



SUSTAINING  
EXCELLENCE

**Reporting Principle** GRI Standards (Core Option)

**Reporting Period** January - December 2017






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

**Reporting Frequency** Annual

**Third-party Assurance** Korea Productivity Center

**Disclosure Principle** The report is available online at Korean Air's website (koreanair.com)

#### Further Information

-  **website** [koreanair.com](http://koreanair.com)
-  **twitter** [twitter.com/KoreanAir](https://twitter.com/KoreanAir)
-  **facebook** [facebook.com/KoreanAir](https://facebook.com/KoreanAir)
-  **blog** [blog.koreanair.com](http://blog.koreanair.com)
-  **instagram** [instagram.com/KoreanAir](https://instagram.com/KoreanAir)

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# Introduction

The 24th Korean Air Travel Photo Contest / Merit Prize / Byung-geun Lim / Seljalandsfoss & photographer / Seljalandsfoss, Iceland



Iceland is a volcanic island located in the North Atlantic Ocean. Lying on the divergent boundary between the Eurasian plate and the North American plate, the country is filled with awe-inspiring volcanoes, glaciers, and fjords, which attract a lot of tourists who want to discover the pure power of Mother Earth.

Distinguished stakeholders,

2017, despite the sound air traffic demand growth, was a year where we witnessed more uncertainties in our management environment, due to the heightened tension on the Korean peninsula with the controversial THAAD deployment and North Korea's nuclear program, and the increased oil prices in the second half of the year.

Amid uncertainties, however, Korean Air achieved KRW 11,802.8 billion in sales and KRW 956.2 billion in operating profit, a sound performance which was possible as we strived to operate more flexible routes and deliver the optimum safety and services to our customers, in an effort to proactively respond to external factors affecting our management. In 2017, we also signed with Delta Air Lines a trans-pacific joint venture agreement, which will serve as a valuable cornerstone for another leap forward in expanding our global route network.

Korean Air will continue to place safety as the first priority in operation and navigate the rapidly changing market landscape with flexibility toward sustainable growth with stakeholders.

### **“Profits made by a company must be returned to the society that made it possible”**

Korean Air believes in giving back to the community. All employees uphold the principles of the founding chairman and do their best work to benefit local communities and the country through our business activities. While staying true to our core business concept of transport, we also stay passionate about contributing back to society by leveraging our very core competencies.

### **“Korean Air's responsible investment incorporating the environment and future”**

We are committed to sustainable investment in the environment and future. We have been running afforestation projects in Mongolia and China for more than a dozen years and engaged with local communities in various environmental activities as well. Adding to the fleet high efficiency eco-friendly B787-9 and Asia's first CS300 was also part of our tireless efforts to reduce our carbon footprint and make the world a greener place.

Going forward, Korean Air will create and share social value in close communication with our stakeholders. We will stay alongside you as a trusted partner who brings happiness and joy, and we appreciate your continued trust and support. Thank you.

August 2018

**Cho Yang-ho**

Chairman & CEO Korean Air



# Company Overview

## Profile

Korean Air, founded in 1969, is celebrating its 49th anniversary in 2018. Operating a fleet of 161 aircraft as of the end of 2017, the airline is expanding its business areas to the aerospace industry, including aircraft parts development and maintenance, while continuing its existing business in passenger and cargo transportation, in-flight meals, and duty-free shopping services.

(as of Dec 31, 2017)

Company name	Korean Airlines Co., Ltd.
Headquarters	260 Haneul-gil Gangseo-gu, Seoul, Korea (Gonghangdong 1370)
Phone number	02-2656-7114
Website	<a href="http://www.koreanair.com">http://www.koreanair.com</a>
Business areas	Passenger & cargo transportation, aerospace, catering services and in-flight sales
Sales	KRW 11,802.8 billion
No. of employees	20,363 (including overseas local hires, excluding executives)
Air fleet	161 aircraft
Routes	123 cities in 43 countries (passenger: 111 cities in 37 countries / cargo: 40 cities in 25 countries)
Revenue passengers carried in 2017	26.76 million
Revenue freight carried in 2017	1.68 million tons
Subsidiaries	See the disclosures by Korean Air on <a href="http://dart.fss.or.kr">http://dart.fss.or.kr</a>

## Air Fleet (aircraft, year)

Aircraft model	Passenger		Cargo	
	Total	Average fleet age	Total	Average fleet age
A380-800	10	5.8	-	
B747-8I	10	1.7	-	
B747-400	4	20.8	9	
B747-8F	-		7	15.1
B787-9	5	0.5		
B777-300ER/300/200	38	10.1	-	
A330-200/300	29	13.0	-	
B777F	-		12	2.6
B737-800/900/900ER	35	11.1	-	
CS300	2	0.2		
<b>Q'ty: 161</b>	<b>133</b>	<b>9.9</b>	<b>28</b>	<b>7.0</b>

## Transportation (10K passengers / 10K tons)

### International routes

Passenger  1,880

Cargo  159.6

### Domestic routes

Passenger  796

Cargo  8.7

### Total

Passenger  2,676

Cargo  168.3

## Vision

To be a Respected Leader in the World Airline Community

## Mission

### Service Excellence

- Strengthen service competitiveness by developing Korean Air's original services
- Offering high-end and differentiated services
- Providing high-end seats such as Kosmo Suites 2.0 and Prestige Suites, and enhancing in-flight entertainment services (AVOD/IFE)
- Fortifying 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

- Placing safety as the first priority in operation
- Driving profitability improvement through year-round cost reduction efforts
- Modernizing the fleet continuously for higher operational efficiency
- Expanding a global network by tapping into SkyTeam resources
- Strengthening management infrastructure with company-wide IT integration
- Promoting education/training programs for fostering global talent

### Innovative Excellence

- Establishing a corporate culture that embraces creativity and free thinking
- Creating a democratic and collaborative workplace
- Fostering talent from around the globe
- Removing company silos and promoting change and innovation
- Developing profitable new businesses

EXCELLENCE IN FLIGHT

# Vision & Management Philosophy



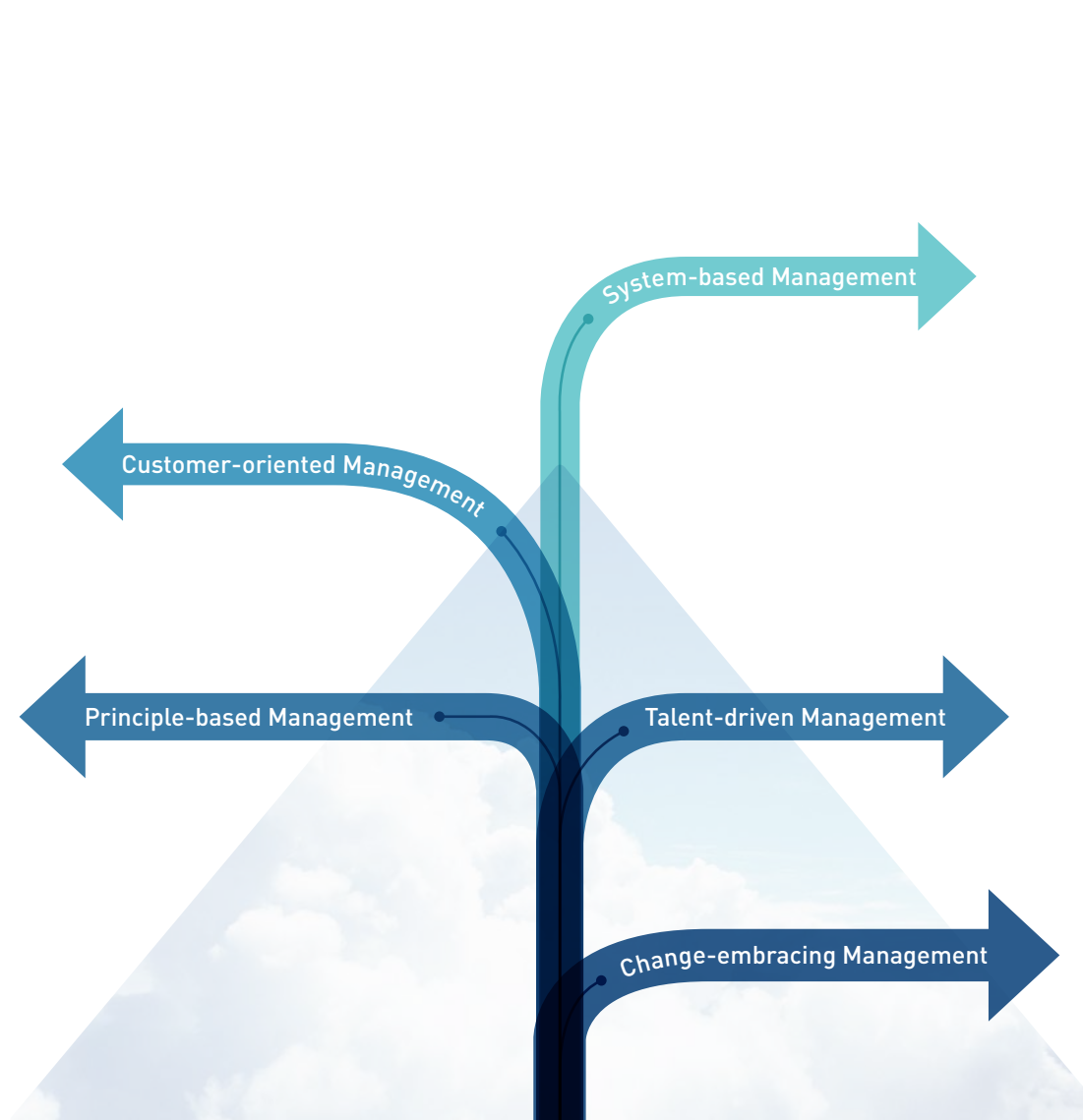
## Enhancing customer loyalty with highest possible customer satisfaction

- Taking a comprehensive and systematic approach toward customers
- Responding promptly to changing customer needs
- Maximizing the customer value through Management by Wandering About (MBWA) practices



## Adhering to standards and principles

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



## Operational management based on expertise and autonomy

- Promoting a mutual respect for expertise in different fields
- Making a system-based decision
- Building a harmonious atmosphere for creative solutions



## Developing future growth engines with competent human resources

- Attracting the best and brightest from around the globe
- Continuing a bold investment in nurturing talent
- Creating a corporate culture that pairs individual competency-building with organizational growth



## Creating an innovative and chance-embracing corporate culture

- Encouraging to have a progressive and aspiring mind
- Creating an organizational culture that embraces change
- Pursuing future-oriented business reform by focusing on core competencies



# KAL Business Story

The 24th Korean Air Travel Photo Contest / Merit Prize / Jung-hye Lee / Sunrise / Hpa An, Myanmar



With close to 90 percent of the population Buddhist, Myanmar is one of the most devout Buddhist countries in the world where monks line up along the street in the early morning and walk slowly to receive food donations (alms) from locals and where numerous pagodas dotted throughout the country have become an integral part of its life. Witnessing the chanting rituals of Buddhist monks is such a unique experience not to miss in Myanmar.

# Business Areas

## Air Transport Business

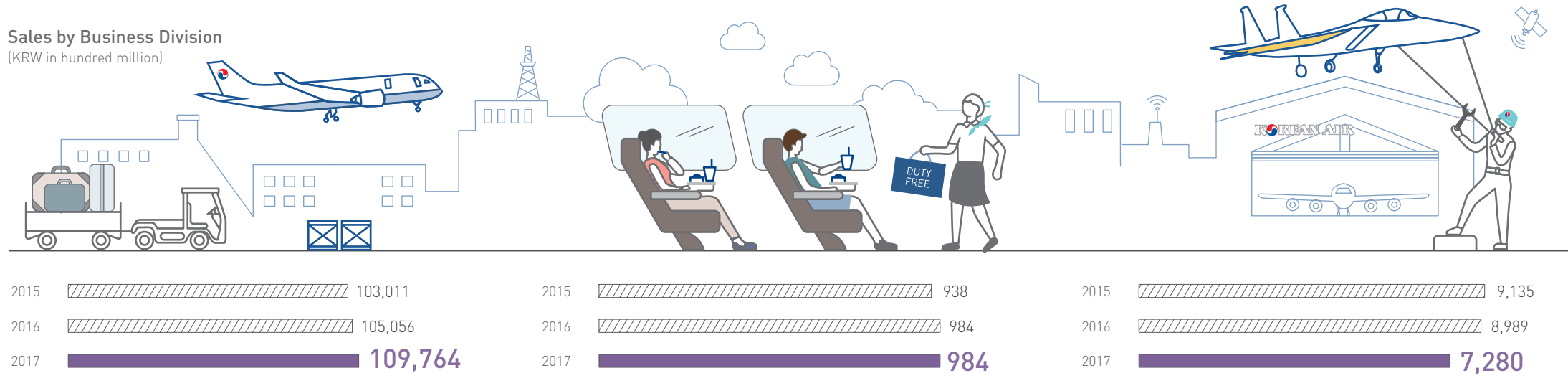
As of the end of 2017, Korean Air owned 161 aircraft and operated scheduled flights to 13 cities in Korea and 110 cities in 42 countries worldwide, carrying 26.76 million passengers and 1.68 million tons of cargo annually.

**Passenger Business** In 2017, despite continued unfavourable business conditions at home and abroad, including THAAD deployment in South Korea and North Korea's nuclear program, the passenger business saw its profit increased 1.1 percent from a year earlier, thanks to the flexible supply management and aggressive effort to channel the demand to alternative mid-to-long-haul flights.

**Cargo Business** Backed up by the recent global economic rebound and trade volume increase, Korean Air's annual air shipments rose 6.4 percent in 2017 from the previous year.

## Sales by Business Division

(KRW in hundred million)



## In-Flight Meals/Sales Business

**Catering Business** The catering business manufactures and serves food that matches the various preferences of passengers at the right time of travel. The catering business develops menus based on passenger preference, and creates revenue by producing food on land that matches the airplane's planned operation and offering it to the airline just in time.

**In-flight Sales Business** The in-flight sales business sells duty free goods to passengers in international flights from Korean Air, and we are working to improve sales efficiency by actively operating a "pre-ordering system for in-flight shopping."

• In-flight meals produced in 2017: 27,373,642 meals

## Aerospace Business

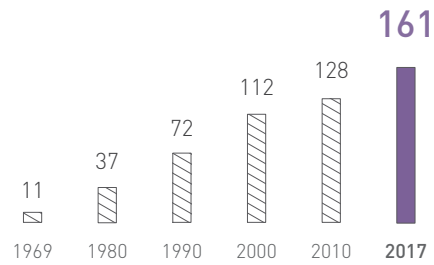
Korean Air's Aerospace Division is taking part in various unmanned aerial vehicle development projects based on our experience and technologies acquired through designing, manufacturing, producing, maintaining, and improving the performance of manned aerial vehicle and aircraft structures both domestically and overseas for the past 40 years. We are taking a leap forward as a comprehensive manned and unmanned aerospace enterprise.

- Performing heavy maintenance on about 100 aircraft and parts maintenance on over 25,000 units annually
- Completing the recent development and manufacturing of wing components for the Boeing 737MAX and Airbus A330NEO aircraft
- Acquiring Korea's first type certification for unmanned aerial vehicles in 2014, and mass producing unmanned aerial vehicles for reconnaissance flight by the army

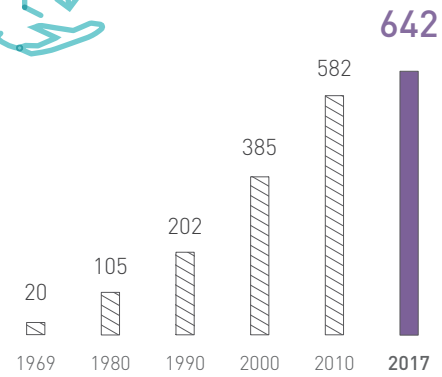
# Management Performance

## Major Performance

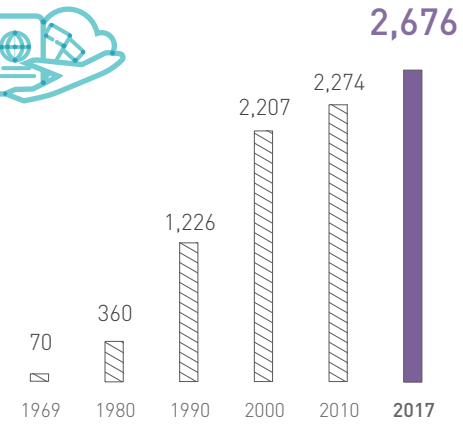
Fleet (aircraft)



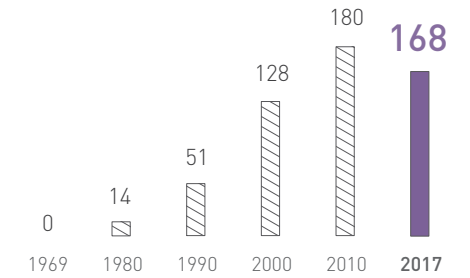
Flight Hours (1,000 hours)



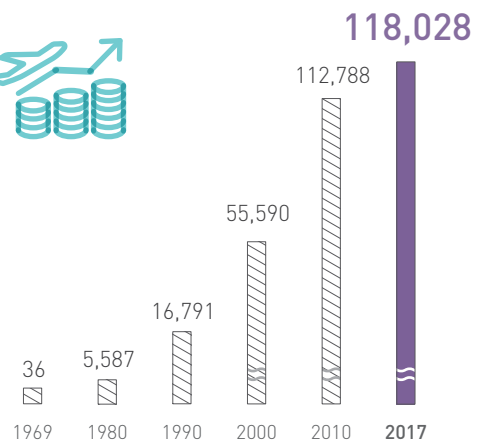
Passenger Transportation (10,000 persons)



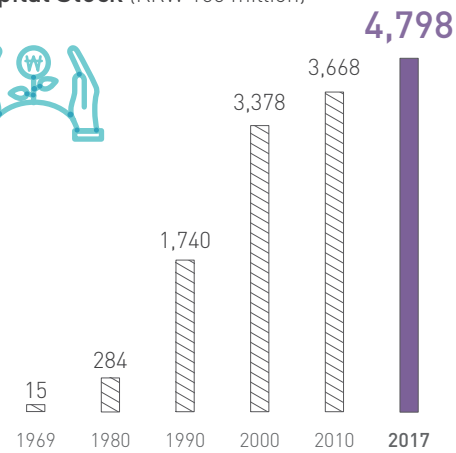
Cargo Transportation (10,000 tons)



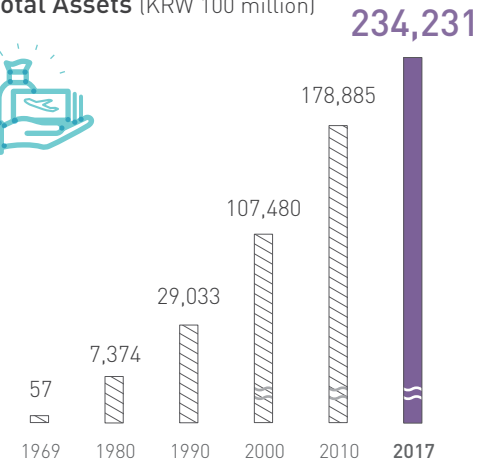
Operating Profit (KRW 100 million)



Capital Stock (KRW 100 million)



Total Assets (KRW 100 million)



# Global Network

## Korean Air Flight Route Map

- Passenger and cargo
- Cargo-only



(as of December 2017)

13 cities in Korea  
110 cities in 42 countries worldwide

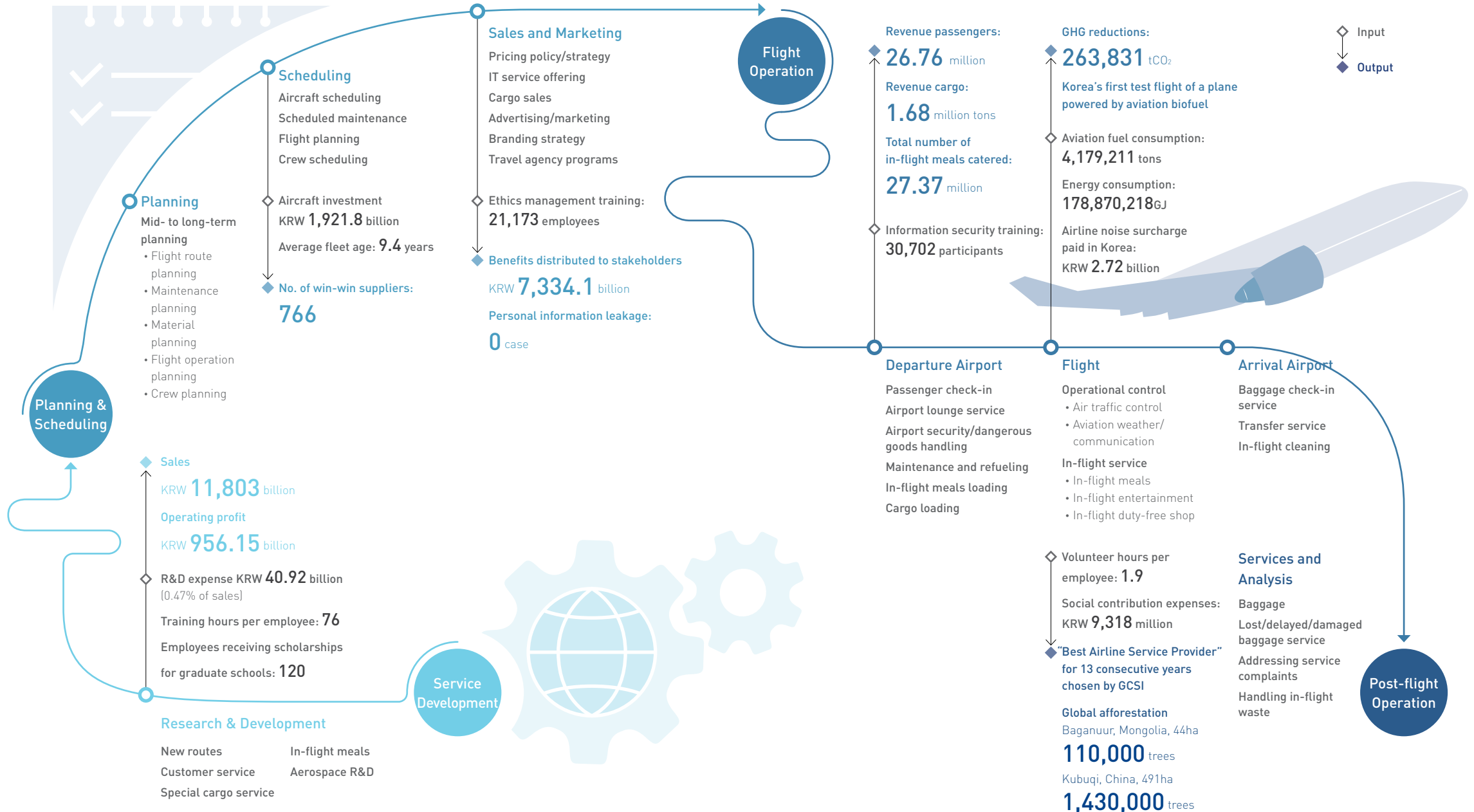
See SkyTeam CSR Statement

## Global Network

**SKYTEAM** SkyTeam, a global airline alliance formed in June 2000, currently consists of 20 member airlines, including Korean Air. Every day, 16,600 SkyTeam flights take off for 1,074 destinations in 177 countries. This global network allows customers multiple flight options on member airlines and wider benefits, such as earning and redeeming mileage and using airport lounges and joint services provided by all member airlines.

