with.

A CULTURE OF FAIR TRADE AND COMPLIANCE >> G4-S07

Korean Air has been faithfully implementing the Compliance Program since 2006, and signed the 'Fair Trade and Shared Growth Agreement' with aircraft manufacture-related suppliers in 2013, as recommended by the Fair Trade Commission. Our efforts to create a culture of fair trade include the adoption of the four actions that the Fair Trade Commission recommends companies to take, and the operation of an unfair trade report center.

Violations of Fair Trade Regulations

Summary	Sanction	Date of Imposition	Date of Payment
Violation of a Swiss anti-trust law due to a collective action by air freight forwarders (Period subject to sanction: Apr. 2004 ~ Feb. 2006)	Imposition of a fine of 40,000 Swiss francs.	Jan. 10, 2014	Jan. 18, 2014

INTERNAL CONTROL SYSTEM

Korean Air operates the Internal Accounting Control System to produce and disclose reliable accounting information for transparent management, and to constantly monitor financial activities. The system monitors not only finance but also the entire business operations of the company in order to identify areas for improvement in each business process.

GREATER AWARENESS OF ETHICS MANAGEMENT

>> G4-S03 / G4-S04

Korean Air's intranet has a permanent segment on ethics management that provides business guidelines in connection with ethics management. All our officers and employees are required to complete business ethics education every other year on the internal learning network and to sign a pledge of ethics upon completion of the education, which is intended to maintain their awareness of the importance of ethics management as a strategy for sustainable growth and to motivate them to follow the code of ethics. The culture of ethics management will be further promoted and expanded in the years to come by ensuring that foreign officers and locally-recruited employees of Korean Air receive regular online education programs on ethics management.

Anti-Corruption Education Programs (unit: persons)

Program	2012	2013	2014
International Regulations on Cartels	3	2	1
Compliance with Anti-Trust Laws	206	1,019	2,778
Sexual Harrassment-Free Workplace	21,485	17,685	18,339
Ethics Management at Our Company	824	826	19,202
Understanding the Compliance Officer System	-	16,785	1,027

* The number of employees who completed the 'Ethics Management at Our Company' program increased sharply in 2014, when completion of the program became mandatory for all employees.

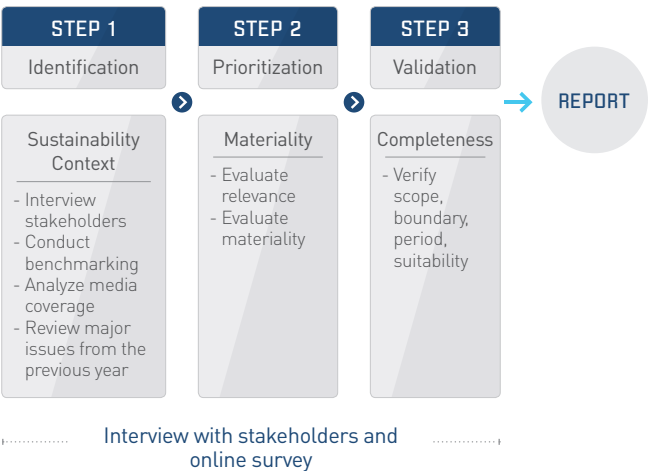
PROMOTING ETHICS MANAGEMENT AT SUPPLIERS

Our efforts to promote ethics and create a transparent corporate culture extend beyond Korean Air to include our suppliers. When choosing a supplier to work with, its ethics policy, protection of its employees' human rights, and fulfillment of corporate social responsibilities, among other factors, are considered as part of the selection criteria. Furthermore, we actively advertize our ethics management policy and ethics programs to suppliers.

MATERIALITY ASSESSMENT PROCESS

Korean Air conducted a materiality assessment to understand the varying expectations and interests of our internal and external stakeholders and to identify material sustainability management issues. Issues were prioritized largely based on the materiality assessment standards of the GRI G4 Guidelines and the methodology recommended in the ISO 26000 Guidelines. The prioritization outcome also impacted our sustainability management strategies and the table of contents in this report. >> G4-18

Process for Determining Materiality and Reporting Scope



STEP 1 IDENTIFICATION

Relevance was determined based on a survey on employees, an analysis of issues covered in the sustainability reports of other domestic and overseas companies in the industry and media reports over the recent 5 years, and in-depth interviews with stakeholders.

STEP 2 PRIORITIZATION

Stakeholders were surveyed online in order to prioritize 50 issues identified as relevant to Korean Air. A total of 174 stakeholders responded to the online survey and 25 of the issues were finally selected.

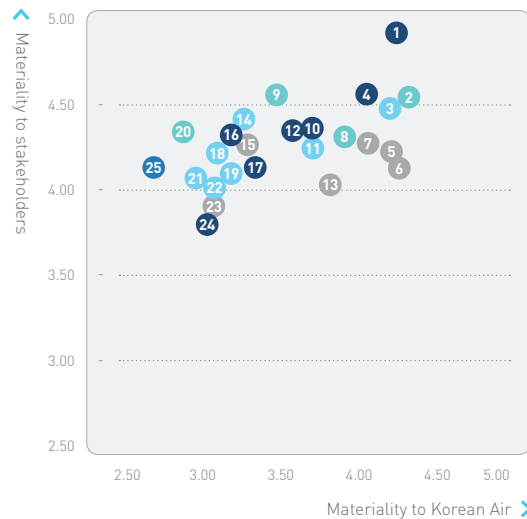
		Frequency	Percentage
Internal	Employees	94	54.02%
	Total	94	54.02%
External	Central and local governments	2	1.15%
	Customers (domestic and overseas)	68	39.08%
	Affiliated companies & subsidiaries	1	0.57%
	Community	2	1.15%
	Suppliers	2	1.15%
	Colleges & research institutes	4	2.30%
	Non-permanent workers & interns	1	0.57%
	Total	80	45.98%
Total	Subtotal	174	100%

STEP 3 VALIDATION

Issues listed as 'material' were reviewed internally for validity, and feedback from stakeholders on the sustainability report and recommendations made in the ESG evaluation by an outside organization were reflected in this report.

RESULTS OF THE MATERIALITY ASSESSMENT

A total of 25 issues were selected as material issues. Included in the final list are trend issues that scored 4.00 points or higher, and impact issues that scored 3.50 points or higher. Stakeholders inside and outside Korean Air were most keenly interested in the growing demand for the safety of products and services, increased importance of need for talent, governance, and market presence.



Trend Issues (10)

Growing demand for the safety of products and services
Increased importance of need for talent
Diversified customer needs
Response to exchange rates and oil prices
Intensifying market competition
Optimizing socially responsible investment (SRI)
Growing demand for corporate transparency
Corruption among employees of affiliated companies
Growing concern among consumers about impact on health, environment and society
Increased demand for fair competition and mutual growth

Impact Issues (15)

Governance(decision-making process)
Market presence(wage, procurement, recruitment)
Changing the conservative and old-fashioned corporate image
Employment(gender, new, temporary)
Economic performance(earnings, taxes, etc.)
Customer health and safety
Product and service labeling(customer satisfaction)
Occupational health and safety
Training and education
Anti-corruption(stronger internal control and protection of whistleblowers)
Non-discrimination(recruitment of high school graduates)
Equal remuneration for women and men
Indirect economic impacts (infrastructure investments, related industries, ripple effects)
Anti-competitive behavior(air cargo cartels)
Emissions(air quality, greenhouse gas emissions)

Structure of the Report >> G4-19 / G4-20 / G4-21

Table of ContentsIntroduction		Material Issues	Relevance to GRI G4	Reporting Boundary	
				Internal	External
Introduction		<div>2 Governance</div> <div>8 Growing demand for corporate transparency</div> <div>9 Corruption at affiliated companies</div> <div>20 Corruption[stronger internal control and protection of whistleblowers]</div>	<div>· Governance</div> <div>· Corruption</div>	<div>○</div> <div>○</div>	
Sustainable growth into a global airline	<div>· Continued enhancement of profitability</div> <div>· Diversification of business portfolio</div> <div>· Process Innovation</div> <div>· Stricter management of business risks</div>	<div>5 Response to exchange rates and oil prices</div> <div>6 Intensifying market competition</div> <div>7 Optimizing socially responsible investment (SRI)</div> <div>13 Changing the conservative and old-fashioned corporate image</div> <div>15 Economic performance[earnings, taxes, etc.]</div> <div>23 Indirect economic impacts[infrastructure investments, ripple effects to related industries]</div>	<div>· Economic performance</div> <div>· Indirect economic impacts</div> <div>· Market presence</div> <div>· Employment</div>	<div>○</div> <div>○</div> <div></div> <div>○</div>	<div></div> <div>○</div> <div>○</div> <div></div>
People-centered corporate culture	<div>· People-centered management</div> <div>· Striking a balance between work and personal life</div> <div>· Labor-management relations for co-prosperity</div>	<div>3 Increased importance of need for talent</div> <div>11 Market presence (wage, procurement, recruitment)</div> <div>14 Employment(gender, new, temporary)</div> <div>18 Occupational health and safety</div> <div>19 Training and education</div> <div>21 Non-discrimination(hiring of high school graduates)</div>	<div>· Non-discrimination</div> <div>· Training and education</div> <div>· Equal remuneration for women and men</div> <div>· Occupational health and safety</div>	<div>○</div> <div>○</div> <div>○</div> <div>○</div>	<div></div> <div></div> <div></div> <div></div>
Green management for future generations	<div>· Environment management systems</div> <div>· Responses to climate change</div> <div>· Aircraft noise management</div> <div>· Minimizing Environmental Impact</div>	<div>22 Equal remuneration for women and men</div>	<div>· Emissions</div>	<div>○</div>	
Absolute safety and high-quality services	<div>· Safe flight and stronger security</div> <div>· Branding as a premier airline</div> <div>· Customer satisfaction</div> <div>· Shared growth with suppliers</div> <div>· Giving back to society</div>	<div>25 Emissions[air quality, greenhouse gases]</div> <div>1 Growing demand for safety of products and services</div> <div>4 Changing demands of customers</div> <div>10 Growing concern among consumers about impact on health, environment and society</div> <div>16 Customer health and safety</div> <div>17 Product and service labeling(customer satisfaction)</div>	<div>· Customer health and safety</div>	<div>○</div>	<div>○</div>
Shared values for society		<div>12 Growing demand for fair competition and shared growth</div> <div>24 Anti-competitive[air cargo cartels]</div>	<div>· Product and service labeling</div> <div>· Anti-competitive behavior</div>	<div></div> <div>○</div>	<div>○</div>



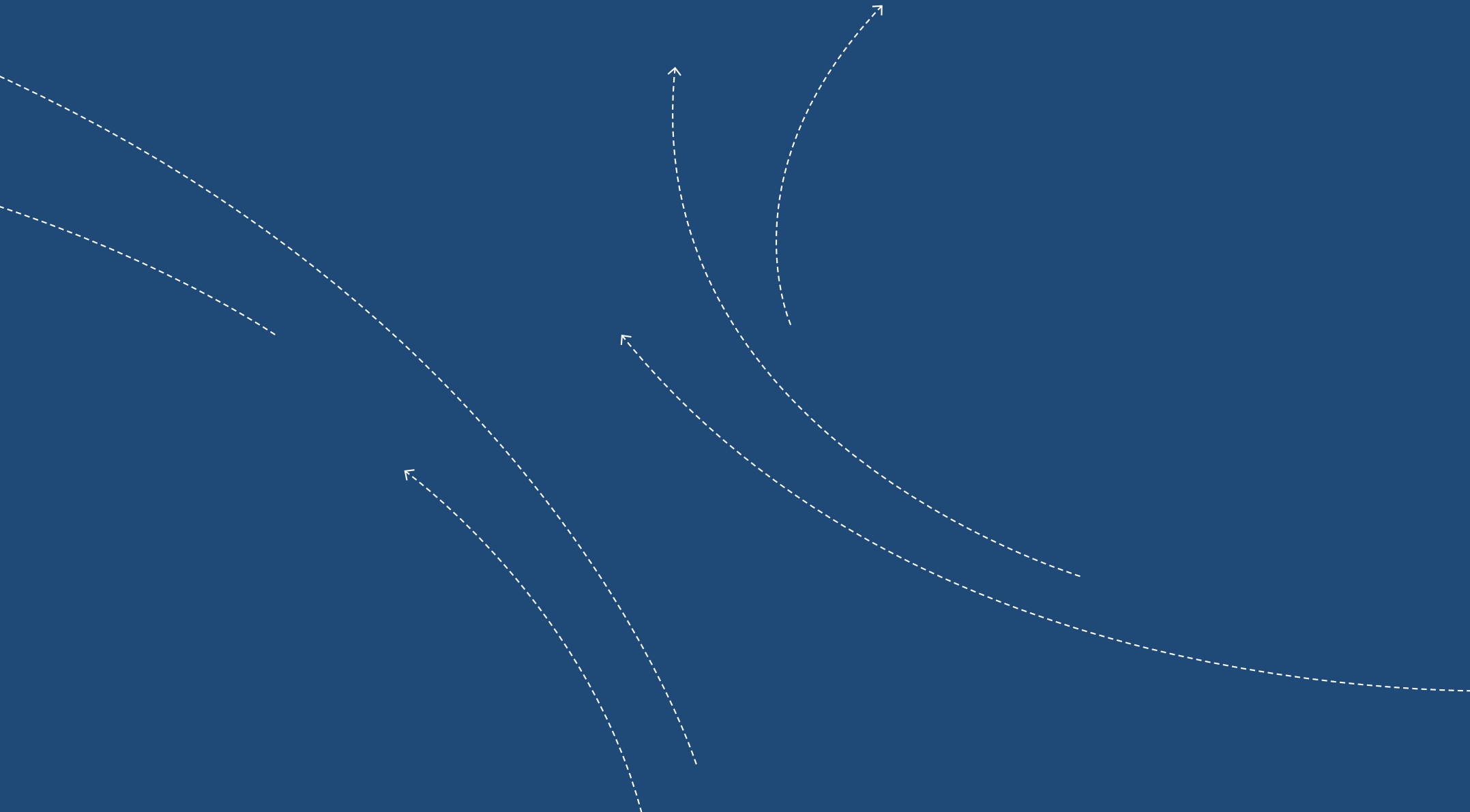
BEYOND CHALLENGES

CHALLENGE #1. A Better Decision-Making Process

CHALLENGE #2. Human Rights for MOT Employees

CHALLENGE #3. Sponsoring the PyeongChang Winter Olympics

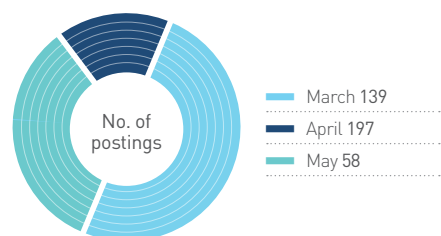
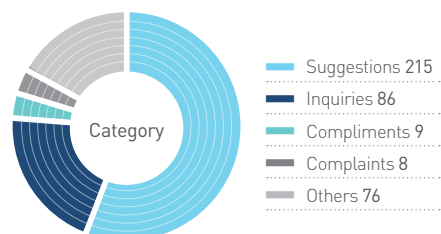
This special edition of our sustainability report covers the major issues relating to sustainability management that were raised in connection with the air transportation industry as a whole and Korean Air's management performance in 2014, and the actions we took in response to those issues. Going forward, Korean Air will remain committed to actively responding to sustainability management issues and to disclosing the details of how Korean Air deals with such issues in its Sustainability Report, thereby effectively communicating with stakeholders and building a sustainable future.



A BETTER DECISION-MAKING PROCESS

Statistics on the Communication Plaza

(unit: postings)



* Postings from March-May 2015

→ OVERVIEW

Nowadays, communication is increasingly viewed as a tool that helps corporations to create new values and innovations, as well as to share information, resolve problems and conflicts. Given the growing importance of communication, many corporations are steering away from the traditionally vertical and formal decision-making mechanism. Information and opinions collected through the new communication system are widely used in improving the ways in which corporations run their organization and conduct their business activities.

→ OUR APPROACH & PERFORMANCE

'COMMUNICATION PLAZA', A FORUM FOR HORIZONTAL OPEN COMMUNICATION

In March 2015 Korean Air opened the 'Communication Plaza' on its intranet as a virtual space where employees can freely exchange ideas in perfect anonymity and build a corporate culture of open communication. The plaza serves as a channel through which officers and employees share a wide variety of ideas on corporate issues and on how to improve the corporate culture. Employees of the relevant departments post replies to comments on issues that concern their duties. More importantly, the management frequently monitors the comments and replies posted on the Communication Plaza, and ensures that issues are reviewed by the relevant departments and that changes are made when necessary. As such, the plaza has become an important component of our communication strategy within the organization. In just two months from its launch in March 2015, a total of 394 entries were posted, attracting 960,000 views, indicating a keen interest in the plaza among employees. The plaza is clearly promoting a healthy culture of communication within the organization.

MINI CASE | Relief aid initiated on Communication Plaza

Many of the suggestions that employees make on Communication Plaza lead to actual changes in our operations and business activities. Following the major earthquake in the vicinity of Kathmandu, Nepal in April 2015, employees expressed the opinion on Communication Plaza that Korean Air, as the only Korean airline operating a direct flight to the city, should do something to help the victims of the earthquake. On the back of the strong consensus among and support of its employees, Korean Air decided to transport, free of charge, a total of 100 tons of relief supplies donated by Korean Air and other organizations to the victims.

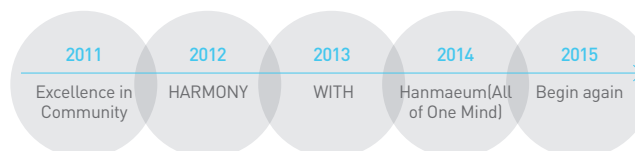
'HANMAEUM COMMUNICATION CAMPAIGN'

Korean Air started the in-company campaign in 2011 to enable its officers and employees to concentrate resources and efforts on achieving a shared set of values and goals and to promote a culture of seeking shared growth



with stakeholders outside the company. A number of initiatives including the Hanmaeum concert, Hanmaeum manito, and Hanjin do Dream (a visit to airport facilities) were undertaken in an effort to create a culture of mutual trust and enhance the sense of connectedness among employees as well as with people from outside the organization by fostering a better understanding of airport operations from an insider's perspective.

Slogans for Communication Campaigns



HUMAN RIGHTS FOR MOT EMPLOYEES

→ OVERVIEW

As companies compete ever more fiercely to offer better customer services, the human rights of emotional laborers who are required to hide or control their emotions in the course of interacting with customers are emerging as a serious concern. The airline industry hires a relatively larger number of MOT employees than do other industries, including flight attendants who serve customers in unique settings with acute spatial restrictions (i.e. airplanes), call center employees who process flight reservations and airport staff who assign seats and handle luggage claims. Given the large number of MOT workers, continued interest and support are necessary at both the corporate and societal levels.

→ OUR APPROACH & PERFORMANCE

CHANGES TO JOB QUALIFICATIONS

Previously, successful female flight attendant candidates were required to be at least 162 cm tall, but this requirement has been abolished, and other requirements that may violate equal rights, including education, have been either eliminated or amended. In addition, female flight attendants are now allowed to wear trousers instead of a skirt when on duty in uniform, and other discriminatory practices have been corrected while providing employees with the right to choose.

MENTAL HEALTH CARE PROGRAMS

Korean Air runs programs designed to promote mental health among high-risk groups of emotional laborers including flight attendants, customer service staff, and call center workers. A range of mental healthcare and educational programs is available to employees who

wish to manage their stress effectively and to prevent mental health problems. Employees can consult professional clinical psychologists and take tests at the psychological counseling center whenever they need to.

Mental Health Care Programs Offered in 2014

Course	Program Title	Target Employees	No. of Participants
Practical Guide to Services	Mental Health and Stress	Field workers(in-flight service and cargo)	85(7 sessions)
Learning More About Corporate Clients	Mental Health for Office Workers	New employees of the call center recruited by outsourcing companies	266 (13 sessions)
Leadership for Captains	Understanding the Basics of Mental Health-care	Flight crew Captaincy candidates	68(4 sessions)
Mental Healthcare for New Cabin Line Team Managers	Mental Health-care Techniques	Newly appointed line team managers	93(4 sessions)

GRIEVANCE RESOLUTION

The captains' union represents flight crew in negotiating matters relating to flights, including flight schedules, in-flight working hours, and break times. In addition, we listen to and review the difficulties faced by our employees in the course of performing their duties through the hotline on our HR portal, the HR Counseling Office, Communication Plaza, and other channels.

SPONSORING THE PYEONGCHANG WINTER OLYMPICS



→ OVERVIEW

In June 2011, PyeongChang was chosen as the host city for the 2018 Winter Olympic Games by a large margin at the general meeting of the International Olympic Committee held in Durban, South Africa. With the hosting of the Winter Olympics in PyeongChang, Korea, where only five years ago winter sports were largely marginalized, is expected to rise as the hub of winter sports in Asia and as a leader in international sports diplomacy. Furthermore, the Olympics are anticipated to generate massive economic ripple effects and to raise Korea's international profile, thereby placing Korea among the ranks of leading countries.

→ OUR APPROACH & PERFORMANCE

THE 2018 PYEONGCHANG WINTER GAMES, 'NEW HORIZONS'

The city of PyeongChang in Gangwon Province finally won the right to host the 2018 Winter Games after failing two previous bids, after which Korean Air chairman Yang Ho Cho was appointed to Official partner for the 2018 PyeongChang Winter Olympic Games. The city won a majority vote because it fulfilled the promises that it made to the IOC concerning the building of the infrastructure including the stadiums, the enhancement of its winter sports capability and performance, and the operation of dream programs, while its presentation of the slogan 'New Horizons,' which is designed to convey the message that winter sports need to be promoted in less developed regions where they are less popular, appealed strongly to the committee.

SUSTAINABLE OLYMPICS

Environmentally-Friendly Olympics

The PyeongChang Organizing Committee for the 2018 Olympic & Paralympic Games (POCOG) considers sustainability as a key element in preparing for the event as it has been a strong advocate of an environmentally-friendly, high-tech Olympics since the bidding stage. The POCOG is concentrating its efforts on making sure the Winter Olympics are environmentally friendly in all respects - from the construction of the stadia to the management of the games. To that end, the POCOG has adopted the slogan 'O2 Plus Winter Games' for the 2018 PyeongChang Winter Games and set specific tasks in each area, including the reduction of greenhouse gas emissions.

Paralympic Excellence Program

The POCOG has created the 'Accessibility Manual' and monitors compliance with the accessibility criteria in order to ensure equal access to all facilities and services, and the infrastructure of the host city for the physically challenged, in order to increase public interest in the Paralympics. The first 2018 PyeongChang Paralympic Day was celebrated earlier this year, and the celebration of the day will continue each year until 2017 so as to raise public awareness of the Winter Paralympics and thus of sports for the physically disabled.

Youth Programs

In January 2015, Gangwon Province successfully hosted the 'Dream Program' which is aimed at supporting young winter sports athletes from around the world. Under the banner 'You Are the Champs, We Are Friends', the program was joined by 172 young athletes from 42 countries around the world. Among the participants were 26 disabled athletes from 7 countries including Ruanda, Mongolia, Vietnam, Ecuador, Kenya, Hong Kong, and Korea, all of whom had an opportunity to experience Korean culture as well as participating in the training.

What is the Dream Program?

- ✓ The Dream Program that POCOG presented to the IOC in 2010 as part of PyeongChang's bid for the 2018 Winter Olympics, aims to support and train young winter sports athletes from around the world.
- ✓ 1,574 young athletes from 75 countries joined the program from 2004 to 2015.
- ✓ The program provides opportunities for young athletes with growth potential to build friendships beyond national boundaries and other differences including ethnic backgrounds by allowing them to experience and train for winter sports such as skiing and other ice sports. It is particularly beneficial to those young athletes from countries where winter sports are less developed due to various constraints including weather.



