



2020 Korean Air Sustainability Report

Sustaining Excellence



CONTENTS

OUR STORY

04
CEO Message



05
Management Philosophy

07
Company Overview

11
Global Network

12
Key Business Strategies

14
Enhancing Corporate Competence

16
Contributions to the UN SDGs

OUR COMMITMENT

18
Stakeholder Communication

20
Discussion with Sustainability Experts

21
Materiality Assessment

22
COMMITMENT 01.
Absolute Safety

25
COMMITMENT 02.
Transparent and Ethical Management

29
COMMITMENT 03.
Differentiated Customer Experience

33
COMMITMENT 04.
Environment Friendly Management



OUR WAY



40
Talent Management

45
Shared Growth Management

48
Social Contribution

51
Risk Management

APPENDIX

53
Key Sustainability Indicators

60
Third-party Assurance Statement

62
GRI Content Index

66
UN Global Compact

67
Awards and Memberships



This report has been published as an interactive PDF, allowing readers to move quickly and easily to pages in the report, and including shortcuts to related web pages.

Reference Page Related Link Video Clip





OUR STORY

CEO Message | Management Philosophy | Company Overview |
Global Network | Key Business Strategies |
Enhancing Corporate Competence | Contributions to the UN SDGs

CEO Message



Korean Air Co., Ltd.
Chairman & CEO **Cho Won-Tae**

Greetings!

I would like to express my sincere gratitude for your continued interest and support.

The year 2019 was a difficult year for us as the declining economic growth rate contracted consumer sentiment and slowed the demand for air travel within Korea. Externally, trade disputes between the United States and China, animosity between Korea and Japan, and protests in Hong Kong, created a challenging business environment.

Korean Air, which celebrated its 50th anniversary last year, was able to achieve KRW 12.2917 trillion in sales and KRW 286.4 billion by operating profitable businesses, maximizing the joint venture synergy with Delta Air Lines, developing new mid- to long-distance routes with growth potential, and expanding irregular flights to discover potential demand.

In addition, Korean Air successfully hosted the annual meeting of the International Air Transport Association (IATA), also known as “the UN Conference of the Aviation Industry,” in Seoul for the first time, demonstrating the heightened status of the company, as well as the Korean aviation industry.

The worldwide spread of COVID-19, which began in early 2020, has brought about an unprecedented crisis. In response, Korean Air has employed various measures, such as saving costs, transporting cargo using passenger planes, and selling off assets. The airline is making every effort to normalize and overcome the crisis as soon as possible.

Respected stakeholders,

Based on the achievements of the past 50 years, Korean Air has carried out various activities to fulfill its social responsibilities, as well as enhance management performance, in order to become a 100-year company.

Korean Air actively responds to climate change by applying strict management standards for environmental issues and clearly communicating the information related to environmental management. While replacing the existing aircraft with eco-friendly, high-efficiency aircraft and actively participating in the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), Korean Air is also making various efforts to reduce the amount of plastic used in aircraft and to expand recycling methods. In addition, Korean Air participates in global environment conservation by planting trees every year in Baganuur, Mongolia and the Kubuqi Desert in China.

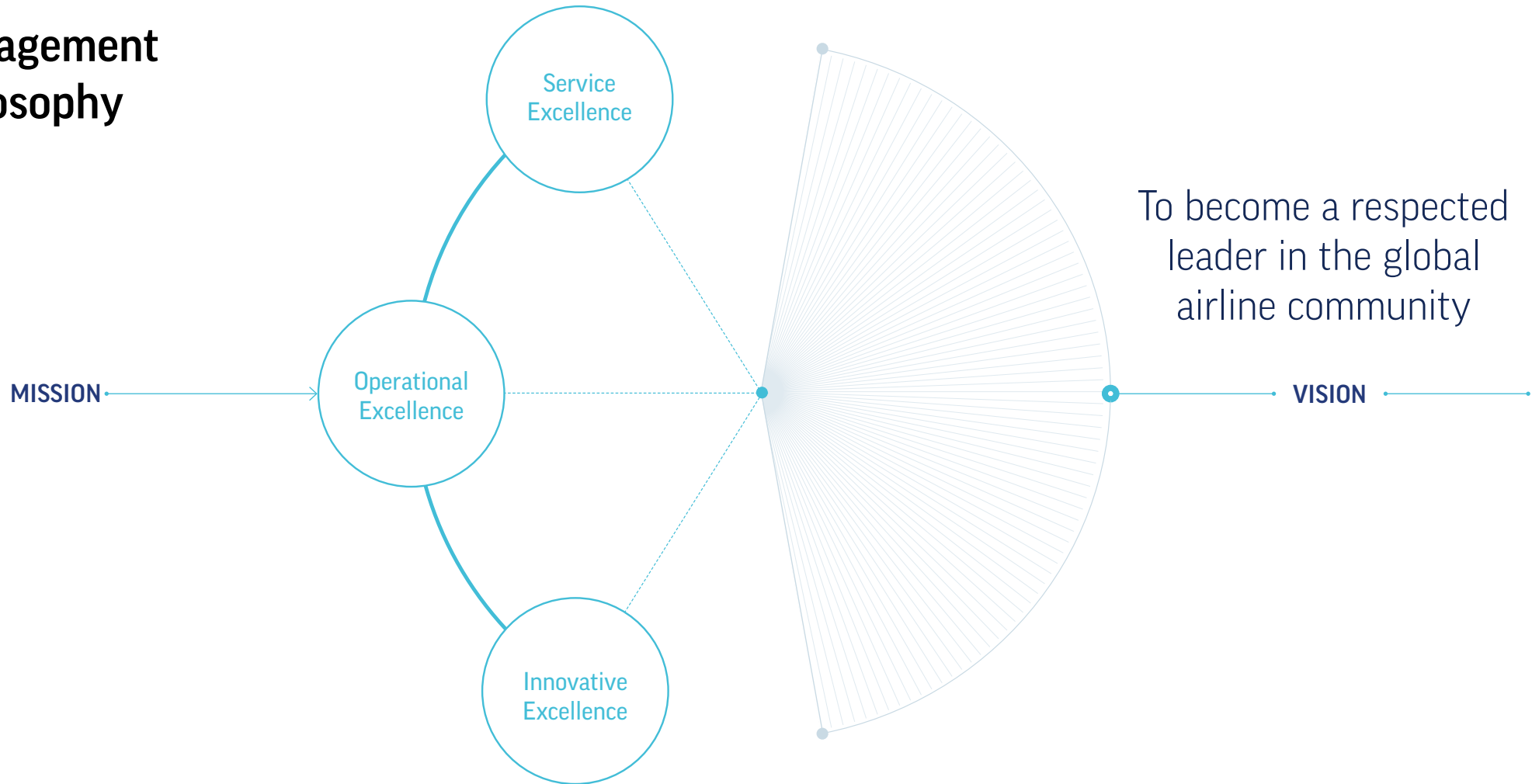
As a member of the global community, Korean Air participates in various social contribution activities. Korean Air operated a special charter to support the return of Korean residents in Wuhan and Milan, where regular air routes were suspended due to COVID-19, and to provide emergency relief supplies to the Wuhan area. Korean Air will continue to make social contributions in accordance with the belief of the founding chairman, Cho choong-hoon, that “the corporate profit must be returned to the society that made it possible.”

In terms of governance, the Corporate Governance Charter was announced to establish a transparent governance structure, and a compensation committee and a ESG (Environment-Social-Governance) committee were established within the Board of Directors. In addition, Korean Air is building a board-oriented management system by separating the CEO and the chairman position of the board and strengthening the independence and expertise of the board directors by strengthening support for the activities of the outside directors.

Korean Air was able to grow continuously over the past half century because we had the constant support of stakeholders. We will do our best to continue the growth and become a 100-year company that is loved and trusted by stakeholders.

Thank you!

Management Philosophy



Service Excellence

- Strengthening service competitiveness by developing unique services
- Offering high-end and differentiated services
- Providing high-end seats, including KOSMO Suites 2.0 and Prestige Suites, and upgrading in-flight entertainment service
- Promoting corporate image as a global leading service brand
- Offering top-tier service on a par with global standards backed by the SkyTeam alliance
- Continuing social contribution activities through Global CSR projects

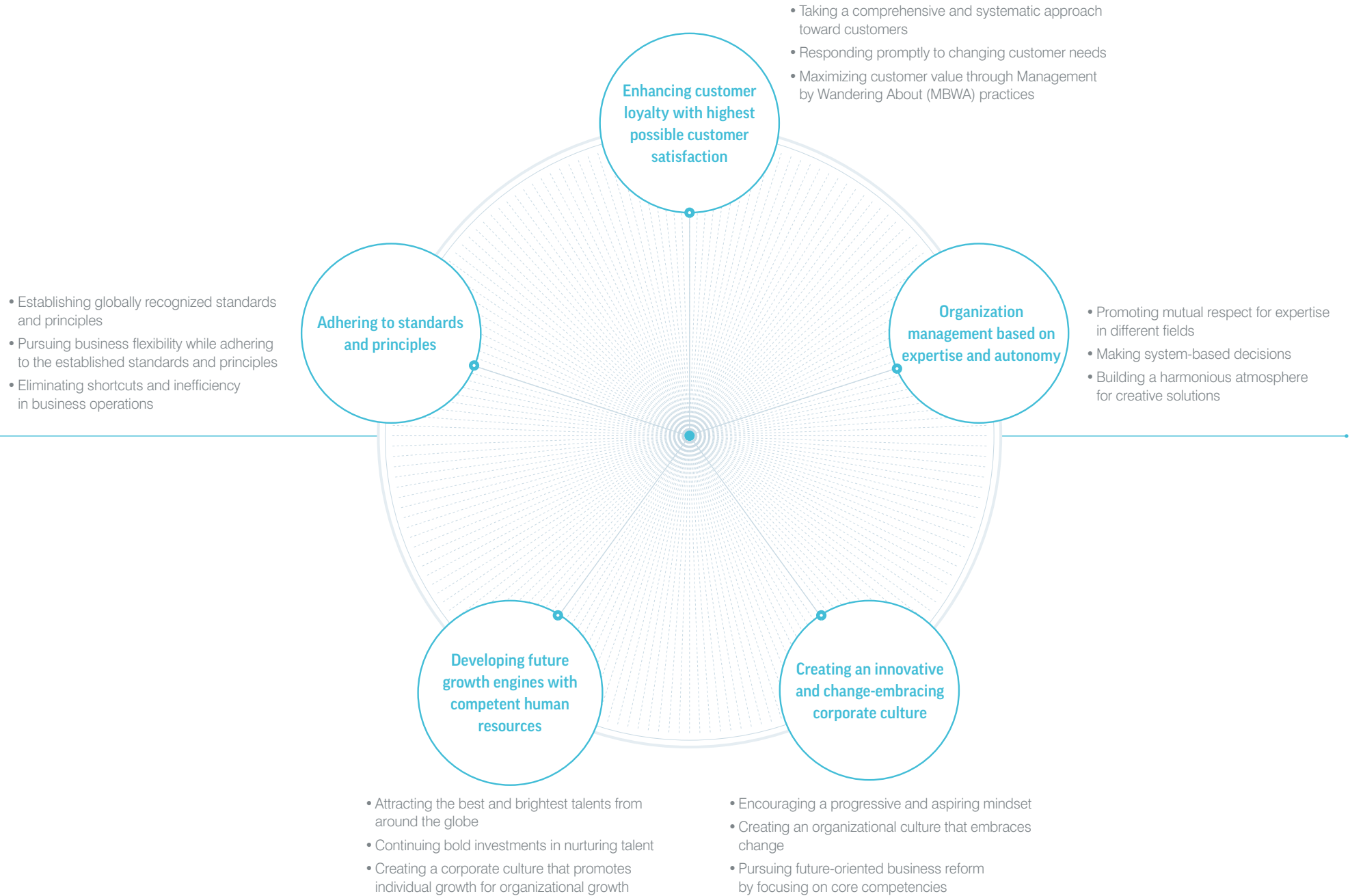
Operational Excellence

- Ensuring flawless operational safety
- Improving profitability through year-round cost reduction efforts
- Phasing in fleet modernization for maximized operational efficiency
- Expanding global network by tapping into SkyTeam resources
- Strengthening management infrastructure through company-wide IT integration
- Promoting education/training programs for fostering talent from around the globe

Innovative Excellence

- Establishing an organizational culture that encourages creativity and free thinking
- Creating a democratic and collaborative workplace
- Fostering talent from around the globe
- Breaking the silo mentality and promoting change and innovation
- Developing profitable new business models

MANAGEMENT PHILOSOPHY



Company Overview

Summary

Established in 1969, Korean Air is celebrating its 51st anniversary in 2020. As of the end of 2019, it operates 169 aircraft and offers passenger and cargo transportation services. Its business scope has expanded to now include in-flight meals and duty-free shopping, as well as development and maintenance of aircraft parts and aerospace business.

Organization Status

Company name	Korean Air Lines Co., Ltd.
Headquarters	260 Haneul-gil Gangseo-gu, Seoul, Korea (Gonghangdong 1370)
Phone number	+82-2-2656-7114
Website	https://www.koreanair.com
Business areas	Passenger & cargo transportation, aerospace, catering services and in-flight sales
Sales	KRW 12.2917 trillion (based on separate financial statements)
Number of employees	20,965 (including locally hired employees and excluding executive directors)
Air fleet	169
Routes	127 cities in 44 countries
Revenue passengers carried in 2019	27.35 million
Revenue cargo carried in 2019	1.46 million tons
Subsidiaries	Refer to the disclosures by Korean Air at http://dart.fss.or.kr

* As of Dec. 31, 2019

Air Fleet

Aircraft model	Passenger		Cargo	
	Number of aircraft	Average fleet age	Number of aircraft	Average fleet age
A380-800	10	7.8	-	-
B747-8i	10	3.7	-	-
B747-400	2	22.2	4	14.3
B747-8F	-	-	7	6
B787-9	10	1.9	-	-
B777-300ER/300/200	44	10.7	-	-

Revenue (2019)

(Unit: 100 million KRW)



103,660 Flight operations
10,943 Ancillary
8,314 Other businesses

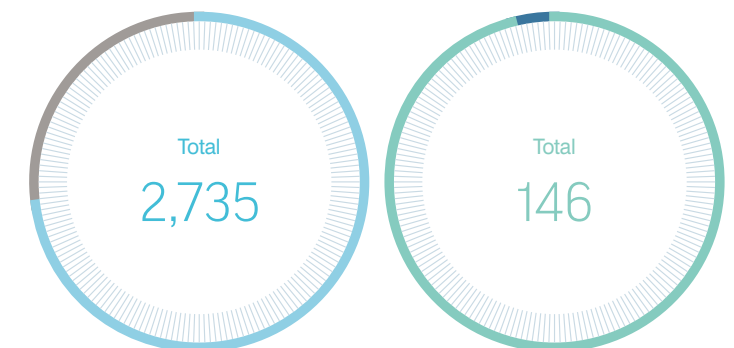
* Based on separate financial statements

(Unit: Aircraft/Year)

Aircraft model	Passenger		Cargo	
	Number of aircraft	Average fleet age	Number of aircraft	Average fleet age
A330-200/300	29	15	-	-
B777F	-	-	12	4.6
B737-800/900/900ER	31	13.6	-	-
A220-300	10	1.6	-	-
Total qty: 169	146	10.4	23	6.7

Transportation (2019)

(Unit: 10K passengers/10K tons)



1,993 International routes
742 Domestic routes
140 International routes
6 Domestic routes

Major Businesses

Air transport business

As of the end of 2019, Korean Air owns a total of 169 aircraft and is operating regularly between 13 cities in Korea and 114 cities in 43 countries worldwide, carrying 27.35 million passengers and 1.46 million tons of cargo. Despite the challenging business environment caused by unstable international situations and slowing global economic growth in 2019, passenger route revenues increased by 0.4% from operating in joint venture with Delta Air Lines and seeking to develop profitable routes. However, the cargo transportation revenues were greatly affected by trade disputes and decreased by 15% year-on-year.



Sales

(Unit: 100 million KRW)

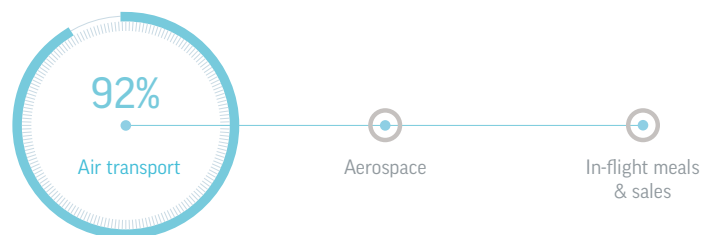
112,773



* Based on separate financial statements



Sales Portion by Business



Aerospace business

For the past 40 years, our Aerospace Business Division has accumulated experience and obtained outstanding technologies in the areas of engineering, manufacturing, production, maintenance, and performance upgrades of manned aircraft. By participating in aircraft development projects, we are becoming a leading aerospace enterprise for both manned and unmanned aircraft.



Sales

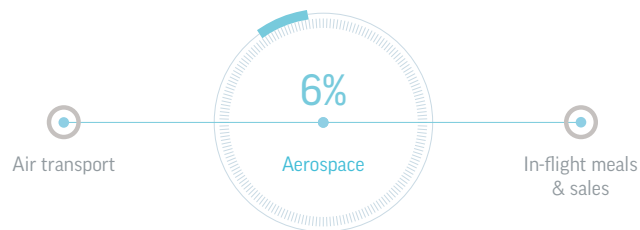
(Unit: 100 million KRW)

7,404



* Based on separate financial statements

Sales Portion by Business

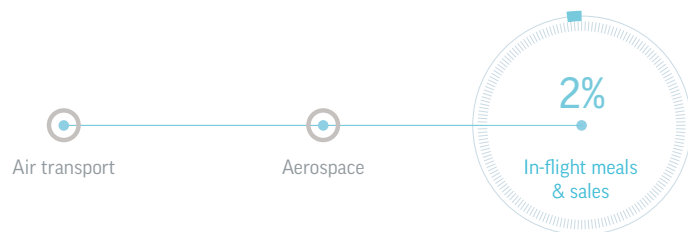


In-flight meals and sales business

Our in-flight catering provides passengers with meals that meet a range of taste preferences and suit diverse travel time zones. In-flight meals are produced on the ground in our catering facilities according to flight schedules, and provided to airlines to be served on board. The menus are constantly developed to be better suited to customers' tastes by conducting customer surveys. In-flight duty-free shopping service is provided to passengers on our international flights. A variety of goods with strictly controlled quality are selected to meet customers' needs and ensure satisfaction.



Sales Portion by Business



Sales

(Unit: 100 million KRW)

2,739



* Based on separate financial statements



Global Network

SkyTeam

SkyTeam, a global airline alliance formed in June 2000, currently consists of 19 member airlines, including Korean Air, Garuda Indonesia, Delta Airlines, Middle East Airlines, Vietnam Airlines, Saudia, Xiamen Air, Aerolíneas Argentinas, Aeromexico, Aeroflot, Alitalia, Air Europa, Air France, China Eastern, China Airlines, Czech Airlines, Kenya Airways, KLM, and TAROM. Every day, around 15,000 SkyTeam flights take off for 1,036 destinations in 170 countries. This global network offers multiple flight options and wider benefits, such as earning and redeeming mileage and using airport lounges and joint services provided by all member airlines.

In addition, SkyTeam members clearly recognize the importance of corporate social responsibilities, and are collaborating to promote sustainable, green corporate policies.

