40 YEARS OF EXCELLENCE AND BEYOND

The story of Korean Air’s excellence began 40 years ago with seven propeller airplanes and one jet. Since then, this small, regional Asian airliner has grown by leaps and bounds over the decades to become a world leader boasting a fleet of 124 state-of-the-art aircraft and operating revenues of over KRW10 trillion. As a savvy leader of change, we have consistently introduced innovations in service quality while making aggressive investments in new routes to conquer the skies all over the globe. We have also seen our operating revenues grow by an astounding 2,800 times and the number of international routes by 34 times, and for the fourth year in a row, we have been ranked as the world leader in cargo transport and 17th in transporting passengers as of the end of 2008.

Not content to rest on this glorious 40-year history, Korean Air is about to take another giant leap forward. We have set a long-term goal of becoming one of the top 10 global airliners by 2019. To achieve this, we will provide the safest operational systems in the industry, purchase new aircraft to maintain an advanced fleet, and refurbish in-flight facilities while providing the finest service in the industry. Korean Air will take advantage of the excellent capabilities of its management to expand the company’s global presence through ceaseless innovation and aggressive investment. With 40 years of achievement behind us, we are poised to enter a future built on sustainability and renewed excellence.
OUR HISTORY

WE HAVE CREATED A NEW HISTORY OF CIVIL AVIATION IN KOREA WHILE FOCUSING ON THE PUBLIC GOOD

Mar, 1969  Korean Air founded
Sep, 1969  Completed construction of the original KAL Building (now the shipping center) in Sogong-dong on
Oct, 1969  Launched the Seoul-Osaka-Taipei-Hong Kong-Saigon-Bangkok Route (first international route since the establishment of the company)
Oct, 1969  Entered a B720 airplane into service
Apr, 1971  Opened a regular Seoul-Tokyo-LA route with a B707F cargo airplane
Aug, 1971  Introduced a new B707-320C (HL7406)
Apr, 1972  Commenced a transpacific passenger service to the U.S. (Seoul-Tokyo-Honolulu-LA)
Oct, 1973  Established a Seoul-Paris cargo service to enter the European market (passenger service launched on Mar. 14, 1976)
Sep, 1974  Placed a B747 on the transpacific route, making Korean Air the first airline in the world to do so,
May, 1976  Launched Seoul-Bahrain passenger service to establish business in the Middle East
Oct, 1976  Shipped Korea’s first domestically produced 500MD helicopter
Mar, 1979  Opened direct Seoul-New York passenger service on

1969 ~ 1979

KOREAN AIR TOOK THE FIRST STEP IN CREATING THE HISTORY OF CIVIL AVIATION IN KOREA, STARTING KOREA’S FIRST AIRLINE WITH A FLEET OF SEVEN PROPELLER AIRPLANES AND ONE JET AIRCRAFT. DEMONSTRATING TO THE WORLD A POSITIVE IMAGE OF KOREA AS A DEVELOPING NATION, KOREAN AIR MADE IMPROVEMENTS TO ITS MANAGEMENT SYSTEMS AND EXPANDED ITS GLOBAL NETWORK TO THE U.S., JAPAN, EUROPE AND THE MIDDLE EAST TO STRENGTHENING ITS INTERNATIONAL COMPETITIVENESS.
THROUGH THE 1980S, KOREAN AIR EXPANDED THE NUMBER OF DESTINATIONS TO COVER FIVE OCEANS AND SIX CONTINENTS WHILE SIGNIFICANTLY INCREASING THE NUMBER OF CARGO ROUTES AS KOREAN COMPANIES MADE ACTIVE FORAYS INTO OVERSEAS MARKETS. THE 1988 SEOUL OLYMPIC GAMES AND LIBERALIZATION OF OVERSEAS TRAVEL IN 1989 ENABLED KOREAN AIR TO GROW INTO AN AIRLINER CAPABLE OF COMPETING ON AN EQUAL FOOTING WITH LEADING GLOBAL AIR CARRIERS.

1980~1989

KOREAN AIR FLEW ONTO THE WORLD STAGE VIA THE 1988 SEOUL OLYMPIC GAMES WITH FLIGHTS OVER FIVE OCEANS AND TO SIX CONTINENTS

Sep, 1982  Manufactured using Korean Air technology the first F-5EF fighter for the ROK Air Force
Dec, 1983  Began using a 747 simulator (at the training center)
Jan, 1984  Established the Frequent Traveler Bonus System (FTBS)
Mar, 1984  Changed the corporate image and logo
May, 1984  Completed construction of the downtown Seosomun Building
Apr, 1986  Opened the Gimhae Maintenance Center
Aug, 1988  Designated as an official Olympic Torch carrier airline for the 1988 Seoul Olympic Games
AS AN ORIGINAL PARTICIPANT IN THE BIRTH OF SKYTEAM, AN INTERNATIONAL ALLIANCE OF LEADING GLOBAL AIRLINERS, KOREAN AIR HAS BUILT A GLOBAL NETWORK WITH FLIGHTS TO EVERY CORNER OF THE WORLD WHILE BECOMING A LEADER IN THE GLOBAL AVIATION INDUSTRY. BEYOND 40 YEARS OF EXCELLENCE, KOREAN AIR IS TAKING OFF IN ITS EFFORTS TO BECOME A TOP GLOBAL AIRLINER.

WE HAVE SPREAD OUR WINGS AS A LEADING GLOBAL AIRLINER

Jun, 2000 The SkyTeam global alliance was announced
Jun, 2000 Introduced Korean Air’s 150th airplane (B777-300)
Oct, 2000 Opened a cargo facility at JFK Airport in New York
Mar, 2001 Marked the opening of Incheon International Airport (including new cargo terminal, catering center and maintenance facilities)
May, 2002 Designated as an official airline for the 2002 FIFA World Cup Korea and Japan
Sep, 2003 Opened Hyatt Regency Incheon
Oct, 2003 Signed a contract to purchase 10 A380 airplanes
May, 2004 Started a global forestation project in Mongolia, China and the U.S.
Jul, 2004 Chairman Cho received the Legion of Honor Award from the French government
Mar, 2005 Unveiled a new corporate image and uniforms
Apr, 2005 Announced an order for ten B787 Dreamliners
Jul, 2005 Introduced the Kosmo Sleeper and Prestige Plus seats
Aug, 2005 Ranked first in international cargo services for four consecutive years
Oct, 2005 Announced plans to take part in the production of advanced next-generation airplanes such as the B787 and A350 (A350 on Dec 9, 2008)
Nov, 2005 Accelerated fleet renovations by purchasing 25 airplanes (B747/777/737)
Dec, 2005 Total number of passengers surpassed 450 million
Jan, 2008 Launched Jin Air
Feb, 2008 Sponsored the inclusion of Korean language services at the world’s top three museums
Aug, 2008 Signed an agreement to jointly develop Navoi International Airport in Uzbekistan

2000~
A HISTORY OF FIRSTS

[Graph showing RPK (Revenue Passenger Kilometers) over time from 1969 to 1985]

- Total Assets
- Operating Revenues
- Operating Income

(Unit: 100 million KRW)

[Table showing financial data for each year from 1969 to 1988]

※ Source: Korean Air Annual Report [1969-2003], Managerial Accounting, etc.
※ As of Feb 4, 2009
2008 HIGHLIGHTS
HIGHLIGHTS AT A GLANCE

January 2008

**Won the grand prize at “Korea’s Ethical Management Awards”**

Korean Air was named the grand prize winner of the “6th Korea Ethical Management Awards” in January of 2008. The selection committee for the “Korea Ethical Management Awards” presents the awards for best practices in ethical management by Korean companies. Korean Air was selected in recognition of its efforts to promote the development of the aviation industry in harmony with the environment. Korean Air was recognized for its work on reforestation projects to counter desertification in Mongolia and China since 2004, its implementation of an internal misconduct reporting system and the institution of an Ethical Charter and environmental management system.

April 2008

**Won Freddie Awards for Customer Service**

Korean Air’s frequent flyer “SkyPass” mileage program received two “Freddie Awards” for customer service in April 2008. The awards are sponsored by the U.S. publication “Inside Flyer” and votes cast by 625,000 participants ranked Korean Air at the top in the category of “Best Member Communication” (Asia/Pacific/Oceania region) and second place in “Best Customer Service” (Asia/Pacific/Oceania region).

June 2008

**Code-Share with China Eastern Airlines**

Korean Air made an agreement with China Eastern Airlines to cooperate on a code-share for five routes including Incheon-Beijing, Incheon-Shanghai, Incheon-Qingdao, Incheon-Weihai and Incheon-Changsha for the convenience of passengers flying to and from these regions. The code-share operates on a free sale basis that allows both airlines to sell seats on the counter-part’s flights without restriction. The code-share program is expected to considerably increase customer convenience in booking flights.

February 2008

**Adding Five A380 to Fleet**

Korean Air will add a total of ten A380 aircraft to its fleet starting in 2010. Following the order for five new A380s we made orders for three additional airplanes in February 2008 and for two more in February 2009. The new A380s will become part of Korean Air’s main fleet flying long-range overseas routes to L.A., New York and Paris.

May 2008

**Relief Activities for Chinese Earthquake Victims**

In response to the devastating earthquake that hit China’s Sichuan Province in 2008, Korean Air provided special charter flights to transport relief goods and supplies to victims in the area. Our prompt response to the unprecedented disaster included the timely delivery of 2,000 blankets and 3,000 boxes of bottled water (36,000 1.5L bottles). The Hanjin Group, Korean Air’s parent company, dispatched medical teams from Inha University Hospital, which operates under Hanjin’s umbrella of companies, in a spirit of borderless sharing and caring.

June 2008

**Chairman & CEO Yang-Ho Cho Re-elected to IATA Board of Governors**

Korean Air’s Chairman & CEO Yang-Ho Cho was re-elected to the IATA (International Air Transport Association) Board of Governors at the 64th IATA Annual General Meeting held in Paris in June 2008. This election constitutes Mr. Cho’s tenth year of membership on the IATA Board of Governors, making him one of only three airline CEOs worldwide to have served ten years or more on the IATA Board. Comprised of 31 CEOs of global airlines, the Board exercises oversight and sets strategies while overseeing organizations under its umbrella.
Opened Food Safety Research Center at Inha University for Quality Enhancement of In-flight Meals

Korean Air patronized Inha University, under the umbrella of the Hanjin Group, Korean Air’s parent company, to open the Food Safety Research Center in July 2008. The center employs a number of experts in food safety and is equipped with 45 state-of-the-art analytical instruments used for making advanced precision analyses of the various components of food ingredients. The center is in charge of hygiene and assesses food safety for Korean Air’s in-flight meals, inspects and audits suppliers of foodstuffs to the airline, and provides HACCP training and microbial analysis of ingredients, as it plays a key role in enhancing the quality of Korean Air’s in-flight meals.

July 2008

Won the Grand Prize at the “Sustainability Management Awards”

Korean Air was awarded the grand prize at the “2008 Korea Sustainability Management Awards” by the Korea Economic Daily, a leading Korean business newspaper. The Korea Economic Daily selects and awards Korean companies for achievements in sustainability management for fulfilling their social, environmental and economic responsibilities. Korean Air received the award in recognition of its environmental and social service activities and achievements, which included the introduction of eco-friendly aircraft and the company’s declaration of its environmental management principle of “Improving the Value of Life through the Harmonization of Aviation and the Environment.”

October 2008

Global Tree Planting Project Expanded to Los Angeles

Korean Air’s “Global Tree Planting Project” was expanded from Mongolia and China to include the U.S. In December 2008, Korean Air participated in a tree planting ceremony in Los Angeles as part of its sponsorship of the tree planting project in the U.S. Korean Air will make a total donation of US$160,000, with US$40,000 allotted per year for four years, to the Million Trees Los Angeles (MTLA) Foundation. To mark Korean Air’s 40th anniversary in March 2009, a tree planting ceremony was held in LA, for “Korean Air Trees.”

December 2008

June 2008

“Grand Star” Begins Operations

Grand Star, Korean Air’s joint cargo venture with China’s largest cargo carrier, Sinotrans, was launched in June 2008. Grand Star operates three cargo planes including a B747-400 for the routes connecting Tianjin-Frankfurt-Shanghai-Tianjin, and Korean Air plans to expand routes into other regions such as Chicago and some cities in Korea and Japan to provide more convenient cargo transport between China and Europe/U.S.

July 2008

Jin Air Begins Operations

Jin Air, Korean Air’s economy airline brand, began operations in July 2008. As an economy carrier that provides modern, simple, yet elegant services, Jin Air has attracted the attention of the airline industry. With such innovations as jean-style uniforms, a first-come, first-served system and a 100% internet-based reservation system, Jin Air is a highly efficient operation. The airline plans to add international routes in the second half of 2009.

November 2008

Sponsoring Multimedia Guides to World’s 3 Major Museums

Korean Air entered into a partnership with the Louvre Museum in 2007 and initiated a Korean language service as part of the PDA-based multimedia guide service at the museum in 2008. Also in 2008, Korean Air concluded an agreement with the British Museum in London and the Hermitage Museum in Saint Petersburg of Russia for the addition of a Korean language service to the multimedia guide programs at both museums. With the launch of Korean language services at these world-class museums, Korean patrons can enjoy multimedia programs on such renowned works as the “Mona Lisa,” the stone statue of “Pharaoh” and the “Madonna of the Carnation” in Korean.
"With the harmonizing of economic, social and environmental values, Korean Air will fly high to an even brighter future."

The year 2008 was a challenging year for all sectors of the business world. Oil prices skyrocketed to record highs before falling towards the end of the year, the effects of the financial crisis in the U.S. spilt over into the global economy, bringing about widespread economic recession, and foreign exchange rates were on a roller coaster throughout the year. Amid such adversity, Korean Air suffered an operating loss of KRW99.3 billion due to surging fuel costs and increased expenses related to fluctuations in foreign currency rates, but despite such difficulties, we exerted every effort to create new demand and expand our sales base. As a result, operating revenues surpassed KRW10 trillion for the first time in Korean Air’s 40-year history, and the realization of 18% growth year-on-year.

In the passenger transport sector, we offered new routes to Munich, Tashkent and Milan, completing a network that connects 18 cities in 15 European countries. We also returned to the South American market with the resumption of service to Sao Paolo, Brazil. In the cargo transport sector, we added a route to Navoy, Uzbekistan and are currently an active participant in the Uzbekistani government’s ambitious plans to make the Navoy Airport a hub for Central Asia. Our flights to this airport are an important step in the realization of this goal for Uzbekistan.

Along with these efforts to build a sustainable future for the company, Korean Air has created a new paradigm for sustainable management practices through its initiatives to harmonize economic, social and environmental values. In fact, our endeavors to fulfill Korean Air’s responsibilities to its various stakeholders were widely recognized. For example, we topped IATA’s global rankings for commercial cargo transport for the fifth year in a row, we were named the top airline in passenger transport for “Global Customer Satisfaction” by the Japan Management Association, and our in-flight meal service was awarded for “Outstanding Food Service by a Carrier” by PAX International Magazine and was also honored by the Korean Ministry for Food, Agriculture, Forestry and Fisheries. To further enhance our control of food safety, we sponsored, in cooperation with Inha University, the establishment of the Food Safety Research Center to ensure the highest quality and safety of our in-flight meals.

Fully aware of our social responsibilities, we at Korean Air are committed to protecting the environment, sharing with others, and maintaining transparent and ethical management practices. Having joined the UN Global Compact in 2007, we have pledged to abide by ten principles in the human rights, labor, environment, and anti-corruption categories. In June of 2008, we adopted the “SkyTeam Corporate Social Responsibility Statement” and are implementing environmental policies to address global warming and the depletion of fossil fuel
reserves. In order to reduce emissions of CO2, the main culprit in global warming, we are replacing our fleet with fuel-efficient and environment-friendly next-generation airplanes and developing more efficient operational procedures to reduce fuel consumption. We have also been expanding our initiatives in terms of sustainable development year after year, for example, with reforestation projects in regions such as Baganuur, Mongolia and Kubuchi, China, where desertification is in progress due to climate change. Our promotion of cultural activities includes the sponsorship of Korean language services at the world-famous Louvre, British and Hermitage Museums.

The year 2009 is a truly significant year for Korean Air as it marks our 40th anniversary. In this year, we will diligently pursue sustainable growth through management activities aimed at enhancing Korean Air’s efforts on the economic, social and environmental front while seeking new opportunities for value creation for Korean Air and its stakeholders. We invite you to journey with us as we take a giant leap forward to a brighter future, one that will extend our glorious 40-year history to another 40 years of excellence.