KOREAN AIR'S INITIATIVES FOR SUCCESSFUL HOSTING OF THE WINTER OLYMPICS

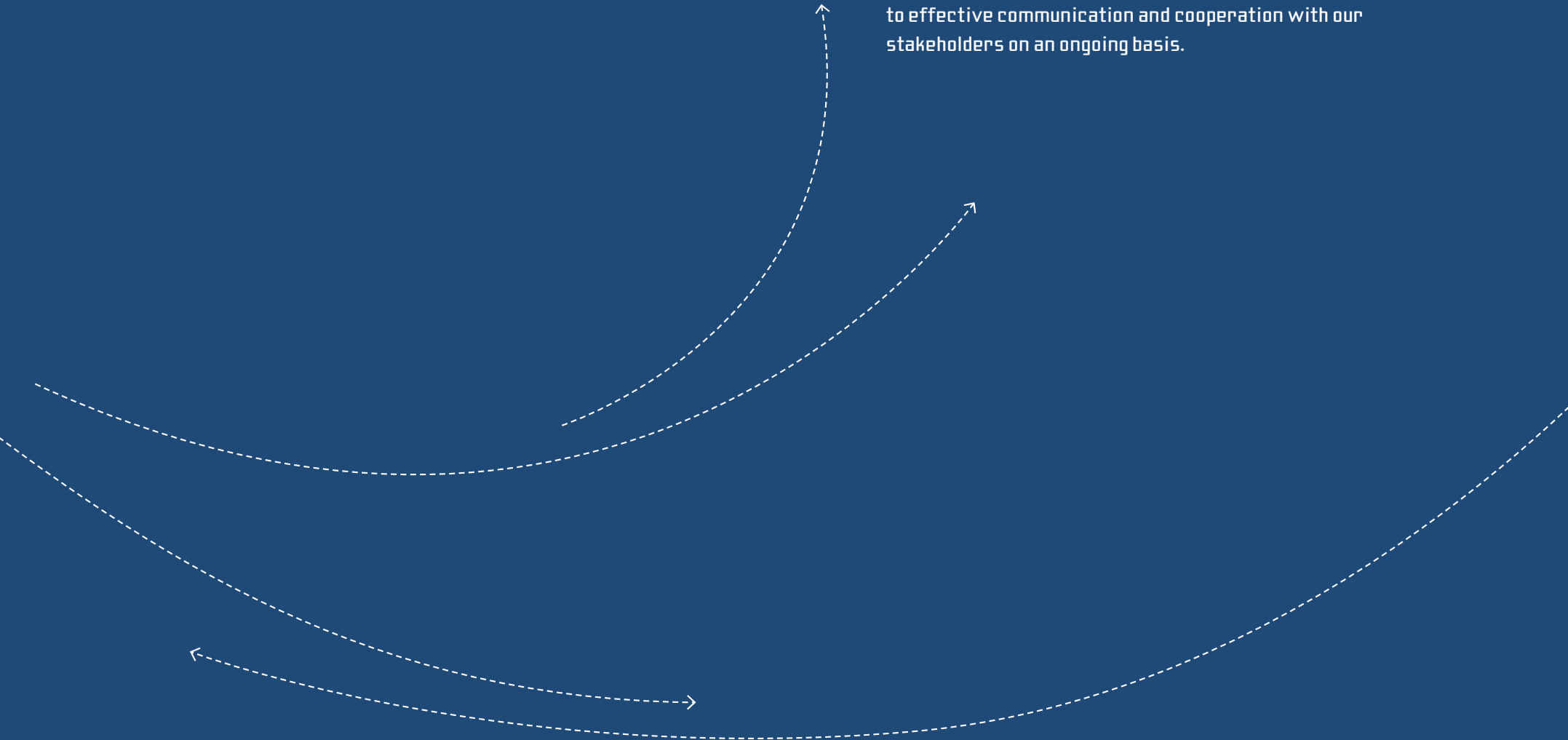
Korean Air has become involved in various activities to support the successful hosting of the 2018 Winter Olympics in a bid to ensure that the event will bring together all the Korean people by arousing a strong sense of solidarity, and to raise Korea's global status. Under the leadership of chairman Cho, who was voted as the leader of the POCOG in July 2014, some thirty Korean Air employees have been dispatched to work with the POCOG, providing their expertise in such areas as international affairs, facility management, planning, finance, PR, and IT. As a major official sponsor of the PyeongChang Winter Olympics, Korea Air is responsible for providing air transportation services for both cargo and passengers, including members and staff of the POCOG, athletes participating in the games, and delegates.



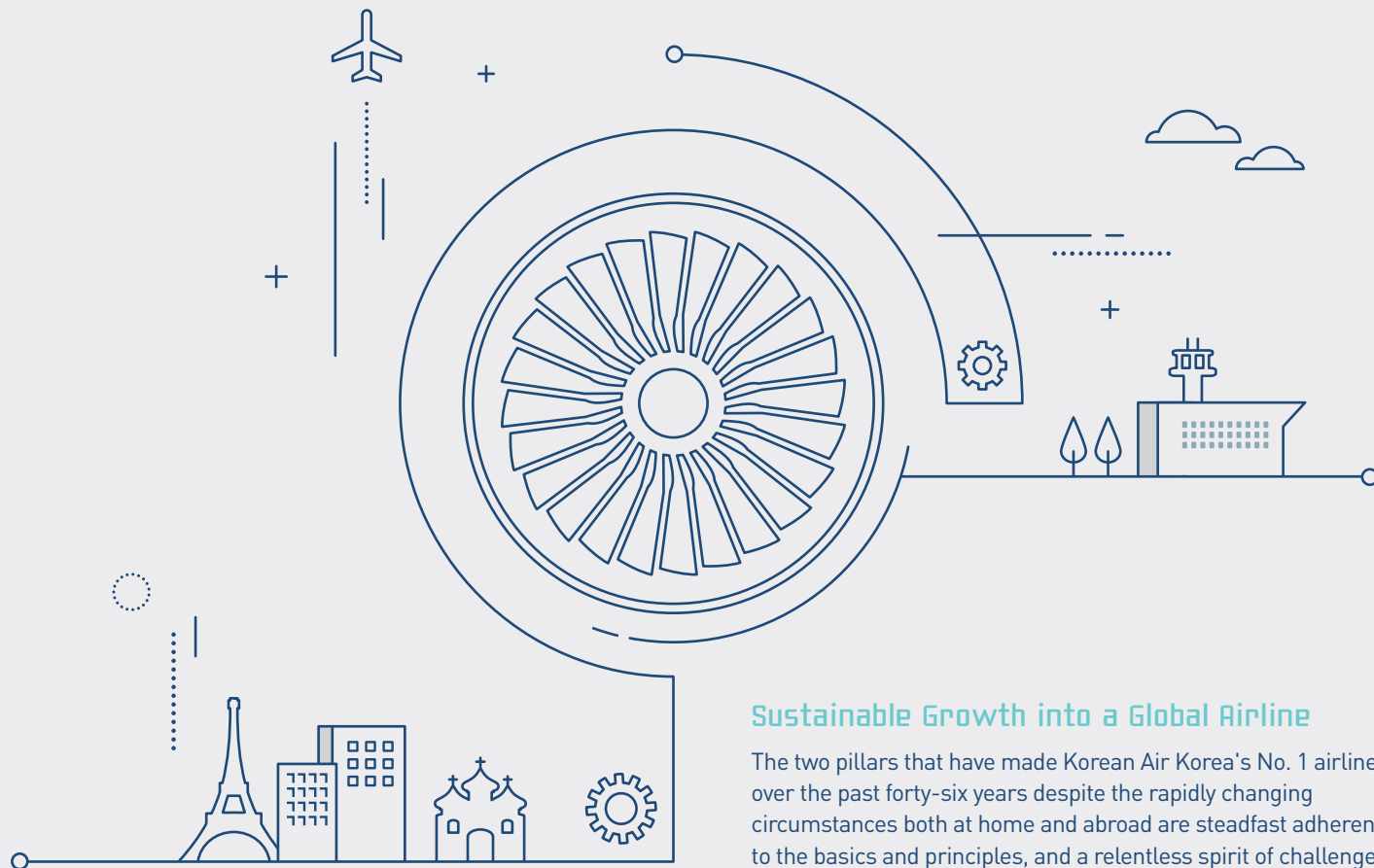
SUSTAINING EXCELLENCE

[PAGE. 28](#) Sustainable Growth into a Global Airline [PAGE. 42](#) People-Centered Corporate Culture [PAGE. 52](#) Green Management for Future Generations
[PAGE. 64](#) Absolute Safety and High-Quality Services [PAGE. 74](#) Shared Values for Society

We would like to express our gratitude to all of you for showing continued support for, and interest in, Korean Air. Korean Air's rise as a leading global airline is attributable to effective communication and cooperation with our stakeholders on an ongoing basis.



01 | GROWTH FOR EXCELLENCE



Sustainable Growth into a Global Airline

The two pillars that have made Korean Air Korea's No. 1 airline over the past forty-six years despite the rapidly changing circumstances both at home and abroad are steadfast adherence to the basics and principles, and a relentless spirit of challenge that has enabled us to blaze new trails. We are actively investing in aerospace and other high value-added businesses in an effort to find new growth engines while consistently generating profits in our core business areas such as passenger and cargo transportation services. Our dreams and challenges reach far beyond national borders and are now heading toward the universe.



MATERIAL ISSUES

- ✓ Economic Performance (earnings, taxes, etc.)
- ✓ Optimizing socially responsible investment (SRI)
- ✓ Growing Market Competition
- ✓ Changing the conservative and old-fashioned corporate image
- ✓ Indirect Economic Effects (Infrastructure investments, associated businesses, ripple effects)
- ✓ Responses to Exchange Rates and Oil Prices

INTERVIEWS WITH STAKEHOLDERS

"I hope that Korean Air achieves a new level of growth by restoring the profits from its core routes and by employing a combination of different strategies to expand its competencies."



Recently, the air transportation industry has been booming amid falling oil prices and a growing number of overseas tourists. In addition, Korean Air's status as Korea's representative airline has been further consolidated. Korean Air, one of the major airlines that connect Asia and North America, has a significant impact on the national economy and Korean society as a whole, given its market share and overall size, as well as exerting a massive influence on the nation's labor market as it employs a large number of people in diverse positions ranging from specialized jobs such as pilots to flight attendants and other general service jobs. Slowing sales from the North American routes, the key source of the company's revenues, remain a concern, however. A strategic approach is required to bring the profit from the core routes back up to previous levels. If Korean Air improves its financial structure based on a careful analysis of the strategies of its competitors, and strengthen its competencies by choosing and implementing a set of the most appropriate strategies, it will likely stabilize its finances and grow to the next level, taking advantage of the industry's expansion, which is expected to continue.

Jinjoo Hong

Senior Analyst / Metals & Logistics / Research Center / Shinhan Investment Corp.

PROGRESS IN 2014

Incheon-Houston (7 flights per week) and Incheon-Nha Trang (2 flights per week), two routes that have large growth potential were opened, further expanding Korean Air's global network.

Innovative customer services were provided through the PSS Project, which upgraded the entire passenger transportation system including seat assignment, reservation, ticketing, and transportation.

Korean Air established Inha University in Tashkent, Uzbekistan's first foreign IT educational institution and Korea's first exportation of education services to another country, in 2014.

OUR ACHIEVEMENTS



Sales
116,804 (100 million won)



Operating profit
3,725 (100 million won) Year-on-year change 3,905 ↑



Cargo volume at Navoi International Airport
32,675 (tons) 32,649 (tons) ↑ from 2008 1,257 (times) ↑

FUTURE PLAN

Incheon-Houston (7 flights per week) and Incheon-Nha Trang (2 flights per week), two routes that have large growth potential were opened, further expanding Korean Air's global network.

Non-financial risk management systems will be upgraded across the board in order to cope with risks in a more proactive manner.

Korean Air will provide maximum support to create synergy effects in connection with the Navoi Project, such as training qualified professionals through Inha University in Tashkent, and will continue to manage Navoi International Airport until 2018.

CREATION AND DISTRIBUTION OF ECONOMIC VALUE

Korean Air fully discloses the value that it creates from the business it conducts, and fairly distributes the gains to different stakeholders, thereby contributing to the balanced development of society.

IMPACT ISSUE

✓ Economic Performance

BOUNDARY

- ✓ Korean Air 
- ✓ Shareholders 
- ✓ Suppliers 
- ✓ Customers 
- ✓ Community 
- ✓ Others 

→ CONTEXT

Korean Air fairly shares the value generated from its corporate activities with a variety of stakeholders including the government, investors, customers, communities, and employees. In addition, it makes conscious efforts to carefully manage and enhance its corporate value so that it can give back more to stakeholders.

→ PROGRESS

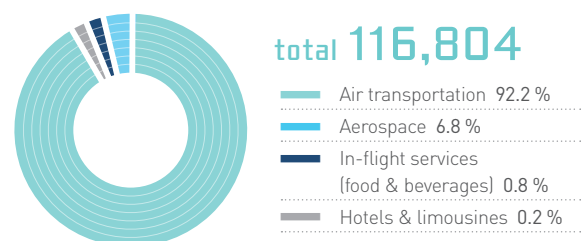
CREATION AND DISTRIBUTION OF ECONOMIC VALUE >> G4-EC1

Based on the consolidated financial statement, Korean Air's gross sales amounted to 11,680,400 million in 2014, with air transportation generating 92.2% of the entire sales. Of its sales, 8,163,000 million won was distributed to stakeholders, amply demonstrating Korean Air's commitment to the fair sharing of profit.

Distribution of Economic Value (unit: 100 million won)



Earnings by Business Category (unit: 100 million won, %)



Air transportation	107,716
Aerospace	7,965
In-flight services (food & beverages)	910
Hotels & limousines	213

FINANCIAL STABILITY >> G4-EC1

In recent years, Korean Air has maintained financial stability despite the challenging domestic and international circumstances, by employing multiple financial crisis management techniques. In 2014, the financial indicators for growth improved mainly due to falling oil prices and a rise in the number of tourists.

➔ NEXT STEP //////////////////////////////////////

- To distribute fair shares of the economic gains generated by our business activities among stakeholders.
- To further improve the financial indicators and maintain a stable financial position through effective financial management.

최근 3개년 주요 재무지표

Item		Unit	2012	2013	2014	
Stability	Liquidity ratio	%	48.96%	43.73%	37.68%	Current assets/Current liabilities
	Debt-equity ratio	%	771.14%	823.31%	982.00%	Total liabilities/Total capital
	Ratio of total borrowings and bonds payable to total assets	%	39.30%	38.41%	37.77%	Borrowings*/Total assets
	Interest coverage to operating profit	times	0.5652	-0.0412	0.9085	Operating profit/Interest expenses
Profitability	Operating income to sales	%	2.26%	-0.15%	3.19%	Operating profit/Sales
	Net income to sales	%	2.12%	-2.48%	-1.76%	Net profit/Sales
	Net income to total assets	%	1.27%	-1.40%	-0.97%	Net profit/Average total assets
	Net income to stockholders' equity	%	11.39%	-12.51%	-9.67%	Net profit/Average shareholders' equity
Growth	Growth rate of sales	%	3.89%	-4.48%	-0.27%	-
	Growth rate of net income	%	-186.22%	-211.89%	-29.26%	-
	Growth rate of total assets	%	2.25%	1.38%	2.18%	-
	Assets turnover ratio	times	0.5996	0.5625	0.5512	Sales/Average total assets

* Borrowings: sum of short-term borrowings, current portion of long-term debt, long-term borrowings, bonds, ABS-related borrowings, and long-term borrowings for debt acquisition

CONTINUED ENHANCEMENT OF PROFITABILITY

Korean Air is working to build a business structure that will generate profit on a long-term basis, by launching new routes in new markets, upgrading cargo planes for greater fuel efficiency, and taking other steps to support the continued growth of its core business of passenger and cargo transportation. To that end, Korean Air is expanding the scope of its business to include aerospace, enhancing its in-flight meal services and sales, and designing and implementing business strategies based on an in-depth analysis of the business environment.

IMPACT ISSUE

✓ Economic Performance

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 🛒
- ✓ Community ❤️
- ✓ Others ★

→ CONTEXT

As the global economy steadily rebounds, cargo demand as well as passenger transportation demand is also growing, and the upward trend is forecast to continue amid the falling oil prices. At this critical juncture, Korea Air is intent on taking full advantage of the booming industry to maximize its sales and profits, with the ultimate goal of rising as a global leader in the field of air transportation.

→ PROGRESS

BUSINESS ENVIRONMENT AND OUTLOOK

The number of inbound and outbound overseas tourists increased 12.2% year-on-year in 2014, reaching a record high. According to the Airline Industry Performance published by the International Air Transport Association (IATA), global passenger transportation is forecast to increase markedly in 2015, and cargo transportation is also expected to grow at a faster rate than in 2014. As such, Korean Air has reviewed and revised its strategies for key individual business areas in order to make the best use of these positive changes in the business environment and cement its position as a global airline.

PASSENGER TRANSPORTATION

Competition remains fierce but the world economy is on a path toward steady recovery and international oil prices are on a downward trend. In line with changes in the domestic and international markets, we are implementing the following strategies to expand our passenger transportation business and to achieve sustainable growth.



- ✓ Supply aircraft that fit the circumstances of different markets to increase profitability and operate optimal aircraft that meet the needs of individual routes to raise productivity.
- ✓ Maximize the use of high-tech airplanes with cutting-edge first-class and business-class seats to increase high-class sales, and accelerate alliance marketing efforts targeting the premium- and economy-class markets.
- ✓ Expand the long-term growth base by developing new markets with high growth potential and create additional potential demand by launching more joint operations, and thereby create a larger network

MINI CASE | Opening of new routes and future plans

As the initial stage in securing new growth momentum, Korean Air is in the process of expanding its network by exploring new markets. Our future efforts will be concentrated on developing new markets in China and Central and South America and on expanding our global network to sharpen our competitive edge.

New routes opened in 2014

Route	Model	No. of flights per week	Official launch
Incheon-Houston	B777	7	May 2014
Incheon-Nha Trang	B737	2	Oct. 2014

New routes to open in 2015

Route	Model	No. of flights per week	Official launch
Incheon-Hefei	B737	5	Mar. 2015
Incheon-Nanning	B737	2	May 2015
Jeju-Guiyang	B737	3	May 2015
Daegu-Shenyang	B737	3	Jun. 2015

CARGO TRANSPORTATION

While moving on with the growth momentum that has been boosted by its superior quality, global network, and broad range of products and services, Korean Air has adopted the following strategies to further accelerate growth in our cargo business on the back of the steady recovery of the global economy and our increased presence in the new markets we have tapped into.



- ✓ Increase profitability by optimally placing new cargo planes on routes and by increasing the ratio of new, high fuel-efficiency models from 35% to 40%. Create new sources of revenue by developing new markets including Phnom Penh of Cambodia and Santiago of Chile, and expand demand for cargo transportation between third-party countries (Southeast Asia/China-Europe) by taking advantage of the geographical situation of Navoi International Airport.
- ✓ Focus on raising profitability by securing the basic global forwarding demand, and switch to a marketing strategy of customizing services to the needs of individual market segments such as pharmaceuticals and medical products, fresh produce, and e-commerce.
- ✓ Increase profitability through revenue management (optimize the use of available supplies → maximize profit per supply), and provide better customer services by improving transportation processes and procedures.

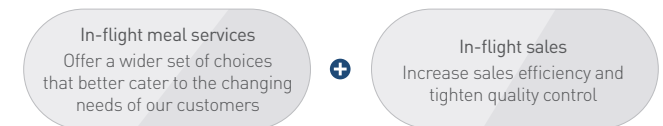
AEROSPACE BUSINESS

As Korea's leading unmanned aerial vehicle (UAV) company, Korean Air is building a UAV lineup and stepping up its R&D efforts with the aim of competing in the global UAV market.

A global leader in aerospace capable of producing both manned and unmanned aerial vehicles

OTHER BUSINESSES

In addition to its core businesses including air transportation and aerospace, Korean Air is also running other businesses such as in-flight meal services and in-flight sales.

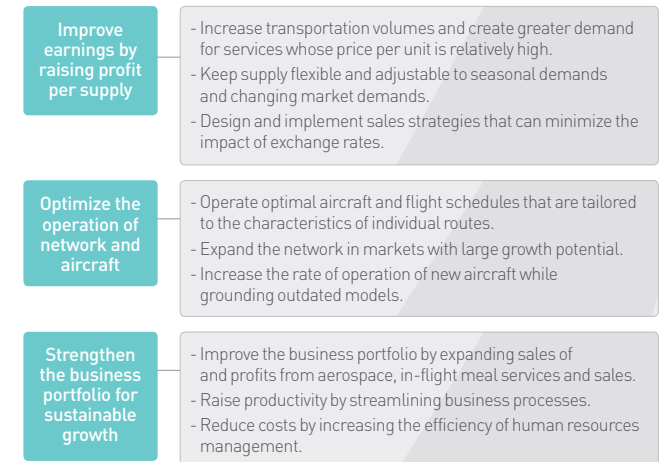


➔ NEXT STEP

- To determine the core tasks and specific action plans to achieve the 2015 goal of "creating profit in all business areas through enhanced profitability and building a stronger foundation for growth."

2015 Business Strategies and Core Tasks

Creating profit in all business areas through enhanced profitability and building a stronger foundation for growth



DIVERSIFICATION OF BUSINESS PORTFOLIO

Korean Air is accelerating its efforts in the arena of aerospace, which has unlimited growth potential, and is channeling much of its resources into various high value-added businesses with the capacity to drive the company's future growth. In this context, the Navoi Project was a critical step that Korean Air took to secure a competitive edge in the race to become a logistics hub of Central Asia.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙️
✓ Customers	👥
✓ Community	❤️
✓ Others	★



→ CONTEXT

Amid intensifying competition in the air transportation industry, it is becoming increasingly important for airlines to gain a competitive advantage and find future growth engines so as to differentiate themselves from their rivals and break away from the pack. Based upon the capacity it has built up over the last forty years in the aerospace area, Korean Air is working hard to secure next-generation growth engines while emerging as a logistics hub that connects Central Asia to other parts of the world under the Navoi Project, which it is executing in cooperation with the government of Uzbekistan.

→ PROGRESS

Aerospace Business

INDUSTRY OVERVIEW AND OUTLOOK

Aerospace added 796,500 million to the total sales posted by Korean Air in 2014. Although this amount only represents around 8% of our total sales, aerospace is a fast-growing sector whose sales have expanded at an annual average rate of about 25% over the last five years. Fully aware of the unlimited growth potential offered by aerospace, Korean Air is focusing on utilizing the know-how it has accumulated over the past forty years to develop technologies that will place it squarely in the lead, as well as significantly expanding its R&D capacity.

Annual data



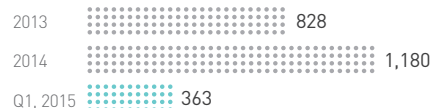
Heavy maintenance
100 civil aircraft



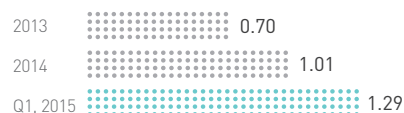
Parts maintenance
25,000 aircraft

R&D Cost

R&D investment (unit: 100 million won)



R&D ratio (unit: %)



EXPANDING R&D CAPACITY

Korean Air runs an R&D center dedicated to conducting research and development projects across the full spectrum of the aerospace industry, including manned and unmanned aerial vehicles, satellites, and space launch vehicles. Korean Air was involved in an international joint project to develop civil aircraft including the B787 and A350, and is currently working on a project to improve the performance of the P-3C maritime patrol aircraft. In the aerospace sector, Korean Air performed an important role as the systems integration company in the successful launch of Naro, the Korea Space Launch Vehicle [KSLV].

Major R&D Achievements 2012-2014

Year	Title of Project	Expected Effects
2012	Design of a prototype of the LOX main pipe assembly of the KSLV-II propulsion feeding system.	Creation of new business
	Design and manufacture of a certified model of a 2nd-stage hard copper structure made of composite materials.	Domestic production
	Development of a model structure for a moon probe.	Domestic production
2013	Design of the details of a testing facility for the parts of a propulsion system (3rd stage).	Creation of new business
	Development of the structure for the Korea Multipurpose Satellite-3A, or KOMPSAT-3A.	Creation of new business
	Joint development of a TR-6X TAL TROTTER-type UAV (for technology verification).	Creation of new business
2014	Development of a UAV for division-level reconnaissance.	Creation of new business
		Creation of new business

* KSLV-II: 2nd-stage development of Korea's space launch vehicle (1.5-ton satellite launch vehicle)

* TR-6X: Unmanned aircraft whose size has been reduced to 60% of the previous model; developed by the Korean Aerospace Research Institute using smart unmanned aircraft technology, not only for military use but also for a wide range of civil applications

PRODUCTION OF AIRCRAFT PARTS

Korean Air has been developing, manufacturing and supplying various types of aircraft structures to Boeing, Airbus, and other leading global aircraft manufacturers. Notably, Korean Air has received widespread

recognition for its technology and business performance after successfully designing and manufacturing a high-tech structure made with composite materials for Boeing's next-generation 787 model, a cargo door for Airbus A350 model, and sharklet structures for the A320 model. In addition to being selected to supply winglet structures for the B737 MAX to Boeing, Korean Air won the contract to manufacture and supply the wing structure for Airbus' A330 NEO in 2015, attesting to its superior technology and competitiveness.

AIRCRAFT HEAVY MAINTENANCE AND PARTS MAINTENANCE

Since the production of Korea's first 500MD military helicopter for the Korean Army in 1975, Korean Air has been performing depot maintenance for combat planes, carriers, and helicopters of the U.S. army stationed in Korea and the Asia-Pacific region. With the first-class technical know-how it has accumulated in the heavy maintenance of civil aircraft over the past 40 years, and its capacity to handle the maintenance of four B747s simultaneously, Korean Air performs heavy maintenance on more than 100 civil aircraft each year, including aircraft operated by other companies such as the B747, B777, A330, and A300-600. In addition, Korean Air repairs or replaces parts for approximately 25,000 aircraft per year, including navigation equipment, hydro-pneumatic systems, fuel systems, and auxiliary power units.

UNMANNED AERIAL VEHICLE (UAV)

As Korea's first and leading systems integration company for unmanned aerial vehicles, Korean Air is working diligently to build an UAV lineup and to establish its presence in the global market. Following the successful exploratory development of a large, strategic-grade unmanned reconnaissance aerial vehicle at the end of 2012, as part of a government project, Korean Air has embarked on the follow-up development project, which is scheduled for completion in 2016. Meanwhile, the division-level unmanned reconnaissance aerial vehicle currently under development is scheduled for mass production in 2015. In addition, Korean Air is currently in the process of developing an unmanned tiltrotor that can take off and land vertically, and of reforming the 500MD for unmanned operation as part of its efforts to develop unmanned aircraft technology.



THE LOGISTICS HUB OF EAST ASIA: THE NAVOI PROJECT

Korean Air recognized early on the geographical advantage and unlimited growth potential of Navoi in Uzbekistan, and has been working on the Navoi Project since 2008 with the aim of transforming Navoi into the main logistic hub of Central Asia.