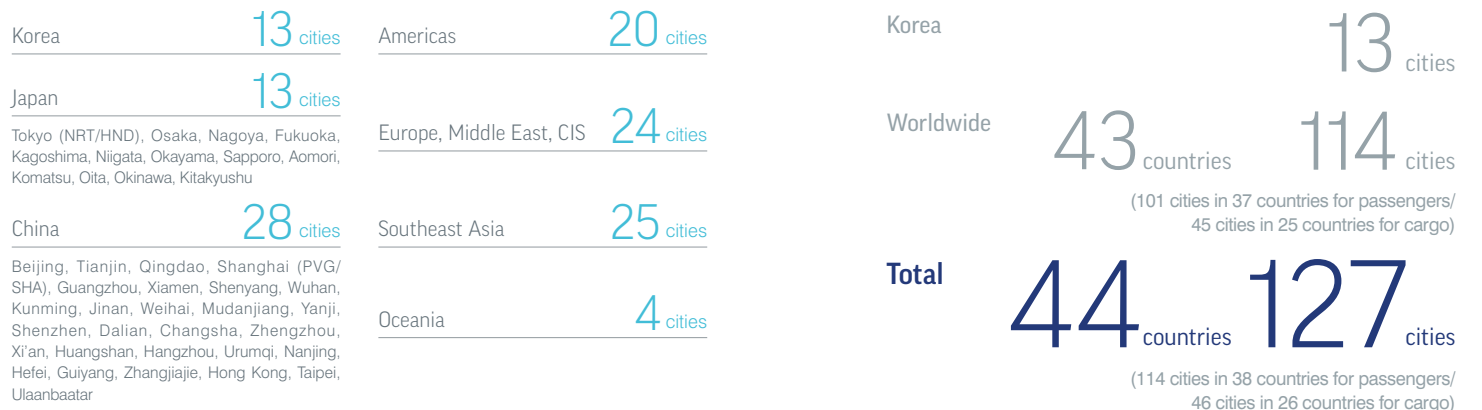
SkyTeam CSR Statement



[SkyTeam CSR Statement](#)



Route



* As of Dec. 31, 2019

Key Business Strategies

Korean Air establishes management strategies based on the analysis of the business environment, and systematically implements them to create a sustainable business structure. We support the growth of our flagship business sectors, passenger and cargo transportation, by efficiently utilizing management resources, such as continuously replacing older aircraft to fuel-efficient aircraft and optimizing the flight routes. As we continue to strengthen our competency in other businesses, including aerospace business and in-flight meals & sales business, we are establishing a stable profit structure.

Management Strategies and Core Tasks for 2020

Establish a sustainable business structure through profit-oriented business operations



Secure fundamental competitive advantages by improving resource utilization and productivity

- Enhance cost competitiveness by improving aircraft utilization rate
- Reorganize routes to be more efficient and profitable
- Inspect the process and cost for each activity and manage execution



Strengthen customer-oriented service to maximize profit

- Maintain an optimal safe operating system at all times
- Explore new demands through operation of new routes and expansion of irregular flights
- Create new revenue streams by developing premium services in line with changes in travel/IT trends



Build a practical organizational culture and strengthen change management capabilities

- Facilitate change and encourage proactive attitude in employees by sharing management status
- Enhance change management capabilities of the organization and employees in a rapidly changing environment
- Establish an optimal decision-making system based on practicality and communication

Passenger business strategies



The market for passenger air transportation is currently unstable due to uncertainties arising from political conflicts with Japan, trade disputes between the USA and China, and the COVID-19 pandemic. Despite the challenging business environment, Korean Air will continue to strive for growth and implement the following operational strategies:

Explore new markets

- Find new destinations with high growth potential and operate regular flights; expand and operate irregular flights

Enhance sales competitiveness

- Under the joint venture with Delta Air Lines, use the networks of the two companies to increase connecting flights and domestic sales in the USA

Expand affiliate networks

- Diversify profit base by strengthening cooperation with existing affiliates and expanding promotions with new affiliates

Strengthen customer-oriented service

- Enhance service quality through website reorganization and mobile app service improvement in line with the latest travel IT trends

Cargo business strategies



The cargo business division secures continuous growth engines through global network operations that meet customer needs and the RMS (Revenue Management System), or the second phase of the new cargo system, that help improve business processes.

Strengthen global network

- Operate a global network connecting key destinations in high demand
- Enhance stability in terms of schedule by operating highly efficient aircraft (B777F, B747-8F)
- Expand network through strategic partnerships with other airlines (i.e. KE/DL Joint Venture)

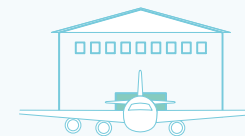
Develop new markets with high growth potential

- Focus on the growing markets, such as Eastern Europe, China, and Central & South America
- Strengthen marketing efforts targeting global manufacturers and traders
- Expand the sales of items with high growth potential, such as medical supplies, e-commerce products, fresh/perishable cargo, and telecommunication devices

Improve service quality to meet customer needs

- Improve customer satisfaction through quick, accurate, and safe transportation
- Enhance customer convenience by offering improved IT-based services through website and mobile
- Increase operational efficiency by automating transportation processes and improving RMS-based work

Aerospace business strategies



The aerospace business division has been driving the growth of the Korean aviation industry through a complete aircraft license production and MRO (maintenance, repair, and overhaul), as well as joint development of civil aviation. By focusing on R&D, Korean Air is building a portfolio of the nation's largest unmanned aerial vehicle product line and promoting overseas market expansion. Since Korean Air's military unmanned aerial vehicle was developed certified for the first time in Korea in 2014, it has acquired airworthiness certification in 2018 and is currently in mass production. The large-scale strategic unmanned aerial vehicles will be undergoing system development and preparation for mass-production in 2020. Recently, Korean Air has been accelerating the development of specialized technologies, such as stealth, hybrid propulsion systems, and autonomous clusters, as well as the development of tilt drones and hybrid drones capable of vertical takeoff and landing and high-speed flight.

Establish competitive bidding strategies to maximize profit

- Enhance competitiveness in winning orders for performance improvement projects by promoting technical collaboration with overseas companies with advanced technologies
- Develop core technology and enhance price competitiveness of tilt drones and hybrid drones to create diversified demand

Increase productivity to secure competitive advantage

- Strengthen technological foundation by developing new platforms and specialized technologies
- Eliminate inefficiencies and improve productivity through process improvement

Improve business process to enhance change management capabilities

- Provide technical support to partner companies so they are able to self-manage and improve quality
- Establish an effective business-management culture through preemptive and integrated management

In-flight meals and sales business strategies



In addition to the air transportation business and aerospace business, Korean Air carries out other business such as in-flight meals and in-flight sales.

In-flight meals

- Expand supply to increase profit from in-flight meals
- Develop new menus and improve service quality

In-flight sales

- Develop new products with high preference and expand sales of product portfolios with high profitability to increase revenue

Enhancing Corporate Competence

Strengthening the unmanned aerial vehicle business

The global market for unmanned aerial vehicles (UAVs) is projected to grow at an average annual rate of over 10% from 2019 to 2024. Korean Air has been mass-producing UAVs after several years of system development along with focused R&D in an effort to secure a new growth engine in the aerospace business. Korean Air's UAVs are considered to have comparable performance to the state-of-the-art UAVs of the United States. In addition, Korean Air is strengthening its competitiveness in the drone sector, which is an emerging field of the 4th Industrial Revolution. In December 2019, Korean Air received the Ultralight Vehicle Safety Certification from Korea Aerospace Safety & Technology Institute. Furthermore, we supplied hybrid drones developed as a model specialized for the IoT (Internet of Things) Cluster Construction Project in Busan. Korean Air will continue to strengthen our business capabilities in the field of UAVs, and make them a central part of our business in the future.

Joint development project agreement with Airbus

Challenges to adopt new technologies and strategic partnerships are essential in securing new growth engines for the next-generation aircraft. Korean Air has been growing based on its abundant experience in developing and mass-producing aircraft parts, including the development and supply of the A320 sharklet and A330NEO sharklet. Based on the years of experience developing and supplying these parts, Korean Air has signed an agreement, "Wing of Tomorrow," with Airbus to jointly develop a next-generation aircraft wing. Korean Air expects to be able to create additional business as it acquires and develops new technologies through this joint project.

Opening of the Cloud Command Center

In July 2019, Korean Air opened the Cloud Command Center, which promotes application of cloud to the entire IT system for the first time in Korea, and as a large global airline company. Designed to monitor the cloud transfer for 24 hours, the Cloud Command Center is composed of a general control room, where control personnel monitor real-time cloud transfer status and information security, and a conference room that serves as a control headquarters in the event of a failure or security problem. Data centers, overseas networks, domestic networks, and security control tasks that were operated in various locations are all integrated into the Cloud Command Center, making it easy to understand the current situation and enabling prompt response to various failures. Korean Air will continue to develop services for improving customer convenience by performing stable cloud migration and leading digital transformation through the Cloud Command Center.



1 UAV for surveillance and monitoring
2 Hybrid drone
3 Cloud Command Center



Appointment of the Chairman of Korean Air as Chairman of the SkyTeam Executive and the IATA Executive Committee

President Cho Won-Tae of Korean Air was appointed as Chairman of the SkyTeam Executive Board on June 1, 2019. In order to respond to the rapidly changing aviation market, SkyTeam has decided to appoint one of the CEOs of the alliance members to the chairmanship starting from 2019. Considering the position of Korean Air in the global aviation industry and within the SkyTeam, the president of Korean Air, Cho Won-Tae, was elected as the first chairman.

In addition, Chairman Cho Won-Tae was elected to the Board of Governors (BOG) at the annual meeting of the International Air Transport Association (IATA) in Seoul on June 2, 2019. The IATA Executive Committee consists of the secretary-general and 31 members selected from the world's top airline executives based on expertise and proficiency. As the committee's top policymaking body, the IATA Executive Committee sets the direction of IATA's activities, oversees the activities of its affiliates, and reviews and approves the appointment of the secretary-general, annual budgets, and membership qualifications. President Cho Won-Tae is expected to contribute to the advancement of the global aviation industry based on his professional insight and experience, as he has been appointed as a key member of IATA, which leads the world's aviation industry.

Hosting the IATA Annual General Meeting











Korean Air hosted the 75th Annual General Meeting of the International Air Transport Association (IATA) over a period of three days from June 1, 2019. The IATA Annual General Meeting is the largest event held annually in the international aviation industry, in which IATA resolutions are adopted and major decisions are approved. The 2019 Seoul General Meeting was attended by about 1,000 aviation officials, including the CEOs of member companies, aircraft- and parts-makers, aviation and tourism companies, and the media. During the general meeting, various sessions were held to review and forecast the future of the global air transport industry and process the approval of 2019 IATA resolutions, including the annual IATA activity report. The hosting of the IATA Annual General Meeting in Seoul demonstrates the heightened status of the Korean aviation industry. The attendance of key players of the global aviation industry at the Seoul General Meeting proved that Korea's aviation industry has made a remarkable progress.



Contributions to the UN SDGs

The United Nations adopted 17 Sustainable Development Goals (SDGs) to tackle and resolve issues related to the future of humanity, global environment, economy, and society by 2030. As a leading member of the international community, Korean Air supports the SDGs and strives to achieve these goals. Korean Air has selected SDGs that are in line with the business direction pursued by the company and is identifying potential impacts of management activities to expand positive impacts and reduce negative impacts.

✔ Positive impacts ⚠ Negative impacts

Goals	Potential impacts	Korean Air's efforts and page no. on report
 Goal 3 Ensure healthy lives and promote well-being for all persons at various ages	✔ Rapid transportation of medicines, aid and medical services necessary to promote human health ⚠ Possibility of aviation safety accidents and workplace accidents	<ul style="list-style-type: none"> Establish a company-wide occupational safety and health system P. 24 Strengthening response system for In-flight medical emergency P. 24 Establish an infectious disease response system by crisis level P. 24 Provide transport for relief supplies to disaster areas P. 48, 50
 Goal 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	✔ Provide aviation-related professional education and vocational training	<ul style="list-style-type: none"> Provide lifelong learning programs to employees P. 43 Offer experience-learning programs for local children (Take off with blue wings of dream) P. 49, 50 Donating books and building libraries for schools in Chinese rural areas ("Dream Library" project in China) P. 49, 50
 Goal 5 Achieve gender equality and empower all women and girls	✔ Create jobs for women's economic independence; foster female leadership to expand opportunities for women's participation in decision-making	<ul style="list-style-type: none"> Establish human resources policies that respect human rights and diversity P. 40 Operate a maternity protection system P. 41
 Goal 6 Ensure availability and sustainable management of water and sanitation for all	✔ Sustainable use and management of water resources ⚠ Risk of spilling pollutant; indirect impact on community water scarcity	<ul style="list-style-type: none"> Management of water quality and air pollutants and hazardous chemicals through the establishment of a company-wide environmental management system P. 36
 Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	✔ Create quality jobs; ensure a safe working environment ⚠ Potential violations of human rights for service workers	<ul style="list-style-type: none"> Promote healthy mindset and body of employees P. 41, 42
 Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	✔ Fair price and fair mobility; provide easier access to infrastructure ⚠ Indirect impact on indiscriminate industrialization in developing countries	<ul style="list-style-type: none"> Reduce aircraft noise P. 37
 Goal 11 Make cities and human settlements inclusive, safe, resilient and sustainable	✔ Provide safe and accessible means of transportation for the vulnerable ⚠ Indirect impacts on indiscriminate tourism that damages the world's cultural and natural heritages and the residential environment of locals	<ul style="list-style-type: none"> Conduct Habitat for Humanity activities P. 50 Establish sisterhood ties with rural villages P. 50 Provide free tree-planting kits on Arbor Day P. 50
 Goal 13 Take urgent action to combat climate change and its impacts	✔ Reduce carbon dioxide emissions during transportation ⚠ Climate change and indirect impacts on air pollution	<ul style="list-style-type: none"> Invest in the introduction of new eco-friendly aircraft P. 34 Reducing GHG emissions through efficient aircraft operations P. 35 Take market-based measures for carbon reduction P. 36
 Goal 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	✔ Operate security system to prevent trafficking of protected species (plants and animals) and illegal wildlife products ⚠ Habitat destruction and indirect impacts caused by ecosystem disturbances	<ul style="list-style-type: none"> Conduct global tree-planting projects to prevent desertification in Mongolia and China P. 48, 50
 Goal 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development	✔ Create synergy effects to achieve SDGs through global partnerships among various stakeholders	<ul style="list-style-type: none"> Implement the SkyTeam CSR Statement, the commitment of the SkyTeam alliance to sustainable management P. 11 Participate in and implement the market-based measures for addressing climate change issues P. 36 Join and support the UN Global Compact P. 66



The 24th Korean Air Travel Photo Contest / Monthly Best in May / Joon-Wook Park / Shining Scenery of Daegwallyeong / Gangneung, Korea



OUR COMMITMENT

Stakeholder Communication | Discussion with Sustainability Experts |
Materiality Assessment | Commitment 01. | Commitment 02. |
Commitment 03. | Commitment 04.

Stakeholder Communication

Stakeholder group



Economic Value Distribution to Stakeholders in 2019

(unit: KRW 100 million)

Employees	Labor expenses	17,814	Total 79,961
	Welfare benefits	3,616	
Shareholders	Dividends	0	
Creditors	Interest expenses	5,575	
Tax Service	Corporate tax expenses	11	
Local Communities	Donations	95	
Suppliers	Rental	319	
	Fuel expenses	1,832	
	Manufacturing expenses	7,375	
	Airport expenses	13,324	

Stakeholder communication

	 Customers	 Shareholders/Investors	 Employees and Executives	 Partner Companies	 Local Communities	 Government/ Related Organizations
Main interest of stakeholders	<ul style="list-style-type: none"> Safety and punctuality Service quality Provide diverse routes Provide accurate information Prompt processing of customer complaints/inquiries 	<ul style="list-style-type: none"> Sales and financial performance Business outlook Risk management Management hierarchy Improve shareholder communication and shareholder value (dividends, etc.) ESG issue 	<ul style="list-style-type: none"> Welfare benefits Handling employee grievances Fair evaluation and compensation Personnel policy without discrimination Education and career development 	<ul style="list-style-type: none"> Shared growth and fair trade Increase production efficiency Enhance competencies in technology, quality and human resources Share information and enhance communication Promote welfare 	<ul style="list-style-type: none"> Communication with local communities Social contribution activities Environmental conservation, relief activities 	<ul style="list-style-type: none"> Aviation safety/aviation security Aircraft fuel efficiency improvement Respond to climate change Domestic and foreign aviation policy
Communication channels	<ul style="list-style-type: none"> Website Korean Air newsroom SNS channels Service center Voice of Customer Chatbot NPS (Net Promoter Score) survey 	<ul style="list-style-type: none"> General meetings of shareholders Corporate briefings, IR meetings Website (public information) 	<ul style="list-style-type: none"> Labor-management council On-site visit to human resources management headquarters Intranet (communication/employee information system) Newsletter (KAL Daily Newsbytes) Internal corruption reporting system Employee grievance management system 	<ul style="list-style-type: none"> Portal site for partner companies (intranet) Production Management Council Workshops and meetings with partner companies Quality symposium 	<ul style="list-style-type: none"> Website SNS channel Community service page 	<ul style="list-style-type: none"> Administrative department interviews and policy meetings Technical meeting, technical consultation Government agreements Attend international organization meetings
Major activities	<ul style="list-style-type: none"> Active customer communication through various channels Resolve customer complaints and inquiries Promote service improvement through analysis of customer opinions 	<ul style="list-style-type: none"> Stable profit generation Establishment and improvement of committees within the BOD Facilitating shareholder/investor communication Expanding corporate information disclosure (via website) 	<ul style="list-style-type: none"> Employee communication activities through labor-management consultation channels Listening to on-site grievances and improving workplace environments Operate customized training programs for each job level/position Operate career development program 	<ul style="list-style-type: none"> Operate a dedicated organization to promote shared growth Cash payment in full for purchase; shortened payment cycle Technical support and joint development of localization Support exchange between partners Welfare support program 	<ul style="list-style-type: none"> Disaster relief programs Operate a community service group composed of employees Sisterhood and community service Airline tour program Love for China projects (building "Dream Library," donate PCs, etc.) Create wind forest to reduce Mongolian desertification Serve nearby areas affected by airplane noise Pay airport noise charges near local communities 	<ul style="list-style-type: none"> Preemptive response to changes in aviation security environments such as biometrics Standardization of aircraft fuel reduction technology and propagation of national airline Introduction and implementation of environment/sustainability related systems (CORSIA, Greenhouse Gas Emissions Trading System) Signed a voluntary greenhouse gas reduction agreement Leading response to domestic and foreign aviation policy

Discussion with Sustainability Experts

Korean Air provided a venue to gather expert opinions at the headquarters on January 31, 2020 to explore the domestic and global sustainability management trends in the aviation industry, as well as the direction of sustainable management development for the company. Leaders of Korean Air's Corporate Management team and IR team, and experts in consumer management, climate change, UN SDGs, socially responsible investment, and safety, attended the meeting and discussed the results of 2020 Korean Air's materiality assessment, policy changes in related areas, the latest trends, ways to improve Korean Air's sustainability management, and suggestions for information disclosure.



Kim Sung-Cheon Consumer Law Institute

Expecting spread of sustainability to Korean Air's value chain such as suppliers, B2B business, and customers.

Korean Air must not only strengthen its sustainability management, but also seek to play a role in spreading sustainability to the airline and travel industries as a representative airline of Korea. From a perspective of sustainable consumption, efforts should be made to replace in-flight catering or used items with eco-friendly alternatives. In B2B businesses, such as cargo and travel agencies, Korean Air can encourage fair-trade as a measure of sustainable management to its partners in the supply chain. In addition, it can consider offering training to raise consumer awareness of sustainable tourism across all passenger services.



Park Sang-Joon Korea Transport Institute

It is necessary to consider Korean Air's role in the global agenda of mobility revolution and climate change.

The development of autonomous driving technology has brought mobility revolution in the road transport sector. Even in the aviation industry, clear changes are taking place, although they may not be as diverse and specific as in the road transportation sector. At 2020 CES¹⁾, the automobile industry appeared as if it was trying to step in to the territory of the aviation sector. In this regard, it is necessary to present the efforts Korean Air is making to secure business in the future and to play a leading role in the mobility revolution. People are especially interested in the environmental issues, such as climate change and fine dust, as they greatly affect people's lives in Korea. Korean Air is doing a good job in promoting and disclosing relevant activities, such as setting environmental goals, and managing performance and data. Furthermore, I expect that Korean Air will take bold steps toward changing people's lives through environmental management according to its corporate vision and values.

¹⁾ CES: Consumer Electronics Show



Lee Eun-Kyung UNGC Network Korea

Need to respond to domestic and international movements on gender equality and diversity.

Recently, an amendment to the Capital Market Act was passed that required female directors for listed companies with total assets of over 2 trillion won. This is an effort to break away from the existing male-centered group thinking in governance and add new perspectives. Issues related to women rights are simmering in the international community. Even though there are many female employees in Korean Air, their advancement to the executive level or high-ranking positions is not common. It is thus necessary to consider programs and measures to promote diversity and active participation in the global initiatives and platforms such as the UNGC.



Lee Jong-Oh Socially Responsible Investment Forum

In order to effectively respond to the expansion of socially responsible investment, the organic collaboration of IR functions and sustainability management is important.

