Purpose of the report

Korean Air’s sustainability report, titled “Sustaining Excellence,” summarizes Korean Air’s economic, social and environmental activities and achievements over the past year. In an effort to promote greater transparency, this annual report serves to disclose such information to our stakeholders, including employees, customers, shareholders & investors, business partners, government agencies and local communities, in a timely manner.

Reporting principles

The Korean Air Sustainability Report 2011 is the airline’s sixth sustainability report, prepared in accordance with the G3 Guidelines of the Global Reporting Initiative (GRI). This report also benchmarked the sustainability reports of other global airliners to reflect the aviation industry’s activities and achievements in terms of sustainability.

Reporting Content

The content of the report was compiled by Korean Air’s Environment Team based on raw data and drafts of information collected from 23 related departments. Also, the content was proofread by all pertinent departments and the members of Korean Air’s executive management.

Reporting scope

This report encompasses fiscal year 2010 (Jan. 1 – Dec. 31, 2010) and contains data collected over the past three years. For more details regarding our economic performance in 2010, please refer to the Korean Air 2010 Annual Report.

http://www.koreanair.com

About this report

This report is printed on an environmentally-friendly recycled paper using soybean oil.
Korean Air: A Leader in Air Travel and Environmental Protection

Korean Air has been a pioneer in the aviation industry, not only in terms of its fleet modernization and customer service but also in its commitment to environmental conservation. Since its inception in 1969, the company has been dedicated to the promotion of the environment, both domestically and internationally.

**Raising the Status of Women**

Under its corporate social responsibility (CSR) initiatives, Korean Air has been actively involved in promoting gender equality. In 2010, the company won the presidential prize for its contributions to raising the status of women at a ceremony held by the Ministry of Gender Equality and Family Affairs. It has been a signatory of the Women-Friendly Company Agreement since 2006, and its Chairman, Yang-ho Cho, was inaugurated as the chairman of the committee in September of that year. The company has implemented various policies to support women, such as maternity leaves and separate medical treatment for sterility.

**Green Teacher Green Tour**

As a part of its environmental efforts, Korean Air has been organizing the Green Teacher Green Tour since 2004. This initiative encourages educators and their students to participate in tree-planting events around the world. In 2010, the company planted over a million trees in Europe, China, and the United States.

**Korean Air's Environmental Awards**

In recognition of its environmental commitments, Korean Air has received numerous awards. In 2010, the company won the grand prize at the Seoul Environmental Awards for its various environmental protection activities. It was also awarded the grand prize at the 2010 Seoul exhibition of photos and artwork.

**Korean Air's Inclusiveness**

Korean Air is committed to improving accessibility for visually-impaired users, providing a website dedicated to enhancing accessibility. The website uses fewer images and more text, paired with a “Screen Reader” program, which reads text aloud for the benefit of visually-impaired users. The website also features a “Color Blindness Support” feature to ensure that all users can access the site comfortably.

**Korean Air's Fleet Modernization**

As part of its fleet modernization plan, Korean Air has been replacing its older aircraft with newer models to improve efficiency and environmental performance. In 2010, the company added an A380 aircraft to its fleet, marking a new era in air travel. The A380 is the world's largest passenger aircraft, offering a luxurious travel experience and reduced carbon emissions per passenger-kilometer.

**Korean Air's Customer Satisfaction**

Korean Air is known for its excellent customer service, consistently ranked as one of the world’s top airlines. In 2010, the company was awarded the prize for its company-wide efforts to promote the competitiveness of the nation’s universities. Korean Air has been recognized for its customer-oriented service, with a focus on innovations in management and training. The company now ranks at the top for the A330 and A340 aircraft, achieving an on-time ratio of 99.84% for a period of two years from 2002 to 2004.

**Korean Air's Social Responsibility**

Throughout its history, Korean Air has been dedicated to social responsibility, not only in terms of its business operations but also in its contributions to society. The company has been involved in various social activities, such as supporting the Jeongdong Theater in Seoul and the Ilwoo Space for the exhibition of photos and artwork. It has also been involved in promoting the Jeongdongjin Group, which is dedicated to improving accessibility for visually-impaired users.

**Korean Air's Environmental Initiatives**

Korean Air has been leading the way in environmental conservation, not only in its own operations but also through its corporate social responsibility initiatives. In 2010, the company was ranked second in the IATA’s global ranking for cargo transport and received a prize in the customer-oriented service category at the 2010 National Competitiveness Awards.

**Korean Air's Corporate Social Responsibility**

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**Korean Air's IATA Honors**

Korean Air has been honored by the International Air Transport Association (IATA) for its excellence in the operation and maintenance of its fleet. In 2010, the company was awarded the grand prize for its various environmental protection activities. The city of Seoul gave Korean Air the Seoul Environmental Award for its various environmental protection activities.

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IN TAKING FLIGHT TO THE SKIES ABOVE,
AN AIRPLANE NEEDS TO BE PERFECTLY BALANCED
IN TERMS OF WEIGHT, POWER AND AERODYNAMICS.
SIMILARLY, TO ACHIEVE NEW HEIGHTS IN TERMS OF
SUSTAINABLE GROWTH, A COMPANY MUST STRIKE
JUST THE RIGHT BALANCE IN ITS TRIPLE BOTTOM LINES.

IN PROTECTING THE EARTH, OUR ONE AND ONLY PLANET,
AND IN GIVING BACK TO SOCIETY, KOREAN AIR HAS
ACHIEVED SUSTAINED GROWTH AND IS SPREADING
ITS WINGS TO TAKE ANOTHER LEAP FORWARD INTO A
BRIGHTER FUTURE.
Dear stakeholders,

I would like to express my sincere gratitude for your support and encouragement of Korean Air over the past year. In every aspect of its operations, Korean Air has sought to build relationships with its stakeholders while effectively managing economic and environmental sustainability and heeding the company’s social responsibilities. Included in our long list of stakeholders are Korean Air’s global passengers, shareholders, employees and their families, business partners, local communities, NGOs and governments all over the world. I strongly believe that the first step in a company’s management practices, in terms of sustainability, begins with a full awareness and subsequent fulfillment of the company’s roles and responsibilities to its stakeholders.

The year 2010 marked Korean Air’s 41st anniversary, and Korean Air has made consistent efforts to grow as a leading global carrier over the past decades. In the meantime, we take pride in the fact that Korean Air has long been aware of, and has long sought to fulfill its economic, social and environmental responsibilities to its stakeholders. While our products and services, tailored to the needs of our many customers, have enabled us to gain a leading position in the global aviation industry, it is the close collaboration with our stakeholders that will propel Korean Air to a brighter and sustainable future.

In the early 1990s, Korean Air formulated its environmental philosophies and has been involved in a variety of environmental management activities since then, including a global campaign to plant trees, the modernizing of our fleet with the addition of eco-friendly aircraft, and the activities to increase our energy efficiency whether in our flight operations or on the ground. Korean Air was a founding member of SkyTeam, an alliance made up of leading global airlines, which has been proactive in addressing environmental issues facing the global aviation industry. In 2011, Korean Air intends to remain steadfast in its commitment to sustainability management practices, with social responsibilities standing as an essential part of such practices.

In particular, we are planning to implement a company-wide program that will enable employees to donate time, talent or money to people in need as part of the company’s efforts to give back to society through social contributions. The aim of the program is to inspire employees to volunteer, thus spreading the seeds of trust and care to every corner of society.

While this program will actively encourage everyone at Korean Air to become more involved in volunteer activities, the company will also lay the groundwork for sustainable growth through innovations in operating processes and procedures. We will continue to streamline processes to eliminate inefficiency while working to develop future engines of growth. At the same time, we will continue our efforts to establish a more flexible and dynamic corporate culture, one that will more effectively nurture our employees’ creativity and passion while attracting talented personnel to our ranks. Such talented and creative people will, in turn, contribute to the sustainable growth of the company. Before closing, I am proud to inform you that our first Airbus A380, newly added to our fleet, has been assigned to one of our commercial routes. We plan to make the best use of this new eco-friendly aircraft and to utilize its strengths to improve our operating processes and the efficiency of our fleet operations. Coupled with Korean Air’s differentiated products and services, the new aircraft is expected to bolster our operating profit, especially once we take delivery of ten new A380s that are currently on order.

As a respected corporate citizen that is effectively managed for long-term sustainability, all of us at Korean Air are ready for a new year ahead as we continue to strengthen our relationships with stakeholders, including better communication with local communities. I would like to express my appreciation in advance for your support and encouragement in these endeavors. Please join with us at Korean Air as we take flight to an even brighter future.

Thank you.

CEO’s MESSAGE

Korean Air aims to increase its stature in the global aviation industry through effective management of its economic sustainability, environmental stewardship and commitment to corporate social responsibilities while strengthening relationships with its stakeholders.
Taking flight with sustainable competitiveness as a leading global carrier

As Korea’s top airline, Korean Air carries 22.74 million passengers and 1.8 million tons of freight every year to 113 destinations in 39 countries around the world. Commanding the top performances in the nation in the transport of passengers and freight, the company’s prestige continues to exalt the nation abroad. Korean Air’s aerospace business also contributes to the development of the nation’s aerospace industry, through its advanced technologies and expertise in aircraft design, manufacturing, licencing, reformulation, conversion, maintenance, unmanned aerial vehicles (UAV) and R&D in aerospace technologies.

Korean Air has consistently innovated its processes to achieve higher levels of service quality, which has enabled the company to set a lofty goal for its 50th anniversary in 2019. This goal is for Korean Air to become one of the top 10 global passenger carriers transporting 20 million international passengers per year and to maintain its top ranking in the transport of international cargo with an annual transport of 2.5 million tons of cargo by 2019.
BUSINESS PORTFOLIO

As Korea’s leading global carrier, Korean Air is involved in air transportation, aerospace, catering & in-flight sales, and hotel & limousine services.

Air Transportation
As of the end of 2010, Korean Air had 128 aircraft in its fleet and offered scheduled routes to 13 domestic and 113 international destinations in 39 countries around the world. In 2010 alone, we transported 22.74 million passengers and 1.8 million tons of freight. During the same year, we added next-generation aircraft employing state-of-the-art technologies to upgrade our existing fleet, such as Boeing’s B777-300ER and the Airbus A330-300. The new airplanes were placed on various international routes, including New York, Los Angeles, Mumbai and Melbourne, for the greater convenience of our global passengers.

We also added international routes to and from regional airports and advanced into new markets with the introduction of the Incheon-Haneda route. Furthermore, we introduced a new premium service, the “Flexjet Connect” service through a marketing alliance with Flexjet, a U.S. company. The program offers passengers on business trips flight connections to more than 5,000 U.S. airports in any of ten cities in the U.S., including New York, Chicago, and Los Angeles. With as little as 24-hour notice, passengers can take advantage of the greater convenience and savings in time by flying on high-performance Bombardier business jets.

The cargo transport business expanded its offering of highly-profitable charter flights and increased the number of flights on routes due to the rising demand. In line with Naenoe Airport’s strategy to become an Asian hub, we expanded the number of routes from Southeast Asia and Europe to the Middle East and Middle Asia. We also continued to develop new markets while securing future engines of growth. Furthermore, we developed new customized freight services tailored to customers’ need, and we began an e-Freight service to computerize our air transport cargo to enhance customer satisfaction and create new market demand.

Aerospace
Korean Air’s aerospace business is growing as one of the top 10 global total solution providers in the areas of aircraft design, manufacturing, licensing production, upgrades, restoration, conversion and maintenance. In the R&D sector for aircraft fuselages, we recently completed the development of a cutting-edge composite structure for the B787 and developed cargo doors for the A350, which we plan to supply to Airbus in 2011. In 2010, we extended a contract for forward torque bospans for Boeing’s B777 and B767 Sec 48 aircraft. Besides this, we signed a number of new contracts, having recently received orders for the design and manufacture of the A320 wing structure, the Sharklet.

As Korea’s leading global carrier, Korean Air is involved in air transportation, aerospace, catering & in-flight sales, and hotel & limousine services.
We also repair and manufacture about 25,000 aircraft components, performing maintenance on 100 civilian aircraft including the B747, A330, and A300-600. We also perform maintenance on fighter jets and transporters belonging to the U.S. military stationed in the Asia-Pacific region. Recently, we landed an order for maintenance of the KC-130J, an in-flight tanker for the U.S. Navy. In the sector for R&D of unmanned aerial vehicles (UAV), we are involved in projects developing medium-altitude UAVs (MUAV), surveillance systems, small-scale stealth aircraft, and R&D of high-tech stealth capabilities.

In the aerospace R&D sector, we participated in the system assembly and engine development of Korea’s first launch vehicle, the KSLV-1, and developed technology for test facilities for the KSLV-2. Currently, we are preparing for the third launch of the KSLV-1 and developing a design for a liquid rocket engine for the KSLV-2, as well as a booster tank. In the satellite sector, we are developing multi-purpose 3A satellite structures, solar panels, satellite barrel structures, and a model for the development of lunar probe structures.

Catering & In-flight Sales
Korean Air runs a profitable catering and in-flight sales business. We develop menus based on customer surveys, produce meals for scheduled flights at our catering center, and deliver meals for passengers on Korean Air flights and other carriers. Korean Air’s in-flight meal catering center has acquired HACCP (Hazard Analysis Critical Control Points) certification from the Korea Food & Drug Administration for its high safety standards. With the opening of a Food Safety Research Center at Inha University, we completed a systematic process for the entire chain of production, from the purchase of ingredients to the preparation and delivery of meals, while ensuring enhanced food safety and quality to meet global standards.

