



Fly High **Korea**



Sustainability Report 2017
Korea Airports Corporation

ABOUT THIS REPORT

Significance of the Report

The Sustainability Report 2017 is the ninth sustainability report of Korea Airports Corporation (KAC). Strengthened communication with stakeholders is what makes this report unique from previous editions, and elaborated efforts were made to provide details regarding planning and performances on sustainability management activities in line with the Sustainable Development Goals (SDGs) set forth by the United Nations.

Reporting Standards

This report is in accordance with the GRI (Global Reporting Initiative) Standards, from series 100 to 400, and the "Core" option. Further details of those reporting standards are prepared in the GRI Index found in the Appendix (p.78).

Reporting Period and Scope

The report covers the company's sustainability management performances from January 1 to December 31, 2016, and items considered significant include performance measures extending to the first half of 2017. The scope of the reporting covers 16 locations nationwide, including the head office and regional branches, and quantitative data accounting for the recent three years has been provided to identify trends on achieved performances. There are no significant changes in the reporting's scope, boundary and measuring method when compared against to the previous reporting.

Report Assurance Standards

In order to enhance reliability and objectivity of the data as well as its reporting process, external assurances from a third party were conducted based on the internationally recognized AA1000 Assurance Standards (AA1000AS) 2008. The results are available in the Independent Assurance Statement (p. 76).

Website	www.airport.co.kr
Address	78 Haneul-gil, Gangseo-gu, Seoul, Korea
E-mail	sustainability@airport.co.kr
Phone	+82-2-2660-2824
Fax	+82-2-2660-2820
Department	Corporate Partnership Team, KAC

About Us

KAC

- 04 CEO Message
- 06 KAC Overview
- 08 Integrated Risk Management
- 09 Robust Governance
- 10 Sustainability Management Strategies

Design Your Airport

Open KAC

- 14 Our Stakeholders
- 16 Stakeholders' Opinion
- 18 Building Consensus with Stakeholders
- 20 KAC's Commitment to Stakeholders
- 22 KAC Material Issues

Customer First

Customer as Top Priority

- 26 Safe and Convenient Airports
- 31 Customer First Management for Customer Satisfaction

Leading Innovation

Futuristic Airports Built by High Competencies

- 36 New Challenges toward Futuristic Airports
- 40 Infrastructure Preparing for the Future
- 44 Growth Drivers Leading the Future

Growing Together

Growing Together through Respect and Cooperation

- 50 Corporate Culture Creating a Pleasant Workplace
- 52 Partnership Realizing the Value of Mutual Growth
- 54 Cultivating Talents Leading the Aviation Industry

Field Orientation

Field-oriented Social Responsibility

- 58 Eco-friendly Airports Made by Green Management
- 62 Beloved KAC through Sharing
- 64 Strong Ethics Management Culture

Special Theme

- 66 The Story of Regional Airports

Appendix

- 72 Sustainability Management Performance
 - 76 Independent Assurance Statement
 - 78 GRI Standards / ISO Index
 - 80 Awards, Certifications and Memberships
-



Cover Story

The light on the cover page is the brighter tomorrow of Korea symbolizing KAC's pursuit in creating higher future values. The airplane facing the light represents KAC's commitment to sustainability management.

CEO Message



KAC will work towards achieving the vision of “Connecting the World, Inspiring the Future,” by having all executives and employees unite under a field-oriented management system, thus, ensuring the realization of our core values: customer first, leading innovation, respecting human resources and field orientation.

KAC is a representative public corporation in the Republic of Korea that has contributed to the nation’s economic development by providing seamless air transportation services with high efficiencies in construction, management and operation of 14 airports nationwide. Fueled by the love and trust of Korean citizens, ceaseless efforts are carried out to fulfill both stakeholders’ satisfaction and social responsibility.

With the declaration of the field-oriented management system in 2016, every executive and employee of KAC have made their utmost efforts to enhance safety and convenience at airports. As a result, Daegu and Cheongju Airports saw the first surplus ever since they were first commissioned with a total passenger traffic reaching 78.52 million, a 13.2% increase from the previous year. Moreover, KAC has seen remarkable outcomes in areas of economy, society and environment, including six consecutive years of being selected as best airport worldwide in the Airport Service Quality (ASQ) Awards, 1st place in the LACP “2015/2016 Vision Awards Annual Report Competition (Sustainability Report),” as well as the Presidential Prize at the 2016 Korea Green Management Awards.

We will reinforce safety, security and service for our customers.