Institutional investors are vigorously exercising shareholders' rights as seen by the increase of domestic and foreign stewardship code subscription institutions, and the announcement of a responsible investment plan by the National Pension. Shareholders are likely to exert influence on dividends, executive compensation limits, violations of law, and key management areas of ESG²⁾. As the TCFD³⁾ is gaining interest in the international community, there is a growing interest in identifying and reporting the financial impacts of companies due to climate change. Korean Air needs to prepare an innovative response to investors' sustainability management needs in order to increase corporate value and fulfill social responsibilities.

²⁾ ESG: Environment, Social, Governance

³⁾ TCFD: Task Force on Climate-related Financial Disclosures



Choi Young-Je Aviation Safety Technology Institute

I ask that Korean Air continues to be aware of and makes efforts to internalize safety culture.

Korean Air can be considered safer than other international airlines, and this can be verified by the indicators disclosed in the Sustainability Report. In August of this year, the ICAO⁴⁾ is scheduled to make an important assessment of Korea's aviation safety level. The presence of a precautionary system in place will be an important assessment criterion, and I believe that Korean Air is well prepared for this. However, sometimes safety is taken for granted, like air or water, so it is important that the safety culture be instilled within the organization. We thus urge Korean Air to provide an objective and rigorous self-assessment of its safety culture and to continuously educate employees' awareness.

⁴⁾ ICAO: International Civil Aviation Organization

Materiality Assessment

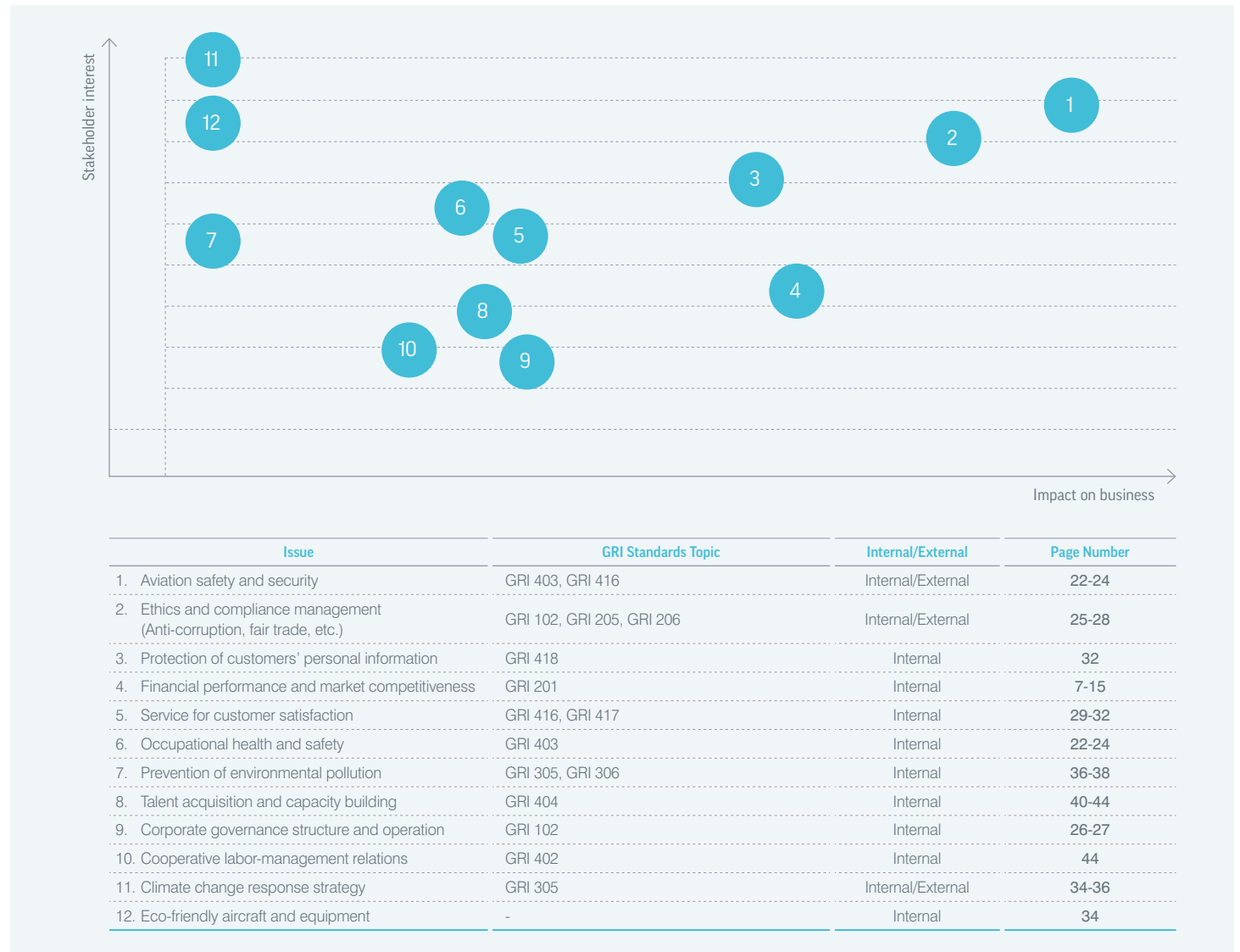
Korean Air conducted a materiality assessment to identify various expectations and concerns of internal and external stakeholders and to identify sustainability management issues affecting management activities. With reference to the evaluation criteria provided by the GRI Standards and the method presented by ISO26000, priority of issues was determined through material issue identification, prioritization, and validation. The selected material issues were used in the content composition of this report.

Among the materiality issues, aviation safety and ethical management were selected as top priorities for this year. Financial performance, talent acquisition-related issues, and customer-related issues ranked higher than in the previous year, because the heightened competition in the aviation industry increased interest in these issues internally and externally.

Materiality assessment process



Materiality assessment results





Absolute Safety

COMMITMENT 01.

Business Environment

The year 2019 marked the 100th anniversary of the worldwide launch of the private sector air transportation business. With the technological advancements over the past century, the convenience of air transportation has continued to increase, but the risk of safety accidents still exists. Recently, there have been some large and smaller aviation accidents, which reemphasized the need for the aviation industry to consider safety as the highest priority, more than any other industry sector. The Ministry of Land, Infrastructure and Transport is thus introducing a policy to promote safety investment in the aviation industry, including the pilot operation of the Safety Investment Disclosure System from May 2020.

Management Approach

In the 2020 stakeholder materiality assessment, aviation safety and security were identified as key issues both for internal and external stakeholders. Safe operation is an absolute value of Korean Air that cannot be compromised in any way. Korean Air will continue to strengthen the safe operation system to achieve 20 years of operation without loss of human life.

2019 Performance

Indicator	Performance			Goals for 2020
	2017	2018	2019	
Ongoing efforts at ensuring operational safety	17 years of operation without human life loss	18 years of operation without human life loss	19 years of operation without human life loss	Remain free of loss of human lives, and overall accidents through improved aviation safety



Continue operations with zero losses of human life

ZERO

Operation of advanced safety management system

In October 2008, Korean Air was the first Korean airline to obtain a national authorization for the Safety Management System (SMS) regulations and operations. The SMS, which defines safety management organizations, responsibilities, policies, and procedures, complies with all relevant domestic and international requirements and standards.

Safety Certification Program

IOSA Certification

IOSA (IATA Operational Safety Audit)

- An international safety audit program developed by IATA
- Korean Air was the first airline in Korea to acquire the certification in 2005 and has retained its qualification ever since.



Participation in the ISAGO program

ISAGO (IATA Safety Audit for Ground Operations)

- A ground safety audit program developed by IATA
- Korean Air has continued to participate in establishing safety standards for ground aircraft operators and operating quality improvement program since 2009. It received the Certificate of Appreciation in 2017.



Airlift Transportation Certification

Airlift Transportation Program

- Pentagon's safety certification program that classifies civilian airlines that can be used for business trips
- Korean Air has been maintaining its qualification status since 2001.

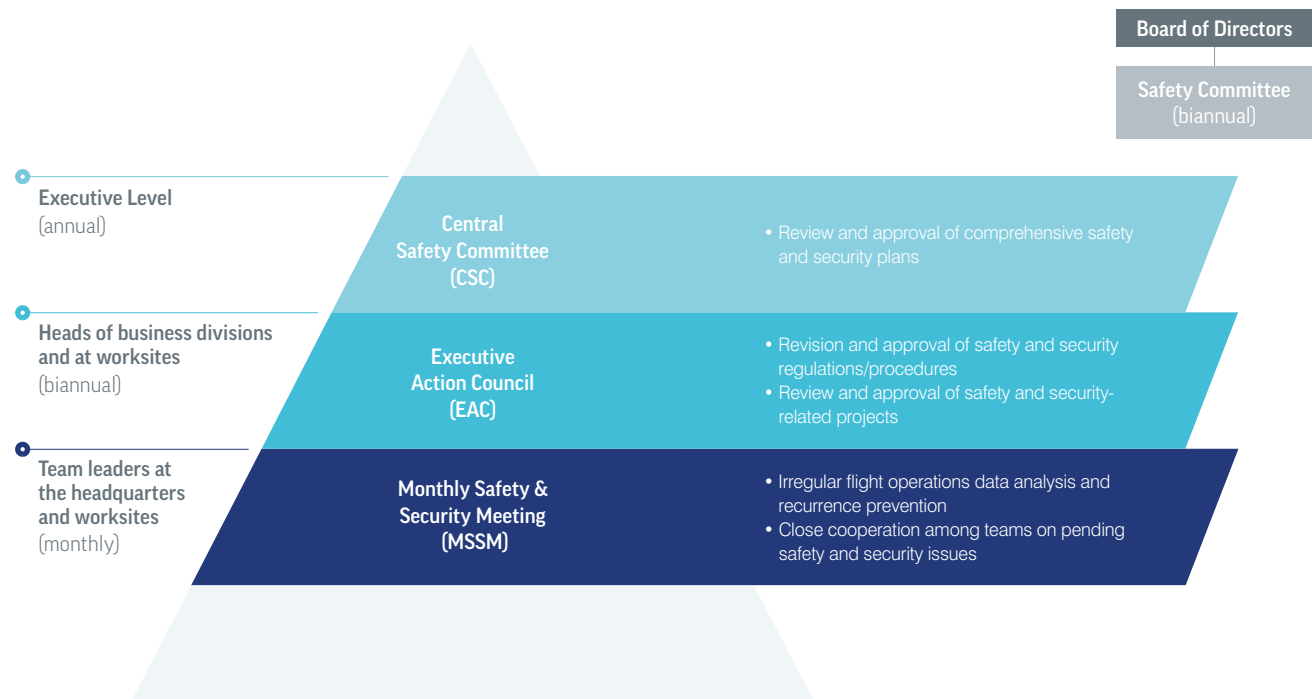


The Three-phase Approach to Korean Air's Safety Management System

Predictive approach	Proactive approach	Reactive approach
Implementing safety-management based on the analysis of flight operations and monitoring data	Minimizing impact by identifying risks through safety reports and examinations	Investigating events that have already occurred and analyzing the causes

Korean Air Safety Committee To further promote safety management, Korean Air has established a Safety Committee under the BOD in 2018 and holds biannual meetings. In efforts to maintain an absolute safe operating system, Korean Air is also holding internal safety meetings regularly to share safety-related information company-wide, discuss any new problems, and consider improvement measures.

Hierarchy of Safety Meetings



Operating safety management organizations For efficient and systematic safety management, Corporate Safety, Security & Compliance Department, under the direct authority of the president, coordinates all sectors including Passenger and Cargo Business, Flight Operations, Cabin Operations, Maintenance & Engineering, Operations Control divisions, and domestic/overseas regional headquarters. In sum, a company-wide SMS organization is in effect engaging all Korean Air members from management to frontline staff to provide the best safety standards. Furthermore, the Corporate Safety, Security & Compliance Department analyzes data derived from accident investigations, flight data analysis, and aviation safety reporting systems to identify safety hazards, assess risks, and prevent accident recurrence.

SMS Excellence reward system In an effort to preemptively identify hazards (elements with the potential to cause harm to aviation safety) and reduce risks, Korean Air introduced the SMS Excellence reward for outstanding hazard reports in June 2018. Noteworthy hazard reports are selected monthly and announced to the entire company, and certificate and prize money are awarded to employees whose reports are selected. In addition, a Safety Champion is selected from these employees every six months. This reward system encourages the voluntary participation of employees, contributing to creating a culture of safety reporting.



SMS Excellence reward system

Operation of a company-wide occupational safety and health management system

The Occupational Safety and Health Team, established in November 2018, provides legal safety and health training, and promotes on-site safety and health campaigns to enhance employee awareness of and establish a safety and health culture. Each quarter, the Occupational Safety and Health Committee, which consists of representatives of the company and the employees, collects employees' opinions on health and safety management work and industrial accident prevention. Furthermore, it holds regular meetings with suppliers and partner companies to discuss relevant issues and conduct joint inspections.

Additionally, according to the full revision of the Occupational Safety and Health Act that came into effect as of January 16, 2020 that required the strengthening of the health and safety measures of the primary contractor, Korean Air will also strengthen the on-site inspection and verification of the implementation of safety and health measures to prevent accidents among our employees and suppliers.

Emergency medical system response and prevention system during operation

Korean Air is operating an Emergency Medical Call System (EMCS), which is a medical department dedicated to providing systematic care to patients on board and at the airports, and is equipped with medical devices on board to prepare for various medical emergencies during operation. To inspect and improve the medical devices on board, patients with active symptoms and emergency situations within the aircraft are monitored and analyzed systematically. The EMCS also requires all cabin crew to be trained annually on real-life case studies to be able to provide a prompt and accurate first aid response and CPR. In addition, Korean Air provides doctors' consultation through an emergency call center that operates 24 hours per day so that the crew can make accurate medical judgments in case there are unexpected patients in the aircraft and airports. Lastly, in efforts to ensure safety of air transportation of patients on board, Korean Air regularly trains our employees based on the guidebooks that include proper assistance for various health conditions and diseases.

Rapid-response system for infectious diseases

Korean Air has established an infectious disease management manual and operates an infectious disease response system based on its know-how in dealing with foreign infectious diseases such as SARS, H1N1, MERS, and COVID-19, both at home and abroad. The infectious diseases are monitored at all times, but in the event of a pandemic, an in-house team was established to react preemptively according to the national warning stage of the infectious disease crisis. Korean Air's infectious disease response system is in compliance with the risk assessment and guidelines for infectious diseases laid down by the Korea Centers for Disease Control, WHO (World Health Organization), CDC (Centers for Disease Control and Prevention), and ECDC (European Centre for Disease Prevention and Control). Korean Air is committed to providing prompt and preemptive responses to preventing the spread of infectious diseases.

Infectious Disease Response System

Crisis alert level	Stage of spread	Response action item
Attention	Outbreak in overseas only	<ul style="list-style-type: none"> Monitoring of trends at major institutions Sharing information and status about the disease
Alert	Outbreak at home	<ul style="list-style-type: none"> Organizing and operating of an in-house response team Establishing and announcing employee health management guidelines Establishing and announcing screening procedures for suspicious patients Establishing and announcing procedures for managing suspected patients on board Equipping aircraft with additional medical devices and protective equipment to prevent infection in aircraft
Cautious	Contained spread within the country	<ul style="list-style-type: none"> Reviewing and re-evaluating action levels of in-house response team Supplying in-house infection prevention medical equipment Increasing the number and type of protective equipment on aircraft
Severe	Spread is not contained; spreading widely to other communities and regions, across the nation	<ul style="list-style-type: none"> Reinforcing the operation of the internal response team Increasing the number and type of protective equipment on aircraft Providing active support to the government agencies



Transparent and Ethical Management

COMMITMENT 02.

The 25th Korean Air Travel Photo Contest / Merit Prize / Kyung-Hun Choi / Mongolia and the Milky Way / Baga Gazriin Chuluu, Mongolia

Business Environment

The importance of establishing a sound governance structure is becoming more essential for the sustainable growth of a company. Beyond raising concerns, a corporate governance system is required, since it is socially perceived to have potential to enhance corporate value in the long term. As governance structure is emerging as one of the critical matters of a company, the importance of the roles and responsibilities of the BOD, such as independence, transparency, and expertise are gaining more priority.

Management Approach

With the mission of establishing transparent and sound corporate governance, Korean Air has declared the Korean Air Corporate Governance Charter through a resolution of the Board of Directors in 2019 to fulfill our social responsibilities to stakeholders. In addition, various tasks were amended and implemented in order to obtain advanced governance structure, and key values, such as independence, transparency, and expertise of the Board of Directors. Korean Air is fully committed to establishing sound corporate governance that is beneficial to our customers, employees, stakeholders, and society. It will continue to strive to achieve sustainable management centered on the Board of Directors.

2019 Performance

Indicator	2017	2018	2019
Number of BOD meetings	9	7	7
Number of approved resolutions	46	30	39
Attendance rate	92%	90%	96%

Board of Directors

Korean Air's Board of Directors consists of three internal directors, including the CEO, and six independent directors with proficiency in diverse fields of academia, law, and government. Independent directors are appointed by the general shareholders' meeting from the candidates nominated by the Independent Director Recommendation Committee, the majority of which are composed of Independent directors. Some qualifying shareholders can recommend a candidate for an independent director position provided that he/she follows the procedure. Information on the independent directors and candidates are disclosed on the DART website in the run-up to the general shareholders' meeting.

In March 2019, an independent director, Park Nam-Gyoo, was appointed as an expert in the air transportation industry at the general shareholders' meeting. In the general meeting of shareholders in March 2020, Jeong Kap-Young, Cho Myeong-Hyun, and Park Hyon-Joo, independent directors specialized in economics, corporate governance, corporate finance, respectively, were newly appointed to further strengthen the board's expertise, diversity, and independence. In addition, in March 2020, the Chair of the Board and the CEO positions were separated; The independent director Jeong Kap-Young was appointed as the Chairman of the Board of Directors to further increase the independence and transparency of management.

Board of Directors

	Name	Position	Date of appointment	Terms	Remarks
Executive directors	Cho Won-Tae	Chairman & CEO	March 23, 2018	3 years	-
	Woo Kee-Hong	President	March 27, 2020	3 years	-
	Lee Soo-Keun	Executive Vice President of Operation	March 27, 2020	3 years	-
Independent directors	Rim Che-Min	Advisor (Lee & Ko Law Firm)	March 23, 2018	3 years	-
	Kim Dong-Jae	Professor of Graduate School of International Studies, Yonsei University	March 23, 2018	3 years	-
	Park Nam-Gyoo	Professor of School of Business, Seoul National University	March 27, 2019	3 years	-
	Jeong Kap-Young	Honorary Professor at Yonsei University	March 27, 2020	3 years	BOD Chairman
	Cho Myeong-Hyeon	Professor of School of Business, Korea University	March 27, 2020	3 years	-
	Park Hyon-Joo	Country Executive for Korea at BNY Mellon	March 27, 2020	3 years	-

* As of August 2020

BOD performance results

Korean Air's Board of Directors held seven regular meetings to discuss and vote on 39 different agenda items in 2019. The BOD holds regular meetings at least once every quarter to ensure the informed discussion and review of major agenda, and convenes extraordinary meetings whenever necessary. The annual BOD meeting schedule is published in advance to ensure a higher rate of attendance each year. In 2019, the average rate of attendance stood at 96 percent (100 percent of the independent directors), or the meetings were attended by eight directors on average. Senior-level executives from each of the business divisions, including passenger, cargo, 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.

Advancement in governance

Korean Air enacted and announced the Corporate Governance Charter on November 7, 2019. The Corporate Governance Charter clarifies matters pertinent to shareholders' rights, the duties and responsibilities of the BOD, the management of auditing bodies, and the protection of stakeholders' rights. The full charter has been posted on the Korean Air website, newsroom, and the Financial Supervisory Service's Electronic Disclosure System (DART), so that everyone has access to it.

Major BOD Activities in 2019

Date	Agenda	Attendance of independent directors
January 29, 2019	Five agenda items including the FY2018 Account Settlement	5/5
March 5, 2019	Three agenda items including the 57th Annual General Shareholders' Meeting	5/5
April 4, 2019	Three agenda items including composition of the committee within the BOD	5/5
May 9, 2019	One agenda item including the first quarter of FY2019 Account Settlement	5/5
July 18, 2019	Ten agenda items including the first half of FY2019 Account Settlement	5/5
November 7, 2019	Eight agenda items including the establishment (proposal) of Compensation Committee	5/5
December 19, 2019	Nine agenda items including 2020 business plan (proposal)	5/5

Committees within the BOD

In order to ensure efficient operation of the Board of Directors and to comply with related laws and regulations, Korean Air has established and is operating five committees, namely, the Audit Committee, Independent Director Recommendation Committee, ESG (Environment-Social-Governance) Committee, Safety Committee, and Compensation Committee. Excluding the Safety Committee, four out of the five committees are composed of only the independent directors.