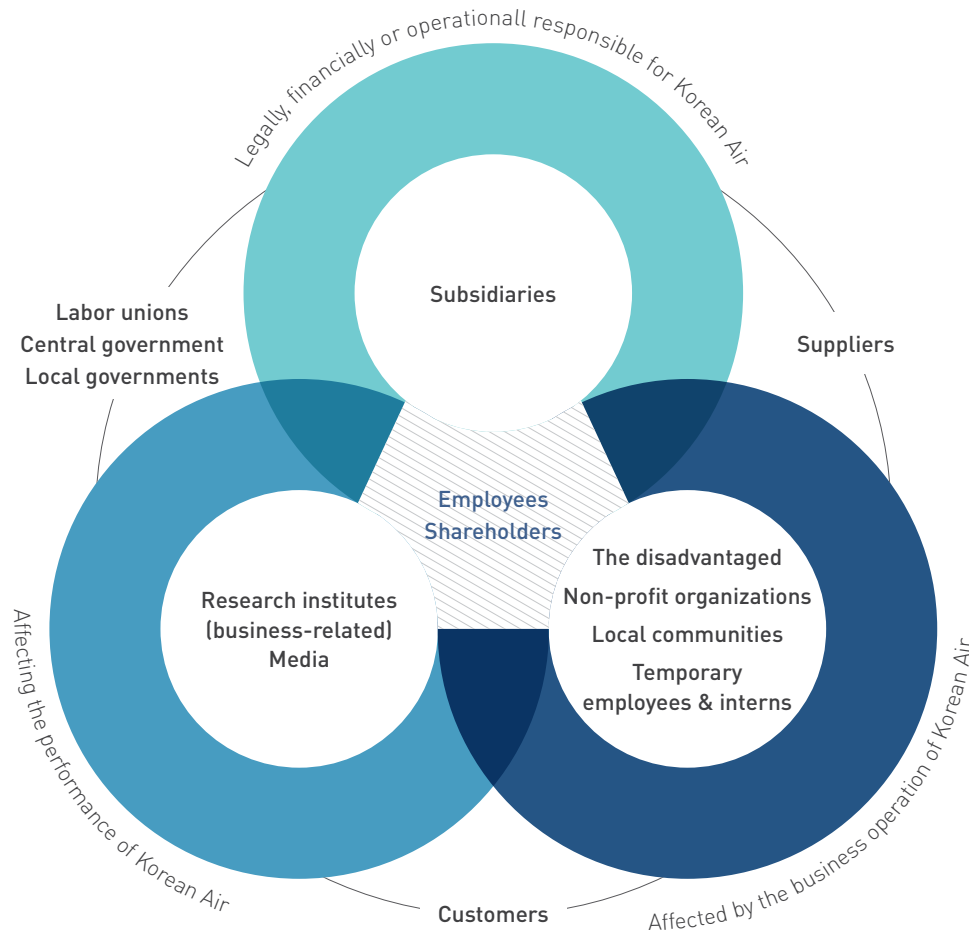
**KAL-Delta Joint Venture** Korean Air and Delta Air Lines agreed to launch a joint venture in 2018. This new partnership creates one of the most extensive trans-pacific networks, connecting over 290 cities in the Americas and over 80 in Asia.

# Business Value Chain



# Stakeholders

## Stakeholder Groups



## Economic Value Distributed to Stakeholders in 2017

(KRW hundred million)

Stakeholders	Category	2017
Employees	Labor expenses	15,880
	Welfare benefits	3,085
Shareholders	Dividends	240
Creditors	Interest expenses	4,272
Tax authority	Corporate tax expenses	324
Local communities	Donations	95
	Rental	3,516
Suppliers	Fuel expenses	26,162
	Manufacturing expenses	7,912
	Airport expenses	11,855
<b>Total</b>		<b>73,341</b>

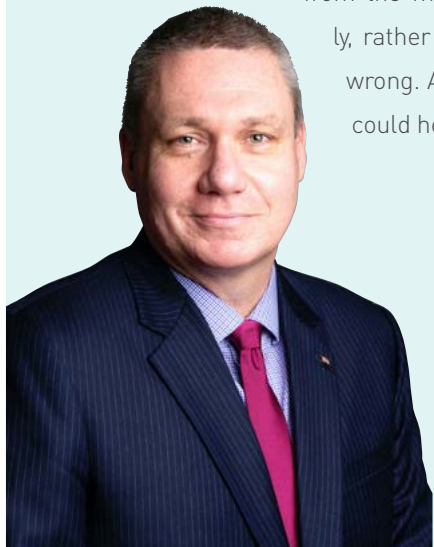
## Stakeholder Interviews

### Safety

I am the IATA Regional Director for Safety and Flight Operations in Asia-Pacific. I liaise regularly with KE on matters related to the IOSA (IATA Operational Safety Unit) audit.

The airline industry expected to operate in a more challenging and complex aviation environment with increased air traffic growth and varied needs of different airspace users. And this led ICAO to establish Global Aviation Safety Roadmap, according to which states are also expected to build upon safety management practices within their State Safety Program to develop advanced safety oversight systems.

I think the biggest trend issue in the aviation safety area is the effective use of data for safety purposes. As the number of incidents/accidents decreases the industry needs to move toward a state where safety gains are derived from analyzing operational data from the more than 38 million flights that operate safely annually, rather than just the handful of flights where something goes wrong. As such, continued efforts for systematized data analysis could help Korean Air maintain its leadership in safe operations.



“Efficient analysis and use of data on safety monitoring will enable Korean Air to maintain its leadership in safe operations.”

Asia-Pacific Regional Director of Safety and Flight Operations / IATA(International Air Transport Association)

Blair Cowles

### Employees

I am working in the Human Resources Development Center, which is responsible for planning and implementing capacity building programs for employees of Korean Air. Fully understanding the importance of staff capacity development for its journey to become a leader in the global airline industry, Korean Air operates systematic training programs for new hires, specific job functions and management positions. We take pride in the Service Academy training, safety training, and field training for safe flight operations, in particular, for the exceptional training quality and benefit when compared with other airlines.

Korean Air has recently implemented an integrated online/offline training system where employees study online first and go offline for discussion or case training, which is way more effective than the traditional way of transferring knowledge. Going forward, Korean Air will continue to spare no effort to support employees' learning and development with systematic training programs.



“Korean Air offers an employee training and development program tailored to the aviation industry.”

Manager at Human Resources Development Center / Korean Air

Tae-hyeon Ahn

## Stakeholder Interviews

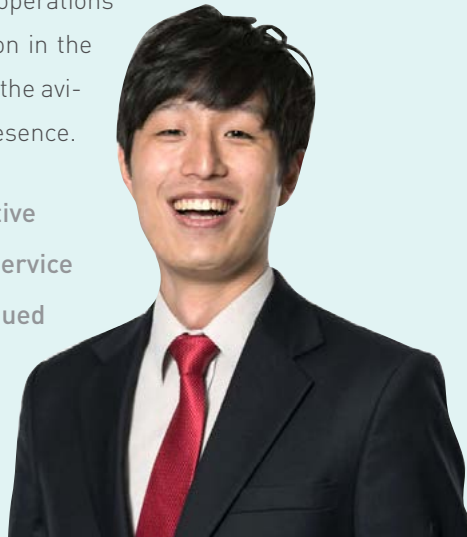
### Investors

Korean Air is facing challenging circumstances triggered by the rising global oil prices and falling KRW-USD exchange rate, and the strong growth of the low-cost carriers (LCCs). For Korean Air to achieve sustainable growth into the future, I believe it is time to develop a mid- to long-term strategy with a focus on further developing the strengths the company has built over the past 50 years.

In this regard, Korean Air is moving in the right direction with recent moves to secure the competitive edge in the long-haul flights by scheduling new regular services to Barcelona and Zagreb and entering into a trans-pacific joint venture with Delta Air Lines. Korean Air will also be able to improve its competitive edge by investing for customer service enhancement, rather than competing head-on with the LCCs offering stripped-down service and cheaper fares. Appropriate investments in online/mobile channels to attract younger customers and efficient fleet operations will also help maintain the competitive position in the market. I expect Korean Air to continue to lead the aviation industry with an even stronger market presence.

“ Korean Air’s efforts to secure a competitive advantage on flight routes and enhance service quality will set the company up for continued market leadership. ”

The Public Investment Advisory / CEO  
Hyunjun Kim



### Environment

Global coordination around response to climate change is increasing, with Paris COP21, ICAO and IMO positions clear and strengthening over time. The aviation industry is increasingly expected to minimize its environmental footprint not just through carbon offsetting but also by improving carbon efficiency.

Korean Air’s response is well aligned with others in the industry in working first of all from efficiency improvements and then extending to other GHG emission reductions. Keeping a focus on authentic and material carbon reductions, and choosing suppliers who also are leading in the area of carbon mitigation, will keep Korean Air on the right track. Ensuring a robust carbon management programme, scrutinized by an independent NGO, is the best way to help improve carbon outcomes and deliver shareholder value. In addition, competitive advantage could come from connecting more with those customers that are more motivated around the low carbon agenda, going the extra mile and offering additional options like carbon offsetting or sustainable alternative fuels substitution.

“ Carbon emissions management from a long-term perspective will keep Korean Air on the right track to reduce its environmental impact and take the competitive edge in the climate change response. ”

Air BP / Offer Development Manager, Low Carbon  
Neil McGuinness







# KAL Issue Report

The 24th Korean Air Travel Photo Contest / Bronze Prize / Ki-hwan Kang / A City on a Cliff, Castelmezzano / Basilicata, Italy



Basilicata is a region in the south of Italy. Contrasting sharply with the glamour or polish the typical Italian cities have to offer, the landscape of Basilicata is dominated by rugged and primitive beauty. The dark-colored cities on a steep hillside await travelers who get away from the hustle and bustle of the city in search of inspiration for a new perspective.

# Materiality Assessment Process

In our Sustainability Report, we cover material topics derived through the assessment, our sustainability management performance, and future plans. To this end, we identify key topics with a significant influence on our sustainability management activities by analyzing international standards, benchmarking industry peers, engaging internal and external stakeholders, and conducting media research.

## Step 1 Creating a Topic Pool

Based on the economic, environmental, and social issues affecting the business performance of Korean Air and our stakeholders' interest, we conducted international standard analysis, global benchmarking, internal reviews, stakeholder interviews, and media research and identified 39 issues to comprise a topic pool.

## Step 2 Prioritizing Topics

We surveyed stakeholders including employees, customers, suppliers, and sustainability management experts to evaluate and prioritize the topics in the pool that potentially influence the company's sustainability management activities.

### Stakeholder Survey Summary

Period	April 2 to April 17, 2018
Targets	customers, employees, suppliers, local communities, and sustainability management experts
Respondents	304 persons (180 employees, 124 external stakeholders)

## Step 3 Conducting Materiality Assessment

### Business Impact

- 1) Korean Air's strategy, the company newspaper, Sustainability Management reports, and internal records including those for performances
- 2) Aviation industry benchmarking: identifying common issues faced by the industry, such as the implementation of customer satisfaction management, climate change response, expansion in aircraft/infrastructure investment, and operational safety
- 3) Review of GRI Standards, DJSI, ISO 26000 as well as UN's Sustainable Development Goals (SDGs) the company has embraced into its business operations

### Stakeholders' Interest

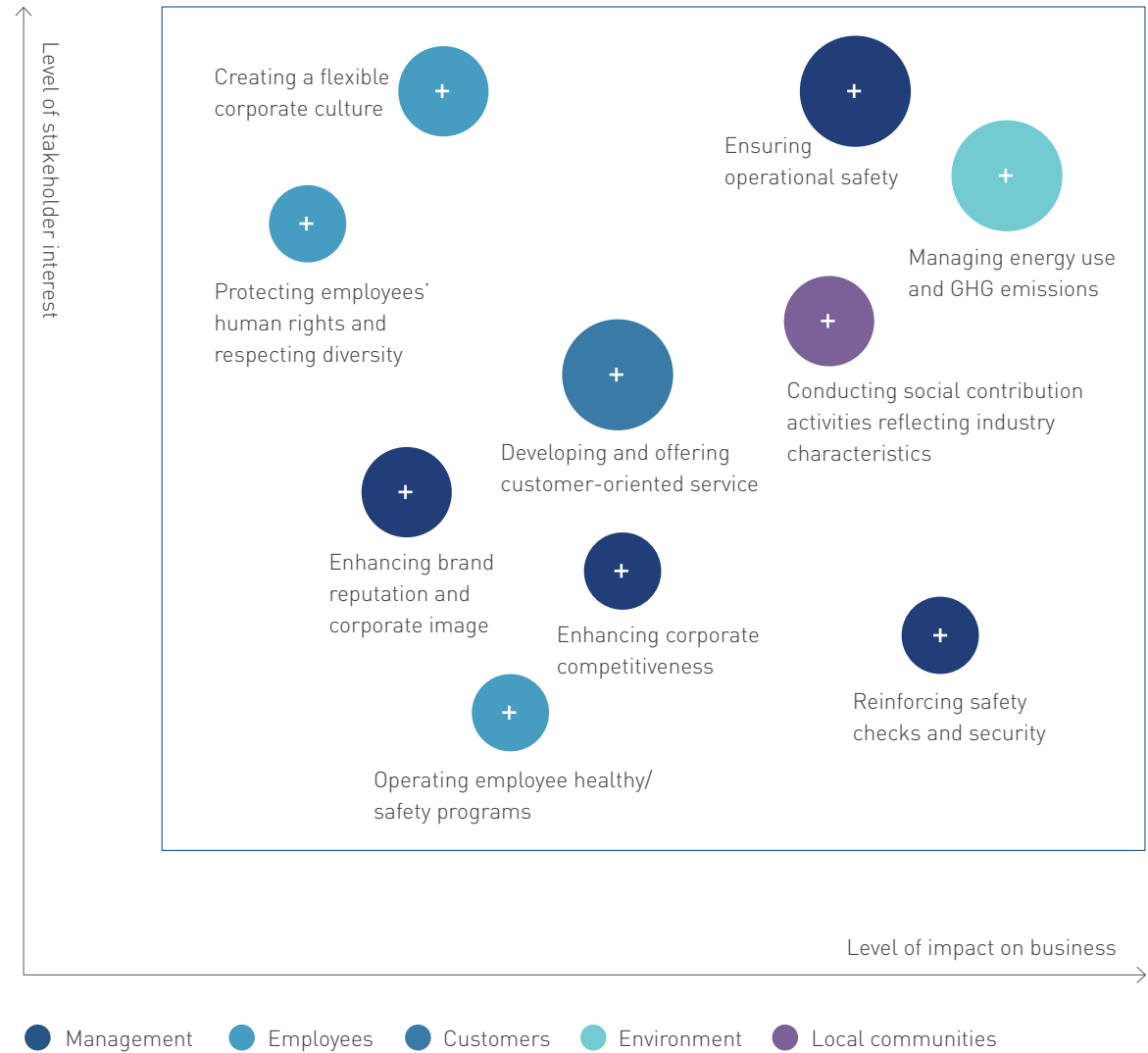
- 1) Survey on customers, suppliers, local communities, NGOs, and investors
- 2) Analysis of 6,581 news articles by media outlets in 2017: Topics receiving most extensive media coverage include shared growth management through various social contribution activities, greater customer satisfaction with new services and more active customer engagement, and operational safety

# Materiality Assessment Process

## Step 4 Selecting and Finalizing Reporting Topics

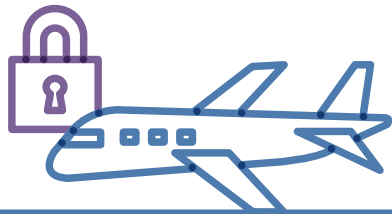
Korean Air overlaid the issues along with the economic, environmental, and social topics defined in the GRI Standards, and derived the 10 key topics that fall into "High" relevance category. And an assessment was carried out to assign weights to financial, operational, and reputational aspects accordingly. The company incorporated the material topics chosen in this report by taking into account their significance, scope, aspect boundaries, reporting period, and reporting limitations. Topic boundaries, in the meantime, were set in consideration of the extent of organizational impacts and business value chains.

Material Topics	GRI Topic	Reporting Page
1 Managing energy use and GHG emissions	GRI 302 : Energy GRI 305 : Emissions	25-32 57-60
2 Ensuring operational safety	GRI 416 : Customer Health and Safety	20-24
3 Conducting social contribution activities reflecting industry characteristics	GRI 413 : Local Communities	54-56
4 Developing and offering customer-oriented service	GRI 417 : Marketing and Labeling GRI 418 : Customer Privacy	33-40 49
5 Creating a flexible corporate culture		-
6 Protecting employees' human rights and respecting diversity	GRI 405 : Diversity and Equal Opportunity GRI 406 : Non-Discrimination	41-45 50-52
7 Reinforcing safety checks and security	GRI 403 : Occupational Health and Safety	51-52
8 Enhancing brand reputation and corporate image		-
9 Increasing market dominance		-
10 Operating employee health/safety programs	GRI 403 : Occupational Health and Safety	51-52



# Enhancing Aviation Safety and Security

What commitment do you have towards safe flight operation and enhanced security posture?



<b>Stakeholder views</b>	Ensuring operational safety / Enhancing safety checks and security
<b>Category</b>	Social and product responsibility
<b>GRI</b>	Customer health and safety
<b>Reporting issues</b>	<ul style="list-style-type: none"> <li>• Ensuring operational safety</li> <li>• Reinforcing safety checks and security</li> </ul>

Where the impact comes from		Where the issue affects		
Internal	External	Cost	Profit	Risk
•	•	•		•

**WHERE  
WE  
STAND**

**Changes in the Business Environment and Korean Air at Present**

Although the year 2017 marked the safest year on record in the commercial aviation history, the aviation industry faces with new challenges different from those of the past, largely attributable to the surge in the air travel demand in recent years and hazards associated with new technologies such as fire-prone lithium-ion batteries. In an attempt to actively respond to the evolving landscape of aviation, the Korean government lays out and implements a 5-year aviation security roadmap (2017 to 2021).

**HOW  
WE  
LISTEN**

**Stakeholder Views**

The stakeholder materiality assessment for 2018 shows that operational safety has been identified as the most fundamental issue for sustainability. For Korean Air, safety is the highest priority that can never be compromised. Going forward, we will make continued efforts for upgrading our safety management, building upon our accomplishment of no fatal accidents over the past 19 years.

**WHAT  
WE  
DO**

Indicator	2015	2016	2017
Ongoing efforts to ensure operational safety	Achieved 16-year fatality-free flight operations	Achieved 17-year fatality-free flight operations	Achieved 18-year fatality-free flight operations

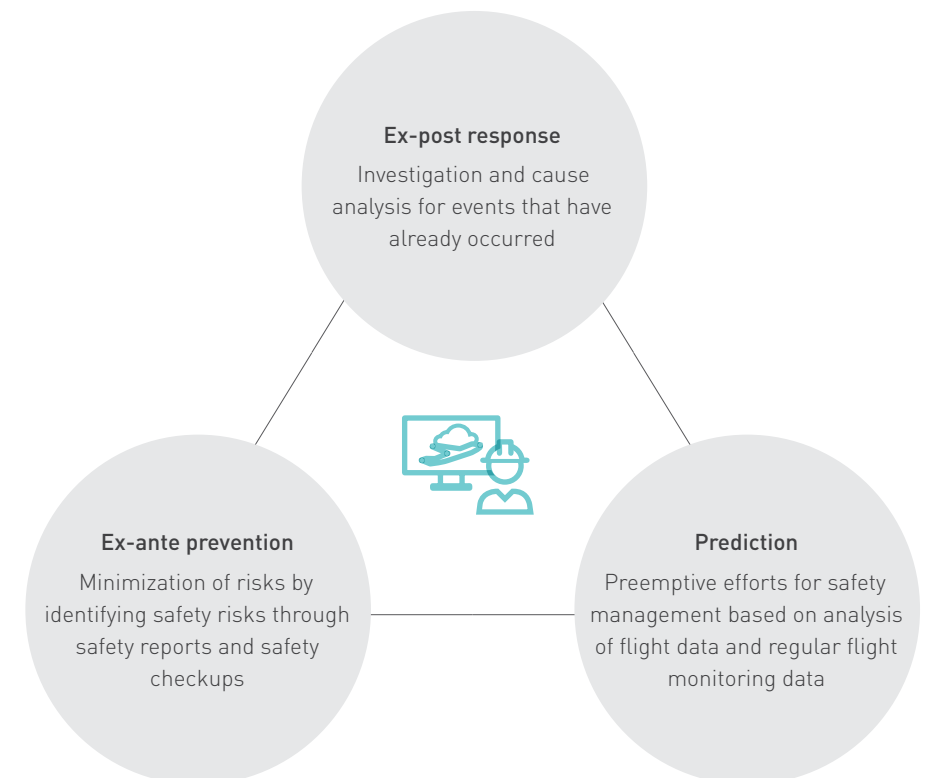
## Maintaining an Advanced Safety Management System

In October 2008, Korean Air became the first Korean airline to acquire the formal approval from the Korean government for the company's Safety Management System (SMS) and its operation. Our SMS defines the organization, responsibilities, and policies and procedures for safety management, and complies with the relevant requirements and standards from home and abroad.

### Safety-related Certifications/Programs

<p><b>IOSA-certified airliner</b></p> <ul style="list-style-type: none"> <li>• (IATA Operational Safety Audit)</li> <li>• International safety audit system developed by IATA</li> <li>• Qualifying over 900 safety criteria</li> <li>• Korea's first airliner to be certified in 2005 and have maintained certification ever since</li> </ul> <p><a href="#">View IOSA Certification</a></p>	
<p><b>Participation in ISAGO program</b></p> <ul style="list-style-type: none"> <li>• (IATA Safety Audit for Ground Operations)</li> <li>• Safe ground operation program developed by IATA</li> <li>• Monitoring ground handlers and promoting their operational quality</li> <li>• Continued participation since 2009</li> <li>• "Certificate of Appreciation" received in 2017</li> </ul>	 
<p><b>DOD safety certification</b></p> <ul style="list-style-type: none"> <li>• Safety certification program DOD uses to screen air carriers safe enough for its employees to fly on business</li> <li>• Certification valid since 2001</li> </ul>	

### Safety Management System of Korean Air



## Safety Management Organization

Korean Air ensures systematic safety management with the Corporate Safety, Security & Compliance under the direct control of the president, and the director in charge of safety and security directly reporting to the top management so as to ensure the independent and fact-based reporting of matters relating to aviation safety and security. The SMS Group, a dedicated safety management organization within the Corporate Safety Security & Compliance, assesses safety risks and monitors the performance results of risk countermeasures; prepares safety reports; analyzes safety data, and operates SMS IT systems. It also arranges and organizes company-wide online SMS training and workshops for SMS executives, team heads and staff in support of employee safety management practices at their respective duty levels according to their roles and responsibilities.