KAC pursues customer value as the top priority of management, and always endeavors to provide the safest environment at airports for the public. The Airport Safety Forecast System (ASFS) and the Cyber Security Control Center undergo meticulous examination for potential threats, and all employees continuously do their utmost to uphold preventative measures through intensive awareness of safety and security. In addition, taking an active approach to customers’ opinions, KAC is making its best efforts to improve the quality of service, such as introducing the smart transportation system to mitigate congestion in parking lots and providing services to ensure the convenience for the mobility handicapped.

We will create future value by leading innovation.

To accommodate the prospects of Industry 4.0, KAC is pursuing to create “Smart Airports” facilitated with advanced technologies. A master plan for establishing smart airports is underway that would include, for example, the introduction of air purifying robots. Furthermore, we are preparing in stages to cater for the accelerated demands in air transportation by renovating facilities, expanding necessary infrastructure and constructing new airports, as well as increasing R&D projects for the aviation sector. We are presenting our competence as a global airport partner through the promotion of various overseas projects, such as winning a contract with an SME for constructing passenger boarding bridges at Mongomeyen Airport in Equatorial Guinea, developing a system for Entebbe International Airport in Uganda, in addition to other airport consulting projects, KAC has presented itself as a global partner with full competence. By continuously developing growth drivers, we strive to be at the vanguard of the world’s aviation industry.



We will create pleasant airports by expanding a corporate culture of respecting human resources.

KAC is reinforcing human rights management, believing that respecting people is the beginning of sustainable management. With the aim of creating pleasant airports where work-life balance is ensured, we are actively promoting flexible working hours and maternity protection. Considered also as family, for our partner business employees we operate various welfare improvement programs and open up communication channels. Systematic education opportunities are offered in order to enhance the competence of KAC's employees as well as its partners' employees, and the scope of talent cultivation expanded with the inclusion of a new pilot training program and international education programs for trainees coming from developing countries. Particularly, the opening of the KAC Aviation Training Center in 2017 allows potential pilots to complete their required flight training locally, which was only available overseas requiring excessive amounts of time and money. KAC will further expand the culture of respecting human resources to make Korean airports an enjoyable workplace and a place everyone wants to work at.

We, as a public corporation for the people, will put responsibility management into practice.

So that future generations may inherit a clean environment, KAC established a green infrastructure that would cope with climate change. As a result of those efforts to build eco-friendly green airports, greenhouse gas reduction goals were well exceeded for six consecutive years. Other various corporate social responsibility activities are being provided, such as, scholarships for children and college students residing in aviation noise-affected areas, and opportunities for children from multicultural families to visit their mother's home country. For a more strategic approach on CSR, we restructured and established the KAC Community Service Center of Innovation in 2016 to serve as a CSR control tower. KAC will continue to further strengthen CSR management to fulfill its social values and become a public corporation growing together with local communities.

In January 2017, KAC declared the Vision 2025, under the theme of "Connecting the World, Inspiring the Future." We aspire to become an airport group of excellence, creating business profits as well as value for the public, by maximizing the quality of life of customers. I ask for your continued support and attention in KAC's journey toward a futuristic airport everyone is dreaming for.

Thank you.

Sung Il-hwan
President & CEO
Korea Airports Corporation

KAC Overview

Korea Airports Corporation (KAC) is a public corporation contributing to economic development and welfare improvement by facilitating smooth and reliable air transportation. Such is achieved through efficient construction, management and operation of 14 airports* nationwide while nurturing and supporting the aviation industry.

(As of December 31, 2016)

Date of Establishment	May 30, 1980
Head Office	78 Haneul-gil, Gangseo-gu, Seoul, Korea
President & CEO	Sung Il-hwan
Number of Employees	2,013 persons

* Gimpo, Gimhae, Jeju, Daegu, Gwangju, Cheongju, Yangyang, Muam, Ulsan, Yeosu, Sacheon, Pohang, Gunsan, Wonju

Management Performance

(Summer 2017)



	2014	2015	2016
Flights in Service (flight)	416,644	447,734	481,184
Passenger Traffic (10,000 persons)	6,163	6,936	7,852
Cargo Traffic (1,000 tons)	734	764	824
Sales (KRW 100 million)	7,621	8,088	8,303

KRW 4,432.6 billion
Total Assets

KRW 190.2 billion
Net Income

ZERO

ZERO safety accidents for 6 consecutive years

A rating

Public-service Customer Satisfaction Index (PCSI)