Reinforcing the Board's independence

At the regular general shareholders' meeting in March 2020, Korean Air amended its Articles of Association to appoint the chairman of the Board of Directors from the board members, instead of having the CEO as the chairman. Mr. Jeong Kap-Young, the new independent director, was appointed as the new chairman of the Board of Directors. This appointment of the chairman of the Board of Directors, who is not the CEO, further strengthens the role of the Board of Directors in monitoring the management of the company and enhances the board's independence and management transparency so as to protect the

shareholders' rights. Through the appointment of new, independent directors, the Board of Directors, which previously consisted of three executive directors and five independent directors, was reorganized to include three executive directors and six independent directors. Lastly, filling all seats of the Independent Director Recommendation Committee with only the independent directors further ensured the objectivity and transparency in the appointment of independent directors.

Strengthening the Board's expertise and diversity

Korean Air focuses on expertise and diversity in the Board so the decision or the resolution of the Board is balanced and reflects a broad perspective. The Independent Director Recommendation Committee composed of all independent directors nominates candidates with high professional and social reputations, and who can contribute to the company's strategic direction and objectives. In 2020, with the appointment of the first female independent director, the Board of Directors expanded the field of expertise to encompass management, finance, as well as corporate governance. Korean Air will continue to promote diversity and expertise of the board and strive for board-oriented management.

Strengthening the transparency of the Board of Directors

Korean Air reinforced the business transparency by separating the CEO and the Chairman of the Board of Directors, and also reorganized the existing Governance Committee into ESG Committee to reflect the non-financial factors such as environment, social responsibility, and corporate governance in management activities. The ESG Committee, composed of all independent directors, reviews the company's major management issues that significantly affect shareholder value and interests in advance, and reviews and oversees the company's ESG-related performances.

By establishing another committee composed of all independent directors, the Compensation Committee, the company has secured even more objectivity and transparency in the directors' compensation decision process. The Compensation Committee reviews and ensures the proper compensation level of directors for the performance they contributed. The remuneration limit for directors is determined through a resolution at the general shareholders' meeting. The approved amount at the general shareholders' meeting in 2019 was 5 billion won, of which 4.07 billion was executed.

Stakeholder communication channels

Korean Air is utilizing a range of channels, including annual, semi-annual and quarterly reports, IR information on the website, general shareholders' meetings, IR sessions, and the DART (<https://dart.fss.or.kr>), to swiftly communicate major business issues to shareholders and stakeholders, and to receive their feedback. In particular, as the sustainability report is a major channel of communication with stakeholders, it is published with the approval of the president, vice president and heads of divisions.

Committee Information

Committee	Composition	Names of directors	Purposes and responsibilities of the committee
Independent Director Recommendation Committee	Independent director (4)	Jeong Kap-Young (chairman), Rim Che-Min, Kim Dong-Jae, Park Nam-Gyoo	Nominating independent director candidates according to the governing laws, including the company's Articles of Association and the Board of Directors' regulations
Audit Committee	Independent director (3)	Rim Che-min (chairman), Kim Dong-Jae, Park Hyon-joo	Auditing the account books and business operations while dealing with matters commissioned by the BOD according to the governing laws, including the Articles of Association and the Board of Directors Regulations
ESG Committee	Independent director (3)	Kim Dong-Jae (chairman), Park Nam-Gyoo, Cho Myeong-Hyun	Review and oversee implementation of ESG related tasks; deliberation/decision on internal transactions prescribed by laws and Fair Trade Act; preliminary review of major management matters that may have significant effects on shareholder value
Safety Committee	Executive director (2) Independent director (1)	Lee Soo-Keun (chairman), Woo Kee-Hong, Rim Che-Min	Monitoring and providing suggestions regarding safety performance and management, and making decisions pertaining to the agenda as commissioned by the Board of Directors
Compensation Committee	Independent director (3)	Park Nam-Gyoo (chairman), Kim Dong-Jae, Park Hyon-Joo	Obtaining objectivity and transparency in the directors' decision-making process; determining matters related to directors' compensation and delegation of the BOD

* As of August 2020

Korean Air's ethical management activities

Through the Charter of Ethics, Korean Air presents transparent management and responsible management as its corporate philosophy and shares its values and goals with stakeholders, including employees, customers, and shareholders. Based on the Charter of Ethics, Korean Air operates corporate ethics programs, such as guidelines for implementing ethical standards, conducting ethical issues, and reporting internal corruption. All employees are obliged to strictly observe and comply with the program's codes.

In addition, the Corporate Ethics Office was established in-house, and the head of each division and the executives in charge were appointed as internal ethics officers. A management supervisor system is provided so that employees can make the right decisions and take appropriate actions based on sound judgment.

Internal Business Ethics Programs

Pertinent internal guidelines/rules	Details
Charter of Ethics Full text	Core management values and guiding principles in all business activities
Guidelines on the implementation of the code of ethics Full text	Action guide at workplace for implementing the Charter of Ethics
Guidelines on dealing with ethics issues Full text	Guidelines to help employees make right decisions and act on the basis of sound judgement
Whistleblowing system Full text	System to minimize the occurrence of illegal misconduct within the organization and prevent retaliation against employees for reporting such violations

Charter of Ethics

Korean Air regards transparency and responsibility as core management values. Respecting free market principles and abiding by relevant rules and regulations in the business practices, Korean Air strives to promote prosperity for the company and society as a whole.

As a result, Korean Air instituted Charter of Ethics as below and vows to observe it at all times:

- We regard customer satisfaction and safety as our highest priority.
- We increase investment value for our investors.
- We respect all employees and their right to an enhanced quality of life.
- We promote shared growth with our suppliers based on mutual trust.
- We respect the principles of free competition and maintain front-runner status in the development of the air transport industry.
- We contribute strongly to the sound development of society and to the preservation of the environment.
- We acknowledge the corporate principles set forth by the company and uphold all obligations and responsibilities.

Ethics Management Training Completion Status

(Unit: Persons (Completion rate))

Course title	2017	2018	2019
Compliance with Anti-trust Laws ¹⁾	1,216 (88%)	1,032 (77%)	1,198 (88%)
Creating a Bright and Pleasant Workplace	18,760 (92%)	18,785 (91%)	18,855 (90%)
Ethics Management in Korean Air ²⁾	516 (3%)	18,699 (91%)	933 (4%)
Understanding the Abuse of Market Dominance and Unfair Trading Practices ²⁾	0 (0%)	14,883 (72%)	172 (1%)
Understanding Improper Solicitation and Graft Act ³⁾	2 (0%)	1 (0%)	16,783 (80%)

¹⁾ Offered every year for domestic and overseas sales personnel

²⁾ Offered every other year

³⁾ Offered every other year; the 2018 training course was postponed to 2019

Strengthening ethical management and compliance

Korean Air conducts regular online training programs to help employees acquire and comply with various knowledge and information related to ethical management and compliance. Every other year, employees at home and abroad are required to complete the "Our Ethical Management System" course, which explains the importance of the company's ethical management activities and corporate philosophy. The employees are required to pledge their compliance with the company's ethical management system.

Whistleblowing system

Through Korean Air's website and its in-house portal system's reporting channel (e-mail: jebo@koreanair.com or whistleblower@koreanair.com), employees can report misconduct within the company with regard to personal and business favors asked to/by employees, illegal acts, corruption and other irregularities that often arise in deals involving suppliers. Reporters are strictly protected according to the internal rules and procedures and are kept up to date with the progress of the investigations. In addition, it is prohibited to place an employee at a disadvantage for reporting internal corruption, and the result of the investigation is being shared with the reporter.



Differentiated Customer Experience

COMMITMENT 03.

Business Environment

The advancement of technologies and diversification of experiences have raised the expectations of customers and social demands on companies. Accordingly, improving the customer experience is no longer considered as a marketing strategy, but rather a corporate survival strategy. In order to meet the heightened needs of customers, airlines are developing customized services using new technologies such as big data and artificial intelligence, while striving to improve customer convenience through cooperation with other airlines. Furthermore, Korean Air is re-evaluating services to ensure that all customers receive equal or comparable services and not one customer experiences any benefits or disadvantages.

Management Approach

Korean Air is making various efforts to improve customer experience under the main mission of 'impressing customers and creating value.' Based on customer feedback received through various communication channels such as Voice of Customer (VOC), it is introducing new technologies and platforms to enhance customer convenience and service quality. In addition, Korean Air is working in a joint venture with Delta Airlines to optimize the flight schedule between the two companies and provide a better experience for customers at all stages of their journey. Korean Air will continue our efforts to achieve customer satisfaction by offering differentiated, high-quality service.

2019 Performance

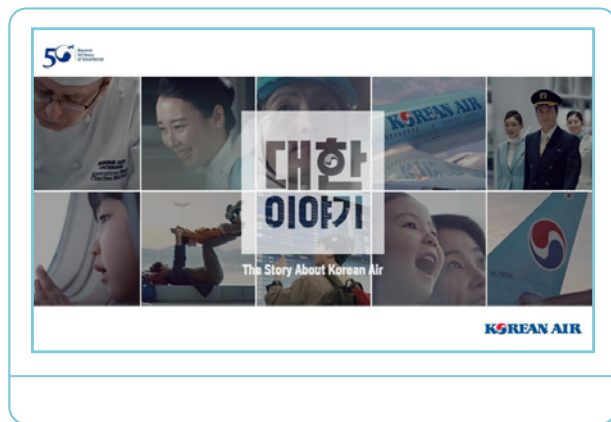
Indicator	2017	2018	2019	Goals for 2020
Number of customer data breach reports (Cases)	0	0	0	0
Global Customer Satisfaction Competency Index (GCSI)	Ranked first for 13 consecutive years	Ranked first for 14 consecutive years	Ranked first for 15 consecutive years	Ranked first for 16 consecutive years



Customer-engaged marketing

In commemoration of the 50th anniversary of Korean Air, Korean Air launched an advertising campaign, "Daehan Story (About Korean Air)," which narrates stories in relation to the activities of each business sector, such as passengers, cargo, and in-flight meals. The campaign was designed to convey the message of continuing to advance with customer support. It received a lot of positive feedback as it created familiar and relatable stories about various activities of each business sector. Korean Air will continue to make every effort to produce advertisements that take it one step closer to our customers.

Daehan Story (About Korean Air)



Advertising campaign, "Daehan Story (About Korean Air)"

Cultural marketing

Airplane drawing contest The event is held at the hangar of Korean Air for children to support their hopes and dreams in art. The Ministry of Culture, Tourism, and Sports' Minister's Prize is awarded to the grand prize winner along with an opportunity of a tour to international aircraft manufacturers. In addition, the winning artwork will be depicted on the exterior of a Korean Air aircraft.

Airplane drawing - video clip

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. As the nation's biggest travel photo contest for amateur photographers, a number of high-quality works that capture the memories of the trip and makes one want to travel are submitted.

SNS communication

Korean Air communicates with our customers through various social media at home and abroad, including YouTube, Instagram, and Facebook. It is producing contents to introduce Korean Air destinations and transportation services, and creating various customer participation events to meet with customers. In close collaboration with influencers, it is developing trendy and intriguing contents tailored for each SNS channel. In addition, Korean Air offers various direct/indirect experiences to SNS followers, such as cabin crew training center tours, flight crew training center tours, new aircraft introductory tours, and in-flight meal facility tours.

SNS Channel Subscription Status

(Unit: Persons)



* As of January 2020

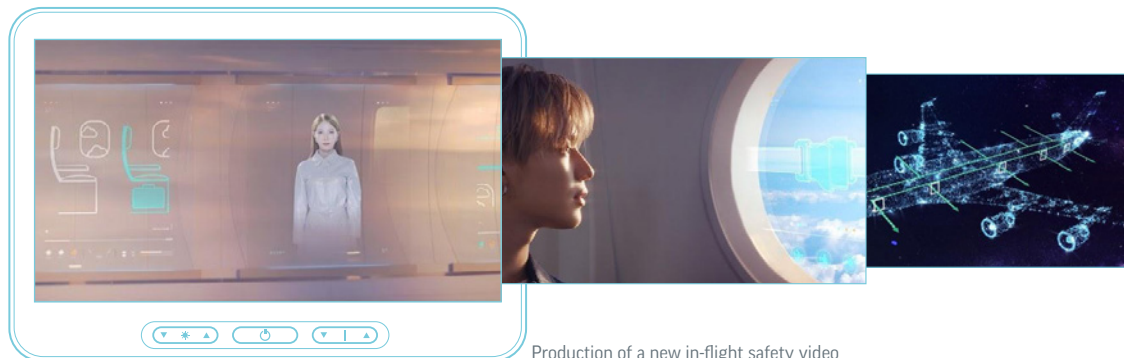
Production of a new in-flight safety video

In November 2019, Korean Air released a new in-flight safety video in K-POP music video format. The new safety video drew great attention domestically and internationally as it featured SuperM, a project group of SM Entertainment, a leading entertainment company in Korea, and a global artist BoA and recorded more than 13.7 million YouTube views as of the end of December 2019.

Korean Air broke the stereotype that the airlines' safety videos are boring and increased the level of engagement from passengers, ultimately improving the effectiveness as a safety instruction. As K-POP is one of Korea's representative cultural products, Korean Air intended to demonstrate a new look of Korean Air in transition, while also conveying all of the essential guidelines required by the Aviation Law and the Ministry of Land, Infrastructure and Transportation.

Korean Air released the song in the video, "Let's go everywhere," as a digital single album. All revenues from sales of the song will be donated to the Global Citizen Campaign to help resolve global issues like poverty, climate change, and human inequality.

In-flight safety video



Production of a new in-flight safety video

Efforts to impress customers

The core management principle of Korean Air is to incorporate the voice of the field in customer service. As Such, Korean Air utilizes Voice of Customer as a means to manage customer contact points and identify service trends.

Service improvement cases that reflect the VOC

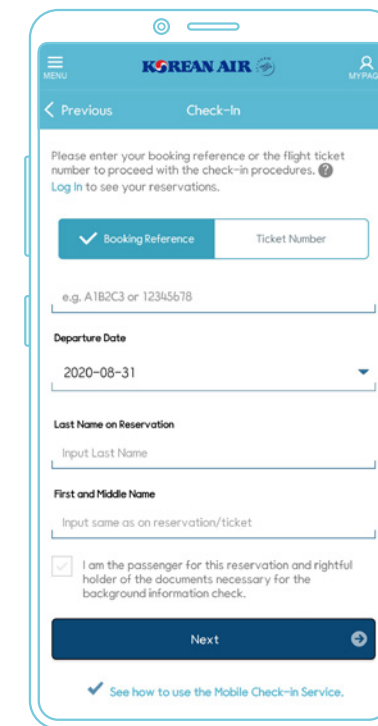
Expansion of on-board AVOD contents In order to provide a wider range of experience to customers, Korean Air plans to increase the number of in-flight entertainment contents, such as movies, short films, and games, available on in-flight AVOD (Audio & Video on Demand) throughout 2020.

Increase use of self check-in service (mobile/web check-in and kiosk)

In order to simplify the check-in process for customers and reduce the waiting time at the counter, self check-in restrictions for the following customers needing extra assistance will be eased: infants & children (except for passengers that request infant cradles), group passengers, and passengers using transit exclusive domestic flights, charter flights, and wheelchair service.

Ranked first in the Global Customer Satisfaction Competency Index (GCSI)

Korean Air has been maintaining first place for 15 consecutive years in the air passenger transport services sector of the Global Customer Satisfaction Competency Index (GCSI) developed by the Global Management Association (GMA), solidifying its position as a customer-oriented company. Also ranking first in the airline category in the 2019 Korea Service Quality Index (KS-SQI) evaluated by Korea Standards Association, it is recognized externally for its competitiveness as a leading airline in the global aviation industry and for enhancing customer service.



Mobile self check-in service

Customer privacy protection

Information Security Management System (ISMS) certification

Korean Air takes the lead in protecting customer privacy by acquiring various domestic and international certifications in privacy protection management. Since 2005, it has been certified every year with the Information Security Management System (ISMS) by the Korea Internet & Security Agency (KISA). Furthermore, Korean Air has obtained the Information Security Management Systems (ISO27001:2013) certification established by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), which ensures compliance with 114 standard control items across 14 areas, including information protection policies, physical security, access information control, and business management systems. Korean Air promotes a culture of voluntary privacy protection of all employees and endeavors to strengthen the awareness of privacy protection.

Integrated Security Operation Center Korean Air manages major IT systems in domestic data centers and overseas cloud services to safely protect them from external malicious attacks. By conducting periodic mock hacking of major internal and external services and establishing the Security Operation Center in the Cloud Command Center, Korean Air attempts to prepare for risks like cyber terrorism and personal information leakage and to increase the level of societal and policy-related demands related to information security and personal information protection. At the Security Operation Center, which is open 24 hours per day, seven days per week, all logs generated in the IT system are stored, analyzed, and used to perform real-time monitoring to continuously respond to possible attacks.

Information security training At Korean Air, all domestic and overseas employees handling customer information are required to take a training course on data security and privacy protection twice per year. Some courses are offered throughout the year for all employees, including the executives. Data security training covers topics including customer data, email/mobile/PC security, social engineering, the latest domestic and international trends, and any revisions to pertinent laws. In January 2016, Korean Air has introduced 'a monthly security day,' in which all employees share any security concerns or issues identified throughout the month and remind each other of security inspection rules. As such, Korean Air is working to improve the level of security expertise.



Employee Training Status

(Unit: Persons)

Year	Course title	First half		Second half	
		Domestic	Overseas	Domestic	Overseas
2017	<ul style="list-style-type: none"> Information security Information security at Korean Air 	17,403	2,915	7,817	2,567
2018	<ul style="list-style-type: none"> Information security Privacy protection 	15,979	2,533	17,480	2,619
2019	<ul style="list-style-type: none"> Information security Privacy protection 	17,676	2,616	18,499	2,836

• First half • Second half

Number of Customer Privacy Leakage Reports

(Unit: Cases)

	2017	2018	2019
Reported case(s) of privacy leakage	0	0	0



Environment Friendly Management

COMMITMENT 04.

Business Environment

With the recent increase in the stakeholders' interest and demands related to the environment, the importance of a company's environmental management strategy has never been emphasized more. Global leading companies, such as Microsoft and Apple, as well as global energy companies including BP are releasing climate change response strategies and investment plans. Additionally, Starbucks and IKEA have declared that they will withdraw plastics from all of their stores worldwide by 2020.

The stakeholders of the aviation industry have high awareness of environmental management and recognize the strengthened global environmental regulations as major risks. In response, the aviation industry introduced the international airline carbon offset scheme for the first time in the industry, and declared carbon-neutral growth from 2020, emphasizing the industry-level response.

Management Approach

Understanding the importance of preventing pollution and responding to climate change, Korean Air's stakeholders advocate the introduction of environmentally friendly aircraft and strategies for climate change. In order to respond to various regulations, companies are required to be transparent about the environmental management information. Accordingly, Korean Air will be reporting environment friendly management as a material issue, and communicating with stakeholders on pertinent matters.

2019 Performance

Indicator	2017	2018	2019	2020 Goal
International fuel efficiency (ℓ/100RTK) ¹⁾	33.33	31.45	32.13 ²⁾	31.66

¹⁾ Fuel efficiency = Fuel consumption (volume)/Transportation (100RTK) (smaller value is more efficient)
RTK (Revenue Ton Kilometer): transportation of 1 ton of passengers/cargo for 1 km; a unit that indicates the business volume

²⁾ International fuel efficiency indicators increased due to reduced cargo transport in 2019

Stakeholder Communication

Discussion with Sustainability Experts

Materiality Assessment

Commitment

Responses to climate change

Carbon-neutral growth from 2020 The International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO) have adopted Carbon-Neutral Growth from 2020 as a joint goal to freeze the industry's total carbon emissions at the level in 2020. Greenhouse gases generated from aircraft operation currently comprise only 2~3% of global emissions. However, as the aviation industry is expected to continue growing, the industry as a whole will need to come up with a strategy to respond to climate change. Korean Air has voluntarily set a reduction target and is applying various measures to achieve carbon-neutral growth and prepare for climate-change risks.