## Corporate SMS Organization



## Enhancing Staff Safety Training and Drills

Korean Air focuses its safety training programs on on-site training so as to reinforce the organizational capability of safety management.



## Safety Committees and Councils

### Central Safety Committee (CSC)

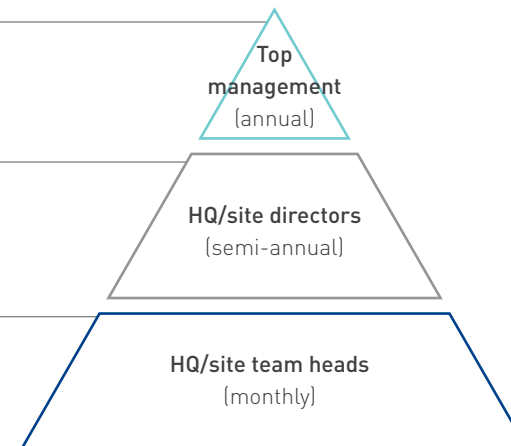
- Review and approve comprehensive safety and security roadmap

### Executive Action Council (EAC)

- Review and approve safety or security regulations/procedures
- Review and approve projects associated with safety or security

### Monthly Safety & Security Meeting (MSSM)

- Analyze irregular flight data and develop recurrence prevention plans
- Share safety & security information and promote cross-functional cowork on pending issues



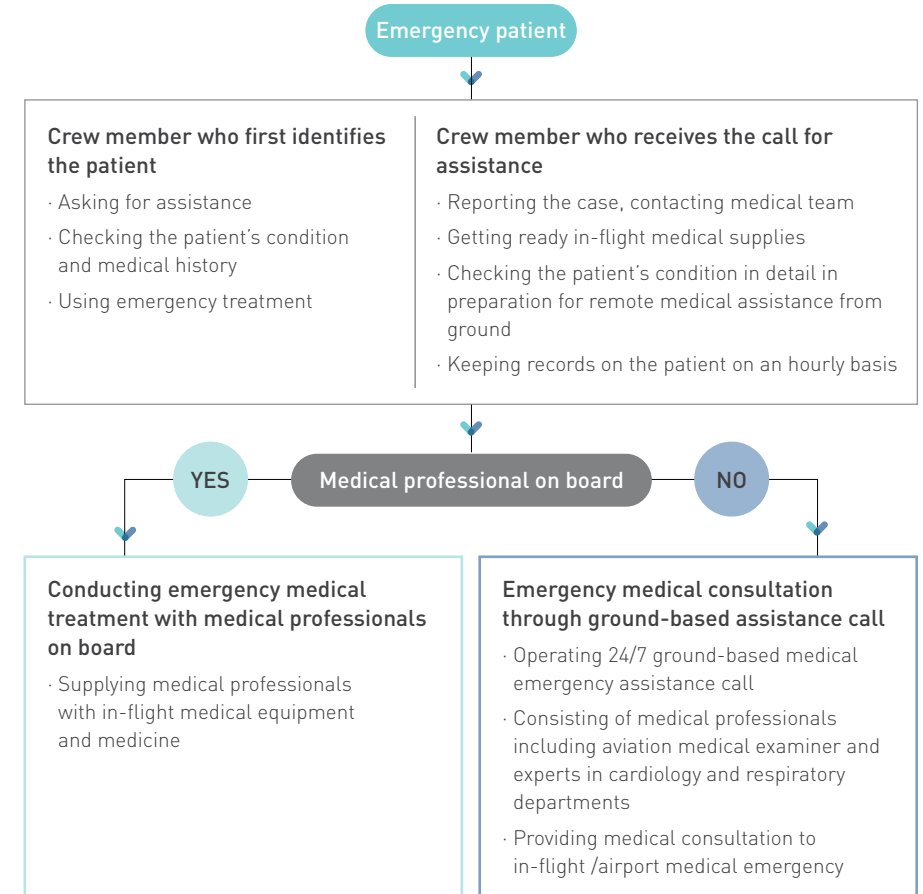
## In-flight Medical Emergency Response System

Air travel has become increasingly common with more people traveling by air worldwide every year. Coupled with the worldwide trend of population aging, airlines carry more elderly passengers with certain health conditions, and therefore, are required to be prepared for various medical emergencies while onboard. Korean Air equips all aircraft with medical supplies at all times and proactively responds to in-flight medical emergencies or aircraft transportation of invalid passengers through a dedicated medical response team.

### Training on Emergency Treatment and Invalid Passenger Screening

Training topic	Details
Emergency treatment training	<ul style="list-style-type: none"> <li>· Annual emergency treatment training for all cabin crew</li> <li>· CPR/AED training on employees of Korean Air and suppliers</li> </ul>
Invalid passenger screening training	<ul style="list-style-type: none"> <li>· Training on how to screen and deal with passengers who due to sickness or disability may require immediate attention in case of an emergency</li> </ul>

### In-flight Medical Emergency Response Process



## Responding to Infectious Diseases

The emergence of infectious diseases that do not respect borders, such as MERS and Influenza A, and their spread to Korea not only represent a public health crisis but also can constitute a national security issue with significant socioeconomic impact. In order to timely respond to outbreaks of infectious diseases, Korean Air has up a 24/7 response system utilizing its network with relevant authorities including the Korea Centers for Disease Control and Prevention and Incheon National Quarantine Station. Not limiting the scope to certain epidemics or to the epidemic crisis situations\*, the response system allows the company to constantly monitor global health trends through the World Health Organization (WHO), US Centers for Disease Control and Prevention (CDC) and other domestic and international institutions, and to conduct risk self-assessment in order to proactively address concerns in the international health environment.

\* Epidemic alert stages: Caution – Attention – Alert – Serious

Operating equipment  
to prevent infection

Establishing guidelines for  
infection prevention and control

Preventing and protecting  
employees from infection



# Minimizing Environmental Impact

What efforts is Korean Air making to minimize its environmental impact from energy use and GHG emissions?



<b>Stakeholder views</b>	Managing energy use and GHG emissions
<b>Category</b>	Environment
<b>GRI</b>	Energy, emissions
<b>Reporting issues</b>	<ul style="list-style-type: none"> <li>• Adopting technologies for higher fuel efficiency and less GHG emissions</li> <li>• Introducing eco-friendly, highly- efficient new aircraft</li> <li>• Responding to the Emissions Trading Scheme</li> <li>• Adopting aviation biofuel</li> </ul>

Where the impact comes from		Where the issue affects		
Internal	External	Cost	Profit	Risk
•	•	•		•

## WHERE WE STAND

### Changes in the Business Environment and Korean Air at Present

During the first pilot phase of the Korean GHG emission trading scheme (2015 to 2017), Korean Air spent a total of KRW 7.39 billion on purchasing Korean Allowance Units (KAUs). With various schemes, both domestic and international, coming into life as a collective effort to mitigate global warming, adopting a sustainable approach to business is no longer an option. And the new climate regime as determined by the Paris Agreement formed the basis of the Korean government's GHG Roadmap which encompasses overseas carbon offset. Year 2017 posed a combination of challenges to the aviation industry in terms of climate change response, as carbon prices both in Korea and abroad went up with the imminent implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and the long-term downward trend of oil prices came to an end. Despite such challenges, the economic feasibility of GHG emissions reduction has improved ironically, thanks to high fuel efficiency aircraft and use of biofuel.

\* Fuel efficiency = Fuel consumption (liter) / Transportation (100RTK)

\* Calculated based on paid international flights only as per the 6th Voluntary Agreement with the Ministry of Land, Infrastructure and Transport of Korea. The efficiency reported for 2017 in the previous report was 31.15L/100RTK.

\* The reduction recalculated as per the 6th Voluntary Agreement with the Ministry of Land, Infrastructure and Transport (MOLIT) of Korea, by taking only into account the incremental amount for the abatement technology that has had been deployed for a long period of time. The reduction reported for 2017 in the previous report was 411,568tCO<sub>2</sub>.

\* RTK(Revenue Ton Kilometer): a single ton of passengers/cargo for one kilometer. It is used as a unit for sales of an airliner.

## HOW WE LISTEN

### Stakeholder Views

Korean Air's stakeholders recognize the significant impact climate change has had and views the energy cost for air transport and GHG-related costs at home and abroad as a critical issue to the company's operation to consider. As such, we selected environmental impact minimization as a material issue on the aspect of energy and GHG management and will continue to manage them appropriately.

## WHAT WE DO

Indicator	2015	2016	2017	2018 Target
Fuel efficiency for international routes (L/100RTK)	34.93	35.14	33.33	34.78
GHG emissions reduction in the aviation sector (tCO <sub>2</sub> )	283,291	266,310	263,831	255,997
Domestic GHG emissions (tCO <sub>2</sub> eq)	652,869	675,003	658,100	647,173

## Effort for Improving Fuel Efficiency and Spread Abatement Technology

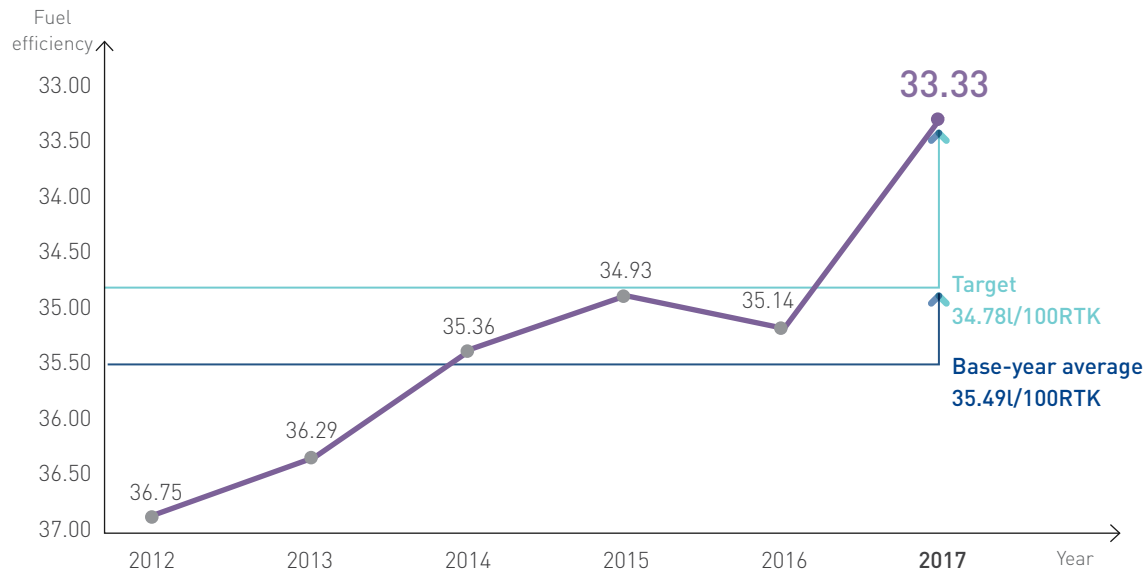
### 2017 Fuel Efficiency Improvement Target Exceeded by 4.1%p

After signing the Voluntary Agreement of the Aviation Industry on GHG Reductions with the MOLIT in 2010, Korean Air has since been faithfully meeting the goal of increasing fuel efficiency by 2% per annum for the international flights sector. In 2017 Korean Air's commitment to replacing aircraft with more fuel-efficient ones and developing GHG emissions reduction technology enabled us to achieve 6.1% fuel efficiency improvement, 4.1%p higher than the original goal of 2%.

### Sharing Aviation GHG Abatement Technology through Developing Guidance Manual

The effort for GHG emissions reduction, including the implementation of the agreement with the MOLIT, is aligned with the CNG 2020 (2% annual fuel efficiency improvement through 2050 and carbon-neutral growth from 2020 onwards) set by the ICAO. Korean Air participated in the development of the aviation GHG abatement technology guidance manual of the MOLIT, exploring and sharing various new technologies and contributing to the quantification of GHG emissions reduction performance, which will benefit not just the company itself but the aviation industry as a whole.

### Fuel Efficiency for International Routes



Recalculation based only on international flights as per the 6th Agreement (2017 - 2018)

### Result of MOLIT'S Voluntary Agreement of the Aviation Industry on GHG Reductions (6th, 2017)

Category	Fuel Efficiency	
Base Years	35.49 l/100RTK	Overall fuel efficiency for 2013 - 2015
Target	34.78 l/100RTK	2.0% improvement from the base year
Performance	33.33 l/100RTK	6.1% improvement from base year

## Improving Operational Efficiency with Fuel Management Process

Korean Air has implemented the fuel management process, through which 265,594 tons of GHG emissions were reduced in 2017. To ensure the fuel savings and GHG emissions reductions are achieved in a more practical term, starting 2017, the company excludes performances through one-off improvement cases or as a result of abatement technology already incorporated into the operational procedures. A fuel management team has been in operation for over 14 years since 2004 and implemented more than 180 GHG emissions reduction initiatives in close cooperation with business divisions in airports, flight operations, maintenance, flight planning, and transportation.

GHG Emissions Reduction Performance (tCO<sub>2</sub>)

Means of reduction	2015	2016	2017
Means with lasting effect	270,246	258,203	253,827
Means with one-off effect (increment)	13,045	8,106	10,005
Total	283,291	266,310	263,831

### Fuel Savings Tasks by Operational Stage

	Ground	Takeoff	Cruise	Landing/arrival
<b>Eco-flight</b>	Minimizing APU by using ground power	Economic engine start Noise abatement departure procedure(NADP) Ensuring the optimal use of flaps during takeoff/landing		Refraining from unnecessary reverse thrust when landing Ensuring the optimal use of flaps during takeoff/landing One Engine Taxing
<b>Performance improvement</b>	Engine water washing Using economic ground equipment		Managing engine fan blades Installing winglets	
<b>Flight planning</b>			Developing nearest alternate airports and shortcut routes Optimizing cost index Amending fuel loading regulations Developing economic routes based on flight data	
<b>Weight management</b>	Using lightweight cart and ULD Loading electronic flight information Loading adequate amount of potable water Reducing aircraft weight through surface repainting			

## Introducing GHG Reduction Technology

### Minimized APU Use with Use of AC-GPS

Aircraft spend more than half a year on the ground for loading and unloading of passenger and cargo as well as maintenance. While on ground, aircraft can use fuel to supply power and run HVAC through the auxiliary power units (APUs) on the back at the expense of fuel efficiency. Alternatively, Korean Air connects aircraft parked on the ground to the ground power supply (GPS) and PC-Air (Pre-conditioned air supply device) to minimize the use of less energy-efficient APUs, thereby reducing GHG emissions.

In addition, Korean Air closely cooperates with Incheon International Airport Corporation for improving the use of PC-Air. The result of the cwork has been incorporated in the design of Terminal 2 of the airport, where underground ducts address the issue of heat loss from the equipment to the aircraft.



GPS connection



PC-Air in Incheon International Airport Terminal 2

### Engine Water Washing

Prolonged operation can contaminate the gas path for the engine compressor in the aircraft. The contamination diminishes air flow, undermines engine performance and ultimately results in a shorter engine life. At Korean Air, engine water washing is conducted every year for all aircraft to restore air flow around the compressors inside the engine while decreasing the temperature of exhaust gas from aircraft, with the aim to improve fuel efficiency.



Engine water washing

### Using Portable EFB for Weight Management

The Aviation Act requires all aircraft to have on board 15 types of documentation, including the in-flight safety guidelines and policy, which collectively weighs more than 15kg. The electronic flight bag (EFB) effectively replaces printed materials and booklets and reduces the aircraft weight and save fuel. Furthermore, it helps crews perform flight management tasks more efficiently and safely by promptly locating necessary information in the relevant reference material.

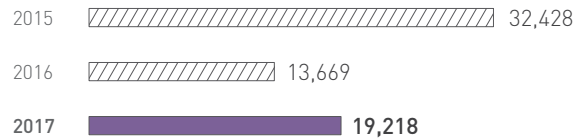


Cockpit equipped with portable EFB (Boeing 787)



## Introducing Eco-friendly, Highly-efficient New Aircraft

We are continuing our fleet modernization by adopting next-generation aircraft such as Boeing B747-8, B787-9, and CS300 models to improve flight operation. In particular, Korean Air has become the first airline in Korea to introduce CS300 series aircraft, which employs the Geared Turbofan (GTF) engine from Pratt & Whitney. The engine ensures the highest engine efficiency by spinning at its optimal speed and the lightweight structure made from aluminum alloy and carbon composite materials and aerodynamic design also increase its fuel efficiency up to 20% while reducing noise by 20db.


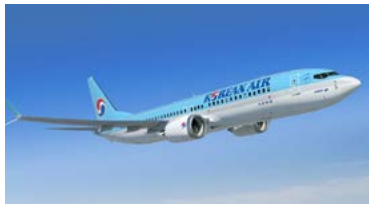


### Aircraft Investment (KRW in hundred million)



### Aircraft Adopted and Retired in 2017

<p><b>Aircraft adopted</b></p> 	<ul style="list-style-type: none"> <li>• Three B747-8i (April, May, July)</li> <li>• Five B787-9 (Feb, April, July, Sep., and Dec.)</li> <li>• Two CS300 (Dec. and Dec.)</li> <li>• One B777F (Oct.)</li> </ul>
<p><b>Aircraft Retired</b></p> 	<ul style="list-style-type: none"> <li>• Two B747-400 sold (Jan., Sep.)</li> <li>• Four B737-800 (leased to JINAIR: July, July, and Dec. / returned after lease: June)</li> <li>• Two B747-400F returned after lease (May, and Nov.)</li> <li>• Two B747-400ERF sold (Aug, and Oct.)</li> </ul>

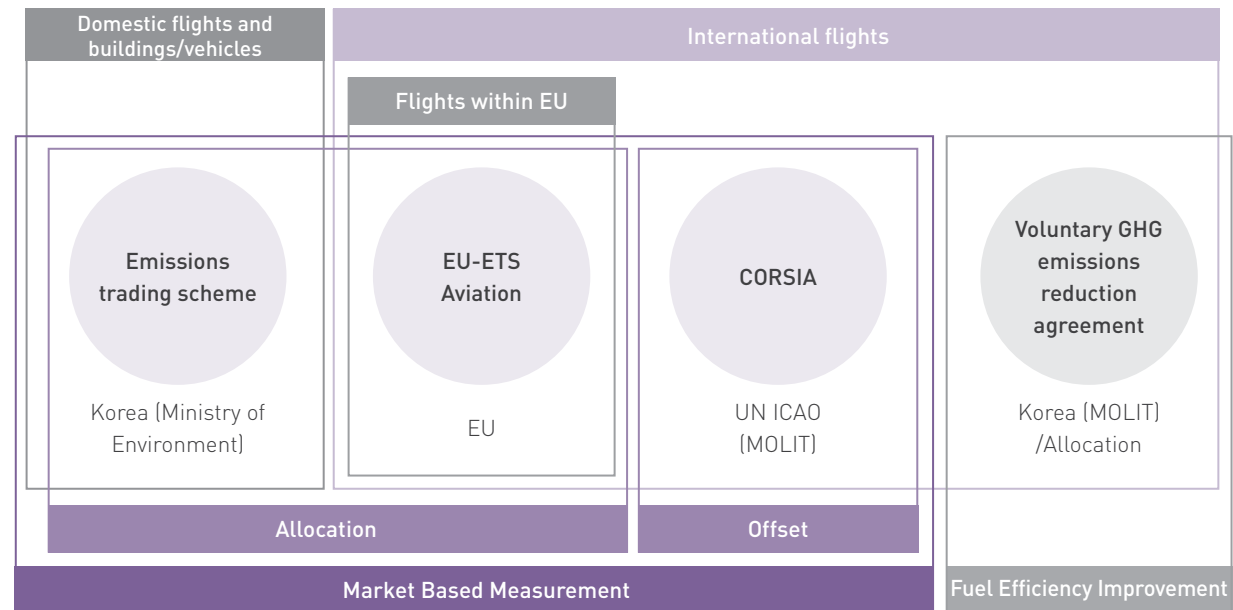
### Eco-friendly Aspects of Aircraft to be Adopted

Eco-friendly aircraft	Key features (as disclosed by manufacturer)
	<p><b>B787-9</b> (procured)</p> <ul style="list-style-type: none"> <li>- 20% improvement in fuel consumption rate (compared to B767)</li> <li>- 20% reduction in CO<sub>2</sub> emissions (compared in the same class)</li> </ul> <p>*Equipped with lightweight carbon composite materials and state-of-the-art engine</p>
	<p><b>B737-8MAX</b> (to be procured in 2019)</p> <ul style="list-style-type: none"> <li>- 14% improvement in fuel consumption rate (compared to B737-800)</li> </ul> <p>*Employing state-of-the-art engine (CMF LEAP-1B) and winglet, Aerodynamic improvement</p>
	<p><b>A321NEO</b> (to be procured in 2019)</p> <ul style="list-style-type: none"> <li>- 16.5% improvement in fuel consumption rate (compared to A320)</li> </ul>
	<p><b>CS300</b> (procured)</p> <ul style="list-style-type: none"> <li>- Up to 20% improvement in fuel consumption rate (compared in the same class)</li> <li>- 50% reduction in NO<sub>x</sub> emissions (compared in the same class)</li> </ul>

## Responding to Carbon Emissions Trading Scheme

Aviation is responsible for about two percent of global GHG emissions, but the share is expected to rise in tandem with the growing air travel demand. The measurement of, and responsibility for, aviation GHG emissions, are simple and clear when compared to other industries, for which the aviation industry is leading the effort to introduce GHG emissions trading schemes. Korean Air has implemented or is planning to implement various market-based measurement systems in compliance with the Paris Agreement and the new climate regime, Korean government's Framework Act on Low Carbon, Green Growth, and the aviation industry's target of achieving carbon neutral growth by 2020. The company have purchased additional permits worth KRW 7.39 billion for its domestic GHG emissions over the past three years, and will balance its status for international GHG emissions from 2021 onward when the relevant system goes live. The systems Korean Air has implemented for its GHG emissions are as follows:

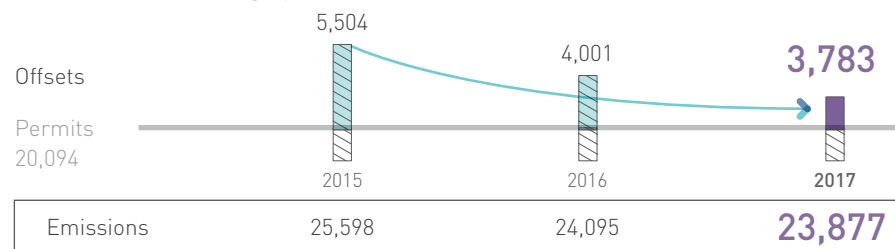
### Market-based Measurements Applied or to be Applied to Korean Air



## EU-ETS Aviation

EU-ETS (Emissions Trading System) was created in 2005 and has been applied to all flights arriving at and departing from the EAA since 2012. With the ICAO taking steps forward on a separate scheme applicable to all airlines internationally, however, EU-ETS Aviation has temporarily reduced the scope of the enforcement to emissions from flights within the EAA since 2013. And in December 2017, the European Parliament agreed to extend the current rules until the end of 2023. Korean Air was allocated permits to discharge emissions from 2012 to 2020 based on their 2010 transportation performance, and must offset any excess emissions through purchase permits. The company's GHG emissions subject to EU-ETS is less than one percent of its total emissions, and there is no carbon cost incurred for permit purchase.