PROGRESS AND PLANS

Since its takeover of the management of Navoi International Airport, Korean Air has modernized and augmented the airport facility and constructed a traffic network that links the airport to a much wider area. The next steps in the development of the airport include increasing air cargo volumes and attracting global logistics companies by 2018. As a bridge that connects Southeast Asia, the CIS, and Europe, Navoi will become the center of the logistics network of Central Asia and a leading logistics hub of Asia.

VISION

A hub of global logistics and the global economy in Southeast Asia



GROWTH ENGINES

The Navoi Project

- Airport management
- Network building
- Integrated transportation capabilities
- Construction of airport, roads, and railways

IT/Logistics HR

- Education and training for Uzbekistani students
- Expansion of Inha University, Tashkent

Industry Support

- Grow Navoi FIEZ
- Provide opportunities to participate project in Uzbekistan (IT, airport infrastructure, aviation industry, and hospital)

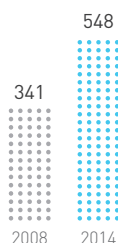
AIRPORT OPERATION STATISTICS

Aircraft (unit: flight)

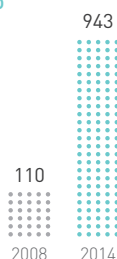


9 times ↑

Passengers



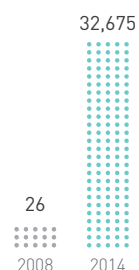
Cargo



Cargo (unit: tons)



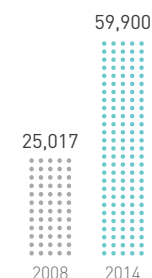
1,257 times ↑



Passengers (unit: persons)



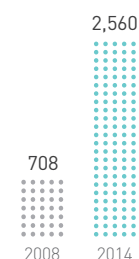
Twofold ↑



Revenues (unit: USD10,000)



Fourfold ↑



SYNERGY EFFECTS

Hanjin and Central Asia Trans established a joint venture to offer logistics services between Europe and Asia in order to make the maximum use of the infrastructure constructed under the Navoi Project. As of 2015, the joint venture owns total of 23 trailers, including 20 trucks and freezer trailers. Korean Air is actively pushing the boundaries of its business to create synergy effects, including the transportation of high-quality agricultural products grown in the Navoi Special Economic Zone.

INHA UNIVERSITY, TASHKENT AND INHA UNIVERSITY HOSPITAL

Inha University, Tashkent (IUT) established at the initiative of Hanjin Group, is Uzbekistan's first foreign IT education institution and Korea's first export of higher education services. The main building consisting of seven floors was constructed in June 2014, and ninety-one faculty and staff members are now working and teaching computer science & engineering and information communication engineering as major subjects. Inha University Hospital has been offering free medical services in Uzbekistan since 2010, creating a positive im-

pression of Korea among local people, as well as improving public health in the community it serves.

➔ NEXT STEP

- To expand the application of aircraft maintenance know-how
- The company's competitive edge will be sharpened by taking full advantage of advanced maintenance technology for both civil and military aircraft.
- To enhance the company's global business competencies through involvement in a variety of aerospace industry projects
- To successfully complete the Navoi Project in 2018
- To increase the number of trucks for logistics services in the Eurasian region (Joint venture of Hanjin) for greater competitiveness.
- Inha University, Tashkent will be managed in such a way that it can successfully position itself as an integral part of the local community and serve as a cradle of high-quality human resources equipped with professional knowledge – synergy with the Navoi Project.

PROCESS INNOVATION

The entire passenger transportation system has been upgraded in order to raise operational efficiency and provide innovative customer services.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙
✓ Customers	👥
✓ Community	❤
✓ Others	★

→ CONTEXT

Air transportation technology is evolving rapidly. Efforts to embrace new technologies and introduce exciting new innovations to services are required in order to operate the systems required to provide services such as seat management, reservation, ticketing, and cargo transportation more efficiently and to increase the timeliness and quality of the services.

→ PROGRESS

NEW PASSENGER TRANSPORTATION SYSTEM

In September 2014, Korean Air decided to introduce the Altea system of Amadeus in order to meet the diverse needs of its customers and to cope with the ever-changing global business environment, and launched the PSS project it had been working on. In line with the launch of the project, Korean Air adopted the vision of "expanding the business and innovating services by developing a new passenger transportation system," while collecting and analyzing ideas and opinions from customers and employees, particularly those who serve and interact directly with the customers, thereby performing an issue-resolving function. As a result, Korean Air's customer services are expected to improve significantly.

WHAT IS THE PSS (PASSENGER SERVICE SYSTEM)?

PSS refers to a series of key systems used by airlines to manage different parts of their passenger transportation business including seat management, reservation, ticketing, and transport. Korean Air uses the PSS it developed in 1990.

Expand Korean Air's business and innovate customer services through the development of a new passenger transportation system

Flying with PSS

Design the Future, Be the Innovator

It was necessary to upgrade the systems to cope with changes in the global business environment and to raise the quality of customer services. Korean Air decided to use the Central Reservation System (CRS) and the Departure Control System (DCS) of Amadeus' Altea system because they meet global standards, are highly stable, and are scalable on a continuing basis.

DESIGN AND LAUNCH OF THE PSS

The CRS and DCS were customized to incorporate the unique features of Korean Air's passenger transportation system into the new PSS while adopting the basic elements of Amadeus' Altea system, to allow the new PSS to improve business processes and provide differentiated services.

The entire passenger management system including the customer management system (SKYPASS), website, and customer services support system was upgraded and the infrastructure was rebuilt.

The existing systems were either consolidated or simplified by reorganizing them and realigning them along with the purpose and system type. Previously, all the individual systems were interwoven into a complicated structure, but the entire passenger management system has now been switched to an open system, and all the related processes and functions have been made far more flexible and scalable.

EXPECTED EFFECTS

User-friendly, graphic-based services systems

The seat management, reservation, ticketing and transport systems all use a graphic user interface(GUI) to make them more user-friendly, while the employees spend less time on learning and switching to the new systems.

Improve customer services

Any changes to services that customers request are automatically verified, and it takes less time to reissue a ticket and refund the ticket price. Customers can personally choose and make changes to the services on the Internet, which were previously available only via a call center.

Shorter processing time and greater accuracy

The processing time will be shortened and greater accuracy will be achieved as a result of the automation of many functions, leading to greater customer satisfaction.

CONTINUOUS IMPROVEMENTS

Opinions are gathered through personal visits to the employees who use the PSS and to the worksites where it is used. Problems and areas requiring improvement are identified through personal observations of how the PSS is used, and the employees who operate it are encouraged to make suggestions on how to improve the system. Employees are free to make suggestions on how processes and procedures can be improved, and their suggestions will be reviewed immediately and accepted provided that they are valid and feasible.

→ NEXT STEP

- To evaluate the PSS
 - The PSS will be evaluated in all aspects including application, operation, and utility (scheduled for the second half of 2015).
 - The PSS will be monitored on a regular basis to check if planned or expected improvements have been made and if there are any additional issues to address.
 - The underlying causes of problems will be identified, solutions devised and backup plans drawn up.
 - The solutions will be incorporated into the system, which will be continuously improved.

STRICTER MANAGEMENT OF BUSINESS RISKS

Business-associated risks are classified into two categories, financial and non-financial, for more effective management. All potential risks are strictly managed on a proactive basis.

BOUNDARY

✓ Korean Air	✈️
✓ Shareholders	👤
✓ Suppliers	⚙️
✓ Customers	👛
✓ Community	❤️
✓ Others	★

→ CONTEXT

Rapid social changes have brought about a wide variety of new risks that did not previously exist in the business environment. In order for Korean Air to remain a sustainable corporation, it is essential to proactively deal with newly emerging issues and to manage risks efficiently and effectively.

→ PROGRESS

RISK MANAGEMENT SYSTEM >> G4-14

Korean Air analyzes the external and internal environments in which it operates, and evaluates issues identified by the analysis, from multiple perspectives including the degree of their impact on our business, the cause-and-effect relationship, and potential problems. Core risks are sorted out based on the results of a multi-faceted evaluation. Once the risks have been identified, responses to and strategies for managing the risks are designed, and the tasks to be

accomplished are sorted out by function and department. Progress is monitored on a regular basis.

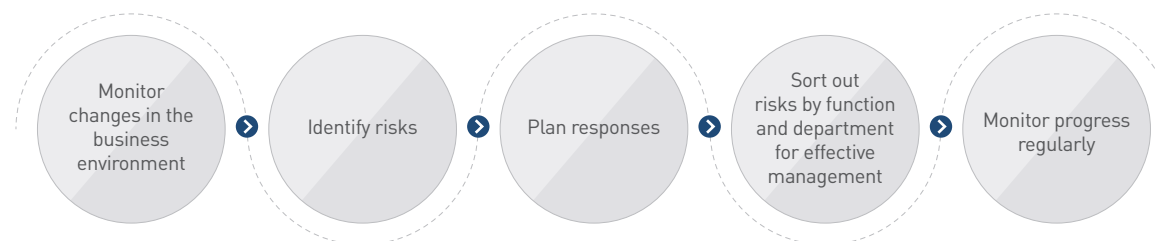
FINANCIAL RISKS >> G4-2

Korean Air manages market risks systematically and aggressively in order to eliminate or minimize financial risks stemming from volatility in oil prices, exchange rates, and interest rates. To minimize market risks, Korean Air employs a combination of two hedging techniques of financial risk management: natural hedging and active hedging.

NON-FINANCIAL RISKS >> G4-2

Among the non-financial risks that Korean Air is managing systematically are operational risks associated with business strategies, climate change- and environment-related risks, risks associated with compliance with domestic and international regulations, and risks due to unforeseen events such as aircraft hijacking and natural disasters.

Risk Management System



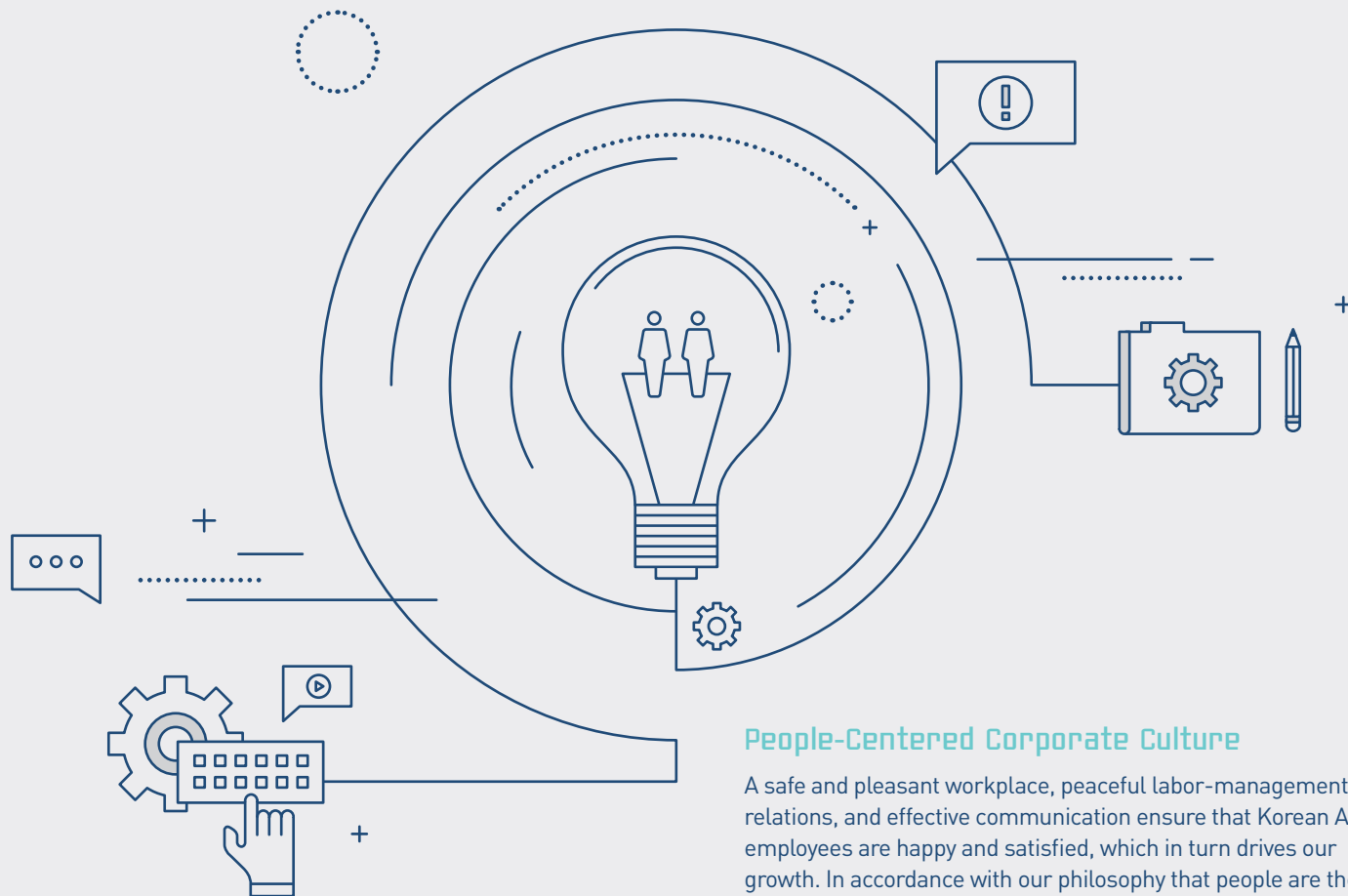
RISKS OF KOREAN AIR



➔ NEXT STEP

- To identify more risks to be managed as core risks in order to enlarge the scope of risk management.
- To overhaul the company-wide risk management system in order to respond to risks more effectively.

02 | PEOPLE FOR EXCELLENCE



People-Centered Corporate Culture

A safe and pleasant workplace, peaceful labor-management relations, and effective communication ensure that Korean Air employees are happy and satisfied, which in turn drives our growth. In accordance with our philosophy that people are the backbone of Korean Air, our employees enjoy maximum support when performing their duties so that their achievements at work, their second home, lead to self-realization, as well as enjoying the benefits of our employee welfare system, one of the best in Korea.



☰ MATERIAL ISSUES

- ✓ Market Presence (wages, purchasing, employment)
- ✓ Employment (gender, new and non-permanent workers)
- ✓ Increased importance of need for talent ✓ Non-discrimination
- ✓ Education and training ✓ Equal remuneration for women and men
- ✓ Occupational health and safety

☰ INTERVIEWS WITH STAKEHOLDERS

"Korean Air's biggest asset is its people!"



Korean Air's biggest asset is its people. As the air transportation industry involves direct interaction with the customers in the course of providing its services, it is important to create a corporate culture that instills a sense of ownership among employees and encourages them to love themselves and their job, which will eventually lead to better services for customers and greater customer satisfaction. In this context, I think company-wide efforts need to be made to build a stronger sense of solidarity among our employees and to boost their morale by recognizing their contribution and offering praise. It is also necessary to exercise a sense of community and proactively respond to the issues of non-permanent workers, who have been attracting a great deal of social attention recently, and to treat suppliers and other business partners with respect and consideration as part of our wider efforts to create a better employment culture and thereby become an exemplary corporation. In addition, Korean Air should continue making efforts to improve the quality of its services. Given that the workforce is quickly again across the board including the tourism, aviation and hotel industries, I sincerely hope that Korean Air will continue to consolidate its status as one of the leading companies that achieve sustainable growth by employing and nurturing fit and talented persons who will help raise productivity and bring more creativity to the organization itself and to the way it conducts its operations.

Changsoo Koh General Manager & Team Leader / Facilities & Equipment Team /
Maintenance Planning Dept. / Korean Air

> PROGRESS IN 2014

Qualifications and criteria that are not critically related to job performance such as academic qualifications and the height requirement for flight attendants have been eased.

Multi-dimensional evaluation tool, which is suitable for organization made up of a wide range of different jobs, is used to evaluate employees' performance. An upward evaluation system is implemented for employees who perform field work, thereby encouraging managerial-level employees to develop both their leadership skills and a sense of responsibility.

The retirement age, which is currently 56, has been raised to 60, and a wage peak system has been introduced as part of the efforts to increase job security.

> OUR ACHIEVEMENTS



New employees

1,421 (persons) change from previous year: 237 (persons) ↑



Online education contents

866 (materials) change from previous year: 4(materials) ↑



Occupational injury rate

0.06%
change from previous year: 0.02% ↓ (National average: 0.53%)

> FUTURE PLAN

Korean Air is doing its utmost to develop the competencies and competitiveness of its employees by continuously improving its education and training systems, as well as establishing the Flight Training Center which is scheduled for completion in 2016.

Field employees such as aircraft maintenance engineers will be provided with fine dust-filtering masks to reduce health risks, and an analysis of accident-prone working areas and types of accidents will be performed to improve the working environment.

Various online and offline channels will be created to facilitate communication and gather opinions.

PEOPLE-CENTERED MANAGEMENT

With the firm belief that people hold the key to our future, our education and training programs have been reformed in ways that will help our employees to be globally competitive, and more support will be provided in the near future.

IMPACT ISSUE

- ✓ Market Presence(wages, purchasing, recruitment)
- ✓ Employment(gender, new and non-permanent workers)
- ✓ Non-discrimination
- ✓ Training and Education

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 📦
- ✓ Community ❤️
- ✓ Others ★

→ CONTEXT

'People' are a value and a resource that Korea Air deems the most precious. Our philosophy that a corporation is all about its people is embedded in every aspect of our human resources management including our personnel management principles and recruitment practices. This philosophy is perceived as an underlying rule that governs our entire personnel policy.

→ PROGRESS

EMPLOYEE DATA >> G4-10 / G4-EC5

As of the end of December 2014, the total number of employees working with Korean Air stood at 20,428, of whom 8,709 were female employees, representing approximately 43% of the entire workforce. As a result of our consistent efforts to increase employee satisfaction, our



turnover rate has been declining each year, and the average length of service is currently 14.2 years. Korean Air pays new entry-level employees who perform general duties three times the minimum legal wage (5,210 won per hour in 2014), which is the highest wage in the industry. Both male and female employees are paid the same basic starting salary in all job categories.

Employee Data

By Employment Contract and Type of Job

Employment Contract		Employment Type(Permanent only)	
Permanent(male/female)	Non-permanent(male/female)	Administration(male/female)	General(male/female)
18,328(10,961/7,367)	2,100(758/1,342)	3,725(2,750/975)	14,603(8,211/6,392)

By Region

Domestic	Overseas						
	Japan (male/female)	China (male/female)	Southeast Asia (male/female)	North America (male/female)	Europe (male/female)	Others (male/female)	Subtotal (male/female)
18,232 (10,784/ 7,448)	251 (133/118)	635 (173/462)	533 (196/337)	426 (245/181)	239 (128/111)	112 (60/52)	2,196 (935/ 1,261)

* As of Dec. 31, 2014 (excluding officers).

“A corporation is all about its people!”

People are a precious resource indispensable to a corporation.

People are at the heart of a corporation's growth.

Korean Air seeks to grow with its people.

New Employees and Turnover >> G4-LA1 / LA12 (unit: persons)

		2012			2013			2014		
		All employees	New employees	Employees who left the company	All employees	New employees	Employees who left the company	All employees	New employees	Employees who left the company
Gender	Male	11,732	684	409	11,724	470	402	11,719	573	551
	Female	8,902	769	807	8,709	714	788	8,709	848	555
Age	Below 30	5,588	1,142	543	5,076	933	473	4,865	1,146	411
	30~39	6,590	275	359	6,586	199	395	6,475	241	325
	40~49	5,904	25	149	6,089	43	148	6,243	24	99
	50 and above	2,552	11	165	2,682	9	174	2,845	10	271
Region	Domestic	18,127	1,062	755	18,322	861	730	18,232	975	743
	Overseas	2,507	391	461	2,111	323	460	2,196	446	363

* As of Dec. 31 of the year(excluding officers).

DIVERSITY IN EMPLOYEES

Equal Employment and Prohibition of Discrimination >> G4-HR3

Korean Air does not discriminate against potential and current employees based on gender, age, religion, and region of origin in all aspects of personnel management including recruitment, placement, evaluation, and compensation. Academic background is no longer a part of our qualification criteria for job applications. Qualifications that are not closely or directly related to the job will be either eliminated or reduced so that more people can apply for our positions, and our equitable employment policy will remain firmly in place. No cases of discrimination were reported in 2014, which attests to our commitment to equitable employment (G4-HR3). Korean Air complies with the local laws and regulations in all the countries in which it operates. In addition, Korean Air strictly prohibits child labor and forced labor, and wage exploitation according to the Labor Standards Act of Korea and the regulations of the International Labor Organization (ILO).

Employment of Local Human Resources >> G4-EC6

Recognizing that localization is the key to successful expansion into the global market, Korean Air actively employs and develops high-quality local human resources. Job applicants are not discriminated against on the basis of their nationality, cultural background, religion or other factors. Our HR development policy focuses on merit and performance, and we are operating multiple programs designed to enhance the competency of local employees hired in other countries with a view to fostering them as local managers.

Local Employees in Manager Positions (unit: persons/%)

Item	Local managers
Employees working in overseas subsidiaries, branches and offices	2,459
% of local workers	89.3%
% of locals in managerial positions	13.9%

* As of Dec. 31, 2014(excluding officers).

EDUCATION AND TRAINING FOR A GLOBALLY-COMPETITIVE WORKFORCE

HR Development System

Korean Air operates a specialized education system aimed at producing globally-competitive human resources. A broad range of multi-level courses on business administration, specific job skills, services, and foreign languages is available to all employees in all positions and job categories. These courses are offered either on-line or off-line, or in a combination of both to maximize their effectiveness.

Education & Training

Separate organizations that specialize in education and training were set up to run various education programs in a more efficient manner. The Human Resources Development Center is responsible for designing and implementing education and training policies, with the goal of developing human resources in a systematic way, while education for specialized jobs such as in-flight services, navigation, and maintenance is provided by another separate organization.


Employee Education >> G4-LA9 (unit: persons/hours)

Year	Male		Female	
	No. of persons	No. of hours of education per person	No. of persons	No. of hours of education per person
2012	11,867	100	8,897	125
2013	11,724	101	8,709	131
2014	11,719	102	8,709	130

Major Achievements in 2014



- Online education programs: Online education programs offer selective learning options that meet the varying needs of individual employees, and eliminate restrictions of time and space for employees who work shifts.

Online Education Contents (unit: materials)

2012		799 (151 ↑)
2013		862 (63 ↑)
2014		866 (4 ↑)

- Education for Overseas Local Employees: The overseas education team was set up to provide educational and training support to overseas branches in a timely manner. Regional service instructors are trained to meet regional educational needs.
- Lifelong Learning: Korean Air established Jungseok College, Korea's first technology college run by a private company for its employees, in 2000 in order to support the lifelong education of its employees. A total of 1,181 students received a degree, including 766 bachelor's degrees and 415 associate's degrees, over the 14 years from its foundation to 2014. >> G4-LA10

Scholarships for Employees on Graduate Programs (unit: persons)

2012		170
2013		185
2014		189

MINI CASE | Educational Support for the Improvement of Employees' Human Rights

We at Korean Air believe that employees who are healthy in mind and body can provide the best customer services and perform their duties to the very best of their abilities. In keeping with this belief, Korean Air offers more than forty online education programs on human rights and healthcare that all employees can choose from.

Our regularly available programs are designed to instill our employees with a greater sense of self-esteem as members of a global airline company and increase their awareness of the importance of self-management.

MINI CASE | Investments in Future Education

We have constantly increased our investments in education aimed at fostering first-class human resources, and opened the Shingal Training Institute, a state-of-the-art integrated training facility that offers a pleasant learning environment, in 2014. In addition, Korean Air and Boeing are constructing the Navigation Training Center in Yeongjong Sky City, Incheon under a joint investment project, with the goal of providing the world's best pilot training program and producing world-class pilots.



An Overview of the Shingal Training Institute



An Aerial View of the Navigation Training Center

→ NEXT STEP

- Development of new education programs
 - New curricula and programs will be developed on an ongoing basis to further improve the competency and capabilities of our employees; and a variety of educational contents will be created to better meet the needs of our employees.
- Change educational environment
 - Provide state-of-the-art equipment for more efficient and effective education
- Changing the educational curriculum
 - Change the curriculum and provide new contents that cater to the changing needs amid the constantly evolving business circumstances
- Expanding the competency and capacity of overseas employees
 - Develop the educational curriculum and revise the education system so as to support the growth of overseas employees in a systematic manner.

STRIKING A BALANCE BETWEEN WORK AND PERSONAL LIFE

Korean Air ensures fair performance evaluation and provides a reasonable compensation system in order to keep its employees motivated and to raise the competitiveness of the company.