Business Overview



History

1980-1989

- 1980 • Founded as International Airport Authority
- Acquired the right to operate Gimpo International Airport
- 1983 • Acquired the right to operate Gimhae International Airport
- 1984 • Opened the Civil Aviation Training Center
- 1985 • Acquired the right to operate Jeju International Airport

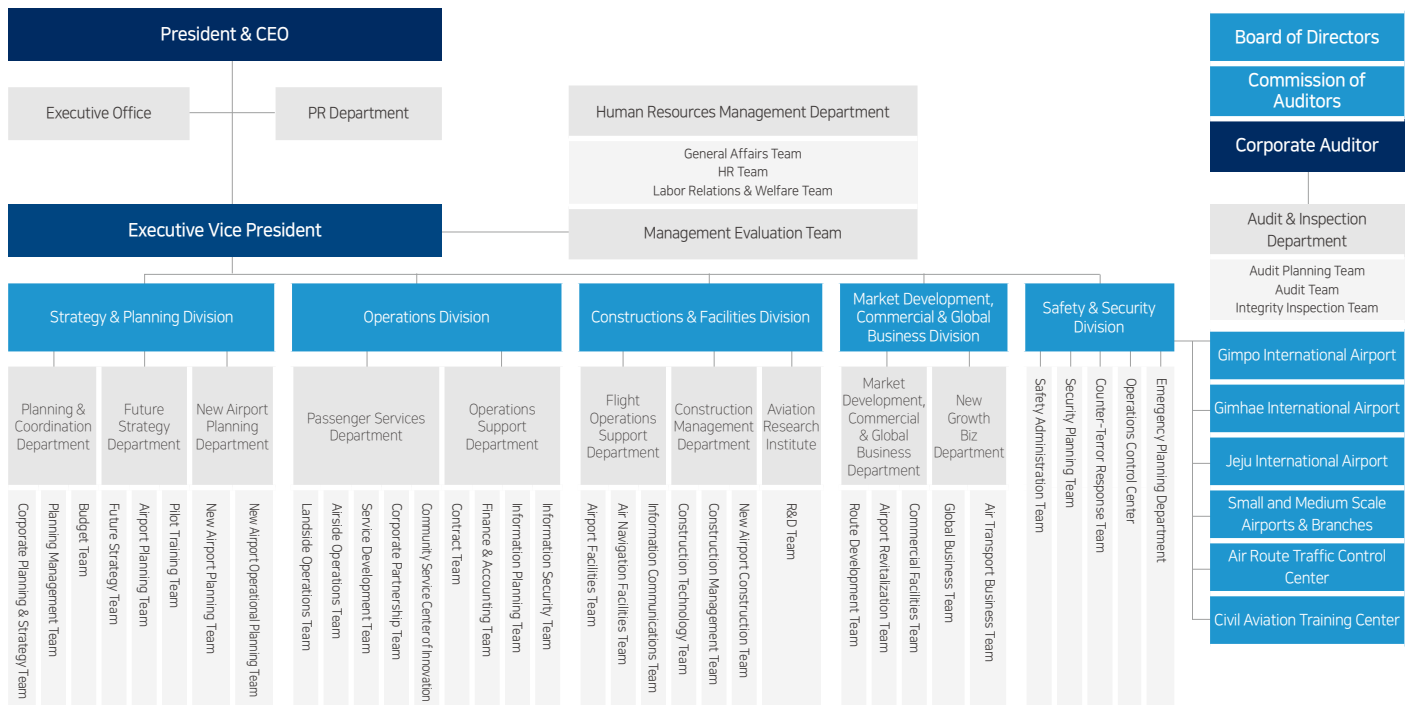
1990-1999

- 1990 • Renamed as the Korean International Airport Authority
 - Acquired the right to operate nine domestic airports including Daegu Airport
 - 1992 • Acquired the right to operate Mokpo Airport and Gunsan Airport
 - 1997 • Acquired the right to operate Cheongju Airport and Wonju Airport
 - 1999 • Acquired the right to operate eight VOR¹⁾/TAC²⁾s
- 1)VOR : Very High Frequency Omni-directional Radio-range
2)TAC : Tactical Air Navigation

Corporate Structure

In June 2016, KAC reformed the organization to reinforce its core functions and adapt to rapid changes in the aviation industry. A Safety & Security Division was newly organized to integrate safety and security teams dispersed in different divisions, and this occurred under the consensus that safety and security are the fundamentals and their common objective should be prevention. Functions of the Operations Control Center were also expanded to render immediate responses to an emergency on a holistic level. A Future Strategy Department was also newly installed in order to prepare for accelerated growth in the Asia-Pacific aviation market along with dramatic technological advancements. In addition to others, such recalibration to the organizational structure was necessary to ensure safe and convenient air transportation for customers.