EU Emissions Trading System Carbon Offsets (tons)



## CORSIA

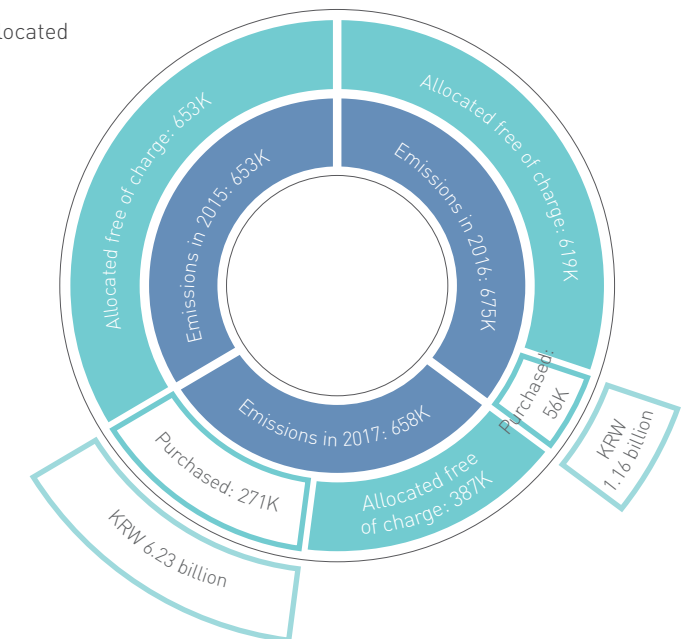
The UN agency International Civil Aviation Organization (ICAO) has decided to introduce the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) with the target of freezing carbon emissions by the aviation industry at 2020 levels. Under CORSIA, airlines operating international flights will be required to buy carbon offsets to compensate for their growth in CO<sub>2</sub> emissions. As Korea announced its intention to volunteer in CORSIA in 2016, Korean airlines become subject to the CORSIA starting 2021. In the run-up to the implementation, Korean Air plans to revamp the corporate MRV (Monitoring, Reporting and Verification) system and start monitoring GHG emissions compared to the base year from 2019 onwards.

## Korea Emission Trading Scheme (Korean ETS)

Since 2015, Korean Air has been subject to the Korea Emission Trading Scheme (Korean ETS) for GHG emissions from aircraft, buildings, and vehicles. For the final settlement for the Phase 1 of the Korean ETS, the company purchased permits at KRW 6.23 billion in 2017 alone. Although aviation is the only transportation sector to which the Korean ETS is applied following the precedence of the EU-ETS, Korean Air strives to fulfill its social responsibility in achieving the GHG emissions reduction goal in Korea. We have produced more GHG emissions than its annual permits allow, mainly because domestic in-land routes operating at a loss are being maintained as part of efforts to promote public convenience. That said, emissions are expected to decrease thanks to the gradual roll-out of highly-efficient new models including CS300.

Korean Air's Performance during Korean ETS Phase 1 (tons)

- No. of permits allocated
- Emissions



## Eco-friendly Biofuel for Aviation

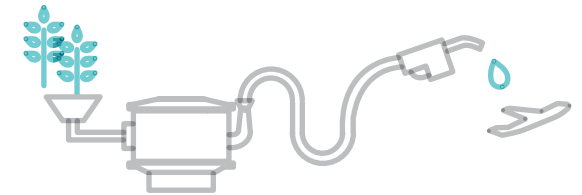
The oil prices over the past three years have gradually increased putting an end to the continued low price trend. As of August 2018, the price of the permit has almost tripled in value since the early days of the carbon market, and the carbon emissions permit in Europe has also made a sharp rebound to recover the level of the early 2010's. These changes in carbon markets put an additional burden on companies subject to emissions trading or offset schemes, but provides a strong impetus for reducing GHG emissions at the same time.

Sourced from plants, seaweed, or certain types of waste, biofuel actually reduces GHG emissions throughout the lifespan of the fuel, from the production of raw material to the use of fuel, compared to fossil fuel. And for that reason, biofuel has emerged as a critical tool to achieving carbon neutral growth for aviation. Korean Air had participated in various private and public studies but made little progress in introducing it in Korea largely attributable to the higher prices which are triple that of conventional aviation fuel, transportation free from the production facilities located in North America or Europe, and the low awareness among passengers and concerns over stability.

That said, on 8th November 2017, Korea Air joined a growing list of airlines that have experimented with the use of sustainable biofuel with the first flight between Chicago and Incheon. The company fueled up the passenger aircraft with ATJ-SPK made from corn manufactured by Gevo and procured from Air BP. It was the first biofuel-powered flight in Korea and Korean commercial air transportation.

### Significance

The first biofuel flight of Korean Air has built a collaborative network within Skyteam, and with manufacturers of biofuel and aircraft, in line with the IATA's policy to phase in sustainable biofuel to cut GHG emissions. Korean Air also actively participates in joint industry-academia research projects supported by government programs to provide guidance and support for studies into biofuels that are more feasible in the domestic market.

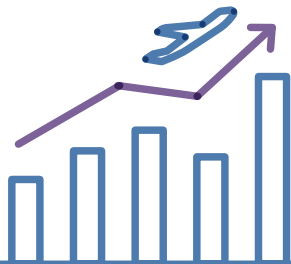


Certificate for First Flight on Biofuel



# Enhancing Corporate Competitiveness

How is Korean Air improving its competitive positioning as a way to creating sustainable profit growth?



<b>Stakeholder views</b>	Developing and offering customer-oriented service, Enhancing brand reputation and corporate image, Enhancing corporate competitiveness
<b>Category</b>	Management
<b>GRI</b>	Energy, emissions
<b>Reporting issues</b>	<ul style="list-style-type: none"> <li>• Adopting technologies for higher fuel efficiency and less GHG emissions</li> <li>• Introducing eco-friendly, highly-efficient new aircraft</li> <li>• Responding to the Emissions Trading Scheme</li> <li>• Adopting aviation biofuel</li> </ul>

Where the impact comes from		Where the issue affects		
Internal	External	Cost	Profit	Risk
	•	•	•	

## WHERE WE STAND

### Changes in the Business Environment and Korean Air Today

Korean Air posted a record-high sales of KRW 11,800 billion in 2017 on the back of the growth in air transport demand as well as new profits created from new flight routes. The aviation industry will remain growing in 2018, as the World Bank forecasts global economic growth to reach 2.9% in 2018, and the global air traffic demand keeps on increasing. In the meantime, profit improvement will be a challenge for Korean Air in 2018 when there is a growing concern over a stronger dollar coupled with the economic recovery trend and the tightening monetary policy in the US. The global oil prices have started rebounding since their early 2016 trough, and the LLCs have opened a new frontier of fiercely competitive long-haul market. Amid such challenges, Korean Air needs to put the highest priority on securing a sustainable growth engine by strengthening its competitiveness.

## HOW WE LISTEN

### Stakeholder Views

Our stakeholders recognize profit enhancement is essential for the company's sustainable growth, for which 'developing customer-oriented service,' 'strengthening brand reputation and corporate image,' and 'improving market dominance' are prioritized as key issues. In 2018, Korean Air will focus its effort on promoting values for the company and our stakeholders alike through launching the joint venture with Delta Air Lines and moving to Incheon International Airport Terminal 2, which we believe will provide our customers consistent service yet more diverse choices, while raising the competitiveness of our flight routes and the profile of the airport as an international hub.

## WHAT WE DO

Indicator	2015	2016	2017	2018 Target
Sales (KRW in hundred million)	113,084	115,029	118,028	<b>124,100</b>
Operating profit (KRW in hundred million))	8,592	10,790	9,562	<b>10,700</b>

## Continuous Profit Improvement

Korean Air maintains a stable profit structure, which hinges on sustained growth in the core areas of passenger and cargo businesses, and is supported by strengthening of the aerospace business and catering/in-flight sales service. To this end, we venture into new markets through developing new routes, introduce high-efficiency new aircraft models, and implement management strategies based on business environment analysis.

### Management Environment and Outlook

According to the IATA, the global air traffic passenger demand increased by 8.1 percent on the year before. Traffic is projected to grow in 2018 attributable to a combination of factors such as international events such as Pyeongchang Winter Olympics and World Cup in Russia, a rebound in the number of Chinese tourists, and more outbound travelers on the stronger Korean won.

Global air cargo transport surged 9.3 percent year over year thanks to the gradual global economic recovery, and the demand is expected to grow continuously. Korean Air needs to work to translate these advantages into sales and profit improvement, paving the way to become a leader in the global aviation industry.

### Passenger Business Strategy

In 2018, it is expected that the aviation market will continue to post a positive growth with the global economic rebound and the increasing air travel demand. However, potential risk factors still exist, such as a surge in global oil prices and political uncertainties domestically and internationally. In order to achieve sustainable growth in this sector, Korean Air has put in place following operational strategies.

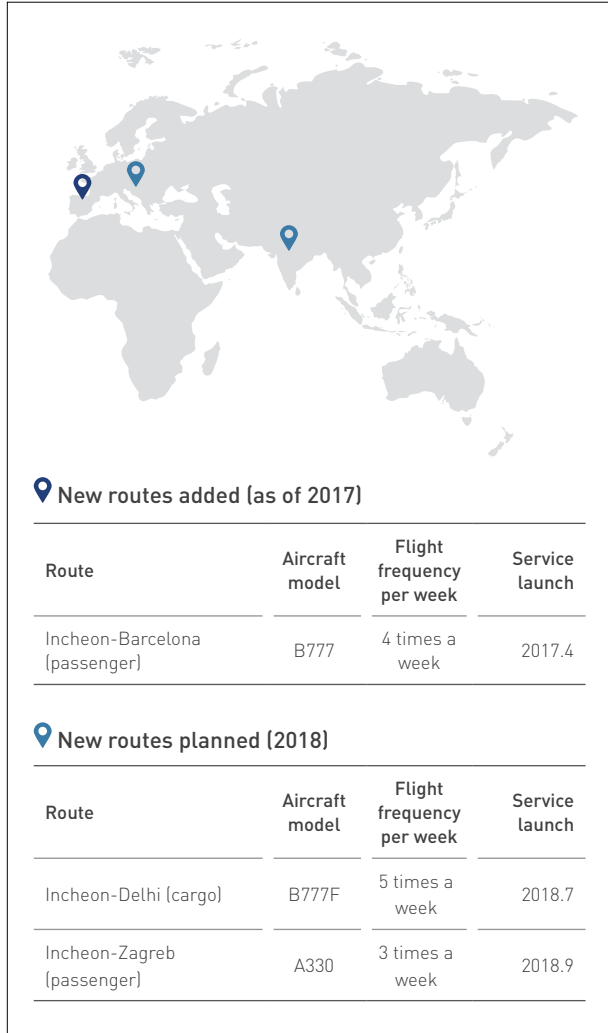
<b>Boosting sales competitiveness</b>	Tapping into the JV with Delta Air Lines to boost the transpacific routes and drive up network sales	<b>Improving service efficiency</b>	Helping alleviate the airport congestion and improving transport service efficiency by moving into the Terminal 2 of Incheon International Airport
<b>Increasing sales of high-profit products</b>	Increasing sales capabilities and profitability by focusing on selective highly profitable service items targeting global companies and premium travel needs	<b>Promoting customer-centered marketing</b>	Improving customer satisfaction and loyalty through offering tailored services on the website and various online promotions

### Cargo Business Strategy

Korean Air's cargo business boasts of outstanding transportation services, global network, a broad range of products, and eco-friendly cargo aircraft. These world-class advantages propel the cargo business into implementing the following strategies to attain sustainable growth.

<b>Increasing profitability</b>	<ul style="list-style-type: none"> <li>• Maximizing sales in growth markets by increasing supply</li> <li>• Increasing profitability by focusing on selective highly profitable service items, such as fresh cargo and medical supplies transportation</li> </ul>
<b>Ensuring efficiency in supply operation</b>	<ul style="list-style-type: none"> <li>• Improving passenger aircraft utilization to put increasing number of passenger aircraft to better use</li> <li>• Reducing operation cost by deploying new cargo aircraft models with better fuel efficiency including B777F</li> </ul>
<b>Building the basis for sustainable growth</b>	<ul style="list-style-type: none"> <li>• Improving cargo process through incorporating new cargo systems in an effort to enhance customer experience and enable the company to flexibly respond to evolving business conditions</li> </ul>

## Newly Scheduled Flights



## Aerospace Business Strategy

As Korea's leading systems integration company for unmanned aerial vehicles (UAV), Korean Air is actively developing its UAV lineup and channeling its R&D resources toward entering domestic and overseas markets. After acquiring Korea's first UAV type certification, the midrange surveillance UAV known as KUS-DUAS, is currently in production. Meanwhile, the development for a large, strategic-grade unmanned reconnaissance aerial vehicle system is scheduled to be completed in 2018. More recently, we are working to develop unmanned 500MD helicopters utilizing the technology of transforming manned helicopters to unmanned helicopters.

### Expanding the profit basis and strengthen risk management

- Prioritizing and focusing on winning new profitable projects
- Reinforcing risk management through close monitoring of changes in business environment
- Improving cost reliability and risk management using the new cost system

### Increasing profitability through outsourcing and automation

- Increasing outsourcing of A350 cargo door assembly/USA helicopter maintenance
- Reviewing automation of military aircraft maintenance and expanding automation in the manufacturing sector

### Developing proprietary technologies and strengthening quality management

- Developing hybrid propulsion system, unmanned 500MD helicopters, and tactical VTUAV (Vertical Take-off and Landing Tactical Unmanned Aerial Vehicle)
- Revamping partner quality performance assessment process

## Other Business Strategy

Korean Air operates other businesses ancillary to its core businesses of air transportation and aerospace, including catering and inflight sales.

### Catering

- Increasing profit by increasing unit price under contract and expanding supply
- Developing various new menu items to better serve customer needs

### In-flight sales

- Improving sales by increasing sales of products preferred by customers or expected to see higher sales growth

## Next Step

Korean Air has set 'strengthening the basis for stable growth through focusing on profitable business operations' as the business goal for 2018, and established key initiatives and detailed deliverables.

### 2018 Management Strategy and Key Initiatives

Strengthening the basis for stable growth through focusing on profitable business operations		
<b>Maximizing profitability by reinforcing yield management and productivity</b>	<b>Further augmenting the core capabilities in safety and service</b>	<b>Improving environmental change monitoring and risk management</b>
<ul style="list-style-type: none"><li>• Maximizing profit by improving unit profitability</li><li>• Improving productivity through optimized utilization of resources including aircraft</li><li>• Strengthening cost competitiveness through continued work process revamp</li></ul>	<ul style="list-style-type: none"><li>• Ensuring operational safety through company-wide safety enhancement activities</li><li>• Developing new routes and needs to reinforce network competitiveness</li><li>• Raise service competitiveness by tailoring aircraft and service to routes</li></ul>	<ul style="list-style-type: none"><li>• Strengthening risk management through continuous monitoring of changes in management environment</li><li>• Enabling timely and flexible response to changing market and customer needs</li><li>• Promoting cross-cutting communication and information utilization to build the organization's capability in responding to risks</li></ul>

## Strengthening Competitiveness with a Joint Venture

In aviation, partnership through a joint venture does not necessarily involve the creation of a new company, in that two parties often optimize flight schedules, engage in joint marketing and sales activities and share financial benefits as a result of cooperation. This type of partnership is already common in the US, Europe, Japan and China, but not in Korea until Korean Air signed a joint venture agreement with Delta Air Lines for trans-pacific routes, effective 1 May 2018.

### Greater Competitiveness for Flight Routes and Cross-Organizational Synergies

The cooperation between Korean Air and Delta Air Lines enabled joint flight operation connecting more than 290 cities in the Americas and more than 80 cities in Asia, making the connection between the two networks even stronger. The cooperation will allow the two carriers to improve connection by adjusting their flight schedules and boost profits through joint sales and marketing activities. Furthermore, the two will be able to deliver greater customer service and satisfaction by intensifying their level of cooperation over time, ranging from shared access to airport facilities, system integration, and product launch at different price ranges. The partnership between Korean Air and Delta Air Lines is expected to benefit customers of the trans-Pacific routes with the world-class service.

#### Partnership Between Airlines

Partnership type	Definition
Interline	Multiple carriers form an alliance to connect their individual routes
Codeshare	Sharing a certain portion of seats
Alliance	Strategic partnership between airlines to offer services (e.g., lounge access) for joint flight operation
Joint Venture	Highest level of partnership, which is one step below merger. Airliners connect networks, engage in joint sales and share profit.



Signing Ceremony of Korean Air-Delta Joint Venture Agreement

### Greater Customer Convenience

The expanded network under the joint venture connects the US, Korea and Asia, and customers will benefit from wider flying options at different prices range at a reasonable cost. With both airlines operating in Incheon Airport Terminal 2, transfer time has been reduced to 45 minutes, thereby offering better connectivity for transfer customers. Customers of Korean Air and Delta Air Lines can access joint facilities in Incheon Airport and other hub airports of Delta, and conveniently use membership benefits including mileage accumulation at both companies.

### Raised Profile of Korean Aviation Industry

With the heightened partnership between the two carriers, it is expected that Delta's Asian hub airport is likely to change to Incheon Airport from Narita airport in Japan. Amid the intensifying competition in the Asian market with Japan signing two JVs with American airlines and China constructing a new Beijing airport which is to handle up to 100 million passengers a year, the joint venture between Korean Air and Delta Air Lines will help grow the Korean aviation industry and raise the profile of Incheon Airport as Asia's hub airport.

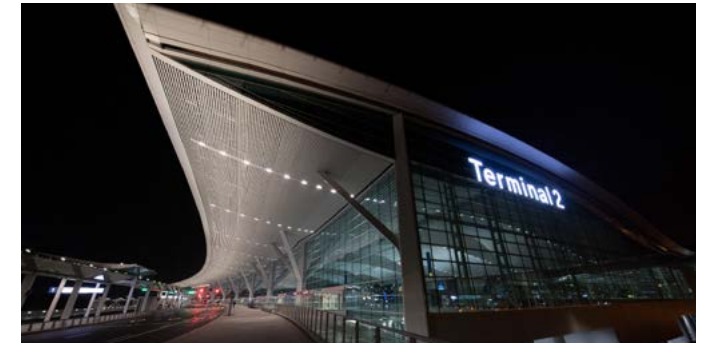


## Enhanced Customer Experience with Terminal 2 Relocation

Korean Air relocated to Incheon Airport's new Terminal 2 building starting 18 January 2018. The relocation was prepared in close coordination with the Incheon International Airport Corporation (IIAC), and by tapping into Korean Air's experience from private investment projects for the cargo terminal, refueling facilities, and maintenance facilities at Incheon Airport as well as the successful operation of Navoi International Airport in Uzbekistan. In order to offer even more convenient and pleasant service, Korean Air worked with the IIAC to prepare for a full-scale operation by simulating various situations, from check-in to boarding.

### Consistent Service Delivery with SkyTeam Airlines in Terminal 2

With the opening of the the ICN Terminal 2 in January 2018, Korean Air became a tenant, along with other SkyTeam member airlines including Delta Air Lines, Air France and KLM. This allows a consistent service from check-in to lounge access and boarding as well as faster transfer between affiliate airlines. The size of lounges and seats are 1.4 times and 1.2 times larger than those in Terminal 1 as well, offering a more comfortable and accommodating environment for customers.



### Greater Passenger Convenience with Expedited Arrival and Departure Services

Incheon Airport Terminal 2 has approximately 2.4 times wider space in the check-in counters, and increased number of check-in kiosks and automated bag-drop machines, than in Terminal 1. To shorten passengers' waiting time, immigration services are centralized into two sections for a greater access and more efficient system, and a high-speed system to transport baggage has been deployed. In addition, it becomes easier and faster to access the in-door transportation center 2, which offers a pleasant walk to get a bus or train regardless of weather conditions.

## Enhancing Brand Reputation by Engaging with Customers through Advertising

### 'My Ticket to Spain' Advertising with an Innovative Application

Inaugurating flights to Barcelona, Korean Air ran 'My ticket to Spain' ad campaign for three months starting July 2017. In introducing the diverse attractions and cultural riches Spain has to offer, the campaign used various media including TV as a channel to communicate with customers. The campaign was well received by customers and won the grand prize at the Advertising of the Year in 2017.

One of the differentiating factors of the ad is that an innovative mobile application recognizing advertising in a real time was utilized as a communication tool. Customers were invited to use the application to read the radio frequency signal embedded in the ad, and enter a draw to win a round trip ticket to Spain after completing a simple game, attracting over 13,000 participants to the event. The application also provided Spain travel tips and interesting VR video clips, and became the most downloaded ad campaign application among those the company has ever launched.



### 'Pyeongchang Campaign' that Bring People Together

As an official partner of the 2018 Pyeongchang Winter Olympics and Paralympics, Korean Air launched various campaign for the success of the games. Months before the event, we ran a TV ad that shows Korean Air ushering in the Olympics in the newly-built Incheon Airport Terminal 2. In the online space, 'Flags of All Countries for 2018 Pyeongchang' raised the national awareness of the sport event, introducing the flags of all the participating countries and giving tickets to the opening and closing ceremonies to winners in a raffle draw. A series of video clips 'A fresh perspective' made available online also got a positive response from viewers, by letting them know more about Winter Olympic sports, such as biathlon, curling, ski jumping, and ice hockey.

During the Olympics, our campaign evolved as well, introducing 'Fly High' campaign to encourage the national interest and participation in the global event and bring people together in the hope the Olympic Games turns out to be a success, which will further raise the profile of the country in the international arena.





# Creating Value for Employees

What efforts is Korean Air making to promote employees' human rights and quality of life?



