

Sustaining Excellence

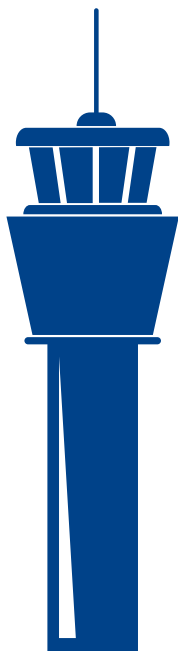
ISSUE.1 Securing sustainable growth engines

ISSUE.2 Ensuring safety on flight

ISSUE.3 Promoting a healthy culture of communication

ISSUE.4 Mitigating climate change

ISSUE.5 Reinforcing customer relationship management



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About this report

About this report

Korean Air has been publishing sustainability reports every year since 2006, giving way to this year's eleventh edition. Last year's edition was printed in August, 2015, and all other previously published reports are available on our homepage, both in Korean and English.

This year's edition was structured upon the framework of previous reports, while using the "Stakeholder Interview" and "Mini Case" to augment its coverage of issues concerning the business value chain in reflection of the industry's mega trend and stakeholder feedback.

Our annual sustainability report has always functioned as both an effective and transparent means of communication with stakeholders regarding material sustainability issues.

Reporting Standards

This report was prepared in accordance with the "core option" of the GRI (Global Reporting Initiative) G4 Guidelines. The five key reporting issues were categorized accordingly as shown on the table on page 17 of the report.

Reporting Period, Scope and Boundary

This report covers the company's sustainability management efforts and performance for the entirety of the 2015 calendar year with some performance results extending to cover the first half of 2016. There is also quantitative performance data going back as much as three years for trend analysis, dating back to 2013. This report covers all Korean Air's business premises at home and abroad, including the headquarters in Seoul.

Third-Party Assurance

The credibility of all information disclosed in this report has been adequately assured by a third party assurance agency, Korea Productivity Center, in accordance with AA1000AS (2008) guidelines. The assurance statement is attached at the end of this report in the Appendix.

Significant Changes from the Previous Year

The limousine service was taken over by Korea Airport Services on February 1, 2015.

Further Information

More information is available in the 2015 Business Report of Korean Air posted on our website (kr.koreanair.com), twitter (twitter.com/KoreanAir), facebook (facebook.com/KoreanAir), Blog (blog.koreanair.com) and on the electronic disclosure system operated by the Financial Supervisory Service (<http://dart.fss.or.kr>).

“ Korean Air has served the country’s need for airborne transportation as Korea’s national flag carrier while fulfilling its responsibilities to the economy, society and the environment. Going forward, Korean Air will remain at the forefront of the Korean aviation industry by actualizing a sustained profitability alongside the constructing of a stable growth platform. In the meantime, our open and creative corporate culture continues to pave the way for a sustainable growth as an industry-leading airliner. ”





Spreading joy
throughout every corner
of the world amid
endless travels and
encounters

Distinguished stakeholders,

I'm pleased to present to you the eleventh edition of our report covering sustainability management efforts and performance. On behalf of everyone at Korean Air, I'd like to deliver a heartfelt gratitude to you for your continued support and encouragement. In 2015, Korean Air was faced with a challenging market riddled with unforeseen variables arising from the MERS outbreak right in the run-up to its high-demand season and terrorist attacks around the world. Despite these challenges, we strategically adjusted our route operations amid falling oil prices and rising market demands for air transportation as well as its volatility. As a result, we were able to generate a KRW 859 billion operating profit.

The passenger flight business channeled its resources into creating a niche for premium customer services, adopting state-of-the-art new aircrafts, like the B747-8i, and increasing the fleet of A380 on major routes. New routes were added to the cities of Hefei, Nanning and Guiyang, helping reinforce our service network in China.

Non-scheduled services were also expanded on long-haul routes to Barcelona, Calgary and Athens.

Meanwhile, the cargo business concentrated on enhancing its profitability in 2015, feeding the pursuit of new markets in Latin America and Vietnam, while also modernizing cargo fleet with the B747-8F and B777F, which were able to enhance fuel efficiency. Notably, the aerospace business significantly raised its revenue and operating profit aided by the manufacturing of civil craft components, like composite structures for the B787 and sharklets for A320, in addition to the developing of medium-altitude unmanned aerial vehicles (MA UAV) and the upgrading of the performance of maritime patrol aircrafts.

In meeting the volatile market environment with a low-growth global economy, as well as the U.S. FRD's rate hikes and geopolitical risks, Korean Air grounded its 2016 management policy in the objective to not only achieve sustainable profitability, but also lay the foundation for the stable growth of our company. While staying a step ahead of the rapidly changing aviation industry,

Korean Air will lead the trend with its change-inducing and innovative new trend and value system.

With that concerted effort working as our driving dynamic, we lay the groundwork for a stable profitability, and while we further the consolidation of our operational safety framework thanks to our thorough response system, Korean Air continues to advance both its evolvement and progress centering itself around a genuine form of customer-oriented service.

At the same time, our constructing a more open and creative corporate culture motivates us to revamp the entire administrative and management system for bettered organizational efficiency and communication, which will be guided by the encouragement of active communication and consensus among all employees. We also work towards becoming even more receptive when it comes to the voices of internal and external stakeholders so that we may successfully continue with the reforming of our corporate culture.

Remaining steadfast in its fulfillment of social responsibilities, Korean Air offers its signature CSR programs like afforestation in deforesting areas of China and Mongolia and sponsoring Korean language service at world-renowned museums. We also anticipate the continuation of disaster relief operations and patronization of various sports and cultural activities.

As an ardent proponent of the UN Global Compact, Korean Air abides by all the ten principles concerning human rights, labor, the environment, and anti-corruption. As such, we work hard to live up to our social responsibility in becoming that of a business organization respected by its community and stakeholders all around.

Over the past 46 years, Korean Air has been faithfully serving the country with its nation-leading air transportation business and striving to fulfill its corporate social responsibility through various environmental management and social contribution activities. Just as we've always done in the midst of endless challenges, we will continue striding into a brighter future toward sustainable growth. While on this journey, the

advice and encouragement from our stakeholders will be the key momentum that enables us to move forward, and we, at Korean Air, would be grateful for your continued support.

Thank you.

2016

Cho Yang-ho

Chairman & CEO Korean Air



Profile

Company Name	Korean Airlines Co., Ltd.
Headquarters	260 Haneul-gil Gangseo-gu, Seoul, Korea
Phone Number	+82-2-2656-7114
Website	http://www.koreanair.com
Business Areas	Passenger & cargo transportation, aerospace, catering services and in-flight sales
Sales	KRW 11,308 billion ¹⁾
No. of Employees	20,938 persons ²⁾

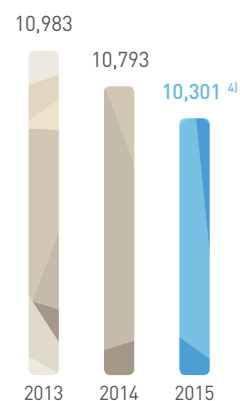
Air Fleet	158 aircrafts
Routes	129 cities in 46 countries
Revenue Passengers Carried in 2015	24.86 million persons
Revenue Freight Carried in 2015	1.55 million tons
Subsidiaries	See the disclosures by Korean Air on http://dart.fss.or.kr

1) Non-consolidated sales

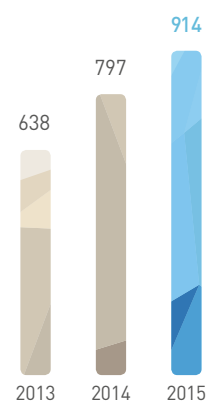
2) Includes executives, expatriates and locally-hired employees

Operating Revenue by Business (KRW in Billions)

Air Transportation ³⁾



Aerospace



Catering



³⁾ The air transportation revenue includes Hotel & Limousine operations, where Korean Air made in-kind contribution through its subsidiary, Aviation Total Services co., Ltd.
[Same classification applicable to the Audit Report]

⁴⁾ Non-consolidated air transportation revenue

Air Fleet

(aircrafts)

	Passenger	Cargo
A380-800	10	-
B747-8i	4	-
B747-400	11	17
B747-8F	-	6
B777-300ER/300/200	37	-
A330-200/300	29	-
B777F	-	5
B737-800/900/900ER	39	-
Total: 158	130	28

Average Age of Korean Air Aircrafts

(years)

	2013	2014	2015
Passenger	9.4	9.7	9.5
Cargo	9.4	8.7	9.1
Total	9.4	9.6	9.4

2015 Key Performance Results**Transportation**

[10,000 persons/10,000 tons]

Passengers



1,749

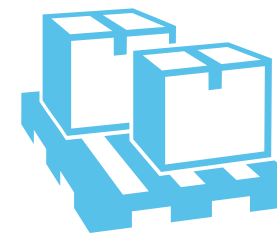
International Routes



737

Domestic Routes

Cargo



147.6

International Routes



7.5

Domestic Routes

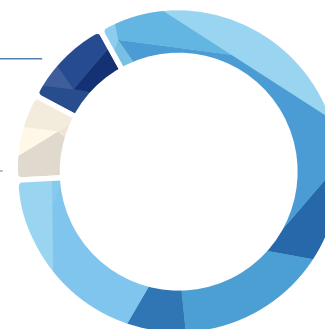
Revenue

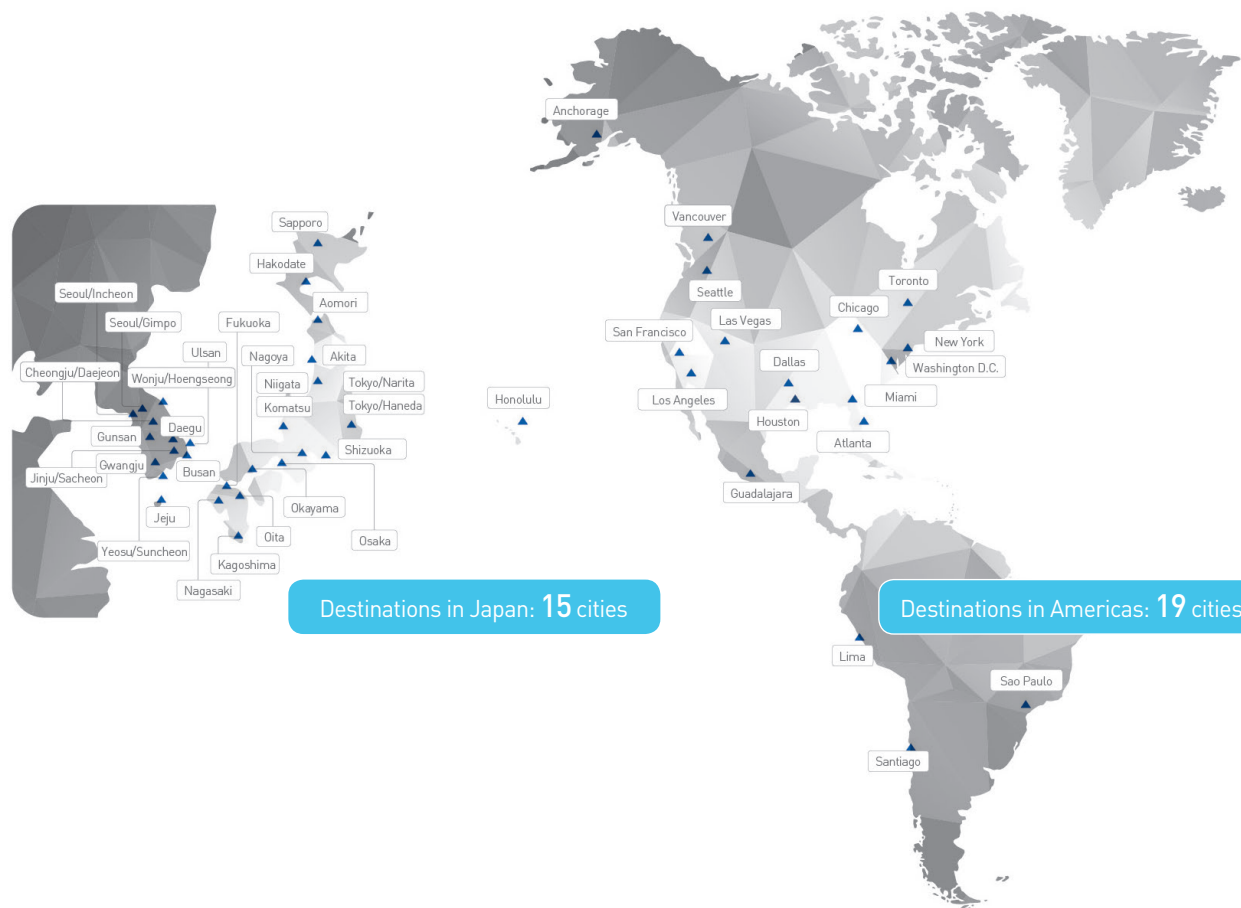
(KRW in billions)

Revenue from Other Businesses 1,007

Ancillary Revenue 977

Airfare Revenue 9,324





Destinations in Korea: 12 cities

Destinations in Japan: 15 cities

Destinations in Americas: 19 cities

Sky Team



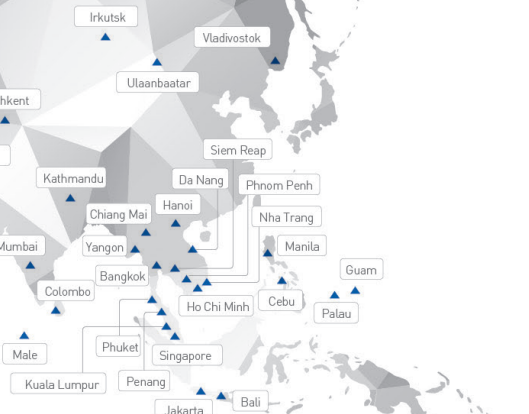
Destinations in Europe, Middle East and Africa: 27 cities



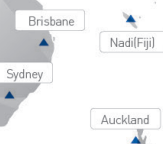
Destinations in China: 29 cities



Destinations in Southeast Asia: 23 cities



Destinations in Oceania: 4 cities



Code-share partners



Input

Financial Capital

Cash and equivalents (i.e. capital, liabilities) available for production

- Total Equity: KRW 2,296,294 million
- Total Assets: KRW 23,048,940 million

Manufacturing Capital

Tangible assets, such as buildings and equipment, required for production

- Production Capacity: KRW 11,716,997 million
- Raw Materials Procurement: USD 426,526,308

Human Capital

Employees' capability, experience and engagement

- Training Hours per Employee: 102.5 hours
- Total Workforce: 20,938 persons

Intellectual Capital

Intangible assets including brands, patent rights and business know-how

- R&D Expenses: KRW 122,151 million (1.06 % of sales)

Social Capital

Stakeholder relations with local communities and business partners

- Volunteer Hours per Employee: 1.7 hours
- Social Contribution Expenses: KRW 12,562 million

Natural Capital

Environment, natural resources and ecosystems

- Flight Fuel Consumption: 4,083,989 tons
- Fleet Modernization Expenses: KRW 3,243 billion
- Energy Consumption: 176,794,046 GJ
- Greenhouse Gas Emissions: 13,102,666 tCO₂eq

Value Creation on Our Business Value Chain

All business activities on Korean Air's Value Chain are purported at generating value under our motto "Excellence in Flight." To that end, we review the sustainability of all our resource input activities, ranging from the procurement of raw materials to post-flight operations. This effort, we believe, awards us with optimal operational system, encouraging a more customer-oriented system of management.

* The <IR> Framework of the International Integrated Reporting Council was applied.

Procurement

- The purchase of various raw materials necessary for aircraft operation such as in-flight meals, jet fuels and engines

Marketing & Sales

- Product & service promotion/sales
- Air ticket promotions/sales, In-flight meals preparation and Aircraft maintenance



Flight Operation

- Transit service of passengers and cargo
- Check-in, Boarding, In-flight meal serving and In-flight entertainment services

Post-Flight Operation

- Aircraft clean-up and Disposal of wastes after flight
- Customer feedback and Direction of future operations



Output

Financial Capital

Korean Air generated KRW 11.3 trillion in sales on a non-consolidated basis for 2015 through its exceptional customer satisfaction service and operational efficiency. Operating profit also improved 131 percent year-on-year to reach KRW 859 billion for the year.

Manufacturing Capital

In 2015, each aircraft flew an average of 347 hours per month, making for 79 percent of production capacity.

Human Capital

Korean Air strives to adequately allot business-driven value to all stakeholders. In 2015, a total of KRW 1.8 trillion was distributed to employees in the form of monthly pay, severance and fringe benefits.

Intellectual Capital

Our 39 years of experience in aircraft design, manufacturing, renovation, repair and maintenance as well as structure-building and development, brought the US Navy to call upon us for the depot maintenance service of large CH-53 helicopters. We are also manufacturing sharklets for A330 NEO models. As a result, the aerospace operation sales grew by 14.7 percent from the previous year to KRW 914 billion in 2015 with an operational profit of KRW 120 billion.

Social Capital

A total of 3,851 employees participated in our social contribution activities in 2015. To date, Korean Air has planted a total of 1.28 million trees in the Korean Air Forest near the Kubuqi Desert in China.

Natural Capital

Our improved operational and fuel efficiency helped reduce greenhouse gas emissions in 2015, making for a total of 449,980 tCO₂e on the year. This also saved us 142,852 tons in fuel with KRW 92 billion in fuel expenses.

Vision

Earning recognition as a respected leader
in the global airline community



Mission

EXCELLENCE IN FLIGHT



- Safety-first operation
- Year-round cost reduction efforts for sustainable profitability
- Continuous fleet modernization for higher operational efficiency
- Global network expansion by tapping into SkyTeam resources
- Company-wide IT integration for stronger management infrastructure
- Expanded education/training programs for fostering talent from around the globe

- Higher service competitiveness by developing Korean Air's original services
- High-end and differentiated services
- High-end seats like KOSMO Suites and Prestige Sleepers and increasing the AVOD and IFE
- Enhancing corporate image as a global leading service brand
- Offering top-tier service on par with global standards backed by the SkyTeam alliance
- Continued social contribution activities through Global CSR Projects

- A corporate culture that encourages creativity and aspiration
- A democratic and collaborative workplace
- Fostering talent from around the globe
- Anti-organizationalism and promotion of change and innovation
- Development of new profitable business models

Management Philosophy

Adhering to standards and principles

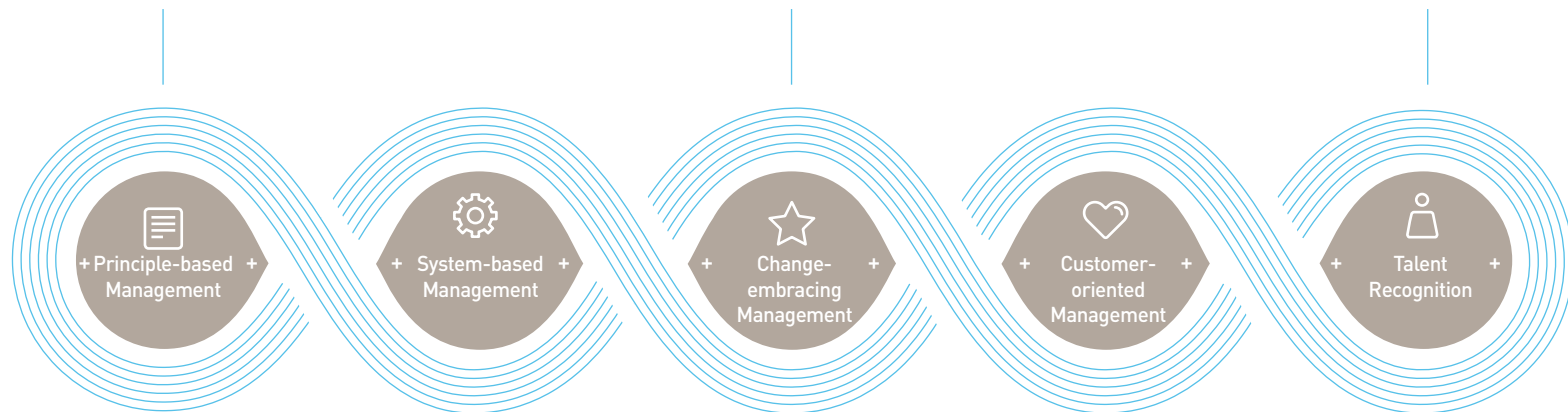
- Establishing globally-recognized standards and principles
- Pursuing standard and principle-based flexibility in business
- Eliminating shortcuts and inefficiency in business operations

Creating an innovative and change-embracing corporate culture

- A Progressive and aspiring mind
- Change-embracing organizational culture
- Future-oriented business reform by focusing on core competences

Developing future growth engines with competent human resources

- Attracting the best and brightest from around the globe
- Bold investment in fostering talent
- A corporate culture that pairs individual competency-building with organizational growth



Operational management based on expertise and autonomy

- Mutual respect for expertise in different fields
- Sensible and systematic decision-making
- Harmonious atmosphere for creative solutions

Enhancing customer loyalty with highest possible customer satisfaction

- Comprehensive and systematic approach toward customers
- Prompt responses to changing customer needs
- Management by Wandering About (MBWA) practices for higher customer value

Board of Directors

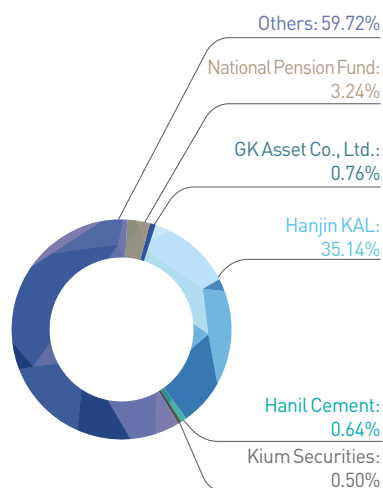
Korean Air's board of directors consists of four standing directors, including the CEO, and six non-standing directors with proficiency in different fields of academia, law, government and finance. Outside directors are appointed by the general shareholders' meeting from the candidates nominated by the Non-Standing Director Nomination Committee, the majority of which are composed of non-standing directors. Some qualifying shareholders can recommend a candidate for a non-standing director position provided that he/she follows procedure. Information on the non-standing directors and candidates are disclosed on the DART website in the run-up to the general shareholders' meeting.

Members of the Board (as of March 18, 2016)

Type	Name	Gender	Position/Career Background	Date of Appointment	Term (years)	Note
Standing directors	Cho Yang-ho	Male	Chairman & CEO	Mar. 18, 2016	3yrs	Chairman of the board
	Chi Chang-hoon	Male	President & COO	Mar. 18, 2016	3yrs	
	Cho Won-tae	Male	Vice President & CMO	Mar. 27, 2015	3yrs	
	Lee Sang-kyoon	Male	Vice President & CFO	Mar. 21, 2014	3yrs	
Non-standing directors	Kim Seung-yu	Male	Chief director of Hana High School, former CEO of Hana Financial Group	Mar. 27, 2015	3yrs	
	Lee Sog-woo	Male	Lawyer (Doore Law Firm), former Chief Justice of the South Seoul District Court	Mar. 18, 2016	3yrs	
	Lee Yun-woo	Male	Chairman of Geje Big Island Asset Management, former vice president of Korea Development Bank	Mar. 27, 2015	3yrs	Chief of the Audit Committee
	Kim Jae-il	Male	Professor of Seoul National University Business School	Mar. 18, 2016	3yrs	Newly appointed in 2016
	Bahn Jang-shick	Male	Dean, Graduate School of Management of Technology, Sogang University, Former vice minister of the Ministry of Planning and Budget	Mar. 27, 2015	3yrs	
	Ahn Yong-seok	Male	Lawyer (Lee & Ko Law Firm)	Mar. 21, 2014	3yrs	

Subcommittees of the Board of Director (as of Mar. 18, 2016)

Non-standing Director Nomination Committee	Two standing and four non-standing directors	Nominating non-standing director candidates according to governing laws, including the company's Articles of Association and the Board of Directors Regulations
Audit Committee	Three non-standing directors	Auditing the account books and business operations while dealing with matters commissioned by the Board of Directors according to governing laws, including the Articles of Association and the Board of Directors Regulations
Management Committee	Three standing and three non-standing directors	To make decisions pertaining to the agenda as commissioned by the Board of Directors and significant issues other than those subject to the resolution by the general shareholders' meeting as stipulated in the relevant laws and the Articles of Association
Affiliate Transactions Committee	One standing and two non-standing directors	To perform previews of major inside transactions involving affiliated persons under the Fair Trade Act and to make suggestions for corrections to any transactional activity pointing out possible legal violations

Ownership Structure (as of Dec. 31, 2015)

*Ownership: percentages of shares held against the total outstanding 73,950,538 shares

BOD Activities & Performance Results

Korean Air's board of directors convened nine meetings to discuss and vote on 43 different agenda in 2015. The BOD holds regular meetings at least once every quarter to ensure the informed discussion and review of major agenda and convene extraordinary meetings whenever necessary. The annual BOD meeting schedule is published in advance to ensure a higher rate of attendance each year. In 2015, the average rate of attendance stood at 87 percent (90 percent being non-standing directors), i.e. the meetings were attended by 8.3 directors on average in 2015. Senior-level executives from each business divisions including Passenger and Cargo Flights and Finance and Technology, may attend the BOD meetings whenever deemed necessary in order to assist the directors in informed decision-making. Executives in charge of individual business areas also present relevant issues to the board and answer questions pertaining to the agenda.