(As of December 31, 2016)



Integrated Risk Management

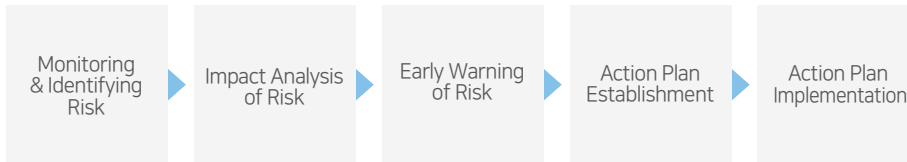
Enhancing Risk Management System

In order to enhance risk management capabilities, the "Risk Management Guidelines," which were originally established in 2008, were newly revised in 2016. Among the potential management risk that could occur, four major areas of risk management were designated: management risk, disaster, communication and conflict. Manuals covering 25 types of risk were also developed. We, thereby, have a system well established of response plans that predict and categorizes the scope of a potential risk, and provides immediate remedy to the situation, whatever it may be.

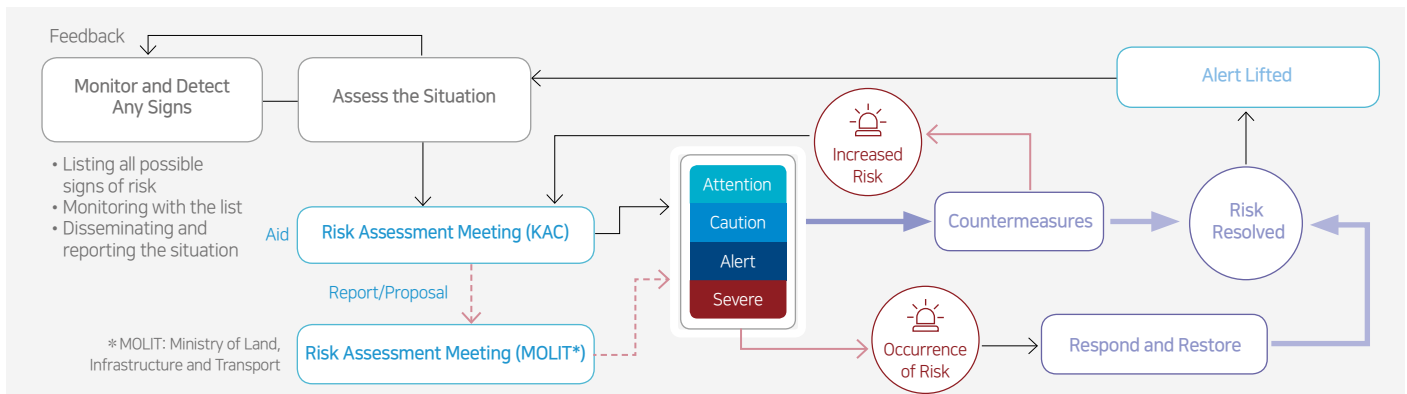
Risk Response System

KAC's risk management is supervised by the Chief Risk Officer (CRO), and in cases of risk a Risk Management Committee, overseen by CEO as a chair, is immediately summoned to quickly provide countermeasures for recovery. With the Future Strategy Department appointed as the head department in 2016, plans capable of corresponding to environment changes per risk are devised, and the status of each risk situation is systematically managed at the department, so that the distribution of responsibilities throughout the organization is made clear. In addition, early warning systems have been developed and reinforced to detect any harbingers of risk and minimize those damages.

Areas of Management Risk



Other Areas



Declaration of "On-site Emergency Management System"

In order to prevent the recurrence of incidents such as having passengers stranded at Jeju airport due to a record breaking snowfall in 32 years (Jan. 23, 2016), KAC can declare the "On-site Emergency Management System" and assemble an on-site emergency management committee under the supervision of the CEO as committee chair. All executives and employees work together to maintain a 24-hour emergency working system and the executives conduct on-site inspections around regional airports. Furthermore, comprehensive improvements across all airport operations were made including the preparation of detailed checklists for all airport specifications.