Korean Air’s in-flight meals were again recognized for the sixth consecutive year, from 2005 to 2010, at the PAX Reader-ship Awards sponsored by ITCA. Nonetheless, we will extend our efforts to improve our in-flight meals with the creation of new menus tailored to the unique tastes of customers differentiated by regions and routes. Korean Air continues to promote Korean food to global customers by offering a varied set of meal choices imbued with a taste of Korean traditional food. In addition, we sell in-flight duty-free products to passengers on international routes. With careful study of the feedback and the analysis of customers’ needs, we offer a variety of products while enhancing customer satisfaction through strict standards of quality control. In particular, our pre-order service has been instrumental in improving the efficiency of our in-flight sales.

Hotel and Limousine Service
Korean Air operates KAL Hotels in Jeju City and Seogwipo, Korea, offering high-class services as a luxury hotel chain. In addition, we operate affiliated hotels such as the Wilshire Grand Hotel in Los Angeles, the Waikiki Resort Hotel in Hawaii, and the Hyatt Regency Hotel in Incheon. Furthermore, we have been providing a limousine bus service since 1992, which travels to and from downtown Seoul and between the Gimpo and Incheon Airports.

Sales in Catering and In-flight Sales Business (Unit: KRW x billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Sales</td>
<td>257.9</td>
<td>251.1</td>
<td>206.3</td>
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Sales in Hotel and Limousine Business (Unit: KRW x billions)

<table>
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<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>31.7</td>
<td>31.0</td>
<td>43.6</td>
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CORPORATE GOVERNANCE

A transparent corporate culture and ethical business practices contribute to corporate value. Korean Air’s executive management draws on the expertise of its members to make rational and objective decisions so as to achieve sustainable growth and to enhance shareholder value.

Korean Air’s board of directors consists of members of executive management who are leaders in the aviation industry and non-standing directors who have expertise in several fields. Non-standing directors monitor and advise executive management, thus making the management’s decision-making processes more transparent.

Board of Directors
Korean Air’s Board of Directors (BOD) deliberates and makes resolutions on issues included in the agenda approved at the general shareholders’ meeting and on issues of significance to Korean Air’s operations in accordance with company regulations and the Articles of Incorporation. The Board also monitors the performances and fulfillment of duties by the company’s executive management. The Korean Air BOD is comprised of nine members (including four highly capable executives who are leaders in the aviation industry and five non-standing directors who have high-level expertise in their respective fields). Under regulations governing the BOD, one or more accounting and/or financial expert(s) acts as a standing auditor(s).

Members of the BOD are given annual schedules and the agendas of BOD meetings to improve attendance and the 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 being discussed, 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.

At BOD meetings, the management delivers reports on progress achieved on issues placed on the agenda of previous meetings. Management also reports to the Audit Committee and the BOD regarding the company’s quarterly business results. Furthermore, three specialized committees operate under the direction of the BOD in accordance with 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 activities of the BOD.

Compensation for directors is approved at the general shareholders’ meetings. In 2010, the BOD held seven meetings for deliberation and approved 38 items on the agenda. On average, 8.7 directors were present at BOD meetings in 2010, with an average attendance rate of 79% (non-standing directors: 86%).
Korean Air remains dedicated to sustainably managing its environmental and social responsibilities while creating lasting economic value. Intent on creating a prosperous future and balanced growth for all stakeholders, we declared our commitment to managing the impact of our operations and practices on the environment as far back as the early 1990’s. Since then, we have been active in promoting and managing various environmentally-friendly activities such as the global tree-planting campaign to halt desertification in Mongolia and China, the adoption of fuel-efficient eco-friendly aircraft that produce less noise, and the energy efficiency campaign. We also make concerted efforts, in conjunction with our business partners and employees, to create sustainable growth for all stakeholders through labor-management cooperation and transparency in our transactions with business partners.
KOREAN AIR’S SUSTAINABILITY MANAGEMENT

As a responsible corporate citizen that seeks to be respected by the present as well as future generations, Korean Air makes strenuous efforts to achieve balanced growth in its economic, environmental and social performances.

Sustainable development is concerned with striking a balance between economic, environmental, and social goals to enhance the quality of life of both current and future generations. Although these goals are of equal significance, a compromise is required to achieve an optimal balance since each is mutually dependent on the other. To this end, Korean Air’s global transportation network contributes to the sustainable development of the world in social and economic terms. Still, our usage of fossil fuels has an impact on climate change, and the levels of noise created by aircraft during take-off and landing affects those residing near airports. Thus, we endeavor, as a good steward of the environment, to minimize the impact of our operations while meeting increasing consumer demand for air transportation. Moreover, to fulfill our social responsibilities, we aim to raise the quality of people’s lives through mutually-beneficial and open communications with diverse stakeholders.

01 Economic Responsibilities
Air transportation promotes balanced economic development among regions by facilitating the growth of business around the globe. It also increases travel, tourism and the conducting of business, which creates employment opportunities. Korean Air aims to fulfill its economic responsibilities of maximizing the value of society, businesses, and individuals by providing rapid and convenient passenger and cargo transportation to all corners of the world.

02 Social Responsibilities
We aim to fulfill our responsibilities as a corporate citizen to benefit those directly and indirectly influenced by our economic activities, including customers, shareholders, investors, employees, partners, and local communities. We provide customers with wonderful flying experiences, offer employees fair compensation, contribute to local communities through sharing and donating, and cooperate with partners for mutual prosperity.

03 Environmental Responsibilities
The noise created by aircraft during take-off and landing undermines the quality of life of people residing near airports. The combustion of fossil fuels causes an increase in greenhouse gases in the atmosphere, contributing to climate change. Korean Air continues to make company-wide efforts to achieve sustainable development capable of satisfying the growing demand for air transportation while minimizing the environmental impact of its operations.
**BUSINESS ETHICS**

Practicing and promoting ethical business practices within society

Korean Air initiated a Charter of Ethics in 2001 to serve as a guide for ethical behavior for our employees. Since then, the company has encouraged its employees to act in accordance with these higher ethical standards in performing their daily duties through various incentives and training programs.

In collaboration with domestic and international organizations such as the Federation of Korean Industries (FKI) and the UN Global Compact, we promote the concept and practice of corporate social responsibilities and business ethics in society.

Korean Air regards transparency and responsibility as vital to our management values. We also respect free market principles and abide by relevant rules and regulations in our business practices. With these principles, we strive to promote the mutual prosperity of both the company and society as a whole. To this end, Korean Air has instituted its own charter of ethics as outlined below and has pledged to put it into practice.

- We regard customer satisfaction and safety as our highest priority.
- We make every effort to maximize shareholder value for our investors.
- We respect the principles of free competition and will continue to play a leading role in the development of the airline industry.
- We seek to contribute to the development of our country and society and to the preservation of the environment.
- We acknowledge and aim to uphold our obligations and responsibilities in accordance with the corporate principles set forth by the company.

**Korean Air’s Business Ethics System**

Incorporating an ethical mind-set in our workforce

Korean Air includes a “Business Ethics” section on its internal communication network in order to provide training to the employees regarding business ethics as well as clear and detailed guidelines on correct behavior in business. Every year, the company provides classes in ethics for new employees and collects pledge forms from the employees, by which each agrees to uphold the ethical standards of Korean Air. In 2010, a total of 1,100 new employees completed the course in business ethics.

**Internal Misconduct Reporting System**

Since October 2002, Korean Air has administered an Internal Misconduct Reporting System to eradicate any possible misconduct such as unreasonable influence by individuals, financial or other irregularities, and other inappropriate financial or non-financial dealings with business partners. Not limited to employees, a stakeholder can report any type of misconduct, irregularities, and even inefficiencies in policies and management practices to the company via e-mail (personal information should be secured and fully protected when sending an e-mail). After the accuracy of a report is ascertained, the reporter is informed of the follow-up actions taken and corrections made.

**Strengthening external networks to enhance ethical management practices**

In order to benchmark best practices and exchange information, Korean Air continues to build a network with outside entities through its participation in meetings, seminars and training sessions on ethical management practices, corporate ethics, which are sponsored by the Korea Chamber of Commerce and Industry.
SKYTEAM’S JOINT STATEMENT ON SUSTAINABILITY MANAGEMENT

Joining the global aviation industry’s concerted efforts to achieve sustainability in management and the prosperity of humanity

The SkyTeam Alliance endeavors to meet the growing demand for air travel while contributing to cultural exchanges between local communities. SkyTeam recognizes that economic growth must incorporate environmental protection and social development, and the alliance strives to set industry standards for protecting the environment, fulfilling social responsibilities and realizing equitable economic prosperity for humanity. In keeping with this philosophy, SkyTeam has adopted the following principles:

- 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 act with integrity and strive to earn the trust of all of our stakeholders.

- SkyTeam is committed to promoting social responsibility.
  - We offer safe, motivating working conditions in accordance with applicable employment and labor laws.
  - We strive to promote diversity and ensure equal opportunities among all staff.
  - We foster employee opportunities for advancement and mobility through career enhancement initiatives.

- 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 seek our suppliers and subcontractors to do the same.
  - We ensure all facilities and operations comply with environmental protection regulations.

- SkyTeam’s Joint Statement on Sustainability Management

Launched in June 2000, SkyTeam is a global leading alliance of airlines. Its 14 members include Korean Air, Delta Airlines, Air France, Aero Mexico, Aeroflot, Alitalia, Air Europa, Czech Airlines, KLM, China Southern, China Eastern, Kenya Airways, Vietnam Airlines and TAROM.

Today, the SkyTeam operates 14,128 flights, carrying 474 million international passengers every day to 916 cities in 169 countries. Its cargo service, SkyTeam Cargo, covers 659 destinations in 132 countries. In the future, we expect to add new members, China Eastern Airlines and China Airlines of Taiwan in 2011, and eventually, Garuda Indonesia, Aerolineas Argentinas and Middle East Airlines, as the SkyTeam’s routes and services continue to grow.

As an expression of its commitment to its social responsibilities, the SkyTeam organized the CSR Expert Group in 2008 and has been seeking ways to fulfill these social responsibilities as a team through regular meetings and various initiatives. With the declaration of the Joint Statement on Sustainability Management, the SkyTeam will step up its sustainability management endeavors in the future.
Korean Air is dedicated to further minimizing feedback, top-quality in-flight services, and convenient flight schedules and on-time arrivals through our global network.

Safety is the top priority of our management policies. Thus, we make strenuous efforts to achieve accident-free flight operations. In addition, the protection of customer privacy is the underlying principle of our customer satisfaction activities, which include communication channels for receiving feedback, top-quality in-flight services, and convenient flight schedules and on-time arrivals through our global network.

Economic Responsibilities
Korean Air posted KRW11,460.5 billion in sales and KRW11,459.1 billion in operating income for 2010, which are historic highs for the company. Korean Air will continue to improve its customer service and innovate its operating processes to further enhance its business performances, while distributing to stakeholders the economic value created through its business activities.

Minimizing Environmental Impact of Ground Operations
Korean Air follows a systematic environmental management system to minimize the environmental impact of its maintenance and other ground operations. At all worksites, we apply higher standards to the discharge of waste, chemical substances, wastewater, and soil pollutants, while increasing the number of cutting-edge fuel-efficient aircraft in its fleet and improving its operational efficiency in order to reduce its CO2 emissions.

Win-Win Cooperation
Korean Air is committed to fair transactions and win-win cooperation with its business partners in mutually beneficial relationships. To promote greater transparency, we disclose all information regarding our procurement processes and policies. Also, to improve our partnerships, we apply a higher-than-standard code of ethics to facilitate transparent and fair transactions with business partners.

Social Contributions
Korean Air set corporate social responsibilities (CSR) as one of the company’s major company-wide campaigns in 2010 and promoted various activities in service of the CSR concept during the year. On the first workday of the year, we declared our commitment to the principles of CSR and all employees pledged to donate their talents to help persons in need. Under four themes, “donations of talent,” “donations of care,” “donations of hope,” and “donations of happiness,” we are involved in a diverse range of social contribution activities that allow employees to volunteer their time, talents and effort to any of these activities at least once a year.
Entrepreneurship advances virtue in society. For instance, the equitable distribution of value created through responsible business practices enables Korean Air to contribute to the quality of life of all of its stakeholders. Committed to sustainable development, Korean Air is building a better tomorrow through transparent and responsible management practices.
Korean Air aims to achieve sustainable growth by striking the right balance between its roles and responsibilities in terms of economics, the environment and society. While generating profitability from our air transport business, we will promote the balanced development of regional economies, strive to minimize the impact of our operations on the environment while fighting global warming, and contribute to the development of society as a responsible corporate citizen. In making these efforts consistent and continuous, we aim to improve the quality of life of our customers while providing “excellence in flight” services as the basis for all such efforts.

Korean Air has successfully completed a three-year long ERP project in enterprise resource planning (ERP), which encompasses finance, procurement/facilities, aerospace, catering, revenue management, management accounting and MRO. The benefits of the ERP system have made possible the closing of accounting periods from end to end, combining and standardizing the accounting of finance, materials, facilities and maintenance into a single system. With the practical use of real-time and historical data, the system is expected to help us in reaching our goals of prompt decision-making, innovation, high productivity and reduced operating costs.

**Introduction of Enterprise Resource Planning (ERP)**

ERP Project Director

Sang Man Lee, Executive Director
CONTRIBUTING TO ECONOMIC DEVELOPMENT THROUGH OUR FLIGHT SERVICES

Flying around the world, we offer high-end passenger and cargo transport services to and from 113 cities in 39 countries. In connecting cities and supporting the exchange of resources, Korean Air takes pride in contributing to the development of the global economy.

In 2010, sales revenue from passenger routes grew by 16% from the previous year thanks to recovery in the domestic and global economy as well as a resultant growth in demand. Transportation volume also increased 10% due to a robust recovery in sales for international routes. While our Chinese routes maintained a 26% year-on-year growth, route sales to Japan advanced by 17%, followed by 16% growth in Southeast Asian routes, 8% on American routes, 7% on European routes and 1% on routes to Oceania. By region, revenue from domestic routes grew by a whopping 67%, while revenues from Chinese routes improved 27%, contributing to 6% growth in revenue, from the previous year, for overseas routes.