2015 BOD Activities

Date	Agenda	Non-standing directors attendance
Jan. 6, 2015	Two agenda including the proposal for rights offering	5/7
Feb. 12, 2015	Eleven agenda including the FY2014 Account Settlement	5/6
Mar. 5, 2015	Three agenda including the 53rd Annual General Shareholders' Meeting	5/5
Mar. 11, 2015	Approval for amendment to the agenda for the 53rd Annual General Shareholders' Meeting	4/5
Mar. 27, 2015	Three agenda including the composition of the BOD subcommittees	4/5
May 8, 2015	Three agenda including the first quarter of FY2015 Account Settlement	5/5
Aug. 6, 2015	Six agenda including the first half of FY2015 Account Settlement	5/5
Nov. 5, 2015	Seven agenda including the third quarter of FY 2015 Account Settlement	5/5
Dec. 17, 2015	Seven agenda including the opening of new passenger flight routes	5/5

Preventing Conflict of Interests within the Board

The stipulations of Korean Air's BOD regulations disqualify directors with vested interests in any particular agenda from the voting rights on the item in question and are therefore unable to partake in the quorum at the meeting. Members of the board are notified of this rule prior to making a resolution.

Decision-Making Hierarchy and Socially Responsible Management

The CEO and chairman of Korean Air 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 societal, to ensure the timeliness of decision-making. 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 resolution progress of issues discussed at meetings.

Evaluation and Remuneration for Directors and Senior Executives

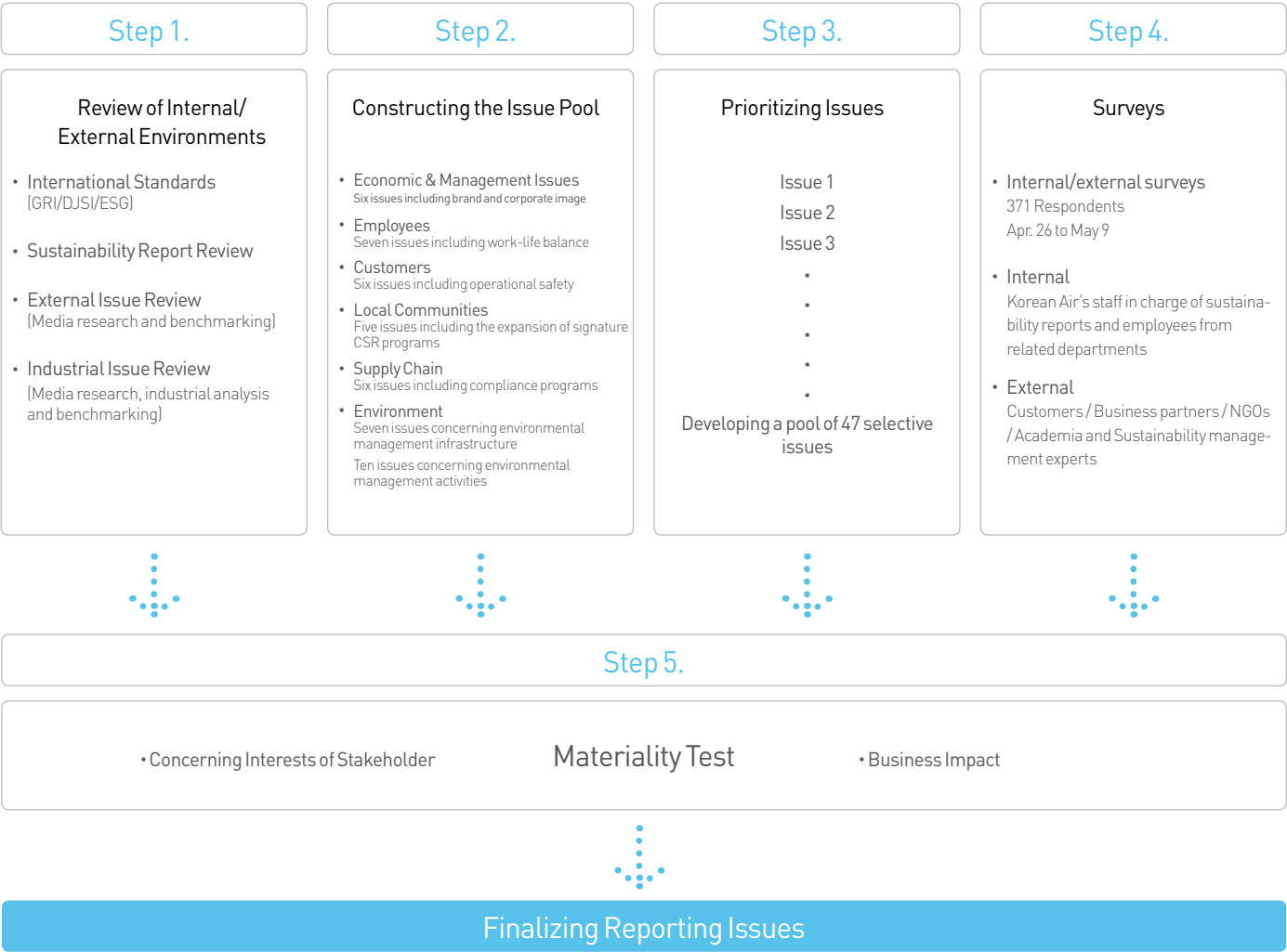
Remunerations of directors are determined by the resolutions of the general shareholders' meeting. In 2015, the general shareholders' meeting capped the remuneration of directors at KRW 5 billion and of this, KRW 4.4 billion was actually paid out. Remunerations for senior-level executives are set every year against sustainability management performance evaluation indicators based on the analysis of risks and opportunities of each years' management environment and business issues. Remunerations are formulated upon evaluation results.

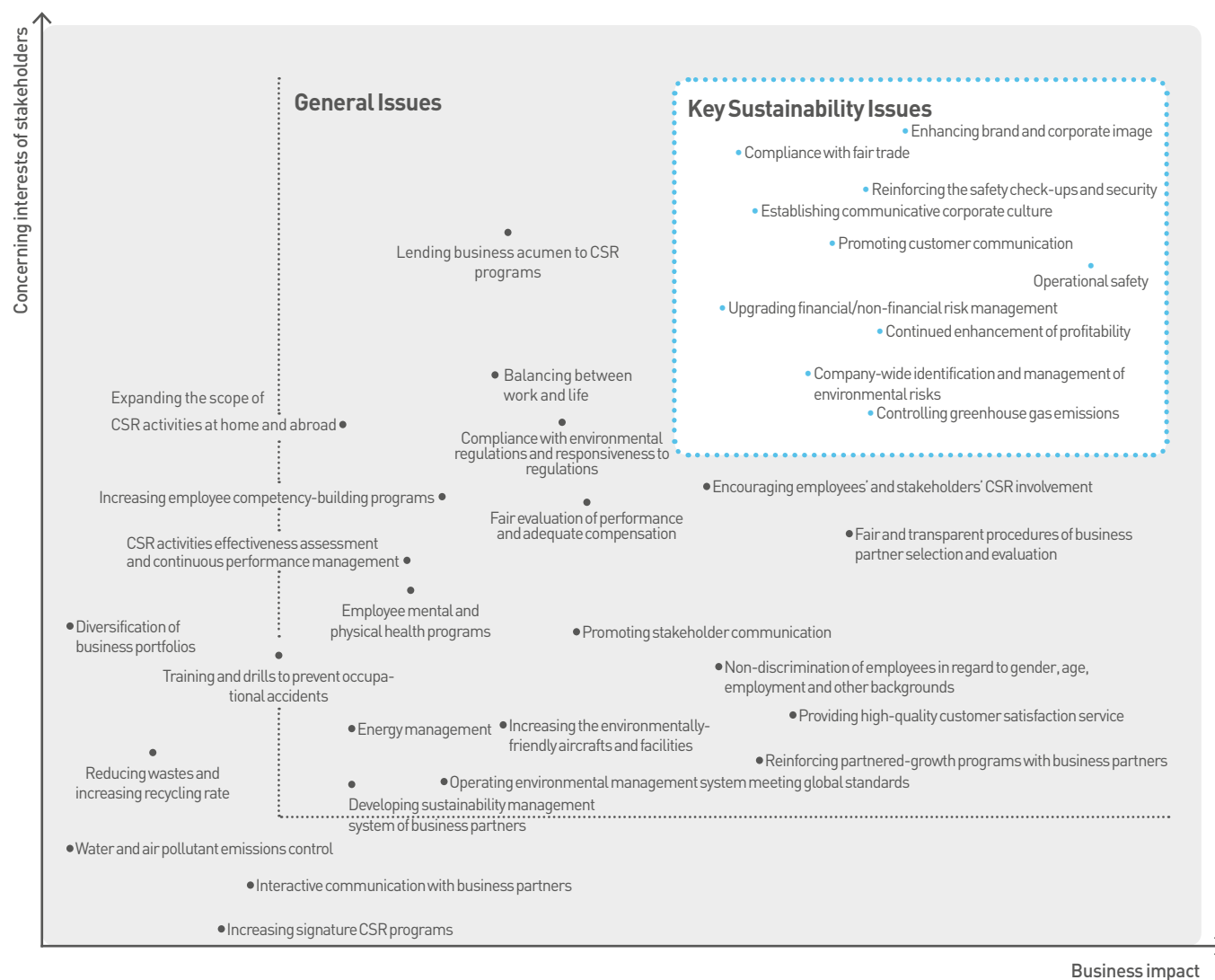
Stakeholder Communication Channels

Korean Air makes use of various channels such as annual reports, semi-annual and quarterly reports, postings of IR information on the website, general shareholders' meetings, IR sessions, and the DART(<https://dart.fss.or.kr>) to swiftly establish communication on major business issues of pertinence to stakeholders and shareholders, and to receive stakeholder feedback. In particular, the sustainability report is the major channel of communication with stakeholders and is published with the approval of the vice presidents and presidents of all Korean Air divisions.

Korean Air conducts an annual materiality test to understand the different expectations and interests of our internal and external stakeholders and to identify material sustainability management issues. Issues were prioritized largely based on the materiality test standards as recommended by the GRI G4 Guidelines and the methodology as prescribed in the ISO 26000 Guidelines. The findings contributed to our sustainability management strategy-building and structuring of the table of contents of this report.

Reporting Issue Finalization





Finalized Reporting Issues

	Aspect	Key Issues & Reporting Boundaries*
Issue 1. Securing sustainable growth engines	Economic performance	Continued enhancement of profitability
	Economic performance	Upgrading financial/non-financial risk management
Issue 2. Ensuring safety on flight	Customer health & safety	Operational safety
	Occupational health & safety	Reinforcing safety check-ups and security
Issue 3. Promoting a healthy culture of communication	Industrial relations, labor grievances	A trust-based communicative corporate culture
Issue 4. Mitigating climate change	Energy/emissions	Controlling greenhouse gas emissions
		Environmental risk identification and management
Issue 5. Reinforcing customer relationship management	-	Enhancing brand and corporate images
	Product & service labeling	Promoting customer communication

*Reporting boundaries: Internal

Institution and Application of Charter of Ethics and Guidelines

Korean Air proclaimed its commitment to business ethics by announcing the incorporation of its Charter of Ethics in January, 2001, as the guiding principles in all business activities. Additionally, all employees at Korean Air pledged to follow the underlying principles and values in their daily business activities.

Korean Air's Charter of Ethics

Korean Air regards transparency and responsibility as core 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 observe at all times.

- Regard customer satisfaction and safety as our highest priority
- Respect all employees and their right to an enhanced quality of life
- Increase investment value for our investors
- Promote joint development with our business partners based on mutual trust
- Respect the principles of free competition and maintain front-runner status 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 obligations and responsibilities

Based on the Charter of Ethics, we have developed business ethics programs for all employees to abide by, including guidelines on the implementation of the code of ethics, on dealing with ethics issues and the whistle blowing program.

Charter of Ethics

.....
Draws out the corporate philosophy and direction of management

Guidelines on Code of Ethics' Implementation

.....
Sets forth seven principles on how to make the right value judgments and demonstrate proper behavior

Guidelines on Dealing with Ethics Issues

.....
Provides specific guidelines and clear standards on how to respond to problems

Risk Management System

.....
Whistle blowing system, Compliance Officer, Voluntary reporting on family members or relatives who work for companies associated with or related to Korean Air

Ethics Management Organization

In addition to the in-house ethics secretariat, the heads of each business division and executive officers in charge are serving as chief ethics officers who encourage and assist ranks-and-files with making rightful decision-making and behavior.

Fair Transactions and Legal Compliance

Korean Air has been running the Compliance Program since 2006 and signed up to the 'Fair Trade and Shared Growth Agreement' with business partners in the aircraft manufacturing industry as recommended by the Fair Trade Commission in 2013. Committed to establishing fair transaction practices within the organization, we have also adopted the Fair Trade Commission's Four-Action Plan while operating the Unfair Transactions Report Center in the promoting of self-compliance.

Internal Accounting Control System

Korean Air has in place the Internal Accounting Control System that monitors the credibility of accounting information produced and disclosed company-wide so as to ensure internal transparency. At the moment, the system is in the midst of improving the scope of business activity monitoring while upgrading the efficiency of the way we run the business.

Raising Ethical Awareness

We provide detailed guidelines on business ethics on our intranet through the exclusive bulletin board. All our executives and employees are mandated to complete business ethics training on a regular basis via the internal learning network and sign a pledge of ethics upon completion of each course. This helps keep everyone well-versed in the importance of ethical management practice as a strategy for sustainable growth and remind them the importance of having an ethics code to begin with.

Business Ethics Education Performance (persons)

Course	2013	2014	2015
International Regulations on Cartels	2	1	7
Compliance with Anti-Trust Laws	1,019	2,778	928
Sexual Harassment-free Workplace	17,685	18,339	18,286
Business Ethics of Korean Air	826	19,202	928
Compliance Officer Program	16,785	1,027	18,084

Whistle blowing Program

The whistleblowing program has been in place since 2002 to eradicate 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 via e-mail at jebo@koreanair.com. All received reports go through fact-finding investigations for appropriate measures to determine appropriate punishments or corrective action. "Whistleblowers" are strictly protected according to the internal rules and procedures, and are kept up to date with the progress of the investigation.

2015 Reports & Case Handling

Category	No. of Reports	Percentage of Cases Handled
Witnessed account of internal irregularity	13 reports	100%

Legal Risk Management Guidebook

In March 2015, the Compliance Program Unit under the Korean Air's Legal Affairs Office developed the Legal Risk Management Guidebook in support of employees' legal compliance activities. The guidebook can be downloaded on the intranet bulletin board "Han-Way". The Guidebook facilitates employees' inquiries regarding mandatory law and procedure affecting their daily work life, aiding them with discerning potential legal risks associated with their business activities so as to minimize any issues with legality. The Guidebook lists up a total of 639 cases of legal violations categorized by department/office level. The business practices total 486 practices in disclosure, licensing, business plan changes, recruitment, attendance management system, additional value tax reporting, financial lease permission and approval, customer privacy, subcontracting, air quality control and safety & security. All Korean Air employees have access to a total of 192 relative laws and/or ordinances concerning their business procedures, including the Commercial Act, Aviation Act and Customs Act.

Promoting Ethics Management on the Supply Chain

In promotion of business ethics and transparency within our supply chain, the business ethics, employees' human rights and CSR performance weigh in the candidates' favor when selecting new business partners. Plus, we actively advertise our ethics management policies and programs to our business partners.

Korean Air sustainability report

Material Issue Report

Issue 1

Securing Sustainable Growth Engines

In anticipation of changes in the market environment, Korean Air is maximizing its profit stability and continues the endeavor toward becoming a leading global airliner.

An Angel's Wings—Photo by Kim Seong-min at Uyuni Bolivia - Among selections during the 20th Annual Korean Air Travel Photo Contest

Overview

Coupled with falling oil prices, the rekindling global economy is forecast to see growth in the market demand for passenger flights. Although we see a bearish cargo industry market in Asia and the Americas due to slowed economic growth in China and the appreciating U.S. Dollar, we also expect the recovering U.S. economy and expansionary fiscal policies of Japan and European countries to prop up the market's overall demands. The time has come for us to enhance profitability amid the booming market to fulfill our role as a leading global air carrier.

Our Approach & Performance

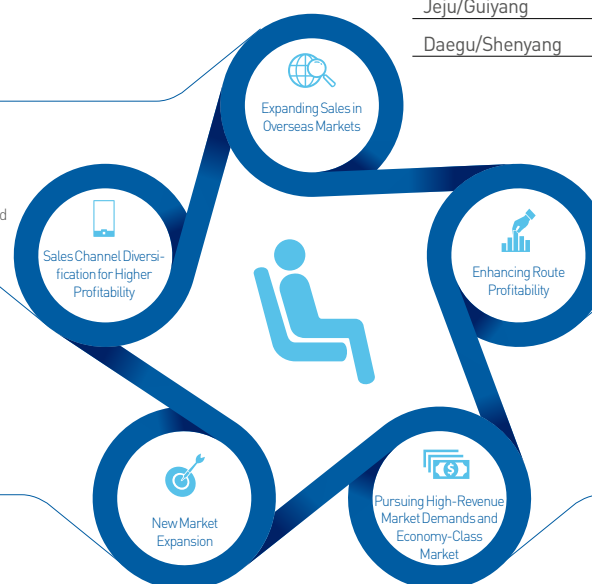
Passenger Business Strategies

The IATA 2016 Outlook projected a sound growth in the air passenger business for 2016 owing to a recovering U.S. economy and falling oil prices that will offset the impacts of the slowing Chinese economic growth and terrorist attacks. The Korean airline industry is also forecast to enjoy continued growth in passenger business invigorated by the economic growth in China and Southeast Asian countries, Korean pop-culture Boom and increasing outbound air travel. Still, there are adverse factors like intensifying competition triggered by the emergence of low-cost carriers and recent abrupt foreign exchange fluctuations. In order to meet these challenges head on, Korean Air has in place five operational strategies to achieve sustainable growth in this particular sector.

Reinforcing sales & marketing capability in overseas markets to balance out the market power in both domestic and overseas markets while gaining ground for sustainable growth

Diversifying sales channels to the Internet website, mobile apps and homeshopping channels to increase profitability while engaging in target-based promotions for various customer bases

Laying the groundwork for sustainable growth by developing new markets with high growth potential while expanding a joint operations network to secure additional prospective customers



New and Future Routes

In a bid to secure a new growth momentum, Korean Air is actively expanding its network and exploring new markets. In 2015, we added four new routes to China—Incheon-Hefei in March, Incheon-Nanning and Jeju-Guiyang in May and Daegu-Shenyang in June—expanding our market share in China with upgraded passenger convenience mutually contributing to the development of both economies. Going forward, we will continue developing new high-profitable routes in China and other strategic points around the world.

New Routes Added in 2015

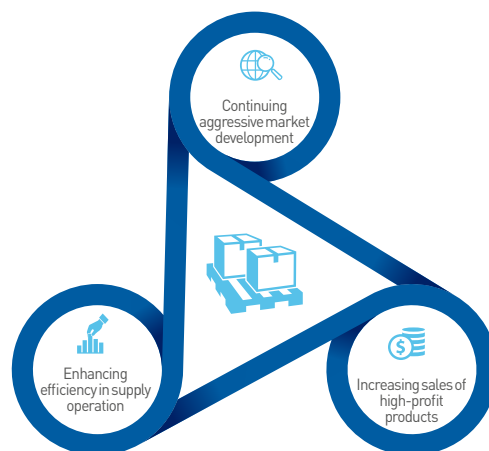
Route	Operating Carrier	Flight Frequency per Week	Service Initiation Date
Incheon/Hefei	B737	5	Mar. 2015
Incheon/Nanning	B737	2	May 2015
Jeju/Guiyang	B737	3	May 2015
Daegu/Shenyang	B737	3	Jun. 2015

Maximizing profitability with flexible route management while optimizing fleet operation fitting to that of particular flight routes in order to raise productivity

Increasing high-class ticket sales with new high-tech aircraft models featuring cutting-edge first and business-class seats while pursuing the premium and economy-class markets through efforts in alliance marketing

Cargo Business Strategies

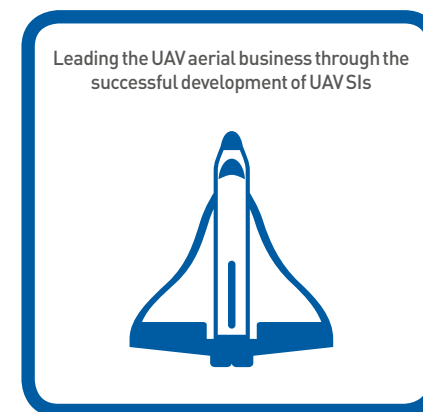
Korean Air's cargo business boasts of outstanding transportation services, global network and a broad range of products and services. These advantages propel the cargo business into implementing the following strategies to further accelerate growth following the steady recovery of the global economy and our increased presence in new markets:



- Increasing sales capabilities and profitability by focusing on selective highly profitable service items, such as mailing and fresh cargo transportation services
- Maximizing profitability in growth markets by increasing supply in Mexico, Canada and Vietnam while accelerating entry into South America in pursuit of a new revenue source and increasing a third-party transportation service in overseas markets including Southeast Asian/China and Europe/Middle East markets via Uzbekistan and Navoy
- Improving profits through structure optimization to expand revenue from cargo service of passenger flights while taking full advantage of new aircraft models with flexible operation of cargo flight schedules
- Maximizing profitability putting the available supply to full use while enhancing the quality of service through enhanced transportation business management

Aerospace Business Strategies

As Korea's leading systems integration company for unmanned aerial vehicles (UAV), Korean Air is actively establishing a UAV lineup and channeling its R&D resources into the entrance of foreign markets. Following the successful closure of the governmental project of developing large, strategic-grade unmanned reconnaissance aerial vehicles at the end of 2012, we have embarked on follow-up development procedures, aiming to be completed by 2017.



Aircraft Component Manufacturing Business Strategy

In addition to military planes, Korean Air develops and manufactures a variety of aircraft structures for Boeing, Airbus and other leading global aircraft manufacturers. In fact, our technology and business performance has won widespread recognition for the successful design and manufacturing of a high-tech structure made with composite materials for Boeing's next-generation 787, a cargo door for Airbus A350 and sharklet structures for the A320. In 2015, we won the bid for the Airbus A330 Neo Model's sharklet structures solidifying its market position in the wingtip structure manufacturing market. Initial deliveries of both products are slated for 2016.

Performance Results in 2015



Civil Aircraft Heavy Maintenance Service

Leveraging its 40-year experience and technology accumulated in the maintenance and repair of aircrafts with the capacity to house three jumbo jets like the B747, we carry out depot maintenance of an annual average of 60 airplanes for other airliners like B747, B747-8, B777, A330 and A300-600. Additionally, we repair and replace parts for approximately 25,000 aircrafts per year, including national equipment, hydro-pneumatic systems, fuel systems and auxiliary power units.

Mass Production of Unmanned Aerial Vehicles (UAV)

Korean Air is also the nation's leading systems integration company for UAVs. Eyeing broader markets overseas, we are channeling our R&D resources into the UAV lineup. After the successful exploratory development of a large, strategic-grade unmanned reconnaissance aerial vehicle at the end of 2012 as part of a government project, the follow-up development project slated for completion in 2017 is currently in the works. In the meantime, system stability and commercialization is underway for tilt rotors that can vertically take off and land and unmanned 500MD helicopters. Also under development is the core technology for low-probability of intercept (LPI) miniature UAVs. The successful development of the unmanned reconnaissance aerial vehicle system earned us Korea's first UAV certification, spurring on the opening of a new chapter in the nation's UAV R&D efforts. Having signed a commercialization agreement with the Defense Acquisition Program Administration (DAPA) in December 2015, the new tech is scheduled to be available for deployment from 2016.

R&D Performance Results

(Unit : KRW in Billions, %)

	2013	2014	2015
R&D Expenses	83	118	122
R&D Expenses to Sales Ratio	0.70	1.01	1.06

Other Business Strategies

Korean Air operates other businesses ancillary to its core businesses of air transportation and aerospace, like in-flight meal services and sales. As part of our initiatives to enhance management efficiency, the limousine operation that has been in operation since 1992 has been transferred to one of our subsidiaries, Aviation Total Services Co., as of February 2015.

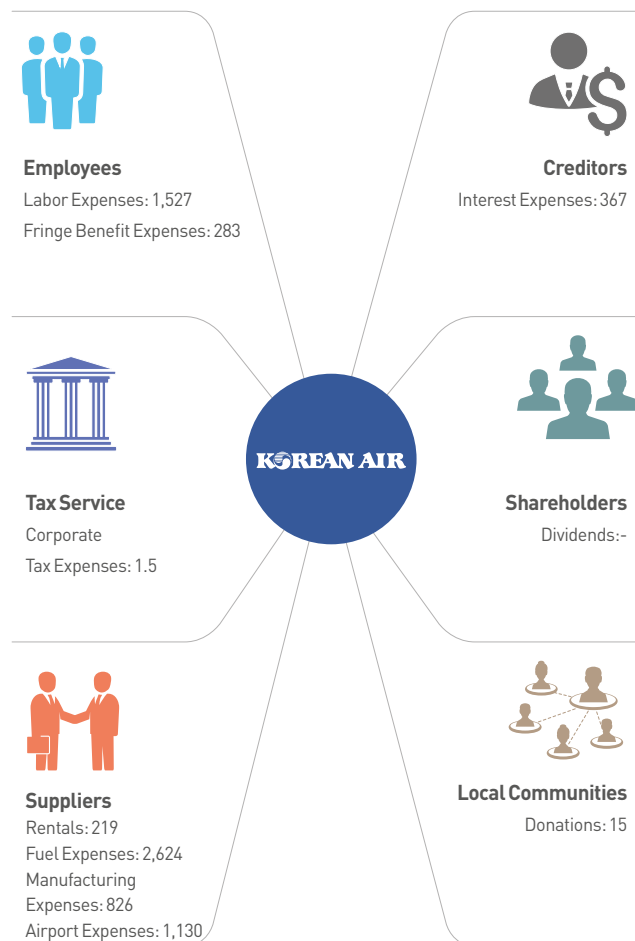


Stability, Profitability, Growth and Activity Analysis

In 2015, Korean Air saw a decline in its debt-to-equity ratio and borrowings and bonds payable ratio from the previous year, while the interest coverage ratio—the indicator of a company's debt repayment capability—doubled over the past year, raising the anticipation for performance growth in the near future. Non-consolidated operating income to sales ratio—a barometer of substantial growth—also increased 4.4 percentage points from 2014, recording continuous profit. The total assets growth rate—an indicator of a company's future profit-generation capacity—also grew from the previous year in 2015.