Thank you.

Cho, Yang Ho

Chairman & CEO
Korean Air
Founded as Korea’s first private airliner in 1969, Korean Air celebrates its 40th anniversary in 2009. As the nation’s representative airliner, Korean Air has played a key role in Korea’s economic development and has set new paradigms in the management of sustainable economic, social and environmental practices. We will continue to reinforce our partnerships with our stakeholders who include shareholders, business partners, customers, employees, and local communities in our efforts to build a better future for all concerned.
Commenced transpacific passenger service to USA. (SEL-TYO-HNL-LAX) Apr, 1972
Korean Air Lines introduced its first B747 jumbo, which went into immediate service on its transpacific route. May, 1973
Began Seoul-Paris passenger service. Took delivery of three A-300B Airbus aircraft Mar, 1975
Inaugurated direct Seoul-New York passenger service Mar, 1979
Dedicated its own International air cargo terminal at the Los Angeles International Airport to USA Dec, 1981
Manufactured on its own technology the first fighter F-5EF for the ROK Air Force Sep, 1982
Began to operate a new passenger reservation and ticketing system called “Total Passenger Service System (TOPAS)” Jan, 1983
Began using its exclusive Air Cargo Terminal at JFK International Airport in New York Sep, 1983
Opened new Gimpo Cargo Terminal for exclusive use of Korean Air Dec, 1988
Established Korean Air’s own Computer Center Dec, 1990
Introduced the first MD-11 Jan, 1991
‘Bluesky-91’, a light aircraft manufactured by Korean Air’s own technology succeeds test flight Nov, 1991
The first graduates of Korean Air Pilot Training School became pilots. /Introduced the first F-100 May 1992
Korean Air delivered the 1st B777 Parts./ Opened Seoul - Brisbane passenger route Aug, 1993
The 100th aircraft (B747-400) was delivered Mar, 1995
The one and only “Korean Air Building” right next Gimpo Airport Unveiled May, 1997
Korean Air attains no. 2 spot in world-wide cargo volume Jul, 1997
Korean Air begins code-share agreement with Air France Sep, 1998
Korean Air delivers the 1st B777-300 Aug, 1999
Korean Air unveils new uniforms Mar, 2000
SkyTeam global alliance is announced with AeroMexico, Air France, Delta Airlines and Korean Air Jun, 2000
Dedicated its own International air cargo terminal /Catering Center at the Incheon International Airport Mar, 2001
2002 World Cup Official Airline Jan, 2002
In-flight meal, Bibimbap surpassed 10 million units Jul, 2002
Korean Air signed MOU with Airbus and Boeing for 17 new aircraft (8 A380, 2 B747-ERF, and 7 B777) Oct, 2003
Korean Air unveils new uniforms Mar, 2005
Korean Air selects GEnx to power B787s Dec, 2005
Sign agreement with Sinotrans to establish Cargo Joint Venture in China Sep, 2006
Korean Air achieves the number one world ranking in international freight transport for the 4th consecutive year Jun, 2008
Standing Directors

- Cho, Yang Ho  Chairman & CEO
- Lee, Jong Hee  President & COO
- Lee, Tae Hee  General Counsel
- Cho, Hang Jin  Executive Vice President
- Suh, Yong Won  Executive Vice President

Non Standing Directors

- Hong, Young Chul  Director (Chairman & CEO, KISWIRE)
- Park, Oh Soo  Director (Professor, Seoul National University)
- Kim, Jae II  Director (Professor, Seoul National University)
- Lee, Sog Woo  Director (Lawyer, Doo-ye Law Firm)
- Lee, Hee Beom  Director (Chairman of STX Energy)
- Lee, Yun Woo  Director (Chairman of the Boards of Directors of Daewoo Securities)

Our sound and transparent corporate governance guidelines and practices provide stakeholders with superior levels of security.

Korean Air has established sound and transparent corporate governance rules and guidelines that allow for fair and effective decision-making. With such systems in place, stakeholders can rest assured that their interests are at the heart of all decisions made and actions taken by Korean Air’s management as we create stronger bonds of trust while building on Korean Air’s traditions and reputation as a leading global airline.
The Board of Directors (BOD) of Korean Air makes resolutions on the agenda commissioned at the general shareholders’ meeting and on various issues of significance regarding Korean Air’s operations in accordance with company regulations and the Articles of Incorporation, and monitors the performances and fulfillment of duties by company directors. The Korean Air BOD is comprised of 11 members including highly capable executives who are leaders in the aviation industry and six non-standing directors who have high-level expertise in their respective areas. In 2008, the BOD held nine meetings to resolve 51 issues.

The annual plan for BOD meetings is prepared and delivered to BOD members in advance to improve the attendance and efficiency of the BOD’s decision-making processes. Senior executives with expertise relevant to issues on the agenda are asked to attend particular meetings to provide comprehensive information related to the current matter at hand. This enables the other BOD members to gain a better and fuller understanding of the topic, thus allowing for more informed decision-making. Non-standing members are provided with offices and the right of access to a diverse range of corporate information including the status of the company’s operations and performances via the company’s intranet.

Three specialized committees operate under the direction of the BOD in accordance with the rules and regulations relevant to each committee. These include the Audit Committee, Management Committee, and Non-standing Director Nominating Committee. Among these, the Audit Committee is composed entirely of non-standing directors to ensure the committee’s independence in monitoring the company’s performances and the BOD’s activities.
With the establishment of an ethical management system and ethical guidelines for employees, we have become a highly respected corporate citizen.

Having instituted the Korean Air Ethical Charter in 2000, which are guidelines for employees regarding ethical behavior in business, we expect our employees to abide by higher standards of corporate ethics in their daily business activities. We also entered into the UN Global Compact to further upgrade the standards of our ethical management practices and to actively fulfill our corporate social responsibilities.

KOREAN AIR’S CHARTER OF ETHICS

Korean Air strives to promote the mutual prosperity of both the company and the community. We regard transparency and responsibility as vital management principles and emphasize the importance of abiding by relevant rules and regulations in our corporate practices, while respecting the demands and conditions prevailing in competitive free markets.

- We regard customer satisfaction and safety as our highest priority.
- We make every effort to maximize shareholder value for our investors.
- We fully respect each employee and make efforts to enhance their quality of life.
- We promote joint development with our business partners, based on mutual trust.
- We respect the principles of free competition and will lead in the development of the airline transportation industry.
- We actively contribute to the development of our country and society and to the preservation of the environment.
- We acknowledge the corporate principles set forth by the company and uphold our obligations and responsibilities.

STRENGTHENING THE MINDSET OF ETHICAL MANAGEMENT

We operate corporate ethics classes for new employees and require them to make pledges to follow ethical practices as employees of Korean Air. In 2008, a total of 12 online classes were conducted for 11,199 new employees on ethical management practices. In addition, an ethical management section on the company’s intranet provides effective and specific guidelines for everyday business conduct.

INTERNAL MISCONDUCT REPORTING SYSTEM

Since October 2002, Korean Air has operated an Internal Misconduct Reporting System to eradicate any possible misconduct such as unreasonable influence by individuals, financial or other irregularities, and other financial or non-financial dealings with business partners.
In full commitment to our social responsibilities, Korean Air joined the UN Global Compact in July 2007.

**EXPANDING ETHICAL MANAGEMENT NETWORK**

Korean Air strives to build a network with outside parties to benchmark success stories and share information related to corporate ethics. The company actively participates in forums, seminars, and educational programs organized by the Federation of Korean Industries and the Korean Employers Federation.

**EXPANDING FAIR TRADE COMPLIANCE PROGRAM**

Korean Air introduced a “Fair Trade Self-Compliance Program,” an internal regulatory system that encourages compliance with the spirit of fair trade acts and regulations. In line with the strong commitment announced by the executive management in 2004 to abide by fair trade practices, the program has been working to prevent unfair practices and collusion as well as to establish and disseminate fair trade practices.

**REINFORCING INTERNAL CONTROL SYSTEM**

As part of our efforts to promote transparent management, we established an advanced internal accounting control system to enhance reliability in the preparation and disclosure of accounting information. The internal control system also monitors overall business areas on an ongoing basis with the aim of identifying and addressing potential weaknesses in business processes.

**COMPLIANCE AT GLOBAL BUSINESS PREMISES**

Over the past year of 2008, none of Korean Air’s business premises at home or abroad have been subject to penalty or non-financial sanctions due to violations of local rules, regulations or laws. Neither have we been subject to penalties or sanctions involving violations of laws or regulations governing the aviation industry regarding our services.
A RESPONSIBLE ALLIANCE

SkyTeam’s Joint Commitment to Sustainable Development

Korean Air jointly adopted the “Corporate Social Responsibility Statement” along with its peer SkyTeam member airlines in June 2008. As a global leading aviation alliance, SkyTeam expressed its commitment to sustainable development of the global aviation industry. With this statement, Korean Air expressly announces its commitment to its social and environmental responsibilities as well as economic performances.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITIES

The SkyTeam Alliance consists of a group of airlines, each with its own identity and brand, working together to meet the growing demand for worldwide mobility. Our activities support economic development and connect people and cultures in the communities we serve. As much as we believe in the value of the service we provide, we recognize the potential environmental and social consequences of our activities. With that awareness, each partner airline seeks to ensure that profitable growth goes hand in hand with environmental quality and social progress. The SkyTeam Alliance strives to set the industry standard for protecting the environment, promoting social responsibility and realizing equitable, economic prosperity.

In this vein, SkyTeam adopts the following commitments.

SkyTeam is committed to realizing sustainable economic prosperity.
- We are accountable for our financial results and guarantee transparency in the information we provide.
- We partner with local, national and international organizations to help build and strengthen the communities we serve through employment and economic growth.
- We act with integrity and strive to earn the trust of all of our stakeholders.
- We embrace safety, security and quality as the foundation for a superior level of performance in our operations.

SkyTeam is committed to promoting social responsibility.
- We offer safe, motivating working conditions in accordance with applicable employment and labor law.
- We strive to promote diversity and to ensure equal opportunities among all staff.
- We foster employee opportunities for advancement and mobility through career enhancement initiatives.
- We undertake to abide by all labor laws anywhere we operate, and request that our suppliers and subcontractors comply with these principles.

SkyTeam is committed to the protection of the natural environment.
- We endeavor to implement the best available technologies in fleet renewal and the most efficient procedures and operations to reduce noise and air emissions including greenhouse gases.
- We analyze our facilities and processes to identify opportunities for improving our environmental performance.
- We implement measures to reduce the environmental impact of our activities and ask our suppliers and contractors to do the same.
- We ensure all facilities and operations comply with environmental protection regulations.
- We communicate with our employees to ensure awareness of environmental goals and objectives and support employee-driven initiatives to protect the environment.
Korean Air classifies its stakeholders into customers, employees, business partners and communities and operates diverse channels of communication to collect and reflect stakeholder opinions in its business operations. Through these efforts, we are creating sustainable values for our stakeholders.

**COMMUNICATION WITH STAKEHOLDERS**

**CUSTOMERS**
- Passengers Transported: 23.12 million passengers
- Cargoes Transported: 2.16 million ton

**EMPLOYEES**
- 15,158

**BUSINESS PARTNERS**
- 26,594

**GOVERNMENT & COMMUNITY**
- 13 Cities in Korea and 103 Cities in 38 Nations around the World.

*Excluding overseas employees 1,610

**STAKEHOLDERS COMMUNICATION**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Communication Channel</th>
<th>Sustainable Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMERS</td>
<td>Voice of Customer, Family Service, Internet Home Page, Real-Time Chatting Consultation Service, 1588-2001 Phone Service and Sustainability Report</td>
<td>Connection of global networks through air transportation services contributes to balanced development of regions via exchanges of cultural and human resources and import and export activities on production and logistics.</td>
</tr>
<tr>
<td>EMPLOYEES</td>
<td>Labor-Management Conference, System to Resolve Employers’ Issues, Mentoring System, Intranet and Various Company Publications.</td>
<td>We create various direct and indirect job opportunities and offer employees better lives through compensations and opportunities to develop themselves through steady education.</td>
</tr>
<tr>
<td>BUSINESS PARTNERS</td>
<td>Handling Customer Complaints and Giving Feedback, Education and Meetings and ERP.</td>
<td>We laid the foundation for mutually beneficial growth with technical, financial and quality supports under the principle of win-win management for suppliers.</td>
</tr>
<tr>
<td>GOVERNMENT &amp; COMMUNITY</td>
<td>Social Contribution Activities, Cooperation with Civil Groups, Corporate Member Activities, Policies to Deal with Demand from Communities</td>
<td>Korean Air, as a corporate member, pursues win-win development with communities and public organizations by carrying out social contribution activities in various sectors such as education, culture, arts and sports while taking part in activities of the government and civil groups.</td>
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2009 BUSINESS OUTLOOK

Global economic growth is forecast to plunge to around 1% due to the economic recessions in developed countries such as the U.S. and Europe, and the slowdown in growth of emerging markets including China. On the domestic front, negative growth is predicted for the first half of the year. However, in the second half of the year, an expected recovery in consumer sentiment buoyed by expanded government expenditures to relieve pressure caused by financial stress will lead to growth of less than 1% for 2008. Recently, oil prices stabilized at around US$40 per barrel (WTI) and industry insiders forecast that the price will hover around US$50/barrel (WTI) even if the supply of crude oil declines.

As for foreign exchange rates, which have been extremely volatile since the fourth quarter of 2008 due to problems with liquidity for domestic foreign currencies and an imbalance in supply and demand, it is estimated that the Korean won will remain around the KRW1,300 to KRW1,400 level. This level is expected to drop gradually in the second half of the year due to the Korean government’s measures to prop up the economy and its credit market stabilization packages, coupled with an improving balance for international payments.

While demand for air traffic is anticipated to gradually recover in the second half of the year, airlines will remain vulnerable due to the level and depth of domestic and global economic difficulties and the attempts at recovery.

2009 MANAGEMENT STRATEGIES

Effective response to fluctuating management index - In order to hedge against the risk of potential financial losses from depreciation of the Korean Won, we are expanding sales overseas to increase the inflow of foreign currency and through derivative products. In 2004, the Fuel Management Team was launched to implement fuel conservation initiatives in flight operations and maintenance and, to date, has realized considerable achievements. We are also replacing our fleet with higher efficiency next-generation aircraft such as the B777, B787, A330 and A380, and operate a fuel hedging program that ensures a stable supply of jet fuel.

“10-10-10 Strategy” for management innovation - We have instituted a “10-10-10 Strategy” to promote innovation in management, in order to strengthen our fundamentals and profitability. The program seeks to revamp management processes in general and to change the mindset of employees, from top management to rank and file workers, in terms of innovation. The ultimate goal of this initiative is to achieve 10% revenue growth, a 10% reduction in costs and a 10% improvement in productivity.

Securing new growth engines through proactive investments - In a bid to secure a long-term growth platform, we set an investment target for 2008 of KRW570 billion, up 50% from the previous year. We also
adopted five new aircraft including three B777-300ERs, completed the construction of the Tianjin Cargo Terminal in China and merged the processes for the manufacturing of components for next-generation aircraft such as the B787 and A350. In addition, as a participant in the Navoy Airport Development Project in Uzbekistan, which will allow KAL to gain a foothold in the Commonwealth of Independent States (CIS) market, we will spur greater blue ocean development in over-land logistics and resource development projects.

Profit-oriented route management - With the reinforcement of the company’s demand analysis system, we will gain greater flexibility in adjusting routes and improve profitability through the marketing of differentiated VIP services. In step with the enactment of the U.S. Visa Waiver Program and the Open Skies Agreement with Canada, we will continue to expand the number of routes to the U.S. and other regions such as Europe and the CIS region, which show strong potential for growth.

Enhancing management efficiency through ERP system - Korean Air’s early adoption of the ERP system expedited improvements in decision-making by management, streamlining of operational processes and systems, and enhancement of transparency in data transmission, thus facilitating change and innovation throughout the company.