Introduction of eco-friendly aircraft Introduction of eco-friendly, high-efficiency aircraft is the most effective way to reduce greenhouse gases in the aviation industry. The active utilization of new aircraft enabled Korean Air to maintain the lowest fleet age among domestic airlines. Its efforts to reduce greenhouse gas emissions were demonstrated in 2019 by the introduction of high-efficiency aircraft, such as the B777-300ER, B787-9, and A220-300.

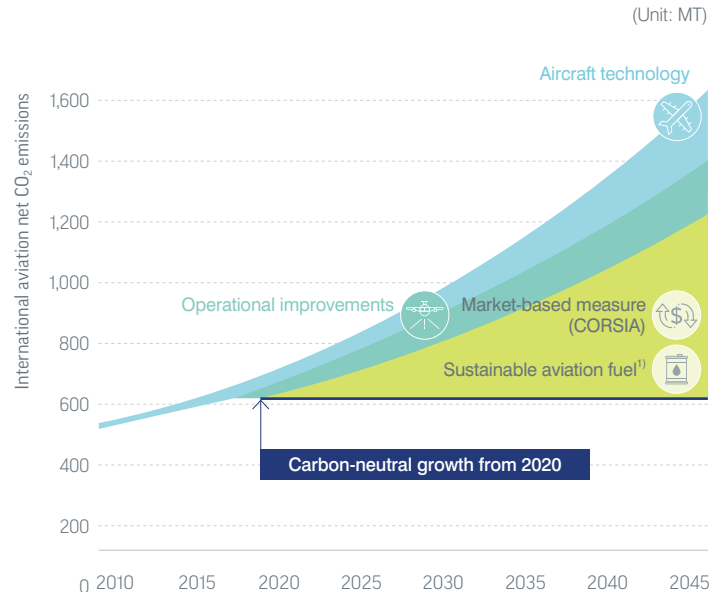


The next-generation, eco-friendly aircraft, B787-9 Dreamliner

The B787-9 Dreamliner, introduced by Korean Air for the first time in Korea, is a high-efficiency, eco-friendly aircraft that incorporates the next-generation, cutting-edge technologies of the aircraft manufacturer, Boeing. As much as 50% of the aircraft body is made of carbon composite material. Compared to other aircraft models of the same class, the Dreamliner has 20% higher fuel efficiency per seat, 20% lower carbon dioxide and nitrogen oxide emissions, and 60% less noise. In addition, the air pressure and humidity in the cabin are increased and the seats are spaced out more at 33-34 inches (coach/economy class) to provide a more comfortable environment.

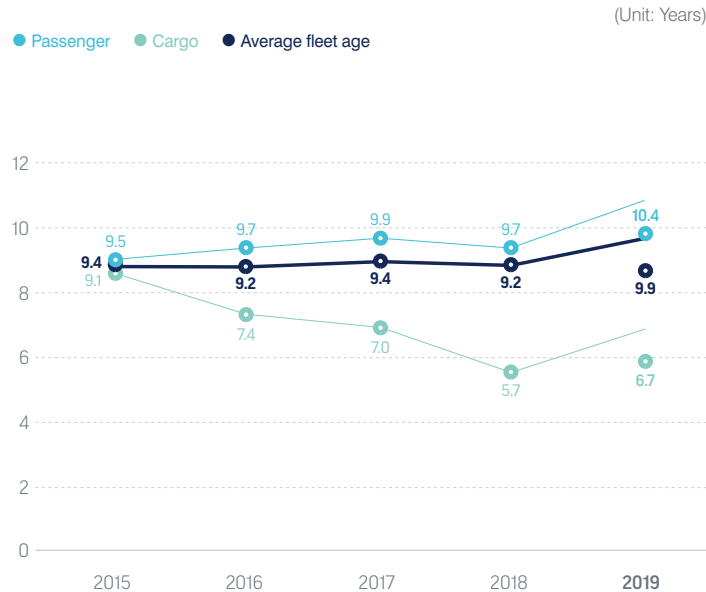
Korean Air currently operates ten B787-9 Dreamliners on mid- to long-distance routes and plans to add ten more to provide more comfortable and eco-friendly services to customers.

Carbon-Neutral Growth from 2020 and Major Means of Achievement

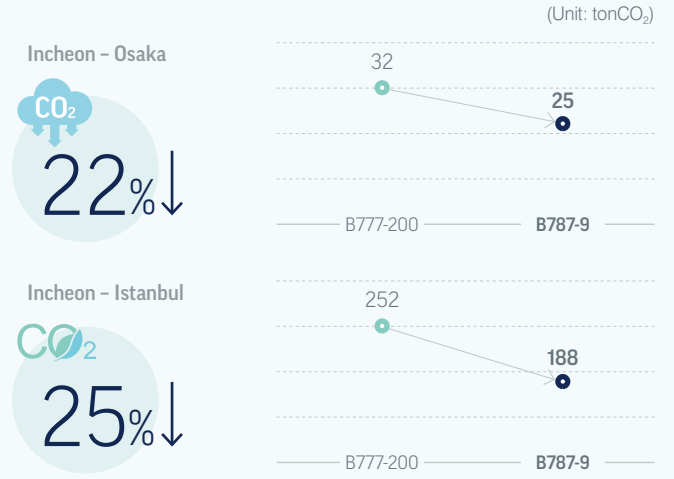


¹⁾Sustainable aviation fuel: Alternative jet fuel derived from biomass

Average Fleet Age in Korean Air



Greenhouse Gas Emissions per Flight in 2019



* As of 2019

Improving fuel efficiency Carbon emissions from international and domestic flight operations account for about 99% of Korean Air's total carbon emissions. Korean Air recognizes that fuel-efficiency improvement should be the top priority, and thus strives to continuously reduce fuel consumption and carbon emissions from aircraft operations.

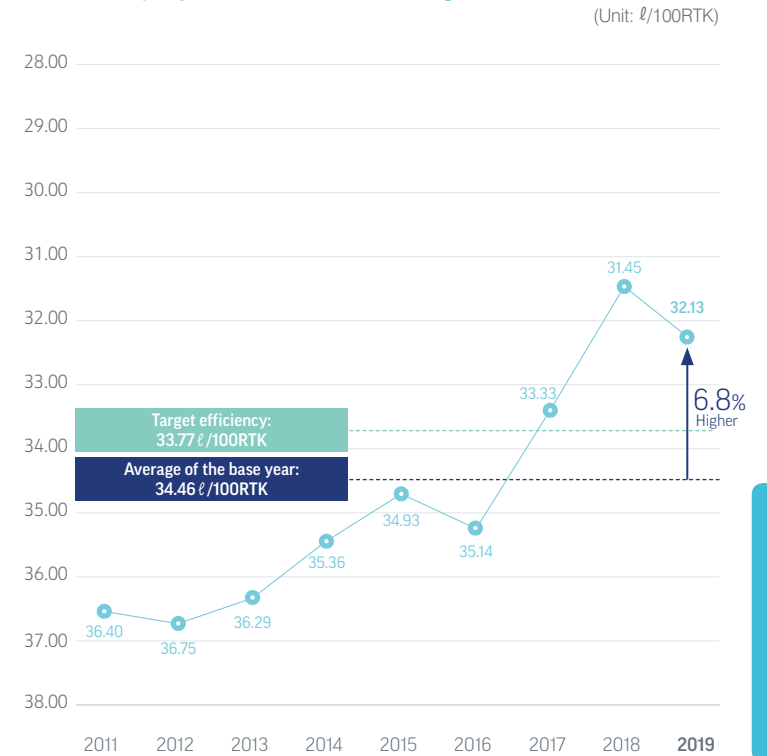
Efficient fuel management Korean Air has established a database of fuel consumption and greenhouse gas emissions and operates a separate fuel management organization for systematic fuel management. Founded in 2004, the in-house fuel management organization has identified more than 180 fuel-efficiency improvement tasks related to direct operation of aircraft, including airports, flight operation, maintenance and repair, and flight plans. The organization continues to implement these tasks in cooperation with related sectors. In addition, Korean Air shares fuel-saving technologies with the government and the industry, contributing to improving fuel efficiency in the domestic aviation industry. In 2019, Korean Air saved approximately 300 million pounds of fuel.

Fuel Management Process



Voluntary reduction agreement In 2010, Korean Air signed a voluntary reduction agreement for GHG emissions in the aviation sector with the Ministry of Land, Infrastructure and Transport, with a goal of fuel efficiency improvement. The agreement specified the target as an improvement of international fuel efficiency by 2% compared to the base year. Despite the impact of reduced international cargo shipments, in 2019, Korean Air surpassed the target and improved the fuel efficiency by 6.8% more than the average of the base year (2015-2017).

Fuel Efficiency Improvement of International Flights



Carbon compliance As the international air traffic increased, various carbon regulations, such as carbon offsetting, emission trading, and carbon tax, have been introduced in the aviation industry. Korean Air is committed to fulfilling its responsibilities by complying with carbon regulations in all aircraft operations, including international and domestic flights as well as domestic ground operations.

ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) The International Civil Aviation Organization (ICAO), a specialized agency under the United Nations, introduced CORSIA to manage carbon emissions from international aircraft operations that are not covered by each country's regulatory scope. CORSIA sets the emissions in 2019 as a baseline and allows airlines to purchase offset credits for excess emissions to maintain the net emissions at the baseline. Korean Air has submitted a 2019 emissions monitoring plan for the implementation of CORSIA and has established an in-house CORSIA emissions management system to report, verify, and offset emissions.

EU-Emissions Trading Scheme (EU-ETS) In 2005, the European Union introduced the European Emissions Trading Scheme (EU-ETS), a large-scale policy that first used allocated emissions as a major means of implementing climate policy. Korean Air has been fulfilling its obligations by complying with EU-ETS in the aviation sector for flights departing and arriving within the European Union since 2012. After the Swiss-ETS and the EU-ETS link in 2020, Korean Air will be expanding its responsibilities to flights departing and arriving within Switzerland to and from other European countries.

Korea Emissions Trading Scheme In accordance with the Framework Act on Low Carbon, Green Growth, the Emissions Trading Scheme was introduced in Korea in 2015 and is currently applied to about 600 Korean companies. The domestic emissions trading system, like the EU-ETS, requires companies to be granted emission allowances (allocated emission rights) from the government and to trade their shortages or excesses in the market to fulfill their obligations. In the transportation sector, only the aviation industry is subject to the emissions trading system. As such, Korean Air has been fulfilling the responsibilities for domestic flights and domestic ground facility emissions since 2015.

Environmental management system

Since obtaining ISO14001 (Environmental Management System) certification in 1996, Korean Air has introduced an environmental management system that meets international standards, establishing a company-wide Environmental Management System (EMS) and subsequent EMS departments for headquarters, aircraft maintenance, aircraft manufacturing, and in-flight meal divisions.

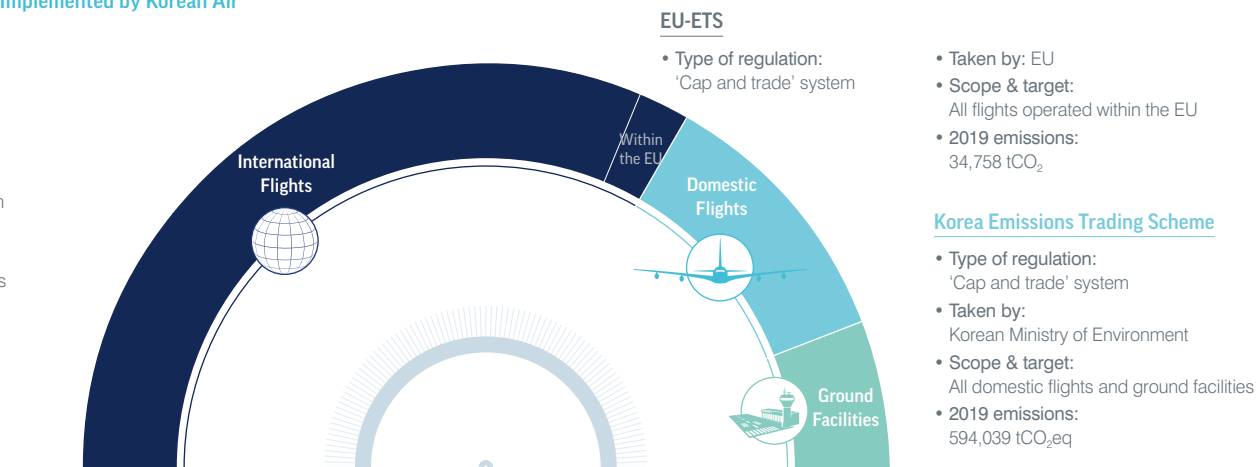
Water and air pollutants Korean Air has established and manages strict standards for water pollutants generated during aircraft cleaning and maintenance processes, as well as air pollutants, including dust, THC (total hydrocarbons), and NOx (nitrogen oxides), generated during aircraft take-off and landing and in the discharge facilities. Water and air pollutants are set and thoroughly managed to be less than 50% of the legal standards. In 2019, water pollutant emissions and air pollutant emissions were 2.2% and 7.1%, respectively, of the statutory allowance (100%).

Hazardous chemicals When conducting aircraft maintenance, only the chemical products designated by the aircraft manufacturers must be used. Korean Air is in continuous communication with the manufacturers to address the issues arising from using hazardous products. Under a newly developed chemical management system, the inventory-in/-out of chemicals and their use are managed by worksite, and the use of hazardous chemicals is being strictly controlled.

Carbon Regulations Implemented by Korean Air

ICAO CORSIA

- Type of regulation: Carbon offset system
- Taken by: UN ICAO
- Scope & target: All international flights
- 2019 emissions: 12,466,651 tCO₂



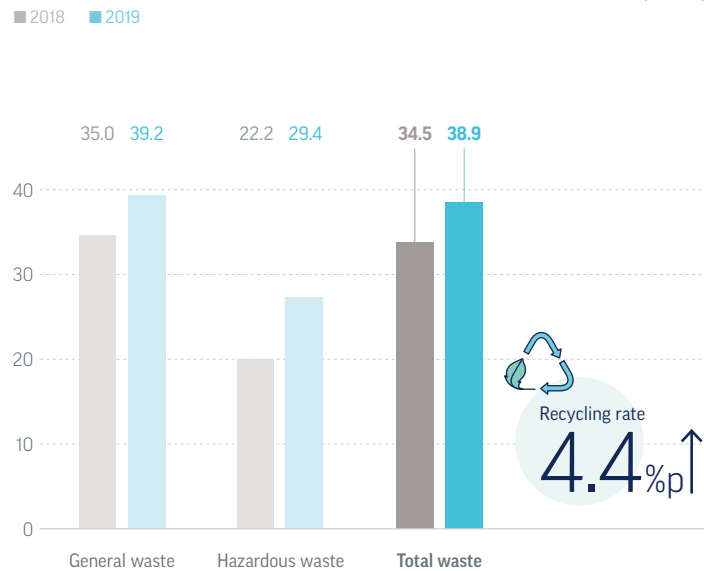
Waste Korean Air emits general household wastes, such as waste paper, waste wood, and waste plastics, in the process of passenger and cargo transportation services, and emits hazardous wastes, such as waste oil, waste paint, and waste organic solvents, during aircraft maintenance and manufacturing processes. Due to the increase in passenger traffic, the total amount of waste generated continues to increase while waste recycling steadily increases as well. The waste recycling rate in 2019 was 38.9%, which is 4.4%p higher than that of the previous year. The in-flight food waste is disinfected and incinerated in accordance with the guidelines of the Animal and Plant Quarantine Agency.

Noise In order to reduce aircraft noise, Korean Air has added noise reduction procedures in the company's operating regulations and flight procedures by aircraft model and applies them during takeoff and landing. In addition, it complies with the noise reduction procedures required by airports in each country, as well as the Noise Abatement Departure Procedure (NADP) and the Continuous Descent Approach (CDA) of the ICAO.

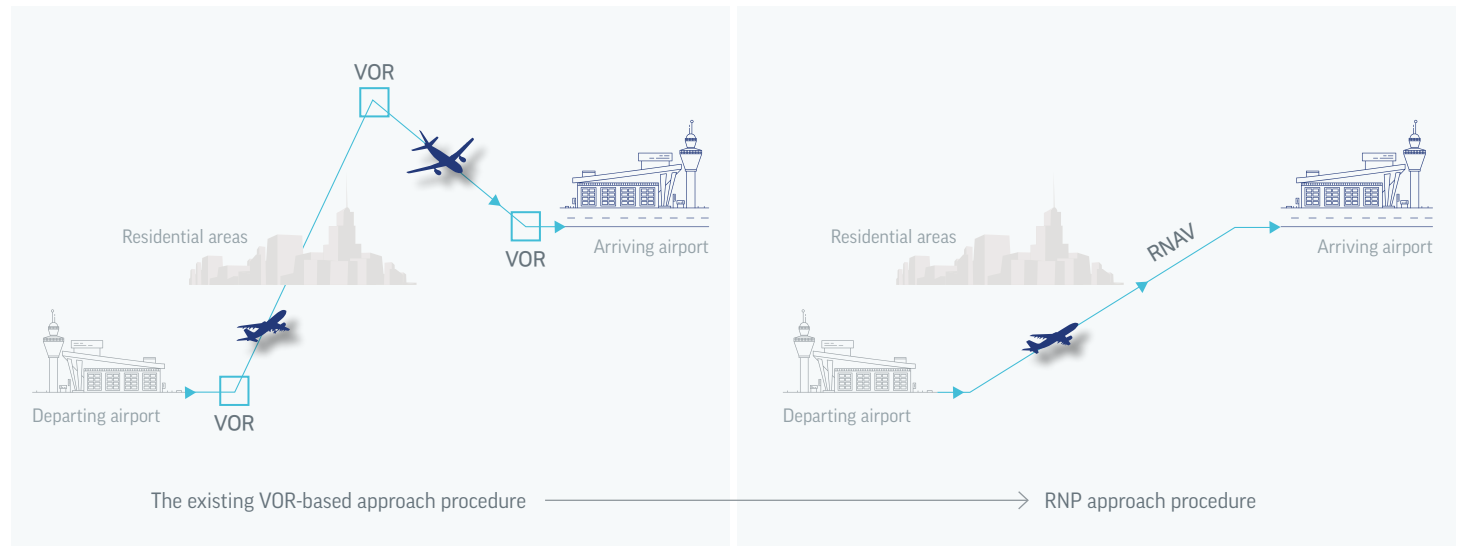
In accordance with the development of aviation technology, Korean Air is actively making the transition from the existing ground navigation facility (VOR)-based method to the regional navigation facility using the GPS (RNAV: aRea NAVigation), and the Required Navigation Performance (RNP) approach procedure. This is a way to ensure that the flight routes of the aircraft are precisely managed and avoid noise-sensitive areas. To this end, Korean Air is making efforts to minimize noise damage by installing advanced satellite navigation devices and wireless facilities on its aircraft.

Waste Recycling Rate

(Unit: %)



RNP Approach Procedure to Mitigate Noise



Korean Air and Single-use Plastics

Single-use plastics make our lives more convenient, but they are a major cause of environmental pollution. "Single-use plastics that take five seconds to produce, you use it for five minutes and it takes 500 years to break down again," said Frans Timmermans, Executive Vice-President of the European Commission. "If we don't do anything about this, 50 years down the road we will have more plastics than fish in the oceans," he warned.

Reducing the use of single-use plastics

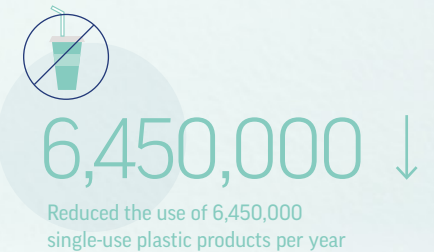
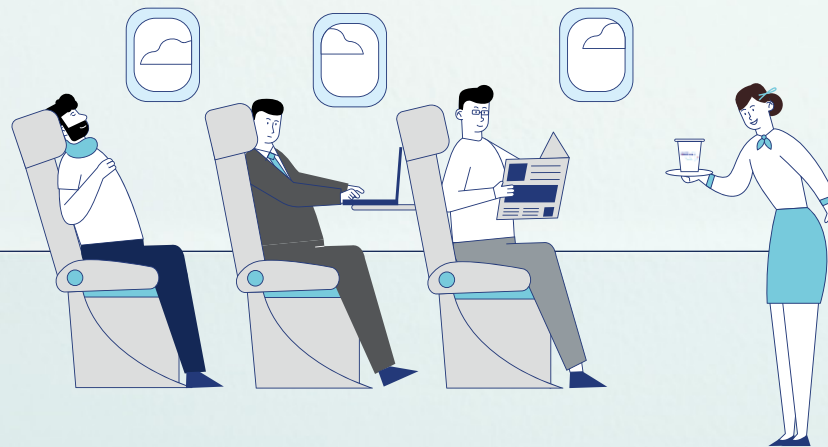
In 2019, Korean Air made various attempts to reduce the use of single-use plastics. All of the plastic straws and coffee stirrers provided on board were replaced with FSC (Forest Stewardship Council)-certified eco-friendly paper products. This reduced the use of 6,450,000 single-use plastic products annually, which is equivalent to three times the distance between Seoul and Busan.