Economic Value Distribution

(Unit : KRW in Billions, non-consolidated basis)



Future Plans

2016 Management Strategies & Core Initiatives

Ensuring continuous profitability and stable growth foundation

Core competency-building for stronger competitiveness

- Maintaining absolute operational safety
- Bettering the quality of customer service
- Enhanced quality control for higher efficiency and credibility

Increasing Revenue and Income

- Increasing earnings beyond growth in supply (by raising profit per supply)
- Route-customized aircrafts and flight schedules
- Upgrading premium service demands and enhancing load factors
- Pursuit of overseas sales amid market reach expansion

Enhanced Responsiveness

- Minimizing impact of external environment variables with flexible decision-making
- Responsive to air transportation industry volatility by expanding into related businesses
- Raising job competency and efficiency for higher productivity

Overview

Rapid changes taking place societally have brought about change in the overall business paradigm, giving rise to a variety of risks not previously dealt with. Determined to continue growth as a sustainable business, Korean Air strives to both effectively and timely weigh in potential risks.

Our Approach & Performance

Risk Management System

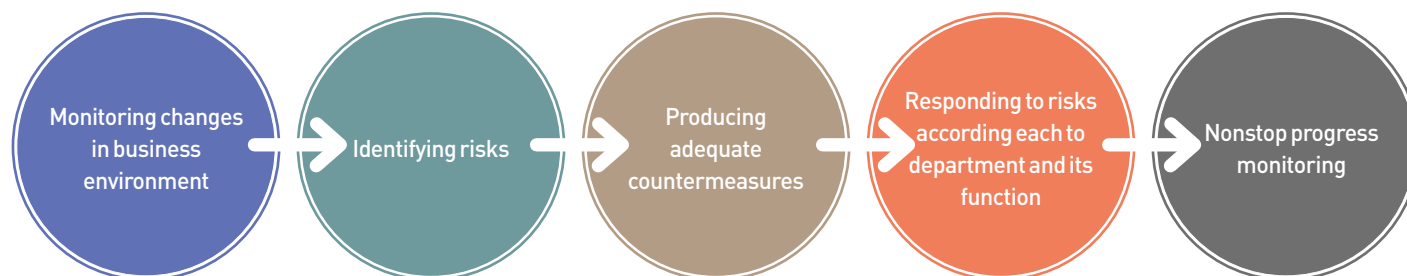
We go through exhaustive analysis of both external and internal environments prior to putting to use a multi-layered assessment of potential impacts on and/or relevance to our businesses as well as strategic risk factoring. We then develop a certain direction along with various countermeasures before allotting relevant improvement missions to each department depending on its function. Progress is monitored on a regular basis.

Managing Financial Risks

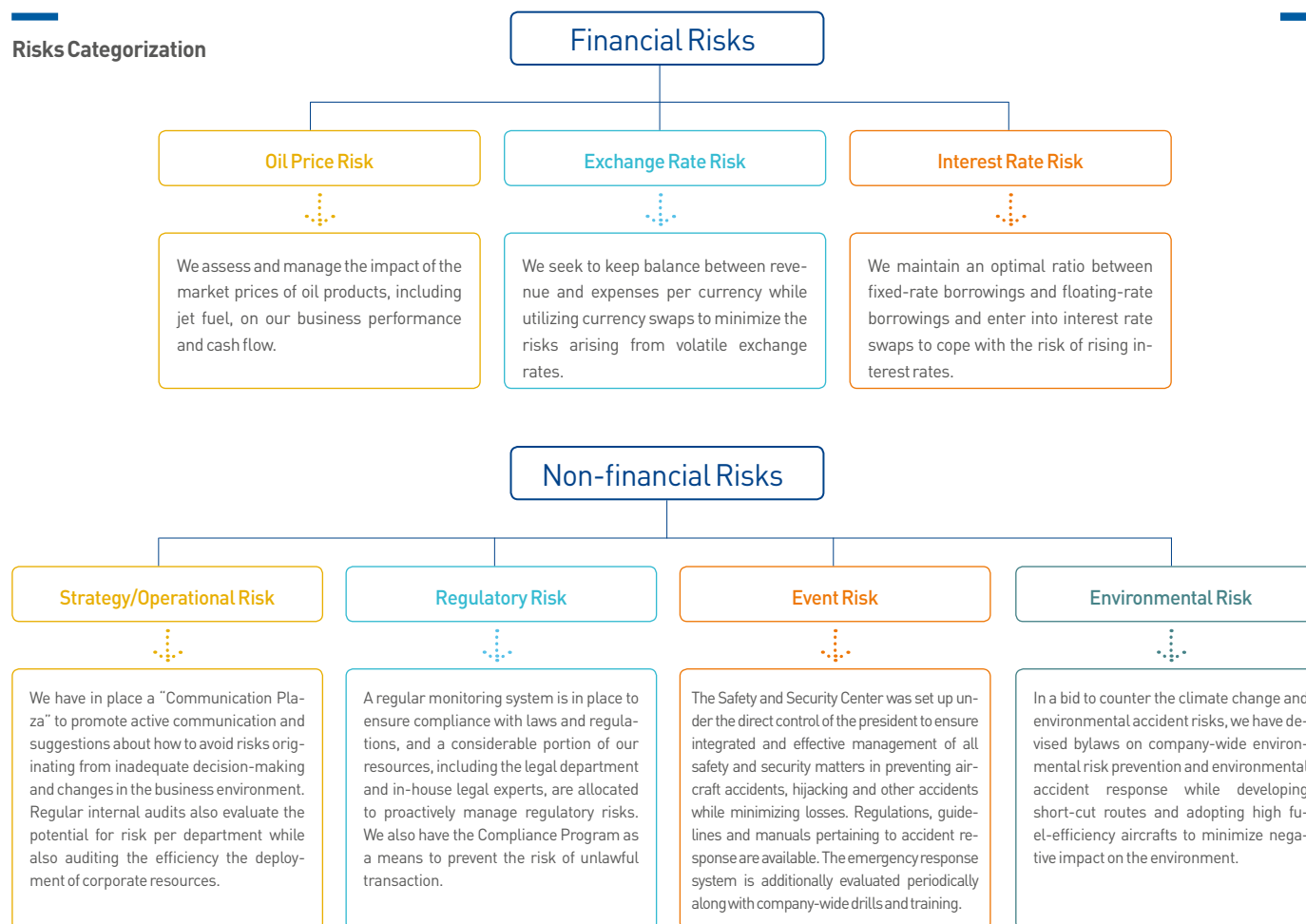
Korean Air manages market risks in order to eliminate or minimize financial risks stemming from volatility of oil prices, exchange rates and interest rates. To minimize market risks, we employ a combination of two hedging techniques of financial risk management: natural hedging and active hedging.

Managing Non-financial Risks

Korean Air takes control of non-financial risks, including operation risks associated with business strategies, compliance with domestic and international regulations, unforeseen events such as hijacking and natural disasters and, lastly, climate change or environmental management.



Risks Categorization



Future Plans

- Company-wide risk management system renewal and effective response

“ Korean Air is anticipated to grow into a leading global airliner through preemptive risk management and new growth engines.”



Taeho Park,
Team Manager, Korea Productivity Center

Recently, volatile oil prices, interest rates and exchange rates, coupled with the low-cost carriers' aggressive penetration into the market, are casting a shadow over the aviation industry's overall profitability. In response, airlines are making strategic moves to raise profitability, such as upgrading financial/non-financial risk management, enhancing competitiveness in route operations and diversifying business portfolios. As for Korean Air, the slowing sales growth on its major routes and the operational incidents and governance issues underscore the need for strengthened risk management. While hedging various types of risks, there must be a fortification of measures promoting profitability. In fact, favoring recent market developments are amid the growing need for outsourcing by aircraft manufacturers and the resultant rising demands for the manufacture and repair of aircraft components and parts, as well as the growing market size of low-cost carriers posing unlimited opportunity for high profitability. At the same time, the company's consistent efforts in R&D and investments in the UAV technology, a promising future venture opportunity, will soon pay off, ultimately serving as the stepping stone for the company to find its foothold in the global market as a leading global carrier.

Issue 2

Ensuring Safety on Flight

Korean Air pursues perfection in operational safety by operating a company-wide safety management system (SMS) in line with its “safety-first” policy.



Friendship Together—Photo by Kyaw Kyaw Winn at Myanmar – Awarded Special-prize [Best Friend] in the 21st Annual Korean Air Travel Photo Contest

Overview

The safe and expedient transportation of passengers and cargo is the integral part of the aviation industry. Therefore, safety is the uncompromising top priority in all business activities at Korean Air. Building upon our accomplishment of a 17-year accident-free track record, we continue to upgrade our safety management.

Our Approach & Performance

Advanced Safety Management System (SMS)

Korean Air was the first Korean airliner to obtain the government's endorsement of its safety management system regulations and practices in 2008. Our SMS covers all safety-related issues, from safety management organization to the articulation of safety roles and responsibilities, as well as safety policies and procedures that meet all domestic and international requirements and standards.

Safety Management System (SMS) at Korean Air

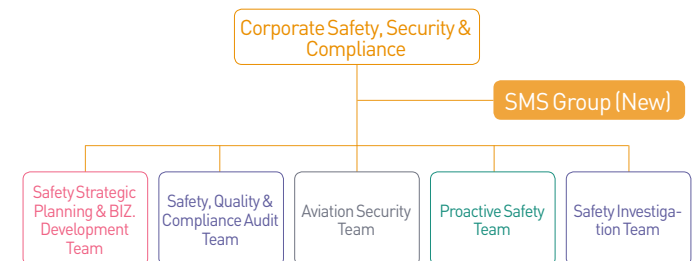
Korean Air's safety management system takes on a three-phase approach including ex-post response, ex-ante prevention and prediction. The ex-post response involves an investigation of events that have already occurred and an analysis of the causes; the ex-ante prevention focuses on minimizing the impact of risks by identifying safety risks 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 effort in safety management.



Safety Management Organization

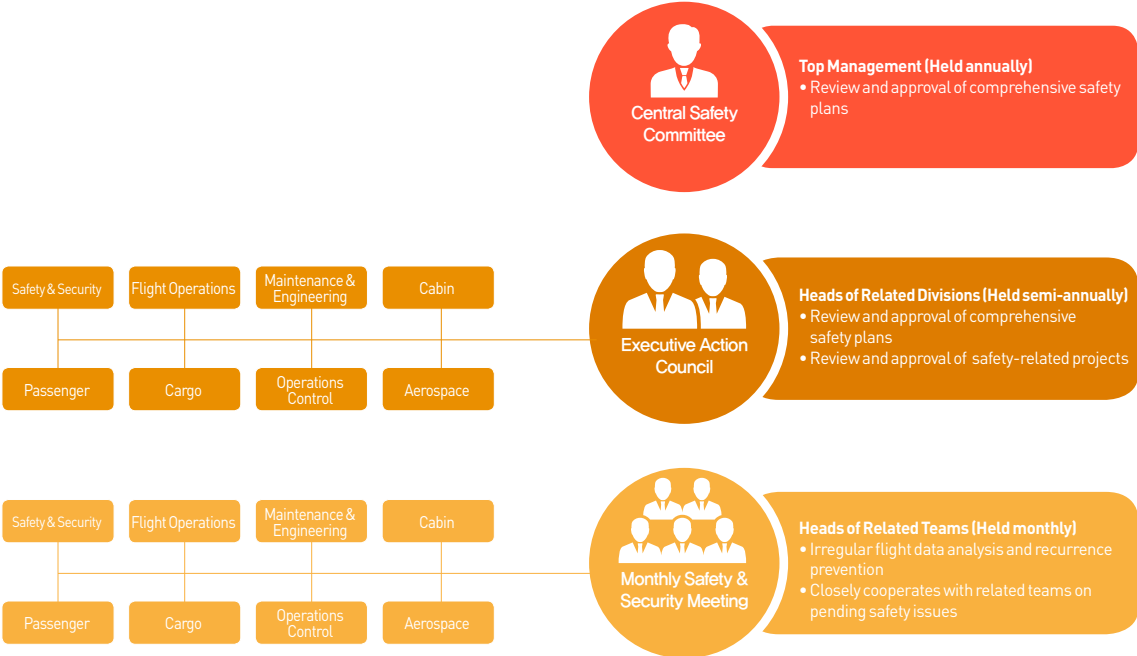
The Corporate Safety, Security & Compliance is under the direct control of the president. The director in charge of safety and security keeps a direct hotline to the president so as to ensure that the reporting channel remains independent from the organization and that the top management can be fully informed of all safety and security issues. In May of 2015, a SMS Group dedicated to safety management was newly set up within the Corporate Safety, Security & Compliance in order to reinforce the practice of SMS programs. The SMS Group evaluates safety risk factors and monitors the performance results of risk countermeasures, keeps abreast of the safety report trends, analyzes safety data and upgrades the SMS IT Systems. It also arranges and organizes company-wide online SMS training programs and workshops for SMS executives, teams and staff in support of employee safety management practices at their respective duty levels according to their roles and responsibilities.

SMS Organization Chart



Safety Committees and Councils

Korean Air shares operational safety-related information between and among departments and teams through safety management councils and committees, of which both bodies hold regular meetings to make suggestions, identify problems and develop countermeasures concerning safety issues.



* Any other staff/executive can attend when needed.

Safety Promotion Programs

Korean Air operates a Safety Confidential Reporting System (SCRS) and other safety promotion programs in order to minimize threat-induced loss of human life and property and to become more safety conscious.

IOSA-Certified Airliner

Korean Air was the nation's first airliner to be certified by the IATA Operational Safety Audit (IOSA) in January of 2005, qualifying more than 900 safety criteria of the international safety audit program developed by the IATA. Since then, Korean Air has been re-audited and certified every other year. With the current certification effective until January 21, 2017, the next re-audit schedule is slated for October of 2016.

ISAGO Program

Korean Air monitors its ground operation partners under the IATA Safety Audit for Ground Operations (ISAGO) as a member of the program since April of 2009. In addition, as a member of the ISAGO Pool Advisory Group, we share information and collaborate with peers and related organizations to standardize international safety practices and to promote the safety and operational quality of ground handlers around the world. According to the IATA's annual Audit schedule, Korean Air is scheduled to conduct six audits in 2016.

DOD Safety Certification

Since 2001, Korean Air's operational safety has been recognized by the U.S. Department of Defense (DOD), also the head of the Airlift Transportation Program. This safety initiative uses evaluation results, which are acquired every six months, to assess the safety of private air carriers in order to determine whether they are safe enough for its employees to fly on business trips along with on-site inspections conducted every two years. Korean Air has met all the safety standards under the Airlift Transportation Program and earned its latest certification following the 2015 on-site inspection.

The World's First A330 Operator with ROPS

ROPS (Runway Overrun Protection System) is an Airbus system designed to continuously calculate the runway length required for a safe landing, based on aircraft and environmental conditions, and compares them to that available. If the system detects a risk of overrun, it alerts the pilots in order to give them time to consider a missed approach or other mitigating actions. While the technology is already in service on the A380, A350 and A320 carrier line, Korean Air became the first A330 operator to implement ROPS on its A330s from August of 2015.



Agreements Signed to Replace Aging Aircrafts

In May, 2015, the eight airlines in Korea signed an agreement with the Korean Ministry of Land, Infrastructure and Transport (MOLIT), in which they have voluntarily agreed to replace aircrafts exceeding 20 years of age as part of the effort to boost passenger safety standards and fuel efficiency. In fact, aircrafts do not have a fixed lifespan as they are under mandatory maintenance with their components replaced and repaired periodically. Nonetheless, the airliners and government agreed to a stricter safety management guideline in consideration of customer concern over flight safety. Under the agreement, Korean Air has disposed two outworn aircrafts out of four aging planes in 2015.

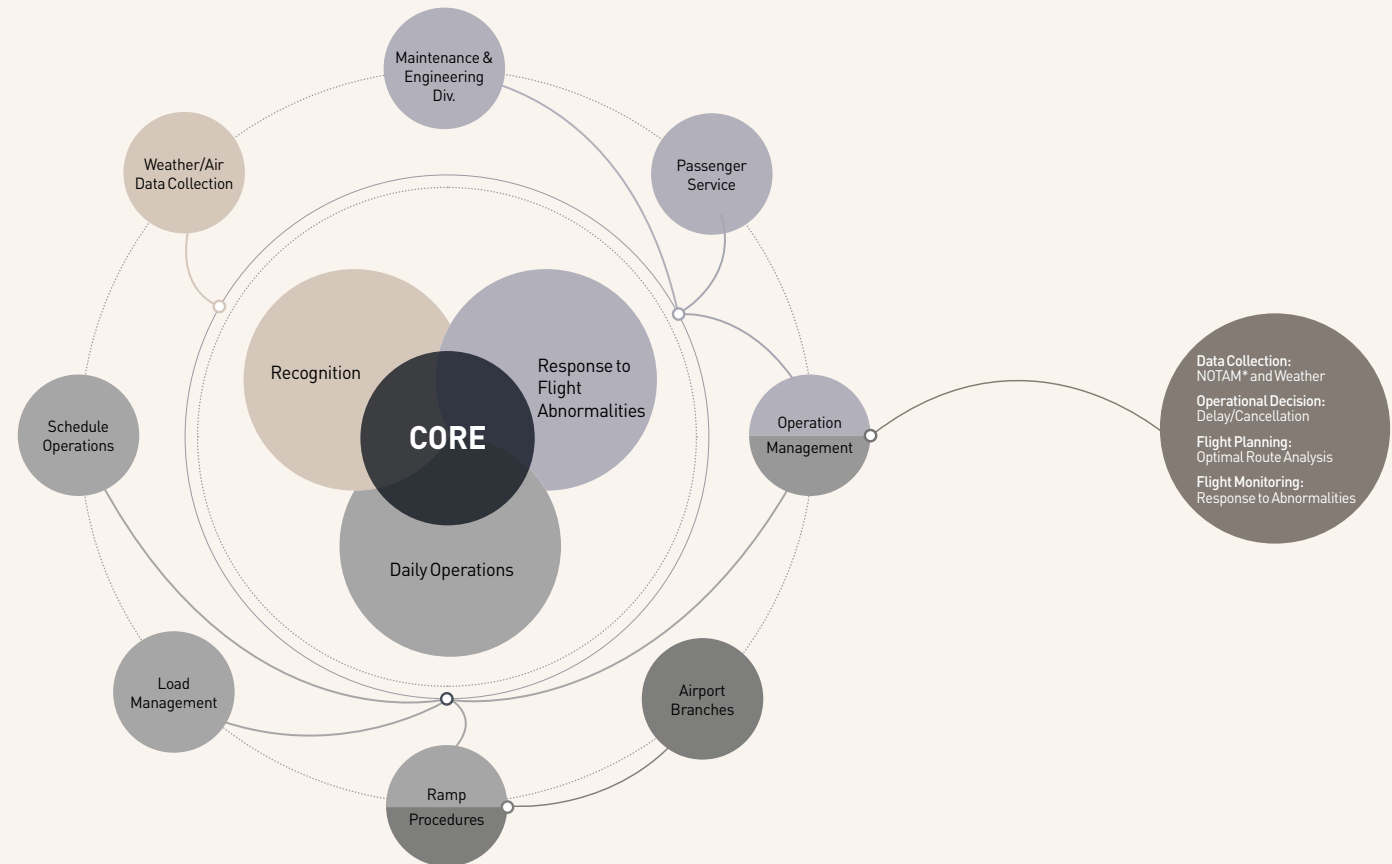


Operations Control Division

OCC, Operation Control Center

The Operation Control Center (OCC) prioritizes absolute flight safety and customer satisfaction above all other areas of concern. Approximately 150 experts from different fields work together around the clock to plan all airplane operations and monitor all flights to maintain the availability of real-time emergency response.

The key roles of the OCC are recognizing all operational conditions within 72 hours of every flight schedule and operate flights based on the collected data and responding to all situations in a timely fashion to ensure passenger safety in the event of any abnormalities arising from weather and external conditions. The center also runs a provisional facility that can substitute functioning in order to support flight safety in the event of an emergency. Aided by numerous high-tech systems, the center efficiently collects and shares operational data.



* NOTAM is the acronym for "Notice to Airman," meaning various types of information provided by related organizations to the crew for flight safety.

OCC IT System

OCC Decision-Aiding System

The OCC swiftly analyzes all operational conditions to prevent foreseeable abnormalities. In the event of unforeseen conditions like natural disasters, the SKYWEB supports the control tower in making informed decisions to restore ordinary flight operation in a timely manner.

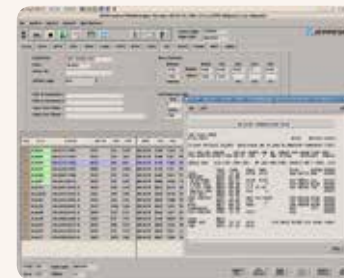
SKYWEB is a system supporting real-time decision-making and aid in the areas of air intelligence and meteorological information analysis.



Flight Planning & Monitoring System

Flight Planning refers to the planning of flights from selecting optimal routes to calculating the required amount of fuel. Korean Air adopts the U.S.-based Jeppesen's highly cost-effective flight operations management solution called OPSControl to ensure timely and efficient flight planning performance. The GUI-based OPSControl automatically reflects flight information to assist in the development of optimal solutions. Once plans are established, the operational safety aid system kicks in on the graphic-based Dispatch Weather Client (DWC) that provides an overall view of flight routes and current weather and operational conditions. Plus, Korean Air operates an in-house developed Flight Following System (FFS) that keeps cockpit crew abreast of all required information to remain responsive to various situations based on the real-time analysis of flight information.

OPSControl



DWC



Communication System

Korean Air has an established communication infrastructure that enables aircrafts in flight to communicate with control centers on the ground located anywhere around the world. Allowing real-time sharing and communication of information between aircrafts and ground control centers, the communication system lets cockpit crew be readied for any possible in-flight abnormality or emergency situation. More specifically, control centers receive updated information on all flight information and cabin needs. One of the most important functions of the centers is connecting the crew to medical experts through tripartite communications in the event of medical emergencies. The communication system relies on VHF for short-range communication and HF for mid-to-long range communication, along with the satellite-based data communication systems, SATCOM and ACARS.

Maintenance & Engineering Division

Operational Safety Support by the Maintenance & Engineering Division

Korean Air's Maintenance Division operates the Ramp LOSA program to ensure safety in the workplace for all airport and aircraft maintenance employees. In accordance with safety management, the focus is on enhancing the worker resilience and establishing safety practices within the organization, while offering regular safety management training to raise safety awareness. Additionally, we are attuning our air security system to the country's air security ratings system, while establishing air security programs within the maintenance division to achieve a higher standard of flight safety.

Safety Management System

Korean Air has adopted the Ramp LOSA (Ramp Line Operations Safety Assessment) program since 2013 as part of its commitment to preventive safety practices that preemptively eliminate risk factors at worksites.

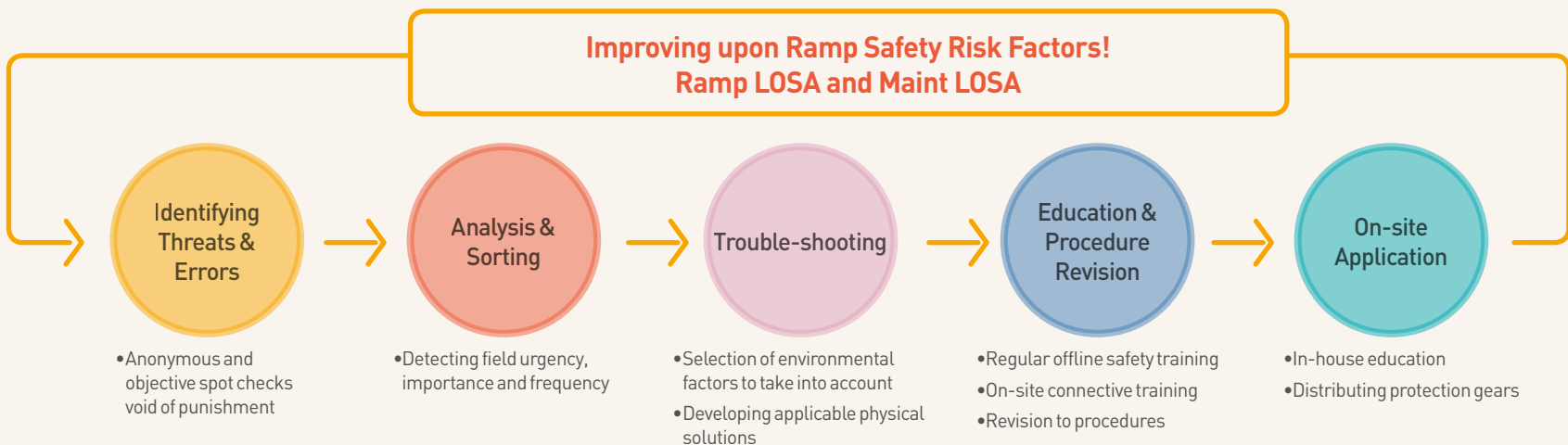
As of June 2015, the program was expanded to become the Maint LOSA program, where we check the effective of safety through weekly examinations. Starting from February 2016, an on-site officer aids in the support of preventive flight safety through daily rounds of examinations.