Competing with low-cost carriers - An international trend towards deregulation and a proliferation of “Open Skies” agreements has resulted in a significant increase in the number of domestic and foreign low-cost carriers. However, surging oil prices and the global economic recession has undermined demand for air travel, causing a deterioration of profitability for these companies. Consequently, the aviation industry is undergoing a process of painful restructuring at the moment. Amid such conditions, Korean Air launched Jin Air, a premium short-haul carrier backed by high-level maintenance standards and a cost-efficient fleet that includes B737s, in July 2008. With the aim of providing premium services at reasonable prices, Jin Air is striving to overcome conditions caused by the current crisis in the global economy so as to take the lead in the market.

**Crisis Management Strategies**

To minimize the impact of potential crises on Korean Air, we have established a comprehensive crisis management system for preventing and responding to crises. Potential crises are classified under such categories as accidents, natural disasters, risks to the environment, fluctuations in oil prices and foreign currency exchange rates, and crisis management guidelines are applied according to the type of crisis, with response strategies and manuals for each sector and emergency organization. With rapid change occurring in social and business environments, it is imperative that airlines remain vigilant and capable of responding efficiently and effectively. For this reason, Korean Air strives to maintain an optimized crisis management system through consistent and continual improvements.

**BUSINESS ENVIRONMENT & RISK CONTROL**

**Financial Risk Prevention**

<table>
<thead>
<tr>
<th>Currency Options</th>
<th>Entered into a zero-cost dollar option contract with Korea Development Bank to reduce foreign exchange risk arising from borrowing in foreign currencies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency Swaps</td>
<td>Entered into a currency swap contract with HSBC to reduce risks to cash flow arising from fluctuations in interest rates and foreign exchange rates on KAL’s US$90 million in bonds denominated in foreign currency. The contract renders a floating rate of exchange on the US$-denominated interest payments and pays a fixed rate of interest on the KRW-denominated principal.</td>
</tr>
<tr>
<td>Oil Price Option</td>
<td>Entered into a zero-cost dollar option contract with Morgan Stanley and others for the purchase of West Texas Intermediate (WTI) crude oil in order to hedge against fluctuations in the price of oil in the procurement of jet fuel.</td>
</tr>
<tr>
<td>Oil Price Swaps</td>
<td>Entered into a swap contract on WTI with JP Morgan and others to reduce risks to cash flow in purchasing jet fuel.</td>
</tr>
</tbody>
</table>

Korean Air has adopted both natural hedges through an improved currency structure and an active hedging system through such derivative contracts as currency options, currency swaps, oil price options, and oil price swaps, in order to hedge against financial risks arising from volatile oil prices and foreign exchange rates.

*CIS: the Commonwealth of Independent States is an alliance of states that were formerly Soviet Socialist Republics in the Soviet Union prior to its dissolution in December 1991.*
BUSINESS PROFILE

VISION
To Be a Respected Leader in the World Airline Community

MISSION EXCELLENCE IN FLIGHT
OPERATIONAL EXCELLENCE
INNOVATIVE EXCELLENCE
SERVICE EXCELLENCE

AIR TRANSPORTATION BUSINESS
As of the end of 2008, Korean Air had 124 aircraft in its fleet and offered scheduled routes to 13 domestic destinations and 103 international destinations in 38 countries. In 2008, we transported 21.80 million passengers and 2.16 million tons of freight, and although the global economic recession in 2008 resulted in a 10% decrease in outbound passengers from the previous year, through active development of new market demand and more efficient scheduling of operations, we were able to realize KRW5,953.3 billion in operating revenues, a 14% increase over the previous year.

- Passenger Business - In response to depreciation of the Korean Won, we rescheduled routes to expand the number of overseas routes while reducing the number of less profitable long-haul routes, and as a result, revenues from overseas routes grew by 38% year-on-year. We take pride in the fact that, among Asian airliners, we have the largest network in Europe and because of the potential for greater profitability we are pursuing expansion in Latin American and Central Asian markets. At the same time, we continually strive to increase customer satisfaction through differentiated services and greater convenience such as check-in services via the internet.

- Cargo Business - We have focused on improving profitability by optimizing our route operations and continuing to expand our highly-profitable freight transport operations. Through the continued enlargement of our network, the purchase of new cargo carriers and improvements in services, we were able to maintain our top ranking in the Scheduled International Freight Ton-Kilometers for the fourth consecutive year (9,498 million t/Km). In 2008, we began operations at Navoy, Uzbekistan, as a first step towards future leadership of the air cargo industry in Central Asia.

AEROSPACE BUSINESS
Korean Air maintains its leadership in the aerospace industry with the manufacture of components for major global airliners, the maintenance of aircraft for the Korean air force and the U.S. air force in Korea, the design and development of satellites and launch vehicles, and the conversion of aircraft into freighters. Capitalizing on our accumulated technologies and expertise, we will grow to become a leading global aerospace company through continued R&D activities centered on high value-added business sectors.

- Component Manufacturing - We manufacture and supply fuselage structures and winglets to major global air carriers and are expanding our business scope through the development of components and systems. We have supplied component parts to Boeing for 20 years for such aircraft as the B717, B737, B747, B767 and B777. We have recently participated in the design of the new high-tech B787 and supply components for this aircraft. In addition, we supply fuselages to Airbus, and recently initiated the production of elevators made from composite materials for the A320. Moreover, we have contracted with Airbus to develop a specialized cargo door for the latest A350 aircraft.
**AEROSPACE BUSINESS**

- **Military Aircraft Maintenance and Conversion** - Serving as the only maintenance center for the U.S. Air Force stationed in the Asia-Pacific region as well as for the Korean military, Korean Air manages the maintenance for 10 projects involving fighter aircraft and helicopters for the U.S. Navy and Air Force. In 2008, we repaired a defect in the wings of the A-10 and successfully completed the conversion of a B747 into a freighter, which required the services of a large workforce and systematic management capabilities, further demonstrating Korean Air’s capabilities and reliability.

- **Aerospace and Aircraft R&D** - We have completed the system assembly and engine development of Korea's first launch vehicle, the KSLV-1. We are also currently developing the main body and solar panels of the Arirang Satellites 3 and 5, and have successfully completed the development of an antenna for the Communications Oceanography Meteorological Satellite. In addition, we are involved in the design of the Korean Helicopter Program (KHP). More recently, we were selected as the preferred bidder for the medium altitude unmanned probe development project, establishing Korean Air as a leading systems integration developer for Korea’s defense industry.

**CATERING BUSINESS**

- **Catering Service** - We operate a catering center equipped with state-of-the-art facilities, which supplies Korean Air’s in-flight meal service with 44,359 meals per day, along with in-flight meals for over 30 foreign airlines such as Singapore Airlines, Air France, United Airlines and Cathay Pacific. Having acquired HACCP certification from the Korea Food & Drug Administration (KFDA) for its high safety standards and the excellence of its meals and services, Korean Air’s catering business accounts for approximately 70% of the domestic in-flight catering market. With the introduction of high-end tableware and an assortment of new menus, we have won the “PAX Readership Awards” sponsored by ITCA, for four consecutive years, from 2005 to 2008.

- **In-flight Sales Business** - Our new pre-order service has significantly enhanced the efficiency of our in-flight sales. We will continue to aim for greater customer satisfaction through the introduction of a variety of new products and strict quality control in a reflection of customer demand.

**CATERING & IN-FLIGHT SALES BUSINESS**

- **Hotel Business** - We manage KAL Hotels in Jeju City and Seogwipo, South Korea, providing innovative and high quality services as a luxury hotel chain. We also operate the Wilshire Grand Hotel in Los Angeles, the Waikiki Resort Hotel in Hawaii, and the Hyatt Regency Hotel in Incheon through affiliates.

- **Limousine Business** - Korean Air’s Limousine Bus Service provides the most convenient means of ground transportation connecting airports with downtown locations.
SUSTAINABLE MANAGEMENT

Achieving sustainable management through balanced economic, social and environmental performances

Korean Air is committed to sustainable management, which seeks to achieve the balanced development of the economy, environment and society. As we seek to enhance value for all of Korean Air’s stakeholders including employees, customers, shareholders, business partners and local communities, we are building a platform for sustainable growth.

SUSTAINABLE RESPONSIBILITY

- **Economic Responsibilities**
  In connecting our global network of passenger transport routes and services with our air cargo transport services, we contribute to the balanced economic development of regions through the creation of new job opportunities. Korean Air’s logistics and manufacturing businesses and the company’s impact on the financial and service sectors are important forces behind the balanced economic development of Korea and local communities.

- **Environmental Responsibilities**
  Korean Air’s responsibilities include responsibilities for the environment due to the inevitable generation of noise during takeoffs and landings of aircraft, as well as the effect of the company’s consumption of fossil fuels on the depletion of resources and global warming. While meeting increasing demand for air travel, Korean Air strives to minimize the environmental impact of its aircraft and operations, and to achieve sustainable development of the environment.

- **Social Responsibilities**
  Korean Air aims to enhance the quality of life of its customers by providing safe, efficient and convenient air travel services and of its employees through education and other support. As for our other stakeholders, we are working in cooperation with our business partners and contractors to implement Korean Air’s co-prosperity management principles. With these principles, we seek to fulfill the company’s social responsibilities by providing more efficient ways of bringing such essential resources to society as medical and educational services. We also make contributions to the community through various activities aimed at sharing with those in need.
We conducted materiality tests to identify and reflect the interests of our stakeholders in Korean Air’s sustainability issues. In a reflection of media coverage, the aviation industry’s major issues, analyses of global trends and the results of employee surveys, we have identified the following key issues that are important in terms of sustainability, and these are reported in detail in respective sections.

CLIMATE CHANGE (PAGE 40-49)
Although the aviation industry generates less greenhouse gases (GHG) than other industries, Korean Air is well aware of the importance of addressing climate change and strives to minimize its environmental impact with the adoption of fuel-efficient aircraft and improvements in flight operations.

CUSTOMER SATISFACTION (PAGE 58-59, 62-63)
Korean Air’s overarching responsibility to its customers is safety. In pursuit of the company’s goal of being the safest airline in the world, we have remained accident-free for nine consecutive years. At the same time, we have worked hard to improve customer satisfaction using effective and efficient security systems, a policy for the protection of human rights, and open and active channels of communication. We have also sought to provide differentiated services, time-saving convenience through our global network and on-time flight operations backed by an advanced IT system.

HUMAN RESOURCE DEVELOPMENT (PAGE 68-69)
Korean Air’s HRM policy states that “people constitute the company’s competitiveness.” In light of this, we pursue the mutual development of the company and its employees through a variety of human resource development (HRD) programs. Korean Air’s systematic HRD programs are based on such principles as equal opportunities for all employees, fairness in evaluations, reasonable compensation, labor-management cooperation, safe workplaces and freedom from sexual discrimination. Through such policies and practices, we aim to enhance the quality of life of our employees while providing support to help employees realize their full potential.

SOCIAL CONTRIBUTIONS (PAGE 74-79)
Korean Air maintains open channels of communication with local communities situated near airports and with public authorities in the pursuit of harmonious development and mutual prosperity. In addition to our contributions to the international transport of supplies and aid across the world, we have also implemented a diverse range of educational, cultural, arts and sports programs. At the same time, we are building a platform for sustainable development via the sharing of our economic success with business partners through technological and financial supports and incentives for quality management.
WE ARE TAKING OFF TO BE ONE OF THE TOP 10 GLOBAL CARRIERS

Korean Air’s innate responsibility as a corporate citizen includes creating and returning economic value to shareholders and investors through the consistent enhancement of the company’s competitiveness and making contributions to local and national economic development through stable and sustainable business practices based on integrity. Over the past 40 years, Korean Air has traveled 5,871,525,000km to and from 116 cities in 39 countries around the world. Today, Korean Air has become a global carrier operating 124 aircraft, employing 15,158 people, and generating KRW10.300 billion in annual operating revenues. Having set a goal of becoming one of the top 10 global carriers by 2019, Korean Air strives to provide higher quality services using state-of-the-art aircraft, while continuing to develop new global markets for its products and services.
In 2008, Korean Air achieved a historic performance in terms of operating revenues. Annual sales for 2008 achieved growth of 15.9% year-on-year to reach KRW10,212.6 billion, the highest level for sales since the founding of the company. However, high oil prices caused fuel costs to jump by 61% from the previous year, resulting in a KRW99.3 billion loss in operating income. Despite the adverse environment for business across the world, we began passenger services to Munich, Tel Aviv and Milan and gained a foothold in the market for logistics in Central Asia with our participation in the “Navoy Airport Project” for the Uzbekistani government.

In overcoming the economic downturn, Korean Air has stepped up its investments to secure long-term growth engines. Major investments include the purchase of five new aircraft including three B777-300ERs, the construction of the Tianjin Cargo Terminal in China, and the manufacture of components for next-generation aircraft such as the B787 and A350.

In celebrating our 40th anniversary in 2009, we have set the year as the commencement of our vision of making Korean Air a “leading global carrier.” To this end, we are expanding facility investments to secure growth engines and seeking to penetrate overseas markets to establish long-term growth platforms. At the same time, we have set new priorities in terms of safety and customer-oriented services and will continue the project began in 2005 to upgrade and improve the in-flight experience while solidifying the company’s brand image as a high-end global carrier.
DISTRIBUTION OF ECONOMIC VALUE

The creation of stakeholder value is at the center of our pursuit of sustainable development. We have taken a number of steps to ensure that the economic value created by Korean Air is distributed fairly to our stakeholders including shareholders, investors, customers, employees, business partners, public authorities and local communities.

ECONOMIC PROFIT SHARING WITH STAKEHOLDERS (unit: KRW in billions)

Customers/Operating Revenue 636.8
[Air Transportation, Aerospace, Hotel/In-flight Business]

Labor Expenses 1,132.5
(12.6% ↑)

Employee Benefits 186.7
(19.3% ↓)

Dividend D

Corporate Income Tax (508.4)

Tax and Dues 33.9
(3.1% ↑)

Landing Fees 342.4
(16.6% ↑)

Facility Charges 296.4
(30.4% ↑)

Interest Expenses 418.5
(14.4% ↑)

Aircraft Expenses 472.7
(13.6% ↑)

Fuel Expenses 1,010.0
(57.4% ↑)

General Expenses (Cargo Terminal Construction, IT etc.) 184.4
(99.46% ↓)

Rentals Expenses 335.0
(12.1% ↓)

Donations 16.8
(53.4% ↑)

*↑) is change ratio compared to the previous year
ECONOMIC FORECAST

We will enhance our global competitiveness by increasing profitability and expanding in new and existing markets.

2009 ECONOMIC OBJECTIVES

As did many others in the current global recession, we suffered losses due to record-high oil prices and depreciation of the Korean Won. In marking Korean Air’s 40th anniversary in 2009, we expect that the investments we have made over the past five years to sharpen our competitive edge will begin to show positive signs of growing success. In 2009, we aim to decrease our dependence on Korean markets to 40% and focus more on overseas markets by increasing the share of foreign passengers carried to 60% while increasing the seat assignments of our overseas branches. Although overseas markets are suffering from difficult economic conditions as is Korea, depreciation of the Korean Won offers a higher potential for profitability. With the promise seen in overseas markets, we expanded our routes to include Milan in 2008 and other routes demonstrating a high potential for growth are being planned in 2009. We are also reviewing our Incheon-Shizuoka passenger route in the run up to the opening of the Shizuoka Airport and are considering a route to Clark, in the Philippines.

Traditionally short on seats, seat assignments have been increased on the routes to Vancouver and Toronto, in the run up to an “Open Skies” agreement with Canada, and large aircraft will be assigned to routes going to Hawaii, Chicago and Los Angeles, favorite destinations of Korean customers.

We will also be introducing highly fuel-efficient, eco-friendly next-generation aircraft from 2009 to 2015. Starting with the three B777-300ERs in 2009, a total of 48 next-generation aircraft including the B777-300ER, A380 and B787 will join our fleet by 2015, completing our competitive edge as a high-end global carrier.

In December 2008, we entered into a contract for the Navoy Airport with the Uzbekistani government. As part of this agreement, we will be constructing airport infrastructure at Navoy for five years starting in 2009 until 2013. The Navoy, slated for completion in 2018, is to be a logistics hub for Central Asia with the attracting of global logistics companies to the locale. Coupled with the Navoy Airport Project, our Tianjin Cargo Terminal, slated for completion in 2010, will increase our share of the market by up to 10%, further enhancing Korean Air’s presence in global air cargo transport markets. On the domestic front, we compete with low-cost carriers and the KTX (Korea Train Express), a high-speed train. We will respond to the challenges posed by such competitors by improving our price competitiveness through Jin Air, our premium short-haul carrier subsidiary, while maintaining a sales ratio of 5%.