### Destinations

- **America**: 15 cities
- **Europe/Middle East**: 22 cities
- **China**: 22 cities
- **Southeast Asia**: 18 cities
- **Korea**: 13 cities
- **Japan**: 15 cities
- **Oceania**: 6 cities

### Key Figures

- **Number of aircraft**: 128 (as of December 31, 2010)
- **128 domestic cities**
- **100 cities in 28 countries**
- **Total 113 cities in 39 countries**

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**Korean Airways Co., Ltd.**

**Address**: 437, Gonghang-dong, Gangseo-gu, Seoul, Korea 157-712

**Established**: March 1, 1969

**Business Area**: Passenger and cargo transport, aerospace, in-flight meal service, in-flight sales, hotel and limousine service

**Number of aircraft**: 128 (as of December 31, 2010)

**Destinations**: 15 cities in America, 22 cities in Europe/Middle East, 22 cities in China, 18 cities in Southeast Asia, 13 cities in Korea, 15 cities in Japan, 6 cities in Oceania.

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In 2010, sales revenue from passenger routes grew by 16% from the previous year thanks to recovery in the domestic and global economy as well as a resultant growth in demand. Transportation volume also increased 10% due to a robust recovery in sales for international routes. While our Chinese routes maintained a 26% year-on-year growth, route sales to Japan advanced by 17%, followed by 16% growth in Southeast Asian routes, 8% on American routes, 7% on European routes and 1% on routes to Oceania. By region, revenue from domestic routes grew by a whopping 67%, while revenues from Chinese routes improved 27%, contributing to 6% growth in revenue, from the previous year, for overseas routes.
Rising above the global economic recession, we are taking flight to a brighter year in 2011, backed by enhanced customer-oriented business strategies, increased social contribution activities, strengthened profitability, excellent potential for growth, innovation in processes and improvements to efficiencies.

2010 Business Environments and 2011 Outlook
In 2011, it is forecasted that the domestic and global economies will continue to recover on the strengths of expanding liquidity, the recovery in consumer sentiment, and the stabilization of European economies. However, the level of recovery in individual markets will be dependent on interest rates and the policies enacted by governments. A recovering global economy should also stabilize global demand for air transport, though the growth rate may slow down slightly from the previous year. Published in March 2011, a report from IATA projected 5.6% and 6.1% year-on-year growth for 2011 in passenger and cargo transport, respectively.

While it is predicted that the won-dollar exchange rate will stabilize around KRW 1,100 to KRW 1,150 compared to 1 USD, the North Korea risk remains as a variable. In 2010, the price of WTI (West Texas Intermediate) crude oil stabilized at an annual average of $80. In 2011, oil prices are likely to rise due to growing demand for commodities along with economic recovery. In addition, political instability and an inflow of speculative funds into the Middle East may lead to a sharp rise in oil prices.

2011 Risks & Opportunities
In 2011, Korean Air foresees new opportunities in the growing demand for air transport, especially those arising from the Korea-U.S. and Korea-European Union FTAs (Free Trade Agreements), and improvements in the company’s corporate image as a high-end carrier with the adoption of the new A380 aircraft from Airbus. On the other hand, we foresee a growth in uncertainty from rising commodity prices due to recovery of the global economy, volatility of won-dollar exchange rates due to the North Korea risk, the likelihood of a sudden rise in oil prices due to political unrest in the Middle East and Africa, the advance of foreign air carriers into Korean markets and increased offerings of international flights by low-cost airliners.

In order to become more customer-oriented and to fulfill our corporate social responsibilities, we are working to establish a completely open and safe operating system. At the same time, we intend to strengthen our supply management system to improve profitability, secure future growth engines in new areas of business and new markets, and maximize profitability through high value-added products. Furthermore, we strive to improve overall efficiency through innovations in our work processes, the restructuring of our organization, and cost-reduction strategies.

Completely Enterprise
Resource Planning (ERP) System
Korean Air undertook the implementation of an ERP System in October, 2007, with the target of building an integrated framework to support timely management decisions. ERP was launched sequentially, starting with Financial Accounting, and moving on to Procurement/Facilities, Aerospace, Catering, Revenue Accounting, Managerial Accounting, and finally, MRO (airplane maintenance). In January, 2011, the three-year long ERP project was completed with the successful launch of the M&E (Maintenance & Engineering) ERP. One of the benefits of the ERP System is that it allows for end-to-end accounting settlements and the amalgamation of maintenance operations into a single planning & materials, equipment & human resources have improved significantly with the use of a digital support system that allows for the sharing of maintenance documents, anywhere in the system and at anytime.

Methods, for forecasting the need for engine removal and repair were designed based on established processes, thereby improving the accuracy of maintenance planning. As a result, maintenance data has become more transparent and real-time monitoring is possible, creating an environment for continuous improvements in maintenance management. We plan to fully implement the ERP system in the near future and to maximize its effectivity through efficient utilization of data. The practical use of real-time and historical data is expected to assist the company in reaching its goals of prompt decision-making, innovation, high productivity and reduced operating costs. Furthermore, we have launched an Aviation Industry Strategy Council (AISC) in collaboration with UCLA’s Global Development Team to ensure the continued enhancement of our ERP System.
By generating profitability through sound management activities, we distribute economic value equitably to our stakeholders.

In 2010, economic recovery and improved consumer sentiment resulted in a considerable increase in the transport of domestic passengers and cargo. Thanks to this recoverable market, Korean Air achieved balanced growth in all areas of its business, including air transport, aerospace, catering & in-flight sales, and hotel/lounge services. Sales grew by 20% from the previous year to reach KRW1,405.5 billion, and operating profit increased by KRW975.2 billion to a record high of KRW1,109.6 billion.

Seat sales on the company’s passenger service gained 16% year-on-year thanks to the recovery in domestic demand, and the total number of passengers transported rose 10% due to a strong rebound in demand for our international routes. By route, our Chinese routes achieved the highest overall growth with an increase of 24% from the previous year as both the number of Korea-bound and China-bound flights grew equally. In addition, Japanese routes climbed 17%, Southeast Asian routes 16%, Europe 7%, and Oceania 11%. By region, revenue from domestic routes soared by 57% year-on-year, whereas revenue from international routes edged up by 6%. Most notably, revenue from Chinese routes jumped 27%, mainly owing to the appreciation of the Chinese yuan and the rising average income of Chinese consumers.

Sales in Korean Air’s cargo service hit a full in the third quarter of 2010, but regained momentum as sales grew 10% in the fourth quarter, traditionally a high season for air cargo services. Nevertheless, sales growth slowed for cargo compared to 2009 due to a return to normalcy in the cargo sector after considerable growth in sales the previous year. In response, we added a number of nonscheduled flights to aggressively capture a larger share of the highly profitable market for single-delivery transport of cargo. We also expanded the number of flights on popular routes to increase profitability.

Although operating expenses climbed 12% year-on-year due to rising prices for jet fuel, operating profit jumped by a stunning 732% year-on-year due to rising prices for jet fuel, achieving a return on normalcy in the cargo sector after considerable growth in sales the previous year. In response, we added a number of nonscheduled flights to aggressively capture a larger share of the highly profitable market for single-delivery transport of cargo. We also expanded the number of flights on popular routes to increase profitability.

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The normal business activities of companies inevitably have an impact on the environment. As a result, a growing number of global companies are coming to terms with their roles and responsibilities regarding the environment. Korean Air, for its part, is fully aware of the environmental impact of its business activities, such as the emission of gases contributing to global warming by our aircraft operations and the noise generated by aircraft during take-offs and landings.
Korean Air declared its commitment to the environment in the 1990’s. Since then, we have been involved in various projects as part of our green management practices, including global tree-planting projects for the prevention of desertification, the adoption of eco-friendly aircraft with higher fuel efficiencies to reduce greenhouse gas emissions and noise levels, and various efforts to improve energy efficiency throughout our organization. Going forward, we will further our endeavors in green management for the betterment of the environment for future generations.

Near Baganuur, 150km east of Ulaanbaatar which is the capital of Mongolia, there is a forest called the “Korean Air Forest.” In collaboration with the Green Asia Network, a non-profit organization, and as a partner to the UNFCCC in the fight against climate change, Korean Air launched the forestry project to halt desertification in Mongolia and the resulting yellow sands carried by the wind throughout East Asia. In 2004, Korean Air Chairman Cho Yang-Ho and 100 new Korean Air employees planted the first trees of the forest. Since then, about 300 Korean Air employees have planted trees every spring. As of 2011, we have planted about 55,000 trees in the area. The Korean Air Forest was recognized by the City of Ulaanbaatar as the Urban Park of the Year in 2006, establishing the forest’s reputation as a local attraction.

Over the past twenty years, Mongolia has suffered from the effects of climate change with 76% of its land vulnerable to encroaching desertification, which has resulted in rising damage in neighboring countries due to yellow sand transported by the wind. New deserts contribute to this phenomenon, which has affected the health of Korea’s population and damaged the country’s industrial infrastructure. In addressing this issue, Korean Air took the initiative to institute a global approach to counter the problem. This “Korean Air Forest” project is highly significant in that it restores a specific area on a sustainable long-term basis. It is particularly significant given the severity of the damage caused in neighboring countries and the level of engagement of the local community and Korean Air’s employees in the program. For these reasons, this project has been a model for many Korean companies seeking activities to implement as part of their global corporate social responsibilities.

Starting in 2011, the project has expanded its scope to teenagers, introducing the concept of a “Tree Bank” to the project. In the future, the project will evolve further as it aims to move beyond the restoration of ecology to a program for assisting refugees escaping environmental degradation. Based on what Korean Air has achieved over the past eight years with the Korean Air Forest project, we hope it will be a model for other “protect your village, protect the planet” projects undertaken by companies as part of their activities aimed at making social contributions on a global scale.

Ki Chul Oh, Secretary General, Green Asia Network

Korean Air Forest in Mongolia

TO CO-PROSPERITY
**Flight Operations**

The most significant impact on the environment of our business operations stems from the use of fossil fuels. We know that the combustion of fossil fuels not only depletes reserves of natural resources, but also generates greenhouse gases which affect climate change. Furthermore, we know that toxic gases generated during aircraft take-offs and landings such as NOx, CO, and HC have an adverse effect on local air quality. Although noise from take-offs and landings has been significantly reduced compared to the past, it still has a considerable impact on local communities in the vicinity of airports. Dedicated to minimizing the environmental impact of fossil fuels and aircraft noise, Korean Air continues to invest in high-efficiency low-noise aircraft.

**Ground Support Operations**

The conducting of aircraft maintenance and repair entails the use of resources and chemical substances, and generates waste oil, waste organic solvents and other specified waste. The cleaning of the fuselage and other components results in discharges of wastewater. Also, as other ground support operations are also powered by fossil fuels, our overall ground support operations have an adverse effect on local air quality and climate change.

Korean Air has in place a company-wide environmental management system to minimize the environmental impact of its aircraft operations and ground support services and to consistently improve fuel efficiency and the abatement of noise of its fleet.
Korean Air cooperates with the IATA in jointing industry-wide efforts to tackle climate change while striving to reduce its CO₂ emissions through fleet modernization and fuel-saving initiatives.

Vision and Goals
The international aviation industry accounts for only 2% of total CO₂ emissions generated by human activities. The 2% figure may be insignificant; however, global airlines have worked consistently to minimize the environmental impact of their operations even while meeting growing demand for air transport and the severity of climate change. Due to the industrial characteristics of operational venues, an effective counter to climate change and a reduction in CO₂ emissions requires the concerted efforts of all global airlines. Therefore, global airlines, led by IATA, have joined together, and declared a lofty vision of realizing “carbon-free aircraft operations within 50 years.” In line with this statement, we have set several other goals, including that of reducing the rate of growth of CO₂ emissions to zero by 2020, of improving fuel efficiency by an average of 1.5% every year until 2030, and of lowering CO₂ emissions to 50% of the emissions output in 2005 by 2050. To attain these goals, Korean Air aims to achieve innovations in technology, while improving operational efficiency.

GHG & Energy Target Management System
Under the basic laws and enforcement decrees of the Low-Carbon Green-Growth initiative, the management of GHGs and energy targets began in April, 2010. In the program, 471 energy-consuming companies account- ing for 40% of the nation’s GHG emissions (Ⅰ) are to set energy-saving targets and plans for implementation. The Korean government aims to reduce the nation’s total GHG emissions by 30% of estimated emissions for 2020. By May, 2011, the 471 companies are expected to report on their GHG emissions and records of energy use over four years from 2007 to 2010 and are to set goals for reductions by no later than September, 2011, with the im-plementation of plans to begin in 2012.

EU Emissions Trading Scheme (EU ETS)
Starting on 2012, all of Korean Air’s aircraft flying in and out of Europe will be subject to regulations limiting CO₂ emissions. Companies will be obligated to purchase credits to offset CO₂ emissions in excess of levels required by regulation through the emissions trading scheme. In response to this regulatory change, Korean Air set up a company-wide taskforce with representatives from flight operations, transport, fuel management, environment, planning and procurement in April, 2009. Korean Air submitted its MRV plans to the authorities in September, 2009 and complet-ed the development of a GHG data collection system in 2010 for the accurate monitoring of related data. The company then acquired third party assurance for the system in 2011. In responding to the EU’s Emissions Trading Scheme, Korean Air will apply strategic approaches such as new operational policies for reducing emissions of CO₂ during flights, new aircraft deployment policies, and strategic use of the ETS.
**ADDRESSING CLIMATE CHANGE**

By adopting new eco-friendly aircraft, Korean Air is working ceaselessly to reduce carbon emissions and address climate change.

**Introduction of New Aircraft**

The most effective way of tackling climate change is to make consistent investment in innovative aircraft technology. Korean Air is following a plan for fleet modernization, which will phase out the old B747 and A300 aircraft and increase the number of high-efficiency eco-friendly aircraft such as the A380, B787, and B747-8i in order to minimize the environmental impact of the fleet.