2015 Performance Results

Maint LOSA	Successful Maintenance Report (SMR)
28 sessions	41 cases

Korean Air has adopted the Resilience Safety Management program. Its primary function lies in discovering and rewarding successful maintenance reports (SMR) on the job while sharing those results company-wide to keep employees abreast of the current standard of practiced safety and eventually establish more advanced safety practices pertaining to maintenance process.

Ramp LOSA, Maint LOSA Process



* Ramp LOSA is categorized as a Safety Method II that focuses on preventive measures as part of a safety management system.

Offline Safety Training

We give periodic safety trainings offline to on-site supervisors and managers to prevent occupational accidents during ground and maintenance operations as well as to avoid potential risks in the damaging of aircrafts. In 2015, a total of 987 supervisors and mechanics attended the safety training.

2015 Maintenance Division Safety Training Performance Results *

Course	Period	No. of Individual Participants
Supervisor Safety Training	Semi-annual	152
Regular Offline Safety Training	Bi-annual	835/year

* Each figure solely represents on-site workers among all Maintenance Division employees.



Flight Division

Enhanced Flight Safety

The Flight Safety of Korean Air involves continuous and regular safety management activities through the Safety Management Committee as part of its preventive safety management system. While also arranging a variety of safety campaigns, we have an established comprehensive system for the gathering and management of route and airport flight information to ensure flight safety.

Comprehensive Flight Training

Korean Air conducts diverse training geared toward all employees to ensure flight safety. We improved ground training methodology and evaluation schemes, as well as the programs to enhance trainers themselves to reinforce facilitation competency. With improved simulation training profiles and reinforced evaluation, upgraded model simulator equipment was newly incorporated. Moreover, the new training center was completed, enhancing the training conditions, while expanded collaborations with external training agencies brought about the simultaneous introduction of Crew Resource Management (CRM) Flight Safety Courses along with various training that aids in the prevention of human error-induced accidents, such as Human Factor Seminars and Crew Resource Management training.



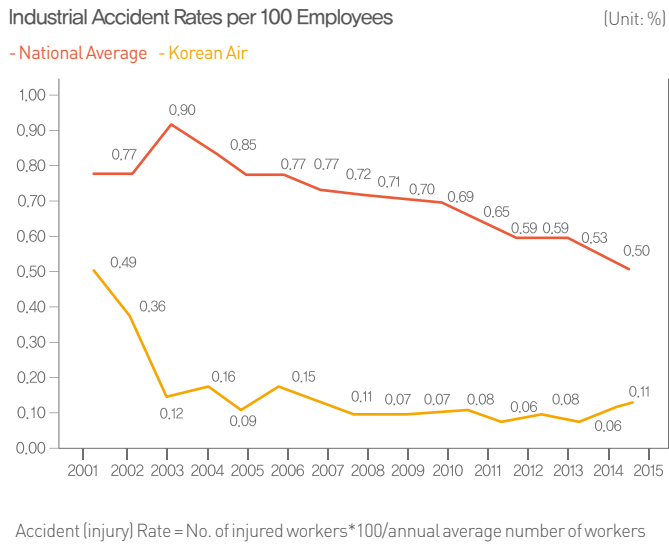
Overview

Our on-site safety management ensures the safety of our employees prompting us to mobilize all resources when it comes to averting national security risks, such as airplane hijacking or terrorist attacks.

Our Approach & Performance

Occupational Safety

Korean Air has remained committed to establishing occupational health & safety practices to build a healthy and safe workplace environment. The focus as of recent has been on supporting health & safety initiatives through occupational accident prevention customized to the different needs of each business division. As a result, a higher level of concern for our employees and their safety is encouraging movements in the prevention occupational accidents. In fact, all our employees follow established procedures and make a concerted effort to address on-site safety risk factors, ultimately helping initiate an effective means of maintaining a low accident rate as seen with the 2015 figure standing at a menial 0.11 percent.



Job Hazard Analysis

Adopted in 2008, Job Hazard Analysis focuses on job tasks as a way to identify hazards beforehand. It has since allowed us to reinforce risk prevention, while getting employees involved in the assessment of potential risks on the job. By scrutinizing risk factors, we not only take systematic steps to deal with safety issues, but also, implement periodic check-ups to ensure effective safety management.



Accident-Free Campaign

Korean Air's accident-free campaigns have motivated our employees to stay fully aware of risk factors on the job since 1995. A merit-based reward system also encourages further safety awareness and on-the-job prevention. Additionally, the targets are revised to reflect actual safety performance grounded in the past five-year track record. The latest revision was made in 2014.

MINI CASE

Our 12B747-400 aircrafts have lit-up stairs leading to the upper deck of aircrafts.



MINI CASE

Airport shuttle buses have moving carts installed within luggage storage.



Advanced Aviation Security Programs

Korean Air has established a systematic and integrated Security Management System (SeMS) to control aviation risk factors. The SeMS is comprised of the following steps.

- Aviation Security Policy & Objective: Organizational and reporting structures, aviation security regulation management
- Aviation Security Risk Management: Identification of risk factors, risk assessment and mitigating measures, emergency responses
- Aviation Security Quality Control: Inspections and accident investigations
- Promotion of Aviation Security Awareness: Security training and education, security communication

US TSA Security Check Results (2011 – Sep. 2015)

	Spot Check	No. of Weak Points Detected (%)	No. of Correction Measures Issued(%)
Asia-Pacific Airlines Average	3,811	392 (10.92%)	143 (3.75%)
Korean Air	1,222	79 (6.46%)	17 (1.39%)



Aviation Security at Maintenance Division

Our aviation security procedures also cover the Pre/Post-Flight Checks as well as Transit Checks. Mechanics should always leave the job site with the doors closed and security seals attached to prevent and detect any unauthorized intrusion following performed maintenance jobs on all hangared aircrafts.

Future Plans

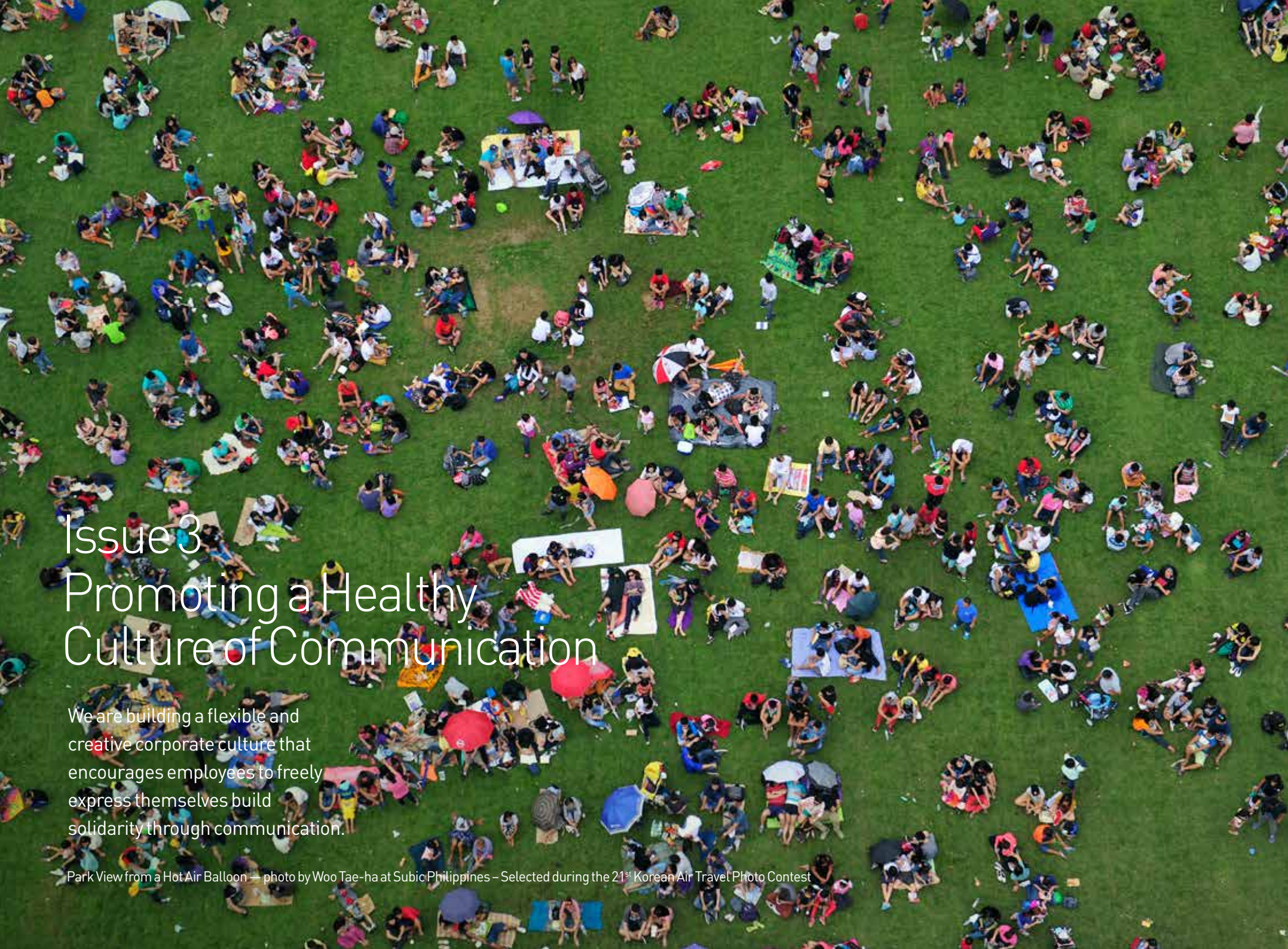
- Business Partner Job Hazard Analysis (Launched in 2016)
- Risk-based Audits
- Integrated and Systematic Aviation Security Risk Management

“ Safe flights are the prerequisite to achieving a sustainable partnership model concerning both aviation safety and security.”



Lee Yong-hoon,
CEO, UNIES

UNIES is a specialized aviation security service provider. As a business partner of Korean Air, we are developing a sustainable partnership model between aviation safety and security founded upon trust-based strategic partnership and mutual collaboration. Achieving sustainable management requires an investment in systematic training programs and safe working conditions to guarantee expertise in security inspections. There should be open communication regarding specialized security training, while also benchmarking advanced security systems at international airports. Given the significance of airports as a national backbone facility and security point, we should invest in personnel competency-building and infrastructure expansion that employ high-tech security equipment. At the same time, Korean Air should maintain the highest level of customer satisfaction service for the sake of passenger safety and convenience. Exhaustive security checks, however, should remain faithful to basic human rights, in addition to seeking a more fortified security and differentiated cabin service. We should also continue public relations and campaigns to minimize passengers' repugnance to thorough security checks, while creating a bridge of understanding between flight security measures taken and the necessity to do so amid the reality of terrorism.



Issue 3 Promoting a Healthy Culture of Communication

We are building a flexible and creative corporate culture that encourages employees to freely express themselves build solidarity through communication.

Park View from a Hot Air Balloon — photo by Woo Tae-ha at Subic Philippines – Selected during the 21st Korean Air Travel Photo Contest

Overview

An open and communicative corporate culture promotes employee engagement and a stronger work ethic, resulting in increased productivity. The aviation industry requires a well-orchestrated collaboration among staff from different job duties and fields to offer optimal customer service. At Korean Air, we strive to break away from the hierarchical corporate culture to build a more flexible and communicative corporate culture, where everyone can freely voice and exchange their opinions.

Our Approach & Performance

A Company-wide Communication Channel

Communication Plaza

Driven by the chairman Cho Yang-ho's commitment to improving the corporate culture and structure through interactive communication and consensus, Korean Air opened the Communication Plaza as a virtual venue for communication in March, 2015. It serves as an online channel for sharing ideas and ventilating grievances among employees. The anonymity policy guarantees the free exchange of ideas and comments on issues among individuals and teams. Plus, suggestions and questions are addressed by relevant departments with replies and corrections, which further promote interactive, real-time communication within the organization.

Communication Plaza Statistics

(as of the end of 2015)

Suggestions	Inquiries	Compliments	Others
498 / 56%	232 / 26%	29 / 3%	132 / 15%

Grievances Resolution Channels

Korean Air has a Grievances Resolution Committee and HR Counseling Office to more effectively deal with employees' grievances and suggestions in order to raise morale. All counseling history is kept on record confidentially at the counseling office. Counselors help the clients, while respecting their privacy so that they can get the assistance they need. In 2015, all 11 grievances received through the official channel were appropriately dealt with and concluded.



Campaign Slogans



Promoting Corporate Communication

2016 Happiness Campaign

Committed to building a stable and communicative corporate culture built upon mutual trust, Korean Air has been performing in-company campaigns under different themes every year since 2011. The theme for 2015 was Begin Again, expressing our commitment to reinventing the way we do business, while the theme for 2016, Happiness, aims at raising employee satisfaction and the employee happiness index across the board, reaching as far as the local community and customers as well.



Happy Hour

At 3 p.m. on the last Wednesday of every month, all employees take an hour off to relax with colleagues over some refreshments. Coined Happy Hour, it is valued as a time for employees to bond with one another.



Healing Yoga Class

As part of the initiative to promote company-wide interactive communication and health awareness, Korean Air started a Healing Clinic Class on yoga and communication in June, 2015. Starting from the Customer Service Branch staff at the Incheon International Airport, our employees at the Customer Service Branch in Jeju, the Korea Regional Service Center in Seoul, the Cargo Transport Branch in Incheon, the Passenger Service Branch & Tech Center in Busan, the Head Office in Seoul and the Maintenance Base in Bucheon are up-to-date on the course curriculum.



Hanjin Expedition Team

In October of 2015, we held a visiting event called the Hanjin Expedition Team with 80 employees and families of the Hanjin Group visiting Korean Air's Tech Center, Hanjin's Busan New Port Terminal and Hanjin Shipping's Crew Training Center. Starting in 2016, we are hosting the event quarterly for employees' family members who are interested in the aviation and shipping industries to instill hope and pride in Group employees.

Emotional Labor Assistance

Korean Air operates diverse programs to help our employees working at customer contact points like cabin crews, customer service teams or call centers, to manage their stress on the job. The program has various mental health management courses and psychological counseling services to assist employees with effective stress management in order to prevent mental illness.





Cooperative Labor Relations

Labor Unions

As of 2015, Korean Air has three registered labor unions, including the general union, Korean Air Labor Union, and two of pilot unions, Korean Air Pilots' Union and the New Korean Air Pilots' Union.

Labor Unions (Unit: person/%)

Category		Union Members	Non-Unionized Employees	Total	Member-ship Rate
General		10,454	4,234	14,688	71.2%
Flight Operations	Pilots' Union	1,074			
	New Pilots' Union	775	492	2,341	79.0%

Advanced Notification of Major Business Operation Changes

The notification period for changes in operation and potential restructuring is clearly specified in the collective agreement, and employees are notified of all these changes in a timely manner, i.e. 50 days prior to layoffs and 30 days prior to dismissal. The outcome of any collective bargaining to take place is applied to all employees.

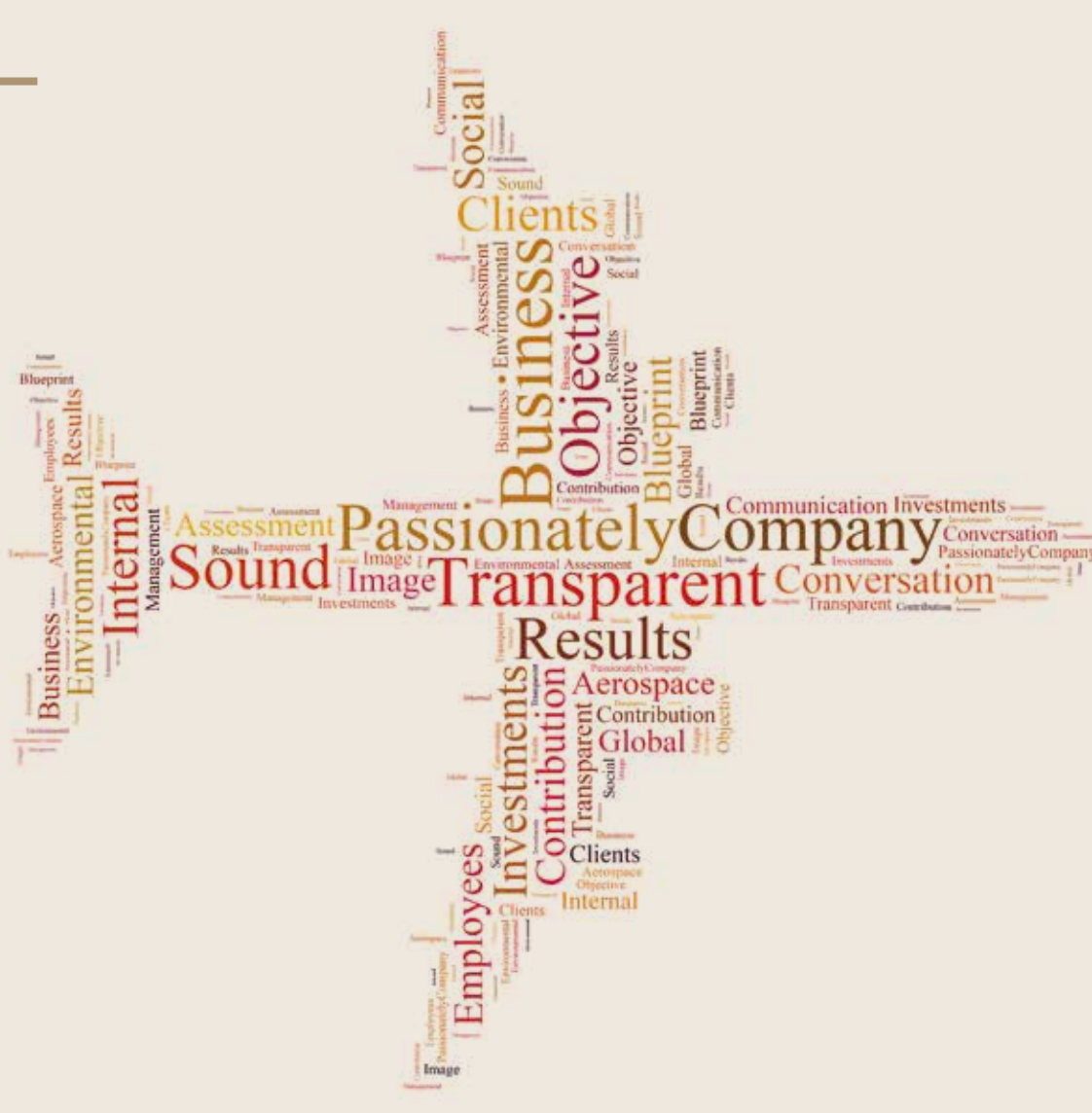
Retirement Age Extension and Wage Peak Program

In 2015, the company and labor union reached an agreement to extend the retirement age and introduce a wage peak program. Under the wage peak program, the wage is gradually reduced by 10 percent each year from the preceding year starting from 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. More importantly, the retirement age having been raised from 56 to 60 has increased the financial stability of employees while improving their quality of life after retirement.

Future Plans

Strengthening Employee Mental Health Care System

- "Take a Rest" Psychological Counseling Center
 - Various tests (MBTI, TDI, SCT) to check current mental state
 - Professional psychological counselor on standby to help employees with stress on the job
 - One-on-one counseling
- Periodic posting of information on how to manage one's mental health
- Online education programs on how to deal with job stress (Launched from June, 2016)



“We are building a great workplace where both ‘company’ and ‘employee’ grow together.”

The airplane-shaped typography is made of key words identified from survey results on Korean Air employees about the company's sustainability management.

Issue 4

Mitigating Climate Change

As a global leading carrier, Korean Air subscribes to a number of environmental protection initiatives fulfilling its responsibilities to society and the environment.



Horse-riding — Photo by Gwak In-suk in Xinjiang Province China – Awarded Silver-prize in the 19th Annual Korean Air Travel Photo Contest

Overview

The aviation industry's inevitable use of jet fuel forces airlines to stay concerned with the environmental, social and economic impacts of greenhouse gas, the byproduct of airborne transportation service. Although greenhouse gas emissions from air transportation account for only 2 to 3 percent of global emissions, the global aviation society is making a concerted effort to reduce its emissions under the leadership of the ICAO. Korean Air, for its part, exerts both strategy and initiative to minimize any negative potential impact.

Our Approach & Performance

Greenhouse Gas Emission Reduction Goals

Korean Air stands by the objectives set by the International Air Transport Association (IATA), i.e. enhancing fuel efficiency by an annual average of 1.5%, achieving carbon-neutral growth by 2020 and halving CO₂ emissions by 2050 compared to that of 2005. As of July 2010, the voluntary agreement with the Ministry of Land Transportation and Infrastructure went into effect, further raising the bar for 2015 by improving fuel efficiency by 2 percent over the base year (2012-2014) and wound up outperforming expectations with a 3.8 percent increase in fuel efficiency by the end of the year.

Target for Greenhouse Gas Reduction

Category	Unit	Target	Recorded Achievement	Result	Remarks
International Routes	ℓ/100RTK	2% improved fuel efficiency	34.40	+3.8%	Voluntary agreement for greenhouse gas reduction

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

Greenhouse Gas Reduction Directions



1. Technology Development

Fleet Modernization

Korean Air continues investing in fleet modernization with the introduction of highly fuel-efficient and safe aircrafts that enable a more pleasant flight experience. While phasing out fuel-inefficient, old models with relatively high emissions, like the B747-400 and B737NG, we continue modernizing our fleet with the next-generation of high-efficient aircrafts with 16 to 20 percent higher fuel efficiency, such as the B747-8i, B787 and A321XLR.

Aircraft Investment Performance Results (Unit: KRW in Billions)

	2013	2014	2015
Aircraft Investment	1,851	1,334	3,243

Welcoming in Korea's Largest Number of 100 New Aircrafts

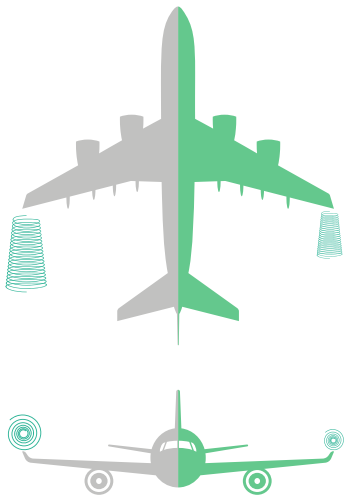
The arrival of 100 new aircrafts, 50 each from Boeing (B737-MAX-8 family) and Airbus (A320 NEO family), including 30 firm purchases and 20 option purchases among the 50, is anticipated for the six-year period between 2019 and 2025. Foreshadowing this massive debut will be the 2016 arrival of the cutting-edge B787-9 line, dubbed the Dreamliner, along with ten Canadian Bombardier CS300 aircrafts, accommodating 130 to 150 passengers.

	New Aircraft Arrivals	Old Aircraft Disposal/Transactions
B747-8i	4 (Aug., Sep., Oct. and Nov.)	B747-400 3 (Feb., Sep. and Nov.)
B777-300ER	6 (Apr., May, July, Aug., Sep. and Dec.)	B777-200 2 on lease to Jin Air (July and Dec.)
A330-300	3 (Mar., June and Aug.)	
B747-8F	1 (June)	
B777F	1 (Feb.)	



Conventional wingtips generate wingtip vortices with high air resistance.

Sharklets diminish the wingtip vortices with reduced air resistance.



Manufacture of Next-Generation Eco-Friendly Aircraft Structures

Korean Air leverages its original technology to perform the designing, manufacturing and certification of sharklets, elements of the wing structure used on A330 NEO (New Engine Option) for the Airbus, in addition to its supply of sharklets for the A320. Made of high-tech composite materials, a sharklet is a winglet measuring 2m in width and 4m in length that is installed on the tip of the main wings of an aircraft while aiding in air resistance at the tip of the wings, giving way to a rise in fuel efficiency by 4% and the simultaneous reduction of CO₂ emissions.

Manufactured Eco-friendly Aircraft Structures

Model	Structure	Properties
B737MAX	Winglets	improved fuel efficiency
B747-8	Raked-Wing Tips	6% wider wing size for high fuel efficiency
A320 A330NEO	Sharklets	4% improved fuel efficiency



Mechanics working at the final stage of assembling the sharklets for the A320

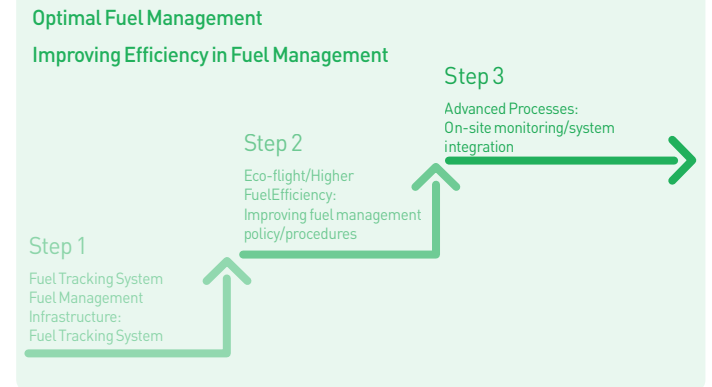
Alternative Fuel

Sustainable bio jet fuel is known to reduce CO₂ emissions from aircraft operations by up to 80 percent. In fact, the technical feasibility of a mixed use of conventional and bio jet fuels has been proven by several air carriers through test flights. Bio jet fuels, however, are approximately three to five times expensive compared to conventional jet fuels due to the undersupply in the market. Keenly aware of the needs for alternative fuel as a means of achieving fuel economy, Korean Air is scheduled for implementation of such a resource provided that they are both economic fuel-wise and safe.