<b>Stakeholder views</b>	Flexible corporate culture / Protecting the rights and interests of employee
<b>Category</b>	Society
<b>GRI</b>	Diversity and equality
<b>Reporting issues</b>	<ul style="list-style-type: none"> <li>• Creating a flexible corporate culture</li> <li>• Protecting employees' human rights and respecting diversity</li> <li>• Operating employee healthy/safety programs</li> </ul>

Where the impact comes from		Where the issue affects		
Internal	External	Cost	Profit	Risk
•				•

## WHERE WE STAND

### Changes in the Business Environment and Korean Air Today

The corporate responsibility to respect human rights has been accentuated internationally in recent years since the UN announced the Guiding Principles on Business & Human Rights in 2011. The trend is also witnessed in Korea, public institutions spearheaded by the National Human Rights Commission published a guideline on the issue of business and human rights. At a time when human rights standards have been established by international agreement and when a growing attention is paid on the matter as an integral part of business operation, businesses need to incorporate the issue into their investment and management strategy.

## HOW WE LISTEN

### Stakeholder Views

The 2018 materiality assessment revealed that stakeholders regard creating employee value as one of the key issues of sustainability management and expect Korean Air to protect human rights and foster a flexible corporate culture to ensure respect for human rights is embedded in its management and risks associated with human resources are wisely dealt with. Korean Air will stay committed to its "talent-oriented" management philosophy, growing together with its employees.

## WHAT WE DO

Indicator	2015	2016	2017	2018 Target
Rate of return to work after maternity leave	100%	100%	100%	Effort to attain 100% return to work after maternity leave as a way to guarantee employees' right to happiness

## HR Policy Respecting Equality and Diversity

As of the end of December, 2017, Korean Air's total workforce was 20,363 including overseas local hires and female employees accounted for 44 percent, or 8,812. Korean Air's efforts for greater employee satisfaction is evidenced in the company's average tenure (permanent employees) of 15.4 years. The welfare and benefits are the best in the industry, and the basic starting salary is equal regardless of gender in all job functions. Furthermore, as a business we are committed to treating all staff members fairly and with respect.

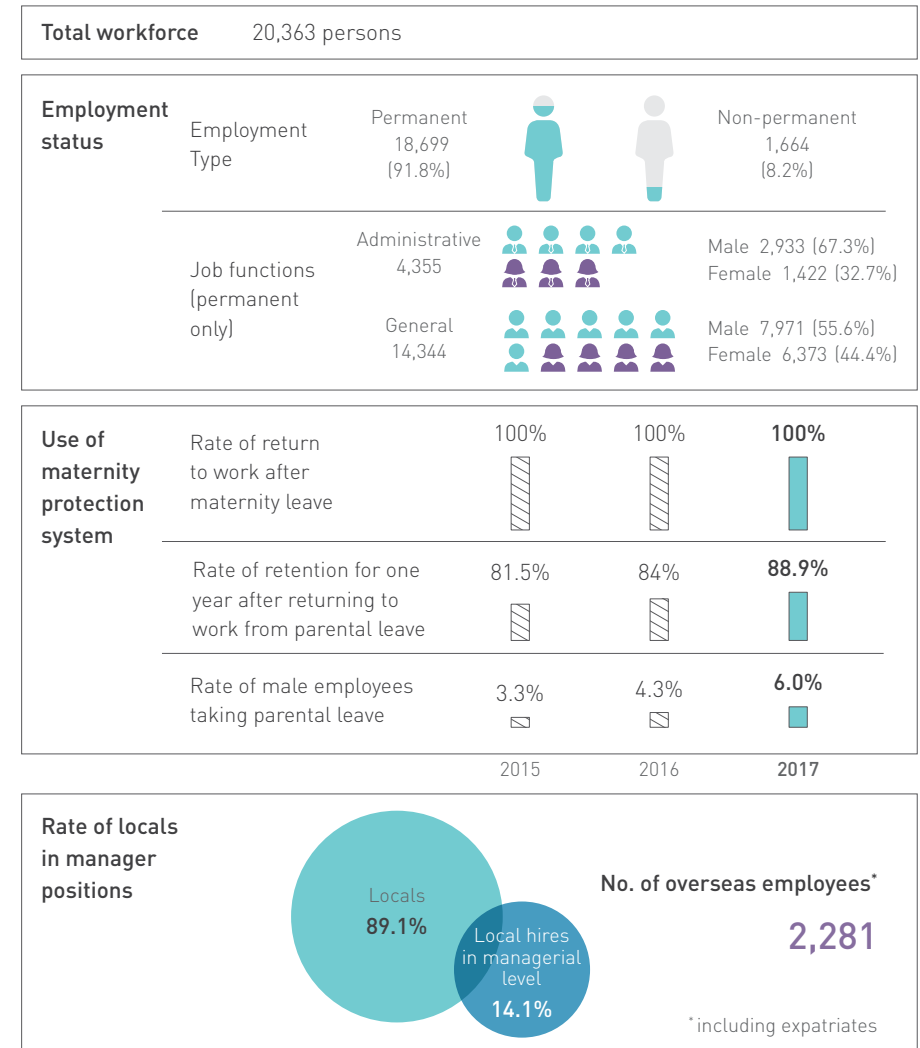
### Maternity Protection System

Korean Air has continuously expanded the ratio of female employees while implementing various customized benefits plans for them, setting the industry standard to promote the welfare of female employees at work. In addition to the legally required benefit programs, female flight attendants are allowed to take maternity leave on the day they become aware of their pregnancy. All female employees are also given the freedom to take leave for fertility treatment at any given time. As a result, the retention rate after their returning to work is rising every year, and the percentage of male employees taking parental leave is also gradually increasing.

### Localization of Employment

Keenly aware that localization is imperative to successful global expansion, Korean Air actively employs and develops high-caliber local residents from global markets. We ensure applicants are not discriminated against on grounds of their nationality, cultural background, religion or other factors, but evaluated solely on their merit. Multiple programs are also offered to enhance the competency of local employees with the objective of managerial promotion.

## HR Policy Promoting Equality and Diversity

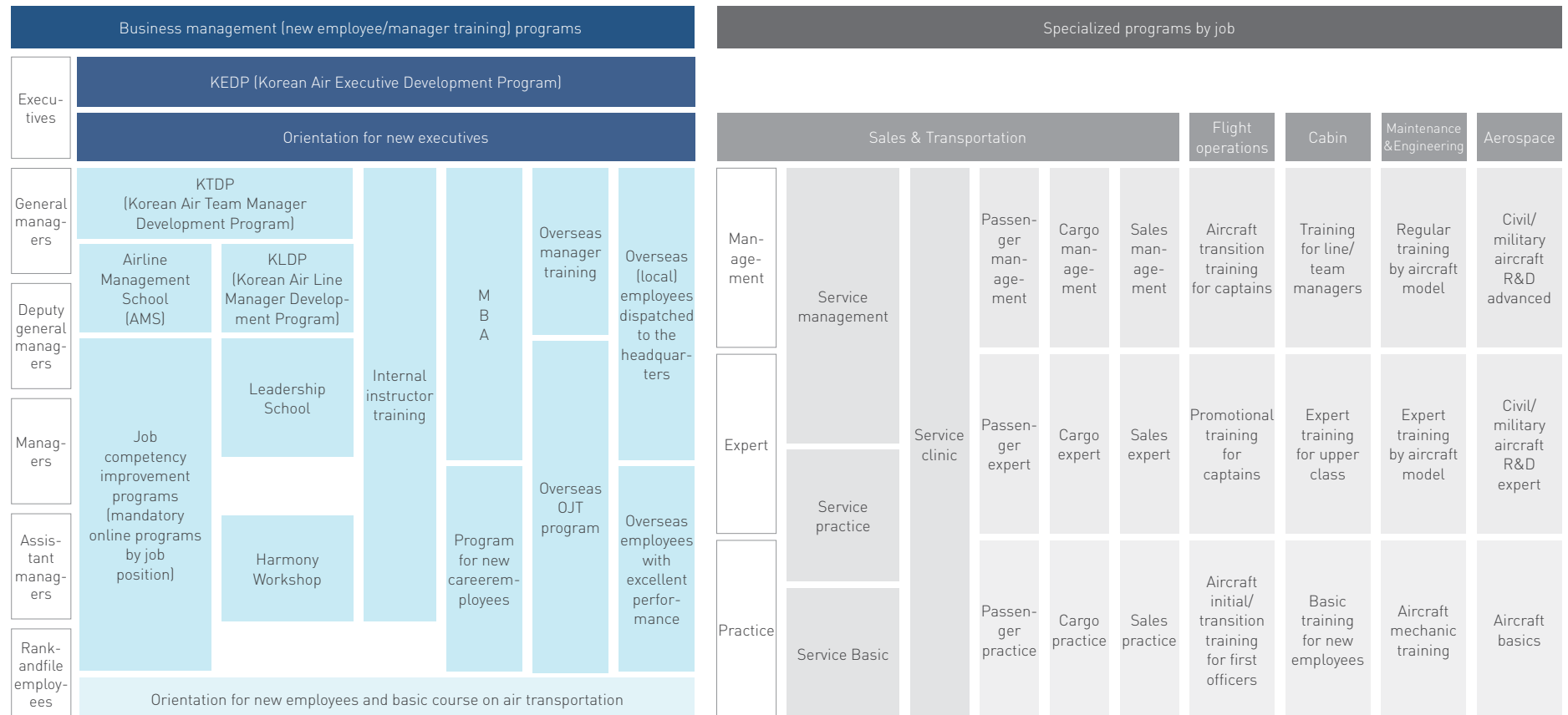


# Commitment to Talent Management

Guided by its management philosophy that “the foundation of corporate management is people, and positive changes in people start from education,” Korean Air is developing and operating a range of programs to foster global talent.

The Human Resources Development Center is responsible for developing and executing training policies and conducting company-wide general training, while special training courses customized to specific needs of each discipline, such as operation, cabin, and maintenance are also provided.

## Training Programs of Korean Air



### Lifelong Learning Support

Korean Air established Jeongseok Institute of Technology, Korea's first tech school run by a private company, for its employees in 2000 in order to support their lifelong learning. All employees attending the college get full-tuition scholarships with national certificated degrees upon graduation, allowing them to transfer to other universities or pursue graduate studies. Over the 17 years up through 2018, a total of 1,335 students have received a degree, including 904 bachelor's degrees and 431 associate's degrees. The company has also prepared a scholarship program for employees who wish to further their studies at graduate schools of Korea Aerospace University, Inha University and other schools to acquire more specialized skills and knowledge in aviation and logistics transportation industries. A total of 120 employees benefited from the scholarship in 2017.

### Human Rights Training

Korean Air is offering various training programs to promote a healthy and positive working life for employees. Believing that sound bodies and minds among employees lead to the best customer service and work performance, we provide over 30 online programs on human rights and health. At the same time, a curriculum to boost self-esteem as an employee of a global airline and raise awareness of the importance of self-management is provided on a regular basis.

## Corporate Culture Firmly Rooted in Communication and Trust

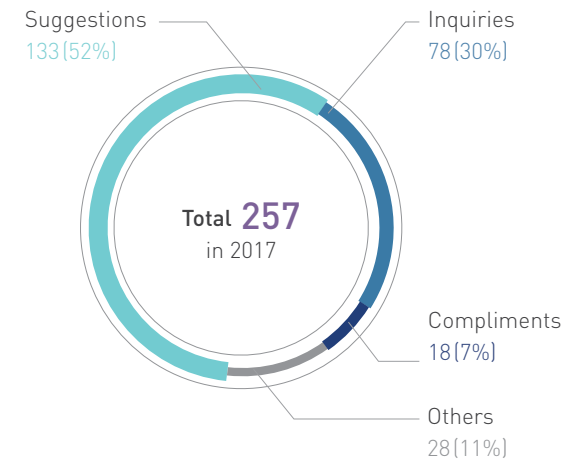
### Communication Plaza

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

Training Hours per Employee in 2017



Communication Plaza Statistics



### Go Beyond Workspace - Happy Hour

At 3 p.m. on the last Wednesday of every month, all employees take an hour off to relax with colleagues over some refreshments for 'Happy Hour'. It is valued as a time for employees to bond with one another. Employees leave comments on this event and the team of the best comment receive refreshment supplies as a prize.



# Sustaining Excellence




The 24th Korean Air Travel Photo Contest / Merit Prize / Jong-koo Lee / Talking / Taranaki, New Zealand



New Zealand, the last land discovered by humans, is a treasure trove of biodiversity with the pristine nature and distinctive and beautiful fauna and flora. Encountered with the breathtaking scenery of green pastures, golden coasts, and majestic mountains, travelers can feel an authentic connection to Mother Nature.

# Customer Satisfaction Management

## Delivering Service for Customer Happiness

 Hover here to see details.

Ranked 1st in 2017 GMA's GCSI in aviation sector for 13 consecutive years

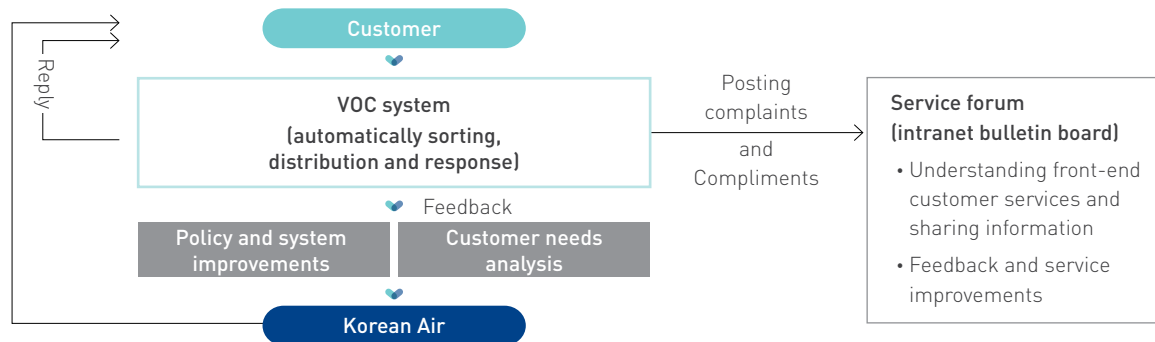


# Customer Satisfaction Management

## Listening to VOC for Greater Customer Satisfaction

One of our key management policies is reflecting customer feedback in customer services. "Voice of the Customer (VOC)" serves as an important tool to monitor the "moments of truth."

### Company-wide awareness raising on customer compliments and complaints



## Improved Customer Experience by VOC

**Increasing maximum weight of companion animal traveling in cargo** Under the previous policy, animals were qualified for travel in the cargo compartment as checked baggage if the combined weight of the pet and carrier did not exceed 32kg. By increasing the maximum weight to 45kg, Korean Air now offers greater convenience to passengers traveling with their companion animal. [effective 1 April 2017]

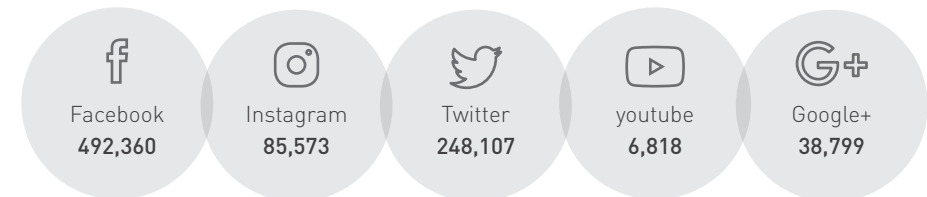
**Flight ticket purchase through real-time wire transfer** Korean Air developed and rolled out a real-time wire transfer system to allow customers to conveniently purchase outbound international/domestic flights from Korea with cash on their smartphone. [effective 12 October 2017]

## Service Excellence Program

Korean Air recognizes its employees who are passionate about their role and deliver excellent customer service by announcing and rewarding them as Service Excellence, which we believe serves as a catalyst for better customer service.

## Customer Communication

**Communication on SNS** Social network service (SNS) is one of the most efficient interactive communication channels through which companies can reach out to their customers and build strong customer relationships. Korean Air makes full use of SNS to reinforce its capabilities in responding to customer inquiries and engaging customers. It is also an effective channel for promotion and events along with travel tips. When major issues arise, it serves as a platform to directly and efficiently express the company's situation to communicate and build trust with customers.



## Culture Marketing

**Korean Air Future Artist Olympiad** Korean Air Future Artist Olympiad is a contest geared toward talented elementary students who are interested in art and paintings. Since 2009, the event has been operated as part of our effort to contribute to the development of art education for future generations and to awaken others to the joy of their creation. The contest has evolved into a global event, where both Korean elementary students and international elementary students from Korea and around the world participate. The grand prize winner is then printed on the exterior of Korean Air's airplanes as the planes go about their daily routine around the world.



Award Winning Ceremony for 2017 Korean Air Future Artist Olympiad



# Customer Satisfaction Management

## Protecting Customers' Personal Data

**Information Security Management System (ISMS)** Korean Air, as a member company of the Korea online Privacy Association, a leading private organization dedicated to personal information protection, is actively conducting activities on personal data protection. Korean Air became the first company in the aviation industry to receive certification for the Information Security Management System (ISMS) from the Korea Internet & Security Agency (KISA) in 2005. The system has since been audited yearly and recertified every three years, most recently in June 2017 through the fourth recertification review, which is effective until 26 June 2020.

**Information Security Training** All domestic and overseas employees handling customer information are required to undergo training on information security and personal data protection twice a year with some programs available year-round. On Security Day, since January 2016, Korean Air has raised awareness of monthly security issues and provided tips for daily security checks, thereby enhancing the company's security posture.

## Information Security Training for Employees (participants)

Year	Course	1H		2H	
		Domestic	Overseas	Domestic	Overseas
2015	1H: Information security at Korean Air	17,116	3,002	7,727	2,919
	2H: Personal information protection				
2016	1H: Understanding of personal data and how to securely protect PCs	17,176	2,962	7,470	2,857
	2H: Information security at Korean Air				
2017	1H: Information security	17,403	2,915	7,817	2,567
	2H: Information security at Korean Air				

## Officially Confirmed Leakage of Customers' Personal Data

0 case



2015

0 case



2016

0 case



2017

**Health insurance premium subsidies: KRW 48.08 billion, Allowances for the sickness · accident · death of employees and/or their spouse: KRW 1.88 billion**

## Striking Work-life Balance

Korean Air provides the pay and benefits that are best in the industry so as to offer a better quality of life for its employees. Employees and their families can fly on any of the routes operated by Korean Air at discounted fares, which is intended to promote traveling while gaining a global perspective. Other benefit programs include housing, financial support for the child educational expenses, leisure programs, medical bills, and financial security for retirement.

### Benefit Programs

Category	Description
Medical and health subsidies	<ul style="list-style-type: none"> <li>• Health insurance program</li> <li>• Self-insurance subsidies (Allowances for the sickness/accidents/death of employees and/or their spouses)</li> <li>• Subsidies for flu shots</li> <li>• Medical bill subsidies for overseas flight attendants and any employee on business trips</li> </ul>
Leisure life	<ul style="list-style-type: none"> <li>• 25 to 35 free flight tickets annually</li> <li>• 252 condominiums located domestically</li> <li>• Discount for prestigious hotel chains in Korea and overseas</li> <li>• Sponsoring 24 in-house club activities</li> </ul>
Everyday life	<ul style="list-style-type: none"> <li>• Corporate housing (1,301 households)</li> <li>• Housing loans</li> <li>• Scholarships for employees' children going to high school and college</li> <li>• Tuition subsidies for employees' children going to prestigious international universities</li> <li>• Scholarships and language course tuition subsidies for children of expatriates</li> <li>• Scholarships to employees going to college and/or graduate schools to study job-related subjects</li> </ul>
Financial stability of retirement	<ul style="list-style-type: none"> <li>• Subscription to the National Pension Plan</li> <li>• KRW 50,000 subsidies to all employees' personal pension plans</li> <li>• Korea's largest size of corporate credit union, and subsidization of contribution to Korea's largest corporate credit union upon retirement</li> </ul>
Incentives	<ul style="list-style-type: none"> <li>• Merit-based incentives</li> <li>• Safety incentives</li> </ul>

Furthermore, Family Day is one of many efforts Korean Air makes for a happy, balanced life of its employees. On Family Day every month, employees are encouraged to spend time with family after work, and various family-oriented events and cultural contents are arranged and provided by the company for work-life balance and self-development.

**Hanjin Expedition Team** Junior Engineering Class We have been hosting 'bring your family to work' programs called the Hanjin Expedition Team and Junior Engineering Class. With participants in the program gaining a chance to experience state-of-the-art aviation equipment and logistics facilities, it provides as an opportunity for the children of employees to satisfy their curiosity about aviation and logistics and better understand their parents' workplaces. Current employees are encouraged to develop a sense of proud in their company.



**Go Beyond Concert** Go Beyond Concert is a dedicated cultural campaign aimed at providing employees with different cultural experiences and opportunities for learning with external lecturers or performance teams. The concert is well received in Korean Air in that the program includes famous talks, writing classes, and performances, giving employees time to learn and heal.



B-boying Performance by Jinjo Crew

## Employee Health

**Occupational Health Management** The increased scope and frequency of industrial accidents brought by industrial advancement has led the government to revise the Occupational Safety and Health Act. In order to promote employee health and maintain a healthy working environment, the Korean Air Aeromedical Center carries out the following activities.

Category	Activities
Occupational health	<ul style="list-style-type: none"> <li>• Conducting health checkups and medical examinations according to the Aviation Safety Act and occupational Safety and Health Act and tracking employee health status after screening</li> <li>• Planning and operating various health promotion projects for disease prevention</li> </ul>
Industrial health training	<ul style="list-style-type: none"> <li>• Conducting online health training four times per year to provide various health information (four times per year)</li> <li>• Operating collective training programs tailored to job characteristics                             <ul style="list-style-type: none"> <li>- Cockpit crew: aviation physiology, and health management</li> <li>- Cabin crew: CPR and first-aid treatment, and prevention of musculoskeletal disease as well as of industrial accidents</li> <li>- General and maintenance employees: basic knowledge of health at work, and CPR</li> <li>- All employees: mental health and stress management</li> </ul> </li> </ul>
Working environment management	<ul style="list-style-type: none"> <li>• Providing information on toxic chemicals in the workspace, managing ventilation facilities, and evaluating the level of exposure to harmful factors</li> <li>• Monthly rounds of worksite visits by staff in charge of health and safety in order to provide health and medical services on the site.</li> </ul>
Customized health promotion programs	<ul style="list-style-type: none"> <li>• Operating a program for early cancer diagnosis and metabolic syndrome prevention</li> <li>• Investigating harmful factors for musculoskeletal system for all job lines, and conducting ergonomic improvement activities</li> <li>• Running programs for cockpit crew for preventing cardiovascular diseases, evaluating sleep apnea, and managing fatigue</li> <li>• Programs to help cabin crews prevent diseases more prone to women, including aerotitis and anemia</li> <li>• Measuring basic physical fitness regularly and providing counseling for customized exercise programs to help cabin crew improve their physical strength thereby preventing musculoskeletal diseases</li> </ul>
Management of work in confined space	<ul style="list-style-type: none"> <li>• For prevention of asphyxiation accident in a confined space, developing work procedure and conducting biennial rescue training and awareness training on risk associated with work in confined space, which has become a social issue recently.</li> </ul>

\* In Korean Air Aeromedical Center is equipped with examination facilities, equipment, and medical computer systems certified by the US Federal Aviation Administration. Specialists from a range of medical fields, such as aviation medical examiners, nurses, professional counselors, and hygiene management engineers, oversee the health management of all Korean Air employees including cockpit and cabin crew.