**Participation in the Manufacture of Eco-Friendly Aircraft**

Korean Air is currently participating in the development of Boeing’s new high-tech B747-8i model. For the project, we are manufacturing components such as wing-tip extensions, fairings for wings and other parts with streamlined structures, and raked wing tips. The raked wing tips are key components that require greater precision and higher technologies than other components due to their complexity. For instance, raked wing tips reduce air resistance, significantly increasing energy efficiency.

**Enhancing Efficiency through Fuel Management**

In 2010, Korean Air spent 950,000 billion purchasing jet fuel, which accounted for 32.6% of the company’s overall expenses. Better management of fuel efficiency has become imperative because of the high cost and large volumes of fuel required as well as the consideration of flight conditions. It is also recommended that pilots make less use of the reverse-thrust while landing. These efforts contribute to economical flight operations without undermining the comfort and safety of passengers.

**Fuel Management Missions**

- Monitoring fuel efficiency through better aircraft and engine performance
- Improving flight performance with better maintenance of engines for take-off
- Improving aircraft/engine performances to reduce fuel consumption
- Calculating and reflecting the data in flight planning

**Weight Management and Optimal Loading**

- Forecasting fuel consumption per ATK(*) from the previous year. The ATK (Available Ton Kilometers) is an indicator of the fuel efficiency of an aircraft.
- Improving accuracy of calculation of passenger/cargo weight
- Using disposable tableware and cups
- Avoiding unnecessary use of reverse-thrusters while landing
- Loading adequate amounts of potable water in consideration of flight conditions

**Optimal Flight Speeds and Economic Flight Procedures**

- Calculating optimal loading of freight and passengers for economical flight procedures
- Reducing flight expenses through flight planning
- Calculating passenger and cargo loading for economical flight procedures
- Reducing fuel load through accurate estimation of passenger and cargo weight
- Reflecting fuel load and travel distance of different classes on aircraft weight

**Economical Procedures for Flight Operations**

Korean Air follows various economical flight operation procedures. For instance, members of flight crews are trained to apply economical flight operation procedures, provided that flight safety or quality of service is not compromised. Crew members are directed to use minimal engine power for taxiing in consideration of flight conditions. It is also recommended that pilots make less use of the reverse-thrust while landing. These efforts contribute to economical flight operations without undermining the comfort and safety of passengers.

**Improving Flight Planning and Operational Procedures**

An aircraft’s fuel consumption varies significantly depending on weight. Therefore, accurate calculation of the weight of passengers and cargo in the flight planning stage is a prerequisite to optimal fuel loading. Korean Air has consistently improved the procedures and systems for accurate calculation of the weight of passengers and cargo. As a result, we were able to reduce the gap in the payload.

**Alternative Fuel R&D**

Since the oil price hike in 2004, the aviation industry has been working to develop an alternative bio-fuel for aircraft, in consideration of the technological, economic, and sustainability aspects of such alternative fuels. In 2008 and 2009, several airlines succeeded in using a mix of conventional aviation fuel and bio-fuel in several test flights. This proved the efficacy of the technology, and now industries are actively studying the economic feasibility and sustainability of this mixed fuel. Korean Air is actively exchanging information and working with aviation associations to find ways of using alternative energy to fulfill our social responsibilities as an environmentally friendly corporation.
The most efficient way for Korean Air to address climate change is to replace our fleet with new high fuel-efficiency aircraft. Korean Air is following a fleet modernization plan to phase out the old B747 and A300 aircraft and increase the number of high-efficiency eco-friendly aircraft such as the A380, B787, and B747-8i, in order to minimize the environmental impact of its fleet.
CO2 Emissions growth in fuel consumption and slower the stress of the added demand on the environment. Consumption and CO2 emissions resulted in only a 48.4% growth in fuel efficiency. In 2010, our continued efforts to improve fuel efficiency were rewarded.

| Year   | Fuel Consumption & CO2 Emissions Increase
|-------|---------------------------------|
| 2008  | 30.00tCO2e/100RTK
| 2009  | 32.00tCO2e/100RTK
| 2010  | 34.00tCO2e/100RTK
| 2011  | 36.00tCO2e/100RTK
| 2012  | 38.00tCO2e/100RTK

| Year   | Fuel Efficiency Improvement Intensity Ratio
|-------|---------------------------------|
| 2008  | -20
| 2009  | -10
| 2010  | 0
| 2011  | 10
| 2012  | 20
| 2013  | 30
| 2014  | 40
| 2015  | 50
| 2016  | 60
| 2017  | 70
| 2018  | 80

Cutting-edge technology allows for improved productivity.

- 20% higher fuel efficiency
- 20% higher economy
- 5 aircraft from 2013
- 13% higher economy

The B747-8i is a new aircraft that Boeing has been developing since 2003. It has a full double-deck fuselage which makes it the largest super jumbo passenger jet in existence.

- 20% higher fuel efficiency
- 5 aircraft from 2013
- 13% higher economy

The B787 is a next-generation aircraft. It is a high-efficiency eco-friendly aircraft with more than 30% higher fuel efficiency than the B767. The B787's entire fuselage is covered with a light carbon composite material, and it utilizes cutting-edge engine technologies. The B787-9 aircraft, which Korean Air had planned to introduce in 2011 but has been delayed by the manufacturer, will be introduced later; the aircraft performs better and with greater efficiency than the B787-8.

- 30% higher fuel efficiency per seat
- 10 aircraft introduced from 2011 to 2014
- 14 hours 48 minutes maximum duration

The A380 is an eco-friendly aircraft with excellent fuel efficiency. According to Airbus, the A380 is a next-generation aircraft.

- 20% lower CO2 emissions
- 40% lower CO2 emissions
- 14 hours 48 minutes maximum duration
- 10 aircraft introduced from 2011 to 2014

The B747-8i is a high-efficiency eco-friendly aircraft with more than 30% higher fuel efficiency than the B747-400. Korean Air plans to introduce five B747-8i aircraft starting from 2013.

- 20% higher fuel efficiency
- 5 aircraft from 2013
- 13% better fuel economy than the B747-400

The B787-9 is a high-efficiency eco-friendly aircraft with more than 30% higher fuel efficiency than the B767. The B787-9 employs the P7270 engine, which is a new engine developed by the Rolls Royce company. The P7270 engine is more powerful and more fuel efficient than the previous engine, which was developed by the Pratt 

| Distance | 15,750 km
|---------|---------|
| Altitude | 6,000 ft (1,800 m)
| Duration | 14 hours 48 minutes
| Range   | 15,750 km
| Speed   | 850 km/h
| Crew    | 20
| Passengers | 525

Korean Air is the sixth airliner to adopt the A380 aircraft. The new A380 is a next-generation aircraft.

- 20% lower CO2 emissions
- 40% lesser noise footprint during landing and take-off
- 10 aircraft introduced from 2011 to 2014
- 14 hours 48 minutes maximum duration

Korean Air is the sixth airliner to adopt the A380 aircraft. The new A380 is a next-generation aircraft.
Noise Abatement in Departure & Landing Procedures & Other Noise Reduction Efforts

Korean Air duly performs noise abatement procedures during departures and landings as required by airports around the world to minimize noise levels in nearby communities. We also follow the ICAO’s Noise Abatement Departure Procedure and Continuous Descent Approach in our flight operations and employ low-noise eco-friendly aircraft to further minimize noise pollution.

**ICAO Noise Abatement Departure Procedure**

NADP 1 (Gimpo International Airport): This procedure involves a reduction in power or thrust at or above a prescribed minimum altitude (457m) and a delay in the retraction of flaps/slats until a prescribed maximum altitude (1,220m) is attained. At the prescribed maximum altitude above the aerodrome below, the aircraft accelerates and the flaps/slats are retracted on schedule while maintaining a positive rate of climb.

NADP 2 (Incheon International Airport): At first, the aircraft climbs using a prescribed thrust for take-offs. Then, as it reaches the prescribed minimum altitude (305m), it retracts the flaps and accelerates to a climbing speed until the aircraft reaches an altitude of 900m. This noise abatement procedure is used for departures when residential areas are farther away.

**ICAO Noise Abatement Landing Procedure**

In November, 2007, we adopted the Continuous Descent Approach (CDA), as recommended by the ICAO, for our flights in and out of Gimpo Airport, Korea. The CDA is a prescribed procedure for descent in which the aircraft follows a smooth and continuous glide path to touchdown. This leads to significant reductions in both noise and CO\textsubscript{2} emissions compared to conventional methods of landing which are akin to descending a flight of stairs.

- **Employing Low-Noise Eco-Friendly Engines**

The ICAO first introduced noise regulations in 1969 and has, since then, continuously raised the intensity of its regulations. Since that time, aircraft technology has advanced steadily and high-performance engines have been developed, while improvements in aerodynamics and departure procedures have considerably reduced the noise pollution of aircraft, especially in comparison to the old jet airplanes of the 1960s. Starting in 2006, all aircraft manufactured since that time are required to adhere to Chapter four standards, and all of the 128 aircraft in our fleet meet Chapter four requirements. In particular, the A380 (equipped with a GP7270 engine), which we added to our fleet in June, 2011, is known to be the quietest of the long-range jumbo jets.

**EPNdB (Effective Perceived Noise Decibels)**

Cumulated certified noise values (takeoff + flyover + approach, in EPNdB)

- 1970
- 1980
- 1990
- 2000
- 2010
- 2020

* Source: ICAO, FAA

**A380 vs. B744 Noise Comparison**

- **Noise Footprint surface comparison (Km\textsuperscript{2})**
- **A380**
- **B744

* The A380 carries 40% more passengers with a noise footprint surface (65dB contour) of less than 50% of the B744-400.
MINIMIZING ENVIRONMENTAL IMPACT

To minimize the impact of our operations on the environment, we have installed a company-wide environmental management system, developed a process for instituting annual environmental goals, and continue to reduce emissions of harmful gases and substances.

Environmental Management System
Korean Air has received ISO14001 certifications (an internationally recognized standard for environmental management) in five sectors— the Maintenance & Engineering Division, Aircraft Manufacturing Division, Catering Center, Headquarters & General Division, and the Hotel Division—and has operated a company-wide environmental management system since 1996.

Green Management Policy
Korean Air revised its Environmental Policies in July, 2010 to clarify its position regarding greenhouse gases and low-carbon green growth initiatives, and to remain up-to-date with green management practices and policies arising from rapidly changing circumstances in business environments. We have revised our Environmental Policies four times since instituting the policy in 1996.

Environmental Goals
In 2010, we devised a total of 112 environmental goals and achieved 96 of them.

(Green Management Policy)
We at Korean Air are concerned about creating a sustainable future for the earth. We respect universal values as a member of global society, and we adhere to the following Green Management Principles as part of our efforts to fulfill our social responsibilities as a leading global airline. We are committed to the following Green Management Principles which state that we will:

1. Improve flight procedures and introduce new aircraft in order to reduce noise and emissions of greenhouse gases.
2. Abide by national and international environmental laws and all relevant regulations, and apply stricter internal standards.
3. Minimize our impact on the environment through proactive measures and improvements in our performance in terms of sustainability.
4. Seek to make constant improvements in our performance in order to conserve and efficiently manage resources and energy.
5. Conduct training and provide educational opportunities for staff to strengthen their understanding and awareness of our environmental goals and to promote participation in company efforts to protect the environment.
6. Provide mutual cooperation with partner firms to execute green management policies and activities through communication on environmental issues.
7. Share information on our green management efforts and the results with the public.
8. Endeavor to protect the natural environment and contribute to the development of local communities through international cooperation.

<table>
<thead>
<tr>
<th>Environmental Strategy</th>
<th>Mission</th>
<th>Number of cases</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice response to GHG regulations</td>
<td>Aircraft GHG reduction</td>
<td>42</td>
<td>Accomplished</td>
</tr>
<tr>
<td></td>
<td>Climate Change adaptation</td>
<td>5</td>
<td>Accomplished</td>
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<tr>
<td></td>
<td>Energy process innovation</td>
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<td>Energy use reduction</td>
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<td>Action communication on environmental issues</td>
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<td>Ecoflight campaign</td>
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<td>Sponsoring and joint campaign with NGOs</td>
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<tr>
<td>Reinforcing compliance with environmental regulations</td>
<td>Preventive pollutant management</td>
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<td></td>
<td>Increasing resource recycling</td>
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<tr>
<td></td>
<td>Increasing waste recycling</td>
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<td>Reducing pollutant emissions</td>
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<td></td>
<td>Adopting eco-friendly processes</td>
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</tr>
<tr>
<td></td>
<td>Reducing waste emissions</td>
<td>7</td>
<td>Accomplished</td>
</tr>
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</table>
Saving Energy
Korean Air monitors and analyzes the energy consumption at 24 of its facilities/buildings, including the Jumbos Volleyball Stadium (completed in 2008) and its headquarters, using an energy analysis web program. The total energy use in 2010 stood at 42,640 TOEs(*).

Recycling of Resources
Korean Air’s passenger and cargo transport services generate waste on a daily basis and aircraft maintenance and manufacturing processes create specified waste such as waste oil, waste paints, and waste organic solvents. Korean Air strives to thoroughly control and effectively recycle these wastes. In 2010, about 44% of a total of 22,310 tons of generated waste was recycled. Food waste generated from cabin services accounted for about 30%, or 6,300 tons, of total waste and is incinerated at our Gimhwa incinerator. Incineration generates steam, which is reused in our production processes.