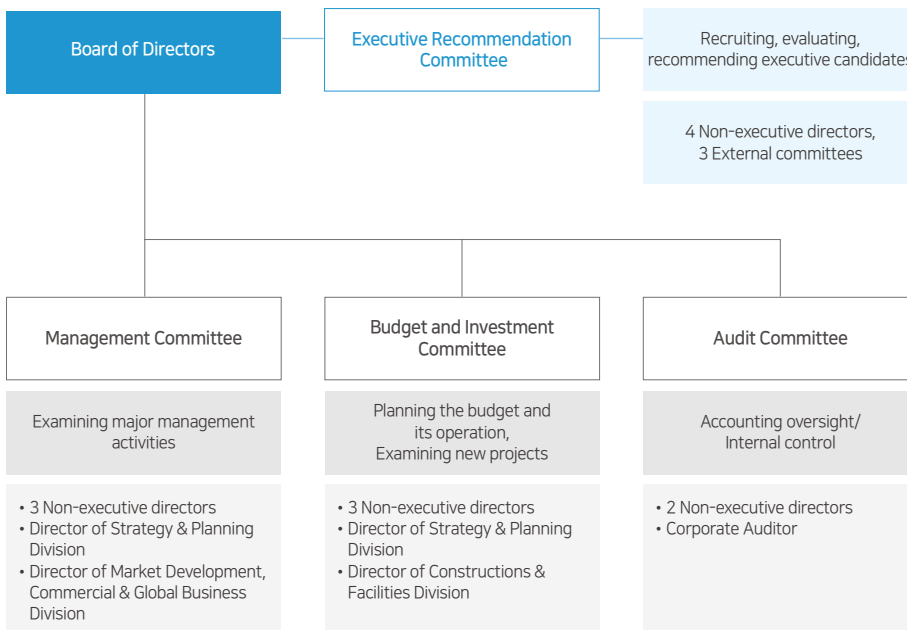
Potential Areas of Risk

<p>Management risk</p> <ul style="list-style-type: none"> • Functional adjustment due to change in the authority of airport operation • Decrease in profits due to the 3rd National Railway Network Construction Plan • Financial deterioration due Financial operation • Any risk encountered due to overseas business expansion • (New) Risks regarding new business promotion • (New) Decrease in lease profits due to changes in travel trends • (New) Stagnant demand due to a lack of airport capacity • (New) Overall increase in KAC's costs
<p>Communication</p> <p>Risk of damaging public image due to false, exaggerated or negative reports from the media</p>
<p>Disaster</p> <p>Natural disasters, aircraft accidents, malfunction of air navigation facilities and social disaster risk, etc.</p>
<p>Conflict</p> <p>Labor-management conflict, conflict with partners, public petitions from residents living in regions designated for aviation noise countermeasures, and airline labor-management conflicts</p>

Robust Governance

Board of Directors

Board of Directors (BOD) deliberates and votes major issues as the ultimate decision-making authority, and consists of thirteen directors: six executive and seven non-executive. Sub-committees are organized and operated under the BOD to increase expertise and efficiency of their operations. Major issues are reviewed and handled in a timely manner through monthly BOD meetings and ad-hoc meetings held as necessary. By regulation, directors who have any direct involvement on specific agenda are permitted to practice their voting rights for the sake of transparent and objective decision-making. In 2016, the BOD processed a total of 51 agendas, and all efforts were made to reflect those decisions within the organization.



Transparency and Expertise of the BOD

Securing Procedural Fairness and Credibility

The BOD operates an Executive Recommendation Committee in accordance with Article 25 of the Act on The Management of Public Institutions, and the committee recommends executive candidates possessed with expertise and diversification. For enhanced transparency, candidates are recruited through an open recruitment process and undergo document screening as well as in-depth interviews before appointment. Furthermore, we endeavor to deliver transparency and credibility by disclosing the minutes and results of BOD meetings on a government portal for public institutions called the ALIO (All Public Information In-One) system.

Extensive Participation of Non-executive Directors in Management

With the professional expertise and experience of non-executive directors coming from diverse backgrounds such as economy, management and law, they are often engaged in management related activities such as providing policy proposals, public relations, mentoring and on-site management assistance. By reviewing ongoing practices in management and looking into current issues, non-executive directors actively participate in communicating with others through mentoring programs and regular meetings so that all can be worked into making better decisions in the BOD.