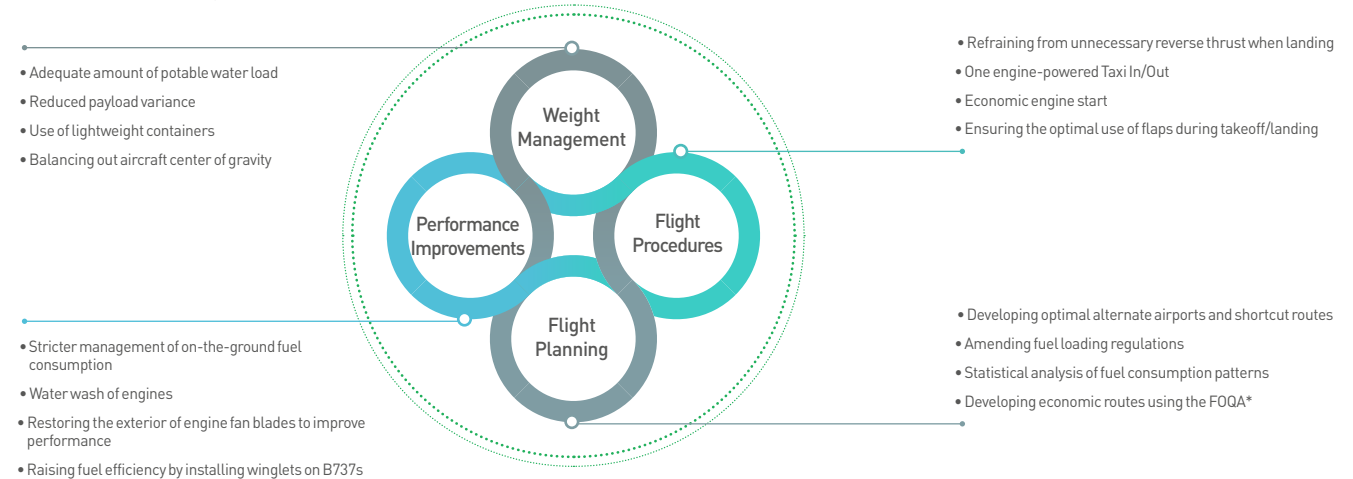
2. Operational Efficiency

Raising Flight Operational Efficiency

In 2015, Korean Air generated 12,995,052tCO₂e greenhouse gas emissions from fuel consumption, a 1.9 percent year-on-year growth. However, the reduced amount of emissions owing to company-wide greenhouse gas reduction initiatives also increased by 449,000 tons, or 4.2 percent, from 2014. In addition, the ten-year background of a dedicated fuel management infrastructure that includes the management of fuel and enhancement of flight operational efficiency through eco-flight procedures and upgrades to fuel loading policy.



Optimal Fuel Management Activities



*FOQA (Flight Operation Quality Assurance) is a safety control system that analyzes flight information collected from the quick access recorder (QAR) installed on aircrafts to preemptively detect and eliminate risk factors.

Controlling Greenhouse Gas Emissions

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Fuel Consumption by Air Transport (Unit: Tons)

	2013	2014	2015
Jet Fuel	3,923,102	4,006,984	4,083,989

Energy Use in Ground Operations (Unit: GJ)

	2013	2014	2015
Energy	2,121,230	2,093,345	1,999,317

Energy Intensity

	2013	2014	2015
Air Transportation (MJ/RTK)	12.51	12.26	12.28
Ground Operations (GJ/sales amount: KRW 1 billion)	180.68	179.22	176.79

Greenhouse Gas Emissions (Unit: tCO₂e)

	2013	2014	2015
Air Transportation *	12,483,403	12,750,860	12,995,052
Ground Operations	118,443	116,939	107,344
Total	12,601,708	12,867,799	13,102,396

* Combined emissions of CO₂, N₂O and CH₄ in CO₂ equivalent

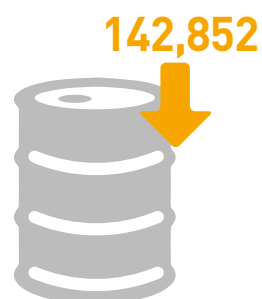
Greenhouse Gas Emissions by Type From Air Transportation (Unit: Tons)

Type	2015
CO ₂	12,868,556
CH ₄	17
N ₂ O	409

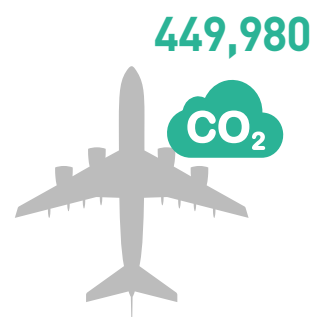
2015 Greenhouse Gas Emissions Reduction Performance Results

Category	Amount of Reduced Fuels (Unit: Tons)	Amount of Reduced GHG Emissions (Unit: tCO ₂ e)	Savings (Unit: KRW in Billions)
Eco-Flight	45,403	143,019	29
Performance Improvement	29,634	93,346	19
Flight Planning	57,511	181,159	37
Weight Management	10,304	32,456	7
Total	142,852	449,980	92

Total Amount of Reduced Fuels (Unit: Tons)



Amount of Reduced GHG Emissions (Unit: tCO₂e)



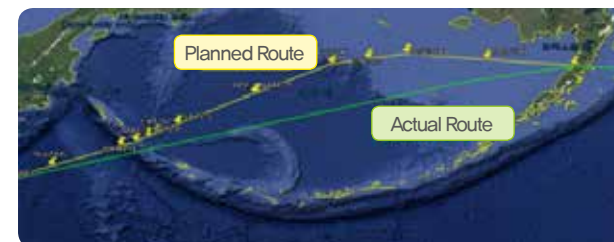
Cost Savings (Unit: KRW in Billions)



MINI CASE

2015 New Shortcut Routes

As a result of our consistent efforts to discover new shortcut routes, we added the Laos detour over land and the shortcut on the Incheon-Colombo route in 2015. Moreover, some of our American Routes took advantage of the FOQA analysis results, which analyzed the disparity in the flight planning and actual travel distance. This gap was then reflected in the following flight planning, resulting in an unprecedented direct route to American destinations.



3. Economic Measures

Emissions Trading Scheme

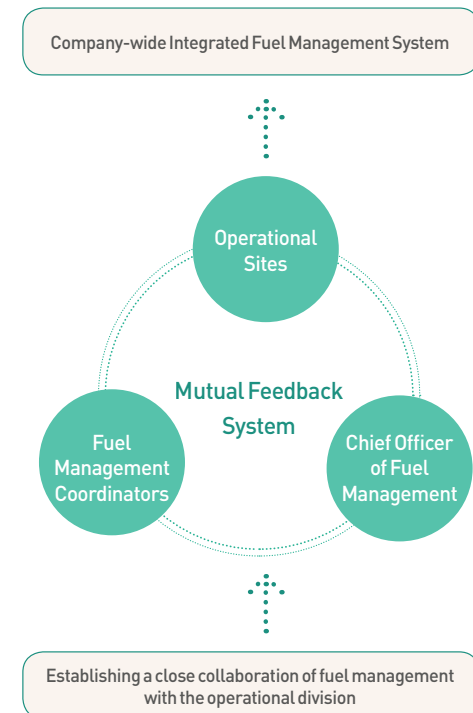
As of January, 2015, the first stage of emissions trading kicked in from 2015 to 2017 in Korea. Accordingly, Korean Air's aircrafts for domestic routes, ground buildings and vehicles are entitled to this new initiative. The aviation industry's target reduction is relatively challenging at 14.4%, yet the problem remains that the foreseen shortage in carbon credit is primarily due to less-profitable domestic route operations that we maintain for the sake of national benefit.

Global Carbon Offset Program

The historic UN Climate Change Framework Agreement was signed in Paris in December of 2015. Fortunately, the international aviation service sector was excluded from the agreement. In fact, the greenhouse gas emissions reduction efforts within the international aviation service sector are under control of the ICAO, under management of the UN. The ICAO has spent the past three years preparing for the international agreement on the global carbon offset program at its 39th general meeting scheduled for October, 2016. Effectuation of the agreement will require every airliner to offset their carbon emission increase in the international aviation service sector after 2020. As a member of the IATA Environmental Committee (ENCOM), Korean Air has been actively involved in the discussions on the global carbon offset program and supports the ICAO's plan enabling cost-efficient achievement of environmental goals.

Future Plans

- Phase-in of high-efficient and low-noise aircrafts like the B787, CS300 and A321-NEO by 2020
- Establishing inter-departmental collaborative feedback system and company-wide councils to ensure effective fuel management operations
- A reasonable flight planning infrastructure is in plan for 2015 for more active utilization of statistics concerning fuel consumption by model and route in order to enable more efficient flight planning based on risk analysis and control.



Environmental Risk Identification and Management

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Overview

With obtained ISO14001 certification in 1996, Korean Air's Environmental Management System (EMS) largely controls company-wide environmental risks through environmental management departments designated within each business division, including general administration (HQ), aircraft maintenance, aircraft manufacturing and in-flight meal production.

Our Approach & Performance

Environmental Management Vision

Create an upgraded lifestyle through the achievement of a healthy dynamic between aviation and the environment

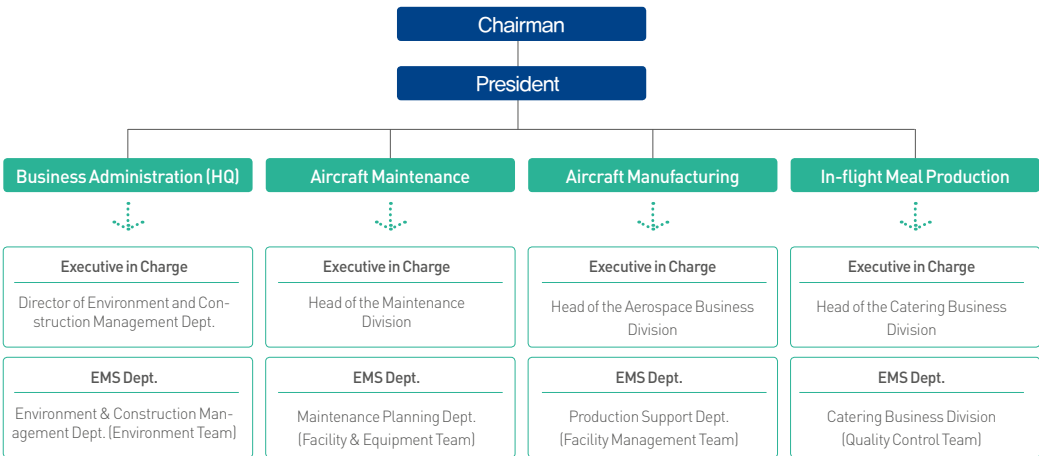
Global Environmental Management System

At Korean Air, EMS departments are designated to implement and oversee the environmental management practices within each business division, including the head office, aircraft maintenance, aircraft manufacturing and in-flight meal production, under autonomous EMS systems based on Plan-Do-Check-Act (PDCA). We acquired ISO 14001 certification in 1996 and maintained the EMS in conformity with the global standards through continuous re-assessment.

Environmental Management Certification

Standard	ISO 14001
Date of Acquisition	December 13, 1996
Date of Re-assessment	November 13, 2014
Certifier	British Standards Institutions (BSI)
Certified Areas	General Business Administration, Maintenance, In-flight Meal Production, Aircraft Manufacturing

Environmental Management Organization



ISO14001 Certification



Minimizing Environmental Impacts

Water Pollutants Management

Korean Air has waste water treatment facilities installed on the transportation equipment repair & washing areas and industrial waste gas cleansing & condensing facilities. In order to prevent water pollutants from being accidentally discharged, aircraft-washing is conducted at sites equipped with a drainage ditch flowing out to water pollution-prevention facilities. Environmental Facility Management Guidelines mandate that water pollutant-generating worksites are provided with pollution management manuals for on-site workers. Korean Air applies 50 percent stricter internal standards and regulations than legal requirements, while maintaining close monitoring in order to prevent the leakage of pollutants.

Water Pollutants Discharge (Unit: Tons)

	2013	2014	2015
Biochemical Oxygen Demand (BOD)	39.677	42.293	52.832
Chemical Oxygen Demand (COD)	39.518	25.643	27.725
Suspended Solids (SS)	43.436	34.691	40.950
Total Nitrogen (T-N)	5.282	4.050	4.025
Total Phosphorus (T-P)	1.000	1.041	0.933

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

Water Management

Water supply, reclaimed water and underground water are our main water sources for washing the exterior and parts of the aircraft, airport buildings and cooking and processing in-flight meals. Our efforts to reduce water usage include installing water-saving facilities, moderating water use in cook-

ing and processing in-flight meals and launching water conservation campaigns. The water reclamation facility in the Korean Air Building in Gimpo treats 400 tons of reclaimed water per day bathroom and gardening use.

Water Usage (Unit: Tons %)

	2013	2014	2015
Total Water Intake*	1,250,341	1,300,020	1,407,453
Recycled Amount**	27,000	35,984	22,450
Recycling Rate	2.16	2.77	1.60

*Data includes the amount of tap water, reclaimed water and underground water used, based on utility bills received from water suppliers.

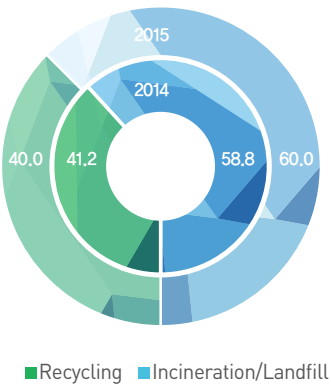
**The recycled amount is the amount of reclaimed water used in the Korean Air building in Gimpo.

Air Pollutant Management

Air pollutants such as dust, THC and NOx are discharged by aircrafts during landing and takeoff in addition to Korean Air-owned facilities. Korean Air minimizes the air pollutant emissions unit load by constantly reducing the use of solvents. As part of several emission reduction initiatives, we periodically run check-ups and maintenance for preventive monitoring to enhance operational efficiency of our air pollutant treatment/prevention facilities.

Air Pollutant Emissions (Unit: Tons)

	2013	2014	2015
Dust	23	27	23
Total Hydrocarbons (THC)	20	29	30
Nitrogen Oxides (NOx)	65,755	67,190	68,543
Sulfur Oxides (SOx)	7	11.2	4.6
Sulfur Dioxides (SO ₂)	3,902	3,987	4,063



Waste Management

Passenger and cargo transportation services generate paper, wood, plastics and other types of waste. Designated wastes such as oils, paints and organic solvents are discharged during aircraft maintenance and manufacturing. Leftovers from in-flight meals are all collected for incineration, in accordance with relevant quarantine laws protecting against potential epidemics like foot-and-mouth disease. Some recyclable wastes from cabin services are strictly classified to be recycled by our subcontracted outsourcers.

Waste Production and Disposal		(Unit: Tons)		
		2013	2014	2015
Amount Produced	Municipal	23,244	23,825	24,253
	Discharged	1,043	1,032	995
	Designated	663	602	771
	Total	24,950	25,459	26,019
Amount Disposed	Incineration	13,983	14,357	15,128
	Landfill	641	621	474
	Reuse & Recycling	10,326	10,481	10,417
	Total	24,950	25,459	26,019



Protecting Endangered Species

Korean Air faithfully abides by all related international regulations and agreements on air cargo transportation and proactively sides with protecting the environment. In 2013, the company announced its decision to ban the carriage of shark fins on its cargo flights as part of the global initiative to protect sharks recently classified as an endangered species by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Korean Air submitted the regulation of this particular ban and related products to Live Animal Regulations (LAR) through International Air Transport Association (IATA) and will continue to participate in various movements to protect the global ecosystem.

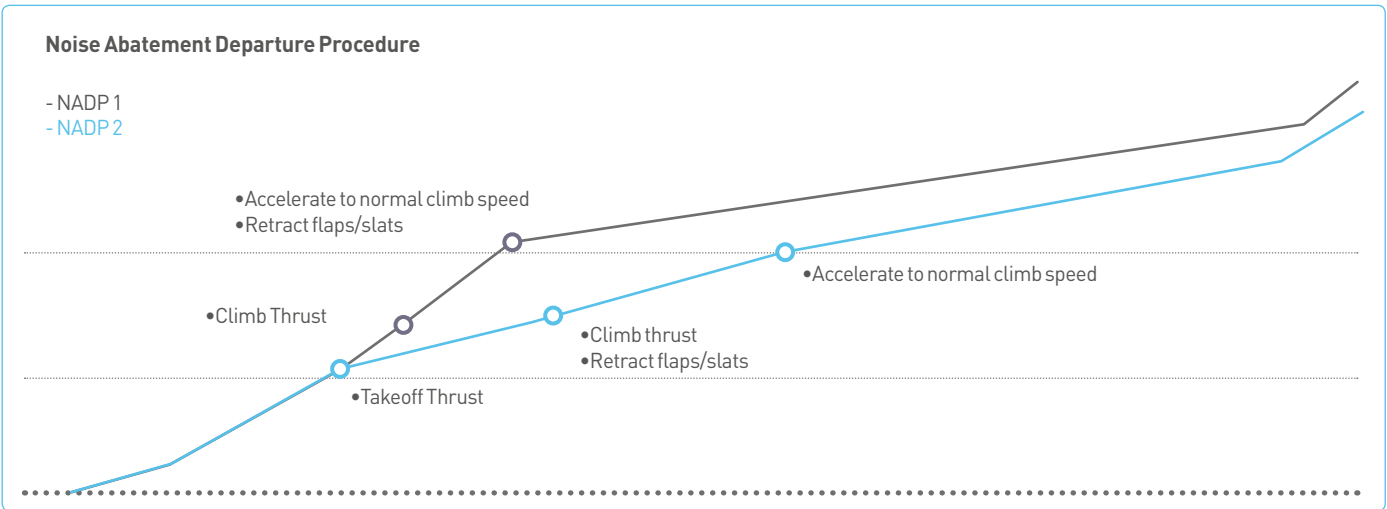


Aircraft Noise Management

Compliance with Noise-Reduction Procedures

Korean Air's aircraft operation regulations and Aircraft Model Guidebooks stipulate noise-reducing flight procedures. All flight operations at Korean Air follow these procedures to alleviate noise from takeoff and landing. The compliance with internationally imposed airport noise-reduction procedures is accompanied by the Noise Abatement Departure Procedure (NADP) and the Continuous Descent Approach (CDA) of the ICAO adapted to different needs.

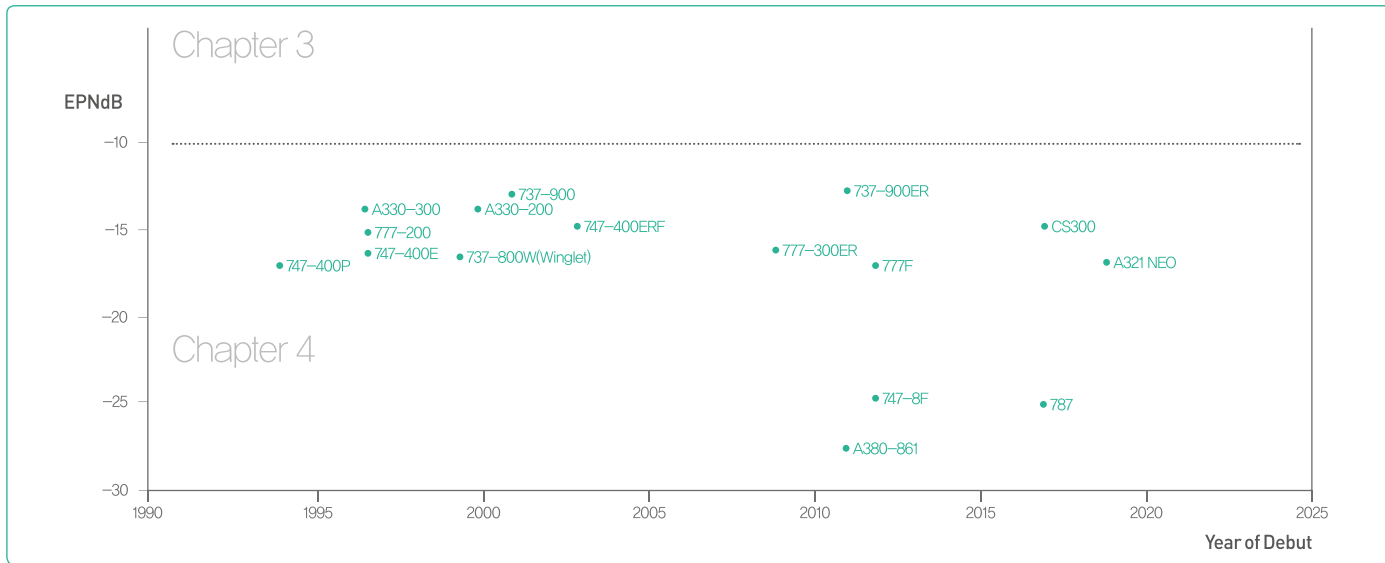
NADP 1	<ul style="list-style-type: none">Designed to reduce noise in susceptible areas within close proximity to the departure end of the runway, this procedure involves a reduction in power or thrust above the prescribed minimum altitude (457m) and a delay in the retraction of flaps/slats and acceleration until the prescribed maximum altitude (914m) is attained.
NADP 2	<ul style="list-style-type: none">Designed to reduce noise in susceptible areas relatively distant from a runway, this procedure involves the initiation of flap/slat retraction upon reaching the prescribed minimum altitude (305m) after using a prescribed thrust for the initial climb at takeoff. Afterwards, it accelerates to climbing speed as soon as the aircraft reaches the required altitude (914m).
CDA	<ul style="list-style-type: none">Aircraft maintains a fixed descending speed until it reaches the final altitude upon approaching a runwayPositive effects on flight safety in the approach phase



Payments of Surcharge by Domestic Airports in 2015

Gimpo International Airport	1,280
Jeju Airport	760
Busan International Airport	650
Ulsan Airport	30
Yeosu Airport	20
Total	2,740

(Unit : KRW in Millions)



Eco-Friendly Low-Noise Aircrafts

All Korean Air aircrafts meet the criteria of the 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, B787, A321 NEO and CS300, that Korean Air plans to introduce, generate less pollution and noise, essentially making for a more environmentally-friendly model than the current aircrafts in service. This will help create a more pleasant environment for the community inhabitants within 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 in accordance with the designated agenda of the specified airport

Future Plans

- Preparing for the revised standards of the ISO14001 certification (Targeting 2017 re-assessment)
- Establishing an environmental performance indicator management system
 - Developing the environmental performance indicator database and constructing the management system
- Preparing for chemical substance regulations

“ I hope Korean Air’s investment in environment-friendly technology can achieve an upgraded sense of value and concern for the environment, while the company continues its efforts in R&D amid the support and awareness of stakeholders regarding the necessary measures in mitigating climate change.”



Secretary General
Lee Jong-oh,
Korea Sustainability Investing Forum

Lately, the aviation industry is scrambling to address climate change through several initiatives, such as a lightweight fuselage, bio jet fuel R&D and the adoption of a high-efficient, modern fleet. I anticipate a more scientific and data-based address toward climate change incorporating the forecasting and analyzing of air currents and weather from a more comprehensive view utilizing big data on flight records and weather change as well as the incorporation of other trends in the airline industry. Moreover, global carriers are adopting the carbon offset program, where its employees and passengers are making additional payments, essentially donation for environmental causes, to offset the carbon emissions from the aircrafts used in their travels. Like the carbon offset program, addressing climate change has become more personalized, motivating an overall behavioral change that sees an active partaking in the global initiative to mitigate climate change, creating a greater value and awareness in the environment. Korean Air can also lend its business acumen to fighting climate change and share its information through active stakeholder communication, ultimately building a positive awareness among the public regarding Korean Air’s approach to such a vital and concerning issue.

Issue 5

Reinforcing Customer Relationship Management

We are solidifying our presence in the industry as a leading carrier with unique and customer-centered services.



The Family — Photo by Kim Jeong-sik in Daegu Korea – Among selections during the 22nd Annual Korean Air Travel Photo Contest

Overview

The 1990's airliner mergers and acquisitions gave birth to a giant air carrier that dominated the air transportation market. More recently, the rise of low-cost carriers has intensified market competition, as brand recognition built through cultural sponsorships and related activities are keeping us a step ahead of the competition. The resultant emotional impact and familiarization to the corporate brand image, coupled with the customer value that the company offers, help boost the company's brand value allowing for a more thorough engagement in various brand marketing campaigns further raising brand value.

Our Approach & Performance

Customer-Engaged Marketing

Travelers in Russia - May 19 to August 31(2015)

The Travelers in Russia advertisement series consists of 13 episodes of four friends who first met in the Trans-Siberian train when they were university students. Now enduring the daily grind of work, these four old friends left for a 16-day trip to Russia. The advertisement follows the group as they venture across the vast country, meeting up different literature, art and performances. The records of their travel are available on Korean Air's micro website, alongside useful tips for traveling in Russia. During the marketing period, Korean Air offered website visitors with round-trip tickets to Russia through the special quiz event testing participants on what they know about Russia.

My Favorite Australian Channel On Air—Sep.1 to Dec. 13 (2015)

The advertisement campaign, My Favorite Australian Channel on Air, consists of eight TV commercials, where eight imaginary TV Channels introducing the attractions of Australia on the themes of photos, culture, driving, movies, leports, food & wine, the wild and music. Korean Air's micro websites provided more video clips that were not aired on TV. Additionally, Korean Air offered various gifts, including the round-trip tickets to Australia through the Australian TV Awards, where consumers voted for the best commercials, and through a month-long weekly quiz event.