Energy Use

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Electricity

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<td>128,912</td>
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<td>2010</td>
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Total Wastewater

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<tbody>
<tr>
<td>2008</td>
<td>21,744</td>
</tr>
<tr>
<td>2009</td>
<td>20,837</td>
</tr>
<tr>
<td>2010</td>
<td>22,310</td>
</tr>
</tbody>
</table>

Waste Management

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>43.7</td>
</tr>
<tr>
<td>2009</td>
<td>42.2</td>
</tr>
<tr>
<td>2010</td>
<td>41.7</td>
</tr>
</tbody>
</table>

Management of Water Pollutants
Korean Air operates 16 sewage and wastewater treatment plants within its various premises. To minimize the impact of our operations on water resources, we adhere to effluent standards that are 50% stricter than those required by law. Every quarter, environmental inspectors perform checks of all environmental facilities to ensure compliance with internal regulations. They also analyze trends in the concentration of pollutants based on data recorded by a tele-metering system (TMS).

Air pollutant emissions (Unit: TON)

<table>
<thead>
<tr>
<th>Year</th>
<th>SOx</th>
<th>NOx</th>
<th>THC</th>
<th>N2O</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>19.2</td>
<td>13.6</td>
<td>50.1</td>
<td>0.5</td>
<td>8.1</td>
</tr>
<tr>
<td>2009</td>
<td>19.0</td>
<td>11.0</td>
<td>51.3</td>
<td>0.7</td>
<td>9.9</td>
</tr>
<tr>
<td>2010</td>
<td>17.0</td>
<td>10.4</td>
<td>50.5</td>
<td>0.5</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Water supply and wastewater (Unit: TON)

<table>
<thead>
<tr>
<th>Year</th>
<th>TON</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>809,617</td>
</tr>
<tr>
<td>2009</td>
<td>130,679</td>
</tr>
<tr>
<td>2010</td>
<td>870,721</td>
</tr>
</tbody>
</table>

Wastewater load (Unit: TON)

<table>
<thead>
<tr>
<th>Year</th>
<th>SS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2,770</td>
</tr>
<tr>
<td>2009</td>
<td>2,640</td>
</tr>
<tr>
<td>2010</td>
<td>2,511</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>VS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,277</td>
</tr>
<tr>
<td>2009</td>
<td>1,192</td>
</tr>
<tr>
<td>2010</td>
<td>1,270</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>TS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,441</td>
</tr>
<tr>
<td>2009</td>
<td>1,456</td>
</tr>
<tr>
<td>2010</td>
<td>1,461</td>
</tr>
</tbody>
</table>

* TOE (Tonnage of Oil Equivalent): this is a unit of energy—the amount of energy equivalent to the energy released by the combustion of one ton of crude oil.

Management of Air Pollutants
Operations at four of our premises generate air pollutants. To minimize the environmental load of pollutants on local communities, we adhere to internal regulations that are 50% stricter than those required by law. Our consistent efforts to manage air pollutants resulted in zero violations, whether monetary or non-monetary, of environmental regulations and sanctions for the year. We also went beyond our goal for controlling emissions of pollutants by about 14 or 15%.
Korean Air Chemical Management System (KCMS)

- Stock/Release, Inventory
- Storage (Design)
- Identification of hazardous chemicals
- Identification of new chemicals
- Monitoring stock and kg
- Monitoring distribution status of hazardous substances within the whole company
- Calculation amount of each product of hazardous substances
- Checking distribution amounts of each factory, department, central points

Environmental Expenses (Unit: KRW million)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing expenses</td>
<td>3,117</td>
<td>4,619</td>
<td>4,810</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,798</td>
<td>1,877</td>
<td>2,298</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>4,007</td>
<td>5,217</td>
<td>5,241</td>
</tr>
<tr>
<td>General expenses</td>
<td>1,326</td>
<td>1,295</td>
<td>1,517</td>
</tr>
<tr>
<td>Total</td>
<td>11,660</td>
<td>12,516</td>
<td>15,768</td>
</tr>
</tbody>
</table>

Management of Chemical Substances

Various chemical substances are used in the maintenance of aircraft, but the amounts used are generally small. For the effective management of these chemical substances, Korean Air adopted the Korean Air Chemical Management System (KCMS) in 2006. At relevant locations, the KCMS provides easy access to information regarding the storage and release of chemical substances and the directions for handling. The system is regularly updated with new information regarding regulations to the Occupational Safety and Health Act and new chemical substances regulated by the National Institute of Environmental Research (NIER).

Management of Soil Pollution

Korean Air undertakes regular inspections of its jet and heating oil storage facilities to detect leakage and the consequent pollution of the soil.

Legal Compliance

As an eco-friendly company, Korean Air has set internal regulations that are 50% stricter than those legally required to proactively control the emission of pollutants. We also conduct annual internal and external evaluations of our environmental activities and the compliance practices of our environmental management systems, rewarding the best performers with promotional advantages and incentives.

Environmental Awards & Recognitions

Korean Air has earned a reputation as an eco-friendly company for its diverse environmental management policies, which have included the introduction of eco-friendly aircraft, efficient flight operations and fuel use, successful efforts at carbon reduction, and global tree planting projects in Mongolia and China. For instance, in 2010, we received four awards for our voluntary carbon reduction initiatives and our Eco office program, including the grand prize at the “2010 Seoul Environmental Awards,” and the Korean environment minister’s prize at the “2010 Low-Carbon Green-Growth Awards.”

Environmental Expenses

The outsourcing of the treatment of waste and pollutants takes the lion’s share of our environmental expenses, and an 18.3% growth in operational expenses for environmental facilities can be attributed to the repair and maintenance of the incinerator at the Tech Center (KRW150 million) and maintenance of our painting facilities (KRW830 million). In addition, 4.9% year-on-year growth in outsourcing expenses was due to the increased cost of outsourcing the treatment of waste solvents used in anti-icing and de-icing procedures at Incheon Airport (KRW480 million). A 5.1% growth in legal expenses can be explained by an increase in charges for higher noise levels arising from an increase in the number of flights at domestic airports.

Environmental Education

In its educational programs for employees, Korean Air provides diverse training in environmental protection in an effort to strengthen the skills and competency of staff and to enhance awareness and knowledge of our green management policies.

Environmental Expenses (Unit: KRW million)

<table>
<thead>
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<th>2010</th>
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</thead>
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<tr>
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<td>11,660</td>
<td>12,516</td>
<td>15,768</td>
</tr>
</tbody>
</table>
Korean Air’s Green Ambassadors – “Mr. Greene” and “Miss Love”

At Korean Air, we believe that protecting endangered species such as the Panda and the Asiatic Black Bear is the first step in protecting humanity and the planet. To demonstrate our commitment to this philosophy, the company designated a pair of teddy bears to be green ambassadors heralding the need for protecting endangered species. Named Mr. Greene and Miss Love, these 160cm-tall teddy bears dressed as Korean Air crew members were customized by the Teddy Bear Museum. In the run-up to the 16th Asian Games in November, 2010, Korean Air staged an eco-friendly campaign at the Baiyuan Airport in Guangzhou, China, where the teddy bear ambassadors were used to promote information on how to protect the environment and to encourage passengers to participate in Korean Air’s Low-Carbon Green-Growth Initiative and Green Asian Games campaign. In the future, we plan to hold more global green campaigns in Tokyo, London, Madrid and other cities around the world.

Distributing Herb Growing Kits to Domestic Passengers on Tree-Planting Days

Korean Air has distributed plant-growing kits of pine trees and wildflowers as well as flower seeds on every tree-planting day since 1998 in order to raise the environmental awareness of the public. In 2010, we provided growing kits of cherry tomatoes and in 2011, herb kits containing herb seeds and a soil mixture. Korean Air hands out the herb-growing kits at the airline’s 12 boarding counters for domestic flights at the Gimpo, Jeju and Busan airports as well as its office building in downtown Seoul.

Environmental Protection Campaigns

Eco Office Campaign

Korean Air initiated “Eco Office Activities” in December, 2009, to raise awareness of global environmental issues and to fulfill its responsibilities as a good steward of the environment. All employees signed a pledge to follow eco-friendly practices and participate in such initiatives as “No Driving One Day of the Week” which is a “Two Wheels Movement” to encourage bike-riding, saving energy at home, and other activities to reduce CO₂ emissions. When employees find ways to reduce CO₂ emissions, they are given EcoPoints equivalent to the reduction, which are accumulated over the year and then donated to environmental NGOs. In addition, we have initiated a Save the Paper Competition among departments as well as other environmental activities that are easily incorporated into the everyday lives of employees. Korean Air plans to further develop “Eco Office Activities” as a key environmental platform of the company.

Green Teacher Green Tour

We believe that education is the key to the future, but we also recognize that it requires a span of about a hundred years for the results of education to come to full fruition. Therefore, Korean Air continues to support a Green Teacher Green Tour program in conjunction with the Korean Ministry of Environment. The program was designed for teachers trained in environmental practices to go abroad to learn about environmental best practices, and then teach their students upon returning home. Thirteen teachers in five teams were selected through a contest and sponsored on a trip around the world. After the trip, teachers wrote about what they discovered and learned in terms of ideas for best protecting the environment. The essays and ideas were published and distributed as a booklet, and students from the schools affiliated with the teachers were given the opportunity to plant trees in Mongolia.

Korean Air appointed the teddy bears Mr. Greene and Miss Love as green ambassadors at Gimpo Airport.
Companies are responsible for creating value for customers and shareholders, helping employees to reach their full potential and assisting in community development. Korean Air is well aware that customer satisfaction is fundamental to its business as a transportation service provider. Satisfied customers lead to better financial results and employees are able to reach their full potential in contributing to a successful business. Consequently, corporate value is enhanced and social development is achieved when a company effectively meets the needs of its customers.
It's been years since I first joined the volunteer corps, the Very Special Angels, and paid a visit to the Hwaseong Orphanage. Children there used to be shy, but now we have become close enough to feel like members of the same family. I remember when I prepared meals for hundreds of people for the company’s fund-raising bazaar in 2010. The work was exhausting and tedious, but I was filled with joy in doing it. Whenever I visit the children at the orphanage, they always call me “flying aunt,” and that always makes me feel proud of myself and my job as a flight attendant.

Korean Air gives back to society through its sustainability management practices as a way of thanking its customers for all they have done for the company. These practices include sharing with needy people and contributing to cultural development while building a better world for all.

Jeong Hee Jang, Flight attendant, member of Gondan, Korean Air Volunteer Corps
As a leading global carrier, Korean Air strives to achieve complete customer satisfaction through regular communication.

**Communicating with Customers**

In January, 2010, Korean Air launched a twitter service both in Korean (http://twitter.com/KoreanAir) and English (http://twitter.com/KoreanAir_HOME) for international customers. Social media refers to the open online tools and media platforms through which people can share ideas, opinions, experiences and points of view. Korean Air strives to remain up-to-date with such changes, forms through which people can share ideas, opinions, experiences and points of view. Korean Air strives to remain up-to-date with such changes, forms through which people can share ideas, opinions, experiences and points of view.

Voice of Customer (VOC) Management

Our voice of customer (VOC) service is Korean Air’s key means for receiving feedback, managing contacts, and providing customer services. At the moment, about 60,000 to 70,000 VOC comments—including praise, complaints, inquiries and suggestions—have been collected via e-mail and onboard VOC cards written in eight languages (Korean, English, Simplified & Traditional Chinese, Japanese, German, French and Russian) through our nine global websites for Korea, North America, Southeast Asia, Oceania, China, Hong Kong, Japan, Europe and the CIS (Commonwealth of Independent States).

**Voice of Customer (VOC) Flow Chart**

- **Customers**
  - Service improvement and evaluation committee
    - Service forum (intranet bulletin board)
    - Systematic improvements
  - VOC system (automated reply and classification by type)
  - Systematic work process improvement measures through and through follow-up

**Number of VOCs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Complaints</th>
<th>Suggestions</th>
<th>Praises</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,153</td>
<td>1,197</td>
<td>1,115</td>
<td>1,357</td>
<td>5,820</td>
</tr>
<tr>
<td>2009</td>
<td>1,473</td>
<td>2,427</td>
<td>1,873</td>
<td>1,592</td>
<td>6,241</td>
</tr>
<tr>
<td>2010</td>
<td>2,743</td>
<td>3,843</td>
<td>4,707</td>
<td>3,665</td>
<td>13,806</td>
</tr>
</tbody>
</table>

**Service Improvement Mechanism**

- **Service Management and Improvement Mechanism**
  - Identify issues through VOC database
  - Register the issue as feedback task and take necessary steps to improve
  - Promote comprehensive improvements in system and procedures

- **Feedback & Service Improvement**
  - Evaluation Committee
  - Systematic improvements
  - Analysis of customer demands

- **On-site inspection and monitoring to prevent service-related problems and improve service**

In 2010, the number of comments received by the VOC grew by 17% from the previous year, with 19% increase in complaints and 14% and 0.6% increases in inquiries and suggestions, respectively. The numbers show a clear evidence of the public’s higher expectations of Korean Air. At the same time, a 25% increase in the number of messages offering praise attest to our tireless efforts to improve the quality of our services.

**Service Excellence Program**

On a quarterly basis, the Service Excellence program selects and rewards employees who have earned customer praise for excellent service in order to raise morale and instill a service mindset in our employees. The names of the winners are posted on the company’s intranet bulletin board and there are studies in various educational materials.

**External Recognition of Korean Air’s Service Quality**

Our tireless endeavors to improve our customer service proved successful, with Korean Air’s ranking as the top performer in the passenger transport service category of the "2010 Global Customer Satisfaction Competency Index (GCSI)" by the Japanese Management Association Consulting (JMAC). Developed by the JMAC, the GCSI is an index used to evaluate customer satisfaction with global companies. Since 2003, Korean Air has remained at the top of the index for six years in a row. In addition, the Korean Standards Association named Korean Air as the top airline of the year in its 2010 Korea Standard-Service Quality Index (KSSQI) for the second year in a row. We, at Korean Air, are proud of such recognition and as a global carrier, our aim is to remain at the top in terms of customer satisfaction for years to come.
Passenger Service

- Top-Class Cabin Service
  The “Top-Class Cabin Service” project entails the unprecedented renovation of cabins, which has changed the concept of service in flight. From 2005 to May, 2011, we renovated the interior of the cabins of 49 aircraft, including B747, B777, and A330 aircraft in our fleet. To date, we have upgraded the cabins of 68 aircraft, with all seats equipped with an AVOD system and power supply. In addition, washroom facilities and galleys have been upgraded, considerably enhancing customer convenience.