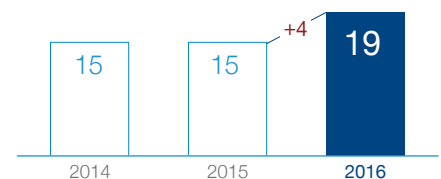
Members of the BOD

(as of April 2017)

	Name	Position/Field
Executive Directors	Sung Il-hwan	President
	Nam Dong-kyun	Corporate Auditor
	Yoon Wang-ro	Executive Vice President
	Lim Gwi-seop	Director of Strategy & Planning Division
	Jeong Se-young	Director of Construction & Facility Division
	Park Sun-cheon	Director of Market Development, Commercial & Global Business Division
Non-executive Directors	Choi Beom-seo	Marketing/PR
	Cho Kuk-haeng	Management/Finance (Auditor)
	Ham Young-tae	Management
	Jang Hoon	International Relations/Diplomacy
	Lee Wun-woo	Transportation/Security
	Kang Seok-hun	Law (Auditor)
	Shin Dong-jin	Management/Budget

BOD Meetings

(Unit: meeting)



Participation of Non-executive Directors

(Unit: meeting)

	2014	2015	2016
Management proposals	25	40	35
Reflected proposals	25	40	35
Management consulting (mentoring)	6	15	14

Sustainability Management Strategies

In 2016, we announced a new vision of “Connecting the World, Inspiring the Future” and set forth the following as our four core values: customer first, leading innovation, respecting human resources and field orientation. We have enhanced effectiveness in our sustainability management by devising sustainable strategies coherent to our new vision and adhering to their implementation.

Strategies for Sustainability



Corporate Social Responsibility Committee

Assembling a Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is an organization under direct control of the CEO which deliberates and votes on agendas related to major corporate social responsibilities. The committee consists of eight internal members including the corporate auditor and the CEO as the chair. Through objective assessment and advice from an advising committee member appointed externally, the committee is able to configure and calibrate directions for KAC’s sustainable growth. In 2016, the practical functions of the committee were reinforced by expanding the scope of the internal members, from the executive level to the directors level in 2016.

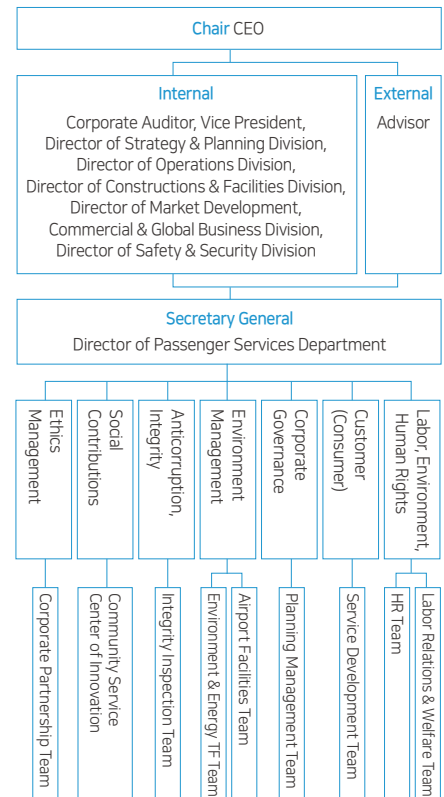
Activities of the Corporate Social Responsibility Committee

In 2016, the Corporate Social Responsibility Committee not only deliberated and voted on the annual plans for ethics management, social contribution activities, anti-corruption and integrity, and environmental management, but also subsequently reviewed the outcomes. In addition, to effectively conduct corporate social responsibility activities in a more systematic way at the corporate level, the Community Service Center of Innovation was newly installed to concentrate on CSR matters.

Corporate Social Responsibility Committee Meetings

(Unit: meeting)

2014	2015	2016
3	2	3



VISION 2025

Connecting the World, Inspiring the Future

New Customer Value

KAC aims to maximize the value of customers' time by increasing safety, convenience and speed; to maximize the value of customers' lives by providing diverse services converging culture and leisure; and to establish a representative and leading model for public corporations which require a good balance between public interest and profitability

Inspiring the Future

KAC will usher in what futuristic airport should look like, by integrating acquired airport operation know-how with advanced technologies associated with Industry 4.0, and by expanding into new airport-related projects, such as new airport construction

Airport Group

KAC will aspire to become a leading airport group worthy of its name, managing and operating 20 airports at home and abroad with a performance-focused responsible management system in place, prioritizing customers above all else