**Promoting Mental Wellbeing of Employees** With the aim of promoting the mental well-being of its employees, especially those working in front-end customer service fields, Korean Air is providing a multi-faceted mental health care support that includes customized mental health education and self stress evaluation. Full-time certified counselors in the Korean Air Aeromedical Center and cabin crew division office offer one-on-one counseling employing various counseling techniques. An anonymous online bulletin board is also available on employee portal (KALMAN) for those who find it difficult to visit in person, and we ensure that strict confidentiality is always maintained so employees can access the center in a more comfortable and trusted environment.

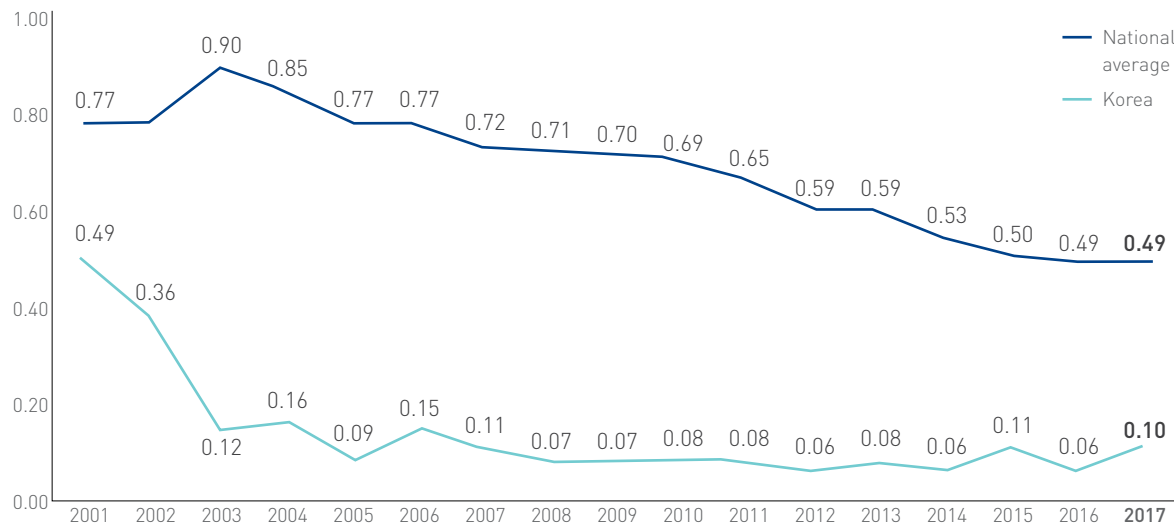
### Offline Mental Health Education

Lecture	Audience	Participants		
		2015	2016	2017
Stress management to promote mental health	Employees in passenger and cargo transportation fields	502 persons (22nd)	291 persons (17th)	274 persons (14th)
Health management: Stress	New call center employees from service suppliers	366 persons (19th)	237persons (14th)	308 persons (11th)

## Industrial Safety

Korean Air has been striving to secure employees' safety and to create a healthier workplace without any industrial accidents. To the end, the company has rolled out a site-based job hazards analysis that takes into account the different aspects of each division.

Industrial Accident Rates per 100 Employees (%)



\* Accident (injury) rate = Number of injured workers x 100/total number of workers

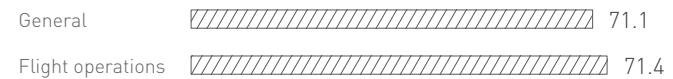
\*\* Industrial accident rate in 2017 including commuting accidents: 0.12%

**Job Hazards Analysis** The Job Hazards Analysis, introduced in 2008, is a process to identify hazards in the field and make improvement beforehand. It has since allowed us to reinforce risk prevention, while getting employees involved in the assessment of potential risks on the job. By scrutinizing risk factors, we take systematic steps to deal with safety issues. The measures taken are focused on engineering measures such as introducing equipment and improving facilities until the required safety level is met. In addition, periodic check-ups are implemented to ensure effective follow-up safety management.

## Labor-management Cooperation

Korean Air ensures its employees the right to freedom of association or collective bargaining as stipulated by the International Labor Organization (ILO). Labor-Management Council convenes on a quarterly basis to promote the mutual understanding and cooperation, and discusses and reviews various matters relating to welfare promotion and sound growth of the company.

### Labor Union Membership (%)



**Grievances Resolution Channels** Korean Air has a Grievances Resolution Committee and HR Counseling Office to more effectively deal with employees' grievances and suggestions in order to raise morale. In 2017, 13 grievances were received through the channels and 12 of them were concluded.

All payments to all its 766 suppliers were made in cash to help them to improve liquidity.

## Shared Growth Policy

Korean Air strives to promote win-win management that enhances cooperation and competitiveness and creates mutual benefit by seeking shared growth with its business partners.

To this end, we are operating shared growth programs built upon mutual trust, such as full cash payments to suppliers, condensing the payment cycle, dispatching experts to suppliers.

Furthermore, we tap into our aviation and logistics know-hows to help SMEs improve their export competitiveness while seeking cooperation with related industries.

Going forward, we will stay committed to developing programs for achieving shared growth based on cooperation with partner SMEs and related industries.

## Major Programs and Performance

Korean Air strives to promote win-win management for shared growth with partners. In 2017, the company made all payments to all its 766 suppliers in cash in a bid to help improve their liquidity and dispatched its experts to major partners for technological cooperation. Korean Air helps ease partners' financial pressure by leasing them its calibration equipment. We also seek to localize the manufacturing of imported parts through joint technological development with partners, thereby contributing to their technological progress and revenue growth.

In particular, 'local production of advanced aircraft wing parts (A320 Shacklet)' with a partner (Samwoo Metal Industries) was selected as the "2016 Best Practices in Fair Trade Agreements" by the Korean Fair Trade Commission. In 2017, we continued our efforts to localize key parts in partnership with partners, including aircraft fuselage structures (NDT Engineering), cargo door (Yunamtech/ASP Precision Aero/Samco), and wing structures (AST), which served as an opportunity to further strengthen competitiveness of Korean Air and its supplier through shared growth.

In addition to the OJT and various other training programs to enhance our partners' technological competitiveness and self-reliance, we also dispatch or assign experts to partners for quality improvement and subsidize their employee vaccinations and commute transportation to secure the most stable working conditions. Regular meetings with the CEOs of our partners and Quality Symposiums serve as effective communicative channels with partners to promote shared growth.

In accordance with fair business practices and compliance with the Fair Transaction and Shared Growth Agreement as recommended by the Fair Trade Commission (FTC) in 2013, agreements with aircraft manufacturing partners are in effect accompanied by the implementation of the four primary FTC Standard Subcontract Agreement forms and operation of a Reporting Center for Transaction Irregularities.

## Major Shared Growth Programs

<b>Cash settlements</b>	Paying partners in cash instead of issuing notes to improve liquidity
<b>Calibration and testing equipment lease</b>	Leasing calibration equipment in Korean Air's possession to help partners save expenses
<b>Localization of overseas procurements</b>	Improving technical capabilities and profits of partners through joint technological development
<b>OJT support</b>	<ul style="list-style-type: none"> <li>• An OJT on-site training course for lesser-skilled employees of partner companies</li> <li>• Technological and educational support of business partners</li> <li>• Meetings with CEOs of partners and quality symposiums</li> </ul>

“Profits made by a company must be returned to the society that made it possible.”

- **Founding Chairman**  
**Choong-hoon Cho**

**Social contribution expenses in 2017:**

**KRW 9,318 million,**

**In-house volunteer groups:**

**26**

## Social Contribution Activities Reflecting Industry Characteristics

**Transportation of Disaster Relief Goods** Utilizing its logistics and transportation resources, Korean Air has been offering no-cost transportation of relief supplies in the event of disasters since 1998.

In 2017, we continued to deliver emergency support to disaster-stricken areas free of charge, including 6,000 bottles of water and relief goods to flood victims in Peru, and 24,000 bottles of water and 3,000 blankets to earthquake victims in Pohang, Korea.



Transportation of disaster relief goods to flood victims in Peru

**Transporting Eggs and Day-old Chicks in the Wake of AI Outbreak** In the aftermath of the avian influenza (AI) outbreak, Korean Air transported 300 tons of fresh eggs from L.A., the U.S., to Korea on three occasions to ease the short supply. Transporting 100 tons of eggs by air at a time had never been tried in any part of the world, but Korean Air managed to safely deliver all products thanks to multi-year know-hows in transporting variation-LIVE and variation Fresh.

In addition, for a more fundamental resolution of the AI crisis, we exercised emergency transport of 130,000 day-old chicks from Spain. For the success of this time-critical mission of delivering day-old chicks that survive only up to 48 hours without being fed, we sent a cargo aircraft to Zaragoza and safely transport live chicks by flight.



Day-old chicks transport in the wake of avian influenza outbreak

**Free Flights to Korea for Korean Adoptees** Korean Air has been offering free tickets to Korea to international Korean adoptees attending events in Korea arranged by the International Korean Adoptee Service (InKAS). Since 2010, a total of 40 adoptees aged 18 or older have been given the opportunity to visit and experience their country of birth. The program helps them to understand the history and culture of Korea while serving as a bridge connecting the nation where they were born with the one where they grew up and call home.

**Transportation of a Statue of Korean Novelist Pak Kyong-ni to Russia** Korean Air participated in the Korea-Russia cultural exchange project and transported a bronze statue of the novelist to Russia at no cost. The statue is erected in front of the Korean Department of Saint Petersburg State University. As the only national airline that operates a direct route to Saint Petersburg, Korean Air has been holding various events aimed at introducing Korean culture there, including a Korean culture bazaar for young locals.

**Korean Language Audio Guide Service at the world's Three Most Famous Museums and Other Locations** With its various cultural sponsoring activities including underwriting Korean language service at the Louvre, British Museum, and Hermitage Museum, as well as Le Musée d'Orsay, Korean Air is striving to fulfill corporate social responsibility.

# Shared Growth Management

## Global Social Contribution Programs





**Global Tree Planting Project** Korean Air has been continuing its initiative to recover the deserted areas and bring back hope by planting trees. Since 2004, the Korean Air Forest project has been underway in Baganuur, Mongolia with Korean Air employees and locals planting trees every year. The company has not only increased the survival rates of newly planted trees but also made a meaningful contribution to the local economy by hiring local experts and locals to care for the forest.

The tree planting project of Korean Air has continued for 15 years and been hailed as one of the most systematic and successful restoration projects in Mongolia.

Meanwhile, the Korean Air Green Ecological Park in the middle of the Kubuqi Desert in China is another undertaking that has been continued since 2007 in cooperation with the Future of Forest of Korea and the All-China Youth Federation. Every year Korean Air employees and college students from China plant trees in the park with the aim of preventing yellow dust and promoting the cooperative partnership between South Korea and China.



Tree planting in Mongolia in 2017

	Restored areas	Accumulated number of trees planted
Korean Air Forest in Baganuur, Mongolia	 44ha	 110,000
Korean Air Green Ecological Park in the Kubuqi Desert, China	 491ha	 1,430,000

**Dream Library in China** Under the social contribution project called Caring Mind Plan it declared in 2008, Korean Air started book donation to schools in rural areas and soon recognized that kids also needed places to read books. This recognition led to the Dream Library project that has continued since 2010, building and donating libraries to underdeveloped provinces in China.

To date, Korean Air has been practicing the value of sharing through donations of PCs, libraries and sports equipment as well as books. To date, Korean Air has donated libraries in six cities, including Xian, Huangshan, Kunming, and Shenyang. And in recognition of such effort, we received an award for excellent CSR strategy from the South Korean Embassy in China in 2017.



Dream Library in China

### Korean Air as Official Sponsor for 2018 Pyeongchang Winter Olympics

Korean Air provided various support for the success of the Pyeongchang 2018 Winter Olympic and Paralympic Games, which presented a great opportunity to raise the nation's profile and gather people together in the spirit of sharing and cooperation. Serving as the chief of the hosting committee and 2nd organizing committee, Chairman Cho spearheaded the national effort to host the major global sports event, and the company also donated goods, transported Olympics test event equipment, and ran advertisements as its sponsorship offering.

Meanwhile, Korean Air founded the speed skating team in 2011 and has since consistently promoted the sports in Korea. The skater Lee Seung-hoon who became the inaugural Olympic champion in men's mass start speed skating is also affiliated with Korean Air.



## Major Social Contribution Programs

### Sharing

- Community Volunteering
  - Humble monthly donations
  - Habitat for Humanity
  - Sky Angels' volunteering activities (such as charity bazaars and kimchi-sharing events)
- Transportation of disaster relief goods and disaster relief aids
- Community volunteering around the globe
- Sisterhood ties with rural villages
- Global community volunteering
- Free flights to Korea for Korean adoptees

### Dream Maker

- Dream Library Project in China
- "Make Your Dream Come True field trip"
- Haneul Sarang (Sky Love) English Class
- Fascinating Travels with Korean Air

### Environmental Protector

- Korean Air Forest in Baganuur, Mongolia
- Kubuqi Desert in China
- Sapling distribution event on Arbor Day

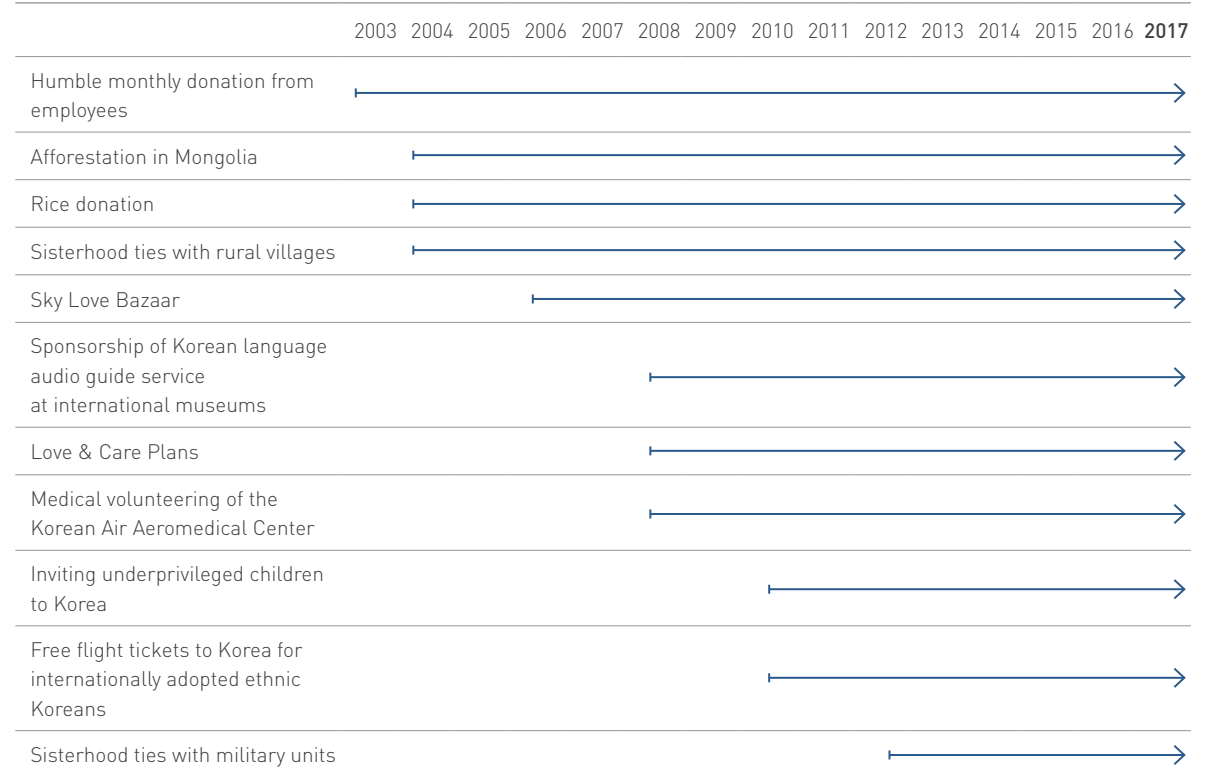
### Cultural Sponsorship

- Sponsorship to Korean language audio guide service at the world's three most famous museums and other locations
- Korean Air Future Artist Olympiad
- Korean Air Travel Photo Competition

### Sport Sponsorship

- Official sponsorships for international sports (official sponsor for 2018 Pyeongchang Olympics)
- Korean Air Women's table tennis team
- Korean Air Jumbos volleyball team
- Korean Air Chairman, Yang-ho Cho, serving as the official chairman of the Korea Table Tennis Association
- Korean Air President, Won-tae Cho, serving as the commissioner of Korean Volleyball Federation

## Activities



## Volunteering Hours per Person (hour)






## Company-wide Environmental Management System

Korean Air established the Green Management Vision that shows the CEO's commitment to "creating value to promote quality of life in harmony with the environment," and declared strategies for all staff from the CEO to employees in the field to implement to realize the vision. The company first obtained ISO14001 certification in 1996 and has since incorporated environmental management into each business division under the company-wide environmental management system.

### Green Management Strategies

<b>Green Management Vision</b>	Creating value to promote quality of life in harmony with the environment
<b>Green Management Policy</b>	
<b>Strategic directions for green management</b>	Preemptive compliance with environmental regulations
<b>2018 key tasks</b>	<ul style="list-style-type: none"> <li>• To reinforce the company's response to ETS</li> <li>• To improve environmental facility inspections</li> <li>• To be re-designated as a green company</li> <li>• To strengthen environmental compliance</li> </ul>

### Environmental Management System

Environmental management system audits are carried out every year into four company-wide disciplines with the aim of ensuring compliance with Environmental Management System and encouraging continuous improvement. Audit results are reported to the top management of the company, and actions to close any non-conformance areas or to prevent recurrence are developed and implemented by the relevant environmental management team of each discipline.

**2017**

- Improve environmental management at on-site outsourcing partners
- Manage environmental compliance training and training performance
- Prohibit the transport and handling of small quantity of specified waste

# Environment Management

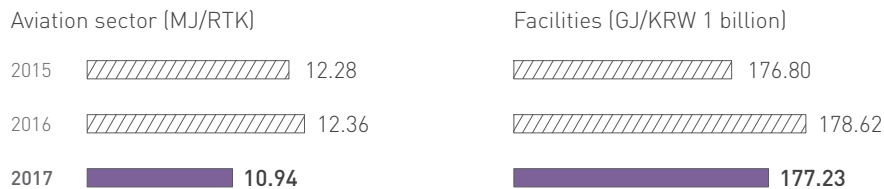
## Energy and Greenhouse Gases

**Energy Consumption and GHG Emissions** Jet fuel for aircraft operations accounts for 99% of energy consumed by Korean Air. For the year of 2017, 420,000 tons of jet fuel were used at a cost of USD 2.3 billion (about KRW 2.6 trillion). In aviation where business performance of a company is directly influenced by how efficient its energy use is due to the nature of the industry, we as a company is focused on improving energy intensity of our business.

### Energy Consumption Breakdown

Energy consumption breakdown	MJ	within Korean Air
Flight operation (using jet fuel)	178,870,218	98.8%
Building and vehicle (using gasoline and oil)	705,448	0.4%
Building and vehicle (using purchased energy, e.g., electricity)	1,386,438	0.8%

### Energy Intensity



**Disclosure of GHG Emissions** Korean Air reports and discloses its GHG emissions through carbon emissions trading schemes at home and abroad. In 2017, Korean Air emitted about 13.42 million tons of GHGs, details of which including indirect and direct emissions are disclosed under the below programs.

Program	Application boundary	Reporting boundary	Share in the total GHG emissions (Korean Air, Tier2)	Introduced in
Korean ETS	Ministry of Environment, Korea	Domestic flights and facilities	4.90%	2015
EU-ETS Aviation	EU	International flights within EU region	0.20%	2012
Voluntary Agreement of the Aviation Industry on GHG Reductions	Ministry of Land, Infrastructure, and Transport, Korea	International flights	95.10%	2010
CORSIA	UN ICAO	International flights between participating countries	over 80% (as of the end of 2017)	2021

### GHG Emissions Intensity



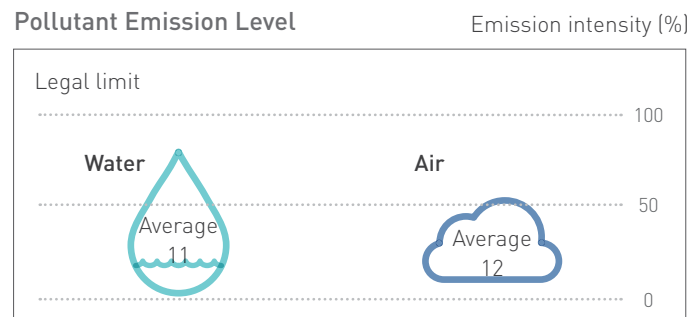
# Environment Management

## Biodiversity Protection

Acknowledging the role played by air carriers, Korean Air is participating in international efforts to protect biodiversity. The air transport of protected animals and plants, rare animals, primates, and endangered species is banned under company policy. Korean Air is among the signatories to the Buckingham Palace Declaration, an industry-wide initiative led by IATA, committing to major steps to fight illegal wildlife trafficking. And we supported and participated in the 2016 IATA Annual General Meeting that unanimously endorsed a resolution denouncing the illegal trade in wildlife and wildlife products and pledging to partner with government authorities in the fight against the traffickers of protected species.

## Water and Air Pollutants

Water and air pollutant emissions are stably managed within internal standards, which are 50 percent higher than legal thresholds allow, and the emissions for the past three years kept 20 percent below the legal requirements.



## Waste

In 2017, increased passenger traffic led to a rise in waste generated, while the scale-down of commercial aircraft business affected waste metal recycling, which reduced the overall recycling by 1.3 percent. For infectious disease prevention and control, food waste generated from cabin services are disinfected and immediately incinerated in compliance of the notice of the Animal and Plant Quarantine Agency.