- One-stop Boarding Service for Smartphones
  In March, 2011, Korean Air launched a smartphone application for international flight ticketing and seat-booking for smartphones on a real-time basis. When passengers purchase international air tickets, they can opt for the one-stop check-in service, which allows them to choose their seats anytime from 4 to 24 hours prior to departure by using a smartphone. After check-in, a passenger merely needs to provide identification at a given counter at the airport to receive their tickets.

New Website for Visually-Challenged Persons
Korean Air opened a new website for special users (www.koreanair.com/text) in March, 2010, with an improved user-interface made exclusively for persons who are visually-challenged. Comprising mostly text, this website uses a “Screen Reader” program, which reads text aloud. The website also features useful functions for persons with other physical disabilities.

Improving Air Cargo Transport Service

- Special Care Service for Important Cargo
  Special cargo, such as fragile cutting-edge IT devices, temperature-sensitive medicines, living beings, and ultra-large/ultra-heavy cargo, account for 25% of the freight transported by Korean Air. For safer and more efficient transport of these types of cargo, Korean Air offers a “special care service.” Korean Air’s Special Care Service Team monitors these special types of cargo from reservation through delivery to the owner(s), providing services customized for the different characteristics of each particular cargo. Furthermore, we provide an e-Track service that notifies customers via email of the exact location of a cargo at every stage of transportation.

- Improving Customer Convenience at Incheon Airport
  We offer a reservation system for customers who import or export freight through the Incheon Airport to allow for drop off or pick up without delays. When customers make reservations on our cargo websites and designate a desired time of arrival, they are informed as to when the freight can be delivered to and retrieved from the airport. In case of delays in the departure or arrival of aircraft or delays stemming from ground support operations, customers are immediately notified via e-mail and SMS (short message service).

- Transfer of Passengers with Medical Conditions
  To ensure the safety and convenience of a flight for passengers suffering from a medical condition, we decide on the feasibility of flying based on the recommendation of a doctor. Passengers cleared to fly are provided with all required medical supplies and services such as portable oxygen or a flight bed.

- In-Flight First Aid
  Every aircraft in Korean Air’s fleet carries an emergency medical kit (EMK), which includes a first aid kit (FAK), universal precaution kit (UPK), resuscitator bag and automated external defibrillator (AED), and an automatic blood pressure monitor and medical bag. Knowledge of safety guidelines, CPR certification, and training in other emergency measures are required of all flight attendants. In addition, Korean Air’s Emergency Medical Call System (EMCS) has emergency medical personnel and nurses on standby around the clock to provide medical advice in the event of in-flight emergencies, thereby reducing the potential for in-flight fatalities and decreasing the need for emergency landings and rerouting.

- Controlling Epidemics of Contagious Diseases
  Korean Air continually monitors the potential for the spread of epidemics via air travel. In addition, Korean Air works in collaboration with domestic and international authorities and organizations in the event of an outbreak of disease to prevent such occurrences.
To ensure the highest levels of safety and security, we have an exhaustive inspection and security system in place to guarantee the comfort and peace of mind to our passengers.

Measures to Prevent Aircraft Accidents
Korean Air has earned a reputation as one of the world’s safest airlines. In particular, we have been taking the lead in flight safety as a member of IATA and as a member of the SkyTeam Alliance, including membership on its board of directors, a committee and a working group dedicated to security issues. With the establishment of an ICAO Safety Management System at Korean Air, the company has adopted the highest levels of safety standards, management processes and IT systems in the industry. In October, 2009, we strengthened our management of aviation safety by introducing SafeNet, which is an IT-based, company-wide system for managing safety issues. Consequently, SafeNet’s excellent risk management performance was widely recognized in 2010, with the system being selected as the most innovative security system in the aviation industry by EtQ, the world’s leading system developer.

Flight and Ground Safety Management System
Korean Air has operated a Flight Operational Quality Assurance (FOQA) system for 19 years, for the effective enhancement of flight safety. The system was upgraded to third-generation in 2011, with plans for implementation later in 2011. The 3G FOQA enables the collection of a greater diversity of information, thus improving analysis of flight data regarding flight safety, the quality of repairs performed and fuel management.

Korean Air’s ground support operations is moving ahead with plans to adopt a preventive safety management system, the “Ramp Operation Safety Audit Program,” and is encouraging suppliers to install the system, as well. The system is expected to be effective in detecting and preventing the occurrence of lapses in safety and security. This system will be adopted by the company as part of a more proactive approach to ground safety through its existing ground operation safety audit system.

Safety Check and Safety Audits
In September, 2010, Korean Air was audited for the fourth time for the renewal of its IOSA certification. In all four audits by IOSA, Korean Air passed all 900 criteria, successfully extending its IOSA certification until January, 2013. Since 2009, Korean Air has utilized the IATA Safety Audit for Ground Operations (ISAGO) to enhance safety and security involving ground operators from around the world. We conduct internal safety checks four to six times per year following IATA’s ISAGO audit guidelines, and this information is shared with other members of the ISAGO Pool Advisory Group. In 2010, Korean Air was appointed to the ISAGO Oversight Committee. In addition, we undergo inspections by the U.S. Department of Defense (DOD) every two years as a DOD-approved carrier. Another inspection is slated for July, 2011.

Prevention of Security Incidents
Korean Air analyzes security information from cities on its flight routes on a monthly basis. In the event of an incident, the airline’s security system instantly responds by sharing information with relevant branches, related departments and national security agencies, while raising the alert level of its internal flight security system and instituting countermeasures. In preparing extensively for possible security incidents, Korean Air cooperates with national and international security agencies and organizations. We also equip our aircraft with a variety of security equipment and periodically train our flight attendants in anti-terrorism drills and measures.

Protection of Customer Information
Korean Air provides internal guidelines on the securing of customer privacy. All of our internet-based reservation and ticketing service systems have obtained Information Security Management System (ISMS) certification, allowing for enhanced safety and security in using e-commerce systems.
We respect and protect human rights and gender equality in the workplace while creating employment.

Korean Air actively supports its workforce in cultivating expertise and professional skills. Its annual recruitment drive creates employment, contributing to the number of those who are employed at home and abroad.

Respect for Human Rights
Under the philosophy of “a company is the sum of its people,” Korean Air respects human rights and strives to enhance the quality of life of its employees. We do not discriminate on the basis of gender, age, religion or regional background, nor do we allow discrimination in terms of type of employment, assignment, evaluation or compensation. To ensure adherence to these policies, an ombudsman program has been implemented at our counseling center to address employee complaints and receive suggestions. All information pertaining to counseling is kept confidential, and counselors are trained to respect the dignity of clients and to put them at ease in dealing with underlying issues. For the prevention of sexual harassment in the workplace, we have set forth internal guidelines on how to prevent or respond to sexual harassment. In addition, all employees are obliged to complete on- and off-line courses on the prevention of sexual harassment at least once a year. Korean Air prohibits forced labor and child labor as stipulated by the Korean Labor Standards Act and ILO (International Labor Organization) conventions. No violations of labor regulations occurred during the reporting period.

Increasing the Number of Female Workers
Korean Air has continuously increased its employment of female workers; as of the end of 2010, women accounted for over 35% of the total workforce. The percentage of new female employees has remained steady at around 58% of total new staff for the last three years. Lately, the number of female crew members has increased with more women joining flight crews or becoming flight engineers. Also, we have continued to upgrade our human resource management policies to promote gender equality in overseas assignments and in training for cabin crew members. In December 2008, Korean Air became the first Korean company to enter into a “Women-Friendly Company” agreement with the Ministry of Gender Equality & Family. In addition to complying with the legal requirements of the labor act, the company offers various additional benefits to female workers, including pregnancy leaves for flight attendants and leaves for fertility treatment. As a result, a 2007 survey of female university students ranked Korean Air as one of the top two companies to work for, and a 2008 survey ranked Korean Air as the company most admired by female consumers.

International Employment
As the company operates. Furthermore, Korean Air applies standardized criteria in its hiring of both domestic and foreign staff to ensure equality of opportunity for candidates, and we have a zero tolerance policy regarding child labor and forced labor in full compliance with local labor laws.

Disabled Workforce
In addition to Flight-booking, ticketing and transportation, computer-related/general administration.

Disabled employees 177

2010

2011 goal

15

25

131

21

136

29

408

19.6%

19.8%

19.7%

19.6%

19.8%

19.7%

19.6%

19.8%

19.7%

From 2000, Korean Air has endeavored to increase its employment of disabled persons. In 2003, the company spurred on these efforts by signing an agreement with the Korean Employment Promotion Agency for the Disabled (KEPAD) to promote the hiring of disabled persons. While increasing the number of disabled persons on our staff, we have expanded the scope of positions for the disabled as well, from flight booking, ticketing, transportation, and computer-related work to general administration in order to accommodate an increasing number of disabled job seekers including the severely disabled. We also have increased opportunities for disabled employees to become permanent employees. In 2007, we adopted home-based telework as regular employment, ensuring job security for people who are mobility-challenged. In recognition of these efforts, Korean Air was awarded the grand prize at the “2007 True Company Awards” organized by the KEPAD.

Disabled Workforce
Job Functions:
Flight-booking, ticketing and transportation
Computer-related/general administration

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We support the disabled workforce in cultivating expertise and professional skills. Our annual recruitment drive creates employment, contributing to the number of those who are employed at home and abroad.

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International Employment
As a globally competitive airline company, Korean Air has expanded its overseas operations, and accordingly, has recruited highly talented workers in its local and worldwide offices. Individuals are selected on merit and Korean Air does not discriminate on the basis of nationality, culture, or religion, thereby contributing to job creation in the regions in which the company operates. Furthermore, Korean Air applies standardized criteria in its hiring of both domestic and foreign staff to ensure equality of opportunity for candidates, and we have a zero tolerance policy regarding child labor and forced labor in full compliance with local labor laws.

Disabled Workforce
In addition to Flight-booking, ticketing and transportation, computer-related/general administration.

Disabled employees 177

2010

2011 goal

15

25

131

21

136

29

408

19.6%

19.8%

19.7%

19.6%

19.8%

19.7%

19.6%

19.8%

19.7%
HUMAN RESOURCES MANAGEMENT

Our employees are our most valuable asset. We help our employees reach their full potential through fair evaluations and compensation programs.

HR Philosophy
“A company is the sum of its people” is the underlying philosophy of Korean Air’s human resources management policy. As the late founder, Cho Choong-hoon, noted, “It is people that make a company and it is the sum of such people that enables a company to grow and develop.” In addition, Korean Air strives to improve the quality of life of its employees and to support employees in both their personal and professional development by providing a physically and psychologically sound working environment.

Korean Air’s Ideal Talent
Korean Air pursues talented people who use creativity and innovative thinking in dealing with uncertainty or adversity. Our idea of a talented individual can be summed up as an enterprising person with global competencies who possesses a service-oriented mind-set as well as dignity and integrity.

Personnel Management
Korean Air’s workforce is classified under the categories of general administration, engineering, flight crew and cabin crew. Within each category, positions range from entry-level to executive, with many requiring varying levels of expertise or professional certifications/standards. Korean Air’s HR system is called a Total System, in which employee cultivation, evaluation and compensation are closely connected.

Evaluation Scheme
Korean Air aims to motivate its employees through job satisfaction and self-actualization. We also seek to stimulate workers to work hard and achieve more through multi-layered systems in training, evaluation and compensation customized to differing job functions. Our evaluation scheme focuses on measuring the personal competencies of individual employees and their contributions to the company. Our evaluation scheme is fair and objective, and it promotes transparency as an important part of our system for the development of human resources. Based on the results of evaluations, we provide individual feedback to each employee, encouraging further improvements in personal competencies.

Evaluation Philosophy
Evaluation Principles
Evaluation Method
- Openness, cultivation and development
- Objectiveness and fairness
- Interactive communication between supervisors and staff

Korean Air’s HR Philosophy
- Person of Enterprising Spirit
- Globally competent person
- Person with dignity and service-oriented mindset
- Person of integrity

Korean Air’s Ideal Talent
- Person who can make a sound decision in company
- Globally competent employee
- Person with dignity and service-oriented mindset
- Person of integrity

HRM System
Objectives
- Enhance individual value and usefulness
- Enhance individual contribution to company
- Promote personal growth
- Improve quality of life

Cultivation, Evaluation, Compensation
- Offering opportunities
- Fairness
- Objectiveness
- Equity

Employees: Self-Realization, Satisfaction, and Motivation

Our employees are our most valuable asset. We help our employees reach their full potential through fair evaluations and compensation programs.
**HUMAN RESOURCES DEVELOPMENT**

We invest in the fostering of talented people through customized educational programs and pursue openness in our corporate culture in which all employees share Korean Air’s corporate vision.

**Customized Education System**

Under our strong belief that a company is the sum of its people and that a good education can lead to change in people, Korean Air offers various educational programs to cultivate the global competencies of its employees. Korean Air’s Human Resources Development Center is in charge of a number of company-wide integrated educational programs, including the training of managers and special programs for teaching core values. A separate training center also offers specialized courses in flight operations, maintenance, and cabin services in order to maximize employee expertise in these areas.

Korean Air’s basic education system is divided into different levels depending on the roles and responsibilities of each position. Educational programs are also categorized under business management, specialized training according to position, service training, and foreign language training. Recently, the business management courses have been tailored for specific purposes and segmented to address ever-changing needs. The business management course is divided into a "leadership course," "W.E Core Value Course," and "Global Competency-building course," each customized as to the underlying purpose of each course. In particular, the course for increasing the competencies of team leaders has been established as a year-round program, while a new course dedicated to newly-promoted managers has been established as well.