IMPACT ISSUE

- ✓ Equal remuneration for women and men
- ✓ Occupational health and safety

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 🧳
- ✓ Community ❤️
- ✓ Others ★

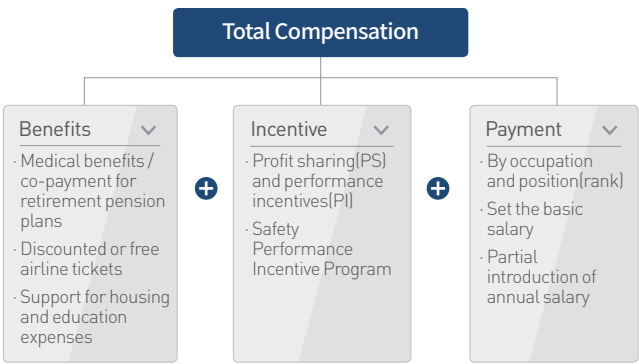
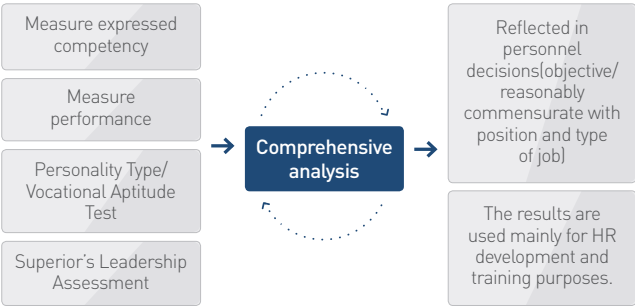
→ CONTEXT

Higher personal satisfaction among employees in the workplace - which is most effectively raised by granting proper rewards and incentives - leads to higher corporate competitiveness. A well-designed performance evaluation system can strengthen employees' sense of solidarity and promote leadership not only on an individual level but also on a team level; therefore, it is an integral element that ensures the sustainable growth of a corporation.

→ PROGRESS

MULTI-DIMENSIONAL EVALUATION SYSTEM >> G4-LA11

The KAL Performance Appraisal System (KALPAS) is a useful tool for conducting a multi-dimensional evaluation of an organization consisting of broad a range of different occupations. Employees identify their core target tasks based on the contribution that the tasks make to the organization and the company, and formulate implementation plans. Their performance is assessed according to the extent to which they accomplish the tasks assigned to them. For field work, there is a standardized performance table for each occupation, according to which performance is evaluated. Given the unique nature of the job, flight crew are tested for their technical skills, such as their ability to control and fly the proper model of aircraft on the designated routes



and to perform the emergency procedures in an irregular situation, in lieu of a performance evaluation. The results of the test are used to determine their annual salary and promotions.

UPWARD EVALUATION AND LEADERSHIP EVALUATION FOR SUPERIORS

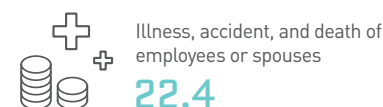
An upward evaluation system is used to evaluate employees working in the field at home and overseas in order to help managers acquire leadership skills through active vertical communication between employees in different ranks and to foster a desirable workplace setting. In addition to the upward evaluation, a leadership survey is conducted across the board to reinvigorate the organization through two-way evaluation. For the leadership survey, employees are asked to provide their own personal assessment of their superiors' basic qualities as managers. The results are quantified and provided to the superiors as feedback in order to encourage self-improvement and to enhance their sense of responsibility.

EMPLOYEE WELFARE BENEFIT PLAN

Our employee benefit plan is designed to meet the practical demands that arise in the daily life of our employees and to guarantee them a decent quality of life. Employees and their family can fly on

Major Financial Supports in 2014

(unit: 100 million won)

**Pensions and Investments in 2014**

>> G4-EC3 (unit: 100 million won)

TOTAL 562.0

National Pension Plan



Individual Pension Plan



Investment in credit union



any of the routes operated by Korean Air at discounted fares, which is intended to help them enjoy travelling and gain a global perspective. Our employee benefits include housing, financial support for the educational expenses of employees' children and medical expenses, leisure programs, and support for post-retirement life. Korean Air is working to introduce a defined benefit pension plan by 2016 that will allow employees to choose the type of pension plan for themselves. The pensions and investments that Korean Air paid out in 2014 amounted to 56.2 billion won in total.

Key Employee Benefits

Item	Details
Health Care	<ul style="list-style-type: none"> - Health insurance policy (KRW 42.57 billion) - Subsidy for health insurance plans purchased by employees - Financial support in the event of illness, accident or death of employees and their family members - Company's financial support in 2014: KRW 2.24 billion - Medical expenses incurred by flight attendants staying overseas or by other employees during overseas business trips (The company covers the amount of the expense in excess of USD 200 up to USD 20,000)
Leisure	<ul style="list-style-type: none"> - Offers 25~35 tickets per year - Owns 298 accounts of major condominiums in Korea - Discounts for major hotels in Korea and overseas - Supports the activities of 23 in-house clubs
Living	<ul style="list-style-type: none"> - Housing (2,237 units) - Loans for house purchase or rental - Financial support that covers the entire school tuition fees for children from middle school to college in Korea - Subsidy that covers part of the tuition fees for children attending major foreign universities - School tuition for the children of employees working overseas and support for language learning - Tuition for employees attending designated universities and graduate programs
Post-retirement life	<ul style="list-style-type: none"> - National Pension Plan - Individual pension plans for all employees: KRW 50,000 won - The largest employee credit union in Korea, and financial support for investments in the credit union upon retirement
Incentives	<ul style="list-style-type: none"> - Performance incentives, Safety Performance Incentive Program

MINI CASE | A Fair Reward System >> G4-LA2

Korean Air does not discriminate against temporary or part-time workers, and treats them in the same way as it treats its permanent employees. They are treated equally and fairly in monetary terms including their basic wage, performance incentives, and the Safety Performance Incentive Program, and receive all the benefits of our employee welfare plan such as discounted airline tickets, financial support for major family events, medical expenses, and condominiums. However, some of the benefits that require long-term service to qualify for, such as individual pension plans, health insurance, and investments in the credit union apply only to permanent employees.

SPECIAL BENEFITS FOR FEMALE EMPLOYEES >> G4-LA3

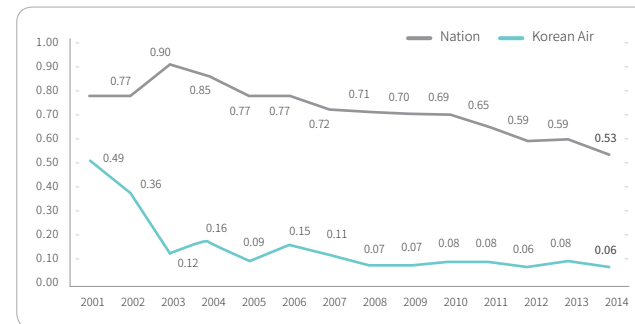
Korean Air adheres to the policy of gender equality in its HR management, and has been hiring a growing number of female employees while enhancing the status and wellbeing of female employees by providing a customized benefits plan. In addition to the employee benefits that are legally required, female flight attendants are allowed to take pregnancy leave starting from the day they become aware of their pregnancy, and leave for fertility treatment.

Maternity Protection Statistics (unit: cases/persons/%)

Type of leave	2012	2013	2014
Maternity leave(cases)	691	709	702
Rate of return to work after maternity leave	100%	100%	100%
Pregnancy leave	452	476	403
Parental leave	612	562	670
Rate of 1-year job retention after returning from parental leave	76.0%	76.0%	78.6%
Ratio of male employees	1.6%	1.1%	2.1%

EMPLOYEE SAFETY >> G4-LA5 / LA6 / LA8

Korean Air has established the Occupational Safety and Health Committee and implemented comprehensive provisions for health and safety, hygiene, medical checkups, and employee welfare, which it observes strictly. The Labor-Management Joint Safety and Health Committee monitors and advises on occupational safety and health programs on behalf of all employees, and the chairman convenes a quarterly meeting. As a result of all these efforts, the accident (injury) rate was 0.06%, which was far below the national average of 0.53% in 2014.

Accident Rates: National Average vs. Korean Air (unit: %)

* Accident rate=(No. of injured workers/annual average number of workers)*100

PREVENTION OF WORKPLACE ACCIDENTS >> G4-LA7

Whenever an injury occurs, Korean Air immediately identifies the cause and takes the necessary remedial action to ensure that all employees work in a safe environment. The number of unworked days due to occupational injury and other accidents was 727 days from 2014 to February 2015, with 41% of all injuries resulting from falls. An analysis of individual cases revealed that most injuries were sustained while using the steps on shuttle busses and other stairways. To address this problem and prevent accidents, employees are

now asked to place their luggage in the designated section at the bottom of the employee shuttle buses before boarding the bus, and the previous two-flight stairway has been changed to a 3-flight stairway for greater safety.



Change to the stair design



Loading luggage in the designated section before boarding the shuttle bus

MINI CASE | Dustproof masks

All outdoor workers were supplied with a dust mask as part of our efforts to make employees' working conditions safer. Masks were provided to 1,517 persons, including the employees of our suppliers who work outdoors for 3 hours or more in Korea and China. This practice will be applied to a growing number of employees in the future.

**→ NEXT STEP** //////////////////////////////////////

- To establish a fair performance evaluation and reward system
- To introduce a retirement pension plan
- To further improve employee safety
- Analyze sections of workplace where accidents are more prone to occur and types of accidents to find ways to minimize accidents
- Supply dustproof masks to more employees

LABOR-MANAGEMENT RELATIONS FOR CO-PROSPERITY

Korean Air is doing its utmost to promote cooperative labor-management relations and to achieve shared growth and co-prosperity for both the company and its employees.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙
✓ Customers	👥
✓ Community	❤
✓ Others	★

→ CONTEXT

Given that Korean Air is characterized by multiple business areas that are clearly distinguished from each other, such as flights, services, and maintenance, creating a culture of communication and mutual trust is essential to ensure sustainable growth. Korean Air can grow into a global company only when labor and management share common goals and work together on pressing tasks.

→ PROGRESS

HARMONIOUS LABOR-MANAGEMENT RELATIONS FOR CO-PROSPERITY

Based on our philosophy that a company is all about its people, Korean Air is striving to protect the rights of individual employees and to build desirable labor-management relations so that our employees can grow together with the company. As of the end of 2014, there were three registered unions including the general labor union (employees of Korean Air), the pilots' union, and the new pilots' union.

Labor Unions (unit: person, %)

		Union members	Non-unionized employees	Total	% of unionized employees
General	Pilots' Union	10,527	3,621	14,148	74.4%
	New Pilots' Union	1,114	445	2,324	80.9%
		765			

PRIOR NOTIFICATION OF MAJOR CHANGES CONCERNING BUSINESS >> G4-11 / G4-LA4

The unionization rate for the general union is 74.4%, and the combined rate of unionized flight crew for both pilots' unions is 80.9%. The outcomes of collective bargaining apply to all employees. The notification period for material changes including changes in business and layoff is

clearly specified in the collective agreement, and employees are notified of all these changes in a timely manner (50 days prior to layoff and 30 days prior to general termination of employment).

EXTENDED RETIREMENT AGE AND WAGE PEAK SYSTEM

In 2015 Korean Air agreed to extend the retirement age and introduce a wage peak system. Under the wage peak system, the wage is gradually reduced by 10% each year from the year immediately preceding the year the employee reaches the age of 56 until his or her retirement. Employees subject to this plan will be eligible for interim settlement and the payment of a retirement allowance so as to minimize any potential disadvantages to them. More importantly, the retirement age has been raised from 56 to 60, which will increase employees' financial stability and improve the quality of their post-retirement life.

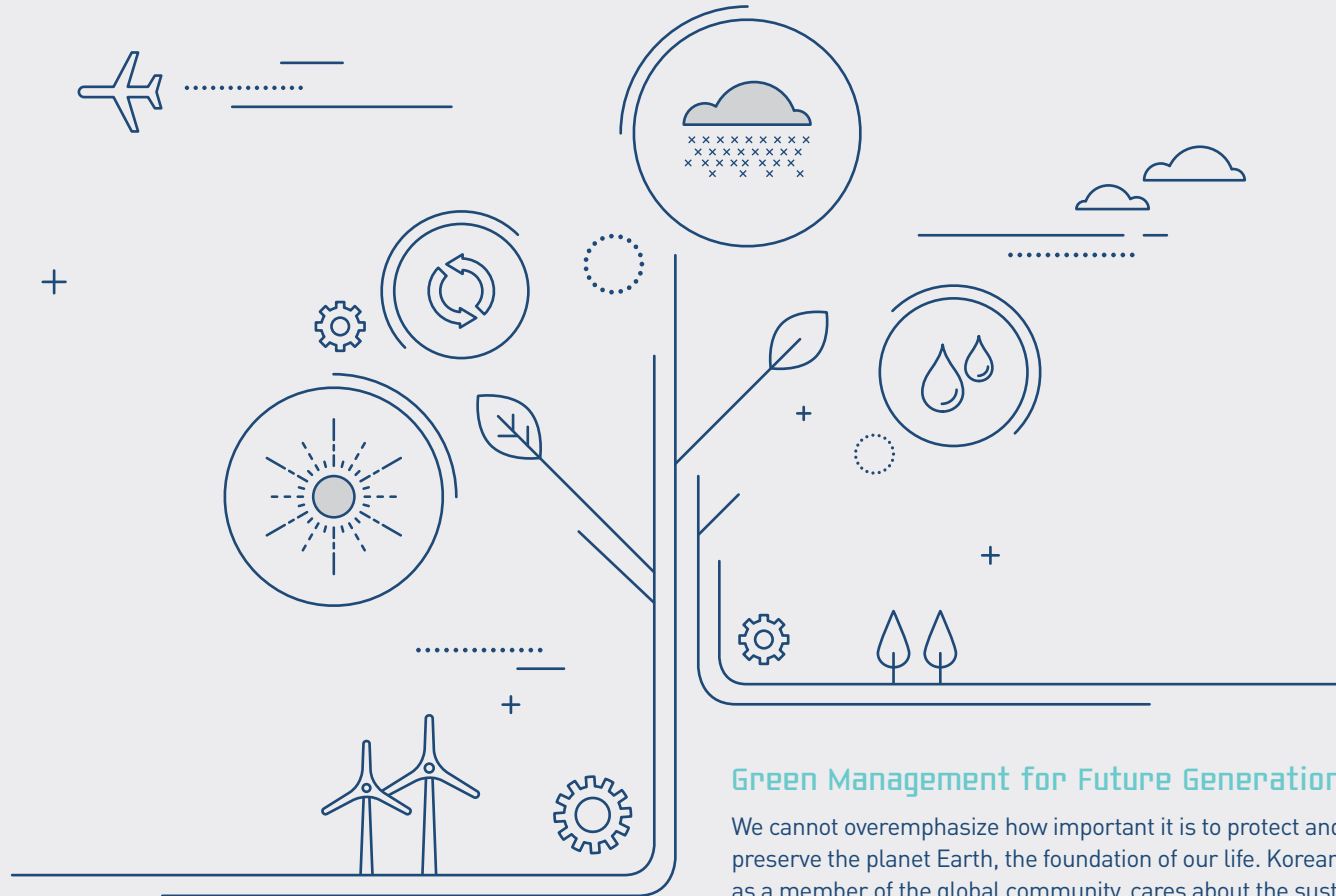
GRIEVANCE RESOLUTION >> G4-LA16

The Grievance Resolution Committee and the Personnel Affairs Counseling Office were established to address employees' grievances and suggestions, thereby helping to improve relations management within the organization and boost morale. Details of the meetings are recorded and kept confidential. Counselors respect employees who come to them for advice and ensure that they can trust them and feel safe when discussing their grievances. In 2014, 13 grievances were reported through the official channels for grievance resolution, and 12 of them (92%) were resolved. (G4-LA16)

→ NEXT STEP

- To successfully operate the wage peak system.
- To improve the underlying conditions for building mutual trust between labor and management.
- To create more online and offline channels of communication.

03 | PLANET FOR EXCELLENCE




Green Management for Future Generations

We cannot overemphasize how important it is to protect and preserve the planet Earth, the foundation of our life. Korean Air, as a member of the global community, cares about the sustainable future of the Earth. As such, we have declared our commitment to green management as part of our efforts to fulfill our social responsibilities as a leading global airline, and are engaged in a variety of activities and campaigns to protect the environment in all aspects of our business operations.



MATERIAL ISSUES

 Emissions(air quality, greenhouse gas emissions)

INTERVIEWS WITH STAKEHOLDERS

“Korean Air needs to take proactive actions such as running pilot flights on biofuels in order to build a corporate image as an environmentally-friendly company and play a role in keeping prices stable by using alternative fuels.”



It is time for Korean Air to concentrate on developing new routes and diversifying its services in order to respond to changing customer needs and demands more effectively and to remain sustainable as a globally competitive airline. Korean Air should assume the role of a trendsetter and strengthen its corporate image as an environmentally-friendly airline by performing test flights using biofuels that have not yet been introduced to the domestic market and by taking other leading actions. Korean Air's use of alternative fuels could have a significant impact on keeping prices stable as well. In light of the ever-growing competition in the air transportation industry, Korean Air needs to analyze the strategies of its competitors and adopt strategies that will set it apart from its rivals by providing unique services that others do not. In order for all these efforts to produce tangible results, it is essential to create a corporate culture that is conducive to resolving the conflicts that arise within and outside the organization and to building a horizontal and flexible communication system within the company. I hope that Korean Air, which is driven by a profound sense of mission as the national flag-carrier, will build on the know-how it has accumulated so far and grow into a leading global airline.

Yongseok Kim

Team Leader / Aviation safety office / Korea Transportation Safety Authority

PROGRESS IN 2014

Under close cooperation with the Operation Division, the two-way management system has been adopted to manage the greenhouse gas emissions caused by the increase in flights and to cut down on emissions more effectively.

The Flight Operations Quality Assurance(FOQA) and the Flight Following System(FFS) are in operation to reduce the gap between scheduled flights and actual fuel consumption and to raise fuel efficiency.

Our 10th environmentally-friendly A380 has been put into operation, leading to a 10% reduction in greenhouse gas emissions from aircraft on standby during operation, and a 35% increase in passenger transportation, which added to the bottomline.

OUR ACHIEVEMENTS



Environmental education

7,281 (persons/hours) Change from previous year: 3 (persons/hours) ↑



Energy used in ground operations

2,093,345 (GJ) Change from previous year: 27,885 (GJ) ↓ (1.31% ↓)



Amount of recycled water

35,984 (tons) Change from previous year: 8,984 (tons) ↑ (28.18% ↑)

FUTURE PLAN

Multiple fuel management indicators will be developed to promote a target management system, while the 3s (Smart, Standard, Simple) system, a fuel management system, will be improved to manage fuel consumption more effectively.

Models that generate less noise such as the B747-8i, B787-9 will be brought in gradually by 2020 to maintain a pleasant living environment for residents of the neighboring communities.

Tighten the recycling policy on packaging materials for air transportation, replace disposable items used for in-flight services with environmentally-friendly items, and make efforts to reduce costs and increase the recycling rate.

ENVIRONMENT MANAGEMENT SYSTEM

Korean Air operates an environment management system and carries out a range of activities including education and investment to protect the environment.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙
✓ Customers	👤
✓ Community	❤
✓ Others	★



→ CONTEXT

Air transportation generates a number of pollutants including air pollutants and waste in the process of aircraft repair and maintenance, flights, and other operations. Korean Air draws up environmental management plans each year and assesses its performance thereof in order to make improvements where needed and to minimize the amount of by-products and pollutants that its corporate activities inevitably generate.

→ PROGRESS

VISION AND GOALS OF ENVIRONMENTAL MANAGEMENT

Under the environmental vision of 'creating a pleasant and prosperous life by achieving a healthy balance between aviation and the environment', Korean Air is committed to minimizing the negative impact of aircraft operations on the environment and to preserving the environment in the neighboring local communities.

Environmental Management Strategies

Vision for Environmental Management

To create a pleasant and prosperous life by achieving a healthy balance between aviation and the environment



Direction of Environmental Management Strategies

Compliance with the greenhouse gas regulations and expansion of green management capability



Environmental management strategies and main goals

Efficient reduction of greenhouse gases and energy consumption

- Implement plans to cut greenhouse gas emissions
- Comply with domestic and international regulations on greenhouse gas emissions



Communication on the environment

- Raise internal and external environmental confidence
- Conduct environmental protection campaigns and activities at home and abroad
- Raise employees' awareness of environmental issues



Green management in action

- Get back to the basics
- Standardize environmental performance indicators
- Adopt a preventive approach to environmental management
- Upgrade the environmental emergency response system

A GLOBAL ENVIRONMENT MANAGEMENT SYSTEM

Korean Air has designated a team to take responsibility for operating within the HQ an environmental management system, which each of the other business divisions in charge of aircraft maintenance, aircraft manufacture, and catering, and each division is operating at its discretion, following the plan-do-check-act (PDCA) process. Korean Air acquired the ISO14001 certification in 1996 and has maintained its EMS in conformance with the global standard through regular continuous assessment and re-assessment.

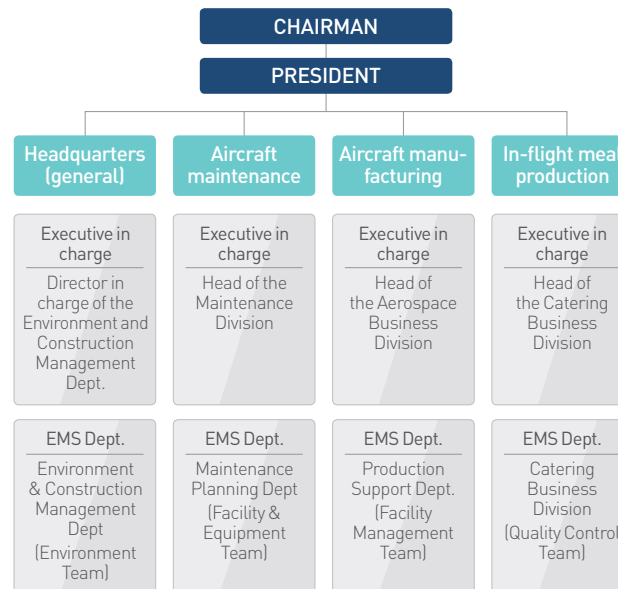


ISO14001 Certification

Environmental Management Certification

Standard	ISO14001
Date of acquisition	Dec. 13, 1996
Date of re-assessment	Nov. 13, 2014
Assurance body	British Standards Institution (BIS)
Areas of certification	- Headquarters(general) - Maintenance - In-flight meal production - Aircraft manufacturing

Organization for Environmental Management



ENVIRONMENTAL EDUCATION

Korean Air runs a wide spectrum of education programs designed to meet the needs of different target groups, business areas, and employee positions. All employees are required to receive a basic environ-

mental education, while individuals in charge of the EMS are specially trained to increase the knowledge and competency they require to manage the system. Workers who are exposed to and deal with environmental pollutants in the course of performing their duties receive on-the-job training and education to ensure that all the legal requirements regarding environmental education are met.

Environmental Education (unit: persons/hours)

	2012	2013	2014
Basic education	4,187	3,389	3,398
Specialized education	1,337	862	890
On-the-job(OJT) education	1,790	3,027	2,954
Total	7,666	7,278	7,281

➔ NEXT STEP

- Keep abreast of the relevant laws and regulations by business and ensure compliance
- Regularly update the registry of environmental laws and regulations and provide the related education.
- Improve the business process (i.e. revise and update the environment-related guidelines and manuals).
- Establish an environmental performance indicators management system
- Compile an environmental performance indicators database and create an operation and management system.
- Expand the competency of individuals in charge of environmental issues
- Provide advanced on-the-job education and help develop the necessary expertise.
- Launch and continuous implementation of environment related campaigns

RESPONSES TO CLIMATE CHANGE

Korean Air is actively responding to global issues such as climate change and global warming by taking actions to reduce greenhouse gas emissions, and fuel and energy consumption.

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 🛫
- ✓ Community ❤️
- ✓ Others ★

→ CONTEXT >> G4-EC2

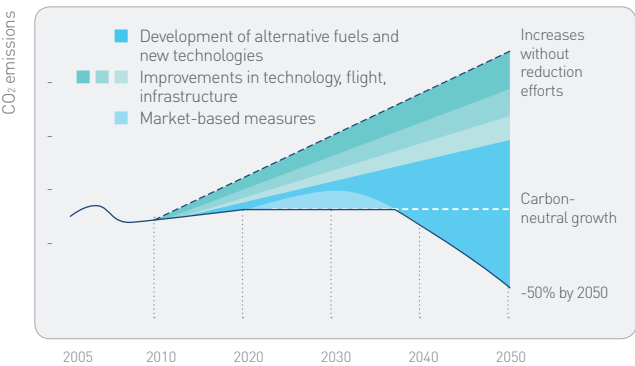
Amid the increasingly acute global warming, the Korean government is working on various policies with the focus on the greenhouse gas initiative (GGI). The International Civil Aviation Organization (ICAO) under the UN is discussing global market-based measures(GMBM) for 'carbon-neutral growth beyond 2020' in the global aviation sector. Korean Air supports this global commitment by the industry and is making continuous efforts to minimize the risks to corporations and the environment by closely cooperating in dealing with changes in the environment at home and abroad and taking proactive measures.

→ PROGRESS

OUR TARGETS

Although the combined amount of CO₂ generated by aircraft in flight accounts for a mere 2% of the global total, the industry is becoming increasingly responsible for CO₂ emissions due to the ever growing global demand for air transportation services. In order to meet the increasing demand and curb the rising CO₂ emissions concurrently,

IATA CO₂ Reduction Roadmap



Korean Air aims to reduce its CO₂ emissions in accordance with the targets set by the International Air Transport Association (IATA), raise fuel efficiency by an average of 1.5% per year by 2020, attain carbon-neutral growth by 2020 and beyond (CNG2020), and ultimately cut its CO₂ emissions by 50% by 2050, compared with 2005.

INTRODUCTION OF CUTTING-EDGE, HIGH-EFFICIENCY AIRCRAFT

The most effective way for the air transportation industry to respond to climate change is to use the latest models of aircraft, which have demonstrated greater fuel efficiency. Starting in 2015, Korean Air plans to take delivery of the latest models of aircraft in phases, including the B787-9, B747-8i, B747-8F, and B777F, all of which are with cutting-edge materials, aerodynamically designed, and equipped with environmentally-friendly engines, while disposing of outdated aircraft including the B747-400, B737-800, and B737-900, thereby modernizing the fleet.