### Waste Generation and Disposal

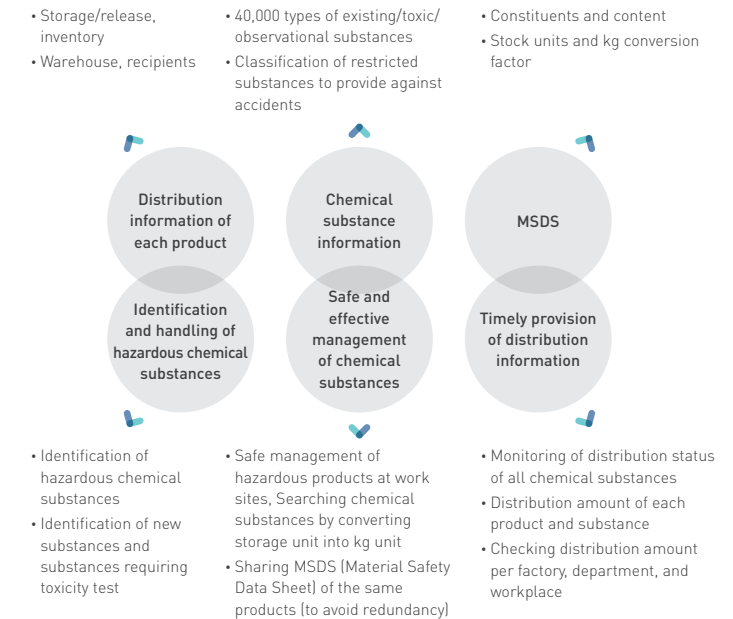
Waste disposal (tons)	2016		2017	
	Value	Icon	Value	Icon
General waste	26,667		26,848	
Specific waste	812		816	
<b>Total waste generated</b>	<b>27,479</b>		<b>27,664</b>	

Waste recycling rate (%)	2016		2017	
	Value	Icon	Value	Icon
General waste	38.3		36.9	
Specific waste	28.9		29.4	
<b>Total recycling rate</b>	<b>38.0</b>		<b>36.7</b>	

## Managing Chemical Substances

For aviation safety, aerospace maintenance chemicals must be materials specified by aircraft manufacturers. Through active ongoing communication with manufacturers, we try to minimize the harmful effect of chemicals we use. Additionally, chemical substances are strictly controlled with an in-house chemical management system that manages data regarding storage and release of chemical substances as well as their use at each business premise. Korean Air is making a constant effort to replace harmful chemicals with environmentally-friendly substances by creating the alternative substance review procedure the Environmental Management System specifications.

### Chemical Management System



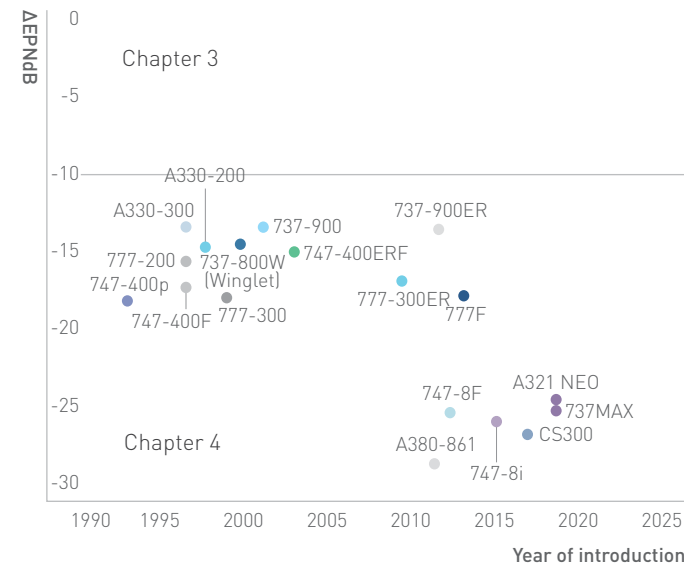
## Noise

**Implementing Countermeasures to Minimize Flight Operation Noise** Noise pollution is an inevitable inconvenience for anyone living near an airport. Korean Air is making every effort to minimize flight operation noise by incorporating countermeasures by aircraft manufacturers and the International Civil Aviation Organization (ICAO) as part of the company's flight operation policy and flight procedures for different models. Some of the noise abatement approaches we are taking are effective in reducing fuel consumption as well.

### Noise Abatement Approaches with Fuel Saving Effect

Approach	Description
Refraining from idle reverse thrust	Minimum idle reverse on landing considering the runway length and state and landing weight to reduce noise and fuel consumption
One-engine Taxi-in	Shutting down one or two engines during taxi-in and taxi-out to help reduce noise and fuel use
Noise Abatement Departure Procedure (NADP)	It is intended to provide noise reduction while take-off by adjusting flap and thrust setting
Continuous Descent Approach (CDA)	Aircraft maintains a fixed descending speed until it reaches the final altitude upon approaching a runway. It is designed to reduce fuel consumption and noise compared to the conventional step-down descents

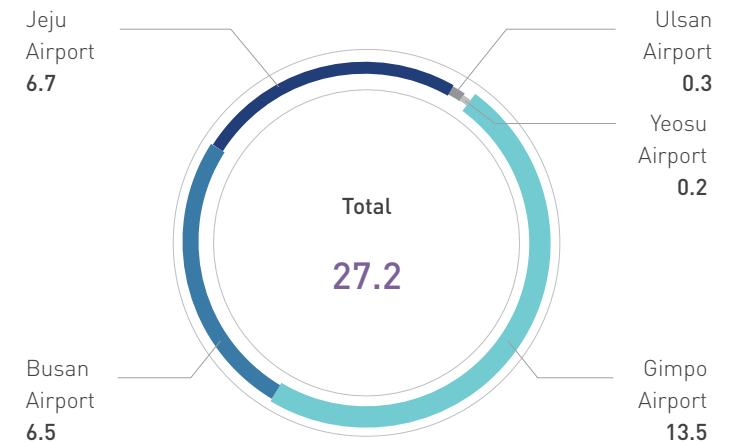
**Introducing Low-noise, Eco-friendly Aircraft** All Korean Air aircraft meet the criteria of the ICAO Chapter 4. Latest models that Korean Air has already introduced (i.e., B787 and CS300) or we plan to introduce, (i.e., B737MAX and A321NEO) generate less pollution and noise compared to the current aircraft in service, thereby contributing to creating a more pleasant environment for the community inhabitants within the vicinity of an airport.



\*ΔEPNdB: the difference between the measured noise intensity of a jet and the applicable noise standards as defined in ICAO Annex 16. Negative values indicate less noise (dB).

**Noise Surcharge** Korean Air pays a noise surcharge for every flight according to the regulations set by individual airports, including the surcharge defined for noise levels as per the Law on Airport Noise Prevention and Noise Control Area Support. The noise surcharge paid by airlines is used to reduce aircraft noise and to support noise-affected areas in accordance with the designated agenda of the specified airport.

### Payments of Noise Surcharge by Domestic Airports in 2017 (KRW in hundred million)



# Governance

The 24th Korean Air Travel Photo Contest / Grand Prize / Ki-hwan Na / Sea & Fisherman / Xiapu, China



Fujian, a province on the southeast coast of mainland China, is often characterized by its rugged mountainous terrain adjacent to sea. Indeed, mountains and hills cover 90% of the total land area and the southeast region is surrounded by sea. Tucked in the mountains are a series of multistoried round-shaped homes called Fujian Tulou, which was inscribed as UNESCO World Heritage Site. More recently, this region has witnessed rapid industrial development centered around Xiamen Special Economic Zones and other industrial districts.

## Board of Directors

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

## Committees in the BOD

In order to ensure efficient BOD operation and to comply with related laws and regulations, Korean Air has established and operated four subcommittees, namely the Audit Committee, Non-standing Director Nomination Committee, Affiliate Transactions Committee, and Management Committee. Since all members of the Audit Committee are non-standing directors, they can independently monitor the performance of the directors' duties and the company operations with senior executives in the financial and auditing divisions attending to assist members as they deliberate the agenda.

## Members of the Board (as of March 23, 2018)

Type	Name	Position	career background	Date of appointment	Term
Standing directors	Yang-ho Cho	Chairman & CEO	2016. 3. 18	3	BOD Chairman
	Won-tae Cho	President & COO	2018. 3. 23	3	-
	Kee-hong Woo	Executive Vice President	2017. 3. 24	3	-
	Soo-keun Lee	Executive Vice President	2017. 3. 24	3	-
Non-standing directors	Jae-il Kim	Professor of Seoul National University Business School	2016. 3. 18	3	-
	Yong-seok Ahn	Lawyer (Lee & Ko Law Firm)	2017. 3. 24	3	-
	Jin-su Jeong	Lawyer (Yoon & Yang Law Firm)	2017. 3. 24	3	-
	Chae-min Lim	Advisor (Lee & Ko Law Firm)	2018. 3. 23	3	-
	Dong-jae Kim	Professor of Graduate School of International Studies, Yonsei University	2018. 3. 23	3	-

## Committee Information (as of March 23, 2018)

Name	Composition	Directors	Purpose and responsibilities
Non-standing Director Nomination Committee	2 standing directors	Yang-ho Cho, Kee-hong Woo	Nominating non-standing director candidates according to governing laws, including the company's Articles of Association and the Board of Directors Regulations
	3 non-standing directors	Jae-il Kim, Jin-su Jeong, Chae-min Lim	
Audit Committee	3 non-standing directors	Jin-su Jeong, Chae-min Lim, Dong-jae Kim	Auditing the account books and business operations while dealing with matters commissioned by the Board of Directors according to governing laws, including the Articles of Association and the Board of Directors Regulations
Management Committee	3 standing directors	Yang-ho Cho, Won-tae Cho, Kee-hong Woo	Making decisions pertaining to the agenda as commissioned by the Board of Directors and significant issues other than those subject to the resolution by the general shareholders' meeting as stipulated in the relevant laws and the Articles of Association
	3 non-standing directors	Yong-seok Ahn, Jin-su Jeong, Chae-min Lim	
Affiliate Transactions Committee	1 standing director	Soo-keun Lee	Performing previews of major inside transactions involving affiliated persons under the Fair Trade Act, and making suggestions for corrections to any transactional activity pointing out possible legal violations
	2 non-standing directors	Jin-su Jeong, Dong-jae Kim	

## BOD Performance in 2017

Korean Air's BOD convened eight regular and one extraordinary meetings to discuss and vote on 46 different agenda in 2017. The BOD holds regular meetings at least once every quarter to ensure the informed discussion and review of major agenda and convene extraordinary meetings whenever necessary. The annual BOD meeting schedule is published in advance to ensure a higher rate of attendance each year. In 2017, the average rate of attendance stood at 87 percent (95 percent for non-standing directors), i.e. the meetings were attended by 8.3 directors on average. Senior-level executives from each business divisions including Passenger and Cargo Flights and Finance and Technology, may attend the BOD meetings whenever deemed necessary in order to assist the directors in informed decision-making. Executives in charge of individual business areas also present relevant issues to the board and answer questions pertaining to the agenda.

### BOD Performance

Category	2015	2016	2017
No. of BOD meetings convened	9	13	9
No. of approved agenda	43	40	46
BOD meeting participation rate (non-standing directors) (%)	85	97	95

### 2017 Major BOD Activities

Date	Agenda	Attendance of non-standing directors
1. 5	Capital increase	6/6

2. 9	Six items including the FY2016 Account Settlement	6/6
3. 7	Five items including participation in capital increase by related party	6/6
3. 24	Seven items including the appointment (proposal) of the CEO	4/6
5. 11	Eight items including FY2017 Q1 Account Settlement	6/6
7. 20	Six items including FY2017 1H Account Settlement	5/5
9. 14	Two items including payment guarantee and grant of collateral approval for HIC borrowing	5/5
11. 2	Six items including FY2017 Q3 Account Settlement	5/5
12. 14	Five items including 2018 business plan (proposal)	4/5

## Preventing Conflict of Interests within BOD

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

## Decision-making Hierarchy and Socially Responsible Management

The CEO and Chairman of Korean Air concurrently holds the position of chairman of the board so as to deal with major business issues more efficiently and is entrusted with the management of all business matters, including economic, environmental and societal, to ensure the timeliness of decision-making. The high-level council, a standing body composed of executives, who are heads of key divisions or higher in position, makes decisions on strategic business and sus-

tainability management. This council functions as an effective decision-making body by actively responding to the expectations and demands of stakeholders on economic, environmental, and social trends, and by reviewing and reaching a consensus on issues from a company-wide perspective. The council meets regularly to monitor and evaluate the resolution progress of issues discussed at meetings.

## Evaluation and Remuneration for Directors and Executives

The total annual remuneration of the BOD members approved in the general meeting was about KRW 4.4 billion. For executives, the amount of the remuneration is dependent on the performance against a set of sustainable management evaluation index revised annually based on the management landscape, business crisis and opportunity.

## Stakeholder Communication Channels

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

## Charter of Ethics and Ethics Management Organization

Korean Air proclaimed its commitment to business ethics by announcing the incorporation of its Charter of Ethics in January 2001, as the guiding principles in all business activities. Additionally, all employees at Korean Air pledged to follow the underlying principles and values in their daily business activities. In addition to the in-house ethics secretariat, the heads of each business division and executive officers in charge are serving as chief ethics officers who encourage and assist ranks-and-files with making rightful decision-making and behavior. Based on the Charter of Ethics, we have developed business ethics programs for all employees to abide by, including guidelines on the implementation of the code of ethics, on dealing with ethics issues and the whistleblowing program.

### Korean Air's Charter of Ethics

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

- 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 joint development with our business partners based on mutual trust.
- We respect the principles of free competition and maintain front-runner status in the development of the airline transport industry.
- We contribute strongly to the development of society and to the preservation of the environment.
- We acknowledge the corporate principles set forth by the company and uphold all obligations and responsibilities.

### Guidelines and Policies on Ethics Management

Guidelines/Policies	Description
Code of Ethics	Standards for ethical and professional behavior of stakeholders in order to achieve the core management values stated in Charter of Ethics
Guidelines on Code of Ethics	Roles and responsibilities of employees in their encounters with external stakeholders
Guidelines for ethical issues	Detailed work procedures for resolving ethical issues
Whistleblowing (internal reporting) policy	Policy on arresting and reporting internal corruption and preventing retaliation



## Fair Transactions and Legal Compliance

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

## Raising Ethical Awareness

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

## Whistleblowing System

Internal reporting and whistle-blowing systems have grown in importance as ethics management tools and been adopted by an increasing number of companies globally. As a global airline, Korean Air should rightly understand the vital role of the internal systems in many countries. The whistleblowing procedure has been in place to eradicate personal and business favors requested and/or provided by employees, illegal acts, corruption and other irregularities that often arise in deals involving suppliers. Anyone can report any of the above via e-mail at [jebo@koreanair.com](mailto:jebo@koreanair.com). All received reports go through fact-finding investigations for appropriate measures to

determine appropriate punishments or corrective action. Reporters are strictly protected according to the internal rules and procedures, and are kept up to date with the progress of the investigation.

## Ethics Management Training Performance (persons)

Course title	2015	2016	2017
Compliance with antitrust laws*	928	1,110	1,419
Sexual harassment-free workplace	18,286	19,234	18,760
Ethics management in Korean Air**	928	17,558	516
Compliance officer program**	18,084	17,038	476
Understanding of Improper Solicitation and Graft Act**		18,056	2

\*Conducted annually for sales staff at home and abroad

\*\* Conducted every other year

## Crisis Management

Korean Air has identified risk factors that affect the company and established internal rules and guidelines for the organization, its mission and the emergency measures required to cope with crises, based upon which all employees can respond in a systematic manner that minimizes economic loss, damages on the corporate image and disturbances within the company.

## Non-financial Risks

**Strategic/Operational Risk** We have in place the Communication Plaza to promote active communication and suggestions about how to avoid risks originating from inadequate decision-making and changes in the business environment. Regular internal audits also evaluate the potential for risk per department while also auditing efficient deployment of corporate resources.

**Regulatory Risk** A regular monitoring system is in place to ensure compliance with laws and regulations, and a considerable portion of our resources, including the legal department and in-house legal experts, are allocated to proactively manage regulatory risks. We also have the Compliance Program as a means to prevent the risk of unlawful transaction.

**Event Risk** The Corporate Safety, Security & Compliance

was set up under the direct control of the president to ensure integrated and effective management of all safety and security matters in preventing aircraft accidents, hijacking and other accidents while minimizing losses. Regulations, guidelines and manuals pertaining to accident response are available. The emergency response system is evaluated periodically along with company-wide unannounced drills for aircraft accidents.

**Environmental Risk** We have engaged in company-wide environmental risk prevention activities and established environmental accident response guidelines. Emergency drills cover oil spills and chemical leakage events, and relevant teams conduct separate training for possible ground contamination in an effort to prevent and contain environment accidents. In addition, we strive to minimize the impact of climate change on the environment by adopting high fuel-efficiency aircrafts and developing shortcut routes.

## Financial Risks

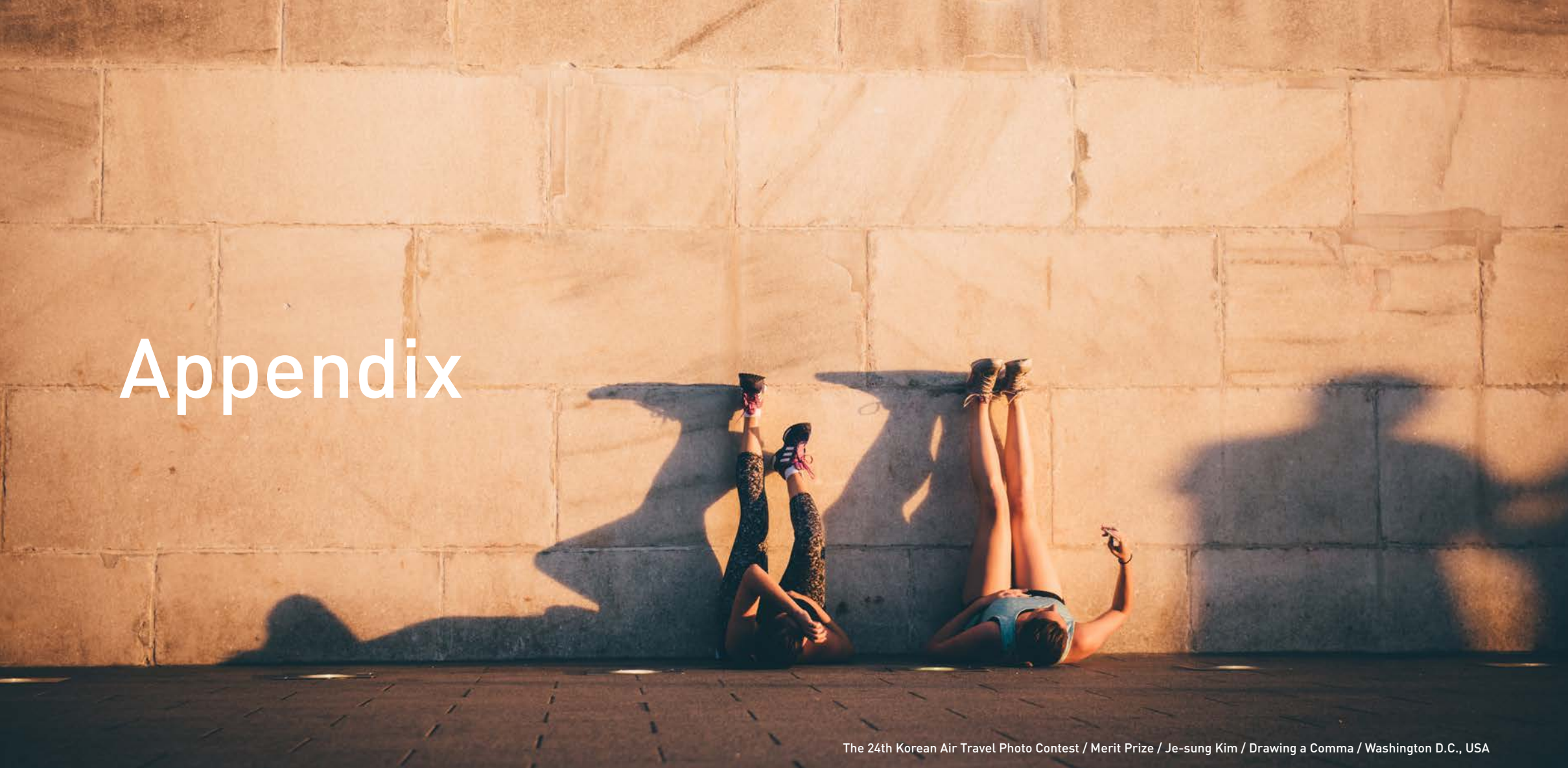
**Exchange Rate Risk** Korean Air conducts transactions in foreign currencies and is exposed to risks arising from exchange rate volatility. The exchange rate of the US dollar affects the company's sales performance and cash flow, in particular, as we have more expenses than incomes in the currency and the share of US dollar-denominated borrowings remains quite

high. To hedge these risks, we strive to maintain a balance between revenue and expenses per currency while making use of currency swaps within the approved limits.

**Interest Rate Risk** Korean Air borrows funds at fixed and variable interest rates, and floating-rate borrowings pegged to the benchmark interest rate, e.g., Libor, can change the company's sales and cash flow. In this regard, we maintain an optimal ratio between fixed-rate borrowing and floating-rate borrowing and enter into interest rate swaps. Risk aversion activities are regularly assessed to adjust interest rate trends and define the risk profile appropriately, ensuring that an optimal hedging strategy is applied.

**Oil Price Risk** In the air transportation industry, fuel cost accounts for a sizable portion of business cost, and understandably, Fluctuations in oil prices can enhance or undermine a company's financial posture. Market prices for petroleum products such as jet fuel change with various factors including the production volume or geopolitical risk in oil producing countries, oil reserves, speculative demand in the commodity markets, and the production of shale gas. Korean Air consumes approximately 33 million barrels of jet fuel per year, and manages oil price risks through rolling out new aircrafts with high fuel efficiency, levying fuel surcharges, and trading derivatives.

# Appendix



The 24th Korean Air Travel Photo Contest / Merit Prize / Je-sung Kim / Drawing a Comma / Washington D.C., USA



Washington, D.C., the capital city of the United States, is filled with historic buildings, such as memorials, museums, embassies, and colleges, rather than modern high rises. One such landmark is the Washington Monument, an obelisk standing approximately 170 meters tall, which presents a panoramic view of this historic city, from the Capitol Building and the Lincoln Memorial to the White House.