In 2009, we will focus on our most profitable sectors to return Korean Air to profitability. To this end, we will expand our overseas sales and upgrade and differentiate our services to improve market competitiveness. Although oil prices have decreased and appear to have stabilized since the second half of 2008, foreign exchange rates have remained higher than expected. In response, we will strengthen our sales targets for individual currencies and expand our exchange risk hedge programs.
2009 VS 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2019 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>KRW10,300.0 billion</td>
<td>KRW25 trillion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>KRW600.0 billion</td>
<td>KRW2,500.0 billion</td>
</tr>
<tr>
<td>Fleets Owned</td>
<td>124</td>
<td>180</td>
</tr>
<tr>
<td>Network (city)</td>
<td>116</td>
<td>140</td>
</tr>
<tr>
<td>International Passengers</td>
<td>17th in the World</td>
<td>Entering the Top 10</td>
</tr>
<tr>
<td>Transported</td>
<td>1st in the World</td>
<td>1st in the World</td>
</tr>
<tr>
<td>International Cargo Transported</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fleet
Total Fleet - 124 (Passenger 100, Cargo 24)
As of the end of 2008

<table>
<thead>
<tr>
<th>Fleet</th>
<th>Total</th>
<th>Passenger</th>
<th>Cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOEING 747</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOEING 777</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOEING 737</td>
<td>29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIRBUS 330</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIRBUS 300</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REVENUE COMPOSITION BY BUSINESS (UNIT: %)

- International Passenger: 52.4
- Domestic Passenger: 5.9
- Cargo: 29.6
- Aerospace: 7.6
- Catering: 0.6
- Hotel/Limousine: 0.4
- Others: 7.5

2009 KOREAN AIR SUSTAINABILITY REPORT
Korean Air generates profits from the transporting of passengers and cargoes in connecting cities around the world, and thereby contributes to economic development through the international exchange of resources and culture. In 2008, we transported 23,120,000 passengers and 2,162,119 tons of freight to and from destinations around the world, contributing to economic activities around the globe. In 2008, Korean Air generated KRW10,212.6 billion in operating revenues from available seat kilometers (ASK) of 77,139,924,000km and revenue ton kilometers (RTK) of 14,087,821,000t km.

### Regions

#### North America

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK (1,000 Km)</td>
<td>27,299,579</td>
<td>27,251,095</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>6,731,455</td>
<td>6,381,320</td>
</tr>
<tr>
<td>Flights (Passenger + Cargo)</td>
<td>13,397</td>
<td>13,745</td>
</tr>
</tbody>
</table>

#### Middle East

<table>
<thead>
<tr>
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<th>2007</th>
<th>2008</th>
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<td>ASK (1,000 Km)</td>
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<td>13,745</td>
</tr>
</tbody>
</table>

### Network (Cities)

#### Operating Revenue Market Share

<table>
<thead>
<tr>
<th>Regions</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>16</td>
<td>33.5%</td>
</tr>
</tbody>
</table>

### North America

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>2,607.2</td>
<td>3,016.9</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>232</td>
<td>242</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>834,387.00</td>
<td>771,185.10</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>27,299,579</td>
<td>27,251,095</td>
</tr>
<tr>
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<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>115.4</td>
<td>148.0</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>42,957.70</td>
<td>21,089.70</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>956,880</td>
<td>1,421,385</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>288,184</td>
<td>217,030</td>
</tr>
</tbody>
</table>
### Europe

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>1,473.1</td>
<td>1,750.0</td>
<td>19.0%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>107</td>
<td>114</td>
<td>6.5%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>12,667,204</td>
<td>13,580,259</td>
<td>7.2%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>3,571,213</td>
<td>3,325,515</td>
<td>-7.0%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>3,526,918</td>
<td>3,325,515</td>
<td>-6.0%</td>
</tr>
</tbody>
</table>

### China

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>738.8</td>
<td>878.4</td>
<td>18.9%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>288</td>
<td>277</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>328,007.80</td>
<td>345,489.50</td>
<td>5.5%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>5,526,918</td>
<td>5,466,920</td>
<td>-1.1%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>750,112</td>
<td>789,655</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

### Korea

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>611.4</td>
<td>627.9</td>
<td>2.6%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>975</td>
<td>982</td>
<td>0.7%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>193,560.90</td>
<td>186,221.00</td>
<td>-3.9%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>4,973,140</td>
<td>4,872,561</td>
<td>-2.0%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>319,753</td>
<td>302,654</td>
<td>-5.1%</td>
</tr>
</tbody>
</table>

### Japan

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>777.8</td>
<td>947.1</td>
<td>22.7%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>362</td>
<td>363</td>
<td>0.3%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>1,56,099.30</td>
<td>1,41,017.90</td>
<td>-9.8%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>4,999,925</td>
<td>4,872,561</td>
<td>-2.5%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>451,355</td>
<td>432,304</td>
<td>-4.2%</td>
</tr>
</tbody>
</table>

### Southeast Asia

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>1,032.0</td>
<td>1,180.1</td>
<td>14.4%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>234</td>
<td>246</td>
<td>8.1%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>329,486.60</td>
<td>329,165.46</td>
<td>-1.0%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>12,484,324</td>
<td>12,556,464</td>
<td>0.5%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>2,010,087</td>
<td>2,029,960</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

### Oceania

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (KRW in billions)</td>
<td>394.4</td>
<td>449.9</td>
<td>13.9%</td>
</tr>
<tr>
<td>Passenger (10,000 persons)</td>
<td>76</td>
<td>77</td>
<td>1.3%</td>
</tr>
<tr>
<td>Cargo (ton)</td>
<td>24,478.90</td>
<td>19,296.00</td>
<td>-25.8%</td>
</tr>
<tr>
<td>ASK (1,000 Km)</td>
<td>7,274,550</td>
<td>7,097,902</td>
<td>-2.4%</td>
</tr>
<tr>
<td>RTK (1,000 ton Km)</td>
<td>662,513</td>
<td>609,383</td>
<td>-9.0%</td>
</tr>
</tbody>
</table>
Improvements in aviation technology have brought about changes in our daily lives due to the capability of traveling the world within a day. Thanks to such development, travel across the world within a 24-hour period has enabled us to conduct business anywhere in the world in a way that was impossible up until recently. On the other hand, the development of aviation technologies has had an adverse impact on the environment. Most conspicuously, the aviation industry produces carbon emissions, a leading cause of global warming, and contributes to the depletion of natural resources.

In providing convenient air transport services, Korean Air has made consistent efforts to preserve the environment and minimize the company’s impact on the environment through environmental management policies and mid- to long-term environmental objectives. In the future, we will continue to pursue prosperity for the benefit of humankind through balanced development of the aviation industry and the environment.
We continually strive to minimize our environmental impact.

We clearly recognize the impact our flight operations and ground support activities have on the environment. Most noticeable are the CO₂ emissions from the consumption of fossil fuels and the noise generated by aircraft during take-offs and landings. Our ground support activities in support of flight operations also inevitably generate waste, wastewater and toxic chemicals. Therefore, we are actively involved in the global aviation industry’s initiatives to minimize the environmental impact of our operations and establish a company-wide environmental management system. Our environmental management initiatives include the introduction of new highly-efficient, eco-friendly and low-noise aircraft and improvements in fuel efficiency and waste control.
ENVIRONMENTAL IMPACT

- Flight Operations
The fossil fuels that are used for flight operations emit CO₂ during combustion, which is the main culprit in climate change, and deplete limited resources. Take-offs and landings lower than 900m altitude generate toxic pollutant gases such as NOₓ, CO and HC, affecting local air quality. The noise generated during take-offs and landings also has an environmental impact on local communities situated near and around airports. To address this issue, Korean Air continues to make efforts to reduce its environmental impact through investments in highly-efficient low-noise aircraft and operational efficiency.

- Cabin Services
The higher the quality and more diversified that in-flight services become, the more waste that is inevitably generated. In particular, the disposable goods that are used to increase convenience for passengers and for improving hygiene create environmental pollution. Therefore, we encourage the use of eco-friendly materials in our services and recycling to reduce waste.

- Ground Operations
Aircraft maintenance is integral to safety in flight operations. However, maintenance procedures consume electricity and fuel and other resources, and use chemical substances. The cleaning of the fuselage and other components of an aircraft also generates wastewater and specific wastes such as used engine oil and waste organic solvents.
Other ground operations at facilities and equipment used for aircraft maintenance also combust fossil fuels, influencing local air quality as well as global warming. In addition, all of our sites, whether for passenger transport services, cargo transport services or in-flight meal services, generate waste and wastewater.

### CO₂ EMISSIONS
(Unit: tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,594,495</td>
<td>12,529,192</td>
<td>12,188,942</td>
<td></td>
</tr>
</tbody>
</table>

### ENERGY CONSUMPTION
(Unit: TOE)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,189</td>
<td>47,440</td>
<td>43,022</td>
<td></td>
</tr>
</tbody>
</table>

### WASTES RECYCLING
(Unit: tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,992</td>
<td>10,821</td>
<td>9,110</td>
<td></td>
</tr>
</tbody>
</table>
**CLIMATE CHANGE**

We are striving to lower our emissions of CO₂ in compliance with aviation industry regulations aimed at reducing the impact of global warming.

The major impact of flight operations on the environment is in the area of CO₂ emissions, considered the leading cause of global warming. Emissions of CO₂ from flight operations account for approximately 2% of total CO₂ emissions caused by human activities. According to scientific research, it is estimated that this figure will increase to up to 3% by 2050 (source: IPCC). In combating this issue, the aviation industry is making concerted efforts to develop new technologies and alternative sources of fuel to halt this increase and reduce emissions in the long run. While working towards such ‘greener’ goals, the airline industry is working fervently to enhance efficiency in flight operations through such initiatives as improvements in air traffic control systems, an increase in direct flight routes, and upgrades of airport infrastructure.

**BASIC POLICY TO RESPOND TO CLIMATE CHANGE**

Investment in highly-efficient aircraft, new engine technologies, the development of bio-fuels and improvements in the management of air traffic control is important in the efforts to reduce CO₂ emissions from the combustion of fossil fuel. Also required are structural improvements such as making routes more direct with less stops in between, adjustments in the sovereign airspace of individual countries, upgrades to airport infrastructure and systems and improvements in operating procedures. Over the past decade, the aviation industry has improved fuel efficiency by 20% through investment in new technologies and improvements to infrastructure. Recently, the IATA set a goal of improving fuel efficiency by an additional 25% by 2020 and airliners and aircraft manufacturers are making concerted efforts to reach this goal.

**IATA 4-PILLAR STRATEGIES**

While global air transportation has grown by more than 5% every year, the growth rate of GHGs has remained at between 2 to 3% per year over the same period. However, the total volume of GHG emissions is still on the rise due to growing demand for global air transportation. Therefore, the IATA has set a CO₂ ZERO Vision and 4-Pillar strategies as a way to reduce CO₂ emissions while sustaining industrial growth.
KOREAN AIR’S INITIATIVES TO REDUCE CO₂ EMISSIONS

Demand for air transport in Korea has risen significantly. Consequently, GHG emissions also continue to rise every year. At the same time, the growth rate of CO₂ emissions has been relatively slow in comparison to the pace of demand for air transport. During the period from 2000 to 2008, Korean Air’s revenue ton kilometer (RTK) increased by 65%, while the growth of CO₂ emissions peaked at 50% over the same period, translating into 15% growth in transport over and above the environmental impact of CO₂ emissions. In particular, Korean Air’s consistent efforts to enhance the fuel efficiency of its aircraft and to improve the load factor stabilized the unit load growth rate (kg-CO₂/100RTK) at around -9% compared to the level of 2000.

RESULTS OF OPERATIONS GROWTH vs CO₂ EMISSIONS INCREASE

Due to the slumping world economy, demand for air transportation declined, posting a drop in airplane operations in 2008 from a year before.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ Emissions</td>
<td>ton</td>
<td>11,594,435</td>
<td>12,509,192</td>
<td>12,168,942</td>
</tr>
<tr>
<td>100 Revenue to kilometers</td>
<td>100RTK</td>
<td>136,627,800</td>
<td>147,826,720</td>
<td>140,878,210</td>
</tr>
<tr>
<td>Ratio</td>
<td>Kg-CO₂/100RTK</td>
<td>84.86</td>
<td>84.62</td>
<td>86.38</td>
</tr>
</tbody>
</table>
The most effective way to decrease the growth rate of CO2 emissions is to make investments in the development of new aircraft technologies. Having set a plan for long-term fleet modernization, Korean Air is gradually replacing aircraft in its fleet such as the B747 and A300 with highly-efficient eco-friendly aircraft such as the A380, B787 and B777. The company also plans to add 45 new passenger aircraft including ten A380s and ten B787s, along with 12 freighters including five B747-8Fs and five B777Fs by 2015.

- **A380**
  The Airbus A380 is an eco-friendly jumbo jet with a 40% higher maximum take-off weight than the B747. Its consumption of fuel is less than 3.0 liters per 100 passenger km and it emits only 75g of CO2 per passenger km. Starting in 2010, Korean Air plans to adopt the A380 for its high-demand long-haul routes connecting hub airports.

- **B787**
  Developed by Boeing, the B787 is the first private aircraft to employ a light carbon complex over the entire fuselage, with 30% higher fuel-efficiency per seat than the B767 thanks to state-of-the-art engine technology. Korean Air plans to adopt B787s starting from 2011 for its new long-haul routes and mid-range commercial routes.
**Eco-friendly Engine**

The B787s come equipped with an eco-friendly GEnx-1B engine designed by General Electric. It consumes 15% less fuel than the conventional engines on the B767 and produces 30% less toxic exhaust such as hydrogen carbon, CO and NOx. With its green growth initiatives including the adoption of high-tech aircraft and eco-friendly engine technologies, Korean Air is playing its part in reducing global warming.

**Alternative Fuels**

It has been characteristically difficult for the aviation industry alone to develop and commercialize eco-friendly alternative fuels. Therefore, Korean Air is looking to the joint bio-fuel test project being undertaken by engine manufacturers, airlines and the energy industry for future developments. Once bio-fuels are proven to be safe, economical and ethical to use, we will shift our source of fuel to the type of bio-fuel most suited to the aviation industry.
OPERATIONAL EFFICIENCY

Our efforts to enhance fuel efficiency have led to improvements in fuel conservation.

We are making consistent and strenuous efforts to reduce the consumption of fuel company-wide. The IATA Green Team pays visits to member airlines to evaluate their respective fuel management status and makes recommendations for improvements, accordingly. The Green Team has completed evaluations of 60 airlines, which have received recommendations for making improvements of between 2 to 15% in general. At the same time, as proof of its leadership in the industry in terms of the efficiency of its fuel management, Korean Air received recommendations for a mere 1.8% improvement in its operations in the June 2007 evaluation. Nevertheless, we still have room to improve in our operational procedures, flight planning, weight management and maintenance. In the future, we aim to improve our fuel management efficiency to the point where recommendations for improvement are no longer needed due to stellar efforts to achieve even before evaluations are conducted.
**No Alternate IFR* Flight Planning**

In general, airplanes carry enough fuel for their regular flight patterns, as well as extra in reserve for such emergencies as when an airplane is unable to land at the scheduled airport and must fly to an alternate. However, recent regulations stipulate that if the weather forecast at the original destination is favorable, then there is no need to designate an alternate, hence allowing for a reduction in the amount of reserve fuel carried by the aircraft. Initiated in 2008, No Alternate IFR Flight Planning has enabled airlines to develop optimal levels of fuel reserves for individual flights and routes, and such measures are expected to lead to significant enhancements in fuel efficiency in the future.

**Applying new flight operation procedures to reduce fuel consumption**

Over the past two years, we have made significant progress in reducing fuel consumption with the adoption of new procedures in our flight operations. In addition to concerns over fuel consumption and in consideration of the more difficult conditions facing pilots during take-offs and landings, new procedures have been implemented that minimize engine usage for taxiing and reduce the use of flaps* and thus air resistance during take-offs and landings. We have also changed procedures for the use of reverse thrusters during landing to save on fuel and reduce noise at and in the vicinity of airports.