Our Vision's Goal

120 million passengers

120 million passengers

No. of passengers in 2016: 80 million

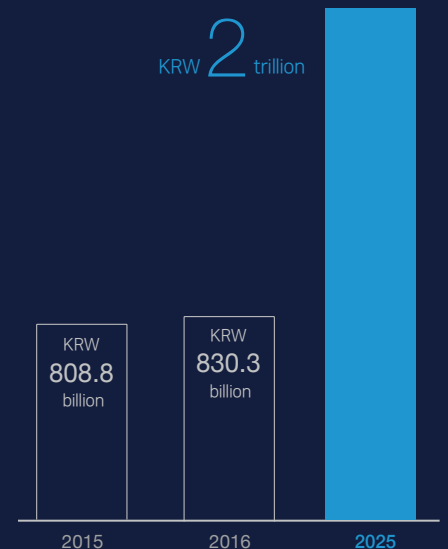
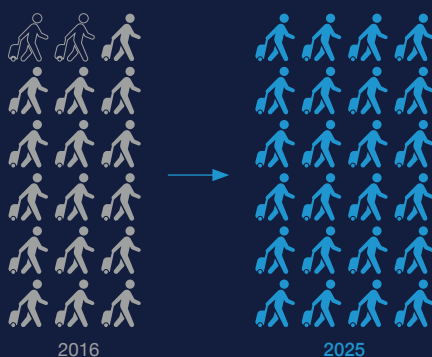
Operating 20 airports

Operating 20 airports

No. of airports in 2016: 14 airports

Achieving KRW 2 trillion in Revenue

KRW 2 trillion



Sustainability Management Strategies

In 2016, we announced a new vision of “Connecting the World, Inspiring the Future” and set forth the following as our four core values: customer first, leading innovation, respecting human resources and field orientation. We have enhanced effectiveness in our sustainability management by devising sustainable strategies coherent to our new vision and adhering to their implementation.

Strategies for Sustainability



VISION 2025

Connecting the World, Inspiring the Future

1

We will grow into a leading airport group influencing new airport standards and roles

2

We will expand business areas by sophisticating the airport's primary function and converging it with related businesses, reinforcing communication and cooperation with stakeholders for efficient airport operations

3

We will transform the airport's function into a space that creates new values for diverse customers

Future of KAC 2025



Advancements in Primary Function

**Concise Processing,
Enjoyable Waiting**



Convergence with Related Business

**Attractions,
Shopping, Foods**



Strengthened Collaboration for Operation Efficiency

**Participation and
Communication with
Diverse Stakeholders**

- Possessed with the highest levels of safety and security through applications of cutting-edge technology, minimized waiting times and maximizes convenience
- Simplified process through biometric identification and self check-in

- Active diversification between businesses whether direct or indirect with flight operations
- Emergence of new businesses through cooperation between related businesses such as logistics, hotels, SNS, REITs and exhibitions

- A Place where new value is created connected with various stakeholders
- Invigorated collaboration between customers, airlines, partners, customer convenience facility operators, etc.

Our Stakeholders

KAC categorized key stakeholders as customers, partners, government and related agencies, executives and employees, and local communities. Each stakeholder was interacted through different communication channels fit for each group. By actively reflecting varying stakeholder opinions upon overall management, we will lay out the foundations needed in order for all KAC stakeholders to grow together.

Communication Channels between KAC and Stakeholders



Created Value

Prompt and Convenient Service

Collaboration and Mutual Growth

Key Stakeholders

Customers

International and domestic passengers
Airlines
Resident agencies
Commercial facilities

Partners

Outsourced companies for airport facility management and their employees (airport operation, facility management and security & emergency, etc.)
Other partners and their employees (joint R&D, etc.)

Key Communication Channels

- Cyber portal
- VOC committee for resident customers
- KAC customer service center
- Customer surveys
- Customer suggestions
- Nationwide idea contests
- Airline Operation Council
- Airport Forum
- Airline CEO meetings
- Sinmungo (Ombudsman) for regulation improvement, etc.

- SKYONE
- CEO meetings
- Online support center for mutual growth
- Partner's Day
- Field representatives workshops
- Supervisor meetings, etc.

Needs and Issues

- Aviation safety management
- Airport services improvement and expansion
- Reinforcement of airport demand countermeasures
- Above and beyond airport services
- Promotion of new business projects

- Expansion of mutual growth
- Partner competency enhancement and support
- Fair trade

Response and Sharing

Safety & Security

- Established a safety system focused on prevention
- Efforts for safety in disasters and air navigation
- Upgraded aviation and information security

Customer satisfaction

- Improved passenger processing
- Improved service quality assessment systems
- Strengthened communication with customers

Smart Airport

- Realizing a smart airport

Infrastructure

- Improved airport infrastructures
- Initiated new airport construction
- Created an aviation eco-system

Future Growth Drivers

- Expanded joint R&D projects
- Built a success model for overseas projects

Future Growth Drivers

- Strengthened mutual growth through joint R&D projects
- Succeeded in overseas projects with SMEs

Collaboration for Mutual Growth

- Enhanced partnerships through communication
- Promoted mutual growth programs



Role of Public Interest

Government and Related Agencies

Ministries
The National Assembly
Local governments

- Aviation Industry Development Council
- Business reports and agreements on current issues with ministries
- Government project implementation
- Policy proposals
- Regular meetings
- Discussion panels, etc.