Korean Air Brand



Culture Marketing

Korean Air Travel Photo Contest

Korean Air holds an annual Korean Air Travel Photo Contest that is open to anyone who likes traveling and photography. The 22nd annual contest in 2015 officially marked the event as the nation's biggest travel photo contest, with countless entries of quality scenery photographs from all over the world, beautiful scenes and natural landscapes and a variety of snapshots of our daily life featured around the globe. The growing number of international entries is proof of increasing awareness regarding our contest as an international event. The 22nd contest awarded main and special prizes among approximately 22,000 entries. The main prizes were awarded to photography that effectively captured beautiful moments of traveling, while special prizes were given under different themes, as is done so every year. This year's special prizes went to selfies that harmoniously captured the photographer with the background. Additionally, we organized the Photo Contest Supporters and hosted a Gallery Exhibition On-the-Go using boothtainer—mobile, theme-based designed shipment containers—so that viewers may become more familiar with the event.



Korean On-Air Program 5th Group

Launched in 2008, the Korean On-Air Program has sponsored the passion of Korean youth to promote Korean language, culture and history on a global level. In 2015, the program offered sponsorships specifically to two-year college students and grad students attending school in the city of Incheon only. Three teams were selected for publicizing Korean language and culture among entries submitted from May 26 to June 14, 2015. Aided by Korean Air sponsorship, the three selected teams completed their respective missions—producing video clips promoting the beautiful scenery of Korea, distributing bookmarks with Hangeul calligraphy to foreigners and offering henna tattoos in Korean to students of four universities in the eastern region of the U.S. on Hangeul Proclamation Day.

College Student Design Contest

Korean Air has been hosting annual design contests targeting university students based on the theme of "Airplanes in Art" since 2013. Applicants can enter their work under one of the following four categories: Visual, Product, Space and Apparel. The event offers aspiring designers the opportunities to submit their artwork to the contest, helping promote the Korean art industry.



Children's Airplane Drawing Contest

Children's Airplane Drawing Contest is a contest geared toward talented elementary students who are interested in art and paintings. Since 2009, the event has been operated as part of our effort to contribute to the development of art education for future generations and to awaken others to the joy of their creation. In the past, the contest has evolved into a global event, where both Korean elementary students and international elementary students from Korea and around the world participate. The grand prize winner is then printed on the exterior of Korean Air's airplanes as the planes go about their daily routine around the world. Celebrating the 7th anniversary in 2015, the contest was held under the theme of, "We are sharing, loving and caring children" at the hangar in our head office building in Seoul on September 12.



2015 K-Culture Festival in Xian

Starting in Berlin in 2009, Korean Air has been introducing Korean food to the world at international tour fairs. At the 2015 two-day K-Culture Festival in Xian on May 30 and 31, 2015, we introduced bibimbap to the audience along with its history and recipe. Afterwards, our Korean food caterer demonstrated how to cook it. Plus, we arranged a performance involving the making of 300 servings of bibimbap for the audience to taste.



Future Plans

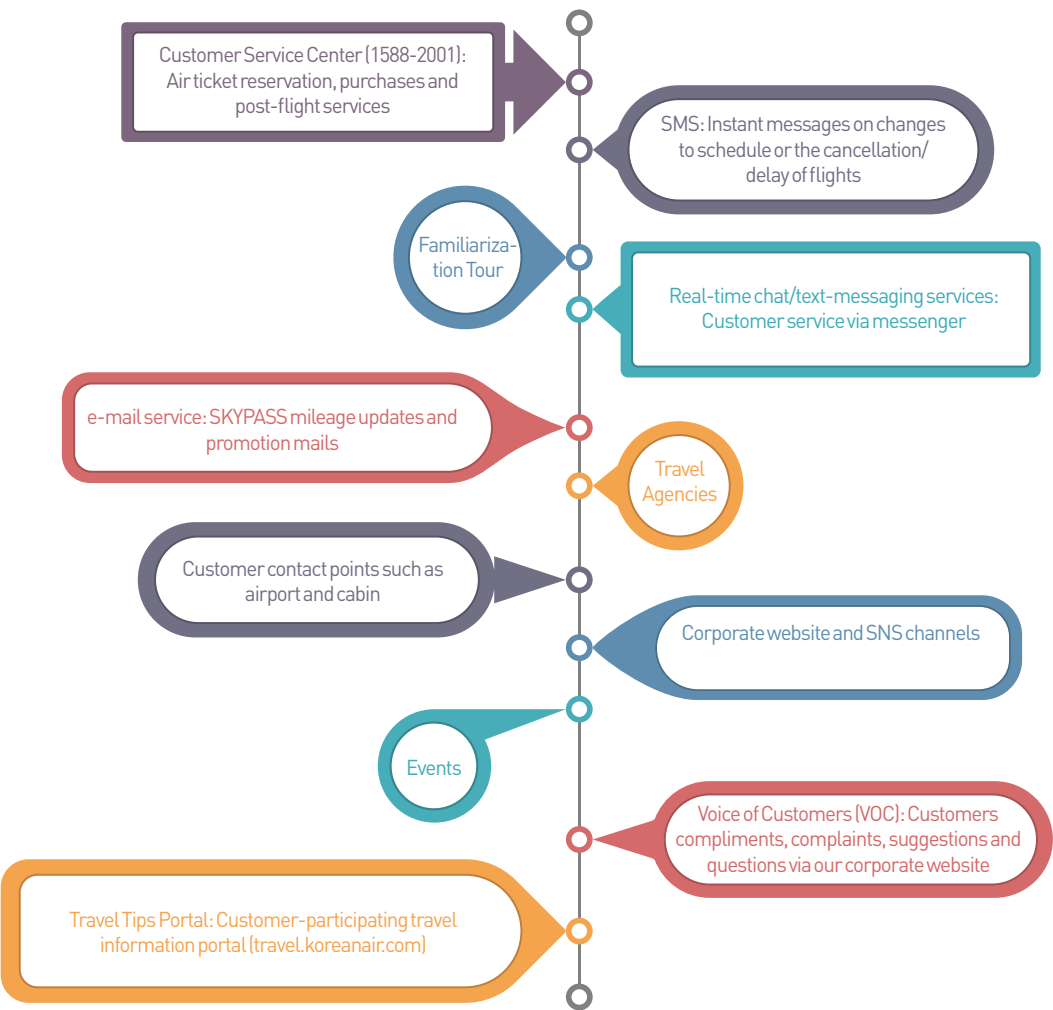
- Customer-engaged Marketing Campaigns

Overview

Today, consumers have become smarter than ever with the help of mobile technology development. They can make informed shopping decisions by comparing product information online, through web, social network service (SNS) and mobile platforms. The advent of the Internet era and smartphones brought about an interactive communication through SNS, which also has become a close communication channel for companies with their customers. In step with the growing needs for SNS-based customer communication and marketing, Korean Air operates various channels to communicate with customers for higher customer satisfaction and brand loyalty.

Our Approach & Performance

Customer Communication Channels



Online Customer Communication

Communication on SNS

SNS is one of the most efficient interactive communication channels through which companies can become more familiar with their customers. Korean Air makes full use of SNS to deliver up-to-date flight information in several languages. It is also an effective channel for marketing, promotion and events along with travel tips. When major issues arise, it serves as a platform to directly and efficiently express the company's situation to communicate and build trust with customers.

SNS Channel Subscribers (As of the end of 2015) (Unit: persons)

Category	Facebook	Twitter	News Twitter	Google+
No. of subscribers	299,985	142,064	2,730	35,456

Chat Service

Korean Air was the first Korean airliner to launch a chat service in April, 2008. Available round the clock for internationally and from 5 a.m. to 10 p.m. for domestically, the service helps customers make reservations for flight tickets and answers customer inquiries concerning all flight services from SKYPASS and flight schedules to travel product inquiries, effectively contributing to a higher rate of customer satisfaction.

Travel Tips Portal (travel.koreanair.com) Renewal

Korean Air's travel tips portal (travel.koreanair.com), having offered useful travel tips to customers since 2008, was renewed in January, 2015. The renewal focused on improving customer communication and unifying the portal with other Korean Air websites following the major renewal of the corporate website. As a result, portal access and system operation have been reinforced for better customer service. Plus, a new point mileage program is offered within the portal in order to induce customer engagement. Members are classified in five grades—first-comer, tourist, adventurer, guide and travel master—according to their mileage points of the portal and selected loyal members are provided with free tickets for domestic and international flights twice a year. Most importantly, travelers can subscribe to each other's travel blogs and talk to each other on the portal.



Launching of Kakao Alert Talk Service

Korean Air launched the Kakao Alert Talk service that provides passengers with important flight information on a mobile platform using the information biz messaging API (application program interface) technology. Passengers can choose whether they would like to receive important travel information via preferred contact points. This allows for both the protection of customer information and the delivery of messages, void of spam and smishing (SNS phishing) messages. The service also is free of advertisements and promotional messages while focusing only on flight information concerning flight itinerary, seats or mileage.

Offline Customer Communication

Largest Familiarization Tour Ever

In promotion of travel to Korea from neighboring countries and regions, such as China, Japan and Southeast Asia, in the aftermath of the MERS, Korean Air arranged the unprecedented largest familiarization tour in 2015. The company invited 300 guests, including the journalists and CEOs of travel agencies from major cities in China, in addition to 200 guests, including public officers, journalists and branch office staff from seven prefectures of Japan: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Okayama and Nigata, and 100 other guests from seven countries, including Malaysia, Thailand, New Zealand, Australia, Vietnam, Indonesia and Singapore. The company offered free round-trip flights to Korea while showcasing the country's beauty and unique flavor of its cuisine.

Company Tour for Selected SNS Subscribers

Korean Air held its eleventh event inviting its SNS subscribers to its cargo terminal and hangar in Incheon in 2015. The program has been held twice a year since 2010 and offers a direct line of communication with SNS subscribers. SNS subscribers interested in the aviation industry are invited to experience, first-hand, Korean Air's new aircrafts like the A330-300EN and B747-8i and take in inner workings of the aviation cargo transport service in person.

Korean Air Pop-up Café for Sharing

Since 2011, Korean Air has been holding a special event coined Pop-up Café for Sharing with its SNS subscribers. As part of its global sharing management initiative, the event is purported at helping the children in need around the world. The proceeds from this bi-monthly event are donated to the United Help for International Children Organization.

Future Plans

- Collaboration with Marketing Team
 - SNS marketing to raise brand image awareness through such activities as website promotion, scheduled service promotion, press release and advertisements
- Customer Communication & CSR Activities
 - Expanded events for SNS subscribers to increase customer communication and raise public recognition of our open management
 - Familiarizing our CSR commitment to the public with differentiated CSR activities, including the signature event, Korean Air Pop-up Café for Sharing

“ Korean Air will be able to further enhance customer service and satisfaction with its cutting-edge technology and differentiated creativity.”



Korean Air Customer Feedback

Having visited all the corners of the world while on the job, there are several in-flight episodes I've gathered along the way. Of all these experiences among various airliners, my flight experience with Korean Air has been outstanding in not only their cabin services, but also the way their crew members responded both calmly and swiftly to emergencies, allaying the anxiety of passengers. I honestly was proud of my country's flag carrier. However, many international carriers are furthering their customer service, taking advantage of cutting-edge technology and a level of creativity not easily matched. Today, the aviation service has evolved from a mere airborne transportation to a service industry that should impress its customers with memorable experiences as well as entertainment. In meeting this new trend, Korean Air will have to move quickly to meet diversifying customer needs via diverse communication channels and the use of big data so as to grow into a leading global carrier. The company would also need to embark on innovative endeavors in order to remain compatible with mobile services to further enhance the current level of customer service and satisfaction.

Korean Air's sustainability report

Sustaining Excellence

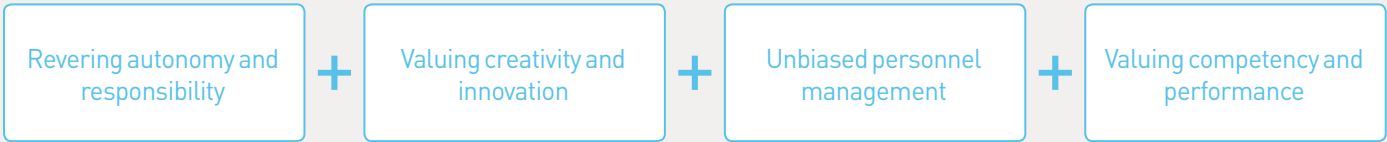
Personnel Management Philosophy

“People are the company.”

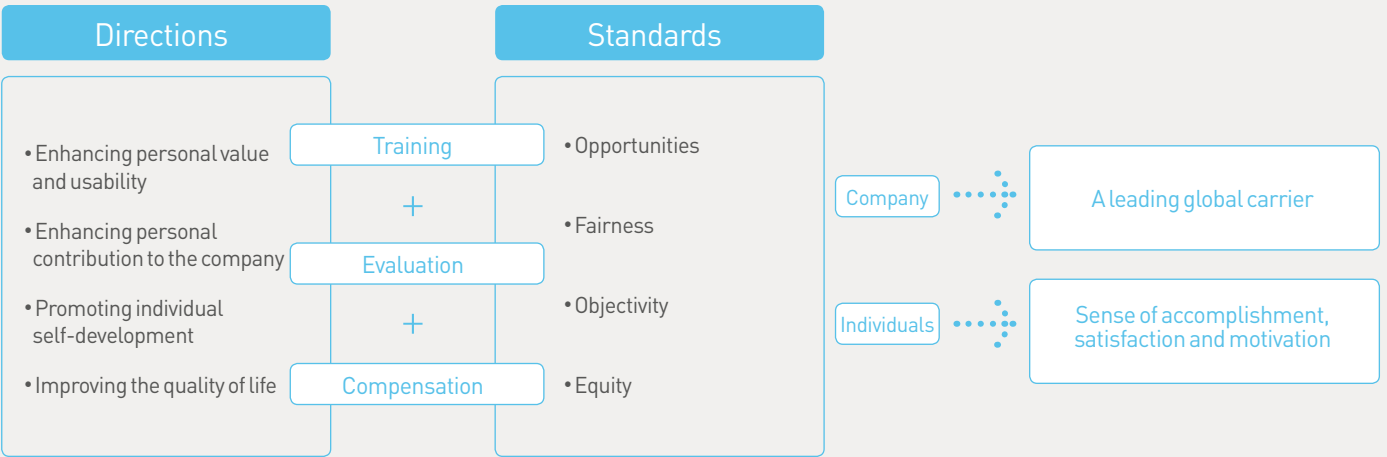
People are the most valuable asset of a company meaning that individual development constitutes corporate development. Therefore, we pursue mutually beneficial development for both the company and its people.

Management System

Personnel Management Principles



Personnel Management System



Major Activities & Performance

Workforce

As of the end of December, 2015, among Korean Air's total workforce of 20,815, 44 percent, or 9,078, accounted for female employees.

Concentrated upon raising employee satisfaction, the average year of service stood at 14.3 years. Korean Air offers industry-top level of wages to all employees under the comparable worth principle.

Employee Data



By Contract Form and Employment Type							
Contract Form				Employment Type (Permanent Only)			
Permanent (male/female)		Temporary (male/female)		Administrative (male/female)		General (male/female)	
18,507 (10,990/7,517)		2,308 (747/1,561)		3,826 (2,722/1,104)		14,681 (8,268/6,413)	
By Contract Form and Employment Type							
Domestic		Overseas					
	Japan (male/female)	China (male/female)	South-east Asia (male/female)	Americas (male/female)	Europe (male/female)	Others (male/ female)	Subtotal (male/female)
18,481(10,790/7,691)	247(129/118)	723(179/544)	580(202/378)	421(239/182)	244(139/105)	119(59/60)	2,334(947/1,387)

* As of December 31, 2015 (excluding executives)

Number of New Employees and Turnovers

Unit			2013			2014			2015		
			All employees	New employees	Turnovers	All employees	New employees	Turnovers	All employees	New employees	Turnovers
Gender	Male	(persons)	11,724	470	402	11,719	573	551	11,737	504	550
	Female	(persons)	8,709	714	788	8,709	848	555	9,078	1,012	574
Age	Ages under 30	(persons)	5,076	933	473	4,865	1,146	411	5,071	1,264	366
	30~39	(persons)	6,586	199	395	6,475	241	325	6,539	194	336
	40~49	(persons)	6,089	43	148	6,243	24	99	6,183	41	143
	50 and above	(persons)	2,682	9	174	2,845	10	271	3,022	17	249
Region	Domestic	(persons)	18,322	861	730	18,232	975	743	18,481	1,037	789
	Overseas	(persons)	2,111	323	460	2,196	446	363	2,334	479	335

Promoting Diversity in the Workforce

Improved Recruitment Procedures

Starting in 2014, Korean Air discontinued its own job adaptability test called KALSA for a new system of recruitment, placing primary weight on the statement of purpose (SOP) and interviews. At the same time, applicants for cabin crew positions are put up against on-the-job situations to assess their resourcefulness and job adaptability.

Equal Employment and Anti-Discrimination Policy

Korean Air does not discriminate against employees based on gender, age, religion and region of origin, in all aspects of personnel management including recruitment, assignment, evaluation and compensation. Academic background is no longer a part of our qualification criteria for job applications, resulting in a discrimination-free 2015. 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. Korean Air complies with local laws and regulations in all the countries of operation. Furthermore, we strictly prohibit child labor, forced labor and wage exploitation in accordance with the Korean Labor Standards Act and the regulations of the International Labor Organization (ILO).

Localization of Employment

Keenly aware that localization is imperative to successful global expansion, Korean Air actively employs and develops high-caliber local residents from global markets. Job applicants are not discriminated against on the basis of their nationality, cultural background, religion or other factors. Our human resource development (HRD) policy is grounded in both merit and performance, while multiple programs exist that are designed to enhance the competency of local employees with the objective of managerial promotion.

Locally-hired Employees at Managerial Level

([Unit: Persons/%])

	Persons
Overseas Employees ¹⁾	2,599
Percentage of Locally-hired Employees	89.8
Percentage of Locally-hired Managers	13.0

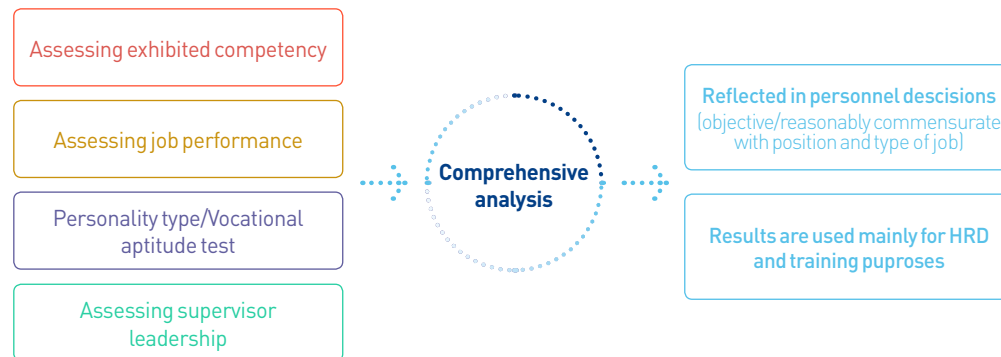
* As of December 31, 2015 (excluding executives)

1) Figure includes expatriates



Evaluation and Compensation

Korean Air has in place a multi-dimensional system for evaluating employee job performances. All employees should identify their core target tasks based on the contributions of the entire organization and company on top of formulating plan implementation. 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, the flight crew is tested for technical skills, such as their ability to control and fly the proper model of aircraft on the designated routes and to perform timely emergency procedure in lieu of performance evaluation. The results of the test are used to determine their annual salary and level of promotion.



Equal Compensation

Korean Air's wage scale does not discriminate employee compensation against their form of employment, such as permanent and temporary, under the comparable worth principle. All employees are compensated equally in monetary payments, such as the merit-based commission and safety incentives. Other fringe benefit programs, such as the flight tickets, condolence money for family affairs, medical subsidies and condominium sharing, are also equally offered to all employees regardless of their employment form. However, some benefits, like personal pension plans, self-insurance and contribution to the Credit Union, are only applied to permanent employees as these benefits are provided on the condition of long-term service.





Training Programs

Korean Air’s specialized education system consists of a broad range of multi-level courses on business administration, specific job skills, services and foreign languages targeting all employees in all positions and job duties. The business management course helps all employees, from new employees to executives, develop job skills required for their respective positions, while job skill courses and service courses offer different levels from beginner to advanced job skills.



Basic Education Program

- Korean Air’s basic education program consists of various phases that cater to different roles and skills of respective job positions.
- The training program can be classified into four categories: management development, global competency-building, job skill development and corporate culture courses.

Positions	Expected Roles Purpose	Management Development	Global Competency-building	Job Skill Development	Corporate Culture
Executives	Management Skills Improvement	Management Competency-building Course			
High-level Managers	Strategic Roles	Administrative Competency-building Course			
		MBA	Expatriates	Specialized Education	
Mid-level Managers	Job Competency-Building/ Job Skills	General Administration Course	Overseas Training Dispatch	CDP (Career Development Program)	Harmony Workshop
Working-level Staff	Finding Job Adaption/ Developing Job Skills	Trouble-shooting Competency-building Introduction to Aviation Management	English/Second Languages	Special agency-based or On-the-job Training	

Employee Education Hours

Year	No. of Persons	Education Hours per Employee
2013	20,433	114
2014	20,428	114
2015	20,815	102.5

(Unit: Persons/Hours)

Online Education Content

	2013	2014	2015
No. of Content	862	866	1,102

(Unit: Content)

Scholarships for Graduate School Employees

	2013	2014	2015
No. of Beneficiaries	185	189	152

(Unit: Persons)

Career Development

Career Development Program (CDP)

Korean Air runs a regular career development program (CDP) that annually helps employees who are about to be promoted set their own career plans while assisting them to align their personal goals with corporate visions through department transfers and/or shifting of job duties. The Personnel Management Strategy Office transfers and deploys employees among different business divisions so that they may help individuals and teams build their competency, while the division collaborates with the Personnel Management Strategy Office to develop and implement the CDP.

Overseas OJT Program

Korean Air's Overseas OJT program allows working-level and mid-level managers to learn about the local culture, language and business practices of target markets over the course of a year. Selected employees can have access to precious opportunities of working overseas, picking up background job knowledge, like sales and transportation, carry out assigned research tasks on target markets and even learn languages after work.

Regional Specialist Program

Korean Air strategically trains and fosters locally-hired employees as regional specialists of target markets. Once qualifying for the regional specialist training program, employees are dispatched to the target market for a one-year language course and market research. The collected data and information on the target market are posted on the Regional Specialists' Bulletins on the corporate intranet for company-wide sharing among related departments and staff.

Mentoring Program

In a bid to assist new employees in quickly adapting to their new jobs and work environment, one senior colleague is assigned as a mentor for two to three new employees to provide guidance and advice, handle grievances and help them discover how to exhibit the best of themselves on the job.

Globally Competent Staff Development

Korean Air also devotes itself to training talented, locally-hired international employees. A variety of experience programs are in operation to help international employees better understand Korean culture and traditions as well as providing job skills and management competency-building courses. The Human Resources Development Center plays a pivotal role in developing and providing training courses to serve the specific needs of international employees, while the close collaboration between the HRD Center and overseas regional headquarters facilitate developing special training courses customized to specific needs of local markets overseas. At the same time, we foster and support job and service lecturers for each regional market and have reinforced the English-based education portal, providing 260 educational content in English for the convenience of overseas learners.

Life-long Learning

Korean Air established Jungseok College, Korea's first tech school run by a private company, for its employees in 2000 in order to support the lifelong learning. All employees attending the university are condoned with national certificated degrees upon their graduation and can transfer to other universities or graduate schools on full-ride scholarships. A total of 1,247 students received a degree, including 816 bachelor's degrees and 431 associate's degrees, over the 15 years from its foundation up through February, 2016. The company also prepared a scholarship program to support its employees who wish to attend the graduate schools of Korea Aerospace University, Inha University and other schools to pick up more specialized skills and knowledge in aviation and logistics transportation industries.

Educational Infrastructure Investments

Korean Air is continuously increasing its investments to provide an optimal environment for education. The global training center has recently been renovated to accommodate 300 people while being equipped with state-of-the-art technology and facilities to offer the best possible environment. The Flight Training Center, where the flight crews are trained, will also move to a roomier location of approximately 8,265 square meters in 2016.

2015 Major Financial Support

Health Insurance Premium Subsidies

KRW 41.6 billion

Allowances for the sickness/accident/death of employees and/or spouses

KRW 1.5 billion

Fringe Benefit Programs

Korean Air's fringe benefit programs are available so that employees can choose benefits from several options. This ensures a more practical application of employee support for the sake of their balance of work and personal life. Employees and their families can fly on any of the routes operated by Korean Air at discounted fares, which is intended to promote travelling while gaining a global perspective. Other benefit programs include housing, financial support for the child educational expenses, medical bills, leisure programs and financial security for retirement.