**High-tech Weather System**

Korean Air manages a team of specialized weather forecasters and a high-tech airborne weather system to reduce fuel consumption by its aircraft. The specialized weather forecasters analyze airborne weather conditions and adjust flight schedules in accordance with the severity of conditions. In addition, we have developed and operate an integrated system for weather monitoring and analysis. This system includes a weather information system that briefs flight attendants on prevailing conditions and a weather analysis system that is linked with the flight planning system to further enhance flight safety and reduce CO2 emissions. Korean Air also supplies weather information from the system and information on prevailing conditions gleaned from its domestic flights to the Korea Meteorological Administration, 120 times per day, thus improving the quality and reliability of weather information for the aviation industry in general.

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*IFR: Instrument Flight Rule
*FLAP: A flap is a variable control surface on the trailing edge of an aircraft wing, used primarily to increase lift or drag.
Current efforts to reduce the impact of the aviation industry on climate change are mainly the focus of individual airlines working on their own. However, a lack of optimization of infrastructure at airports leads to crowded conditions, unnecessary detours of flight routes and insufficient choices of optimal alternate airports, resulting in increased fuel consumption and thus, more CO₂ emissions. Currently, a number of flight routes follow zigzag patterns alongside national boundaries due to differences in air traffic control and sovereignty over military airspace. According to an IPCC report, GHG emissions could be reduced by about 12% with improvements in such procedures, systems and infrastructure.

- Shortening Routes

Korean Air has made ceaseless efforts to develop more efficient routes to reduce fuel consumption. In 2008, we improved the efficiency of nine routes between Korea-U.S., Korea-Europe, and Korea-Japan, as well as of our China routes. It is estimated that the fuel savings from the shorter flight distances and reduced flying times will be 5,000 tons per year.

Korean Air has flown new shorter routes to Europe since July 2008, thus reducing CO₂ emissions (BSS, CDG, FCO, MAD, MUC, MXP, PRG, VIE, ZRH/Departure/arrival).
Selecting Optimal Alternate Airports
We select optimal alternate airports at the flight planning stage, choosing the appropriate fuel load for an emergency landing at an alternate airport, in consideration of weather conditions and restrictions on operations at individual airports. In 2008, Korean Air worked with the Cheongju Airport to upgrade its facilities, so it could acquire certification as an alternate airport for jumbo jets such as the B747-400. We also developed alternate airports for 11 overseas airports. It is estimated that the fuel savings from the development and certification of nearby alternate airports will be 1,800 tons per year.

Reducing fuel consumption through improvements at Incheon Airport
On the ground before take-off, the electrical and air cooling systems of airplanes are powered by auxiliary power units (APU). The APU, a type of engine that is fueled by jet fuel, has a high rate of fuel consumption and generates up to 85dB of noise, affecting the environment in the vicinity of airports. To address these problems, Korean Air was the first airliner at the Incheon Airport to utilize the ground power service (GPS) and pre-conditioned air (PC-Air) facilities, which are located on the boarding bridges at the airport, as a source of power for its aircraft, saving about 8,300 tons of fuel in 2008 alone.

Air Traffic Management (ATM)
The development and increasing use of air traffic devices have given rise to calls for the efficient operation of airports, public services and routes. Accordingly, the Korean aviation industry is reviewing the adoption of routes and flight operation procedures that employ the performance-based navigation (PBN) concept. Korean Air is playing a pivotal role in this government-driven project, which is seeking to adopt the PBN policy. Area navigation (RNAV), the first step in PBN, previously adopted in a handful of developed countries, has already been implemented in Korea. To date, RNAV has contributed to a reduction of flight times and enhanced fuel efficiency in flight operations and is set to be a stepping stone to full adoption of PBN practices in the future.

*APU (AUXILIARY POWER UNIT): An APU is a device mounted on an aircraft as a source of energy for functions other than propulsion.
**ECONOMIC MEASURES**

The Emissions trading Scheme is a policy response to global climate change, as are advancements in aircraft technology, improvements in flight operations and upgrades to infrastructure.

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**EMISSIONS TRADING SCHEME (ETS)**

The Council of the European Union passed a bill that applies an emissions trading scheme to the aviation industry, without the consent of non-EU countries, which are nonetheless required to comply with the scheme. Accordingly, all airlines, including Korean Air, flying in and out of Europe are subject to the regulations for limiting CO2 emissions starting in 2012 (average CO2 emissions during 2004 and 2006 are the baseline). Airlines will be required to purchase credits for their CO2 emissions in excess of regulatory standards through the emissions trading scheme.

- **EU Emissions Trading Scheme Schedule**
  - Submit CO2, Ton-kilometers Monitoring Plan to EU by August 31, 2009
  - Conduct CO2, Ton-kilometers monitoring from January 1, 2010
  - Submit a third-party assured CO2, Ton-kilometers data to EU by March 31, 2011
  - Implement emissions trading from January 1, 2012

However, the Kyoto Protocol, the internationally-agreed environmental convention, stipulates that initiatives to reduce GHG emissions from the operating of international flights shall be reviewed by the International Civil Aviation Organization (ICAO), which has, in principle, articulated that all policies adopted by the aviation industry to address climate change shall be implemented on agreement between affected countries. The emissions trading scheme should be developed in such a way as to supplement the economic policies of the aviation industry’s efforts to reduce its impact on climate change.

**TAX**

The intention of the Kyoto Mechanism is to reduce the level of GHGs in a cost-effective way in keeping with the principles of a market economy. The imposition of taxes on jet fuel and CO2 emissions hinders investment by airlines in new aircraft and technologies aimed at reducing GHGs with the eventual result being a reduction in aviation industry efforts to achieve global CO2 reduction initiatives. In order to achieve the goals set out in the Kyoto Protocol, it is imperative that airlines’ efforts to reduce CO2 are based on incentives rather than penalties to be effective. Incentives are a much more effective means of facilitating efforts to advance technologies, improve flight operations and upgrade infrastructure.
CARBON OFFSET
The Carbon Offset Program allows passengers to voluntarily purchase credits to offset the CO₂ emissions created by their own travels. The application of the program is dependent on the formulas used by individual airlines to calculate a customer’s CO₂ emissions and the costs of the offset. Furthermore, a lack of information regarding the destination of investments made by the fund and the actual effect of the CO₂ reductions must be addressed. To this end, the IATA has recently initiated the development of global guidelines for the carbon offset program and its related IT system. Korean Air will review its adoption of the program once standardized international guidelines are developed and a reliable system for feedback on GHG emissions is completed.

PARTICIPATION IN CARBON DISCLOSURE PROJECT (CDP)
The carbon disclosure project is a global initiative that offers financial/institutional investors information on the CO₂ emissions of major corporations, to facilitate investment decisions based on better information. Korean Air also participated in the 7th round of the CDP in 2009 to ensure that global investors and shareholders clearly understand the risks and opportunities of investing in Korean Air in terms of the impact of global climate change on the company and all that this may entail in the future. Through the CDP7, Korean Air has disclosed the risk and opportunity factors of the CO₂ emissions of its flight operations, the internal strategies to reduce GHG emissions, its management strategies to minimize risks related to climate change and to create opportunities, as well as corporate governance in the context of climate change. Details are available at the CDP website (http://www.cdproject.net/).
TECHNOLOGY & OPERATIONS

The ICAO has set forth noise certification standards for developing and manufacturing new aircraft, and has consistently revised and strengthened regulations regarding noise since 1969. Most recently, the standards were upgraded to Chapter 4, which applies standards that are 10dB lower than those set in the previous Chapter 3 in 2006. All aircraft in Korean Air’s fleet meet not only the ICAO Chapter 4 standards but also the 6th standards, the most stringent set of regulations stipulated in the Enforcement Regulations of Korean Aviation Act.

A380
Korean Air will adopt A380s from 2010, which are more than 37% quieter than the B747-400, currently the most plentiful aircraft in our fleet. With a 40% improvement in passenger loads, the A380 will be used on long-haul routes, significantly reducing the number of take-offs and landings.

B787
While the noise footprint of the B747-400 is 8.8km in diameter, the B787 that we are adopting in 2011 has a footprint of only 4.9km in diameter, a significant reduction of 40% in the noise footprint.

ECONOMIC MEASURES

Almost all airports in downtown locations are imposing penalties on airlines for noise to allot their noise control expenses. Fees are based on the maximum take-off weight of each flight. Korean Air paid approximately KRW4 billion in fees in 2008 to domestic and international airports. Therefore, our adoption of quieter aircraft not only benefits the environment, but also helps economically with the consequent reduction in fees for noise. The Gimpo Airport has doubled its charges for noise in excess of regulations during take-offs since July 1, 2008.

Korean Air has exceeded the given standards eight times since the system was put into operation. We will continue to analyze those aircraft exceeding noise standards so as to implement countermeasures to prevent the recurrence of violations.
INFRASTRUCTURE

Addressing the problem of noise pollution around airports requires more than just the adoption of high-tech aircraft and the application of noise abatement procedures. Although aircraft noise has decreased by 75% from 40 years ago thanks to continued investment in aircraft technology, the expansion of residential areas near airports continues to undermine such efforts. Because of this, authorities in charge of the planning and regulation of land surrounding airports must exercise foresight in determining the appropriateness of development in affected areas.

NOISE FOOTPRINT

ICAO Noise Regulations

The ICAO Annex 16 stipulates the noise standards aircraft makers must conform to when developing and manufacturing new aircraft and these noise certification standards are subdivided into Chapters 2, 3 and 4. Aircraft classified under Chapter 2 are high-noise aircraft. These aircraft have been retired internationally and almost all aircraft currently in operation meet the Chapter 3 and above standards. The noise footprint during take-off of the B747-400 covers an area of about 8.8km in diameter from the runway. However, the B787s that we are adopting in 2011 have a noise footprint of only 4.9km in diameter, a significant shrinking of the footprint by 40%.

• Take-offs
To reduce aircraft noise, Korean Air applies the noise abatement departure procedures (NADP) 1 and 2 as recommended by the ICAO during all take-offs and landings of its aircraft. The NADP 1 procedure is used to reduce noise in areas adjacent to the runway, and the NADP 2 is intended to reduce noise in areas farther away from runways. We apply the NADP 1 procedures at Gimpo Airport, due to the location of nearby residential areas and NADP 2 procedures at the Incheon International Airport, which is farther away from sensitive areas.

• Landings
Korean Air adopted the Continuous Descent Approach (CDA) as recommended by the ICAO on a trial basis at Gimpo Airport in November 2007. The conventional method of approach for aircraft landings is akin to descending a flight of stairs with the airplane reducing its altitude in steps followed by a leveling out at each step before descending to the next level. The CDA, however, is a descent method in which airplanes follow a continuous and smooth glide path to touchdown. The benefits of using CDA include significant reductions in noise, fuel burn and noxious emissions.
LOCAL AIR QUALITY IMPROVEMENT

We strive to reduce emissions of noxious gases due to their impact on local air quality.

Emissions of noxious gases during take-offs and landings negatively impact local air quality, though this impact is minimal compared to similar emissions from overland transportation. Nonetheless, Korean Air cares about its impact on local air quality and strives to reduce the noxious gas emissions produced by its operations with the adoption of eco-friendly engines and ground support activities. We have also installed air pollution control systems at all of our facilities for round-the-clock monitoring of emissions of noxious air pollutants.

LTO EMISSIONS

An LTO cycle consists of four operational phases: take-off, climb, approach and taxi, which occur within an altitude of 900m, during which NOx, HC, CO, and other gases are emitted, affecting local air quality. Over the past 40 years, technological advances in the design of aircraft engines have cut CO and HC emissions by 50% and 90%, respectively. Efforts are also underway to develop engines that will emit 80% less NOx emissions by 2020. Coupled with these efforts by the aviation industry, the design of airports can be optimized to reduce wait times and infrastructure can be built so as to have less of an impact on local air quality.

ICAO REGULATIONS

The permitted levels of NOx, HC and CO emissions from aircraft engines, which have become increasingly stringent, are set by the Committee on Aviation Environmental Protection (CAEP) of the ICAO. Restrictions on NOx emissions for newly certified engines were strengthened when the ICAO adopted new standards to reduce the permitted level by 12%. The main source of NOx emissions is from the combustion of fuel subject to high pressure and high temperatures during LTO cycles. NOx in the atmosphere leads to the formation of acid rain and smog, and adversely affects the ozone layer. Although technologies to reduce high temperatures and pressure can reduce fuel consumption and CO2 emissions, they can also cause an increase in NOx emissions. Therefore, striking an ideal balance between these two issues has been the subject of recent debate.

REDUCING GROUND EMISSIONS

Emissions produced while the aircraft is on the ground occur during taxiing, engine testing, and the use of auxiliary power units (APUs), which supply aircraft in dock with power and cabin air conditioning. Ground support vehicles and equipment also generate noxious gas emissions. Whenever possible, Korean Air uses fixed & mobile Ground Power Service (GPS) for its power supply instead of APUs, as GPS are more fuel efficient and produce less emissions. GPS are also quieter to operate. In particular, Korean Air uses power units embedded in boarding ramps to supply power and cabin air conditioning for its airplanes at the Incheon International Airport. At the Incheon Airport Cargo Terminals, we use fixed GPS, designed by Korean Air, to reduce emissions. However, to ensure an overall improvement in the air quality surrounding airports, further efforts are required. For example, an increased number of energy-efficient vehicles and facilities could be used, and airport authorities could shorten the distance to and from parking stands.
REDUCING EMISSIONS AT MAINTENANCE BASES

At maintenance bases, the biggest source of offensive odors and air pollutants such as dust, NOx, and SOx, is maintenance work. Korean Air operates 106 pollution prevention facilities to keep the level of contaminants below 50% of the legal limit.

CHEMICAL SUBSTANCE USE

Korean Air uses chemical products recommended by aircraft manufacturers and is increasingly turning to environmentally-friendly products through close consultations with aircraft manufacturers. As many as 1,000 chemical products are currently used in aircraft maintenance, and information regarding the inventory and usage of these products is managed by the Korean Air Chemical Management System (KCMS).
ENVIRONMENTAL MANAGEMENT SYSTEM

Evaluations of Korean Air’s impact on the environment are used to reduce the company’s impact on local communities, as well.

In gaining ISO 14001 certification, the international standard for environment management systems, Korean Air has introduced a company-wide environment management system consisting of five sectors; the Maintenance & Engineering Division, Aircraft Manufacturing Division, Catering Center, Headquarters & General Division, and the Hotel Division. In striving to minimize the impact on the environment of our flight operations, we have instituted an environmental management system suited to the characteristics of our many types of business.

EVALUATIONS OF ENVIRONMENTAL IMPACT

Korean Air conducts annual evaluations of its environmental impact to set new guidelines as the company endeavors to minimize its impact on local communities. For a safe and healthy environment, we conduct soil pollution surveys and other evaluations to ensure stringent control of air pollutants, waste and wastewater, and the use of hazardous substances at all Korean Air facilities. We have also implemented a variety of environmental initiatives based on our systematic environmental management system to minimize our impact on local environments and to preserve the global environment.

Organization of Environmental Management System
In 2008, we conducted evaluations of environmental impact in 2,883 cases including the impact of company-wide services and found that a number of processes in 29 cases required consistent improvements due to their significant impact on the environment. With these findings, we set 48 environmental objectives, which included the issues raised in the evaluations and took steps to remedy each situation. As a result, a total of 38 cases were brought in line with the new objectives and in 2009, we will continue to work towards achieving the objectives in cases that fell short. In addition, we provided 6,628 person-hours in environmental training programs to our employees to enhance environmental awareness and offered online courses, as well.