Aircraft Reception and Disposal in 2014

Aircraft received		Aircraft disposed of or sold	
Model	No. of aircraft	Model	No. of aircraft
A380-800	2	B777-200	1
A330-300	3	A300-600	2
B747-8F	1	B737-800	1
B777F	1	B747-400F	2
Total	7	Total	6

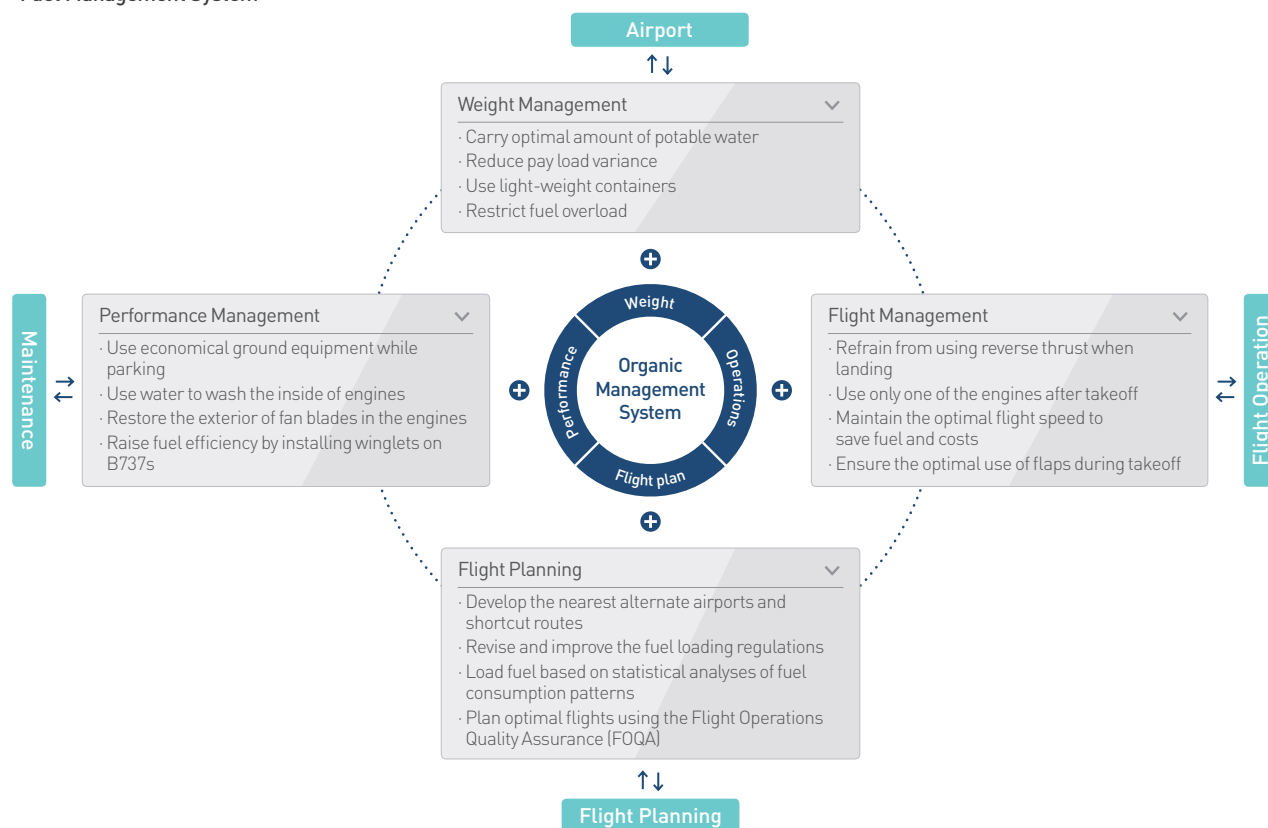
Spending on New Aircraft (unit: 100 million won)



GREENHOUSE GAS MANAGEMENT STRATEGIES

Efficient fuel management is a critical part of our efforts to minimize greenhouse gas emissions, which are based on the following three strategies: raising flight operational efficiency by analyzing the patterns of fuel consumption during flight, cutting costs by raising the efficiency of fuel consumption, and protecting the global environment by reducing greenhouse gas emissions.

Fuel Management System



Reduction of Greenhouse Gas Emissions >> G4-EN19 (unit: tCO₂e)

	2012	2013	2014
Economical Flight	144,658	136,125	141,168
Performance Improvement	98,249	95,097	97,793
Flight Planning	156,769	156,822	168,039
Weight Management	19,741	32,443	24,873
Total	419,417	420,488	431,874

GREENHOUSE GAS EMISSIONS REDUCTION >> G4-EN7**Close Cooperation with the Operation Center**

The previous one-way fuel management system was replaced by a two-way management system that allows more efficient cooperation through close collaboration with the operation center. Under the new system, the operation center directly manages variations in the payload or carrying capacity of an aircraft, which affects the flight weight, by assigning added points or penalties accordingly, so that payload variance can be controlled more effectively at individual airports.

*Payload: the combined weight of passengers, cargo, luggage, mail, etc.

Fuel Management System

Korean Air carefully analyzes flight patterns using Flight Operation Quality Assurance (FOQA)* to load optimal amounts of fuel. The Flight Following System (FFS)** enables us to reduce the margin of error between planned flights and actual fuel consumption, and to increase fuel efficiency as well.

* Flight Operation Quality Assurance (FOQA) : FOQA is a method of capturing every second data related to the flight plan from among the data stored in the aircraft system, in order to compile statistics and analyze the flight route, altitude, speed and fuel consumption and compare it against the plan.

**Flight Following System (FFS): This system compares the flight data transmitted in real time from an aircraft against the original flight plan, and issues an automated alarm if the gap between the actual flight data and the plan exceeds a certain level.

MINI CASE | Korean Air Wins Contract to Supply Sharklets, a Wing Structure for the A330 NEO

Korean Air won an exclusive contract to supply sharklets, an element of wing structure used on the A330 NEO(New Engine Option) for the Airbus, in addition to sharklets for the A320. A sharklet is a winglet measuring 2m in width and 4m in size that is made of high-tech composite materials and installed on the tip of the main wings of an aircraft. It reduces air resistance on the tip of the wings, thereby raising fuel efficiency by 4%, enhancing aircraft performance, and reducing CO2 emissions simultaneously. Korean Air was chosen as the supplier in an auction - worth around 100 billion won - in which leading global aircraft components manufacturers competed.

FUEL AND ENERGY USE >> G4-EN3 / G4-EN4 / G4-EN6

Korean Air has further increased the fuel efficiency of its air transport by replacing its fleet with environmentally-friendly models of aircraft and analyzing fuel consumption patterns during flight, and has reduced energy consumption in its ground operations by making company-wide efforts involving all its business divisions - including the aircraft maintenance, manufacture, and catering businesses. In 2014, we further enhanced our energy efficiency by adopting by-product fuel, which emits relatively fewer greenhouse gases and air pollutants, as an alternative to B-C oil, and we will lower energy use continuously.

Fuel Use in Air Transport (unit: tons)

	2012	2013	2014	Change from previous year (%)
Jet oil	4,019,028	3,923,102	4,006,984	2.14

* Based on the amount of jet oil used for domestic and international flights.

Energy Use in Ground Operations (unit: GJ)

		2012	2013	2014	Change from previous year (%)
Direct Energy Consump- tion	BC oil	263,349	243,815	174,124	-28.58
	BB oil	16,333	-	-	-
	Natural gas /diesel oil (light oil)	296,657	252,705	245,097	-3.01
	Boiler kero- sene	466	304	0	-100.00
	Byproduct fuel No. 1	21,722	15,818	9,675	-38.84
	Byproduct fuel No. 2	-	-	82,427	-
	Gasoline	11,283	10,861	10,509	-3.24
	Jet oil	33,314	38,021	33,157	-23.02
	LNG	272,442	257,974	241,459	-6.40
	LPG	7,485	3,901	3,786	-2.95
Indirect Energy Consump- tion	Subtotal	923,051	823,399	800,234	-2.81
	Electricity	1,305,627	1,256,891	1,267,959	0.90
	Hot water (medium- temperature)	30,107	35,888	25,152	-29.90
Subtotal		1,335,734	1,292,780	1,293,111	0.03
Total		2,258,785	2,121,230	2,093,345	-1.31

* Direct and indirect energy consumption is monitored at forty-four business sites under the Low-Carbon Green Growth Act, and the data are assured by a third-party assurance body (PWC[2012], KMAR[2013], DNV-GL[2014]).

Energy Intensity >> G4-EN5

	2012	2013	2014	Change from previous year (%)
Air transportation (GJ/RTK)	12.64	12.51	12.26	-2.00
Ground operations (GJ/sales amount: 1.0 billion won)	183.02	179.02	179.22	0.11

* RTK(Revenue Ton Km): one single ton of goods that is transported for one kilometer.

GREENHOUSE GAS EMISSIONS >> G4-EN19

Although our total greenhouse gas emissions in air transportation rose by 2.14% in 2014 due to an increase in passenger flights and the

consequent rise in the use of jet oil, emissions per won in air transportation and ground operations declined as a result of company-wide reduction efforts.

Greenhouse Gas Emissions in Air Transportation and Ground Operations >> G4-EN15 / G4-EN16 (unit: tCO₂e)

		2012	2013	2014	Change from previous year (%)
Air transpor- tation	Scope 1	12,780,177	12,483,403	12,750,860	2.14
	Subtotal	12,780,177	12,483,403	12,750,860	2.14
Ground operations	Scope1	61,474	55,536	54,201	-2.40
	Scope2	64,854	62,769	62,738	-0.05
Subtotal		126,328	118,305	116,939	-1.15
Total		12,906,505	12,601,708	12,867,799	2.11

* Data include emissions of CO₂, N₂O, and CH₄.

Greenhouse Gas Emission Intensity >> G4-EN18 (unit: kg_CO₂e/100RTK)

	2012	2013	2014	Change from previous year (%)
Air transportation (kg_CO ₂ e/100RTK)	88.20	87.35	85.56	-2.05
Ground operations (ton_CO ₂ e/sales amount: 1.0 billion won)	10.30	10.10	10.01	-0.88

* 100RTK: one ton of goods that is transported for 100km [conversion of passenger weight: 100 kg including items of luggage per passenger].

➔ NEXT STEP

- Active use of the target management system through the development of various fuel management indicators
- Continued improvements in the loading policy based on analyses of fuel consumption comprising the use of statistical techniques
- Reinforcement of the fuel management system 3S (Smart, Standard, Simple)
- Review and introduction of new technologies to reduce emissions and protect the environment

AIRCRAFT NOISE MANAGEMENT

Korean Air complies with domestic and international noise-reduction regulations and procedures in order to create a pleasant living environment in local communities in the vicinity of airports and has introduced environmentally-friendly low-noise aircraft to minimize the volume of noise generated during flight.

BOUNDARY

- ☒ Korean Air
- ☒ Shareholders
- ☒ Suppliers
- ☒ Customers
- ☒ Community
- ☒ Others

→ CONTEXT >> G4-S02

Aircraft noise has a direct impact on the living environment and quality of life of local communities within the vicinity of an airport and may cause serious physical and psychological damages and disturbance to the residents of those communities. Korean Air has implemented flight policies intended to minimize aircraft noise, and strives to maintain a pleasant environment in neighboring communities through a variety of activities including the introduction of low-noise, environmentally-friendly aircraft and the implementation of a noise-reducing take-off process.

→ PROGRESS

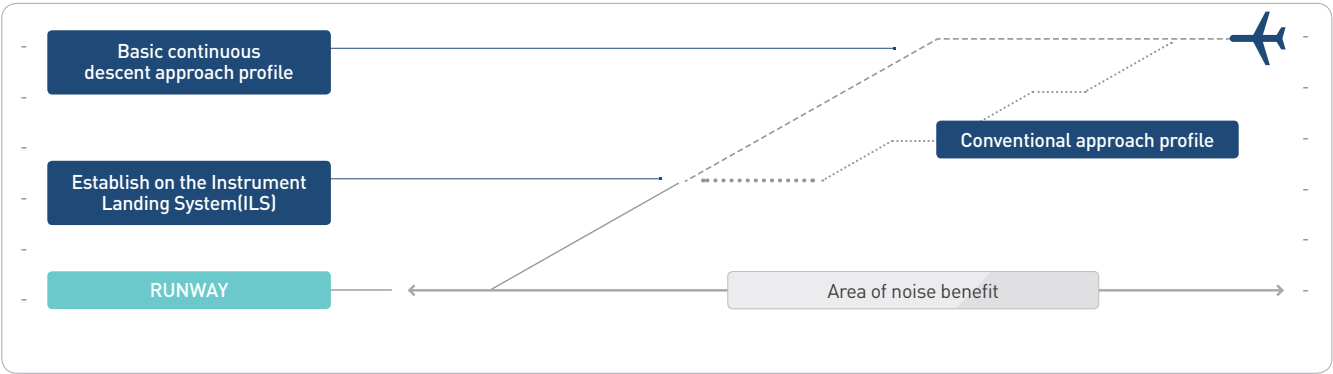
COMPLIANCE WITH NOISE-REDUCTION PROCEDURES

Korean Air stipulates noise-reducing flight procedures in the company's aircraft operation regulations and the guidebooks for different

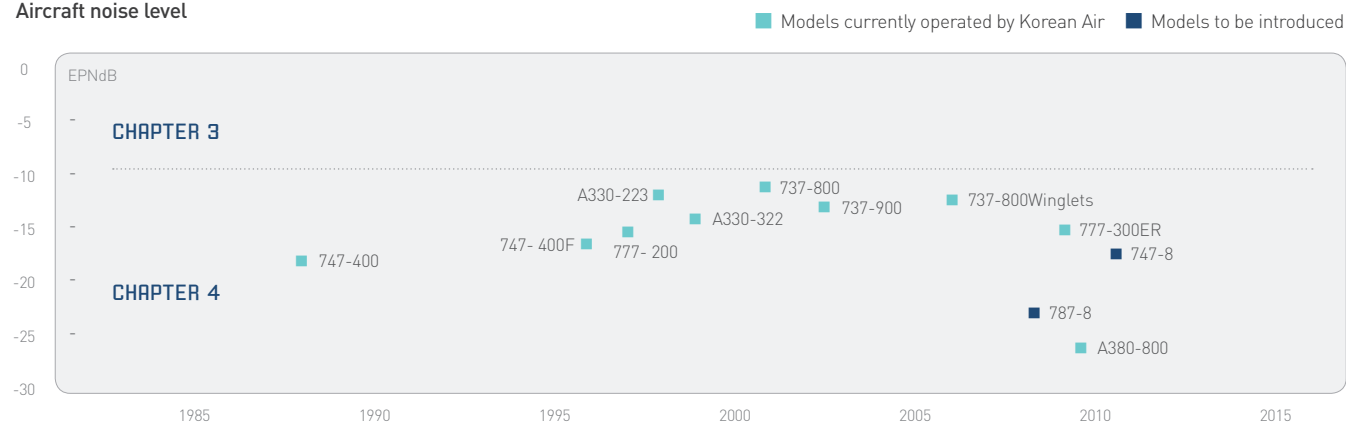
models of aircraft; and ensures that these procedures are adhered to during takeoff and landing. Korean Air complies with the noise-reduction procedures that airports in other countries require to be followed, and implements the Noise Abatement Departure Procedure (NADP) and the Continuous Descent Approach (CDA) of the ICAO with some modifications.

NADP 1	· Designed to reduce noise in noise-sensitive areas in close proximity to the departure end of a runway during takeoff.
NADP2	· Designed to reduce noise in noise-sensitive areas relatively distant from a runway.
CDA	· Aircraft maintain a fixed descending speed until they reach the final altitude upon approaching a runway. · Positive effects on flight safety in the near-landing phase. · Emits less noise and CO ₂ than are generated by conventional descents in a stair-step fashion.

Landing Procedure by Continuous Descent Approach



Aircraft noise level



LANDING PROCEDURE BY CONTINUOUS DESCENT APPROACH

All the aircraft of Korean Air meet the criteria of ICAO Chapter 4 and the 6th level criteria, the lowest noise level under Korea's airport noise-related laws. The new models, such as the A380, 747-8i, and B787-9, that Korean Air plans to introduce generate less pollution and noise, and are more environmentally-friendly than the existing models currently in operation, thereby contributing to the creation of a more pleasant environment for the inhabitants of communities situated in the vicinity of an airport.

NOISE SURCHARGE PAYMENT

Korean Air pays a noise surcharge for every flight according to the regulations set by individual airports. The noise surcharge paid by airlines is used to reduce aircraft noise and to support noise-affected areas according to the plans of individual airports.

Payments of Surcharge by Domestic Airports in 2014

(unit: 100 million won)

Gimpo International Airport	13.8
Ulsan Airport	0.2
Busan International Airport	7.0
Yeosu Airport	0.1
Jeju Airport	6.5
Total	27.6

➔ NEXT STEP

- Low-noise models including the B747-8i and B787-9 will be introduced gradually by 2020.
- Flight crews will receive continuing education on noise-reduction procedures.
- Children living in the noise-affected areas around Gimpo International Airport will be given opportunities to experience aircraft operations and other activities at the airport

MINIMIZING ENVIRONMENTAL IMPACT

Korean Air strictly manages inputs and outputs in consideration of the entire service-providing process so as to minimize the impact of corporate activities on the environment and to proactively cope with environmental regulations.

BOUNDARY

✓ Korean Air	✈️
✓ Shareholders	👤
✓ Suppliers	⚙️
✓ Customers	👤
✓ Community	❤️
✓ Others	★

→ CONTEXT

The ongoing depletion of resources and the increasingly acute environmental pollution facing the global community have led to a tightening of regulations, which in turn poses a risk for corporate activities. In addition, people are becoming increasingly aware of environmental issues and, consequently, more interested in the environmental impact of corporate activities in general. In this context, it is becoming more and more important for Korean Air, as an air transportation company that has a direct impact on the atmospheric environment, to take the lead in making efforts to reduce the environmental impact of airlines' activities.

→ PROGRESS

WATER MANAGEMENT

Water supply, treated water, and ground water are the main water sources from which we obtain water for washing the exterior and parts of aircraft in airport buildings, and for cooking and processing in-flight meals. Our efforts to reduce water usage include installing water-saving facilities, using optimal amounts of water when cooking and processing in-flight meals, and launching water-saving campaigns. The used water treatment facility operated in the Korean Air Building in Gimpo produces 400 tons of treated water per day, which is used in bathrooms and gardening.

Water Usage (unit: tons/%)

	2012	2013	2014	Change from previous year (%)
Total water usage*	1,514,530	1,250,341	1,300,020	3.97
Recycled amount*	27,519	27,000	35,984	33.27
Recycling rate	1.82	2.16	2.77	28.18

* Data include the amounts of tap water, treated water, and ground water used, based on the utility bills received from water suppliers.

* The recycled amount is the amount of treated water used in the Korean Air building in Gimpo.

WATER POLLUTANTS MANAGEMENT

Korean Air operates transportation equipment repair and washing facilities and a wastewater discharge facility including industrial waste gas cleansing and condensation facilities. Our aircraft are washed in places where pollutants are drained into water pollution-prevention facilities to prevent them from leaking out of the working areas. If a working area is likely to generate water pollutants, a pollution management manual is kept at that area for workers to follow according to the Environmental Facility Management Guidelines, and Korean Air implements its internal standards and regulations - which are 50% stricter than what is required by law - and closely monitors water pollution in order to prevent the leakage of pollutants.

Water Pollutants Discharge (unit: tons)

	2012	2013	2014	Change from previous year (%)
Biochemical Oxygen Demand (BOD)	25.572	39.677	42.293	6.59
Chemical Oxygen Demand (COD)	19.182	39.518	25.643	-35.11
Suspended Solids (SS)	38.904	43.436	34.691	-20.13
Total nitrogen	4.722	5.282	4.050	-23.32
Total phosphorus	0.745	1.000	1.041	4.10

* The data include water pollutants generated from eight wastewater treatment facilities in the Incheon Maintenance & Engineering Division(A), Incheon Catering Center, Incheon 1st Cargo Terminal, Korean Air building in Gimpo, Limousine Service Center, Engine Repair Plant in Bucheon, and Gimhae Tech Center.

AIR POLLUTANTS MANAGEMENT >> G4-EN21

Air pollutants such as dust, THC, and NOx are discharged by aircraft during landing and takeoff and by Korean Air-owned facilities. Korean Air minimizes air pollutant emissions per won by constantly reducing the amount of solvents that we use. In addition, Korean Air is implementing a range of measures aimed at decreasing emissions, including scheduled checkups and maintenance under the prevention and monitoring plan, in order to improve the operational efficiency of its air pollutant discharge facilities and air pollution-prevention facilities.

Air Pollutant Emissions (unit: tons)

	2012	2013	2014	Change from previous year [%]
Dust	23	23	27	17.39
Total Hydrocarbons (THC)	16.19	20	29	45.00
NOx	67,379	65,755	67,190	2.18
SOx	9	7	11.2	57.14
SO2	3,977	3,900	3,984	2.15

* The data combine the amounts of air pollutants emitted from six of Korean Air's facilities including the Incheon Maintenance & Engineering Division(A), Korean Air building in Gimpo, Engine Assembly Plant in Bucheon, Parts Repair Plant in Bucheon, KAL Hotel Seogwipo, and Gimhae Tech Center.

WASTE MANAGEMENT

Passenger and cargo transportation generates waste paper, waste wood, waste plastic, and other types of waste, and such designated wastes as oil, paint and organic solvents are discharged from the aircraft maintenance and manufacturing process. The wastes generated at all our business sites are discharged, collected, transported, and disposed of according to the Process Map, which details every step of waste man-

Waste Production and Disposal (unit: tons)

Type		2012	2013	2014	Change from previous year [%]
Amount of waste produced	Municipal	22,506	23,244	23,825	2.50
	Discharged	934	1,043	1,032	-1.05
	Designated	596	663	602	-9.20
	Total	24,036	24,950	25,459	2.18
Amount of waste disposed of	Incineration	13,333	13,983	14,357	2.67
	Landfill	869	641	621	-3.18
	Reuse & recycling	9,834	10,326	10,481	1.49
	Total	24,036	24,950	25,459	2.04

* Municipal waste increased in 2014 due to a 5% rise in the number of passenger flights (OAL).

* The company-wide waste reuse and recycling rate remained at around 41%.
- Metals, paper, wood, and other types of waste are separated for recycling purposes and handled by an outside waste management company.

agement. More importantly, Korean Air is working to reduce waste and reuse resources through a variety of campaigns and activities.

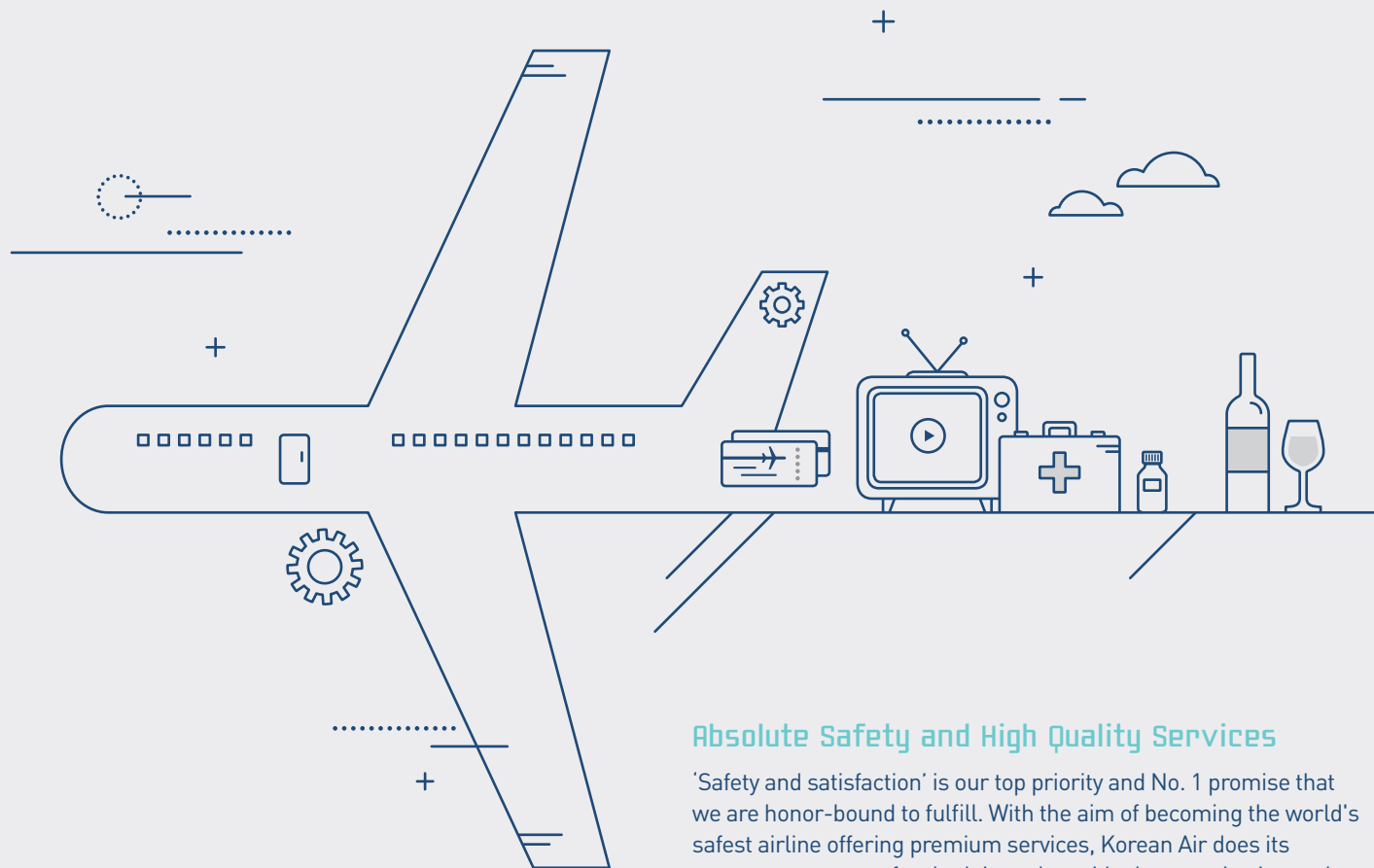
MINI CASE | EFB(Electric Flight Bag)

We have replaced all the various types of paper documents used in our airplanes - including the manuals for pilots and mechanics, and the map providing information necessary for takeoff and landing - with Electric Flight Bags (EFB), thereby saving resources and raising operational efficiency simultaneously. The use of tablet PC-shaped EFBs has not only removed all the clutter of manuals, booklets, and other paper materials that used to sit in the cockpit, but also performs other useful jobs such as calculating the weight and speed of an aircraft for takeoff and landing, instantly searching information as needed, monitoring the aircraft conditions for repair or maintenance purposes, and providing information needed for repairs. EFB is currently in place on our Boeing 747-8 cargo planes, Boeing 777s, and Airbus 380s, and all new planes due to be received will be installed with EFBs.