# Key Sustainability Indicators

## Economic Performance

(KRW in hundred million)

	2015	2016	2017
<b>Sales</b>			
Sales	11,308,423	11,502,877	11,802,819
Cost of sales	9,286,479	9,218,012	9,660,188
Gross profit	2,021,944	2,284,865	2,142,631
Selling and administrative expenses	1,162,726	1,205,861	1,186,479
Operating profit (loss)	859,218	1,079,004	956,151
Non-operating operating profit and loss	-1,358,198	-1,821,094	261,973
Net profit (loss) before tax	-498,980	-742,090	1,218,124
Tax expense (profit)	-91,298	-150,729	310,244
Net profit (loss)	-407,682	-591,361	907,880
<b>Assets</b>			
Current assets	2,873,563	2,875,642	3,219,951
Non-current assets	20,175,377	19,830,397	20,203,116
Total assets	23,048,940	22,706,038	23,423,067
Current liabilities	8,428,114	8,269,323	6,594,634
Non-current liabilities	12,324,532	12,783,569	13,156,304
Total liabilities	20,752,646	21,052,892	19,750,938
Capital stock	369,753	369,753	479,777
Other paid-in capital	776,179	1,153,265	1,855,996
Other capital components	332,917	327,977	646,211
Retained earnings	817,445	-197,849	690,144
Total capital	2,296,294	1,653,146	3,672,128
Total liabilities and equity	23,048,940	22,706,038	23,423,067

# Key Sustainability Indicators

## Social Performance

		Unit	2015	2016	2017
<b>Employees</b>					
Total employees		Persons	20,815	20,844	20,363
Gender	Male	Persons	11,737	11,655	11,551
	Female	Persons	9,078	9,189	8,812
Age	Below 30	Persons	5,071	4,761	4,050
	30~39	Persons	6,539	6,617	6,454
	40~49	Persons	6,183	6,141	6,197
	50 and above	Persons	3,022	3,325	3,662
Region	Domestic	Persons	18,481	18,620	18,330
	Overseas	Persons	2,334	2,224	2,033
Permanent	Male	Persons	10,990	10,956	10,904
	Female	Persons	7,517	7,620	7,795
Non-permanent	Male	Persons	747	699	647
	Female	Persons	1,561	1,569	1,017
Administrative positions	Male	Persons	2,722	2,798	2,933
	Female	Persons	1,104	1,294	1,422
General positions	Male	Persons	8,268	8,158	7,971
	Female	Persons	6,413	6,326	6,373
Female employees	Ratio of female managers	%	29	32	33

# Key Sustainability Indicators

## Social Performance

		Unit	2015	2016	2017
<b>Recruitment from local communities</b>					
Local employment	No. of overseas employees	Persons	2,599	2,499	2,281
	Ratio of locals	%	90	91	89
	Ratio of locals in manager positions	%	13	14	14
	Female	%	59.4	58.5	56.9
<b>Maternity protection</b>					
Maternity leave before and after childbirth	Maternity leave before and after childbirth	Case	856	682	600
	Rate of return to work after the maternity leave	%	100	100	100
	Pregnancy leave	Persons	463	446	446
Childcare leave	Childcare leave	Persons	735	670	619
	Rate of retention for one year after returning to work from childcare leave	%	81.5	84.0	88.9
	Ratio of male employees	%	3.3	4.3	6.0

# Key Sustainability Indicators

## Social Performance

		Unit	2015	2016	2017
<b>Employee education</b>					
Training performance	Per-capita training hours	Hours	103	89	76
	Online training content	Units	1,102	1,164	1,669
Lifelong learning support	Scholarships for graduate school to employees	Persons	152	140	120
<b>Social contribution</b>					
Social contribution	Per-capita volunteering hours	Hours	1.7	1.9	1.9
	Social contribution expenses	KRW in million	12,562	9,227	9,318
<b>Information security</b>					
Corporation information security education	Domestic	Persons	24,843	24,646	25,220
	Overseas	Persons	5,921	5,819	5,482
Customers' personal data	Personal data leak	Case	0	0	0
<b>Pension funds and contributions</b>					
National Pension System		KRW in hundred million	358.5	374.9	391.9
Personal pension		KRW in hundred million	101.1	101.0	102.3
Contribution to credit union		KRW in hundred million	114.0	117.3	120.4
Total		KRW in hundred million	573.6	593.2	614.6

# Key Sustainability Indicators

## Environment Performance

			2015	2016	2017
<b>Fuel and energy</b>					
Fuel consumption for air transportation	Jet oil	tons	4,083,989	4,174,377	4,179,211
Ground operations Direct energy consumption	Gas/Diesel oil	GJ	122,781	114,988	108,640
	By product fuel No. 1	GJ	8,464	14,939	13,271
	By product fuel No. 2	GJ	256,037	276,276	286,852
	Gasoline	GJ	11,072	11,114	10,609
	Jet oil	GJ	29,715	22,471	14,216
	LNG	GJ	246,072	260,097	265,778
	LPG	GJ	5,676	6,246	6,082
Ground operations Indirect energy consumption	Electricity	GJ	1,295,423	1,320,069	1,357,395
	Medium-temperature water (steam)	GJ	24,077	28,435	29,043
Energy intensity	Air transportation	MJ/RTK	12.28	12.36	10.94
	Ground operations	GJ/sales amount: KRW 1 billion	176.80	178.62	177.23
<b>GHG emissions</b>					
GHG emissions from air transportation	Scope1	tCO <sub>2</sub> e	12,995,052	13,283,086	13,302,627
GHG emissions from ground operations	Scope1	tCO <sub>2</sub> e	43,650	44,473	45,208
	Scope2	tCO <sub>2</sub> e	63,694	65,379	67,207
GHG emissions intensity	Air transportation	kg_CO <sub>2</sub> e/100RTK	91.3	91.9	81.3
	Ground operations	ton_CO <sub>2</sub> e/KRW 1 billion	9.52	9.68	9.52



# Key Sustainability Indicators

## Environment Performance

			2015	2016	2017
<b>GHG emissions reduction</b>					
Greenhouse gas reduction <sup>1)</sup>	Economic flight	tCO <sub>2</sub>	143,019	149,606	148,260
	Performance enhancement	tCO <sub>2</sub>	93,346	56,628	50,747
	Flight planning	tCO <sub>2</sub>	181,159	179,332	183,075
	Weight management	tCO <sub>2</sub>	28,266	28,047	29,486
	Total	tCO <sub>2</sub>	445,790	413,613	411,568
Greenhouse gas reduction <sup>2)</sup>	Means with lasting effect	tCO <sub>2</sub>	270,246	258,203	253,827
	Means with one-off effect	tCO <sub>2</sub>	13,045	8,106	10,005
	Total	tCO <sub>2</sub>	283,291	266,310	263,831
<b>Water resources</b>					
water consumption	Total volume of water withdrawn from sources	tons	1,407,453	1,475,831	1,400,279
	Surface water / Ground	tons	-	-	-
	Ground water	tons	221,580	221,183	213,947
	Water supply or other sources	tons	1,185,873	1,254,648	1,186,332
Water recycling	Recycled amount	tons	22,450	25,117	24,979
	Recycling rate	%	1.6	1.7	1.8
Water discharge	BOD	tons	52.832	47.157	29.977
	COD	tons	27.725	14.929	13.625
	SS	tons	40.95	16.768	8.856
	T-N	tons	4.025	2.213	2.593
	T-P	tons	0.933	0.616	0.686

<sup>1)</sup>Classification as per the 5th Voluntary Agreement on GHG Reductions of the MOLIT. Reductions are calculated based on the 6th agreement starting 2017

<sup>2)</sup>Classification as per the 6th Voluntary Agreement on GHG Reductions applied from 2017 onwards. Net increase only is recognized for reductions as initiatives that adopt more universal means of reduction are reclassified into "one-off effect" category

# Key Sustainability Indicators

## Environment Performance

			2015	2016	2017
<b>Air</b>					
Air emissions	Dust	tons	23	16	17
	THC	tons	30	32	32
	NOx	tons	68,543	70,155	70,409
	SOx	tons	4.6	6.7	10
	SO2	tons	4,063	4,152	4,160
<b>Waste <sup>1)</sup></b>					
Waste generation	General	tons	25,350	26,667	26,848
	Designated	tons	782	812	816
	Total	tons	26,132	27,479	27,664
Waste recycling rate	General	%	39.5	38.3	36.9
	Designated	%	37.3	28.9	29.4
	Total	%	39.5	38.0	36.7
Waste disposal	Incineration	tons	15,341	16,586	17,074
	Landfill	tons	474	440	442
	Recycling	tons	10,317	10,452	10,149
<b>Environmental education</b>					
Environmental education	Basic training	man-hour	3,652	3,032	1,701
	Job skill training	man-hour	1,434	1,256	1,258
	Practical training	man-hour	2,610	3,296	2,203

<sup>1)</sup>Waste generation/disposal data of the previous years was adjusted following the spin-off of some business sites and changes in quantification standards

# Independent Assurance Statement

## To the Stakeholders of Korean Air Lines Co., Ltd.

The Korea Productivity Center (the "Assurer") was requested by Korean Air Lines Co., Ltd. (the "Reporting Organization") to conduct an independent assurance of the information presented in the "2018 Korean Air Sustainability Report" (the "Report") and hereby provides the following assurance statement (the "Assurance Statement").

## Responsibility and Independence

All information and opinions presented in the Report are written by the Reporting Organization. As an independent assurance agency, the Assurer is responsible for providing the assurance statement for the contents of the Report. The Assurer was not in any conflict of interest that may undermine our independence.

## Assurance Standards

The Assurance was performed based on the AA1000AP (2018) assurance standards. The assurer verified the compliance of inclusivity, materiality, responsiveness and impact based on the AA1000AP (2018) assurance principle, and confirmed the balance, comparability, accuracy, timeliness, clarity, and reliability of the information in the report through interviews and documentary evidence provided by the Reporting Organization.

The Assurance of the Report was conducted as per the following methods:

- Verified if the requirements for the Core "In Accordance" criteria of the GRI Standards were fulfilled.
- Verified compliance with the principles of the contents of the Report, and quality based on the GRI Standards.

- Verified the decision of material topics for the Report, management approach for material topics, and process of calculating, collecting and managing qualitative/quantitative data.
- Verified the basis of core data and information, and the internal process and system through an on-site inspection.
- Verified the suitability of the contents and any errors in expression in the Report through comparison and analysis with other sources.

## Limitations

- The scope and boundaries of the assurance process have been conducted according to the boundaries of the time period and region of the Report; however, if there is no specific mention, performance of Korean Air's associated companies, subsidiaries, suppliers, and a third party has not been included.
- The environmental and social performance was verified through the reliability of the data collection, calculation process and the accuracy of the collected baseline data in case of actual measured values, and for the calculated values, verified the rationality of assumptions and calculation processes. For financial data, only conformity with financial statements and published materials which were audited by an accounting agency was verified, and such results are not included in the scope of assurance.
- The on-site inspection was performed at Korean Air's headquarters in Seoul. The Assurer hereby states that if an additional assurance process is performed in the future, the assurance conclusion may be different.

## Findings & Conclusion

The Assurance of the AA1000AP (2018) of the suitability of the inclusion, importance, responsiveness, and impact is as follows:

### • Inclusivity: Stakeholder Engagement

The Reporting Organization identifies customers, employees (labor union), government and local governments, media, research institutes and suppliers as internal and external stakeholder groups and conducts stakeholder engagement activities based on an entire company or individual departments by utilizing various channels. Engagement activities for each stakeholder are described in the Report. With social interest in the Reporting Organization increasing, it is recommended to prepare the procedure of stakeholder engagement and link with the reasonable expectations and interests of stakeholders to the responses presented in the Report.

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

The Reporting Organization conducted the materiality test to prepare the Report for 2018. The organization identified ten material issues by conducting a survey of internal and external stakeholders and comprehensively considering global standards for sustainable management, media issues, aviation industry issues, etc. It was also verified that each issue is reflected in each page of the Report.

# Independent Assurance Statement

## • Responsiveness: Organization’s Response to Issues

The Reporting Organization identified major expectations that affect stakeholder performance within the reporting period, conducted activities to address the identified material issues, and confirmed that the information was adequately described in the Report.

## • Impact: Measuring Sustainability Impact

The Reporting Organization is monitoring any impact of the Organization’s management activities on society and industry. The Assurer recommends that the Reporting Organization should calculate quantitative indicators as measures to improve the impact of economic, social and environmental sectors.

The Assurer confirmed that the Report meets the requirements for the “Core Option” of the GRI Standards. In case of General Disclosures, the Assurer confirmed that the Report is written in compliance with the requirements of the GRI Standards. The Assurer reviewed that the Topic-specific Disclosures have been determined through a systematic reporting decision process based on materiality test results. The Assurer confirmed that the Report reliably reflects the sustainability activities and performance of the Reporting Organization. The Assurer reviewed the Management Approach (MA) and Topic-specific Disclosures reported by material topics meet the requirement AA1000AP.

GRI Topic	MA & Topic-specific Disclosures	KAL Issue Report
Economic Performance	MA - Economic Performance, 201-1, 2, 3	Enhancing Corporate Competitiveness
Energy	MA - Energy, 302-1, 2, 3	Minimization of Environmental Impact
Emissions	MA - Emissions, 305-1, 2, 4, 5, 7	
Employment	MA - Employment, 401- 2	Value Creation for Employees
Training and Education	MA - Training and Education, 404- 2	
Customer Health and Safety	MA- Customer Health and Safety, 416-1	Reinforcement of Aviation Safety and Security

## Recommendation

The Assurer highly appreciates various efforts and performances by the Reporting Organization to enhance sustainability and proposes the following measures to publish future reports and improve the level of sustainable management:

- The quality of the report has been improved by establishing a clear common standard by introducing a non-financial information standard changed from the GRI G4 Guideline to the GRI Standards. It is recommended to increase the level of balance in reporting to include both positive and negative issues of the Reporting Organization and reflect further advanced detailed indicators
- Although the Reporting Organization operates various stakeholder communication channels for each department, it is recommended to run a communication channel in which a more comprehensive group of stakeholders can participate on a regular basis, including a regular stakeholder meeting and focus group interview, and establish a management system. In addition, it is necessary to reflect stakeholder opinions to management policy through more active communication.



노기성

August 2018  
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The Sustainability Management Center of Korea Productivity Center is an assurance agency officially certified by AccountAbility (the organization that established AA1000, the international standard for stakeholder participation and verification) and is qualified to conduct independence assurance engagements. Its Assurance Committee consists of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

<sup>1</sup> Format: Each of the four principles (inclusivity, materiality, responsiveness and impact) in AA1000AP is divided into principle statement, key definitions, discussion, and required adherence criteria.

<sup>2</sup> In Accordance Criteria: GRI Standards are separated into “Core” and “Comprehensive” accordance. Core accordance criteria are fulfilled by reporting part of general disclosures, management approach (MA) of all identified material topics, and disclosure of one or more specific themes.

## General Standard Reporting

Subject	Announcement Ref. No.	Description	Reporting Page
<b>GRI 100 Universal Standards</b>			
GRI 102: Organizational Profile	102-1	Name of the organization	6
	102-2	Activities, brands, products, and services	6
	102-3	Location of headquarters	6
	102-4	Location of operations	12
	102-5	Ownership and legal form	6
	102-6	Markets served	6, 12
	102-7	Scale of the organization	6, 11, 12, 68, 69
	102-8	Information on employees and other workers	42, 69, 70
	102-9	Supply chain	12, 13, 53
	102-10	Significant changes to the organization and its supply chain	Annual Report 8-12
	102-11	Precautionary Principle or approach	66
	102-12	External initiatives	80, 81
	102-13	Membership of associations	83
GRI 102: Strategy	102-14	Statement from senior decision-maker	5
	102-15	Key impacts, risks, and opportunities	20, 25, 33, 41
GRI 102: Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	7, 8, 64, 65
	102-17	Mechanisms for advice and concerns about ethics	44, 64, 65
GRI 102: Governance	102-18	Governance structure	62, 63
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	14
	102-41	Collective bargaining agreements	52
	102-42	Identifying and selecting stakeholders	14
	102-43	Approach to stakeholder engagement	18
	102-44	Key topics and concerns raised	18, 19

# GRI Content Index

## General Standard Reporting

Subject	Announcement Ref. No.	Description	Reporting Page
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	Annual Report 3, 4
	102-46	Defining report content and topic Boundaries	19
	102-47	List of material topics	19
	102-48	Restatements of information	73
	102-49	Changes in reporting	2
	102-50	Reporting period	2
	102-51	Date of most recent report	2017. 8
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	77, 78, 79
	102-56	External assurance	75
	GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary
103-2		The management approach and its components	77, 78, 79
103-3		Evaluation of the management approach	77, 78, 79

## Material Index Reporting

Subject	Announcement Ref. No.	Description	Reporting Page
GRI 201: Economic Performance	MA		33
	201-1	Direct economic value generated and distributed	11, 14, 50, 68, 71
	201-2	Financial implications and other risks and opportunities due to climate change	25-32, 58
	201-3	Defined benefit plan obligations and other retirement plans	71, Annual Report 82, 104
GRI 302: Energy	MA		25
	302-1	Energy consumption within the organization	72
	302-2	Energy consumption outside of the organization	72
	302-3	Energy intensity	58, 72
GRI 305: Emissions	MA		25
	305-1	Direct (Scope 1) GHG emissions	58, 72
	305-2	Energy indirect (Scope 2) GHG emissions	72
	305-4	GHG emissions intensity	72
	305-5	Reduction of GHG emissions	73
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	74
GRI 401: Employment	MA		41
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	50
GRI 404: Training and Education	MA		41
	404-2	Programs for upgrading employee skills and transition assistance programs	43, 44, 71
GRI 416: Customer Health and Safety	MA		20
	416-1	Assessment of the health and safety impacts of product and service categories	21,22

## Other Index Reporting











Subject	Announcement Ref. No.	Description	Reporting Page
<b>GRI 200 Economic</b>			
GRI 202: Market Presence	202-2	Proportion of senior management hired from the local community	42, 70
<b>GRI 300 Environmental</b>			
GRI 303: Water	303-1	Water withdrawal by source	73
GRI 306: Effluents and Waste	306-1	Water discharge by quality and destination	73, 74
	306-2	Waste by type and disposal method	59
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	zero case
<b>GRI 400 Social</b>			
GRI 402: Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	50 days for layoff and 30 days for dismissal, when changes in business operations occur
GRI 403: Occupational Health and Safety	403-3	Workers with high incidence or high risk of diseases related to their occupation	51
GRI 412: Human Rights Assessment	412-2	Employee training on human rights policies or procedures	44, 64, 65
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	49
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	zero case



# SDG Index & UN Global Compact

## Other Index Reporting

As the United Nations announced the Sustainable Development Goals (SDGs) that the global community should achieve, Korean Airline has been working to fulfill the goals thereby discovering new opportunities for a sustainable growth.

Goal	Alignment	Reporting Page	Goal	Alignment	Reporting Page	
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote wellbeing for all at all ages	Establishing the In-flight medical emergency response system	 8 DECENT WORK AND ECONOMIC GROWTH	Promote inclusive and sustainable economic growth, employment and decent work for all	Hiring local talent	
		Responding to infectious diseases			23	42, 70
		Delivering relief goods and aids			24	53
		Medical volunteer program by Korean Air Aeromedical Center			54	56
 4 QUALITY EDUCATION	Ensure inclusive and quality education for all and promote lifelong learning	Supporting lifelong learning for employees	 11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities inclusive, safe, resilient and sustainable	Sisterhood ties with rural villages, Habitat for Humanity	
		Operating human rights awareness program			44	56
		Donating books and libraries to schools in rural areas in China (Dream Library project)			44	60
		Offering English classes to children in rural areas and inviting them to Korean Air facilities			55	56
 5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	Operating a well-thought-out maternity protection system (pregnancy leave and 100% return to work after maternity leave)	 13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	Adopting eco-friendly high efficiency aircraft	
		Ensuring discrimination-free recruitment process			42, 70	30, 31
		Operating workplace sexual harassment training			65	32
 6 CLEAN WATER AND SANITATION	Ensure access to water and sanitation for all	Practicing water recycling and enforcing targeted management of water pollutant discharge through chemical management system	 15 LIFE ON LAND	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	Global planting programs to abate desertification in Mongolia and China	
					59, 73	55
 7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable, and modern energy for all	Making efforts to improve jet fuel efficiency and promote emission reduction technologies	 17 PARTNERSHIPS FOR THE GOALS	Revitalize the global partnership for sustainable development	Fulfilling SkyTeam CSR Statement that captures affiliate airlines' commitment toward sustainability management	
					25-29	81
		Completing pilot flight powered by bio jet fuel			32	31

## SDG Index & 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. Korean Air joined the program in support of these principles in July 2007, and will continue to work on their implementation.

Area	Principle	
Human Rights	1. We support and respect the protection of internationally proclaimed human rights.	41-45
	2. We make sure that we are not complicit in human rights abuse.	64-65
Labor	3. We uphold the freedom of association and effective recognition of the right to collective bargaining.	41-45
	4. We uphold the elimination of all forms of forced and compulsory labor.	50-52
	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.	25-32
	8. We undertake initiatives to promote greater environmental responsibility.	57-60
	9. We encourage the development and diffusion of environment friendly technologies.	
Anti-Corruption	10. We work against corruption in all its forms, including extortion and bribery.	64-65

## Awards & Memberships

Awards	Organization	Date
Named 'Best Airliner' at the Diplomats' Choice Awards	GLOBAL TIMES	2017. 2. 16
Best Cross-Border Securitization	Asset Management Awards	2017. 2. 28
Safety Achievement Award	Korea Occupational Safety & Health Agency	2017. 3. 3
The 25th Consumer's Choice Advertising Award - TV Ad	Korea Advertisers Association	2017. 3. 23
The 25th Consumer's Choice Advertising Award - Print Ad	Korea Advertisers Association	2017. 3. 23
Best Airline in the 2016 ICN Awards	Incheon International Airport Corporation (IIAC)	2017. 3. 29
Best In-Flight Duty Free Asia 2017	Pax International Magazine Awards Hamburg 2017	2017. 4. 5
Gold prize in the Digital-driven Idea sector in Effie Awards Korea 2017	Effie Korea	2017. 4. 28
Ranked 1st in the air passenger transport service category of the Global Customer Satisfaction Index (GCSI)	Global Management Association	2017. 6. 22
Grand prize in the 2017 Travel Agent Friendly Airline Award	Korea Association of Travel Agents (KATA)	2017. 6. 28
2017 Social Contribution Corporate Awards (disaster relief category)	The Korea Economic Daily	2017. 7. 12
Certificate of Appreciation	IATA	2017. 9. 26
Inspiring Excellence Award	Asian Business Association (ABA)	2017. 9. 27
Grand prize in the integrated media category in the 2016 Korea Advertising Awards	Korea Federation of Advertising Associations (KFAA)	2017. 11. 24
Grand prize in the New Media sector in the 44th Maeil Business News Advertising Awards	Maeil Business Newspaper	2017. 11. 24
Excellence award in Tech & Solution area in the 2017 Korea Online Advertising Festival	Ministry of Science and ICT	2017. 12. 6
Award for Company with Excellent CSR Strategy	Embassy of the Republic of Korea in China	2017. 12. 27

## Awards & Memberships

Category	Associations and Organizations
Aviation	IATA(International Air Transport Association) AAPA(Association of Asia Pacific Airlines) 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 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, Business Institute 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-Japan Economic Association, Korea Listed Companies Association, Korea Exchange, Korea Customs Logistics Association, International Management Institute of the Federation of Korean Industries, Korea International Trade Association, Korea-US Economic Council
Environment	Green Companies Council, Business Council for Green Growth, Gangseo Business Group for Environmental Practices, Voluntary Agreement of the Aviation Industry on GHG Reductions
Society	Korea Management Association, Nanum Korea, Korean Council on the Protection of Personal Information, Korea Forum for Progress, Korea-Mongolia Forum, Korea Defense Transportation Association, Asia Society Korea Center, UN Global Compact, Takamadonomiya Memorial Foundation, Korea Support Committee for the International Vaccine Institute, Korea AEO Association