In addition, the plastic cups provided for beverage service in Economy Class were replaced with paper cups. Under the revised service manual of Korean Air, plastic cups are provided to passengers only when requested and passengers are allowed to use their personal containers, such as tumblers.

Increased recycling of waste plastics

Despite various efforts to reduce the use of plastic products, plastic waste is unavoidably generated from the services Korean Air provides. Therefore, Korean Air is considering recycling plastic waste instead of landfill or incineration. The plastic waste generated in the cabin is used as solid fuel through a sorting process, or as a pellet material for construction. In 2019, around 2,136 tons of domestic in-flight plastic waste was recycled.

Korean Air will continue to recycle and reduce the plastic waste to lessen its environmental impact and fulfill our corporate social responsibilities. Korean Air believes that this will enhance our corporate value, guarantee customers' sustainable travel, and help conserve the global environment.





OUR WAY

Talent Management | Shared Growth Management |
Social Contribution | Risk Management

Talent Management

Through unbiased HR policies and systematic HR development programs, Korean Air promotes diversity and fostering of global talents and creates an environment for them to be recognized for their abilities and excel in their careers. Furthermore, Korean Air pays special attention to the mental and physical health of employees, as well as their work-life balance.

HR policy to protect human rights and diversity

Korean Air abides by the Labor Standards Act of Korea, as well as the laws and systems of the countries of its business sites around the world. It strictly prohibits all forms of forced labor, child labor, and wage exploitation, in accordance with the regulations established by the International Labor Organization (ILO). In addition, Korean Air is against all forms of discrimination based on gender, age, race, religion, disability, country of origin, and political opinion in overall personnel management such as hiring, appointment, evaluation, and compensation of employees. Korean Air will continue to do our best to protect human rights in all countries where it operates, and strive to create an ideal working environment for employees.

Employee demographic

As of the end of December 2019, the total number of employees, including overseas local employees, of Korean Air is 20,965. The

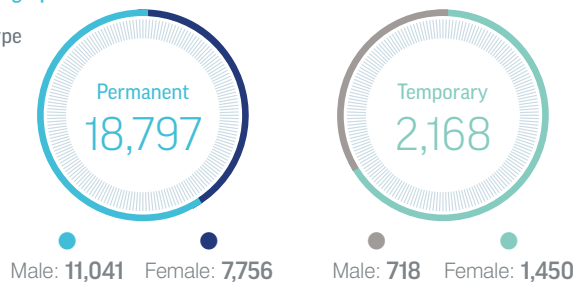
percentage of female employees, a major indicator of diversity, has remained at 44% for the past three years. Korean Air makes various efforts to increase employee satisfaction. The average number of years of service (based on domestic, permanent employees) is 16.5 years. Korean Air offers the highest level of salaries and benefits in the airline industry in Korea, and the starting wages of all positions are the same regardless of gender. Korean Air treats all employees the same and creates an environment of equity and inclusion.

Employing overseas talent

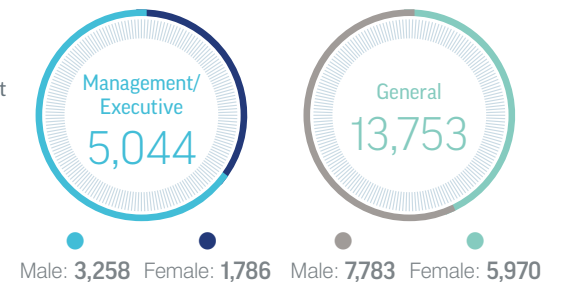
Recognizing localization as the most important task in global expansion, Korean Air actively seeks to secure and nurture overseas talents. By recruiting without discrimination against nationality, race, gender, culture, and religion, and continuously fostering local managers based on its ability-oriented talent development policy, Korean Air continues to strengthen the capabilities of overseas employees.

Employee Demographic

Employment type
(Unit: Person)



Management/
executive level
(only for permanent
employees)
(Unit: Person)



* As of December 31, 2019, excluding executive directors

Female employees

	2017		2018		2019	
	Number (Persons)	Ratio (%)	Number (Persons)	Ratio (%)	Number (Persons)	Ratio (%)
Female employees	8,812	43	9,022	44	9,206	44
Female managers/executives	1,454	33	1,607	34	1,786	35

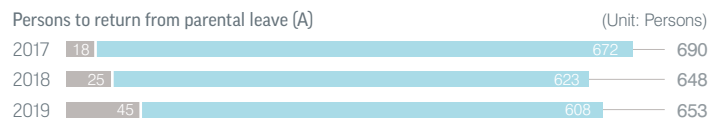
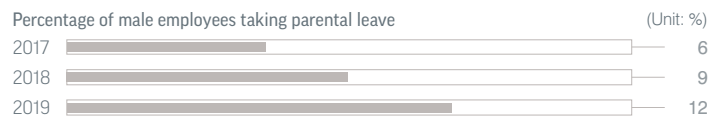
Local employees at manager level



Maternity protection system

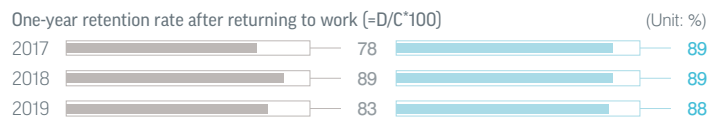
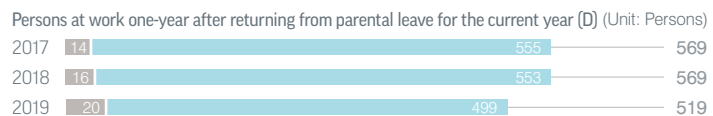
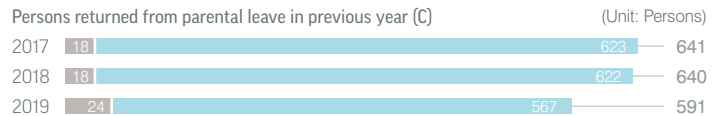
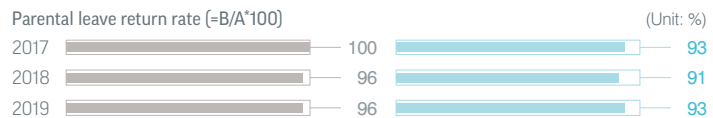
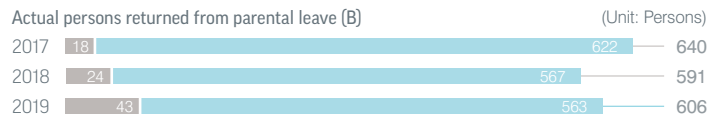
Korean Air has steadily increased the proportion of female employees while promoting an HR policy based on gender equality, and on elevating the status of women. Female employees are encouraged to take leave before and after childbirth, and for child or family care as needed as protected by the law. In addition, all female employees may use a work-hour reduction system during pregnancy, and even take leave for fertility treatment. Female flight attendants are allowed to take maternity leave on the day they become aware of their pregnancy. As a result of promoting work and life balance at the workplace and encouraging taking parental leave, the percentage of male employees taking parental leave is gradually increasing.

Maternity Protection System Utilization

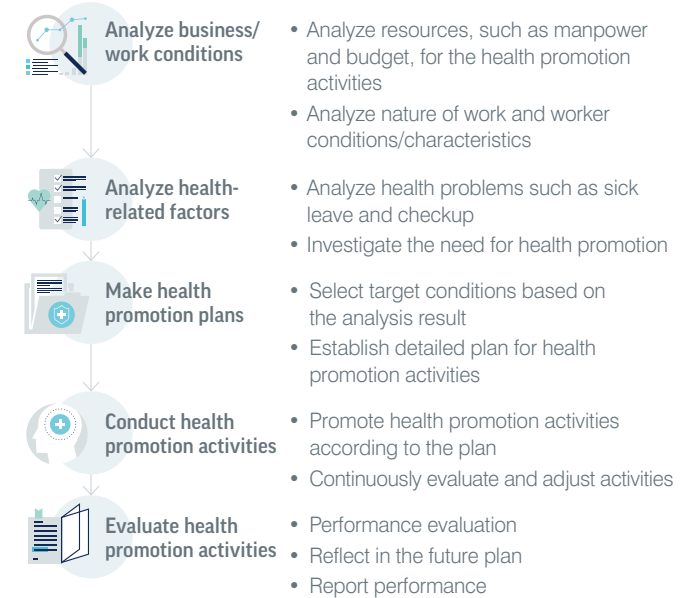


Efforts to promote employee health

Korean Air operates its own aeromedical center and carries out health promotion activities by analyzing the characteristics and health conditions of workers in various aviation professions. With the ICAO Annex 1 and the notice of Aviation Safety Act amendment, the establishment and implementation of plan for health promotion activities for flight crew have become mandatory. According to the "Guidelines for Health Promotion of Pilots and Controllers" enacted by the Ministry of Land, Infrastructure and Transport October 2019, Korean Air has established a system for employees' health promotion as follows:



Health Promotion System



Major Activities by Work of the Korean Air Aeromedical Center in 2019

	Details
Flight crew	<ul style="list-style-type: none"> Physical activity promoting programs such as body composition test and 1:1 workout counseling, etc. Sleep apnea management and healthy drinking/drug use education Cerebral cardiovascular disease risk evaluation and managing lifestyle with non-smoking and nutrition counseling
Cabin crew	<ul style="list-style-type: none"> Promote stretching in daily life to prevent musculoskeletal disorders Physical fitness promoting online trainings and job standard motion guiding card news for domestic and foreign flight attendants Mental health examination and trauma psychological support programs
Office and maintenance employees	<ul style="list-style-type: none"> Participatory health programs to prevent cerebral cardiovascular disease Provide a comprehensive health examination report by department Emotional labor and job stress management programs for transportation staff

¹⁾ Scope of the maternity leave data is limited to cabin/flight attendants

Efforts to help enhance employees' emotional and mental health

Excessive stress not only affects work productivity, but also threatens workers' physical and mental health. For a variety of positions within Korean Air, including customer service, safety and office work, Korean Air operates mental health management programs tailored to each type of job.

An annual mental health checkup is offered, and tailored support and advice is provided based on the results at the counseling center, Hyu Clinic. Offline training programs on job stress management are offered to employees on customer services. In addition, a trauma therapy and mental health support system is in place to help crew members relieve post-accident stress. Furthermore, Korean Air regularly publishes the "Mind Rest Letter" for employees to have access to mental health information.

Offline Mental Health Courses

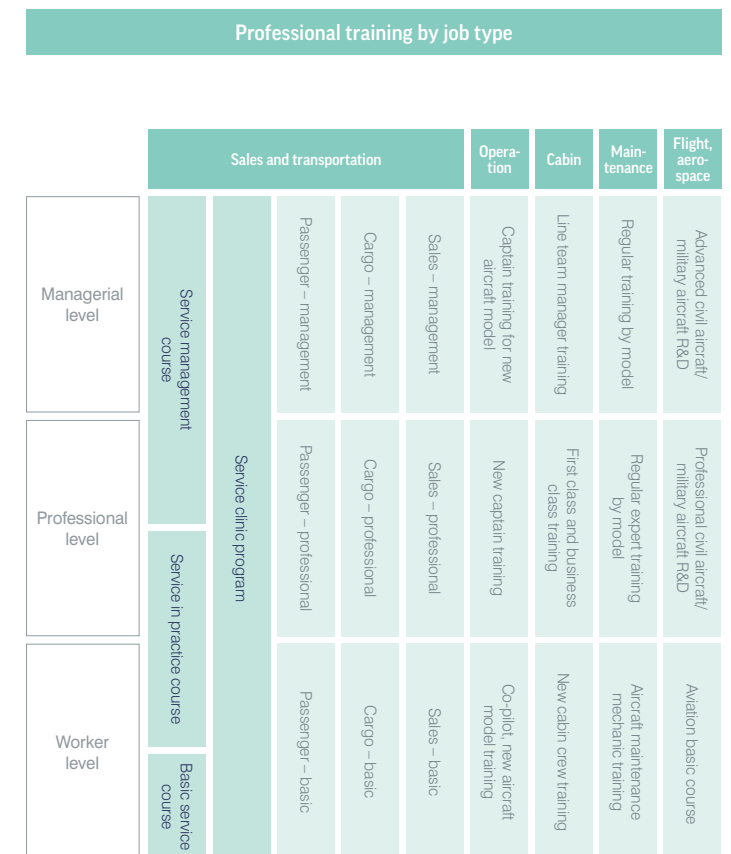
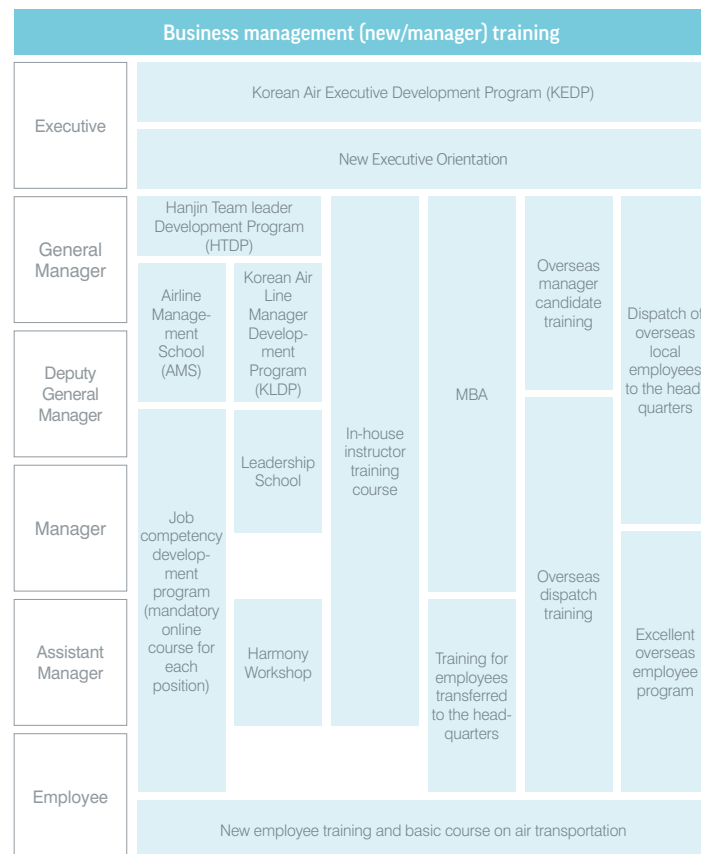
Course title	Target	Attendance (total no. of sessions)		
		2017	2018	2019
Stress management for mental health	Working-level employees at airports and in flights	274 employees (14 sessions)	303 employees (19 sessions)	207 employees (12 sessions)
Mental health promotion techniques (launched in 2018)	Manager-level employees at airports and in flight	-	259 employees (12 sessions)	251 employees (12 sessions)
Health management: how to deal with stress	New contract employees at call centers	308 employees (11 sessions)	154 employees (9 sessions)	189 employees (12 sessions)

Belief in talent development

Korean Air develops and operates a variety of programs to foster global human resources based on its firm management philosophy and the belief that 'The fundamentals of business management are people. Changes in people start with proper education.'

Korean Air's training system Under the education philosophy of 'Cultivating global talent based on expertise', Korean Air operates a training system that provides step-by-step, interconnected education based on two competency models: management competency, and job competency.

Training System



Lifelong learning support In 2000, Korean Air founded Jungseok College, Korea's first tech school run by a private company, to support lifelong learning of its employees. All employees attending the university receive full-tuition scholarships and nationally accredited degrees upon their graduation and can transfer to other universities or graduate schools. A total of 1,421 employees earned degrees; 980 employees received bachelor's degrees and 441 associate degrees, over the 19 years from its foundation up through 2020. Scholarships are provided to support employees continuing studies in the fields of aviation and logistics in Korea Aerospace University and the graduate studies in Inha University, contributing greatly to their continued self-development and motivation to learn. In addition, Korean Air is currently developing a post-retirement program for employees who are close to retiring.

Education support for human rights improvement Korean Air promises to uphold and protect the basic freedom and rights of employees as individuals and offers over 50 training courses to employees to raise awareness of human rights. In its efforts to ensure human rights protection of employees, Korean Air prohibits all forms of discrimination, including that against persons with disabilities, and offers regular training on sexual harassment.

Creative organizational culture

Since July 1, 2019, Korean Air has converted its in-house business system to G Suite, which is a cloud-based suite of productivity and collaboration software tools made available by Google. G Suite includes various services such as Gmail, Calendar, Drive, Docs, Chat, etc. It is a powerful tool that enables creation, collaboration, and mobility of online collaborative documents. Users can create documents and exchange opinions instantly regardless of time and space with enhanced security standards and encryption in the cloud service environment. As a cloud-based system, G Suite provided an equivalent work environment as in the office and enables seamless performance and working from home even in times of the COVID-19 pandemic.

Starting on September 1, 2019, Korean Air has fully removed its previous business attire rule for all domestic employees. The only exception is the staff that has to wear uniforms such as flight/cabin crew and service staff. The overseas regions are implementing the new dress code appropriate for the culture and climate of each region. Korean Air not only increases work efficiency and productivity through this series of measures, including the introduction of a new in-house work system and removal of the dress code, but also accelerates the creation of a flexible and creative corporate culture.

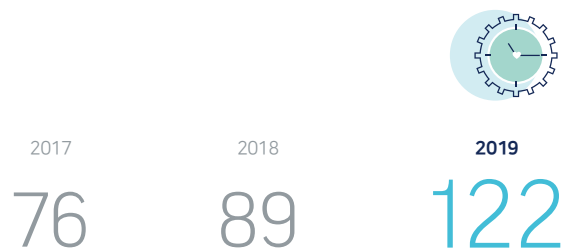
Work-life balance

To ensure better quality of life for employees, Korean Air offers the highest level of salary and benefits in the industry. Employees and their immediate families can fly on any of the routes operated by Korean Air at discounted fares, which is intended to promote traveling while helping them gain a global perspective. Other benefit programs include financial support for housing, children's educational expenses, and medical bills, as well as financial security for retirement and leisure programs.

Category	Details
Medical and health support	<ul style="list-style-type: none"> Subscription to the national health insurance scheme Self-insurance support (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 employees on business trips
Leisure	<ul style="list-style-type: none"> 25 to 35 free flight tickets annually 255 company-owned condominiums across Korea Discounts for prestigious hotel chains in Korea and overseas Sponsoring 27 in-house club activities
Daily living	<ul style="list-style-type: none"> Corporate housing (1,181 units) Housing and 'jeonse' loans Tuition subsidies for employees' children attending prestigious universities overseas Scholarships and language course tuition subsidies for children of expatriates Scholarships for employees attending colleges and/or graduate schools to earn a degree in job-related field
Retirement	<ul style="list-style-type: none"> Subscription to the national pension plan KRW 50,000 subsidies to all employees' personal pension plans Operation of Korea's largest-sized corporate credit union and subsidization of contribution to the corporate credit union upon retirement
Incentive	<ul style="list-style-type: none"> Performance-based incentives Safety incentives

Training Hours per Person

(Unit: Hours)



Employee Training Status in 2019

Category	Unit	Completed / Total
Training hours per person	Male	Hours 112
	Female	Hours 128
Training budget per person	1,000 KRW	524
Person (ratio)/ training hour by position	Executive	97(0.5) / 4,335
	Manager or above	Person(%)/ Hours 11,070(52.5) / 844,545
	Associate manager or below	9,895(47.0) / 1,457,271

Employee satisfaction management

Inviting employees' children on Family Day Korean Air invited 1,600 employees and their children to the head office in September 2019 for a Family Day event. Employees' children came to the headquarters of Korean Air hand-in-hand with their parents to see and experience what their parents do every day at work. Then, they went to the maintenance hangar, which was transformed into a theme park, for a tour of a Boeing 787 airplane. At the hangar, activities including craft classes, face painting, mini Olympics, photo booths, and snack booths were also offered.