Fringe Benefit Programs

Category	Description
Medical & Health Subsidies	<ul style="list-style-type: none"> • Health Insurance Program • Self-insurance Subsidies • Allowances for the sickness/accidents/death of employees and/or their spouses • Subsidies for flu shots • Medical bill subsidies for overseas flight attendants and any employee on business trips ranging between USD 200 and 20,000
Leisure Life	<ul style="list-style-type: none"> • 25 to 35 free flight tickets annually • 252 condominiums located domestically • Discount for prestigious hotel chains in Korea and overseas • Sponsoring 25 club activities
Everyday Life	<ul style="list-style-type: none"> • Corporate housing (2,237 households) • Housing loans and mortgage loans • Scholarships for employees' children going to high school and college • Tuition subsidies for employees' children going to international prestigious universities • Scholarships and language course tuition subsidies for children of expatriates • Scholarships to employees going to college and/or graduate schools to study job-related subjects
Financial Stability of Retirement	<ul style="list-style-type: none"> • Subscription to the National Pension Plan • KRW 50,000 subsidies to all employees' personal pension plans • Korea's largest size of corporate credit union and Subsidization of contribution to Korea's largest corporate credit union upon retirement
Incentives	<ul style="list-style-type: none"> • Merit-based incentives • Safety incentives

Pension Funds & Contributions

(Unit: KRW in Billions)

	2013	2014	2015
National Pension	34.3	34.9	35.8
Personal Pension	9.9	10.1	10.1
Contribution to Credit Union	11	11.2	11.4
Total	55.1	56.2	57.3

Maternity Programs

Korean Air adheres to the policy of gender equality in its personnel management and has increased the ratio of female employees while setting the industrial standard in the promotion of the welfare of female employee welfare at work through generous customized benefits plans. In addition to the legally required benefit programs, female flight attendants are allowed to take maternity leave on the day they become aware of their pregnancy. All female employees are also given the freedom to take leave for fertility treatment at any given time.

Maternity Protection Performance Results

(Unit: Cases/Persons /%)

	2013	2014	2015
Maternity Leave (cases)	709	702	856
Rate of Return Post-leave	100%	100%	100%
Pregnancy Leave	476	403	463
Parental Leave	562	670	735
Rate of One-year Job Retention Post-parental Leave	76.0%	78.6%	81.5%
Ratio of Paternity Leave	1.1%	2.1%	3.3%

Future Plans

- Fostering top-gun pilots to cruise cutting-edge aircrafts at the new Pilot Training Center at Yeongjong Island scheduled to initiate operation as of late 2016
- Adopting a corporate pension plan

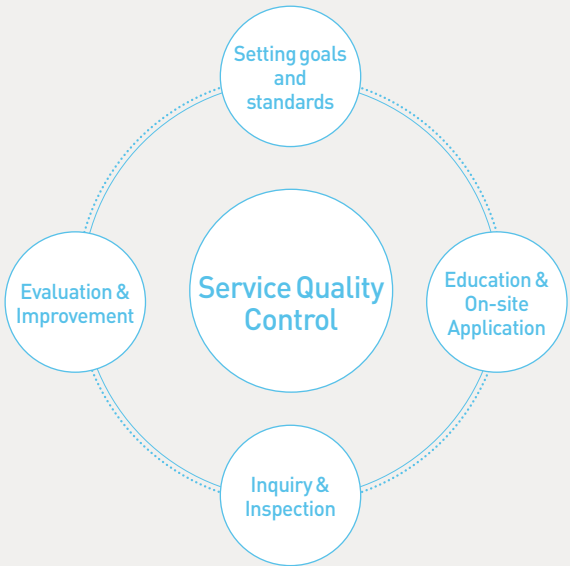


Service Mindset

A premier air carrier which builds itself upon customer trust

Management System

Service Quality Control



Quality Control & Evaluation System

1. Complaint Analysis

- Fluctuation in number of complaints in Voices of Customers (VOC)
- Awareness of customer needs & service strengths and weaknesses
- Tool for measuring rate of customer satisfaction & service trends

2. Key Performance Indicator (KPI) Assessment

- Managing company-wide service goals
- Assessment Unit & Target: Passengers, cabins, cargo, in-flight meals, and maintenance divisions
- Criteria: Each division's service performance indicators

3. Service Review & Evaluation

- Regular service review and feedback on all Korean Air branches of operation, home and abroad

4. Service Review of Business Traveling Experience

- Korean Air employees review the company's service and MOT performance from the perspective of the customer during business travels and their outcomes are openly shared and used for service improvement.

Major Activities & Performance

Voices of Customers

One of our key management policies is ensuring customer-reflected services through our Voices of Customers (VOC), serving as an important tool for monitoring the moments of truth*.

*Moment of Truth: Marketing term used to describe the moment when a customer or user interacts with a brand, product or service to form or change their impression about it.

(Unit: Cases)

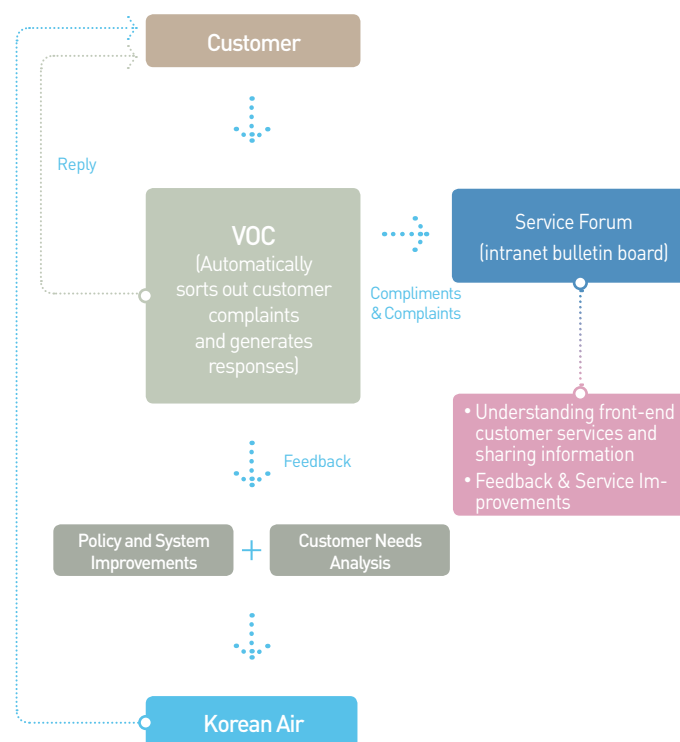
	2013	2014	2015	Change (%)
Compliments	6,637	7,359	8,132	+11%
Complaints	4,124	4,158	4,098	-1%
Suggestions	629	568	477	-16%
Inquiries	48,787	44,041	24,082	-45%
Others*	1,941	1,935	1,545	-20%
Total (YoY Change)	62,118	58,061	38,334	-34%

*Others: Inquiries and opinions unrelated to customer service

Service Forum

Service Forum is an integrated management system that collects and manages data pertaining to customer communication. On the forum, customer complaints and suggestions are openly shared, while recurring complaints are listed an “area of improvement” for which fundamental solutions must be devised. This approach contributes to the significant improvement of customer services.

Raising Awareness Company-wide about Customer Compliments and Complaints



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 fleet modernization and enhancement of transportation service. The newly adopted B747-8i boasts the classy seats, Kosmo Suites 2.0, for maximum customer comfort and privacy. Our A380 also features two unique spaces, a bar-lounge and a duty-free shopping area, for a more advanced flight experience. The B737-900ER, which is dispatched mainly to medium and short-distance routes, adopts the modern Boeing Sky Interior style to its walls and windows. In fact, every single seat is equipped with audio and video on demand (AVOD), ensuring a comfortable and entertaining cabin experience.

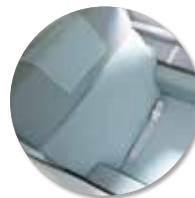
KOSMO Suite 2.0

Sliding Doors with a Higher Partition

- The louver sliding door and 139cm partition, raised 24cm, will make you feel more comfortable and secured.
- The 201 cm-long and 61 cm-wide seats, spaced apart by a generous 211cm, offer a relaxed cabin experience.
- Up-to-date in-flight entertainment programs are available on 24-inch personal LCD touch monitors with increased size and resolution.
- The intuitive icon designs of the metal refined seat buttons facilitate easy seat positioning.



1



2



3



4



5



6

Prestige

Absolute Privacy and Comfort in the Air

- The 75-inch wide space guarantees a more comfortable and spacious cabin experience.
- 18-inch screens with higher resolutions enhance in-flight entertainment.
- User-friendly interface of the icon layout allows for easy control of seat positioning.



1



2



3



4



New Economy

Slimmer Sets in Ergonomic Design

- The sliding seat cushion and ergonomically-designed slimmer seats enabled more leg room, while the 46cm-wide 118-degree reclining back seats are laid out with 84cm space between them for increased comfort.

Korean In-flight Meals

Korean Air has been developing Korean cuisines for its in-flight meals menu. As a result, we offer different Korean cuisines according to seat classes, flight routes and seasons. Korean Air's Korean cuisine in-flight meals are well received by global passengers for being both healthy and palatable.



First Class

Specialty cuisines made of fresh, seasoned ingredients are served with carefully selected wines according to flight destinations. Korean Air's in-flight meals were awarded the prestigious Mercury Prize.

Healthy In-flight Meals—From Farm to Flight

We serve our first-class passengers with healthy and delicious food made of fresh ingredients. From Farm to Flight, our rib eye steak, beef ribs and chicken dishes all come from the Jedong pasture in the beautiful and untouched region of Jeju Island's Mt. Halla. We also offer the famous Jedong Korean Ginseng Chicken Soup.

In addition, organically grown products used for in-flight meals, such as paprika and cherry tomatoes, are produced under a strictly supervised growth process.

Luxurious Korean Meals

Top quality dishes are agreeable to all palates while still maintaining the taste and authenticity of traditional Korean meals, such as bibimbap, yeongyangbap, or cooked rice with nuts and jujubes served in a pumpkin shell, and Korean-style dongchimi noodles. Our formal Korean menu is served in courses that include an appetizer, a main dish with side dishes and a dessert. Our balanced-nutritional menu is second to none!

Premium Wine and Champagne

All menu items are served with special wines from Bordeaux, Bourgogne or Alsace and California, with Italian and German wines also available depending upon the destination. Special wines from Bordeaux are pre-ordered three to four years prior to consumption.



Prestige Class In-flight Meals

Special in-flight meals made of fresh, healthy ingredients by top cooks are served with premium wines.

Luxurious Korean Meals

A wide variety of Korean cuisines, including bibimbap, Korean-style dongchimi noodles, fresh crab marinated in soy sauce, Kalbi-jjim, or braised beef short-ribs, bulgogi with rice, served in elegant Korean dishware demonstrates the exquisiteness of our in-flight meals.

Premium Wines and Champagne

In addition to special wines from Bordeaux, Ron and Alsace, California, Italian, German, Canadian, Australian, New Zealand and Chile wines are also available depending upon the destination. The top quality French champagne boasting 200 years of tradition, Perrier-Jouet, is also available in-flight.



Economy Class In-flight Meals

Varied menu items made of ripe ingredients are served with carefully selected wines.

Wide Menu including Traditional Korean Dishes

There are a variety of Korean cuisines offered, such as bibimbap, bibim noodles, gondrebap, assorted mushroom with rice and stir-fried spicy octopus with rice. Western, Chinese and Japanese cuisines are also offered depending upon flight destination.

In-flight Snacks

An array of snacks is also served on long-distance flights, such as triangle kimbap, cup ramen, pizza and makkoli rice cakes.

Selected Wines

French, Chilean and Australian wines featuring a rich aroma and smooth taste are specially selected for our customers.



IATA Fast Travel Green Certificate

Korean Air became the first Korean airliner to achieve IATA's Fast Travel Green status. The Fast Travel Program of the International Air Transport Association (IATA) aims to provide passenger convenience by reducing waiting time at airports and aid in cost-reduced and timely flight operations. IATA assigns airlines with a grade of Green, Gold and Platinum depending upon how many among the six criteria of air travelers are fulfilled. The six criteria are as follows: self and/or automatic check-in, automatic baggage/luggage check-in; document check, flight re-booking, self-boarding and bag recovery.

Among the three grades mentioned above, Korean Air has been awarded Green by meeting the three criteria of self-check-in and/or automatic check-in, baggage/luggage check-in and flight re-booking at Incheon International Airport.

E-Biz IT Investments

The development of information & communication technology digitalized many parts of business operations, i.e. business administration, marketing, procurement and sales. The aviation industry is also being influenced to center business strategy around an Internet-based infrastructure. Korean Air is proactively increasing its IT investments beginning with its enterprise-wide resource planning (ERP) system, which enabled increased operations efficiency and competitiveness with a paperless workstation. The company also introduced various e-based services as the first among domestic airliners to enhance passenger convenience. For instance, the e-Ticket service began in 2003 with the kiosk and web-based check-in services available for the first time among Korean airliners in 2007 and 2008, respectively. In 2015, we initiated the electronic timetable service and web/mobile-based check-in services, as well as the Kakao Pay service.



E-timetable



Service Improvements

SKYPASS Membership Renewal

In a bid to enhance user convenience in ATM and alliance services, Korean Air upgraded its SKYPASS membership ID system as of April 1, 2015, consisting of solely 12 digits. The previous system, however, consisted of 2 letters and 7 to 8 digits. Members can check their new ID numbers on Korean Air's corporate website and/or mobile application. The previous ID system is still available alongside the new IDs and alliance credit cardholders are not required to reissue their cards.

Accessible Bathroom Facilities

Most of Korean Air's aircrafts, including the A380, B777, and A330 lines, are equipped with accessible bathrooms for the physically-impaired, except for small-sized models like the B737 lines. The latest model, B747-8i, also have built-in adaptive doors, facilitating wheelchair access.

Detailed Menu for Passengers of Higher-grade Seats

Bibimbap is one of the most popular traditional Korean foods among Korean Air's in-flight meals. We improved the menu and cuisine descriptions along with an explanation on how to eat them for foreign passengers who might be unfamiliar with Korean cuisine.

External Evaluation of Customer Satisfaction

Refraining from direct surveys on customers, Korean Air commissions external agencies for its customer satisfaction surveys in order to obtain an objective evaluation prior to ensuring the reflection of evaluation results in the flight experience of each customer.

Year	Awards (1st)
2013	Korean Standard Service Quality Index (KS-SQI), Korean Customer Satisfaction Index (KCSI) and Global Customer Satisfaction Index (GCSI)
2014	National Customer Satisfaction Index (NCSI) and GCSI
2015	GCSI

Future Plans

- Big data analysis for marketing strategy-building and higher customer satisfaction

Management System

In the aviation industry, trust-based partnerships with suppliers built upon fair transactions and support is an integral part in the establishing of a sustainable industrial ecosystem through high quality customer service and trust-based customer relationships. Korean Air has been voluntarily involved in mutual growth programs, and continues with the open contribution of business acumen within the aviation and logistics industry to support its suppliers' competitiveness. Such action is based upon the intention to actively address the polarization of companies while aiding in economic development.



Major Activities and Performance

Shared Growth with Business Partners

As in 2015, Korean Air made all payments to all its 664 suppliers in cash in a bid to help improve their liquidity. Korean Air's Sale & Leaseback program helps ease manufacturing partners' financial pressure and management issues as the company purchases expensive manufacturing equipment and leases them back to the partners. We also share the gains on cost-savings from joint technological development with partners on a quarterly basis under the Cooperation Benefit Sharing program. These partnerships see to it that technicians are dispatched to business partners so that they may impart our technological know-how. In addition to the technology training programs to enhance our partners' technological competitiveness and self-reliance, we also subsidize our partner employee vaccinations and work to secure the most stable of working conditions. Regular meetings with the CEOs of our partners and Quality Symposiums serve as effective communicative channels with partner to promote shared growth. In accordance with fair business practices and compliance with the Fair Transaction and Shared Growth Agreement as recommended by the Fair Trade Commission (FTC) in 2013, agreements with 25 aircraft manufacturing partners are in effect accompanied by implementation of the four primary FTC Standard Subcontract Agreement forms and operation of a Reporting Center for Transaction Irregularities.

Major Shared Growth Programs

- Cash settlements: Paying partners in cash instead of issuing notes to improve liquidity
- Sale & Leaseback: Leasing expensive equipment in Korean Air's possession to manufacturing partners
- Cooperation Benefit Sharing: Sharing the profits from joint technological development and resultant cost savings
- OJT Support: An OJT on-site training course for lesser-skilled employees of partner companies
- Technological and educational support of business partners
- Meetings with CEOs of partners and Quality Symposiums



Shared Growth Ecosystem

Creative Economy and Innovation Center

The Center for Creative Economy and Innovation, located in Incheon, opened in July of 2015 to enable Incheon's development into an advanced smart logistics hub, resulting in Hanjin Group's making a KRW 50 billion commitment for the next five years. Smart logistics being a brand new business model going beyond the high-tech management of logistics and warehousing played a key factor in this investment. The center is already involved in several projects committed to the goal of logistics innovation in three areas of fostering smart logistics ventures, promoting startups and supporting SMEs and the attempt to advance into the Chinese market. Additionally, the Smart Logistics Lab (a consultative body uniting the Ministry of Land, Infrastructure and Transport (MOLIT), Ministry of Oceans and Fisheries (MOF) and other logistics R&D centers) is actively developing a new business model and supporting startups.

SME Cooperation for Engine Maintenance & Component Repair Operations

Korean Air completed the construction of the world's largest engine test cell (ETC) in the Unbuk District of the Incheon Free Economic Zone (IFEZ) in June, 2016. An Engine Maintenance Center within the same site is in the works and will impart to partners its business know-how in quality control global standards, systems, regulations, guidelines and procedures required for aircraft component repair as well as technological R&D support. This cooperation unleashes the advanced technical know-how in engine maintenance and component repair services to our SME partners, enhancing their competitiveness in technological advancement, and ultimately works as a stepping stone toward expanding into new business domains into machinery, automobiles and other related industries.

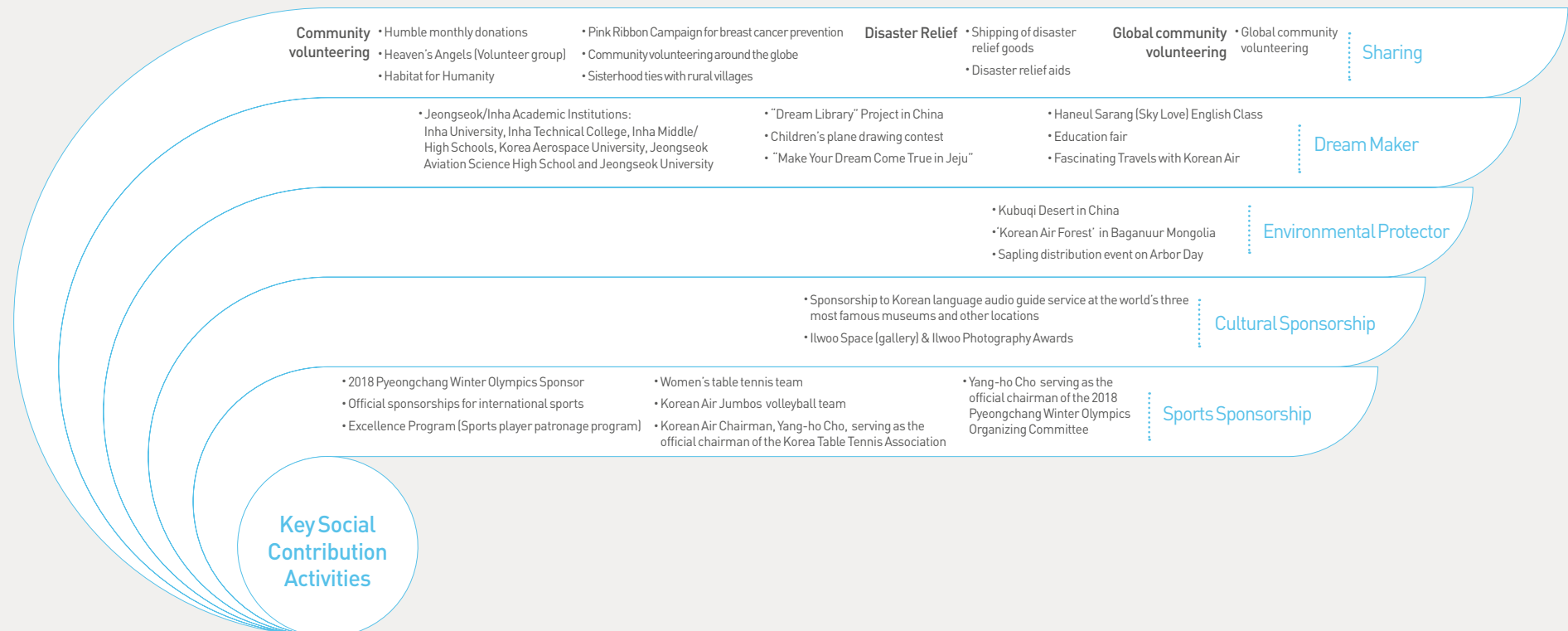
Future Plans

- Raising a KRW 50 billion for five years with Incheon municipal government while imparting our logistics and aviation skills and know-how to fortify the groundwork for Incheon's creative economic infrastructure
- Collaborating with SMEs in Incheon through the engine test cell in the Unbuk District of IFEZ to promote the engine maintenance and component repair industry

Management System

Guided by founding chairman Joong-hoon Cho's belief about companies having the responsibility to give back to the community, Korean Air strives to generate shared value for stakeholders by addressing various social issues pertaining to the environment, culture, education, sports, medical care and disaster relief.

Major Activities and Performance





Social Contribution Expenses
Company & Voluntary Donation*

KRW 12.56 million

*Humble monthly donation from employees



Employee Volunteer Hours
Average volunteer hours per employee

1.7 hours

Major Social Contribution Activities

Activities	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15
Humble monthly donation from employees	Start												
Pink Ribbon Campaign for breast cancer prevention	Start												
Afforestation in Mongolia		Start											
Rice donation		Start											
Sisterhood ties with rural villages		Start											
Sky Love Bazaar				Start									
Sponsorship of Korean language audio guide service at international museums						Start							
Love & Care Plans						Start							
Inviting underprivileged children to Jeju Island								Start					
Free flight tickets to Korea for internationally adopted ethnic Koreans								Start					
Sisterhood ties with military units										Start			
Sponsorship to UNOSDP YLC (Youth Leadership Camp arranged by the United Nations Sports for Development and Peace)										Start			

1998	Transportation of disaster relief goods to flooded areas in Hubei Province, China
Aug. 1999	Disaster relief goods and aids to flooded areas in North Gyeonggi Province, Korea [Multi-purpose helicopters and trucks]
Aug. 1999	Transportation of disaster relief goods to Turkey following earthquake
Oct. 1999	Transportation of disaster relief goods to Taiwan following earthquake
Oct. 2000	Donation of disaster relief goods to Nigata, Japan following earthquake
Sep. 2002	Transportation of disaster relief goods to victims of typhoon Rusa in Gangneung, Korea
Apr. 2004	Transportation of disaster relief goods to the North Korean refugees following the Ryongchon Station explosion
Jan. 2005	Transportation of disaster relief goods to the Tsunami victims in Southwest Asian countries
Aug. 2005	Transportation of disaster relief goods to the refugees of hurricane Katrina in the U.S.
Jun. 2007	Transportation of victims' coffins following Cambodian plane crash
May 2008	Transportation of disaster relief goods to victims of cyclone Nargis in Myanmar
May 2008	Transportation of disaster relief goods to Sichuan Province, China following earthquake
Mar. 2011	Donation of bottled water to Christ Church, New Zealand following earthquake
Mar. 2011	Donation of bottled water and blankets to north-eastern province in Japan following earthquake
Oct. 2011	Donation of bottled water and disaster relief goods to flooded areas in Thailand
Jan. 2012	Monetary donations to victims of typhoon Washi in the Philippines
Nov. 2013	Donation of bottled water and disaster relief goods to victims of typhoon Haiyan in the Philippines
Apr. 2014	Donation of bottled water and blankets to victims and volunteers of the Saewol Ferry tragedy, Korea
May 2015	Transportation of disaster relief goods and employee donations to Nepal following earthquake
Sep. 2015	Donation of bottled water and disaster relief goods to flooded areas in Myanmar
Mar. 2016	Donation of bottled water and disaster relief goods to victims cyclone Winston in Fiji

Shipping of Disaster Relief Goods

Korean Air lends its business acumen as a logistics and transportation group in the non-profit, global shipment of relief goods in the event of natural disasters and accidents. In 2007, the company organized a disaster relief team to increase the efficiency of aircraft and choppers deployment carrying disaster relief goods.

Disaster Relief Aid to Nepal Refugees

One of the most memorable moments in 2015 was the aiding to earthquake victims in Nepal. Since the devastation following the earthquake in April, we sent a total of 45 tons of disaster relief goods, including 24,000 bottles of water and 2,000 sheets of blankets to the refugees of the earthquake. Medical items, tents and blankets were also included in the non-profit disaster relief aid received through the Nepal Embassies in Korea from across the nation. We were motivated out of our sense of responsibility as Korea's only carrier offering scheduled direct service between Incheon and Katmandu. After a posting came up on the intranet communication channel, Communication Plaza, expressing the intention of sending relief goods to Nepal in the aftermath of the earthquake, it triggered a passionate response from numbers of our employees more than willing to donate toward the cause and the company also generously chipped deploying the required enterprise resources.



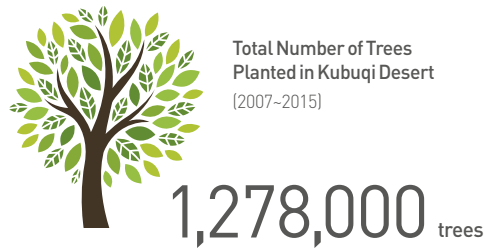
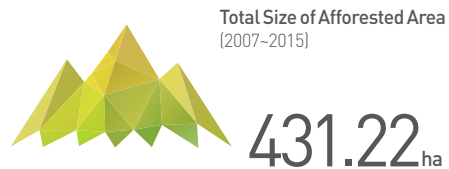
Relief Aid for Fiji Cyclone Victims

Korean Air transported disaster relief aid to the victims of the deadly cyclone Winston that ravaged the entire country of Fiji on February 20, 2016. Nonprofit shipment by passenger planes from Incheon to Fiji saw the delivery of relief goods, including dry biscuits and 9,000 liters of bottled water, which were delivered to the refugees through the local Disaster Management Office. The Fiji Embassy also played a part in the nonprofit shipment and contribution of clothes and other relief aid.