**Core Values & Solidarity**

In 2010, Korean Air renamed its educational programs as the Communication Excellence School, and the programs have been upgraded to instill in the minds of employees the company’s core corporate values and visions. All newly-promoted employees in all positions are expected to complete the course so as to ensure communication across-the-board, trust, and solidarity within the company’s corporate culture. We also hold annual seminars for all executives from our domestic and overseas operations to discuss and develop business strategies and ideas for innovation and to cooperate in achieving business goals. In addition, we have launched workshops for team leaders to educate them on business plans, policies and principles in a timely manner.

**Cultivating Global Competencies**

Korean Air’s programs for building global competencies are classified into courses for employees who are newly-assigned to international posts and courses to assist in the localization of skills and competencies. Employees who are assigned to international posts attend preliminary courses and orientation courses for new employees and service training. In addition to these courses, branch managers should complete additional on-the-job training before beginning their work in the field.

Through year-round courses for local managers and hands-on training, Korean Air aims to provide more educational opportunities for overseas employees. Korean Air’s training courses for new employees and service training for overseas staff have proven effective in raising the competencies of employees and their commitment to the company. To ensure that overseas employees receive good education from the best instructors, Korean Air runs courses to train instructors and instructors are selected only from those who have completed the courses.

---

**Basic Education System**

<table>
<thead>
<tr>
<th>Category</th>
<th>Courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
<tr>
<td>Managers</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
<tr>
<td>Team Leaders</td>
<td>Course for increasing team leader competencies, Team leaders workshops</td>
</tr>
<tr>
<td>Deputy Managers</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
<tr>
<td>Assistant Managers</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
<tr>
<td>Managers</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
<tr>
<td>Executive Managers</td>
<td>Leadership course, All Core Value course, Global Competency-building course</td>
</tr>
</tbody>
</table>

**Courses for Increasing Team Leader Competencies**

- Leadership course
- All Core Value course
- Global Competency-building course
- Team leaders workshops
- Executive seminars

**Courses for Communication Excellence**

- Communication Excellence School
- Newly-promoted

**Foreign Language Training**

- English
- Chinese
- Japanese
- Korean
- Other languages

*2010 Education Performance (Total person-months)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,967,395</td>
<td>1,128,137</td>
</tr>
</tbody>
</table>

**2011 Korean Air Sustainability Report**
We have maintained cooperative labor-management relations and have been free of labor disputes for 42 years.

**Labor-Management Relations**

Korean Air has two labor unions, the Korean Air Union which consists of workers in cabin service, maintenance and general administration, and the Korean Air Pilots’ Union. Relations with Korean Air’s Labor Union have remained dispute-free during collective bargaining for 42 consecutive years as Korean Air and the Labor Union have worked to build harmonious relations. Also, Korean Air’s Pilots Union has maintained cooperative relations with the company in a mutual effort to weather the economic crisis and raise corporate competitiveness.

**Information Sharing & Mutual Cooperation**

To promote transparency, Korean Air pledges to share management information as a principle in the collective agreement. Accordingly, the company immediately posts information regarding revisions to corporate rules, organizational restructuring, hiring, promotions, reshuffling of personnel, and retirement and legal processes belonging to charities for the elderly and people with disabilities, extending a helping hand to mentally-challenged people and offering free educational seminars and cultural activities. To this end, we are planning to offer education programs at international universities.

**Labor-Management Culture of Sharing**

Korean Air holds various special events for its employees and their families every year. In 2010, the company held a "Table Tennis Tournament" and a "41st Anniversary Marathon" to increase solidarity and cooperation amongst employees.

Every year, the labor union and management jointly participate in volunteer activities such as delivering briquettes to needy people. In the future, we intend to increase opportunities for joint labor-management participation in volunteer activities. To this end, we are planning social activities as the cleaning up of buildings and facilities belonging to charities for the disabled, extending a helping hand to mentally-challenged farmers, and making Song-gyeon (rice cakes for Korean Thanksgiving) for the disabled.

**Wages & Welfare Benefits**

Korean Air has adopted a Total Compensation System, which combines performance-based wages with benefits that are closely related to employees’ lifestyles.

Korean Air’s Total Compensation scheme offers reasonable performance-based compensation and welfare benefits that are closely related to employees’ lifestyles to help them in reaching their full potential.

**Wages and Incentives**

Korean Air pays top wages and incentives in the aviation industry. New employees with a bachelor’s degree are paid wages that are about 30-50% higher than the legal minimum wages in Korea. Korean Air offers every employee equal opportunities for advancement based on individual capabilities and performances, backed by the principle that any form of discrimination related to religion, age, gender, or academic background is strictly prohibited. In addition, Korean Air provides incentives based not just on that year’s business performance but also on safety-related performances in order to encourage employees to remain vigilant in terms of safety.

**Pension & Equity Participation**

Korean Air pays top wages and incentives in the aviation industry. New employees with a bachelor’s degree are paid wages that are about 30-50% higher than the legal minimum wages in Korea. Korean Air offers every employee equal opportunities for advancement based on individual capabilities and performances, backed by the principle that any form of discrimination related to religion, age, gender, or academic background is strictly prohibited. In addition, Korean Air provides incentives based not just on that year’s business performance but also on safety-related performances in order to encourage employees to remain vigilant in terms of safety.

Korean Air offers employees 25 to 35 airline tickets annually to encourage the enjoyment of leisure time and to broaden minds in terms of global leadership.

In addition, the company offers a wide range of welfare benefits including low-rental company-owned housing, tuition support for children of employees, medical subsidies, and support for leisure activities and post-retirement plans.

**Total Compensation System**

- Offering health insurance benefits
- Supporting employees in keeping private insurance policies
- Providing a broad range of employee welfare programs
- Providing extended parental leave
- Supporting employees in keeping educational policies
- Supporting employees in maintaining work-life balance

**Labor Unions**

Korean Air’s Labor Unions

<table>
<thead>
<tr>
<th>Category</th>
<th>Korean Air Labor Union</th>
<th>Korean Air Pilots’ Labor Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9,207/13,522</td>
<td>1,279/1,634</td>
</tr>
<tr>
<td>2009</td>
<td>9,207/13,522</td>
<td>1,279/1,634</td>
</tr>
<tr>
<td>2010</td>
<td>9,207/13,522</td>
<td>1,279/1,634</td>
</tr>
</tbody>
</table>

*All collective agreements with labor unions or the labor-management council’s resolutions cover the entire workforce of Korean Air, whether they are in a number of work units.

**Information Sharing & Mutual Cooperation**

To promote transparency, Korean Air pledges to share management information as a principle in the collective agreement. Accordingly, the company immediately posts information regarding revisions to corporate rules, organizational restructuring, hiring, promotions, reshuffling of personnel, and retirement and legal processes belonging to charities for the elderly and people with disabilities, extending a helping hand to mentally-challenged people and offering free educational seminars and cultural activities.

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Every year, the labor union and management jointly participate in volunteer activities such as delivering briquettes to needy people. In the future, we intend to increase opportunities for joint labor-management participation in volunteer activities. To this end, we are planning social activities as the cleaning up of buildings and facilities belonging to charities for the disabled, extending a helping hand to mentally-challenged farmers, and making Song-gyeon (rice cakes for Korean Thanksgiving) for the disabled.

**Wages & Welfare Benefits**

Korean Air has adopted a Total Compensation System, which combines performance-based wages with benefits that are closely related to employees’ lifestyles.
HEALTH & SAFETY

We operate state-of-the-art facilities at our Aviation Medical Center to more effectively manage the health and occupational safety of our employees.

2010 Health Programs

<table>
<thead>
<tr>
<th>Category</th>
<th>Health Care Services (person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Medical Check-up</td>
<td>14,583</td>
</tr>
<tr>
<td>Aviation Physical Examination</td>
<td>2,679</td>
</tr>
<tr>
<td>Physical Fitness for Cabin Crews</td>
<td>4,514</td>
</tr>
<tr>
<td>Primary Health Care (equivalent core)</td>
<td>10,865</td>
</tr>
<tr>
<td>Transfer of invalid passengers</td>
<td>2,669</td>
</tr>
</tbody>
</table>

Safety Performance Incentives (Million won/seat)

<table>
<thead>
<tr>
<th>Year</th>
<th>Safety Performance Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>174</td>
</tr>
<tr>
<td>2006</td>
<td>191</td>
</tr>
<tr>
<td>2007</td>
<td>201</td>
</tr>
<tr>
<td>2008</td>
<td>236</td>
</tr>
<tr>
<td>2009</td>
<td>340</td>
</tr>
</tbody>
</table>

Health Care & Physical Examinations for Flight Attendants

Through our health management programs, we make every effort to ensure the health and safety of our cabin crew members so as to secure the safety of flights and the fulfillment of duties. Korean Air issues and manages a comprehensive domestic/International certificate for aviation physical exams, and offers preventive health care to ensure safe flight operations. In order to protect cabin crew members from musculoskeletal disorders, Korean Air regularly conducts physical health and cervical cancer. Regular monitoring of occupational injuries is undertaken by joint teams of doctors, nurses, and occupational and environmental hygienists who pay regular visits to workplaces. These health professionals offer practical down-to-earth advice and medical care and post health information on- and offline for the benefit of employees.

Occupational Safety

Korean Air has promoted campaigns for accident-free workplaces and is committed to providing healthy, accident-free workplaces for its employees. Employee concern and awareness of workplace safety have led to voluntary activities aimed at the prevention of accidents. All employees duly follow given work processes and continue to improve safety at workplaces. As a result, we have maintained a low occupational injury rate of 0.07% for the past three years and the figure continues to decline. In addition, Korean Air has reinforced its injury-prevention activities with the introduction of a Job Hazards Analysis system, a system that encourages workers to identify and address risk factors in the workplace. We also conduct risk assessments of work processes susceptible to occupational accidents and take corrective action to mitigate such risks and to secure safety measures. We also offer incentives to promote awareness of safety solutions and to prevent injuries.

Occupational Safety and Environmental Hygiene

We operate state-of-the-art facilities at our Aviation Medical Center to more effectively manage the health and occupational safety of our employees.

Health Care & Physical Examinations for Flight Attendants

Through our health management programs, we make every effort to ensure the health and safety of our cabin crew members so as to secure the safety of flights and the fulfillment of duties. Korean Air issues and manages a comprehensive domestic/International certificate for aviation physical exams, and offers preventive health care to ensure safe flight operations. In order to protect cabin crew members from musculoskeletal disorders, Korean Air regularly conducts physical fitness tests and provides continuing health management programs based on the results.

Employee Health Care Service

Korean Air gives regular medical check-ups to all employees for the prevention, early detection, and treatment of health problems. We also run various health care programs such as first-aid training, and sponsor campaigns promoting vaccinations for influenza and cervical cancer. Regular monitoring of workplaces to ensure the health and safety of employees is undertaken by joint teams of doctors, nurses, and occupational and environmental hygienists who pay regular visits to workplaces. These health professionals offer practical down-to-earth advice and medical care and post health information on- and offline for the benefit of employees.

Health Care & Physical Examinations for Flight Attendants

Through our health management programs, we make every effort to ensure the health and safety of our cabin crew members so as to secure the safety of flights and the fulfillment of duties. Korean Air issues and manages a comprehensive domestic/International certificate for aviation physical exams, and offers preventive health care to ensure safe flight operations. In order to protect cabin crew members from musculoskeletal disorders, Korean Air regularly conducts physical fitness tests and provides continuing health management programs based on the results.

OCCUPATIONAL INJURIES PER 100 EMPLOYEES (2005 to 2010)

Occupational Injuries per 100 Employees (2005-2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupational Injuries per 100 Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.1</td>
</tr>
<tr>
<td>2006</td>
<td>0.1</td>
</tr>
<tr>
<td>2007</td>
<td>0.1</td>
</tr>
<tr>
<td>2008</td>
<td>0.1</td>
</tr>
<tr>
<td>2009</td>
<td>0.1</td>
</tr>
<tr>
<td>2010</td>
<td>0.1</td>
</tr>
</tbody>
</table>

WIN-WIN PARTNERSHIPS

We promote fairness in transactions and offer various support programs for our business partners to achieve win-win partnerships.

Fair Trade

Korean Air makes the utmost efforts to promote fairness in its transactions and achieve mutual growth with its business partners. In strengthening partnerships with other businesses, we aim to spread the practice of corporate social responsibilities so as to grow mutually beneficial. To this end, we collaborate with our business partners in a variety of businesses, not only in transportation but also manufacturing and services, as well. Furthermore, our quality-oriented fair transaction programs allow for greater transparency in our purchasing policies and processes. We have established a strict code of ethics as well, and we invite our partners to abide by this code.

Partnerships and Mutual Growth

The mutual growth of Korean Air and its business partners is integral to sustainable economic growth. Thus, Korean Air continues to establish and strengthen win-win partnerships through various strategic alliances. With the opening of an ISP (Internet Supplier Portal), a website for suppliers, along with the introduction of an ERP (Enterprise Resource Planning) system in January, 2009, Korean Air has strengthened its relationships with suppliers. The ERP system enables suppliers to monitor the status of orders, deliveries and payments more quickly, and it also allows suppliers to address problems through a Q&A bulletin board. Furthermore, managers from all departments make regular visits to suppliers to listen to and address concerns so as to reinforce mutual trust. Korean Air also conducts supplier satisfaction surveys on a regular basis to identify policies and support measures requiring improvement, and the results are reflected in adjustments to policies. As for financial support, Korean Air contributes to the stable management of its suppliers by conducting all transactions in cash.