This event provided an opportunity for the employees' children to understand and experience their parents' workplace, while also raising the sense of belonging and self-esteem for employees. Korean Air plans to make this a regular event for the employees and their families.



Organizational culture built on communication and trust With the intention of building a better organizational culture based on flexible communication and mutual trust, Korean Air has been operating a "communication plaza" in its internal communication network since 2015. It is an online bulletin board, where all employees can freely share constructive ideas, discuss issues in-depth, and solve difficulties. By guaranteeing complete anonymity, the plaza becomes a free space to share opinions without limitation on the agenda. Various inquiries and suggestions of the employees are responded quickly by the departments in charge and appropriate measures are implemented accordingly. The operation of the communication plaza has not only activated the internal communication, but also substantially improved the organizational culture.

Labor union membership

As of the end of December 2019, a total of 15,962 employees are eligible to become members of the labor union, among those 84%, or 13,429 of the employees are members of the labor union.

Labor-management council

In 2019, labor-management council meetings were held on a quarterly basis to increase mutual understanding and improve these cooperative relationships. At the meetings, participants discussed measures to promote the welfare of union members while pursuing the sound development of the company. Agenda items and opinions from relevant departments were collected by representatives of each branch and their adoption was reviewed.

2019 Communication Plaza Activities



Labor Union Membership

Category	Union members	Non-union members	Total	Membership rate
General				
Korean Air Labor Union	11,445	2,010	13,455	84%
KCTU (Korean Confederation of Trade Unions)-affiliated industrial union of publictransportation ¹⁾				
Flight operation				
Pilots' union	1,129	523	2,507	45%
Pilots' new union	855			34%

¹⁾ As the KCTU-affiliated industrial union of public transportation does not disclose its membership status, the figure is not provided in this report

Shared Growth Management

Korean Air creates social value by discussing shared growth plans with our partners for sustainable development of the community. Recognizing that strengthening the competitiveness of our partners is the foundation for sustainable growth, Korean Air supports various activities to grow together with our partners.

Shared growth program

Korean Air strives to grow with its partners based on a systematic and consistent shared growth policy. Korean Air's aerospace division has manufacturing capabilities in a variety of aviation technologies, including maintenance and modification of military aircraft, production and delivery of civil aircraft structures, and unmanned aerial vehicle development. To achieve the goal of establishing a win-win virtuous cycle system based on stable supply and shared growth with partners, Korean Air is operating the following programs: 'establishing fair trade,' 'strengthening the competitiveness of its partners,' and 'facilitating communication.'

01



Establishing fair trade

- Implement four major action items
- Introduce Standard Subcontract Agreement
- Ensure compliance with subcontract-related laws

02



Strengthening competitiveness

- Financial support (funding)
- Provide job training and technology transfer
- Improve productivity and quality

03



Facilitating communication

- Hold roundtable talks/symposiums
- Sign mutual cooperation memorandum of understanding
- Operate production improvement council

Establishing fair trade

Since introducing the Fair-Trade Agreement recommended by the Fair-Trade Commission in 2013, Korean Air has been entering and renewing agreements with partners in the field of aircraft parts manufacturing every year based on mutual trust. Korean Air is expanding the culture of fair trade through establishment and compliance to the 'four major action items for shared growth'.

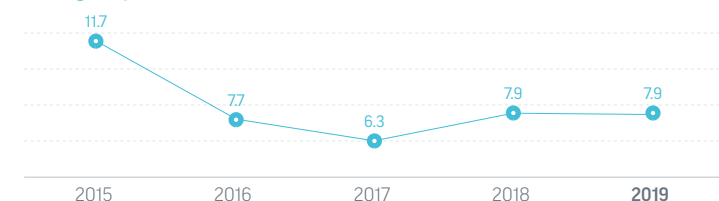
In addition, in order to support stable liquidity of suppliers, Korean Air pays the full amount of the transaction in cash. Under the improved system, the payment turnaround is within 10 days and there is no limitation in the number of payment deadlines. Therefore, suppliers are able to receive payment as soon as they issue invoice, and in 2019, the payments were made within 7.9 days on average.

Four Major Action Items for Shared Growth

1. Action items pertaining to fair agreement
 - Setting reasonable unit prices; prohibiting unfair decision-making related to payment
2. Action items pertaining to fair selection (registration) of partners
 - Ensuring fair and transparent process in the selection of suppliers; providing equal bidding opportunities
3. Action items pertaining to the establishment and operation of internal deliberation committee for subcontract transactions
 - Composition and regular operation of internal deliberation committee
4. Action items pertaining to the issuance and preservation of written documents
 - Incorporating items related to issuing the written contracts in the company regulations; using the Standard Contracts

Average Payment Turnaround

(Unit: Days)



Strengthening the competitiveness of partners

As of 2019, Korean Air's aerospace division operates a supply chain with 195 partners in 22 countries around the world. Parts that cannot be produced domestically or have complicated production process are procured from multiple global partners. Korean Air continuously seeks alternative suppliers to manage supply chain risk, as well as localization of overseas parts to strengthen the technological capabilities of domestic partners.

Understanding that the competitiveness of suppliers is essential for stable supply of parts, Korean Air operates various support programs for partners.

Supporting the equipment and working environment improvement

In order to reduce the cost of equipment investment and financial risk, Korean Air is lending its own test equipment to its partners and has built an outsourcing management system so that its partners can monitor the progress of production and delivery in real time. Korean Air also provides POU (Point of Use, parts storage for field work) to improve productivity. In addition, Korean Air supports suppliers' safety risk assessment and improvement activities, provides welfare benefit programs, including outpatient medical treatment and immunization support, workplace and rest facility improvement, fire drills, and fire-prevention training.

Technical support and protection In order to resolve technical problems that suppliers may face during the production process quickly and smoothly, a technical support system (TSS) has been developed. Suppliers are now able to request technical support at any time. Through non-disclosure agreement (NDA) with partners and online courses for employees, Korean Air is promoting awareness of the technical protection, protection of supplier technology, prevention of unnecessary technical data requests and technology takeover.

Improving competency in quality control In order to reduce the defect rate of parts of suppliers, Korean Air regularly conducts quality-improvement activities. For example, the third-party quality inspectors are dispatched to the suppliers' sites to perform parts inspections and respond promptly to any defects.

Strengthening competency of human resources Various training programs are operated to strengthen the capabilities of business partners' employees. Korean Air contributes to the development of their human resources by transferring skills and know-how through on-site job training by offering essential education and practical training on parts manufacturing for the joint production of parts with its partners. .

Improving partner productivity In efforts to help reduce production costs and shorten lead time of suppliers, Korean Air offers the LEAN Workshop at partners' manufacturing site. Korean Air also analyzes suppliers' production capacities and resources to address and resolve any production obstacles and ultimately achieve target production.



Facilitating communication with business partners

Korean Air operates various communication channels to facilitate communication with our partners.

Round table with partners At the roundtable talks every year, Korean Air discusses shared growth with its partners and shares its own business performance, future business plans, and roadmaps to help partners establish their business plans. Twenty-nine partners in the manufacturing field and 17 partners in the R&D field were invited to the 2019 roundtable conference to have meaningful discussions.

Quality Symposium The Quality Symposium is held annually since 2013 to discuss any difficulties of partners and share trends and information related to customers and quality. The symposium serves as a place for learning, where business partners discuss and benchmark each other's business improvements.

Family event In commemoration of the 50th anniversary of the company's founding in March 2019, Korean Air held a family day event at the Busan Tech Center, near where major production facilities of partners are located. The event was organized to express appreciation of partners and their employees' hard work and to instill a sense of community amongst themselves. Korean Air plans to hold more events in the future to promote a working environment based on harmony and communication.

Major performance of shared growth

Localization of aircraft parts through cooperation With proficiency in civil aircraft structure design and manufacturing, Korean Air's aerospace business division is supplying various aircraft parts to Boeing and Airbus for joint development projects. The main focus in the current aircraft development process is to maintain the existing safety, while securing high efficiency through lighter-weight aircraft, mainly through use of lightweight materials, such as titanium alloy. Since the production process of large structure made with titanium alloy material is complicated and difficult, the supply relied heavily on overseas manufacturers. Korean Air conducted a joint R&D with its domestic partner, NDT Engineering and Aerospace Co., Ltd., through which NDT Engineering was able to acquire large titanium alloy processing technology.

By localizing the core manufacturing process through the joint development, Korean Air has saved on foreign currency during the production and delivery of BL zero code and side fitting, which are large structure titanium alloy parts that make up the body of the Boeing 787 aircraft. NDT Engineering also benefited from this joint R&D project as it has acquired the technology comparable to that of the top overseas competitors and successfully entered the international market for aircraft titanium alloy processing. The performance was recognized as a successful case of localization of parts through win-win cooperation between major company and small and medium-sized enterprises (SMEs). It was selected as one of the best practices at the '2019 Fair Trade Convention Best Practices Presentation' held by the Fair-Trade Commission.

Signing an MOU for shared growth in the drone industry Korean Air's aerospace business division is collaborating with SMEs in the drone industry, one of the key areas of the fourth industrial revolution. Hybrid drones equipped with a hybrid engine composed of an internal combustion engine and a battery can fly for more than two hours and can automate navigation in areas beyond visual line of sight. Hence, they are able to perform tasks such as environmental monitoring, facility safety diagnosis, and emergency transportation. Korean Air decided to support various technologies necessary for commercialization of products by signing business agreements with related partners before producing the hybrid drones developed by Korean Air as an OEM. On this occasion, Korean Air plans to build a production system that enables cooperation between large and small companies to grow together in the emerging drone market.

Shared growth payment for travel agencies To share the burden of the unfavorable business conditions of the tourism industry from reduced travel to and from overseas, Korean Air has shared its revenue from its Japanese routes with about 500 partner traveling agencies from January 28 to March 31, 2020. Korean Air plans to create various programs to build a more sustainable business environment and continue supporting the mutual growth of the company and our partners.



1 Quality Symposium
 2 Family event
 3 Presentation of Best Practices of Fair Trade
 4 Signing an MOU for shared growth in the drone industry

Social Contribution

As a global airline company and a global corporate citizen, Korean Air promotes the value of sharing in all communities around the world where it operates.

Korean Air promotes sharing corporate culture by participating in various social contribution activities at the company level, as well as by encouraging the participation of employees.



COVID-19 Wuhan charter assistance and transportation of disaster relief goods

Korean Air operated a special charter flight three times for the return of Korean residents who were stranded in Wuhan, China, due to COVID-19. The voluntary services of Korean Air's pilots, flight attendants, and transportation staff have deeply touched Korean citizens. Chairman Cho Won-Tae, as the chief executive of the airline, highly praised the efforts of the employees who performed a difficult task by participating in the operation of the charter flights. Chairman Cho remarked on the company's bulletin board, communication plaza, "We should be honored to have been called to serve the nation at a time of crisis". He added, "We responded to the call and completed the mission successfully. We should feel proud of this achievement."

In addition, Korean Air provided emergency relief supplies to residents of Wuhan, China, who were severely affected by COVID-19. On February 19, a total of 40,000 KF94 type masks were delivered to the Chinese Red Cross Society in Beijing via flight KE855, and the masks were sent to a designated hospital in Wuhan.



Global tree planting project

To respond to global warming issues, and in particular to desertification and yellow dust, Korean Air has been conducting global tree planting projects. Since 2004, the Korean Air Forest project has been underway in Baganuur, Mongolia, with Korean Air employees and local residents and students planting trees. As of now, a total of 125,000 trees have been planted. In 2019, employees of Delta Air Lines also participated in the planting event in Mongolia to celebrate the 1st anniversary of the joint venture of Korean Air and Delta Air Lines. In addition, the 'Korean Air Green Ecological Park' project has been operating since 2007 in China's Kubuqi Desert, which is known as one of the source of yellow dust in Asia. As such Korean Air is dedicated to making the earth greener and cleaner.



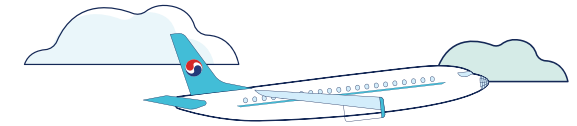
1 COVID-19 Wuhan charter assistance and transportation of disaster relief goods
2 Global tree planting project

'Make Your Dream Come True' field trip

As a part of community activities, Korean Air has been organizing a field trip experience since 2010 for children living in the vicinity of Gimpo Airport in collaboration with the Korea Airports Corporation. For the past nine years, about 310 children have been provided with opportunities to travel to various places in Korea, including Jeju Island and Yeosu. Celebrating the 50th anniversary of Korean Air's foundation in 2019, children were invited to Osaka, Japan for a field trip. Korean Air plans to continue offering these activities for underprivileged children in the community.

Dream Library in China

As a part of its social contribution program 'Loving Heart Project' in China launched in 2008, Korean Air has been carrying out a Dream Library Project for rural areas every year since 2010. Following the libraries established in Xi'an, Huangshan, Kunming, Shenyang, Changsha, and Guiyang, in 2019, the 10th Dream Library event was held at the Tonglu Entrepreneurship School in Tongluheon, Hangzhou. Korean Air transformed an old and shabby library into a brand-new library and donated supplies and books so that children can pursue their dream in the learning space.



1 'Make Your Dream Come True' field trip
2 Dream Library in China

Social contribution areas

Sharing

- Community volunteering
 - Humble monthly donations
 - Sky Angels' volunteering activities (including bazaars and kimchi-sharing events)
 - Habitat for Humanity
 - Sisterhood ties with rural villages
 - In-house volunteering group activities
- Disaster relief
 - Transportation of disaster relief goods
 - Disaster relief aids
- Global community volunteering



Dream maker



- Dream Library project in China
- Make Your Dream Come True program
- Haneul Sarang (Sky Love) English Class
- Fascinating Travels with Korean Air program

Cultural sponsorship



- Sponsorship to Korean language audio guide service at the world's three most famous museums and other locations
- Excellence Program
- Children's Airplane Drawing Contest
- Korean Air Travel Photo Contest

Environment protector



- Korean Air Forest in Baganuur, Mongolia
- Korean Air Green Ecological Park in China's Kubuqi Desert
- Arbor Day event of offering free planting kits

Sport sponsorship



- Official sponsorship for international sport games
- Korean Air Women's table tennis team
- Korean Air Jumbos volleyball team
- Korean Air Chairman Cho Won-Tae serving as the commissioner of the Korean Volleyball Federation

Activities

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Humble monthly donation from employees	[Bar chart showing activity from 2003 to 2019]																	
Afforestation project in Mongolia	[Bar chart showing activity from 2004 to 2019]																	
Rice donation	[Bar chart showing activity from 2004 to 2019]																	
Sisterhood ties with rural villages	[Bar chart showing activity from 2004 to 2019]																	
Sponsorship of Korean language audio guide service at international museums	[Bar chart showing activity from 2008 to 2019]																	
Love & Care Plans	[Bar chart showing activity from 2008 to 2019]																	
Medical volunteering by the Korean Air Aeromedical Center	[Bar chart showing activity from 2008 to 2019]																	
Inviting underprivileged children to a company tour	[Bar chart showing activity from 2010 to 2019]																	
Free flight tickets to Korea for internationally adopted ethnic Koreans	[Bar chart showing activity from 2010 to 2019]																	
Sisterhood ties with military units	[Bar chart showing activity from 2012 to 2019]																	

Employee Volunteer Hours

(Unit: Hours)



2019
2.2

2017: 1.9 / 2018: 2.2

Social Contribution Expenses

(Unit: KRW million)



2019
9,357

2017: 9,318 / 2018: 9,744

Risk Management

Korean Air manages risks preemptively and systematically. To do so, Korean Air has established rules and guidelines that define potential risks to the company, designate the responsible organization, clarify their missions, and delineate emergency response measures. These allow the employees to respond systematically to risks and subsequently minimize economic loss, damage to our corporate image, and disruption within the company.

Non-financial risks

Strategic and operational risks A council consisting of the heads of business divisions meets to review economic, environmental, and social trends from a company-wide perspective as a means to maximize corporate value. In addition, internal audits are conducted to assess potential risks by business division and ensure the efficient use of resources.

Regulatory risks A regular monitoring system is in place to ensure compliance with laws and regulations, and legal department and in-house legal experts are allocated to proactively manage regulatory risks. Korean Air also has implemented the Compliance Program as a means to prevent the risk of unlawful transactions.

Event risks The Corporate Safety, Security & Compliance Team was set up to ensure integrated and effective management of all safety and security matters in preventing aircraft accidents, hijacking, and other incidents, while minimizing losses. Regulations, guidelines, and manuals pertaining to accident responses are published, along with the establishment of emergency response systems, while company-wide unannounced drills and training are conducted periodically to enhance the company's capability to respond to accident-related risks.

Environmental risks Based on rules for environmental risks prevention and emergency response to environmental accidents, a wide range of efforts are underway including practice drills for oil and chemical leaks and environmental emergency response training for relevant department in regards to ground pollution situation. In addition, Korean Air is developing short-cut routes and adopting high-efficiency aircraft to minimize negative impacts on the environment.

Financial risks

Exchange rate risks Korean Air conducts transactions in foreign currencies and is thus exposed to risks arising from exchange rate volatility. As for US dollars, expenditures currently surpass income and the existing currency accounts for a high percentage of our foreign-currency loans. Therefore, exchange fluctuations considerably impact profit/loss and cashflow. Korean Air is managing the exchange rate fluctuation risks by reducing the percentage of borrowing in US dollars through currency diversification based on currencies in surplus, and signing the currency derivatives contracts. In addition, the cash management system allows monitoring of income and expenditures and maintenance of proper balances by currency in order to minimize negative impacts of exchange rate fluctuation.

Interest rate risks Korean Air borrows funds at fixed and variable interest rates. Floating-rate loans linked to a benchmark rate, such as the LIBOR rate, impact profit/loss and cashflow with changes in the benchmark rate. Korean Air therefore works to maintain an optimal ratio between fixed-rate and floating-rate borrowings and enter into interest rate swaps considering current interest rates and government policies regarding key currencies.

Oil price risks As oil purchases account for a high percentage of operating costs, changes in oil prices impact profit/loss and cashflow. Market prices for petroleum products such as jet fuel fluctuate with various factors, including crude oil production volume, demand forecasts, inventory levels, and speculative demand in the commodity market. The annual jet fuel consumption of Korean Air currently reaches 33 million barrels, and Korean Air is managing oil price risks through the introduction of new fuel-efficient aircraft and derivatives trading.

Tax risks Korean Air's priority in all business activities is to comply with tax laws and to faithfully report and pay taxes. In order to do so, Korean Air is working with the company's tax organization and internal and external experts to conduct pre-assessment and follow-up management of tax risks that may occur in the course of major goods/services transactions, contract changes, and new business promotion. In addition, Korean Air contributes to the creation of tax revenue by paying various direct and indirect taxes in sales activities, investments, and employment.