Free Flights to Korea for Korean Adoptees

Korean Air offered free tickets to Korea to the 40 adoptees attending the 2015 Korean Culture Class arranged by the International Korean Adoptee Service Inc. The 2015 Korean Culture Class is a special program that provides international Korean adoptees, aged 18 and above, in the Americas, Europe and Oceania, with opportunities to visit their mother country and rediscover their roots.





Social Contribution Programs with NGOs

Ecological Park in Promotion of Korea-China Relations

Korean Air has been restoring and expanding the Korean Air Green Ecological Park in the Kubeqi Desert in China in partnership with the Future of Forest and All-China Youth Federation for nine years since 2007. In 2015, a total of 80,000 trees were planted, totaling 1.28 million trees growing on an area size of 431 hectares.

Habitat for Humanity in the Philippines

Korean Air's Cebu branch employees and those of their partner companies volunteered in the Habitat for Humanity in the Philippines. Korean Air has been building houses for three years in the Philippines since it started the program in Quezon City of Manila in October, 2013. The 2015 event was of special significance to the beneficiary, Daanbantayan City, as it was devastated by typhoon Hagupit in 2014.



Dream Library Project for Children in China

Starting in 2010 as part of Korean Air's social contribution project in China, eh-shim, roughly translated as "caring mind," the Dream Library builds and donates libraries to underdeveloped provinces in China. To date, Korean Air has donated libraries in six cities, including Xian, Huangshan, Kunming and Shenyang. In 2015, the sixth beneficiary was the Phudong Elementary School in Liping County of the Qiandongnan Prefecture within the Guizhou Province, where we donated 2,000 books, bookshelves, computers, TV sets and other educational and sports equipment as well as pianos.

The Caring Mind Project

• July 2013 Korean Air Dream Library at an elementary school in Liaoning Province through piggy bank relay fund-raising on the A380 as part of the Caring Mind Project in China

• Mar. 2011 Donation of 67 personal computers to an elementary school in Beijing

• May 2012 Donation of 70 personal computers to Hong Shing Elementary School in Beijing

• Oct. 2008 Book donation to Hongshan Elementary School in Beijing

• 2009 Book donation to an elementary school in Wuhan

• June 2010 Dream Library at an elementary school in Xian

• Oct. 2014 Donation of 2,000 books, bookshelves, computers and other educational and sports equipment to an elementary school in the Hunan Province

• June 2015 Donation of 2,000 books, bookshelves, computers and other educational and sports equipment to Phudong Elementary School in Liping County of the Qiandongnan Prefecture within Guizhou Province

Future Plans

- Continuing social contribution activities as a specialized global air carrier
- Maintaining the Korea-China Friendship Green Ecological Park project which includes the planting 1.37 million trees on a 4.5 million square meter area by the end of 2016

Appendix

Key Sustainability Indicators

Third-Party Assurance Statement

GRI Index

UN Global Compact

Major Awards and Memberships

Economic Performance

	Unit	2013	2014	2015
Economic performance and share				
Sales	100 million won	117,124	116,804	113,084
Benefits distributed to stakeholders	100 million won	85,034	81,632	69,926
Summary of Financial Statements				
Current assets	million won	2,925,307	2,392,892	2,873,563
Quick assets	million won	2,473,265	1,976,223	2,397,884
Inventory	million won	452,042	416,669	475,679
Non-current assets	million won	18,038,947	19,027,555	20,175,377
Investment assets	million won	1,494,004	2,168,639	1,492,934
Fixed assets	million won	15,049,843	15,120,652	16,803,447
Intangible assets	million won	342,223	320,606	284,841
Other non-current assets	million won	1,152,877	1,417,658	1,594,155
Total assets	million won	20,964,254	21,420,447	23,048,940
Current Liabilities	million won	6,688,806	6,350,693	8,428,114
Non-current liabilities	million won	12,004,885	13,090,042	12,324,532
Total liabilities	million won	18,693,691	19,440,735	20,752,646
Capital stock	million won	298,931	298,931	369,753
Other paid-in capital	million won	11,248	11,248	776,179
Other capital components	million won	368,227	361,993*	332,917
Retained Earnings	million won	1,592,157	1,307,540*	817,445
Total capital	million won	2,270,563	1,979,712	2,296,294
Operating profit	million won	△18,001	372,508	859,218
Net profit	million won	△407,682	△360,575*	△407,682
Basic EPS	won	△4,540	△3,502	△5,749
Diluted EPS	won	△4,540	△3,502	△5,749

*The errors in accounting the derivatives pertaining to the oil prices option agreement were corrected and the financial statements for FY2014 ending December 31 2014 were reproduced marking the corrections for comparative purpose

Key Sustainability Indicators

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Social Performance

		Unit	2013	2014	2015
Employees					
Total employees		persons	20,433	20,428	20,815*
Gender	Male	persons	11,724	11,719	11,737
	Female	persons	8,709	8,709	9,078
Age	Below 30	persons	5,076	4,865	5,071
	30~39	persons	6,586	6,475	6,539
	40~49	persons	6,089	6,243	6,183
	50 and above	persons	2,682	2,845	3,022
Region	Domestic	persons	18,322	18,232	18,481
	Overseas	persons	2,111	2,196	2,334
Permanent	Male	persons	10,917	10,961	10,990
	Female	persons	7,546	7,367	7,517
Non-permanent	Male	persons	807	758	747
	Female	persons	1,163	1,342	1,561
Administrative positions	Male	persons	2,841	2,750	2,722
	Female	persons	914	975	1,104
General positions	Male	persons	8,076	8,211	8,268
	Female	persons	6,632	6,392	6,413
Domestic employees	Male	persons	10,549	10,784	10,790
	Female	persons	7,513	7,448	7,691
Overseas employees	Male	persons	1,175	935	947
	Female	persons	1,196	1,261	1,387
New Employment and Turnover					
New employment	Male	persons	470	573	504
	Female	persons	714	848	1,012
	Below 30	persons	933	1,146	1,264
	30~39	persons	199	241	194
	40~49	persons	43	24	41
	50 and above	persons	9	10	17
	Domestic	persons	861	975	1,037
	Overseas	persons	323	446	479

*Excluding locally-hired international executives and staff

Social Performance

		Unit	2013	2014	2015
Turnover	Male	persons	402	551	550
	Female	persons	788	555	574
	Below 30	persons	473	411	366
	30~39	persons	395	325	336
	40~49	persons	148	99	143
	50 and above	persons	174	271	249
	Domestic	persons	730	743	789
	Overseas	persons	460	363	335
Recruitment from Local Communities					
Local employment	No. of overseas employees	persons	2,378	2,459	2,599
	Ratio of locals	%	88.8	89.3	89.8
	Ratio of locals in manager positions	%	14.1	13.9	13.0
Maternity Protection					
Use of the maternity protection system	Maternity leave before and after child birth	persons	709	702	856
	Rate of return to work after the maternity leave	%	100	100	100
	Pregnancy leave	persons	476	403	463
	Childcare leave	persons	562	670	735
	Rate of retention for one year after returning to work from childcare leave	%	76.0	78.6	81.5
	Ratio of male employees	%	1.1	2.1	3.3
Collective Bargaining					
Labor Union	Eligible employees(managers, assistant managers, staff)	persons	13,839	14,148	14,688
	Ratio of unionized employees	%	78	74	71
Employee Education					
No. of employees who took education programs	Male	persons	11,724	11,719	11,737
	Female	persons	8,709	8,709	9,078
No. of hours per person	Male	persons	101	102	85
	Female	persons	131	130	126
Online learning contents	No. of contents	content	862	866	1,102
Social Contribution					
Social Contribution	Volunteering hours per person	hour	2.0*	1.9	1.7
	Social contribution expenses	million won	10,404	9,679	12,562

*The figure was changes from 2.1 to 2.0 after rounding off to the decimals.

Key Sustainability Indicators

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Social Performance

		Unit	2013	2014	2015
Information Security					
Corporation information security education	Domestic	persons	9,492	7,402	17,116
	Overseas	persons	157	656	3,002
Personal data protection education	Domestic	persons	7,379	7,284	7,727
	Overseas	persons	810	599	2,919
Customers' personal data	Personal data leak	case	0	0	0

Environment Performance

		Unit	2013	2014	2015
Fuels and Energy					
Fuel consumption for air transportation	Jet oil	Tons	3,923,102	4,006,984	4,083,989
	B-C oil	GJ	243,815	174,124	- ¹⁾
	B-B oil	GJ	-	-	-
	Gas/Diesel oil	GJ	252,705	245,097	122,781 ²⁾
	Boiler kerosene	GJ	304	-	-
Direct energy consumption for ground operations	By product fuel No. 1	GJ	15,818	9,675	8,464
	By product fuel No. 2	GJ	-	82,427	256,037 ³⁾
	Gasoline	GJ	10,861	10,509	11,072
	Jet oil	GJ	38,021	33,157	29,715
	LNG	GJ	257,974	241,459	246,072
Indirect energy consumption for ground operations	LPG	GJ	3,901	3,786	5,676
	Electricity	GJ	1,256,891	1,267,959	1,295,423
	Medium-temperature water (steam)	GJ	35,888	25,152	24,077
Energy Intensity					
	Air transportation	MJ/RTK	12.51	12.26	12.28
	Ground operations	GJ/sales amount: 1 billion won	180.68 ⁴⁾	179.22	176.80
Greenhouse Gases					
Greenhouse gas reduction	Economic flight	tCO ₂ e	136,125	141,168	143,019
	Performance enhancement	tCO ₂ e	95,097	97,793	93,346
	Flight planning	tCO ₂ e	156,822	168,039	181,159
	Weight management	tCO ₂ e	32,443	24,873	32,456

Environment Performance

		Unit	2013	2014	2015
Greenhouse Gases					
GHG emissions from air transportation	Scope1	tCO ₂ e	12,483,403	12,750,860	12,995,052
GHG emissions from ground operations	Scope1	tCO ₂ e	55,674 ⁴⁾	54,201	43,650 ⁴⁾
	Scope2	tCO ₂ e	62,769	62,738	63,694
GHG emissions intensity	Air transportation	kg_CO ₂ e/100RTK	87.35	85.56	91.29
	Ground operations	ton_CO ₂ e/sales amount: 1.0 billion won	10.11 ⁴⁾	10.01 ⁴⁾	9.52 ⁴⁾
Water Resources					
Water use	Total water intake	tons	1,250,341	1,300,020	1,407,453
	Recycled amount	tons	27,000	19,390 ⁴⁾	22,450
	Recycling rate	%	2.16	1.49 ⁴⁾	1.60
Water discharge	BOD	tons	39.677	42.293	52.832
	COD	tons	39.518	25.643	27.725
	SS	tons	43.436	34.691	40.950
	T-N	tons	5.282	4.050	4.025
	T-P	tons	1.000	1.041	0.933
Air					
Air emissions	Dust	tons	23	27	23
	THC	tons	20	29	30
	NOx	tons	65,755	67,190	68,543
	SOx	tons	7	11.2	4.6
	SO ₂	tons	3,902 ⁴⁾	3,987 ⁴⁾	4,063
Waste					
Waste generation	Municipal	tons	23,244	23,825	24,253
	Discharge	tons	1,043	1,032	995
	Designated	tons	663	602	771
Waste disposal	Incineration	tons	13,983	14,357	15,128
	Landfill	tons	641	621	474
	Recycling	tons	10,326	10,481	10,417

1) No consumption starting from 2015

2) Consumption drastically dropped after the transfer of the Limousine operation.

3) Consumption amount increased as the Tech Center fuel changed from B-C to C-9

4) Data was corrected following the change in the calculation methodology.

To the Stakeholders of Korean Air

The Korea Productivity Center ("the Assurer") was requested by Korean Air to provide an independent assurance statement on the validity of contents and information provided in Korean Air's 2016 Sustainability Report ("the Report"), and hereby presents the following assurance statement:

Responsibility and Independence

Korean Air is entirely responsible for all information and opinions presented in the "Report". The Assurer is solely responsible for providing a third party verification of the contents of the "Report".

As an independent assurance agency, the Assurer neither was involved in the process of developing the "Report" with Korean Air, nor is in any conflict of interest that may undermine our independence.

Assurance Standard

The following assurance was conducted in accordance with type 1 moderate level of AA1000AS(2008)¹ assurance standard. It verified the organization's adherence to AA1000APS(2008)² Principles of inclusivity, materiality, and responsiveness. Moreover, the Assurer checked whether Korean Air complied with Global Reporting Initiatives (GRI) G4 Guideline.

Disclaimer

The Assurer conducted an assurance of Korean Air's performance in 2013, 2014 and 2015 in accordance with the standards above, and verified the credibility of the performance in the Report in following manners:

Financial data were verified through the financial statements and disclosed documents audited by an auditing agency, and environmental/social data were verified by crosschecking the collected data. On-site inspection was limited to the head office building in Seoul, and any further assurance procedure may change the result accordingly.

Methodology

The following assurance was conducted in accordance with methodology specified below:

- Verified whether the Report fulfilled the requirements of GRI G4 Guidelines' Core Option.
- Verified whether the Report was in compliance with the principles dictating the reporting contents and quality based on GRI G4 Guidelines.
- Verified objectivity and appropriateness of all selected key issues and content in the Report by reviewing media reports and performing benchmark analysis.
- Examined appropriateness of contents provided in the Report and erroneous information through comparative analysis with other sources.
- Verified the grounds for the data and information through on-site inspection on the Office building in Seoul and verified the internal process and system through interview with the staff in charge.
- The scope and boundaries of the assurance report fall on the time, regional and value chain-based reporting scope and boundaries. Therefore, the scope of assurance coincides the consolidated sales 100 percent and the data pertaining to the supply chain is not included unless specified.

Findings and Conclusion

The Assurer verified that the Report fairly and accurately displayed Korean Air's sustainability management activities and performances. Furthermore, it is verified that the Report fulfilled requirements of GRI G4 Guideline's Core Option.

In addition, the Assurer verified the Core Option requirements for the GRI G4 Guidelines' General Standard Disclosures, and reviewed all specific standard disclosures of material issues against the disclosure on management approach (DMA) and indicators as identified from the process of determining report content as follows:

Material Aspects	DMA & Indicators	Material Issues
Economic Performance	DMA - Economic Performance, G4-EC1~EC3	Securing sustainable growth engines
Customer Health & Safety	DMA - Customer Health & Safety, G4-PR1, PR2	Ensuring safety on flight
Occupational Health & Safety	DMA - Occupational Health & Safety, G4-LA6	
Labor-management relations & Labor practices and grievances handling	DMA - Labor-management relations & Labor practices and grievances handling, G4-LA4, G4-LA16	Promoting a healthy culture of communication
Energy & Emissions	DMA - Energy & Emissions G4-EN3~7, EN15, EN16, EN18, EN19, EN21	Mitigating climate change
Product & Service Labeling	DMA - Product & Service Labeling, G4-PR5	Reinforcing customer relationship management

In case the Specific Standard Disclosures, we reviewed the Non-Material Aspects indicators, which are provided in the GRI Context Index on the following pages.

• **Inclusivity : Stakeholder Engagement**

The Assurer verified that Korean Air has in place a comprehensive stakeholder engagement programs concerning its sustainability management issues listening to their voices through active communication with major stakeholder groups.

• **Materiality : Identification and Reporting of Material Issues**

The Assurer verified that Korean Air concludes its material issues that have impact on its own business and its stakeholders through adequate analysis of its internal and external environmental factors, as well as those raised by the stakeholders. The company finalized nine core issues through materiality test concerning the stakeholder concerns and business impact to evenly cover in the report.

• **Responsiveness : Organization's Responsiveness to Issues**

Korean Air identified key issues of significant impact on its stakeholders and the company's performance results, took responsive measures for the issues, and properly presented such content in the Report. The Assurer verified that the company has established required systems, including organization, process and performance indicators, to effective response to major issues so as to enhance its sustainability.

Recommendations

The Assurer suggests below for the company's future improvements of sustainability practices:

- In addition to the current process of reporting selected material issues annually, the company is recommended to take a more long-term approach to select key management issues and present targets and performance goals for each aspect of sustainability management.
- Close collaboration with various suppliers is integral to a success in the aviation industry. Therefore, Korean Air will be able to further enhance its sustainability if it can control and improve sustainability management issues on its supply chain.



Aug 2016

Korea Productivity Center CEO Hong, Sun-Jik

KPC director Kim, Dong-Soo

Team manager Lee, Yang-Ho

Researcher Jung, Ae-Jin

The Sustainable Management Center of Korea Productivity Center is an assurance agency certified by AccountAbility, an institution that establishes global international standards AA 1000 for stakeholder participation and verifications, thereby qualified to conduct assurance on an independent basis. Moreover, our Assurance Committee is consisted of competent experts, who have ample experiences in sustainability management consulting and assurance and have completed relevant professional training.

1. AA1000AS(2008): AA1000 Assurance Standard(2008) is an international assurance standard, set by AccountAbility, that provides method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information
2. AA1000APS(2008): AA1000 AccountAbility Principles Standard(2008) is an international assurance standard set by AccountAbility that provides principles of AA1000 standards.

GENERAL STANDARD DISCLOSURES		
General Standard Disclosure		Page(s)
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	4
Organizational Profile		
G4-3	Name of organization	6
G4-4	Primary brands, products, and services	6
G4-5	Location of the organization's headquarters	6
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	6, 8
G4-7	Nature of ownership and legal form	6, 8
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6, 8
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	6, 14
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	73
G4-11	Percentage of total employees covered by collective bargaining agreements	48
G4-12	Description of the organization's supply chain	88, 89
G4-13	Any significant change during the reporting period regarding the organization's size, structure, ownership, or supply chain	2
G4-14	Clarification of precautionary approach or principle being addressed by the organization	29, 56
G4-15	List of externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	107
G4-16	List of memberships in associations (such as industry associations) and national or international advocacy organizations	108

General Standard Disclosure		Page(s)
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	2
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	16
G4-19	List of all material aspects identified in the process of defining the report content	17
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	17
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	17
G4-22	Effect of any reiteration of information provided in previous reports and reasons for such reiteration	99
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	16
G4-25	Basis for the identification and selection of stakeholders to engage	16
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	16
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	31, 43, 49, 61, 69
Report Profile		
G4-28	Reporting period (such as fiscal or calendar year) for the information provided	2
G4-29	Date of the most recent previous report (if any)	2
G4-30	Reporting cycle (such as annual, biennial)	2
G4-31	Provide a contact point for questions regarding the report or its contents	2

General Standard Disclosure		Page(s)
Report Profile		
G4-32	a. "In accordance" option chosen by the organization	2
	b. Report GRI Content Index for the chosen option	102
	c. Report reference to the External Assurance Report (if the report has been externally assured)	100
G4-33	a. The organization's policy and current practice with regard to seeking external assurance for the report	100
	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	
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	14
Ethics and Integrity		
G4-56	The organization's code of conduct and code of ethics	18

SPECIFIC STANDARD DISCLOSURES

Aspects	Material Aspect	DMA and Indicators		Page(s)
Category: Economic				
Economic Performance	●	G4-EC1	Direct economic value generated and distributed	28
		G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	51–56
		G4-EC3	Coverage of the organization's defined benefit plan obligations	79
Market Position		G4-EC5	Ratios of standard entry-level wage by gender compared to the local minimum wage at major locations of operation	73
		G4-EC6	Proportion of senior management hired from the local community at major locations of operation	74
Indirect Economic Effects		G4-EC7	Development and impact of infrastructure investments and services supported	89
		G4-EC8	Significant indirect economic impacts, including extent of impacts	89
Category: Environmental				
Energy	●	G4-EN3	Energy consumption within the organization	54, 98
		G4-EN4	Energy consumption outside of the organization	54, 98
		G4-EN5	Energy intensity	54, 98
		G4-EN6	Reduction of energy consumption	54, 98
		G4-EN7	Reductions in the energy requirements of products and services	54, 98
Emissions	●	G4-EN15	Direct greenhouse gas (GHG) emissions (SCOPE 1)	99
		G4-EN16	Indirect greenhouse gas emissions (SCOPE 2)	99
		G4-EN18	Unit of greenhouse gas emissions	54
		G4-EN19	Reduction of greenhouse gas emission	54, 98
		G4-EN21	NOx, SOx, and other significant air emissions	99
Category: Social				
Labor Practices and Labor Rights				
Employment		G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	73, 96–97
		G4-LA2	Benefits provided to full-time employees not provided to temporary or part-time employees according to the major locations of operation	75
		G4-LA3	Return to work and retention rates according to maternal or paternal leave	97

SPECIFIC STANDARD DISCLOSURES				
Aspects		Material Aspect	DMA and Indicators	Page(s)
Category: Social				
Labor Practices and Labor Rights				
Labor-Management Relations	●	G4-LA4	Minimum notification period for significant changes to business (including clarification of inclusion in the collective bargaining agreement)	48, 97
Occupational Health and Safety	●	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	40
Training and Education		G4-LA9	Average hours of training per year per employee by gender and by employee category	77, 97
		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	77
		G4-LA11	Percentage of employees undergoing regular performance and career development review by gender and by employee category	75
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)	14
Labor Practices Grievance Resolution System	●	G4-LA16	Number of grievances regarding labor practices filed, addressed, and resolved through formal grievance mechanisms	45
Human Rights				
Non-discrimination		G4-HR3	Total number of incidents of discrimination and corrective actions taken	74
Society				
Local Communities		G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	89, 93
ANTI-CORRUPTION		G4-S04	Communication and training on anti-corruption policies and procedures	18~19
		G4-S05	Confirmed incidents of corruption and actions taken	19
Product Responsibility				
Customer Health & Safety	●	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	33~35
		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)	33~35
Product and Service Labeling (customer satisfaction)	●	G4-PR5	Results of surveys measuring customer satisfaction	87
Customer Privacy		G4-PR8	Total number of substantiated complaints regarding breach of customer privacy and loss of customer data	98

Area	PRINCIPLES	Korean Air's Activities	Page(s)
HUMAN RIGHTS	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 	19
LABOR	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 	48, 74, 79
ENVIRONMENT	7. We support a precautionary approach to environmental challenges 8. We undertake initiatives to promote greater environmental responsibility 9. We encourage the development and diffusion of 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 	55~61
ANTI-CORRUPTION	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 	18~19

Major Awards and Memberships

Awards	Organization	Date	CATEGORY	ASSOCIATIONS AND ORGANIZATIONS
Bronze Prize in TVCF AWARD 2014	ADcream-TVCF.CO.KR	Jan. 15, 2015	Aviation	IATA(International Air Transport Association) AAPA(Association of Asia Pacific Airlines) Sky Team, Korea Civil Aviation Development Association (KADA) Federation of Korea Aeronautics, Korea Aeronautical Engineers Association, Korean Society for Aeronautical & Space Sciences, Korean Association of Air and Space Law, Aviation Management Society of Korea
Fast Growing Carrier 2014	Pulkovo Airport	Jan. 23, 2015		
Cellars in the Sky Award 2014 Ranked 2nd in the Best First Class Fortified or Dessert Wine Ranked 3rd in the Best Business Class Wine Cellar	Business Traveler	Feb. 23, 2015		
Excellent On-Time-Performance(OTP) record 2014	Malaysia Airlines	Mar. 4, 2015		
Air Cargo Award of Excellence 'Gold Award'	Air Cargo World	Mar. 10, 2015	Economy	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, 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
Zero Foreign Object(FOB) record 2014	Malaysia Airlines	Mar. 18, 2015		
Tech Center remains accident-free for 22 times the given standards	Korea Occupational Safety & Health Agency	Apr. 10, 2015		
Best In-Flight Duty Free	PAX Readership Awards	Apr. 15, 2015		
Top Airline by Absolute Growth in Passenger Carriage (North East Asia)	Changi Airport Group	Apr. 23, 2015		
Ranked 1st in the air passenger transport service category of the Global Customer Satisfaction Index (GCSI)	Japan Management Association Consulting	Jun. 18, 2015		
Selected as the best performer among group in the eco-mileage program for the first half of 2015	Gangseo-gu Office	Jul. 20, 2015		
Tech Center remains accident free for 25 times the given standards	Korea Occupational Safety & Health Agency	Jul. 27, 2015		
Russian Business Travel & MICE Award Best Ranked in the Airline for Business Travelers	Business Travel	Oct. 1, 2015	Environment	Green Companies Council, Business Council for Green Growth, Gangseo Business Group for Environmental Practices, Voluntary Agreement of the Aviation Industry on GHG Reductions
Best Airlines TOP 10 in 2015	私家地理(Travel+)	Oct. 13, 2015		
Marketing Award of the Year	Payload Asia Award	Oct. 15, 2015		
A330 Award for TOP Operational Excellence	AIRBUS	Oct. 26, 2015	Society	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
Aerospace Business Division was awarded the Safety Merit Commendation	Korea Occupational Safety & Health Agency	Nov. 9, 2015		
Grand Prize at the 42nd Maeil Economic Daily Advertisement Awards	Maeil Business News Korea	Nov. 24, 2015		
TOP 10 Airlines	漫绿(Travel+Leisure)	Nov. 26, 2015		
Second prize-winner of the excellent CSR strategy category at the Best CSR Performing Korean Companies in China Awards	Embassy of the Republic of Korea in China	Dec. 4, 2015		
Governor's North Star Awards for International Excellence	State of Alaska	Dec. 15, 2015		
Commendation for excellent performance in defense industry	Ministry of National Defense	Dec. 16, 2015		
Voted as one of the TOP 3 foreign airlines most loved by the Chinese people	GLOBAL TIMES(环球时报)	Dec. 17, 2015		





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