Progress in Major Environmental Goals

<table>
<thead>
<tr>
<th>Major Environmental Goals</th>
<th>Goals</th>
<th>Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing Company-Wide Waste Recycling Ratio by 2%</td>
<td>2%</td>
<td>2.20%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Limiting Air and Water Pollutants within 50% of Legal Standards</td>
<td>-50%</td>
<td>-50%</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>Raising Waste Recycling Ratio by 2%</td>
<td>15 tons</td>
<td>20.9 tons</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Reducing Use of Packaging Materials</td>
<td>1%</td>
<td>1.2%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Reducing Use of Fuels</td>
<td>-10%</td>
<td>-40%</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>Limiting Air and Water Pollutants within 48% of Legal Standards</td>
<td>48%</td>
<td>48%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Increasing Waste Recycling Ratio by 2%</td>
<td>2%</td>
<td>-6.40%</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>Reducing Incinerated Waste by 2%</td>
<td>-2%</td>
<td>7.90%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Reducing Electric Power Use 2%</td>
<td>-2%</td>
<td>-0.30%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Reducing Gas Use 2%</td>
<td>-2%</td>
<td>-0.70%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Increasing Waste Recycling Ratio by 2%</td>
<td>2%</td>
<td>2.90%</td>
<td>Satisfied</td>
</tr>
<tr>
<td>Limiting Air Pollutants within 50% of Legal Standards</td>
<td>-5%</td>
<td>-50%</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>Reducing Electricity and Gas 2%</td>
<td>2%</td>
<td>1.30%</td>
<td>Satisfied</td>
</tr>
</tbody>
</table>
It is necessary in our daily lives to take care of important business and attend meetings, to take breaks and rest so as to recharge energy, to accomplish tasks and create a positive work environment, and to enjoy the blessings of science, culture and art. Modern businesses continue to evolve in their practices so as to ensure harmonious interactions and to improve quality of life for employees, customers and other stakeholders. The ultimate goal of Korean Air as a good corporate citizen is to create a better society for all of the company’s stakeholders. We seek to provide customers with pleasant and convenient service options during their travels, recognition of the accomplishments of our employees to instill pride in their efforts for the company, profitability for the benefit of shareholders, and the sharing of profits with local communities. We endeavor to help build a better society in which all of our stakeholders can enjoy happier lives while living in harmony with each other and with the environment, today and into the future.
COMMUNICATION WITH CUSTOMERS

We strive to provide the highest levels of customer satisfaction with our air travel service.

The ultimate goal of Korean Air’s flight operations is to provide high quality air travel services. In addition to guaranteeing safety and security, along with convenience in all flight services, we aim to meet and exceed customer expectations and needs by providing a wide range of services including efficient ticketing procedures, friendly in-flight service, and on-time scheduling in our passenger and cargo services. As Korean Air strives to emerge as a leading global carrier, we will continue to make consistent efforts and investments in improving the quality of our services and IT systems to further enhance customer satisfaction.

INITIATIVES TO ENHANCE CUSTOMER SATISFACTION

Korean Air’s establishment of a database allows for the integrated management of customer communication procedures, as well as the disclosure of all related information on internal bulletin boards for the sharing of opinions, suggestions, and the results of regular case studies and surveys. In turn, each department devises and implements tasks aimed at improving service based on assessments of service quality, and this leads to substantial improvements in services and in service procedures as well as the development of new products. In 2008, we set up a systematic process for educating employees regarding services so as to improve conventional work processes and enhance mindsets in terms of service in the areas of cargo and airport services.

- **Voice of Customer (VOC) System**
  Korean Air operates a voice of customer (VOC) system to better understand and reflect customer needs at the point-of-contact level. Customers can register compliments, complaints, questions and suggestions regarding Korean Air services and operations via e-mail or our global websites, which is available in seven languages. Approximately 53,000 customer opinions are received on average every year. In 2008, to improve efficiency and to make the VOC system more systematic, we upgraded and expanded the design and functions of the system, which used to be linked only to the Korean regional webpage, and made it available in a wide range of languages on our global websites. Major complaints have focused on face-to-face services, and delays in flight operations and cargo handling. However, the overall percentage of complaints has decreased as a smaller percentage of an increasing number of passengers transported by Korean Air.
  In fact, in 2008, overall complaints decreased by 0.5% from the previous year. With Korean Air’s efforts to increase customer expectations regarding service quality, the number of compliments has declined by 4% from the previous year, while questions and suggestions dropped 14% and 8.7%, respectively.

- **Service Improvement and Evaluation Committee**
  The VOC system is not limited to receiving and responding to opinions and suggestions of customers. Another important aspect of the VOC system’s operations is the implementing of tasks aimed at improving services via quality checks such as regular analyses and surveys. This information is then compiled and organized so that feedback can be relayed to the appropriate departments, which then take measures to improve services in a practical manner suited to customer needs. In addition, Korean Air operates a service improvement and evaluation committee and discloses VOC content and steps the company is taking to improve processes and to deal with issues in cooperation with relevant departments, via the intranet. The placing of such information on the intranet promotes employee participation and interest in making improvements in service. Employees have more of a stake in correcting problems and deficiencies in our
services. Ultimately, the VOC system helps to improve the quality of Korean Air’s services and leads to the development of new products.

- **Monitoring System for Services**

Korean Air actively utilizes its own employees and mechanisms to monitor and improve the quality of its services. The results of the “Service Monitoring by Staff on Business Trips” program in 2008 showed that Korean Air received, on a scale of one to five, high grades of between 4.0 and 4.3 in almost all areas. In particular, our check-in processes and cabin services received especially high grades. Each of Korean Air’s departments acts on customer feedback and suggestions in order to improve work processes. In 2008, the company received a total of 955 customer opinions and suggestions and developed 5% of these into actionable tasks.

- **Internet Service Bulletin Webzine**

Having launched in September 2006 as a guide to customer-oriented services, the Service Bulletin Webzine issued its 37th issue in February 2009, offering case studies on complaints, profiles of employees who provide excellent service and up-to-date trends in customer needs and services.

### PROTECTING AND SECURING CUSTOMER INFORMATION

Korean Air has established new policies and guidelines for the protection and security of customer information. Measures to protect customer information include offering employee training in the securing of passenger information, conducting anti-hacking procedures by an external organization three or more times a year, operating an around-the-clock security control system and instigating tighter security checks of customer service-related departments. Since 2002, Korean Air has operated a department that specializes in protecting the information of individual and corporate customers. Specialists in information protection are placed in all departments and branches at home and abroad. Moreover, the company promotes activities company-wide for the protection of information such as online educational programs in security for all employees, and requires training in information security for new employees and for employees being sent overseas. The aim of these activities is to ensure that employees develop a comprehensive awareness of information protection measures. We also manage systematic and advanced customer information activities such as the ISMS (Information Security Management System), which was certified by the Korea Information Security Agency in 2005. Our efforts to protect customer information were recognized as Korean Air won the Minister of Information and Communication’s Prize at the 2007 Information Security Awards and the commendation by the Minister of Public Administration and Security for customer information security in 2008.
CUSTOMER HEALTH & SAFETY

FLOW OF SAFETY DATA IN SAFENET

- Reporting Safety Problems
  - JFK/NY
  - Users in Division (present a report on a separate basis)
  - Users in Division (present a report on a separate basis)
- Safety Reporting
  - Users in Division
  - Users in Division
- Data processing
  - Gathering data
  - Statistical analysis
- Trend analysis
- Other service materials
- Other service materials
- Input

- Flight and Ground Safety Management System
  - Korean Air’s flight operations have remained accident-free for nine years since 2000, as we continue to pursue our goal of becoming the safest airline in the world. To this end, we established a safety management system (SMS) early on before it became required as an international standard by the ICAO starting from 2009. In addition to the SMS, we plan to launch SafeNet, an integrated IT system that provides internal standards for safety management that preemptively analyzes and detects potential safety risks to prevent accidents.

- IOSA Certification
  - Korean Air was the first SkyTeam member and domestic airliner to acquire the IATA Operational Safety Audit (IOSA), the international aviation safety certification, in January 2005. Following our successful qualification for the certification in the first renewal audit in September 2006, we again passed certification in the second renewal audit in September 2008. In the second audit, we passed without a single “inadequate opinion” on any of the 914 checklists in eight safety operation categories.

CUSTOMER SECURITY

- Anti-Terrorism
  - So as to strengthen aviation security, Korean Air runs programs to deal with security threats, by collecting and analyzing security information from branches at home and abroad. Using monthly analyses of security risks and security readiness at airports Korean Air flies to, we continually strive to enhance our own security standards by taking appropriate actions to further mitigate security risk.

- Enhanced Security Training Course
  - In preparation for dealing with potential terrorist threats, the company has expanded its crisis readiness through simulated drills with armed security guards flying on airplanes, counter-terrorism drills in combination...
CUSTOMERS SAFETY & HEALTH

Invalid Passenger Transported

<table>
<thead>
<tr>
<th>Year</th>
<th>1,903</th>
<th>2,052</th>
<th>2,038</th>
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<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
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</tr>
</tbody>
</table>

with national security agencies and drills to counter bomb threats. Korean Air offers online and offline training not only to its own security employees at home and abroad, but also to security employees from its business partners and subcontractors in an effort to share knowledge of systematic aviation security. In addition, the company has produced a manual in Korean, English, Japanese and Chinese for its global employees detailing procedures to be taken in the event of an accident. As such, Korean Air is reinforcing the emergency response capabilities of its employees so as to minimize the potential for casualties and material damage.

IN-FLIGHT MEDICAL SERVICES FOR CUSTOMER HEALTH

- **Services for Physically-Challenged Passengers**
  Korean Air operates the world’s largest internal medical service organization among global carriers, consisting of 70 medical professionals. Our staff includes five aviation medical examiners (AME) in support of safe and healthy air travel for customers and of safe flight operations. We also have an emergency medical call system (EMCS) with emergency medicine specialists and nurses on-call at our aviation medical center, where invalid passengers can be assessed for risks of air travel. If it is deemed that a passenger’s health and safety will not be at risk due to air travel, we offer medical equipment and services to help the passenger with boarding and all other services. In 2008, Korean Air safely transported a total of 2,038 invalid passengers.

- **In-flight Emergency Response**
  All of Korean Air’s aircraft carry and maintain in-flight medicine and medical equipment (EMK: emergency medical kits, FAK: first aid kits, resuscitator bags, medical bags, and AED: automated external defibrillators). Our aviation medical center, which is certified as a specialized education institute of cardiopulmonary resuscitation by the American Heart Association, provides regular training for cabin crew members on responding to in-flight medical emergencies including first-aid treatment as well as safety training programs. The EMCS system maintains round-the-clock professional medical support in case of in-flight medical emergencies.

- **Prevention and Management of Contagious Diseases**
  In collaboration with domestic and international authorities including the WHO, ICAO, Korea Center for Disease Control and National Quarantine Service, we remain updated on the latest trends and information on contagious diseases in order to prevent the spread of epidemics via travel by aircraft. We also take active measures such as sterilizing aircraft and carrying medical devices for infection control.
CUSTOMER SATISFACTION

ON-TIME RATIO

Airlines strive to offer on-time flights as both an operational goal and for the convenience of customers. In making on-time services a priority, Korean Air has been making steady efforts to offer differentiated customer services. Our analysis has found that most of the causes of flight delays were uncontrollable factors beyond Korean Air’s control such as weather, maintenance and airport operation. However, we found some room for improvement in terms of human error and determined the reasons for such errors. Internal training courses are provided to remind staff of the importance of maintaining on-time flight operations and to improve employee competence. Externally, we work in conjunction with related authorities to actively resolve problems. Thanks to these efforts, delays and cancelations of Korean Air flights due to maintenance work remained at one of the lowest levels globally in 2008 according to data provided by Boeing and Airbus. Korean Air recorded the world’s best on-time ratio in four (B747, B777, B738/9 and AB6) out of five models currently in service. The remaining model (A330) ranked second for on-time departures among global airlines.

IMPROVEMENTS IN MISHANDLED BAGGAGE RATIO

Mishandled baggage refers to cases when a customer’s baggage is delayed, damaged or lost upon the passenger’s arrival at the destination. The mishandled baggage ratio is calculated against a standardized formula to measure the level of performance of an airline’s cargo service, as represented in the number of cases per 1,000 passengers transported. In 2008, Korean Air achieved the lowest mishandled baggage ratio amongst IATA member airlines with 2.46 points. In order to continually improve our performance, we participate in the IATA’s baggage improvement program (BIP), which diagnoses the main causes of accidents and applies solutions for improvement as suggested by the IATA.
As one of the world’s largest cargo carriers, Korean Air transported 9,498 million t/Km of freight per year. With an optimized network of destinations and the latest in cargo transport, we strive to provide greater convenience for our customers. In particular, the Korean Air Cargo Terminal at the Incheon International Airport is the largest logistics hub in the Northeast Asian region. In striving to make consistent improvements, the center constantly monitors its services, facilities and communications to ensure the highest standards of service and convenience in the industry.

- **Happy Call Service for Domestic Cargo Customers**

  To ensure greater convenience for customers, Korean Air’s Happy Call Service deals directly with local customers as opposed to requests made via cargo agents. The service provides one-stop services to customers visiting the cargo terminal in person and follow-up contact is made via telephone informing customers of the status of their shipment. The goal of the service is to enhance convenience for consignors who may not be familiar with our services or with Korean Air’s corporate image. Due to customer response, we will expand the scope of the service to include international cargo by the end of 2009.

- **Real-time Information on Cargo Transport Schedule**

  Given that cargo is usually shipped at night, we inform customers of any changes in scheduling via text messages or email to ensure convenience in checking information anywhere and at anytime.

**EVALUATIONS OF SERVICES BY EXTERNAL ORGANIZATIONS**

For the fourth consecutive year, Korean Air topped the category for air passenger transport service in the “2008 Global Customer Satisfaction Competency Index (GCSI)” sponsored by the Japanese Management Association Consulting. Korean Air was also awarded for “the Best Economy Class” by the Official Airline Guide (OAG); was recognized as “Airline of the Year,” and “the Best Airline in Asia” by Business Traveler magazine and was named the winner of the “Mercury Award” by the International Travel Catering Association (ITCA).
A company is the sum of its people. This has been Korean Air’s corporate philosophy from the very beginning and is the basic principle on which our human resource management is based. Korean Air continually strives to provide a safe and harmonious work environment that is beneficial to its employees’ spiritual and physical health and well-being, and which enables employees to take pride in their work as industry-leading professionals. In creating a positive work environment, Korean Air offers programs aimed at promoting employee welfare supported by fair human resource management practices. Every year, we contribute to job security at home and abroad with continual job creation, consistent investment in human resource development and steady contributions to the development of society on the whole.

EMPLOYMENT STATUS

Korean Air values creative, hardworking and talented workers who have innovative ways of thinking and who are capable of advancing through the uncertainties of the future.

• Expanding the Female Workforce
Korean Air continues to expand its employment of female workers and as of the end of 2008, over 30% of the company’s total workforce consisted of female workers. Korean Air fully abides by Korean Labor Law, providing full support for programs aimed at ensuring the welfare of female staff, including full maternity leave and temporary leaves of absence for cabin crew members seeking fertility treatments. In recognition of our many efforts promoting staff well-being, Korean Air became the first Korean company to enter into a “Women-friendly Company” agreement with the Ministry of Gender Equality (MOGE) in December 2008.

• Expanding the Disabled Workforce
Korean Air’s efforts to increase its employment of disabled persons dates back to 2000, and in 2005, we signed an agreement with the Korea Employment Promotion Agency for the Disabled (KEPAD) to promote the hiring of disabled persons to join our staff. Since then, we have increased the percentage of disabled persons on staff and, for more severely disabled persons, expanded the scope of their jobs and duties in consideration of individual skills and abilities, while offering more opportunities to become regular staff. In recognition of these efforts, we won the Minister of Labor’s Prize at the “2007 True Company Awards” sponsored by KEPAD.

• Expanding the Foreign Workforce
As a leading global carrier, Korean Air actively recruits highly talented foreign workers without discriminating on the basis of nationality, culture or religion, thus contributing to job creation in local regions in which the airline operates. We apply standardized human resource management criteria to all domestic and foreign staff equally, in full compliance with local labor laws, and have a zero tolerance policy in terms of child labor or forced labor practices.
EMPLOYEES & HUMAN RIGHTS

HUMAN RIGHTS PROTECTION

Korean Air’s human resources management policies and practices are based on fairness and respect for individual rights in accordance with the company’s code of ethics.

- System to Resolve Employee Issues
  In order to improve workplace relationships and employee morale, Korean Air has created an Employee Counseling Center to resolve complaints and receive suggestions from employees. Counseling sessions are offered at the Counseling Center and all personal information is held in the strictest confidence. Professional counselors follow strict guidelines in treating employee clients to create a comfortable atmosphere in which employees can feel safe and secure.

- Prevention of Sexual Harassment at Work
  With the recent rise of sexual harassment as a social issue, Korean Air has instituted “Guidelines for the prevention of sexual harassment at work,” and conducts mandatory annual on- and off-line training sessions for its entire staff. Our goal is to create a pleasant working environment where employees respect one another and value the work of their co-workers.

- Zero Tolerance for Child and Forced Labor
  Korean Air strictly abides by local labor laws at all of its global business premises. We do not tolerate any form of child or forced labor.
EMPLOYEE HEALTH CARE

- Medical Check-ups
  All Korean Air employees undergo annual physical check-ups for the early detection and treatment of health problems. Follow-up care, including further examinations and counseling, is provided for those found to be suffering from ailments or health problems. Furthermore, Korean Air applies its health policies in accordance with Korea’s Industrial Health and Safety Laws and conducts pre-employment check-ups, if necessary.