Green Purchasing

Korean Air supports green purchasing, which is the practice of buying environmentally-friendly products and services. Such practices include the purchasing of cutting-edge aircraft and engines with high fuel efficiency and new aircraft equipment and lightweight products that contribute to reduced fuel consumption. As a responsible corporate consumer, Korean Air will continue to participate in the purchase of green products to promote a culture of sustainable consumption.
Under our founder’s belief that companies should share their profits with the society in which they operate, Korean Air engages in various social contribution activities locally and internationally. For instance, we lend Korean Air’s business acumen to the transport of disaster relief supplies and potable water to survivors of floods, and our 20 volunteer groups run various community engagement programs in the areas of academics, culture and arts, and sports. Social contribution activities are an integral part of our sustainability management practices and play an important role in enhancing our corporate value in the long term. Therefore, we will continue to share and promote the significance of social contribution activities with all stakeholders.

2010 Korean Air’s Social Contribution Activities

Korean Air set corporate social responsibility (CSR) as the main theme of a company-wide campaign for 2010 and implemented various activities in support of this theme. Beginning with a presentation on CSR at the opening ceremony for the year 2010, the company conducted a number of programs to direct the attention of employees to the values of CSR. Each and every employee was encouraged to make a pledge to donate time and talents and to participate in at least one volunteer activity under the four themes of “sharing talent,” “sharing love,” “sharing hope,” and “sharing happiness.” New employees were introduced to volunteer groups and encouraged to become honorary members. A campaign for the donation of less than KRW 1,000 from each paycheck was also promoted on a company-wide level. Korean Air will continue to promote social contribution activities in the daily lives of its employees, giving back to society monetarily and in terms of time, talents, and concern.

Online Website for Pledges to “Sharing”

In 2010, Korean Air launched an online website for sharing, where its employees can make pledges to participate in social contribution activities through monetary or voluntary participation. The website aims to get the attention of employees so as to encourage participation in the company’s social contribution drives. On the website, employees can not only sign pledges but also learn about the company’s current CSR practices and plans through a VoD service available on the website.

2010 Social Contribution Volunteer Hours & Expenses

<table>
<thead>
<tr>
<th>Number of Volunteers</th>
<th>Approximately 4,000 people from 21 groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volunteer Hours</td>
<td>8 person-hour/month</td>
</tr>
<tr>
<td>Expenses</td>
<td>Approximately KRW 8.5 billion in company donation and CSR fund included</td>
</tr>
</tbody>
</table>

SEEDS GROW ROOTS AND BRANCH OUT. EACH BRANCH BARES THE FRUITS OF PROSPERITY AND CREATES A CARING MINDSET. A MIND FOCUSED ON SHARING BRINGS HOPE TO THOSE IN NEED.
SUPPORT OF SPORTS ACTIVITIES

Similar to the Pyeongchang 2018 Olympic Bid Committee’s slogan, “New Horizon,” Korean Air will work ceaselessly to create a new horizon for the development of the Korean and Asian sports industries.

Sponsoring the Pyeongchang 2018 Olympic Bid Committee

After 12 years of perseverance and patience, Pyeongchang finally won the bid to host a Winter Olympics, the 2018 Games. This winning of the bid is fraught with significance. Domestically, the nation was rewarded for its determination and desire, and the games are expected to propel the country’s economic, social, cultural, and sports development forward. Internationally, the win literally opens a “new horizon” for the Winter Olympic Games, taking them out of Europe and the Americas and placing them in Asia, a region that has long been neglected as a venue for the Winter Olympic Games.

In sponsoring the work of the committee, Korean Air assigned executive members to the bid committee provided full support of the committee’s activities over the years. Our extensive global network of overseas branches in 100 cities in 40 countries served as the regional headquarters for the committee’s activities in respective regions, while the company took advantage of its network of leading global carriers through the SkyTeam alliance to support the activities of the bid committee. Korean Air chairman, Yang-Ho Cho, was inaugurated as the chairman of the Pyeongchang 2018 Bid Committee in September, 2009. In this capacity, he traveled a total of 592,138km, equivalent to traveling around the planet 13 times, to promote the work of the committee at 34 international sports events. The Pyeongchang 2018 Olympic Bid Committee’s slogan was “New Horizon,” an indication of the committee’s commitment to winter sports and the Winter Olympics.

Similarly, Korean Air will work ceaselessly to create a new horizon for the development of the Korean and Asian sports industries.

Korea’s First Company-Owned Speed Skating Team

In February, 2011, Korean Air became the first Korean company to launch a male speed skating team. In a bid to retain the momentum of the successes of Korea’s speed skating teams at the 2010 Vancouver Winter Olympic Games, we created the team and invited gold medalists, Lee Seung-hoon and Mo Tae-bum, to be founding members of the team. We also appointed the coach of the national standing team, Kwon Soon-cheon, as the coach. The Pyeongchang 2018 Bid Committee’s slogan was “New Horizon,” an indication of the committee’s commitment to winter sports and the Winter Olympics.

Similarly, Korean Air will work ceaselessly to create a new horizon for the development of the Korean and Asian sports industries.
GLOBAL AFFORESTATION EFFORTS

Korean Air has been building a vast erosion control forest, called the Korean Air Forest, in the desert of Baganuur in Mongolia since 2004. Also, we have been planting trees in the “Korean Air Botanical Garden” in the Kubuchi Desert in China since 2007. As such, Korean Air has been planting trees as part of a global tree-planting project to protect and preserve our Green Planet. Since 2009, we have extended our tree-planting campaign to urban areas of Los Angeles. In 2010, 11 teachers and students of the Suwon Agricultural Life Science High School, the winner of the 2009 Green Teacher Green Tour contest, as part of a global tree-planting project to protect and preserve our Green Planet. Since 2009, we have extended our tree-planting campaign to urban areas of Los Angeles. In 2010, 11 teachers and students of the Suwon Agricultural Life Science High School, the winner of the 2009 Green Teacher Green Tour contest, also joined the tree-planting event along with 50 students from Neimenggu University.

<table>
<thead>
<tr>
<th>Year</th>
<th>Afforestation Size</th>
<th>Number of Trees Planted</th>
<th>Participants</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1.10 ha</td>
<td>3,529</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1.10 ha</td>
<td>4,295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1.00 ha</td>
<td>2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>0.90 ha</td>
<td>9,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.90 ha</td>
<td>16,185</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>0.90 ha</td>
<td>16,885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.5 ha</td>
<td>54,399</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EDUCATIONAL BUSINESS & RELIEF EFFORTS

The Hanjin Group runs several academic institutes which promote the development of human resources and the concept of lifelong learning.

Relief Efforts

As a leading global carrier, Korean Air lends its business acumen to the transport of relief supplies to survivors of disasters. In 1997, the company convened a disaster relief team and regularly charters aircraft to transport disaster relief supplies to disaster zones around the world. In fact, we send life-saving helicopters and cargo planes as humanitarian support for the survivors of disasters. For instance, we sent cargo planes to transport blankets and potable water to refugees of the Great Sichuan Earthquake in 2008. We also made donations to help with restoration efforts in the aftermath of an earthquake in Qinghai Province in 2010. In February, 2011, we sent 18 tons of potable water to survivors of a devastating earthquake that had hit Christchurch, New Zealand. In March and April of the same year, 2,857 of our employees donated 7,768 boxes of potable water over six days and the company donated 5,000 boxes of potable water, 2,000 blankets and KRW0.7 billion to the Korean Red Cross to help Japanese survivors of a tsunami caused by an unprecedentedly strong earthquake.
APPENDIX
UN GLOBAL COMPACT / 2010 Awards / QR SUMMARY / Readers’ Feedback

2011 Korean Air Sustainability Report

UN GLOBAL COMPACT

The UN Global Compact is a strategic policy initiative, by which corporations commit to aligning their operations and strategies in keeping with ten principles related to human rights, labor, the environment and anti-corruption. Korean Air joined the UN Global Compact in July, 2007, because the core values of the Compact are in line with the company’s commitment to ethical and transparent management practices and to the fulfillment of its corporate social responsibilities. We will continue to embrace and support the ten universally-accepted principles of the UN Global Compact that are listed below:

PRINCIPLES

HUMAN RIGHTS
Principle 1: We support and respect the protection of internationally proclaimed human rights.
Principle 2: We ensure that we are not complicit in human rights abuses.

LABOR
Principle 3: We uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4: We uphold the elimination of all forms of forced and compulsory labor.
Principle 5: We uphold the effective abolition of child labor.

ENVIRONMENT
Principle 6: We uphold the elimination of discrimination in respect of employment and occupation.

ANTI-CORRUPTION
Principle 10: We work against corruption in all its forms, including extortion and bribery.

Activities Related to the UN Global Compact

<table>
<thead>
<tr>
<th>Classification</th>
<th>Principles</th>
<th>Performances</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUMAN RIGHTS</td>
<td>1. We support and respect the protection of internationally proclaimed human rights. 2. We ensure that we are not complicit in human rights abuses.</td>
<td>• Compliance with UN Global Compact 10 Principles and ILO conventions  • Company-wide business ethics education and visual harassment prevention programs</td>
<td>16-17, 66-71</td>
</tr>
<tr>
<td>LABOR</td>
<td>3. We uphold the freedom of association and the effective recognition of the right to collective bargaining 4. We uphold the elimination of all forms of forced and compulsory labor 5. We uphold the effective abolition of child labor 6. We uphold the elimination of discrimination in respect of employment and occupation.</td>
<td>• Upholding the freedom of association and the right to collective bargaining  • Compliance with the Labor Standards Act and ILO Convention on forced labor and child labor and no case of violations  • Increase the number of female employees and disabled employees  • International employment without discrimination based on nationality, culture, religion and other personal backgrounds</td>
<td>46-47, 72-73</td>
</tr>
<tr>
<td>ENVIRONMENT</td>
<td>7. We support a precautionary approach to environmental challenges. 8. We undertake initiatives to promote greater environmental responsibility. 9. We encourage the development and diffusion of environmentally friendly technologies.</td>
<td>• For compliance of regulations on pollutant discharge within the business premises  • Company-wide certification of the ISO14001  • GHG inventory system building and greenhouse gas reduction initiatives</td>
<td>52-55</td>
</tr>
<tr>
<td>ANTI-CORRUPTION</td>
<td>10. We work against corruption in all its forms, including extortion and bribery.</td>
<td>• Declaration of the Charter of Ethics and UN Global Compact 10 Principles  • Business ethics education and whistle blowing programs  • Introduction of the Compliance Program</td>
<td>16-17, 66-83</td>
</tr>
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### 2010 AWARDS

<table>
<thead>
<tr>
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<tr>
<td>2010.01.25</td>
<td>Grand prize at the Strongest Airline Brand Awards</td>
<td>Travel &amp; Leisure</td>
<td>Recognized for excellence of brand image by frequent flyers and industry experts.</td>
</tr>
<tr>
<td>2010.02.19</td>
<td>2010 Grand Prize for Most Relatable Brand in Customer Choice - Aviation category for transportation services</td>
<td>Choose.com</td>
<td>Consumer-oriented mindset, consistent effort to induce customer satisfaction and meet customer value.</td>
</tr>
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<td>2010.03.23</td>
<td>Best HRD Award</td>
<td>Korea HRD Association</td>
<td>Excellence in staff education.</td>
</tr>
<tr>
<td>2010.04.29</td>
<td>2010 Korea Best Brand Awards - airline category (10 consecutive years)</td>
<td>Donga Card/Herapy service</td>
<td>Ranked top among airlines companies in terms of brand competitiveness according to brand awareness, purchases, and preferences.</td>
</tr>
<tr>
<td>2010.05.14</td>
<td>2010 Korea Green Growth Brand Awards</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.06.04</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.06.25</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.06.29</td>
<td>2010 Best HRD Award in the service/finance/transportation category</td>
<td>Korea HRD Association</td>
<td>Excellence in staff education.</td>
</tr>
<tr>
<td>2010.07.14</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.07.29</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
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<tr>
<td>2010.08.01</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.10.18</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
<tr>
<td>2010.10.24</td>
<td>2010 Grand Prize at 2010 Korea Best Brand Awards - airline category</td>
<td>Korea Brand Management Association</td>
<td>Increased global competencies of Korean companies through green industrial development initiatives and Green Korea Brand marketing activities.</td>
</tr>
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### GRI SUMMARY

#### The Korean Air 2011 Sustainability Report was compiled based on the GRI G3 Guidelines and its recommendations. We declare that the contents of this report meet the requirements for Level A of the Application Level Table as provided by GRI.

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<td>Employee</td>
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<td>Local community</td>
<td>26-31</td>
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<tr>
<td>Business partner</td>
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#### Readers’ Feedback

Korean Air values your opinion of its sustainability report. Your opinions and suggestions are reflected in our sustainability management activities and reports, and assist in advancing our sustainability management practices. Thank you for your time and effort in making your voice heard.

1. Which of the following stakeholder groups do you belong to?  
   - [ ] Customers  
   - [ ] Shareholders & investors  
   - [ ] Employees  
   - [ ] Local communities  
   - [ ] NGOs  
   - [ ] Business Partners  
   - [ ] None of the above  

2. Which of the following sections do you find most interesting? (Select one or more)  
   - [ ] Report Information  
   - [ ] Purpose & Scope  
   - [ ] Stakeholder Group  
   - [ ] Risk & Opportunity Management  
   - [ ] Environmental Management  
   - [ ] Economic Management  
   - [ ] Social Management  
   - [ ] Governance  

3. Which of the following sections do you think needs improvement? (Select one or more)  
   - [ ] Report Information  
   - [ ] Purpose & Scope  
   - [ ] Stakeholder Group  
   - [ ] Risk & Opportunity Management  
   - [ ] Environmental Management  
   - [ ] Economic Management  
   - [ ] Social Management  
   - [ ] Governance  

4. Please feel free to share your opinions and suggestions about Korean Air’s sustainability management activities and the structure or content of this report.
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