➔ NEXT STEP

- Reduce water use
- Raise employees' awareness of the importance of saving water through water-saving campaigns
- Prevent the excessive use of water in the cooking and processing of food
- Decrease waste discharge
- Conduct campaigns to save resources on a regular, ongoing basis
- Closely monitor the recycling of packaging materials for air transportation
- Replace disposable items with reusable items in airplanes to increase the recycling rate
- Improve the operational efficiency of air pollution-prevention facilities and reduce the use of solvents
- Change practices related with the discharge of water pollutants
- Repair old wastewater treatment facilities according to the environmental facilities maintenance plan
- Monitor the use of aircraft-cleaning products to prevent overuse and reduce pollution.

04 | SERVICE FOR EXCELLENCE



Absolute Safety and High Quality Services

'Safety and satisfaction' is our top priority and No. 1 promise that we are honor-bound to fulfill. With the aim of becoming the world's safest airline offering premium services, Korean Air does its utmost to ensure safety both in and outside the organization and to provide our customers with a very special flying experience on the basis of our extraordinary services.



☰ MATERIAL ISSUES

- ✓ Growing demand for the safest products and services
- ✓ Customer health and safety
- ✓ Changing customer demands
- ✓ Product and service labeling(customer satisfaction)
- ✓ Growing number of consumers concerned about impact on health, environment, and society

☰ INTERVIEWS WITH STAKEHOLDERS

“Korean Air needs to create new experiences for customers, building on its core competency in passenger and cargo transportation.”



Korean Air needs to continuously develop new services that will offer customers new experiences, building on its competency in its staple business of passenger and cargo transportation. Recently, the scope of CSR has been expanded to include human rights, labor, environment, safety, consumer and governance issues among others, in addition to social contributions such as volunteer activities and charity. In light of the growing expectations surrounding CSR, corporations will be able to enhance their social status and successfully manage their sustainability if they build trust with their stakeholders through authentic and meaningful CSR activities. I hope that Korean Air will further broaden its potential and stay at the forefront of sustainability management, and have a positive impact on society by finding unique ways of fulfilling its CSR and creating new values, based on integrity, expertise, and transparency, and through close partnerships with its suppliers.

Minseok Kim

Team Leader Senior Manager / Corporate Social Responsibility Team /
Business Support Officer / LG Electronics

> PROGRESS IN 2014

Each business division developed its own quality assurance program, and is planning and performing annual audits to ensure flight safety.

Korean Air introduced a next-generation aircraft equipped with a bar-lounge and duty-free shopping area. All seats feature an on-demand audio and video system, providing passengers with an individualized, convenient, and pleasant flying environment.

Korean Air made further efforts to develop a healthy menu and high-quality in-flight meals featuring traditional Korean cuisine; and introduced a traditional Korean course menu and began to serve rice with soy bean paste sauce in 2014.

> OUR ACHIEVEMENTS



1,225 overseas employees received information security education, change from previous year: 288 (persons) ↑



Maintained the IOSA certification for **11** years



Safety-certified by the U.S. Department of Defense for **15** years

> FUTURE PLAN

Internal security and customers' personal data management will be tightened with the planned launch of the Security Management System (SeMS), while the existing security measures will be integrated in order to manage security threats more effectively.

Korean Air will operate a counter exclusively for pregnant women, disabled persons, and wheelchair users, and give them priority in boarding, as well as introducing more services for people with physical challenges or restricted mobility.

Korean Air will continue with its efforts to incorporate traditional Korean cuisine into our in-flight menu, and become actively involved in international expos as an avenue to promote an in-flight menu based on traditional Korean cuisine.

SAFE FLIGHT AND STRONGER SECURITY

Safety is our top priority. As such, our safety management system ensures that our airplanes remain safe on the ground as well as up in the sky. Korean Air refuses to allow itself to become complacent about meeting domestic and international safety standards, and instead implements company-wide quality assurance programs to make constant changes for the better and exceed customers' expectations.

IMPACT ISSUE

- ✓ Customer Health and Safety

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 🧳
- ✓ Community ❤️
- ✓ Others ★

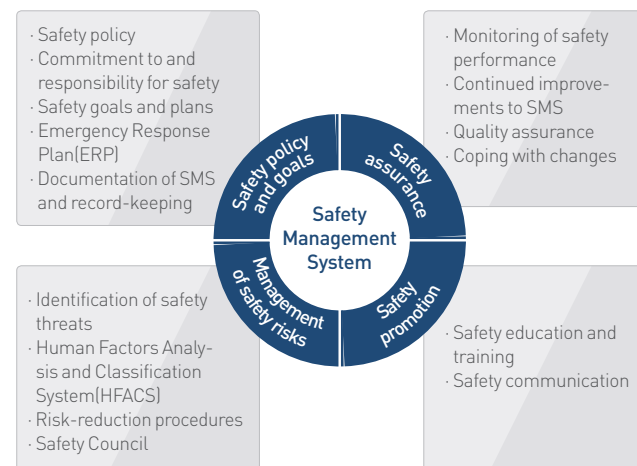
→ CONTEXT

Air transportation has an inherent potential for massive human casualties and property damages because it is exposed to a wide range of internal and external risks such as changing weather conditions, terrorist attacks, mechanical errors, and errors at the control tower, in addition to accidents caused by human error. For this reason, it is extremely important to manage safety risks strictly and effectively.

→ PROGRESS

ADVANCED SAFE FLIGHT SYSTEM

Korean Air became the first airline in Korea to acquire a government certification on the regulations and operation of the Safety Management System (SMS) in 2008. The regulations concerning Korean Air's SMS include the organization necessary for safety management, responsibility for safety, safety policy and procedures, and compliance with domestic and international requirements and standards.



Safety Management Organization

The safety and security office is under the direct control of the president in charge of the matter and is responsible for creating a company-wide security management system and managing safety systematically. The director in charge of safety and security reports directly to the president so as to ensure that the reporting channel remains independent and free from external interference and that the top management remains fully informed about all safety matters.

Safety Committee and Council





Safety Management System >> G4-PR1

Korean Air takes a three-tiered approach to safety management: ex-post response, ex-ante prevention, and prediction. 'Ex-post responses' involves an investigation of events that have already occurred and an analysis of the causes; 'ex-ante prevention' focuses on minimizing the impact of risks by identifying safety threats through safety reports and safety examinations; and 'prediction' is based on an analysis of flight data and regular flight monitoring data to keep a close watch on safety. This multi-layered safety management system is a critical component of our safety management efforts.



Safety Promotion Programs

Korean Air operates the Safety Confidential Reporting System (SCRS) and other safety promotion programs in order to minimize the loss of human life and property that could be caused by safety threats and to create a better safety culture.



INTERNAL AND EXTERNAL SAFETY ASSESSMENTS

Korean Air implements different quality assurance programs customized to its individual business divisions, as part of the broader quality assurance program that governs the entire organization, and the company as a whole, with each business division devising and implementing audit plan each year.

IOSA-Certified Airline

Korean Air became Korea's first airline to be registered as an IATA IOSA-certified airline in January 2005 by meeting safety standards consisting of over 900 items according to the IATA Operational Safety Audit (IOSA), an international safety audit program developed by the IATA. Korean Air have been re-audited every two years to remain on the IOSA registry.



ISAGO Program

Korean Air joined the IATA-developed ground safety program, Safety Audit for Ground Operations (ISAGO), in April 2009 and is monitoring the manufacturers of aircraft and parts supplied to Korean Air under the program. In addition, as a member of the ISAGO Pool Advisory Group, Korean Air shares information and works closely with other organizations to standardize international safety practices, and to promote the safety of ground handlers around the world and the quality of their operations.

The U.S. Department of Defense Safety Certification

Korean Air has remained certified by the U.S. Department of Defense as a safe airline to use since 2001 by meeting its safety standards under the Airlift Transportation Program. The program assesses the safety of private airlines to determine whether they are safe enough for employees to fly on business trips. The program determines whether or not airlines can provide safe, high-quality, and reliable services by conducting a paper review every six months and an on-site inspection every two years.

FLIGHT SAFETY AND SECURITY MEASURES

As flight safety and security has emerged as a major concern in the wake of a series of accidents in recent years, we are taking the following preventive actions to better protect our passengers and aircraft.

- ✓ Collection of security information on all domestic and international destinations and issuance of flight security grades for individual airports on a monthly basis.
- ✓ Operation of a close cooperation network by sharing information with branches, relevant departments and national security agencies.
- ✓ Analysis of global security trends and data gathered from international security conferences that we attend, and implementation of the latest security measures.
- ✓ Provision of regular security training and education for employees, and regular monitoring to ensure that security systems are properly working in each area.
- ✓ Publication of the emergency response manual; regular checks to ensure that proper safety equipment is available for immediate use when necessary.
- ✓ Emergency response training on how to avoid or deal with aircraft hijacking and how to respond upon receiving information about possible security threats

→ NEXT STEP //////////////////////////////////////

- Advanced Security Programs
 - Operation of the SeMS (Security Management System)
 - Organic integration of existing security measures to manage security threats more effectively.

Korean Air is consolidating its position as a globally renowned premier airline by further enhancing customer convenience with the introduction of next-generation aircraft and differentiated high-class services.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙
✓ Customers	🧳
✓ Community	❤
✓ Others	★

→ CONTEXT

As the market is becoming increasingly competitive due to the ever growing number of low-cost airlines and foreign airlines offering low prices, airline companies are trying to attract customers by offering new and additional services that reflect their changing needs and desires, in addition to transportation services.

→ PROGRESS

INTRODUCTION OF NEXT-GENERATION AIRCRAFT

Korean Air plans to introduce a number of next-generation airplanes such as the B747-8i and B787-9, and is successfully operating ten A380s, also known as 'the five-star hotel in the sky,' as part of its efforts to modernize its fleet and raise the quality of its transportation services. The newly introduced A330-300 boasts prestige suites for maximum customer comfort and privacy. Our A380 also features two unique spaces, a bar-lounge and a duty-free shopping area, for greater entertainment during flight. The B737-900ER, which operates mainly on medium and short-distance routes, has adopted the Boeing Sky Interior to design the walls and windows differently. In addition, all seats are equipped with audio and video on demand (AVOD), creating a comfortable and entertaining cabin environment.



Prestige Suites



A380 Forwarder Stairs



Celestial Bar

PREMIUM IN-FLIGHT MEALS

Our high-quality in-flight meals are designed to meet the varying needs of passengers and customized to reflect the different requirements of diverse regions and routes.

Food Safety Management

Korean Air's catering business was designated as an HACCP business in 2000, attesting to the strict food safety and hygiene management that we enforce in our in-flight meal production process. Our Food Safety Research Center closely monitors food production and distribution for hygiene and quality by conducting chemical analyses of ingredients and hazardous materials tests, and tests for microorganisms (bacteria responsible for food poisoning and colon bacillus). The In-Flight Meal Safety Advisory Committee ensures that we only serve safe food of the highest quality.

Special Menu

Korean Air offers twenty-four different types of meal options for customers who follow a restricted diet for religious or health reasons, and for infants and children. The special meal options are available for vegetarians, people with diabetes, religious people (Muslims, Hindus, Jews, etc.), infants (less than 2 years), and children (less than 12 years).

* Special meals should be ordered at the service center 24 hours prior to departure.



Premium Quality

Korean Air plays a part in making traditional Korean food, also known as 'Hansik,' known to more people by serving a healthy well-being menu based on traditional Korean cuisine. Our menu widely uses fresh seasonal ingredients of superior quality. The 'Hansig course

Menu	<ul style="list-style-type: none">· Bibimbap and bibim noodles (Mercury Award winners), samgaetang (boiled chicken with ginseng and sweet rice), ox bone soup, hansik jeongchan, dongchimi noodles, dried pollack soup, makgeolli(rice wine), rice bread, rice with soy sauce-marinated crabs, steamed rice with gondeure (a kind of thistle) rice, and other seasonal dishes.· Assorted low-calorie, wellbeing salads
Ingredients	<ul style="list-style-type: none">· Environmentally-friendly menu prepared with beef and chicken raised at farms around Mount Halla, Jeju Island, which has been designated as a clean area.· Chemical-free agricultural products including bell peppers and cherry tomatoes produced under strict quality control throughout the production process.
Wines and champagnes	<ul style="list-style-type: none">· 44 brands of wine and champagne from 11 countries including France, the U.S., Italy, Germany, Australia, and Chile.· Premium champagnes such as Belle Epoque of Perrier-Jouët, Belle Epoque Blanc de Blancs, Blason Rose, Grand Brut, etc.
Dishware	<ul style="list-style-type: none">· Our dishware is carefully designed to symbolize and visualize the traditions of Korea.· Wine is served in Riedel wine glasses.

* Some of the services above are available to first-class and prestige passengers only.

menu' and 'rice with soy bean sauce' that we developed jointly with Hansik specialists as a wellbeing food and began to serve in January 2014 are expected to showcase the authentic taste and excellent quality of Hansik to passengers from all around the world.

PROFESSIONAL EMERGENCY MEDICAL SERVICES

The Air Medical Center of Korean Air is dedicated to handling medical emergencies in a timely and effective manner.

In-Flight Emergency

All cabin crew are trained to respond to the types of emergencies that can arise during flight, including first-aid treatment and CPR. At each training session, doctors and nurses certified by the U.S. Heart Association as emergency instructors educate all cabin crew to be able to respond to medical emergencies promptly.

Transportation and Support for Passengers with a Medical Condition

Korean Air operates the Emergency Medical Call System (EMCS)*, a separate organization responsible for the safe carriage of passengers with medical needs. Flight and cabin crew or airport workers ask the EMCS Team for medical advice in the event of a medical emergency during flight or at the airport, and the team offers prompt medical advice on in-flight emergency treatment and on eligibility for travel in an airplane.

* EMCS (Emergency Medical Call System) is a 24/7 emergency medical support system operated on the ground to help carry passengers with medical needs. The EMCS team consists of four medical specialists including emergency medicine specialists from the Air Medical Center and seven nurses. The EMCS remains closely linked to major domestic university hospitals and receives medical advice on different fields of medicine from the university hospitals when necessary.

SERVICES FOR PASSENGERS WITH SPECIAL NEEDS

The Family Care Service is intended for passengers who need special care such as children, seniors, and the physically challenged. Minors who are not accompanied by an adult can still safely travel with Korean Air if they use the escort service. In addition, we provide special services for visually and hearing-impaired passengers.

Flying Mom Service

The Flying Mom Service, available as part of the services for unaccompanied minors, was launched in 2002 to meet the needs of worried parents whose children need to travel by themselves. A designated flight attendant takes care of the unaccompanied minor and closely checks his or her food intake, sleep, rest, moods, and health during flight. All of these details are recorded in a letter that is transmitted to the minor's parent or guardian at the end destination. Many customers express their heart-felt appreciation for this service.

Amenity Kit

The amenity kit is available for pregnant women flying on international routes to help them relax and alleviate their travel fatigue. The kit includes an organic blueberry foot cream, an organic skin care cream, a pair of organic cotton socks, and tea that helps relieve morning sickness. The kit also contains a special luggage handle designed to allow women in the early stages of pregnancy to be easily recognized and provided with the assistance or consideration they may need from others. This little act of consideration is an expression of our efforts to join the social movement to encourage childbirth.



Amenity Kit for Pregnant Women

➔ NEXT STEP

- Services for people with restricted mobility
- A designated counter exclusively for pregnant women, disabled persons, wheelchair users, and persons with other types of handicaps
- Priority in pre-boarding
- Priority in the luggage claim area
- With Flight Information Display System(FIDS), designated counter is easily identifiable and accessible
- More hansik (traditional Korean food) on the menu
- Continues to play a role in promoting traditional Korean cuisine overseas
- Presentation of our flagship hansik menu at international expos
- Attends the 2015 Korea-China Culture and Tourism Exchange Expo in Xian, China

CUSTOMER SATISFACTION

Creating customer surprise and customer value are our most important goals. As such, we are constantly seeking to enhance our customer services by embracing changes and innovations.

IMPACT ISSUE

- ✓ Product and Service Labeling (Customer Satisfaction)

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 📁
- ✓ Community ❤️
- ✓ Others ★

→ CONTEXT

As the supply of air transportation services increases and the market inevitably becomes more competitive, customer satisfaction has a significant impact on customer loyalty and the purchase decisions of both existing and prospective customers. It also helps to create a positive corporate image and build brands as well as increasing profits.

→ PROGRESS

CUSTOMER-CENTERED MANAGEMENT PHILOSOPHY

Customer satisfaction and safety is our No. 1 priority. To that end, we are taking a number of actions aimed at building customer loyalty by maximizing customer satisfaction.

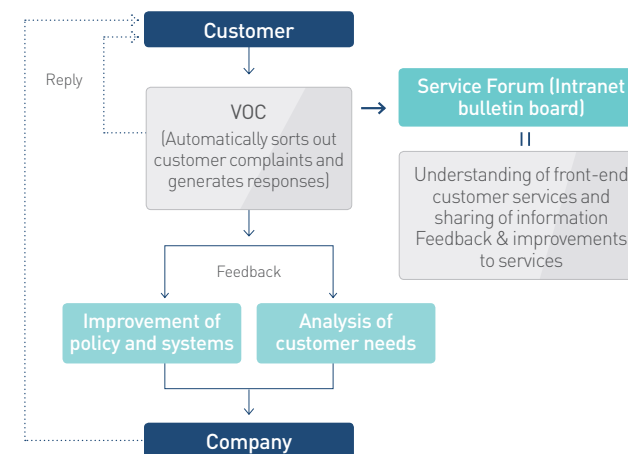
SERVICE EXCELLENCE PROGRAM

The Service Excellence Award is presented to employees in recognition of their contribution to enhancing customer satisfaction. The recognition is intended to serve as a catalyst for providing better customer services by inducing healthy competition among employees. In 2014, a total of 25 employees were recognized and rewarded for service excellence.

SERVICE FORUM

All data on communication with customers is gathered and classified in order to be managed under an integrated system. On the forum, chief customer complaints and suggestions are shared with all employees, and recurring complaints are listed as improvement tasks for which fundamental solutions must be devised. The forum contributes to significantly improving customer services.

Service Forum



VOC MANAGEMENT FOR CUSTOMER SATISFACTION >> G4-PR5

One of our key policy goals is to listen to the voices of our customers and reflect their voices in the way we deliver our services. The Voice of the Customer (VOC) is an important tool for monitoring and analyzing the moments of truth(MOT) and the services we provide to our customers.

Statistics of VOC (unit: cases)

	2012	2013	2014	% change
Praises	4,812	6,637	7,359	+11%
Complaints	4,789	4,124	4,158	+1%
Suggestions	1,051	629	568	-10%
Inquiries	50,215	48,787	44,041	-10%
Others	4,520	1,941	1,935	0%
Total(change from previous year)	65,439	62,118	58,061	-5%

* Others: Inquiries and opinions unrelated to customer services.

MINI CASE | Customer Satisfaction Management Award

Korean Air was ranked number one in the 2014 National Customer Satisfaction Index survey conducted by the Korean Productivity Center (KPC) in recognition of its superior performance in customer satisfaction management based on its customer-centered services. In addition, Korean Air has ranked No. 1 in air transportation for ten consecutive years in the Global Customer Satisfaction Competency Index compiled by the Japan Management Consultants Association (JMAC) up to 2014, consolidating its leadership in customer-centered management.

PERSONAL DATA PROTECTION >> G4-PR8

Customers' personal information can be exposed in the process of providing such services as transportation, reservation, and in-flight services that require contact with customers. In line with the growing social demand and policy requirements for information security and personal data protection, our information security capability has been further expanded with the focus on preventing cyber terror and personal data leakage. Specifically, mock hacking tests are regularly conducted, and all personal data collected from SkyPass members, website users, and customers who use the call center and our branches at the airports and in downtown are managed and protected according to the Personal Data Protection Act and the Act on the Promotion of Information and Communications Network Utilization and Information Protection, etc., and other relevant laws. Furthermore, technical, administrative, and physical safeguards are firmly in place in order to ensure security.

Integrated Information Security Management

Korean Air set up a unit responsible for the security of corporate and customer data to monitor compliance with the regulations on personal data protection and the performance of the employees in charge. Once problems are identified, corrective actions are taken immediately. The unit was previously under the General Administration Department, but was reorganized in October 2014 into an independent department that reports directly to the president in charge, resulting in the empowerment of the unit.

Information Security Management System (ISMS)

Korean Air, as the vice chair company of the Korea Online Privacy Association, a leading private organization dedicated to personal information protection, is actively involved in the dissemination of professional knowledge on promoting personal data protection. Korean Air was certified for the Information Security Management System (ISMS) by the Korea Internet & Security Agency (KISA) in 2005, which assures that Korean Air has top-rated information security management. Since its initial certification, the ISMS has remained fully certified to the present.

Information Security Education

All domestic and overseas employees handling customers' personal information are required to receive education on information security and personal data protection twice a year, and some of the programs are available to all officers and employees all year round. The education covers the entire process of information security from the collection of customer data to its destruction, and employees also learn the security precautions to take when using a personal computer during the education session; thus raising their security awareness.

Statistics on Information Security Education (unit: persons)

		2012	2013	2014
Corporate information security	Domestic	7,455	9,492	7,402
	Overseas	1,043	157	656
Personal data protection	Domestic	7,556	7,379	7,284
	Overseas	1,081	810	599

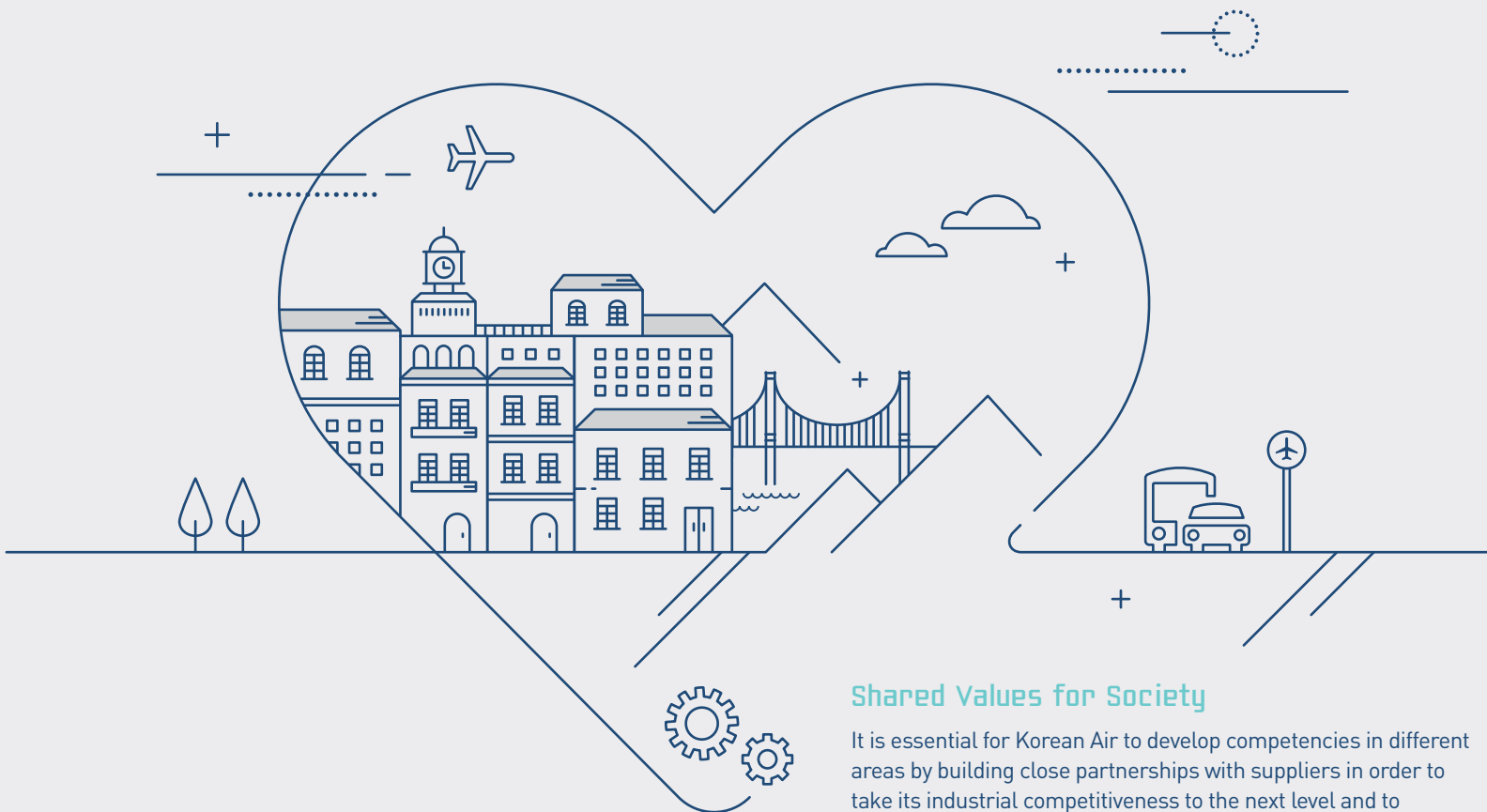
Leak of Customers' Personal Data (unit: cases)

	2012	2013	2014
No. of cases of personal data leak	0	0	0

➔ NEXT STEP

- Strengthen personal data protection
- Expand the scope of information security management and security management capacity

05 | HARMONY FOR EXCELLENCE



Shared Values for Society

It is essential for Korean Air to develop competencies in different areas by building close partnerships with suppliers in order to take its industrial competitiveness to the next level and to maintain its market leadership in the long run. Sharing what we have and do well with local communities can create new values and translate into unexpected positive outcomes. Sharing is a way of creating new values and happiness for all in the kind of future that Korean Air is working to build with stakeholders.