- First-Stage Medical Service
  When employee health problems arise, Korean Air offers free medication and physical therapy in accordance with the prescriptions of doctors. Moreover, the company provides a wide array of medical services such as annual inoculations against influenza.

- Aviation Physical Aptitude Test
  Korean Air helps its pilots to maintain their health at optimal levels via comprehensive evaluations and health management programs. To ensure flight safety, Korean Air provides domestic and foreign certificates for physical check-ups and conducts a diversity of health management and preventative activities to ensure the health of its flight crews prior to flying.

- Prevention of Musculoskeletal Diseases
  To prevent the development of musculoskeletal disease in members of our cabin crews, we conduct regular health check-ups. In accordance with the results of the check-ups, patients are monitored over time to prevent the occurrence of this condition.

- Promotion of Health and Health Education
  The offices of Korean Air’s health counselors are equipped with advanced equipment and staffed by certified professionals such as nutritionists, certified fitness trainers and anti-smoking counselors who offer personalized health advice and prescriptions to help employees in overcoming health and health-related problems. Furthermore, through online channels, Korean Air offers a range of health information and holds quarterly seminars in health education to encourage employees to take greater responsibility for their health.
Korean Air strives to provide safe working conditions for its employees. Maintaining and monitoring light intensity and air quality within office environments establishes a clean and comfortable office environment. Our company complies with Material Safety Data Sheet (MSDS) requirements regarding safe handling practices and exposure to chemicals. Protective gear is an additional measure that we utilize to ensure the safety of our employees. Medical staff such as physicians, nurses and engineers specializing in industrial hygiene actively promote health and disease prevention through the provision of counseling, education and awareness activities.

INDUSTRIAL SAFETY

Korean Air has developed a campaign to minimize risk with a zero-tolerance policy toward injury and accidents in the workplace. Our strategic plan includes requiring each of our business divisions to develop internal safety control measures, policies and procedures, and to compete in the attainment of goals. As a result, we have made considerable progress in reducing industrial accidents at all Korean Air facilities.

As for the number of accidents recorded at Korean Air facilities, we recorded an accident ratio of 0.07% in 2008, marking the continuation of a stable downward trend, in which the ratio hovered around 0.1% over the last five years. The improvement in the ratio can be credited to the successful establishment of an internal accident-free campaign that promotes managerial and individual efforts to manage safety at workplaces. In addition, Korean Air consistently evaluates health and safety activities at company facilities including the catering division and the cabin service division in its efforts to increase workplace safety. Once a year, the Aeromedical Service Team and the Security & Compliance Office make joint visits to evaluate workplaces and award prizes to the best departments. Incentives are also offered so as to motivate employees to maintain awareness of safety and to diligently carry out safety activities. On-site verifications by the Security & Compliance Office are used to determine when goals have been achieved and the information is shared with each department to ensure continuous improvement. Korean Air will continue to promote safer workplaces by efficiently utilizing safety management tools to promote safety and eliminate industrial accidents.
The occupations of Korean Air employees are categorized according to section: general operations, engineering, flight operations and cabin services. Positions within each section are further delineated according to the level of each position in such a way as to maximize each area of specialization and the competencies of workers.

In pursuing the goal of becoming a leading global carrier, Korean Air’s personnel management systematically integrates three concepts; cultivation, evaluation and compensation, indicating the cultivation of knowledge, evaluation of performance and compensation for a job well-done. To this end, Korean Air operates a multi-faceted system tailored to individual occupations, which aims to instill a sense of achievement, satisfaction and motivation in our employees.

**Fair and objective Evaluation System**

<table>
<thead>
<tr>
<th>Evaluation Philosophy</th>
<th>Openness Policy, Focusing on Promotion and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Principle</td>
<td>Objectivity, Fairness</td>
</tr>
<tr>
<td>Evaluation Method</td>
<td>Two-way communication between staffs and supervisors</td>
</tr>
</tbody>
</table>
GLOBAL HUMAN RESOURCE DEVELOPMENT PROGRAMS

Korean Air’s educational programs develop globally competent employees through skill development, including the management of difficulties through troubleshooting. The human resource development centre coordinates educational programming within the various business divisions, including passenger, cargo, cabin, flight operations, maintenance and aerospace sectors. Our regional headquarters office also serves as a central point for developing and customizing educational programs for local employees.

- Position-based Systematic Study Organization
  Compulsory entry level air transportation courses strengthen individual skills and abilities, equipping employees with basic competencies as aviation workers. The compulsory Airline Management School (AMS) is offered to new general managers, assisting them to develop specialized knowledge in the aviation industry and strengthening their competence as managers. The compulsory MBA Korean Air Executive Development Program (KEDP) is customized specifically for our executives. We invest in leadership development by annually selecting 10 employees with promising abilities, and send them to prominent MBA courses either at home or abroad.

- Online Courses
  We assist employees in dealing with the challenges associated with off-site group training and shift work schedules by offering online courses that meet their educational needs. Our online courses include training in job competencies and in air transportation-related job requirements.

- Standardized Service Education
  Serving as a role model of aviation and related service industries, Korean Air’s high quality service education programs allow us to consistently provide high quality standardized services that meet the needs of customers around the world. Our approach to customer service takes into account service provided within the aviation industry at all levels, from front line flight attendant positions to upper level managerial positions.
INDUSTRY-LEADING LEVEL OF WAGES AND INCENTIVES

Korean Air offers the most competitive wage levels within the airline industry, and supports employees in achieving their full potential within the aviation industry. As an example, new employees with Bachelor level degrees are paid at a rate of 310% of Korea’s legal minimum wage. Financial incentives are provided to employees based on safety-related performance. Our company provides equal financial compensation regardless of gender, religion, age or academic background. Our compensation program is effective in promoting financial stability and fostering a positive workplace environment.

WELFARE PROGRAMS

Korean Air operates according to moral and ethical principles, abiding by the laws and regulations as required. We continually seek to maintain and improve working conditions, including working hours, vacation time and leaves of absences. We provide an array of programs that promote health and well being through medical subsidies, leisure activity subsidies and retirement pensions.

EMPLOYEE COMPENSATION & WELFARE

01 Subsidizing Employees’ Leisure Costs
- Providing 25–35 airline tickets per year
- Providing 25% of travel expenses
- Providing 50% of travel expenses for major hotels at home and abroad
- Supporting 20% of company activity costs

02 Wages
- Fair compensation
- Paying appropriate wages
- Adjusting an annual salary system and promoting performance-based rewards

03 Subsidizing Living Necessities
- Providing company-subsidized housing (300 families)
- Providing housing loans
- Providing scholarships for employees’ children (middle and high schools, college students)
- Providing scholarships for employees’ children attending prestigious overseas colleges
- Providing scholarships for children of employees’ children and employees’ foreign language education fees
- Providing scholarships for employees’ children and college and graduate school students

04 Health Care Support
- Covering health insurance costs
- Providing individual insurance policies for employees
- In 2019, the Company paid KRW90 million in funds
- Providing financial support to employees and their spouses (covering illness, accident and death)
- Covering unlimited medical expenses for cabin crew, pilots and employees spending overseas (over USD500)

05 Retirement Funding for Employees
- National pension scheme
- Contributing KRW50,000–100,000 per month to employees’ retirement plans
- Managing the largest corporate credit union and providing enhanced severance payments

06 Retirement Funding for Employees
- National pension scheme
- Contributing KRW50,000–100,000 per month to employees’ retirement plans
- Managing the largest corporate credit union and providing enhanced severance payments

PENSION AND EQUITY PARTICIPATION
(Uni: KRW in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>National Pension</th>
<th>Individual Pension</th>
<th>Equity in participation in Credit Union</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
<td>29.3</td>
<td>9.2</td>
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<td>29.2</td>
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</tr>
<tr>
<td>2008</td>
<td>29.6</td>
<td>9.2</td>
<td>9.9</td>
</tr>
</tbody>
</table>
Korean Air has two labor unions: the Korean Air Labor Union comprising the general operations, engineering and cabin service sections; and the Korean Air Pilots Labor Union for pilots. For 40 consecutive years, we have remained dispute-free during collective bargaining with the Korean Air Labor Union and recently made a joint announcement with the union pledging harmony in our future relationship. We have also gone three years without a dispute with the Korean Air Pilots Labor Union as we work to build a cooperative relationship.

**Information Sharing and Labor-Management Cooperation**

Korean Air and its labor unions share information regarding major management issues and the company provides related information upon the request of the union in accordance with the collective bargaining agreement. Moreover, we conduct collective bargaining on a biannual basis and meet to discuss agreements more frequently, if necessary, and participate in joint labor-management conferences. When establishing and overhauling major systems, we strive to reflect the opinions of the labor unions in initiatives such as co-planning, which involves a labor-management Task Force Team.

**Labor-Management Communication Through the Company Intranet**

Employees can access corporate information such as company news, daily sales, major economic indicators and information on systems and regulations through Korean Air’s internet sites including the Employee Information System, the Work Knowledge Management System and the HANWAY System. The websites also allow for employee feedback such as opinions or suggestions, via anonymous channels, and employees can ask questions using an online bulletin board. These initiatives foster seamless communication between employees and the company.

**Work and Life Balance**

In order to support its female workers, who comprise 35% of our overall workforce, in balancing work and life, Korean Air has concluded an agreement with the Ministry of Gender Equality to promote a “Women-Friendly Corporate Culture.” In recognition of the company’s efforts to expand employment of disabled persons while promoting their welfare, the company was awarded the grand prize at the “2007 True Company Awards” sponsored by the Korea Employment Promotion Agency for the Disabled (KEPAD). In addition, we continue to work to build a pleasant and enjoyable working environment to promote the harmonious coexistence of family, employee and the company. To this end, we also recently expanded the number of home-based jobs. A variety of company events for employees and their families such as the annual marathon festival promote harmony in families and unity amongst employees. In 2009, we held a “Family Walk” event and a “Table Tennis Tournament” in commemoration of Korean Air’s 40th anniversary.
Korean Air maintains cooperative relationships with companies in various areas of the manufacturing and service business sectors related to the aviation industry. The most important factor in these relationships is the quality of management as well as fairness and transparency in transactions. As part of this cooperation, we consistently abide by regulations regarding ethical practices to enhance mutually beneficial growth and development. We apply the same sets of standards we use at Korean Air to the companies we work with. The ethical practices we condone include the procurement of environment-friendly products and services, those that do not adversely impact the environment, as well as the adoption and purchase of state-of-the-art aircraft and engines with high fuel efficiency and new lightweight products that can contribute to reduced fuel consumption. In offering support to our business partners, Korean Air strives to work in cooperation for mutual prosperity.

We pursue mutually beneficial development in cooperation with our business partners.

FAIRNESS IN TRANSACTIONS AND SUPPORT FOR BUSINESS PARTNERS

- Compliance with Code of Ethics

Korean Air has devised and instituted a strict code of ethics with ethical guidelines for the conducting of business and rewards for the reporting of wrongdoings. The code of ethics outlines the obligations of employees and partners in terms of business practices. We ask our partners to abide by Korean Air’s own code of ethics and apply sanctions against violations as part of efforts to establish fairness and transparency in all business practices related to our business.

- Quality Assessments of Business Partners

Korean Air makes regular assessments of the quality of products and services, undertakes external credit evaluations and makes periodic visits to the facilities of company’s we partner with in the manufacturing sector. Assessments of quality include evaluations of a partner’s performance in terms of on-time delivery, production capacity, credit ratings, work standards, quality of employees and management performance. Based on the results of the assessment, top performers are rewarded with contract renewal and longer-term agreements as we seek to ensure the high quality of the products and services our customers have come to expect from Korean Air. Our finest partners can also benefit from an expansion in transactions with Korean Air, technological support and faster settlement of transaction payments.

Support for Business Partners through Catering Food Safety Research Center

Korean Air’s Food Safety Research Center was established in July 2008 at Inha University, backed by the company’s sponsorship and investment. The aim of the center is to enhance food safety along with the quality of the company’s catering service. Having acquired certification by the Korea Food and Drug Administration (KFDA), the center monitors and oversees the management of hygienic processes at the 110 suppliers of raw materials to our catering center, hotels and cafeterias, ensuring safe and high quality catering services for our customers.

- Enterprise Resource Planning (ERP) System

As of January 1st, 2009, we adopted the ERP system in the materials, finance, facilities and aerospace manufacturing divisions and in the catering division as of April 1, 2009. The ERP system enables us to build a database of work processes ranging from finance, procurement, production and sales and to share information
on resource management and business operations on a real time basis. When adoption of the ERP system is completed in the accounting and aerospace maintenance divisions in July of 2009, and in the maintenance division at company headquarters as of July 2010, we will have completed the installation of a company-wide integrated work process system, setting the foundation for mutual prosperity through fairness and transparency in our transactions with business partners.

SKYTEAM ACTIVITIES

The SkyTeam alliance was established along with Delta Airlines, Air France and Aero Mexico and used a slogan, “Caring More About You” as a basis for the alliance. Since its inception, SkyTeam has expanded to become a major alliance of airlines comprising 11 airliners with the addition of Czech Airlines, Alitalia, Continental Airlines, KLM Airlines, Northwest Airlines, Aeroflot, and China Southern Airlines in November 2007. Air Europa, Copa Airlines and Kenya Airways recently joined SkyTeam as associate members.

SkyTeam operates 16,786 daily flights to 905 destinations in 169 countries. SkyTeam Cargo is the world’s largest air cargo alliance covering 659 destinations in 132 countries.

Founded as the first customer-oriented airline alliance, SkyTeam’s efforts to improve customer service and thus increase satisfaction has resulted in high growth. For instance, SkyTeam’s market share was 11% at the time of the alliance’s foundation, and grew to 24% by 2008 with the number of frequent flyers increasing to 150 million persons in 2008 compared to 40 million at the time of foundation. The number of destinations has also grown from 451 cities to 905.

This expanded network offers improved benefits for customers and an increasing number of flight options on member airlines as well as access to shared services such as frequent flyer benefits, lounge services, and other amenities. In particular, the SkyTeam Mileage Upgrade Program, initiated in November 2008, allows customers to use their reserve mileage in purchasing bonus tickets and in upgrading their class of travel. At the same time, in expression of the alliance’s awareness of its social responsibilities, the SkyTeam adopted a “SkyTeam Corporate Social Responsibility Statement” in June 2008 and pledged to make concerted efforts to achieve sustainable and eco-friendly corporate policies.
WE ARE CREATING AN AFFLUENT SOCIETY WITH THE ADDICTION OF CULTURAL AND ARTISTIC VALUE TO THE JOY OF TRAVEL
PROJECT TO SUPPORT CULTURE AND ARTS

We sponsor cultural events for the benefit of global citizens.

One of the greatest pleasures of traveling to a new destination is learning about the history and culture of a new place. Transporting passengers to cities in every corner of the world, Korean Air provides safe and convenient flight services and acts as a guide to the diverse cultural and artistic activities at each locale. For instance, Korean Air is the sponsor of a multimedia guiding service in the Korean language at three of the world’s most famous museums; the Louvre, the British Museum and the Hermitage Museum. As a cultural messenger, we are actively involved in an assortment of artistic and cultural projects including culture classes at the museums, in-flight cultural activities and entertainment and guide services for art exhibits. We also host a travel picture contest.

**ENHANCING NATIONAL PRIDE THROUGH SPONSORSHIPS OF ART & CULTURE**

- **Sponsor of Multimedia Guide Service in Korean at World Renowned Museums**
  Following our partnership with the Louvre Museum for the provision of high-tech guide devices and Korean language services, we entered into a sponsorship of a Korean language service with the British Museum and the Saint Petersburg Hermitage Museum in December 2008. Accordingly, visitors to these museums can choose the Korean language multimedia guide service via PDA to hear and learn about the world’s most famous artistic masterpieces, marking the first time an Asian language service has been made available at three of the world’s most famous museums. The inclusion of Korean language services are an indication of the increasing stature of Korea in international society and are a wonderful opportunity for sharing Korea’s traditional culture and language with citizens from around the world. In 2008, we sponsored a lecture on how to appreciate the masterworks at the Louvre in commemoration of our partnership with the French museum, garnering many positive responses. In the future, we strive to expand Korean language services in more of the world’s most famous museums, while serving as a cultural messenger through our global mecenas programs.