APPENDIX

Key Sustainability Indicators | Third-party Assurance Statement |
GRI Content Index | UN Global Compact | Awards and Memberships

Key Sustainability Indicators

Economic Performance

(KRW in million)

	2017	2018	2019
Sales			
Sales	11,802,819	12,646,865	12,291,668
Cost of sales	9,660,188	10,646,899	10,750,962
Gross profit	2,142,631	1,999,966	1,540,706
Selling and administrative expenses	1,186,479	1,348,942	1,254,320
Operating profit (loss)	956,151	651,024	286,386
Non-operating profit (loss)	261,973	(802,665)	(975,112)
Net profit (loss) before tax	1,218,124	(151,641)	(688,726)
Tax expense (profit)	310,244	(31,242)	(119,993)
Net profit (loss)	907,880	(120,399)	(568,733)
Assets			
Current assets	3,219,951	3,559,769	3,303,526
Non-current assets	20,203,116	20,808,700	22,454,850
Total assets	23,423,067	24,368,469	25,758,376
Current liabilities	6,594,634	7,523,581	7,679,641
Non-current liabilities	13,156,304	13,959,912	15,260,302
Total liabilities	19,750,938	21,483,493	22,939,942
Capital stock	479,777	479,777	479,777
Other paid-in capital	1,855,996	1,673,931	1,825,592
Other capital components	646,211	580,288	582,659
Retained earnings	690,144	150,980	(69,595)
Total capital	3,672,128	2,884,976	2,818,433
Total liabilities and equity	23,423,067	24,368,469	25,758,376

* Based on separate financial statements

Social Performance

		Unit	2017	2018	2019
Employees					
Total employees		Person(s)	20,363	20,654	20,965
Gender	Male	Person(s)	11,551	11,632	11,759
	Female	Person(s)	8,812	9,022	9,206
Age	Below 30	Person(s)	4,050	3,886	3,899
	30-39	Person(s)	6,454	6,623	6,565
	40-49	Person(s)	6,197	5,997	5,888
	50 and above	Person(s)	3,662	4,148	4,613
Region	Domestic	Person(s)	18,330	18,665	18,988
	Overseas	Person(s)	2,033	1,989	1,977
Permanent	Male	Person(s)	10,904	10,973	11,041
	Female	Person(s)	7,795	7,952	7,756
Temporary	Male	Person(s)	647	659	718
	Female	Person(s)	1,017	1,070	1,450
Administrative (permanent)	Male	Person(s)	2,933	3,105	3,258
	Female	Person(s)	1,422	1,607	1,786
General (permanent)	Male	Person(s)	7,971	7,868	7,783
	Female	Person(s)	6,373	6,345	5,970
Female	Percentage of female managers	%	33	34	35
New employee hires and employee turnover					
New employee hires	Male	Person(s)	382	521	534
	Female	Person(s)	270	743	792



Social Performance

	Unit	2017	2018	2019	
New employee hires	Below 30	Person(s)	459	990	1,028
	30-39	Person(s)	172	258	277
	40-49	Person(s)	18	12	16
	50 and above	Person(s)	3	4	5
	Domestic	Person(s)	488	966	1,064
	Overseas	Person(s)	164	298	262
Employee turnover	Male	Person(s)	455	435	408
	Female	Person(s)	607	582	448
	Below 30	Person(s)	394	388	262
	30-39	Person(s)	325	316	277
	40-49	Person(s)	187	176	126
	50 and above	Person(s)	156	137	191
Local employment	Domestic	Person(s)	711	671	578
	Overseas	Person(s)	351	346	278
	Employees at overseas regional offices	Person(s)	2,281	2,228	2,212
	Percentage of local employees	%	89	89	89
Local employees	Percentage of local managers	%	14	13	13
	Percentage of female employees	%	57	57	58
	Maternity protection system				
Taking a leave after/before childbirth	Taking a leave after/before childbirth	Person(s)	600	591	517
	Returning-to-work rate	%	100	100	100
	Maternity leave	Person(s)	446	396	395



Social Performance

	Unit	2017	2018	2019	
Parental leave	Parental leave	Person(s)	619	606	536
	Percentage of male employees taking parental leave	%	6	9	12
	Rate of return to work (Male employees)	%	100	96	96
	Rate of return to work (Female employees)	%	93	91	93
	One-year retention rate after returning to work (Male employees)	%	78	89	83
	One-year retention rate after returning to work (Female employees)	%	89	89	88
Employee training					
Performance	Training hours per employee	Hour(s)	76	89	122
	Online training programs	Program(s)	1,669	2,117	2,033
Lifelong learning support	Graduate school scholarships for employees	Person(s)	120	101	105
Social contribution					
Performance	Volunteer hours per employee	Hour(s)	1.9	2.2	2.2
	Social contribution expenses	KRW million	9,318	9,744	9,357
Data security					
Data security training	Domestic	Person(s)	25,220	33,459	36,175
	Overseas	Person(s)	5,482	5,152	5,452
Customer privacy	Number of customer data breach reports	Case(s)	0	0	0
Pension funds and contributions					
National Pension System		KRW 100 million	391.9	413.2	447.5
Personal pension		KRW 100 million	102.3	104.5	104.9
Contribution to the corporate credit union		KRW 100 million	120.4	126.8	133.6
Total		KRW 100 million	614.6	644.5	686.0

Environmental Performance

		Unit	2017	2018	2019
Fuel and energy					
Aircraft operations (International and Domestic Flights)	Jet fuel	tons	4,179,211	4,168,144	4,176,907
	Gas/Diesel	GJ	108,640	110,434	107,375
Ground operations: Direct energy use (Domestic)	By-product fuel No. 1	GJ	13,271	12,638	8,708
	By-product fuel No. 2	GJ	286,852	282,627	275,144
	Gasoline	GJ	10,609	10,793	11,780
	Jet fuel	GJ	14,216	10,351	6,172
	LNG	GJ	265,778	270,903	271,711
	LPG	GJ	6,082	7,093	5,146
Ground operations: Indirect energy use (Domestic)	Electricity	GJ	1,357,395	1,348,387	1,317,038
	Medium-temperature water (steam)	GJ	29,043	28,883	31,548
Energy intensity	Aircraft operations	MJ/RTK	10.94	10.99	11.98
	Ground operations	GJ/KRW billion	177.23	163.71	160.65
GHG emissions					
GHG emissions from aircraft operations	Scope1	tCO ₂ eq	13,302,627	13,267,107	13,291,765
GHG emissions from ground operations	Scope1	tCO ₂ eq	45,208	45,942	44,048
	Scope2	tCO ₂ eq	67,207	66,768	65,331
GHG emissions intensity	Aircraft operations	kg_CO ₂ eq/100RTK	81.3	81.8	83.6
	Ground operations	ton_CO ₂ e/KRW 1 billion	9.52	8.91	8.62
GHG emissions reduction					
GHG emissions reduction	Lasting effect	tCO ₂	253,827	263,939	267,778
	Permanent effect	tCO ₂	10,005	14,178	7,413
	Total	tCO ₂	263,831	278,117	275,191



Environmental Performance

	Unit	2017	2018	2019	
Water resource					
Water consumption	Quantity of water intake	tons	1,400,279	1,512,526	1,469,305
	Surface water	tons	-	-	-
	Ground water	tons	213,947	240,069	246,852
	Water utility and other supply systems	tons	1,186,332	1,272,457	1,222,453
Water recycling	Recycled amount	tons	24,979	18,428	25,000
	Recycling rate	%	1.8	1.2	1.7
Water pollutant discharge	BOD	tons	29.977	47.665	37.995
	COD	tons	13.625	18.407	17.524
	SS	tons	8.856	12.876	12.545
	T-N	tons	2.593	2.123	1.748
	T-P	tons	0.686	0.822	0.812
Air					
Air pollutant emissions	Dust	tons	17	14	10
	THC	tons	32	23	22
	NOx	tons	70,409	70,377	70,620
	SOx	tons	10	6	6
	SO ₂	tons	4,160	4,150	4,162



Environmental Performance

		Unit	2017	2018	2019
Waste					
Amount of waste generated	General	tons	26,848	27,900	28,013
	Hazardous	tons	816	988	808
	Total	tons	27,664	28,888	28,821
Percentage of recycling	General	%	36.9	35.0	39.2
	Hazardous	%	29.4	22.2	29.4
	Total	%	36.7	34.5	38.9
Waste disposal	Incineration	tons	17,074	18,429	17,447
	Landfill	tons	442	485	167
	Recycling	tons	10,149	9,974	11,207
Environmental education					
Environmental education	Basic training	man-hour	1,701	5,377	7,329
	Job-specific training	man-hour	1,258	1,354	1,035
	On-the-job training	man-hour	2,203	2,166	4,244

Third-party Assurance Statement

Dear Korean Air Management and Stakeholders

Introduction

The Korean Standards Association (“KSA”) was commissioned by Korean Air to perform a third-party Assurance Engagement of ‘Korean Air sustainability Report 2020’ (the “Report”). KSA presents independent opinions as follows as a result of the feasibility of the data contained in this Report. Korean Air has sole responsibility for content and performance contained in this Report.

Independence

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

Assurance Standards and Level

This Assurance Engagement followed the AA1000AS (2008 with 2018 addendum) assurance standards to provide Moderate Level assurance. We checked the four principles of inclusivity, materiality, responsiveness, and impact in combination with information credibility of the Report. We also reviewed whether the Report content was created in accordance with the GRI Standards.

Assurance Type and Scope

This Assurance Engagement followed the AA1000AS (2008) assurance standards to provide Type 2 assurance, which means that the assurance assessed the accuracy and reliability of the company’s statements and performance data provided in the Report. The assurance scope is from

January 1, 2019, to December 31, 2019, and the assurance focused on systems and activities including policies and goals, businesses and programs, standards, and achievements of the Company’s sustainability management. While the company’s environmental and social data, as well as financial data, was verified, the scope of review concerning stakeholder engagement was limited to the materiality analysis process.

Assurance Methodology

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

- Research and analyses on the articles related to Korean Air’s sustainability management published by media outlets
- In-person visit and interviews with managers of related issue and sustainability manager
- Review of the management system and process used in improving the performance of sustainability management and preparing the Report
- Review of the consistency between the financial performance data and the company’s audit report/publicly disclosed data
- Examination of internal documents and basic materials

Assurance Results and Opinions [On an assurance principle/process level]

KSA reviewed the draft version of this Report to present our opinions as an assurance provider. Modifications were made of the Report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, we present our opinions of the Korean Air Sustainability Report 2020 as follows.

Inclusivity

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

We believe Korean Air is aware of the importance of stakeholder participation and is making an all-out effort to establish a process that will increase their participation. Korean Air has selected stakeholders including government and related organizations, employees, corporate customers, individuals, partner companies, local communities and local government body to receive diverse feedback and opinions.

Materiality

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

We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that Korean Air conducted materiality analysis with issues identified from analyses of internal and external environments and reported according to the result.

Responsiveness

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

We verified that Korean Air responded to stakeholders’ needs and interests through reflecting stakeholders’ opinions in the Report. We are not aware of any evidence that Korean Air’s response to significant issues of stakeholders was reported inappropriately.

Impact

- Has Korean Air appropriately monitored its impact on the stakeholders?

We verified that the Korean Air is monitoring and assessing its impact on the stakeholders by conducting an enhanced verification of its standard business activities. Furthermore, it has been verified that Korean Air appropriately publishes its findings in the Report.

GRI Standards Application

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

Universal Standards

We have verified that the Report complies with the requirements of the Universal Standards of Core Option, and reviewed the following disclosures:

102-1 to 102-13(Organizational profile), 102-14(Strategy), 102-16 to 102-17(Ethics and Integrity), 102-18(Governance), 102-40 to 102-44(Stakeholder Engagement), 102-45 to 102-56(Reporting Practice), 103(Management Approach)

Topic-specific Standards

We have checked the material topics identified from a materiality analysis process in which content to be disclosed. We examined disclosures below:

- Economy: 201-1, 205-2, 206-1
- Environment: 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5, 305-7, 306-2
- Social: 401-2, 401-3, 402-1, 403-3, 404-1, 404-2, 413-1, 416-1, 417-1, 417-2, 417-3, 418-1

Opinions and Recommendations [Performance /Issues]

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

Economic

As the largest airline company in Korea, Korean Air leads the global airline industry, and is working to provide safe and high-quality services to customers under the slogan of "Excellence in Flight." Korean Air is advancing to become a global airline that leads the global aviation industry based on its core values of safety and customer-oriented service. COVID-19 has created a challenging environment for the aviation industry around the world and significantly reduced sales and profitability this year. To better respond to the changes in the global business environment, we ask that Korean Air continues to cooperate with its customers and business partners and to effectively manage financial and non-financial risks.

Environmental

Korean Air has faithfully conducted the required materiality assessment and released the relevant environmental information, including its response to climate change. This is considered as an advanced and positive approach, in terms of corporate sustainability and communication with stakeholders. In particular, the replacement of plastic straws and cups to reduce waste is an exemplary case of environmental conservation. In the face of the current global crisis, air travel is expected to decrease further, which, in turn, will naturally reduce greenhouse gas emissions. It is thus necessary to take a macroscopic approach when analyzing risk and opportunity factors and making decisions related to the core values of the company. If Korean Air can find a new approach in accordance with the changes in the global management environment after the pandemic, it will be able to accomplish remarkable organizational performance on major issues.

Social

Through the annual sustainability report, Korean Air shares with stakeholders its goals, activities, and performance in economic, social, and environmental areas. Korean Air actively promotes stakeholder engagement in expert meetings and encourages them to discuss the direction of Korean Air's sustainable development in each field of sustainability management. This year, Korean Air has successfully identified potential positive and negative impacts of activities related to the UN Sustainable Development Goals (UN SDGs) and reported the achievements and performance of those activities. We recommend establishing specific goals for each of the SDGs and continuously sharing the company's progress and performance through the sustainability report. In addition, we recommend establishing the KPI that can encompass all the topics for each of the four major commitments, setting mid- and long-term goals to achieve the KPI, and reporting the performance for the development of a more systematic framework for sustainability management.

July 2020

Sang-Jin Lee, KSA Chairman & CEO




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

GRI Content Index

GRI (Global Reporting Initiative) is an independent international organization that provides sustainability reporting guidelines and recommends businesses to publish the reports. Korean Air Sustainability Report is prepared in accordance with GRI Standards Core Option and is disclosed transparently.

Topic	Disclosure	Page	
General Disclosures			
Organizational Profile	102-1	Name of the organization	7
	102-2	Activities, brands, products, and services	8-10
	102-3	Location of headquarters	7
	102-4	Location of operations	11
	102-5	Ownership and legal form	7
	102-6	Markets served	8-11
	102-7	Scale of the organization	7
	102-8	Information on employees and other workers	40, 54
	102-9	Supply chain	45-47
	102-10	Significant changes to the organization and its supply chain	No significant changes
	102-11	Precautionary Principle or approach	36-37
	102-12	External initiatives	66-67
	102-13	Membership of associations	67
Strategy	102-14	Statement from senior decision-maker	4
	102-15	Key impacts, risks, and opportunities	21
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	28
	102-17	Mechanisms for advice and concerns about ethics	28
Governance	102-18	Governance structure	26-27
Stakeholder Engagement	102-40	List of stakeholder groups	18
	102-41	Collective bargaining agreements	44
	102-42	Identifying and selecting stakeholders	18
	102-43	Approach to stakeholder engagement	18
	102-44	Key topics and concerns raised	19



Topic		Disclosure	Page
Management Approach	102-45	Entities included in the consolidated financial statements	The 2019 annual report
	102-46	Defining report content and topic Boundaries	21
	102-47	List of material topics	21
	102-48	Restatements of information	Not applicable
	102-49	Changes in reporting	21
	102-50	Reporting period	68
	102-51	Date of most recent report	Aug. 2019
	102-52	Reporting cycle	68
	102-53	Contact point for questions regarding the report	68
	102-54	Claims of reporting in accordance with the GRI Standards	68
	102-55	GRI content index	62-65
	102-56	External assurance	60-61
Topic-specific Standards			
GRI 200: Economic Performance			
GRI 201: Economic Performance 2016	103	Management Approach	12-13
	201-1	Direct economic value generated and distributed	18
GRI 205: Anti-corruption 2016	103	Management Approach	25
	205-2	Communication and training about anti-corruption policies and procedures	28
GRI 206: Anti-competitive Behavior 2016	103	Management Approach	25
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	The 2019 annual report



Topic	Disclosure	Page	
GRI 300: Environmental Performance			
GRI 302: Energy 2016	103	Management Approach	33
	302-1	Energy consumption within the organization	57
	302-3	Energy intensity	57
	302-4	Reduction of energy consumption	34-35
GRI 303: Water 2016	103	Management Approach	33
	303-1	Interactions with water as a shared resource	58
	303-3	Water withdrawal	58
GRI 304: Biodiversity 2016	103	Management Approach	33
	304-2	Significant impacts of activities, products, and services on biodiversity	37
GRI 305: Emissions 2016	103	Management Approach	33
	305-1	Direct (Scope 1) GHG emissions	57
	305-2	Energy indirect (Scope 2) GHG emissions	57
	305-4	GHG emissions intensity	57
	305-5	Reduction of GHG emissions	34, 57
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	58
GRI 306: Effluents and Waste 2016	103	Management Approach	33
	306-2	Waste by type and disposal method	59
GRI 307: Environmental Compliance 2016	103	Management Approach	33
	307-1	Non-compliance with environmental laws and regulations	No cases of violation



Topic		Disclosure	Page
GRI 400: Social Performance			
GRI 401: Employment 2016	103	Management Approach	40-44
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	43
	401-3	Parental leave	41, 56
GRI 402: Labor/Management 2016	103	Management Approach	44
	402-1	Minimum notice periods regarding operational changes	50 days for layoff; 30 days for dismissal; and when changes in business operations occur
GRI 403: Occupational Health and Safety 2016	103	Management Approach	22, 24
	403-3	Workers with high incidence or high risk of diseases related to their occupation	41-42
GRI 404: Training and Education 2016	103	Management Approach	42-43
	404-1	Average hours of training per year per employee	56
	404-2	Programs for upgrading employee skills and transition assistance programs	42-43
GRI 413: Local Communities 2016	103	Management Approach	48-50
	413-1	Operations with local community engagement, impact assessments, and development programs	48-50
GRI 416: Customer Health and Safety 2016	103	Management Approach	22
	416-1	Assessment of the health and safety impacts of product and service categories	23-24
GRI 417: Marketing and Labeling 2016	103	Management Approach	29
	417-2	Incidents of non-compliance concerning product and service information and labeling	No cases of violation
	417-3	Incidents of non-compliance concerning marketing communications	No cases of violation
GRI 418: Customer Privacy 2016	103	Management Approach	29
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	32

UN Global Compact

The UN Global Compact is an international agreement initiated by the United Nations that calls on companies to align strategies and operations with ten principles on human rights, labor, the environment, and anti-corruption efforts. Since we joined the program in support of these principles in July 2007, we have been submitting the CoP (Communication on Progress) reports, and will continue to work on their implementation.

Area	Principles	Reporting pages
Human rights	1. We support and respect the protection of internationally proclaimed human rights.	P. 28 P. 40-44
	2. We ensure that we are not complicit in human rights abuses.	
Labor	3. We uphold the freedom of association and effective recognition of the right to collective bargaining.	P. 40-44
	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.	
Environment	7. We support a precautionary approach to environmental challenges.	P. 33-38
	8. We undertake initiatives to promote greater environmental responsibility.	
	9. We encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery.	P. 28

Awards and Memberships

Awards	Awarded by	Date
Best Airline KOREA Travellers' Choice Major Airline Asia	TripAdvisor	April 3, 2019
First place in the air passenger transport services sector of the Global Customer Satisfaction Competency Index (GCSI)	Global Management Association	June 20, 2019
2020 Official Airline Ratings™ Five Star Global Airlines	Airline Passenger Experience Association (APEX)	September 10, 2019
First place in Korea Service Quality Index in the airline sector	Korea Standards Association	October 29, 2019
20 Top Airlines in the World for 2020	AirlineRatings.com	November 25, 2019

Category	Associations/Organizations
Aviation	International Air Transport Association (IATA), Association of Asia Pacific Airlines (AAPA), SkyTeam, Korea Civil Aviation Association, Aviation Management Society of Korea, Federation of Korea Aeronautics, Korea Aeronautical Engineers' Association, Korean Association of Air and Space Law, Korean Society for Aeronautical & Space Sciences, Korean Society for Composite Materials, Korea Institute of Military Science and Technology, Society for Aerospace System Engineering, Korean Society of Propulsion Engineers, Korea Association of Defense Industry Studies, Korea Remotely Piloted Aircraft Safety Association, Korea UVS Association, Korea Defense Industry Association, Korea Aerospace Industries Association, Korea Industrial Technology Association, Daedeok Innopolis Defense Industries Committee, Korea Aerospace Technology Research Association, Korean Defense Industry Council on Security, Korea Fire Safety Association
Economy	Korea Business Council for Sustainable Development, Federation of Korean Industries, Korea Economic Research Institute, Korea Employers Federation, Korea Chamber of Commerce and Industry, Federation of Economic organizations, Korea-U.S. Economic Council, Korea-Japan Economic Association, Korea Listed Companies Association, Korea Exchange, Korea Customs Logistics Association, Korea International Trade Association
Environment	Green Companies Council, Gangseo Business Group for Environmental Practices, Voluntary Agreement of the Aviation Industry on GHG Reductions
Society	UN Global Compact, Asia Society Korea Center, Korea AEO Association, Korea Management Association, Korean Council on the Protection of Personal Information, Korea-Mongolia Forum, Korea Defense Transportation Association, Korea Support Committee for the International Vaccine Institute

Reporting standards: GRI Standards (Core Option)

Reporting period: January - December 2019

Reporting scope: Korean Air's business premises at home and abroad, including the headquarters in Seoul

Reporting cycle: Annual

Third-party assurance: Korean Standards Association (KSA)

Disclosure principle: The report is available online on Korean Air's website (koreanair.com)

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