☰ MATERIAL ISSUES

- ✓ Growing demand for fair competition and shared growth

☰ INTERVIEWS WITH STAKEHOLDERS

"Korea Air is expected to create shared value as a corporate citizen in all of its management strategies and to ensure authenticity and sincerity in all the activities it carries out to that end."



Before, business performance was virtually the only criterion used to rate corporations; now, however, corporations are expected to care about society as well as the broader world and to seek shared growth, including taking care of the bottom line. Companies will find it hard to maintain a good reputation even if their business performance is good if they fail to form good relations with stakeholders including CEO, employees, and suppliers. In this context, reputation risk is emerging as a major concern for corporations nowadays. Korea Air is expected to create shared value (CSV) as a corporate citizen in all of its management strategies and to ensure authenticity and sincerity in all the activities it carries out to that end. Korean Air should faithfully fulfill its corporate social responsibilities by working closely with local communities and other organizations over the long haul in order to become a trusted company in Korea and in the global community.

Sung Yeon Kim Regional Director / Aircraft Service Div. / KTS global

☰ INTERVIEWS WITH STAKEHOLDERS

"Korean Air needs to be supportive of its suppliers so that they develop a sense of community and pride as part of the air transportation industry."



Since customer service is the backbone of air transportation, Korean Air should constantly remind itself that people are at the heart of its business and pay close attention to its employees who come in direct and regular contact with its customers. Korean Air works with a relatively large number of employees from the suppliers in aircraft maintenance, general services, and other areas directly related to its core businesses. In this respect, I think it is important for Korean Air to provide more support to its suppliers and do things to instill a sense of community among them so that they can perform their job with the pride that comes from being part of Korean Air. Building on the founding philosophy of people-centered management, Korean Air should create a corporate culture wherein all stakeholders are respected; this in turn will drive sustainable growth in the long run.

YongShik Lee Head / Partnership Development Division / Habitat for Humanity Korea

> PROGRESS IN 2014

Provided technical, educational, and financial support to suppliers located within Busan Tech Center, playing a part in enhancing Korea's competitiveness in the aviation industry

Made social contributions that best utilize our own resources and knowhow: transported relief goods to the earthquake-stricken region in Nepal and provided free air transportation for emergency patients

Taking the lead in vitalizing the economy of local communities by constructing aviation infrastructure such as the Flight Training Center and the Aircraft Engine Repair Center in Yeongjong Sky City

> OUR ACHIEVEMENTS



Charity for social contribution purposes

260 (million won)

change from previous year: 57 (million won) ↑



Monthly meetings with suppliers



Volunteer hours per person

1.9 hours

> FUTURE PLAN

To choose suppliers and provide them with information and knowhow necessary for them to acquire AEO certification

To continue with the existing social contribution activities including monthly donation of a small fraction of employees' pay and afforestation program in Mongolia, which have been going on for more than 10 years, and to build organic cooperation networks with local communities

To support the successful hosting of the 2018 Pyeongchang Winter Olympic Games and expand social contribution activities on a global scale

SHARED GROWTH WITH SUPPLIERS

Our shared growth programs are based on mutual trust and implemented on a voluntary basis. We make the best use of our knowhow and expertise in aviation and logistics to help related industries and suppliers become more competitive.

IMPACT ISSUE

- ✓ Anti-Competition Behavior (air cargo cartels)

BOUNDARY

- ✓ Korean Air ✈️
- ✓ Shareholders 👤
- ✓ Suppliers ⚙️
- ✓ Customers 🏢
- ✓ Community ❤️
- ✓ Others ★

→ CONTEXT

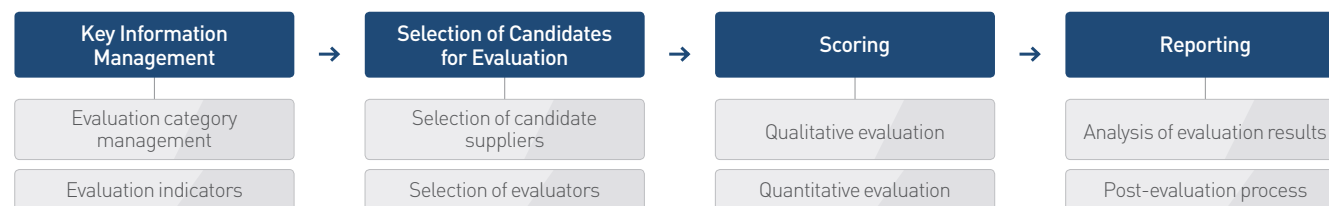
Choosing competitive suppliers and maintaining good relations with them are important to ensure the safety and quality of services -- two essential elements in the air transportation business, which routinely involves direct contact with customers. Fair trade with and support for suppliers are also instrumental in building internal and external confidence. In the rapidly changing environment, Korean Air as the national flag carrier has an important role to play in creating an advanced culture wherein it grows with suppliers as well as the entire industry and in providing the impetus for the industry's development.

→ PROGRESS

SELECTION OF SUPPLIERS AND RELATIONS MANAGEMENT

In principle, suppliers are selected by competitive bidding. The long-term partnership prospect from the total cost of ownership (TCO) perspective is one of the key criteria in choosing suppliers to work with, and the final selection is made based on a comprehensive evaluation that takes into account the ethics policy, financial conditions, employee programs, safety and health policy, human rights and compliance with labor laws and regulations, and certifications. Suppliers are also evaluated after they are selected to identify areas for improvements and to help them become even more competitive.

Supplier Evaluation Process



ECONOMIC ASSISTANCE FOR SUPPLIERS

Korean Air is working with more than 560 suppliers as of 2014 and is striving to realize shared growth with them. To this end, Korean Air makes all payments to its suppliers in cash; it has also been steadily cutting the payment schedule short. In addition, Korean Air is operating a sale & leaseback program wherein expensive equipment purchased by Korean Air is leased back to the manufacturer supplier in order to help ease the supplier's financial pressure and other difficulties. On the other hand, Korean Air's cooperation benefit sharing program seeks to share the gains from saving cost by developing technologies jointly with suppliers on a quarterly basis.

SUPPORT FOR THE CERTIFICATION OF SMALL SUPPLIERS

As a growing number of companies ask for the imposition of AEO standards when entering into a trade agreement, there is an increasing need for AEO certification, yet small-sized suppliers often lack capital and infrastructure to acquire certification. Thus, Korean Air offers education on customs-related laws and operational guidelines. Korean Air plans to select two or three suppliers each year and provide them with information and knowhow necessary to acquire AEO certification.

* AEO (Authorized Economic Operator) is defined as a party involved in the cross-border movement of goods and which has been certified by a national customs administration to be compliant with laws and safety regulations.

AEO(Authorized Economic Operator)



SUPPORT FOR EDUCATION AND EMPLOYEE WELFARE

Korean Air supports suppliers in their efforts to enhance their technological competitiveness so that they can be self-reliant. It also helps suppliers have their employees vaccinated as part of its efforts to help them improve employee welfare. In addition, Korean Air closely listens to suppliers regarding the difficulties and challenges facing them - by holding regular meetings with the CEOs of suppliers - and makes sincere efforts to promote shared growth with suppliers.

Major Shared Growth Programs

- + Cash payments for purchases: paying suppliers in cash instead of issuing notes to help suppliers improve liquidity
- + Sale & Leaseback: Korean Air purchases expensive equipment and leases it back to the manufacturer
- + Cooperation Benefit Sharing Program: sharing the benefits from joint technological developments and cost reduction
- + Technological and educational support
- + Meetings with CEOs of suppliers and technology council meetings

➔ NEXT STEP

- Support for AEO certification
 - Each year, the selected 2 or 3 suppliers will receive information and operational knowhow from Korean Air for their AEO certification
- Expansion of the Voluntary Shared Growth Program
 - Identify areas where small and medium-sized enterprises (SMEs) and related industries can organically cooperate
 - Create well-organized shared growth programs and implement them on a long-term basis

GIVING BACK TO SOCIETY

Korean Air gives back to society as part of its corporate social responsibilities through volunteer activities to share with the local communities and the global community.

BOUNDARY

✓ Korean Air	✈
✓ Shareholders	👤
✓ Suppliers	⚙
✓ Customers	👛
✓ Community	❤
✓ Others	★

→ CONTEXT

Social contribution is expanding its scope beyond fund-raising and sponsorship to include responses to various social issues and activities to create common values. Korean Air as the national flag carrier makes efforts to minimize its impacts on society, economy, and environment as it does business and to grow together with other members of society.

→ PROGRESS

PHILOSOPHY OF SOCIAL CONTRIBUTION

According to the belief of its founding chairman Joong-hoon Cho, i.e., "the profit of a company must be given back to society as the one that makes it possible," Korean Air is engaging in a wide range of social contribution activities beyond volunteering to help the disadvantaged class in areas such as environment, culture, education, sports, and medical care.

BUSINESS-SPECIFIC SOCIAL CONTRIBUTION

Korean Air as a global air carrier takes full advantage of its global network and actively engages in social contribution activities that are linked to its core businesses, such as carrying relief goods and emergency patients in case of natural disasters.

≡ MINI CASE

Transport of Relief Goods to Earthquake-stricken Nepal

As the only Korean carrier that operates direct flights to Kathmandu, Nepal, Korean Air maximized the resources it has as an air carrier and played an active role in helping earthquake victims in Nepal. Korean Air carried clothes, bottled water, blankets, and food donated by its employees and around 100 tons of medicine, tents, and other relief goods to the earthquake-stricken area.



Transport of Emergency Patients

Korean Air carried a Korean student who figured in a traffic accident while traveling in Prague, Czech Republic in March 2004, shouldering the full expense associated with the transportation. Six seats were transformed into a bed for the patient, who was unconscious at the time. Korean Air paid the full airfare for the two local doctors who were flying with the patient to make sure that the patient was able to safely return to Korea. The patient regained consciousness, receiving rehabilitation treatment at present.



Chartered Plane for Pope Francis

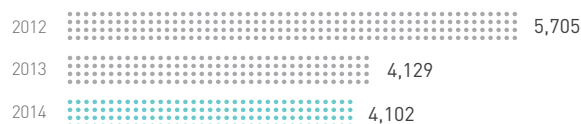
Korean Air provided a chartered plane for the pope and his entourage on their way back to Vatican City after the pope's visit to Korea in 2014. Veteran flight crew and cabin crew with excellent language skills served the pope and the entourage on board to ensure their safe journey back to Vatican City.

SHARING WITH THE COMMUNITY

>> G4-S01 / G4-S02 / G4-EC7 / G4-EC8

Under the slogan 'Wings of Love, Wings of Hope,' Korean Air does a variety of volunteering activities to share with local communities, such as one-company, one-village sisterhood and rice donation. In addition, Korean Air is working diligently to develop social contribution projects that are unique and specific to Korean Air so that they can serve as lasting sources of new values. By working together with local communities to build infrastructure in areas where Korean Air can operate at its best, Korean Air is seeing its activities realize synergy effects of boosting the economy of the local communities and expanding business competencies.

Volunteer Activities (unit: persons)



Social Contribution Fund* (unit: million won)



* The Social Contribution Fund was set up to cover the expenses of social contribution activities by the volunteer group of Korean Air (the total social contribution expenses including the Social Contribution Fund and donations were approximately 9,700 million won in 2014.)

MINI CASE

Flight Training Center and Aircraft Engine Maintenance Center on Yeongjong Island

Korean Air and Boeing Company of the US are jointly building a flight training center as the cradle for pilots and the largest aircraft engine maintenance center in Yeongjong Sky City, Incheon. The strategic investments in industrial facilities are expected to enhance Korean Air's business competitiveness, create new jobs, and stimulate the local economy at the same time since the projects will bring in the machinery and mechanics necessary for the repair and maintenance of large engines.



Yeongjong Training and Flight Center



Aircraft Engine Maintenance Center

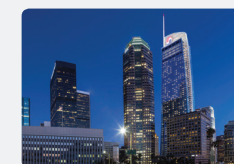
Navoi International Multimodal Logistics Center

Navoi International Logistics Center is a cargo terminal constructed jointly by Korean Air and the Uzbek government within Navoi International Airport. Since the construction of the cargo terminal, annual cargo transport has increased from 26 tons to 32,675 tons. With 12 cargo flights per week connecting Asia and Europe, Navoi is emerging as a logistics hub of Central Asia.



The Wilshire Grand Hotel in LA

The Hanjin Group invested more than 1.0 billion dollars to build the Wilshire Grand Hotel in Los Angeles, which is currently under construction. The project will provide fresh momentum for the sluggish local economy since it is expected create around 1,700 jobs and add more than 160 billion dollars to the city's tax revenues each year.



GREEN MANAGEMENT

Transportation is the major driving force behind globalization, yet it imposes growing pressure on nature and environment. Korean Air declared creating the value of a pleasant, prosperous life by striking a balance between aviation and environment as its corporate environmental philosophy, based on which it actively engages in social contribution activities.

MINI CASE

Planting Trees in the Desert

As part of the anti-desertification drive it started in 2004 in Asia, Korean Air is planting trees to build an erosion-control forest in Baga Nuur, Mongolia; it also created the 'Korean Air Green Ecological Park' in Kubuqi Desert in China. These afforestation efforts are expected to decrease yellow dust blowing in from China and to play a role in improving bilateral relations between China and Korea.



Environmental Achievements



'Korean Air Forest' in Baga Nuur, Mongolia

Area: **44 ha / 83,000 trees**



Korean Air Ecological Park in Kubuqi Desert, China

Area: **401 ha / 1,200,000 trees**



Distributed seedlings on Arbor Day

Jack bean-growing kit, mimosa, sweet basil, etc.

SPONSORING CULTURAL AND SPORTING EVENTS

As an expression of its appreciation to Korean customers for flying Korean Air and raising awareness of Korea overseas, Korean Air is sponsoring cultural events at famous locations and international sporting events, thereby building a positive image of Korea and the company itself in the global community and contributing to the development of Korean sports.

MINI CASE

Sponsorship of Korean language service at Musée d'Orsay

Korean Air now sponsors the Korean language service at Le Musée d'Orsay in addition to the worlds' three major museums: Le Musée du Louvre of France, British Museum of the UK, and Hermitage Museum of Russia. With these sponsorships, Korean Air is enhancing the global profile of the Korean language and instilling a sense of pride among Korean people. In addition to the Korean language audio guide, Korean language map and guidebook are also available to tourists for their convenience.

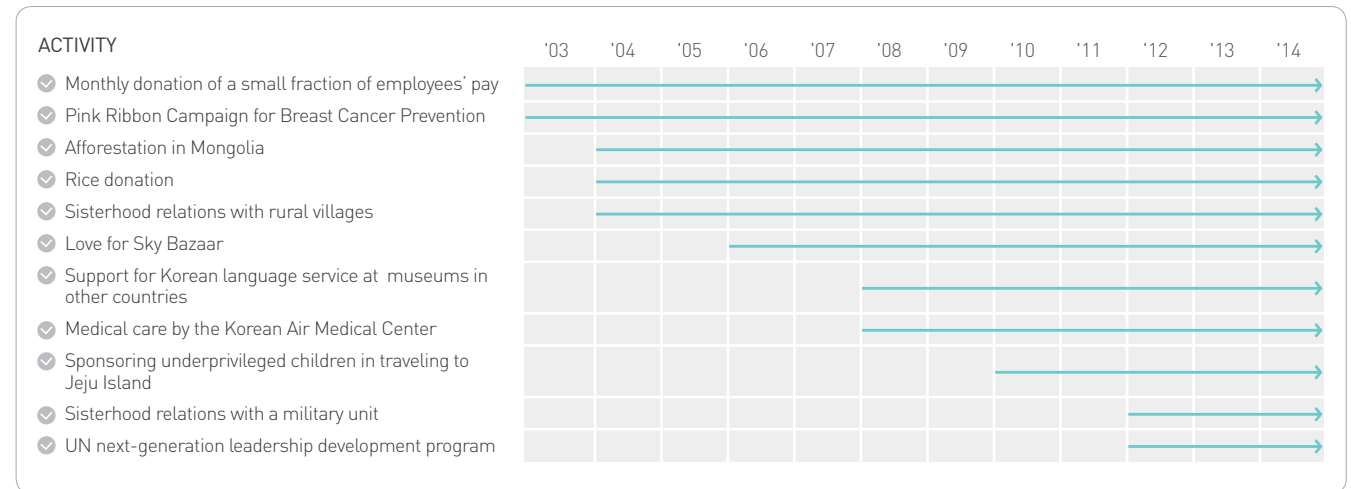


Official Sponsor of the 2014 Incheon Asian Games

Korean Air was an official sponsor of the 2014 Incheon Asian Games. Our sponsorship of the Asian Games, held in the port city of Incheon, helped a lot in advancing sports in Asia and promoting local tourism and economy. In particular, Korean Air invested 133,300 million won in the construction of Wansan Marina, which was used as the venue for yacht racing for the Games; thus enabling the local community to be known as the city of culture, tourism, and leisure.



Major Social Contribution Activities



EDUCATION PROJECTS AND SCHOLARSHIPS

Based on the education philosophy of the founding chairman, i.e., "growing people is the most meaningful business of all in one's life," Korean Air has been granting around 15,000 million won in scholarships each year for the last ten years to Jung-seok Inha School, which it established; it is actively participating in global industry-academe collaboration projects using the resources and expertise that it possesses as a logistics company.

➔ NEXT STEP

- Cultural Sponsorships
 - Sponsored the exhibition for the winners of the Korean Air Travel Photo Contest, the largest amateur photo contest in Korea, at Ilwoo Space and other exhibitions, aside from sponsoring art education programs
- Expanded social contribution activities in the domestic and global arenas
- Actively developing social contribution programs that can take advantage of the company's resources as a transportation and logistics services provider
- Encouraging employees to participate in social contribution activities on a voluntary basis

APPENDIX

[PAGE. 83](#) Key Sustainability Indicators [PAGE. 88](#) Third-Party Assurance Statement [PAGE. 90](#) GRI G4 Index

[PAGE. 95](#) UN Global Compact [PAGE. 96](#) Major Awards and Memberships

Economic Performance

	Unit	2012	2013	2014
Economic performance and share				
Sales	100 million won	122,617	117,124	116,804
Benefits distributed to stakeholders	100 million won	91,467	85,034	81,632
Summary of Financial Statements				
Current assets	million won	2,973,522	2,925,307	2,392,892
Quick assets, etc.	million won	2,491,880	2,473,265	1,976,223
Inventory assets	million won	481,642	452,042	416,669
Non-current assets	million won	17,704,514	18,038,947	19,027,555
Investment assets	million won	1,762,767	1,494,004	2,168,639
Fixed assets	million won	14,404,534	15,049,843	15,120,652
Intangible assets	million won	299,444	342,223	320,606
Other non-current assets	million won	1,237,769	1,152,877	1,417,658
Total assets	million won	20,678,036	20,964,254	21,420,447
Current liabilities	million won	6,072,875	6,688,806	6,350,692
Non-current liabilities	million won	12,231,492	12,004,885	13,090,042
Total liabilities	million won	18,304,367	18,693,691	19,440,735
Capital stock	million won	366,754	298,931	298,931
Other paid-in capital	million won	125,678	11,248	11,248
Other capital components	million won	33,636	368,227	206,894
Retained earnings	million won	1,847,601	1,592,157	1,462,639
Total capital	million won	2,373,669	2,270,563	1,979,712
Operating profit	million won	277,581	△18,001	372,508
Net profit	million won	259,597	△290,460	△205,477
Basic EPS (won)	million won	3,844	△4,540	△3,502
Diluted EPS (won)	million won	3,844	△4,540	△3,502

*△ indicates negative figures

Social Performance

			Unit	2012	2013	2014
Employees						
Total employees		person		20,634	20,433	20,428
Gender	Male	person		11,732	11,724	11,719
	Female	person		8,902	8,709	8,709
Age	Below 30	person		5,588	5,076	4,865
	30-39	person		6,590	6,586	6,475
	40-49	person		5,904	6,089	6,243
	50 and above	person		2,552	2,682	2,845
Region	Domestic	person		18,127	18,322	18,232
	Overseas	person		2,507	2,111	2,196
Permanent	Male	person		10,938	10,917	10,961
	Female	person		6,752	7,546	7,367
Non-permanent	Male	person		794	807	758
	Female	person		2,150	1,163	1,342
Administrative positions	Male	person		2,911	2,841	2,750
	Female	person		800	914	975
General positions	Male	person		8,027	8,076	8,211
	Female	person		5,952	6,632	6,392
Domestic employees	Male	person		10,782	10,549	10,784
	Female	person		7,613	7,513	7,448
Overseas employees	Male	person		950	1,175	935
	Female	person		1,289	1,196	1,261
New Employment and Turnover						
New employment	Male	person		684	470	573
	Female	person		769	714	848
	Below 30	person		1,142	933	1,146
	30-39	person		275	199	241
	40-49	person		25	43	24
	50 and above	person		11	9	10
	Domestic	person		1,062	861	975
	Overseas	person		391	323	446

		Unit	2012	2013	2014
Employee turnover	Male	person	409	402	551
	Female	person	807	788	555
	Below 30	person	543	473	411
	30~39	person	359	395	325
	40~49	person	149	148	99
	50 and above	person	165	174	271
	Domestic	person	755	730	743
	Overseas	person	461	460	363
Recruitment from local communities					
Local employment	No. of overseas employees	person	2,507	2,378	2,459
	Ratio of locals	%	89.3	88.8	89.3
	Ratio of locals in manager positions	%	13.3	14.1	13.9
Maternity Protection					
Use of the maternity protection system	Maternity leave before and after child birth	person	691	709	702
	Rate of return to work after the maternity leave	%	100	100	100
	Pregnancy leave	person	452	476	403
	Childcare leave	person	612	562	670
	Rate of retention for one year after returning to work from childcare leave	%	76.0	76.0	78.6
	Ratio of male employees	%	1.6	1.1	2.1
Collective Bargaining					
Labor union	Eligible employees (managers, assistant managers, staff)	person	12,734	13,839	16,472
	Rate of unionized employees	%	75	78	75
Employee Education					
No. of employees who took education programs	Male	person	11,867	11,724	11,719
	Female	person	8,897	8,709	8,709
No. of hours per person	Male	person	100	101	102
	Female	person	125	131	130
Online learning contents	No. of contents	content	799	862	866
	Change from previous year	content	151 ↑	63 ↑	4 ↑

		Unit	2012	2013	2014
Social Contribution					
Social contribution	Volunteering hours per person	hour	2.8	2.1	1.9
	Social contribution expenses	million won	14,841	10,404	9,679
Information Security					
Corporate information security education	Domestic	person	7,455	9,492	7,402
	Overseas	person	1,043	157	656
Personal data protection education	Domestic	person	7,556	7,379	7,284
	Overseas	person	1,081	810	599
Customers' personal data	Personal data leak	case	0	0	0

Environmental Performance

		Unit	2012	2013	2014
Environmental Education					
Environmental education	Basic education	person	4,187	3,389	3,398
	Professional education	person	1,337	862	890
	On-the-job training	person/hour	1,790	3,027	2,954
Greenhouse Gases (GHG)					
Greenhouse gas reduction	Economical flight	tCO ₂ e	144,658	136,125	141,168
	Performance enhancement	tCO ₂ e	98,249	95,097	97,793
	Flight planning	tCO ₂ e	156,769	156,822	168,039
	Weight management	tCO ₂ e	19,741	32,443	24,873
Fuels and Energy					
Fuel consumption for air transportation	Jet oil	tons	4,019,028	3,923,102	4,006,984
Direct energy consumption for ground operations	B-C oil	GJ	263,349	243,815	174,124
	B-B oil	GJ	16,333	-	-
	Gas/Diesel oil (light oil)	GJ	296,657	252,705	245,097
	Boiler kerosene	GJ	466	304	0
	Byproduct fuel No. 1	GJ	21,722	15,818	9,675
	Byproduct fuel No. 2	GJ	-	-	82,427
	Gasoline	GJ	11,283	10,861	10,509

		Unit	2012	2013	2014
Energy intensity	Jet oil	GJ	33,314	38,021	33,157
	LNG	GJ	272,442	257,974	241,459
	LPG	GJ	7,485	3,901	3,786
	Air transportation	GJ/RTK	12.64	12.51	12.26
	Ground operations	GJ/sales amount: 1.0 billion won	183.02	179.02	179.22
Greenhouse Gases					
GHG emissions from air transportation	Scope1	tCO ₂ e	12,780,177	12,483,403	12,750,860
GHG emissions from ground operations	Scope1	tCO ₂ e	61,474	55,536	54,201
	Scope2	tCO ₂ e	64,854	62,769	62,738
GHG emission intensity	Air transportation	kg_CO ₂ e/100RTK	88.20	87.35	85.56
	Ground operations	ton_CO ₂ e/sales amount: 1.0 billion won	10.30	10.10	10.01
Water Resources					
Water use	Total water intake	tons	1,514,530	1,250,341	1,300,020
	Recycled amount	tons	27,519	27,000	35,984
	Recycling rate	%	1.82	2.16	2.77
Water discharge	BOD	tons	25.572	39.677	42.293
	COD	tons	19.182	39.518	25.643
	SS	tons	38.904	43.436	34.691
	T-N	tons	4.722	5.282	4.050
	T-P	tons	0.745	1.000	1.041
Air					
Air emissions	Dust	tons	23	23	27
	THC	tons	16.19	20	29
	NO _x	tons	67,379	65,755	67,190
	SO _x	tons	9	7	11.2
Waste					
Waste generation	Municipal	tons	22,506	23,244	23,825
	Discharge	tons	934	1,043	1,032
	Designated	tons	596	663	602
Waste disposal	Incineration	tons	13,333	13,983	14,357
	Landfill	tons	869	641	621
	Recycling	tons	9,834	10,326	10,481

THIRD-PARTY ASSURANCE STATEMENT

Dear Korean Air Group Management and Stakeholders

Introduction

The Korean Standards Association ('KSA') was commissioned by Korean Air to perform a third-party Assurance Engagement of '2014 Korean Air Sustainability Report' (the 'Report'). KSA presents independent opinions as follows as a result of feasibility of the data contained in this Report. Korean Air has sole responsibility for content and performance contained in this Report.