- **In-flight Guide to Culture & Art**
  Korean Air began its in-flight cultural art guide service on the Paris route starting in March 2008. As part of our support for art and culture in our destination cities and as a cultural service for our customers, we place flight attendants who are specially-trained to offer guidance for our cultural services on our flights to London, Amsterdam, Madrid and Incheon. The cultural guide service includes detailed information on art exhibitions and museums located at the destinations served. To improve the customer experience, flight attendants on these routes are professional flight attendants accomplished in the arts and culture, who are trained to provide in-depth analysis of the artworks that we provide information on and related educational programs. Customers have responded positively to the services provided by these specially-trained flight attendants, and therefore, we plan to expand the service to routes connecting New York, Vienna, Saint Petersburg and Rome.

- **Memorandum of Understanding with the National Center for Korean Traditional Performing Arts**
  In November 2008, Korean Air signed an MOU with the National Center for Korean Traditional Performing Arts to promote the beauty and grace of Korean traditional music and arts. Under the agreement, Korean Air’s cabin crews offer music and video entertainment provided by the National Center via the AVOD system as a way to introduce domestic and global passengers to the wonders of Korean traditional culture.
WE ARE CREATING A BETTER WORLD AS A RESPONSIBLE GLOBAL COMPANY
GLOBAL REFORESTATION PROJECT

We care about global issues.

Korean Air is fully aware of its corporate social responsibility to care about local communities, the environment and marginalized neighbors. We demonstrate social responsibility by responding to environmental issues that threaten the planet and that contribute to desertification in Asia. Accordingly, we plant trees in the deserts in both China and Mongolia, and provide aid to places that have been devastated by natural disasters. Along with our company initiatives, our employees contribute to the betterment of society by extending practical assistance where needed.

INTERVIEW

Seoul Cargo Branch Office
Min-Yeong, Ahn

I am planting a tree, which will become a vast forest.

“When I first came here it occurred to me that this desert is absolutely desolate. All I could see in any direction was sand and wind. Planting just a couple of trees wouldn’t make a difference. So I asked myself, “What can I do?” I could dig a hole in the ground, plant and water trees, but every step I took throughout this project was too much work for me. Every night I was unable to sleep because of my aching body. As the days passed, however, the young trees that we planted came alive and I found that the work I had contributed was worth it. I hope this campaign can contribute to alleviating desertification.”

FORESTATION IN AREAS SUFFERING FROM DESERTIFICATION

Korean Air is building a vast forest in the deserts of Baganuur in Mongolia and Kubuchi in China, which are the major origins of the yellow dust storms that occur in the Asia-Pacific area. The “Korean Air Forest” that we created in the Baganuur of Mongolia is a park of 27,500 trees growing on a 50,000m² site. This is where trees have been planted since 2004 by Korean Air’s new employees and students of Inha University, Korea Aerospace University and Inha Technical College, which is under the governance of Korean Air’s parent Hanjin Group. The Kubuchi Desert is the origin of 40% of the yellow dust storms that blow across Korea every spring. This has become the site of the “Korean Air Botanical Garden,” where Korean Air’s upper managerial levels have been planting trees annually in autumn since 2007. The goal is to plant a total of 1.8 million trees on the six million m² site by the year 2011. Upon completion, the project is expected to stop desertification of a site that covers an area of nine million m², ultimately improving the local weather and reducing yellow dust storms in the region. In addition, we began a tree planting campaign in Los Angeles, California in March 2009 as part of our global reforestation project.

DISASTER RELIEF PROJECTS

Korean Air has operated special cargo planes to transport relief resources to places that have been devastated by disasters. This includes such traumatic events as a flood in the Hubei Province of China, an explosion in Yongcheon, North Korea, an earthquake in Niigata, Japan, a terrorist attack in Russia, an earthquake and tsunami in Southeast Asia and an oil spill in Taean, Korea. In 2008 our company sent a special B747-400 cargo plane to deliver 2,000 blankets and 3,000 boxes of bottled water to the Sichuan Province of China, which had been damaged by an earthquake. Our A300-600 cargo plane also promptly made an unscheduled flight to deliver relief resources from the Korean government and KOICA to the refugees in Myanmar, a place that was devastated by the typhoon “Cyclone.”
By formulating effective countermeasures to challenging business circumstances such as high oil prices, Korean Air is fulfilling its responsibilities as a good corporate citizen.

Korean Air is marking its 40th anniversary since its inception as Korea’s first private airliner. Since the very beginning, Korean Air has sought to fulfill its social responsibilities and has made significant contributions to society. Through various projects and such events as the “Korean Air Travel Photo contest,” our company contributes to the well-being of local communities through global art and cultural sponsorships. During times of stress from natural disasters, we also offer human and material support through volunteerism and by dispatching cargo planes to deliver relief resources. Korean Air continues to be a partner that remains vigilant to the environmental conditions, health and well-being of its neighboring communities.
Overseas Volunteer Activities at Mae Hong Son of Thailand

Korean Air’s volunteer group “Shinwoohoe” has visited Mae Hong Son of Thailand seven times since 2004 to help the villagers of the underdeveloped region. The volunteers provide medical services, help to bathe injured workers and offer haircuts to all residents. They also deliver school supplies to the children in the village and spend time visiting residents and playing with the children.

Sky Love Bazaar

Korean Air’s volunteer groups made up of flight attendants, Gonihoe (female) and Seungwoohoe (male) hold the “Sky Love Bazaar” every year, where items donated by Korean Air employees and souvenirs collected in traveling around the world are sold and the money raised is used to help underprivileged neighbors. In 2008, the two volunteer groups donated the proceeds to charities for undernourished youth and mentally-challenged children and offered scholarships for teenaged heads of households.

Pink Ribbon Campaign

Korean Air’s female cabin crew members and ground workers wear pink ribbons, the symbol of an anti-breast cancer campaign, and distribute cards for self-examinations for breast cancer to female passengers in order to raise public awareness of breast cancer. In 2008, funds raised were donated to the Korean Cancer Society to help women suffering from breast cancer.

Habitat for Humanity

Korean Air has participated in the “Habitat for Humanity” campaign since 2001. To date, about 250 employees have participated in the service and the airline has supported the charity with KRW600 million in donations for the building of eight houses. In 2008, 51 Korean Air employees participated in the Korea Blitz Build (KBB), a volunteer project of construction industry workers, to build a house in Daegu, Republic of Korea.

Cleaning Up Oil Spills in Taean, Korea

Korean Air employees visited an area in Taean, South Chungcheong Province contaminated by oil spills and participated in activities to clean up the area. At one point, when the clean-up was stalled due to a shortage of oil-absorbent cloth, Korean Air immediately purchased 10.2 tons of oil-absorbent cloth through its U.S. branch and quickly transported it to volunteers at the site. In addition to Korean Air’s supplying of materials and equipment for volunteers, our employees joined the movement to revive marine life by volunteering for the clean-up.

Medical Service for Foreign Workers

In 2008, Korean Air’s Aviation Medical Center staff organized a medical volunteer group to provide medical services for foreign workers in order to raise public awareness of occupational diseases and injuries. In addition, first-aid kits were delivered to foreign workers. The sessions included information on how to properly lift heavy materials to prevent back and other musculoskeletal injuries and how to prevent loss of hearing from exposure to loud noises.

Transporting Relief Materials to Earthquake-hit Sichuan Province

Korean Air dispatched a special cargo plane to deliver 2,000 blankets and 3,000 boxes of bottled water as well as medical staff from Inha University to aid refugees in Sichuan Province, China, which was devastated by a very large earthquake. Since 1998, Korean Air has offered support and transported relief goods to regions devastated by disasters such as a flood in China’s Hubei Province, an explosion in Yongchun, North Korea, an earthquake in Nigata, Japan and a tsunami in Southeast Asia. In the future, Korean Air will continue its commitment to borderless sharing by extending a helping hand whenever and wherever its support is needed.
KOREAN AIR ABIDES BY GRI GUIDELINE

Korean Air has published a sustainability report every year since 2001 to report on the achievements of the company and to make forecasts regarding economics, social conditions and the environment in line with GRI Guidelines. In particular, our focus in this sustainability report was on the objective disclosure of Korean Air’s environmental management performances in response to environmental issues and the impact of Korean Air’s operations on its stakeholders. This report serves as an important channel of communication between the company and its stakeholders and seeks to garner encouragement and advice regarding the sustainable development of the company.
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<td>Initiatives to reduce greenhouse gas emissions and reductions achieved.</td>
<td>Climate Change</td>
</tr>
<tr>
<td>EN18</td>
<td>Emissions of ozone-depleting substances by weight.</td>
<td>Climate Change</td>
</tr>
<tr>
<td>EN19</td>
<td>Total water discharge by quality and destination.</td>
<td>Wastewater &amp; Sewage Emissions, Local Air Pollutant Emissions</td>
</tr>
<tr>
<td>EN21</td>
<td>Total number and volume of significant spills.</td>
<td>None</td>
</tr>
<tr>
<td>EN22</td>
<td>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.</td>
<td>None</td>
</tr>
<tr>
<td>EN23</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.</td>
<td>None</td>
</tr>
<tr>
<td>EN24</td>
<td>Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.</td>
<td>Environmental Value &amp; Responsibilities</td>
</tr>
<tr>
<td>EN25</td>
<td>Percentage of products sold and their packaging materials that are reclaimed by category.</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>EN26</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</td>
<td>None</td>
</tr>
<tr>
<td>EN27</td>
<td>Significant environmental impacts of transporting products and other goods and materials for the organization’s operations, and transporting members of the workforce.</td>
<td>Climate Change</td>
</tr>
<tr>
<td>EN28</td>
<td>Total environmental protection expenditures and investments by type.</td>
<td>Noise Charge, Environmental Expenses</td>
</tr>
</tbody>
</table>

**LABOR PRACTICES AND DECENT WORK**

<p>| LA1 | Total workforce by employment type, employment contract, and region. | Status of Employees | 64 |
| LA2 | Total number and rate of employee turnover by age group, gender, and region. | Status of Employees | 64 |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | Compensation and Welfare | 70 |
| LA4 | Percentage of employees covered by collective bargaining agreements. | Labor-Management Relation | 71 |
| LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | Labor-Management Relation | 71 |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | Labor-Management Relation | 71 |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. | Safety &amp; Health of Employees | 66-67 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | Health of Customers and Employees | 60-61, 66-67 |
| LA9 | Health and safety topics covered in formal agreements with trade unions. | Safety &amp; Health of Employees | 66-67 |
| LA10 | Average hours of training per year per employee by category. | Cultivation of Talented People | 69 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Cultivation of Talented People | 69 |</p>
<table>
<thead>
<tr>
<th>GRI</th>
<th>REMARKS</th>
<th>PAGE</th>
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</thead>
<tbody>
<tr>
<td>LA12</td>
<td>Percentage of employees receiving regular performance and career development reviews.</td>
<td>Personnel Management System</td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.</td>
<td>Board of Directors &amp; Corporate Governance</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of basic salary of men to women by employee category.</td>
<td>Wages and Incentives</td>
</tr>
</tbody>
</table>

**HUMAN RIGHTS**

| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | Not Applicable |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | Not Applicable |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | Human Rights | 65 |
| HR4 | Total number of incidents of discrimination and actions taken. | None |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | Labor-Management Relation | 71 |
| HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | Hiring Overseas Human Resources, Prohibition of Child and Forced Labor | 64-65 |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. | Hiring Overseas Human Resources, Prohibition of Child and Forced Labor | 64-65 |
| HR8 | Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations. | Customer Information Protection, Security for Customers | 59, 60-61 |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | None |

**SOCIETY**

| SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. | Community | 74-79 |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption. | Ethical Management | 18-19 |
| SO3 | Percentage of employees trained in organization’s anti-corruption policies and procedures. | Ethical Management | 18-19 |
| SO4 | Actions taken in response to incidents of corruption. | Ethical Management | 18-19 |
| SO5 | Public policy positions and participation in public policy development and lobbying. | No Data Currently Available |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | No Data Currently Available |
| SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. | No Data Currently Available |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | No Data Currently Available |

**PRODUCT RESPONSIBILITY**

| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed, and percentage of significant products and services categories subject to such procedures. | Customers | 58-63 |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | Customers | 58-63 |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Customers | 58-63 |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | None |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | Business Environment / Risk | 58-63 |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | None |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | No Data Currently Available |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | None |
ABOUT THIS REPORT

PURPOSE OF THE REPORT

Korean Air’s Sustainability Report summarizes the activities and achievements of Korean Air in terms of the economic, social and environmental aspects of the company’s operations. Published annually, this report serves to enhance the transparency of our business operations and to provide information for our stakeholders including customers, shareholders and investors, business partners, local communities, governmental bodies and NGOs.

REPORTING PRINCIPLES

Under the title of “Sustaining Excellence,” the 2009 Sustainability Report is Korean Air’s fourth report on its sustainable management practices. Prepared in line with the G3 guidelines of the Global Reporting Initiative (GRI), this report also benchmarked the best practices of airlines around the world as outlined in sustainability reports published in the aviation industry.

REPORT COMPOSITION

As in last year’s report, this report contains five major sections: a profile, a section on the company’s economic performances, a section on social contributions, a section on the environment and an appendix. This report is also available at our website.

DATA COLLECTION AND COMPOSITION

The entire contents of the 2009 Sustainability Report were collected and compiled from Korean Air data and from collections of employee opinions regarding Korean Air’s operations in order to ensure objectivity and credibility. The Environment Team of the Facilities & Environment Department planned and compiled the report in line with the GRI G3 Guidelines with the participation of 33 staff members from 23 related departments in drafting the report. The Environment Team restructured and reorganized the draft and published the report after Korean Air’s executives and all pertinent departments had proofread and audited the content.

SCOPE OF THE REPORT

This report covers the fiscal year 2008 (Jan. 1 – Dec. 31, 2008) and contains data collected over the last three years. Readers are advised to refer to the 2008 Annual Report for further details on economic performance.

IMPROVEMENTS IN THE REPORT

This report has been produced in compliance with the G3 guidelines of the GRI. However, some information may not fulfill the disclosure policy of the guidelines due to internal conditions of the company. The collecting of further opinions from stakeholders and external verification processes are required for objective accuracy. Korean Air has pinpointed a number of areas requiring improvement and is committed to improving these areas in future reports.

FEEDBACK FROM STAKEHOLDERS

SURVEY RESULTS

- Satisfactory 85%
- Average 14%

Korean Air has surveyed employees to garner opinions and suggestions for improving the sustainability report. Results of the survey of the previous report have been reflected in the production of the 2009 Sustainability Report.
FEEDBACK

1. Which of the following stakeholder groups do you belong to?
   - Employee
   - Customer
   - Shareholder
   - Investor
   - Supplier/Subcontractor
   - Government body
   - NGO
   - CSR expert
   - Media
   - Academic body
   - None of the above ( )

2. Which of the following sections provided the information you required from the report?
   - Company Profile
   - Business Strategy
   - Investor Information
   - Customer Service
   - Employees
   - Social Contributions
   - Environmental Management
   - None of the above ( )

3. Does this report cover all the important issues that you thought needed to be included without omission?
   - Yes, it covers everything.
   - Yes, it contains quite a lot.
   - It contains some important issues.
   - No, it lacks some of the important issues.
   - No, it omits all the information I need.

4. Please describe the type of information that you would like to see in our next report.

5. Did you find any sections of this report to be insufficient, incomplete or inadequate? If so, please elaborate.
   - Company Profile
   - Social Values & Responsibilities
   - Environmental Values & Responsibilities
   - Economic Values & Responsibilities
   - None of the above ( )

6. We welcome any comments or criticism regarding this report.

Thank you for completing the survey. Your comments are greatly appreciated and will be used to improve future reports. Please mail or fax the survey to the following address:

Environment Team, Facilities & Environment Department, Korean Air
Add: 1370, Gonghang-dong, Gangseo-gu, Seoul 157-712, Korea  FAX: +82-2-2656-7447
Korean Air prepares for another delightful journey as soon as it wraps up a successful flight, continuing the cycle of bringing people together across the globe.

Korean Air will continue its endeavors to promote the balanced growth of society, environment and the economy while providing a sustainable future for our planet.

GRI G3 Self-declared A Level
We have self-declared our report as meeting the criteria for Application Level A. This self-declaration has not been externally assured nor checked by GRI.