Independence

As an independent assurance agency, KSA does not have any kinds of commercial interest in businesses of Korean Air apart from undertaking a third-party assurance on the Report. We have no other contract with Korean Air that may undermine credibility and integrity as an independent assurance agency.

Assurance Standards and Level

This Assurance Engagement followed the AA1000AS (2008) assurance standards to provide Moderate Level assurance. We checked the three principles of inclusivity, materiality, and responsiveness in combination with information credibility of the Report. We also verified whether the Report content was created in accordance with the GRI G4 Guidelines and ISO 26000.

Assurance Type and Scope

We performed a Type 2 Assurance Engagement in accordance with AA1000AS. This implies that we verified the accuracy and quality of the statements made by Korean Air and the sustainability performance data included in this Report. This Assurance Engagement covered data from the calendar year 2014. Information from the first half of 2015 was also included depending on content. The scope of this Assurance Engagement primarily includes the systems and initiatives undertaken by Korean Air including its sustainability management policies, goals, projects, standards and performance during the reporting period defined in the Report. While the company's environmental and social data as well as financial data was verified, the scope of review concerning stakeholder engagement was limited to the materiality test process.

Assurance Methodology

We used the following methods to gather information, documents and evidence with respect to the assurance scope.

- Analyses of articles related to Korean Air's sustainability management published by domestic media outlets over the last three years
- Visit Korean Air headquarter/Interview with employees in charge of sustainability management and managers of respective issues
- Verification of management system and process to improve achievement in sustainability management and to prepare the Report

- Review of the consistency between the financial performance data and the company's 2014 audit report/publicly announced data
- Examination of internal documents and basic materials

Assurance Results and Opinions

[On an assurance principle/process level]

KSA reviewed the draft version of this Report to present our opinions as an assurance provider. Modifications were made of the Report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, we present our opinions of the 2015 Korean Air Sustainability Report as follows.

Inclusivity

- ✓ Has Korean Air engaged its stakeholders in strategically responding to sustainability?

We believe that Korean Air is making an all-out effort for major stakeholders' participation in promoting sustainability management, and we assured procurement and operation of diverse stakeholder communication channel of Korean Air. We were not aware of any omission of significant stakeholder group. Notably, the reporting communication channels for stakeholders according to value chains showed advancement compared to the previous year. Still, we advise preparing a process wherein internal and external stakeholders will be able to participate proactively and reflecting their demands specifically in order to deal with sustainability issues regularly every year.

Materiality

- ✓ Has Korean Air included material information in the Report to help stakeholders make informed decisions?

We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that Korean Air conducted materiality test with issues identified from analyses of internal and external environments and reported according to the result. Nonetheless, we advise making a more specific report on the opinions of stakeholders in the process of deciding materiality and carrying out such process continuously by integrating at the enterprise level so that it is not short-lived.

Responsiveness

- ✓ Has Korean Air appropriately responded to stakeholder requirements and interest in this Report?

We verified that Korean Air responded stakeholders' needs and interests through reflecting stakeholders' opinions in the Report. We are not aware of any evidence that Korean Air's response to significant issues of stakeholders was reported inappropriately. Still, we recommend establishing sustainability strategies in the future in order to respond actively to the demands of stakeholders and to select strategic tasks and major indicators to enforce such strategies.

Verification of Material GRI G4 Indicators

We confirmed that this Report was prepared in accordance with GRI G4 Comprehensive Option. Based on data Korean Air provided, we also confirmed a validity of the contents related to General Standard Disclosure and Specific Standard Disclosure indicators.

General Standard Disclosures

We verified that this Report is in compliance with requirements for General Standard Disclosures of Comprehensive Option. We examined indicators below.

G4-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58

Specific Standard Disclosures

We checked DMAs with respect to Material Aspects identified from a decision making process on which content to be disclosed. We examined indicators below.

G4-EC1, EC2, EC3, EC4, EC5, EC6, EC7, EC8, EN3, EN4, EN5, EN6, EN7, EN15, EN16, EN17, EN18, EN19, EN20, EN21, LA1, LA2, LA3, LA4, LA5, LA6, LA7, LA8, LA9, LA10, LA11, LA12, LA16, HR3, S01, S02, S03, S04, S05, S07, PR1, PR2, PR3, PR4, PR5, PR8

Opinions and Recommendations by Sector [On a performance/issue level]

We present the following recommendations to help Korean Air establish a company-wide sustainability management strategy and respond to continuous issues of sustainability.

Economic

The domestic aviation market is experiencing lower market entry barrier and increasing market competition due to competitive factors such as active operations by low-cost airline companies and entry of foreign airline companies. Moreover, the overall aviation market situation is influenced by various social factors.

Given such situation of the aviation market, Korean Air is making efforts to improve profitability in the field of passenger transportation business by introducing new equipment, developing new routes, and improving its service; it is also focus-

ing its strength on developing new businesses as shown by its success in developing Korea's first UAV for division-level reconnaissance. We advise continuing to maintain stable, effective business management so that such efforts by Korean Air will become fruitful.

Environmental

From the operation of sustainable, eco-friendly management system, the environmental sector seems to be receiving attention from the executive management board as well as weighty operation by the departments in charge. Such systematic management is helpful in improving data reliability as well as the management status. In order to be on a par with international rivals in the future as a global aviation company, we advise establishing a system for managing and reporting environmental performance indicators that set mid-term and long-term quantitative goals on core issues and reveal the results in reports. Mid-term and long-term goal management is not only advantageous in terms of continuous improvement; it will also provide significant help in improving communication with stakeholders through sustainability reports.

Social

Due to the strengthened safety and health issues following the Sinking of MV Sewol and MERS incident, the physical safety of airplanes and concerns related to safety and health for customers have become more important. In this aspect, the efforts of Korean Air in improving its safety standards, as shown in the safety improvement program as well as other programs, seem to be positive along with its investment in the local community, accompanying growth and meaningful international CSR activities. Nonetheless, we suggest measuring the satisfaction rates of internal employees in an objective manner and making consistent improvement based on trust between labor and management.

August 2015

Baek, Soo-Hyun
KSA Chairman & CEO

백수현



AA1000
Licensed Assurance Provider
000-70

Korean Standards Association (KSA), established as a special corporation in accordance with the Law for Industrial Standardization in 1962, is serving as a knowledge service provider who distributes and disseminates such services as industrial standardization, quality management, sustainability management, KS certification and ISO certification. KSA is committed to the sustainable development of Korean society as an ISO 26000 national secretary, certified GRI training partner, AA1000 assurance provider, KSI(Korea Sustainability Index) operator, UN CDM DOE(development operational entity), and assurance provider of the Korean government's greenhouse gas energy target management system.

GRI G4 INDEX

GENERAL STANDARD DISCLOSURES

General Standard Disclosure		Page(s)	Third-Party Assurance
Strategy and Analysis			
G4-1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) regarding the relevance of sustainability to the organization and its strategy for addressing sustainability	2	
G4-2	Description of key impacts, risks, and opportunities	2	
Organizational Profile			
G4-3	Name of organization	4	
G4-4	Primary brands, products, and services	4	
G4-5	Location of the organization's headquarters	4	
G4-6	Number of countries where the organization operates and names of countries where the organization has major operations or which are specifically relevant to the sustainability topics covered in the report	4	
G4-7	Nature of ownership and legal form	4	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	4	
G4-9	Scale of the organization - Total number of employees - Total number of operations - Net sales (private company) or net profit (public company) - Total capitalization broken down in terms of debt and equity (private company) - Quantity of products or services provided	4	
G4-10	a. Total number of employees by employment contract and gender b. Total number of permanent employees by employment type and gender c. Total workforce consisting of employees and supervised workers by gender d. Total workforce by region and gender e. Clarification of the substantial portion of the organization's work being performed by workers legally recognized as self-employed or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Any significant variation in employment numbers	4	
G4-11	Percentage of total employees covered by collective bargaining agreements	51	
G4-12	Description of the organization's supply chain	8	
G4-13	Any significant change during the reporting period regarding the organization's size, structure, ownership, or supply chain	1	
G4-14	Clarification of precautionary approach or principle being addressed by the organization	40	
G4-15	List of externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	95	
G4-16	List of memberships in associations (such as industry associations) and national or international advocacy organizations	96	
Identified Material Aspects and Boundaries			
G4-17	a. List of all entities included in the organization's consolidated financial statements or equivalent documents b. Clarification of inclusion of any entity in the organization's consolidated financial statements or equivalent documents not covered in the report	1	
G4-18	a. Process of defining the report content and aspect boundaries b. Explanation on how the organization has implemented the Reporting Principles for Defining Report Content	18	
G4-19	List of all material aspects identified in the process of defining the report content	19	

General Standard Disclosure		Page(s)	Third-Party Assurance
G4-20	For each material Aspect, the Aspect Boundaries within the organization are as follows: * Clarification of the relevancy of the Aspect material within the organization * If Aspect is not material for all entities within the organization [as described in G4-17], select one of the following two approaches and report one of them: - G4-17 List of entities or groups of entities included in G4-17 for which Aspect is not material - G4-17 List of entities or groups of entities included in G4-17 for which Aspects are material * Any specific limitation regarding Aspect Boundary outside the organization	19	
G4-21	For each material Aspect, the Aspect Boundary outside the organization is as follows: * Clarification of relevancy of the Aspect material outside of the organization * If Aspect is material outside of the organization, identify entities, groups of entities, or elements for which Aspect is material and describe the geographical location where Aspect is material for the entities identified * Any specific limitation regarding Aspect Boundary outside the organization	19	
G4-22	Effect of any reiteration of information provided in previous reports and reasons for such reiteration	-	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	-	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization	8	
G4-25	Basis for the identification and selection of stakeholders to engage	8	
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	8	
G4-27	Key topics and concerns that have been raised through stakeholder engagement as well as the organization's response; report stakeholder groups raising each key topic and concern	8	
Report Profile			
G4-28	Reporting period [such as fiscal or calendar year] for the information provided	1	
G4-29	Date of the most recent previous report (if any)	1	
G4-30	Reporting cycle [such as annual, biennial]	1	
G4-31	Provide a contact point for questions regarding the report or its contents	1	
G4-32	a. "In accordance" option chosen by the organization b. Report GRI Content Index for the chosen option c. Report reference to the External Assurance Report (if the report has been externally assured)	1	
G4-33	a. The organization's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance c. Relationship between the organization and assurance providers d. Clarification of involvement of the highest governance body or senior executives in seeking assurance for the organization's sustainability report	1	
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body Identify committees responsible for decision making regarding the economic, environmental, and social impacts	15	
G4-35	Process of delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	15	
G4-36	Clarification of existence of the organization's appointment of executive-level position or positions with responsibility for economic, environmental, and social topics and necessity of reporting directly to the highest governance body	15	
G4-37	Processes for consultation between the stakeholders and the highest governance body on economic, environmental, and social topics; if consultation is delegated, describe to whom as well as any feedback process within the highest governance body	15	

General Standard Disclosure		Page(s)	Third-Party Assurance
Governance			
G4-38	Composition of the highest governance body and its committees by: - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's significant positions and commitments and nature of those commitments - Gender - Membership of under-represented social groups - Competencies related to economic, environmental, and social impacts - Stakeholder representation	14	
G4-39	Clarification of the chair of the highest governance body concurrently serving as executive officer (and, if so, his or her function within the organization's management and reasons for such arrangement)	15	
G4-40	Clarification of nomination and selection processes for the highest governance body and its committees, criteria used for nominating and selecting the highest governance body members, including: - Consideration of diversity - Consideration of independence - Clarification of expertise and experience related to the economic, environmental, and social topics being considered - Clarification of stakeholders' (including shareholders) involvement	14	
G4-41	Processes for the highest governance body to ensure that conflicts of interest are avoided and managed	15	
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value, or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts	15	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	15	
G4-44	a. Processes for the evaluation of the highest governance body's performance with respect to the governance of economic, environmental, and social topics b. Actions taken in response to the evaluation of the highest governance body's performance with respect to the governance of economic, environmental, and social topics at the very least, including changes in membership and organizational practice	15	
G4-45	a. The highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities (the highest governance body's role in the implementation of due diligence processes) b. Clarification of stakeholder consultation being used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities	15	
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's management processes with regard to economic, environmental, and social topics	15	
G4-47	Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities	15	
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	15	
G4-49	Process of communicating critical concerns to the highest governance body	14	
G4-50	Nature and total number of critical concerns communicated to the highest governance body and mechanism(s) used to address and resolve them	14	
G4-51	a. Remuneration policies for the highest governance body and senior executives b. Clarification of performance criteria in the remuneration policy related to the highest governance body, senior executives, and all other employees	15	
G4-52	Process of determining remuneration: Clarification of remuneration consultants involved in determining remuneration and their independence of management: report any other relationship that remuneration consultants have with the organization	15	
G4-53	Clarification of stakeholders' views sought and taken into account regarding remuneration, including results of votes on remuneration policies and proposals (exercise of voting rights, etc.)	15	
G4-54	Ratio of total annual compensation for the organization's highest paid individual in each country of major operations to the median total annual compensation for all employees (excluding the highest paid individual) in the same country	15	
G4-55	Ratio of percentage increase in total annual compensation for the organization's highest paid individual in each country of major operations to the median percentage increase in total annual compensation for all employees (including the highest paid individual) in the same country	15	

General Standard Disclosure			Page(s)	Third-Party Assurance
Ethics and Integrity				
G4-56	The organization's code of conduct and code of ethics		16	
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, matters related to organizational integrity such as helplines or advice lines		16	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior		16	
SPECIFIC STANDARD DISCLOSURES				
Material Aspect	DMA and Indicators		Page(s)	
	Category: Economic			
	Generic DMA			
Economic Performance	G4-EC1	Direct economic value generated and distributed	30-31	
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	66	
	G4-EC3	Coverage of the organization's defined benefit plan obligations	49	
	G4-EC4	Financial assistance received from the government	-	
Market Position (wage, purchase, employment, etc.)	G4-EC5	Ratios of standard entry-level wage by gender compared to the local minimum wage at major locations of operation	44	
	G4-EC6	Proportion of senior management hired from the local community at major locations of operation	45	
Direct Economic Effects	G4-EC7	Development and impact of infrastructure investments and services supported	79	
	G4-EC8	Significant indirect economic impacts, including extent of impacts	79	
Category: Environmental				
Energy	G4-EN3	Energy consumption within the organization	58	
	G4-EN4	Energy consumption outside of the organization	58	
	G4-EN5	Energy intensity	59	
	G4-EN6	Reduction of energy consumption	58	
	G4-EN7	Reductions in the energy requirements of products and services	58	
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (SCOPE 1)	58	
	G4-EN16	Indirect greenhouse gas emissions (SCOPE 2)	58	
	G4-EN17	Other indirect greenhouse gas emissions (SCOPE 3)	-	
	G4-EN18	Intensity of greenhouse gas emissions	59	
	G4-EN19	Reduction of greenhouse gas emission	57, 59	
	G4-EN20	Emissions of ozone-depleting substances (ODS)	-	
	G4-EN21	NOx, Sox, and other significant air emissions	62	
Category: Social				
Sub-Category: Labor Practice and Decent Work				
Employment (gender, new, temporary)	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	45	
	G4-LA2	Benefits provided to full-time employees not provided to temporary or part-time employees according to the major locations of operation	45	
	G4-LA3	Return to work and retention rates according to maternal or paternal leave	49	

Material Aspect	DMA and Indicators		Page(s)
Labor-Management Relations	G4-LA4	Minimum notification period for significant changes to business (including clarification of inclusion in the collective bargaining agreement)	51
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	50
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism; total number of work-related fatalities by region and by gender	50
	G4-LA7	Workers with high incidence or high risk of occupational diseases	50
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	50
Training and Education	G4-LA9	Average hours of training per year per employee by gender and by employee category	46
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	46
	G4-LA11	Percentage of employees undergoing regular performance and career development review by gender and by employee category	48
Diversity and Equal Opportunity	G4-LA12	Composition of the highest governance body and employees by employee category (type) [according to diversity indicators including gender, age, minority group]	84
Labor Practices Grievance Resolution System	G4-LA16	Number of grievances regarding labor practices filed, addressed, and resolved through formal grievance mechanisms	51
Sub-Category: Human Rights			
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	45
Sub-Category: Society			
Local Communities (Social Contribution)	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	79
	G4-S02	Operations with significant actual or potential negative impacts on local communities	79
Anti-Corruption	G4-S03	Total number and percentage of operations assessed for risks related to corruption and significant risks identified	17
	G4-S04	Communication and training on anti-corruption policies and procedures	17
	G4-S05	Confirmed incidents of corruption and actions taken	16
Anti-competitive Behavior	G4-S07	Competitive behavior, anti-trust, and monopoly practices and their outcomes	17
Sub-Category: Product Responsibility			
Customer Health & Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	67
	G4-PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes [treatment of violations]	-
Product and Service Labeling (customer satisfaction)	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling and per percentage of significant product and service categories subject to such information requirements	-
	G4-PR4	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	-
	G4-PR5	Results of surveys measuring customer satisfaction	72
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breach of customer privacy and loss of customer data	73



The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies through ten principles related to the areas of human rights, labor, environment, and anti-corruption. Korean Air joined the UN Global Compact in July 2007, believing

that the core values of the Compact are in line with the Company's commitment to business ethics, transparent management and corporate social responsibility. Korean Air will continue to embrace and support the ten universally accepted principles of the UN Global Compact as listed below.

AREA	PRINCIPLES	KOREAN AIR'S ACTIVITIES	PAGE(S)
Human rights	<ol style="list-style-type: none"> 1. We support and respect the protection of internationally proclaimed human rights 2. We make sure that we are not complicit in human rights abuse 	<ul style="list-style-type: none"> • Education on business ethics and sexual harassment prevention 	17
Labor	<ol style="list-style-type: none"> 3. We uphold the freedom of association and effective recognition of the right to collective bargaining 4. We uphold the elimination of all forms of forced and compulsory labor 5. We uphold the effective abolition of child labor 6. We uphold the elimination of discrimination in employment and occupation 	<ul style="list-style-type: none"> • Ensuring the freedom of association and the right to collective bargaining • No forced labor or child labor under the stipulations of the Korean Labor Standards Act and ILO Conventions, no case of such violations • Increasing the employment of women and disabled persons • Hiring international talents without discrimination based on nationality, culture, and religion 	44-45, 51
Environment	<ol style="list-style-type: none"> 7. We support a precautionary approach to environmental challenges 8. We undertake initiatives to promote greater environmental responsibility 9. We encourage the development and diffusion of environment-friendly technologies 	<ul style="list-style-type: none"> • Strict compliance with GHG emission regulations at all our business premises • Company-wide ISO14001 certification • GHG Inventory System and GHG emissions reduction initiatives • Adopting cutting-edge, eco-friendly aircraft and engines with higher fuel efficiency and less noise emissions 	54, 56-59, 62-63
Anti-corruption	<ol style="list-style-type: none"> 10. We work against corruption in all its forms, including extortion and bribery 	<ul style="list-style-type: none"> • Proclamation of the Ethics Charter and compliance with the ten principles of the UN Global Compact • Anti-corruption education • Whistleblowing program • Fair trade voluntary compliance program • Implementing compliance support programs 	16-17

MAJOR AWARDS AND MEMBERSHIPS >> G4-16

AWARDS	ORGANIZATION	DATE
Voted as one of the TOP 3 foreign airlines most loved by the Chinese people	GLOBAL TIMES(环球时报)	Dec. 16, 2014
Foreign Airline of the Year Cargo (2013)	MAB (Malaysia Airport Holdings Berhad)	Nov. 21, 2014
2014 Korea Advertising Awards Grand Prize in TV Advertisement/Gold Prize in IMC / Silver Prize in Print Advertising	Korea Federation of Advertising Associations	Nov. 11, 2014
Ranked 1st in the air passenger transport service category of the Global Customer Satisfaction Index (GCSI)	Japan Management Association Consulting	Jun. 26, 2014
Excellence Award for Love of Environment	Consulate General of the Republic of Korea in Shanghai	Jun. 10, 2014
Happy Corporation Grand Prize	Dong-A Ilbo	Jun. 3, 2014
Effie Award Korea 2014 Grand Prize and Digital Platform Award Winner	Effie Award Korea	May 23, 2014
2014 DFNI Asia/Pacific Awards -Best online services & in-flight sales	DFNI (Duty Free News International)紙	May 13, 2014
21st Advertising Awards -First Prize in the print advertising category	Korea Advertising Society	Apr. 6, 2014
National Brand Grand Prize	The Economist/JoongAng Daily	Apr. 2, 2014
Ministry of Culture, Sports, and Tourism Awards -print advertising category	Korea Advertisers Association	Mar. 28, 2014
22nd Consumers' Choice of Good Advertisement Awards - TV advertising		
Ranked No. 1 in the international air transportation category of the National Customer Satisfaction Index	Korea Productivity Center	Mar. 25, 2014
Best Service Innovation Award	Voyage(新旅行)	Mar. 6, 2014
Best Transport Finance Award	The Asset Asian Award	Feb. 13, 2014
2014 Consumers' Choice for Best Brand	Forbes Korea	Jan. 23, 2014
Best Airline	Travel & Leisure (旅游休闲)	Jan. 15, 2014
2013 Best Foreign Airline	Oriental Morning Post(东方早报)	Jan. 9, 2014

CATEGORY	ASSOCIATIONS AND ORGANIZATIONS
Aviation	International Air Transport Association (IATA)
	Association of Asia Pacific Airlines (AAPA)
	Sky Team, Korea Civil Aviation Development Association (KADA)
	Federation of Korea Aeronautics, Korea Aeronautical Engineers Association
Economy	Korean Society for Aeronautical & Space Sciences, Korean Association of Air and Space Law, Aviation Management Society of Korea
	Korean Business Council for Sustainable Development, Business Institute for Sustainable Development of the Korea Chamber of Commerce and Industry (KCCI)
	Federation of Korean Industries, Korea Economic Research Institute, Korea Employers Federation
	Korea Chamber of Commerce and Industry, Federation of Economic Organizations, Korea-Japan Economic Association
Environment	Korea Listed Companies Association, Korea Exchange, Korea Customs Logistics Association
	International Management Institute of the Federation of Korean Industries, Korea International Trade Association, Korea-US Economic Council
	Green Companies Council, Business Council for Green Growth
	Gangseo Business Group for Environmental Practices, Voluntary Agreement of the Aviation Industry on GHG Reductions
Society	Korea-China Future Forest
	Nanum Korea, Korean Council on the Protection of Personal Information
	Korea Forum for Progress, Asia Society Korea Center
	Korea-Mongolia Forum, Visit USA Committee Korea, Seoul International Forum
	Korea Mecenat Association, Korea Management Association, Takamadonomiya Memorial Foundation
	Korea Support Committee for the International Vaccine Institute
	Habitat for Humanity Korea, Visit Korea Committee, The Institute of Nation Brand Promotion



260 Haneul-gil, Gangseo-gu, Seoul, Korea / Postal code: 07505 / Tel +82-2-2656-7114

www.koreanair.com