- Management efficiency
- Revitalization of regional airports
- Response to climate change
- Countermeasures to control aviation noise
- Creating job

Infrastructure

- Improved airport infrastructures nationwide
- Initiated new airport construction

Invigorating Regional Airports

- Balanced national development
- Regional airports contributing to public interest

Eco-friendly Airports

- Efficient management of environment
- Operated an environment monitoring system
- Fulfilled goals to reduce greenhouse gas emissions



Pride and Harmony

Executives and Employees

All executives and employees of KAC

- CEO Postbox
- Mentoring by management
- SKYNET
- GWP communication bulletin board
- Employee seminars / Proposals and contest
- Labor-management Council
- Labor-management Joint Committee
- Working-level council
- Hot line between labor and management representatives, etc.

- Better workplace and corporate culture
- Labor-management relations for mutual growth
- Cultivation of global professionals
- Respect for diversity (human rights) and prohibition of discrimination

Human Rights

- Established a human rights management system
- Implemented of UN Global Compact principles

Corporate Culture

- Innovated the corporate culture
- Realized work and life balance
- Fair and reasonable human resource management
- Established an open relation between labor and management

Cultivating Aviation Talents

- Prepared a foundation to cultivate aviation talents
- Globally shared knowledge
- Developed a profit model for global education projects



Local Community Development

Local Communities

Local residents
Areas nearby airports
(including noise-affected areas)
NGO / Academic circles

- Seminars for residents
- Noise Control Committee
- Local resident meetings
- Sharing activities for disadvantaged groups in noise-affected areas
- Residents surveys, etc.

- Countermeasures to control aviation noise
- Contributions for regional development
- Differentiated CSR activities
- Creating jobs

Eco-friendly Airports

- Promoted projects to countermeasure aviation noise
- Environmental sharing activities (guerrilla gardening)

Social contributions

- Promoted strategic CSR activities
- Invigorated employee participation
- Strengthened CSR activities connected with the industry
- Reinforced support for the disadvantaged

Corporate Culture

- Enhanced open employment
- Created jobs

Stakeholders' Opinion

To hear out the voices of each stakeholder, KAC is utilizing diverse connection channels. KAC's "seven major agendas" were chosen through surveys and interviews with key stakeholders, and a stakeholder committee was held with relevant experts qualified for each agenda. With the key contents identified by the committee, in-depth discussions were further held in more casual meetings between stakeholders. By proactively exchanging information and collecting opinions, KAC will help facilitate in allowing stakeholders to thrive in participation.

Stakeholder Surveys and Interviews

“We asked our stakeholders”

Survey Period

May 18 ~ 26, 2017

Survey Methods



Online (mobile)



Written Survey



Interview

No. of Participants

1,711 persons

	Survey	Interview
Customers	128	2
Partners	1,153	2
Executives & Employees	303	1
Local Residents	106	16
Total	1,690	21

The Korea Airports Corporation



The Korea Airports Corporation

Puts effort in managing technology and facilities for safe flight operations



The Korea Airports Corporation

Increases in airport credibility by enhancing levels of security and staff proficiency



The Korea Airports Corporation

Provides services considering that customer satisfaction is top priority



The Korea Airports Corporation

Actively pursues relevant businesses to prepare for future demands



The Korea Airports Corporation

Promotes mutual growth with partners



The Korea Airports Corporation

Endeavors to tackle climate change and reduce noise pollution around the airports



The Korea Airports Corporation

Works aggressively to invigorate regional airports



2016 Stakeholder Engagement Process



“We heard from our stakeholders”

What They Expect

Customers		Security of safety in airport facilities Prevention of aircraft accidents
Customers and local residents		Reinforced security checks Rigorous counter-terrorism measures
Customers		Improved convenience of ground transportation access to airports
Customers		Expanded services and convenient facilities
Partners		Long-term support and investment
Local residents		Active communication with local communities
Local residents		Invigorate domestic air travel More promotion for regional communities (tourism)



Building Consensus with Stakeholders

KAC annually convenes the Stakeholder Committee for purposes to share its activities and performances on sustainability management as well as listen to the opinions stakeholders may have to offer. Discussions have been made to learn about what direction KAC needs to pursue and what needs to be improved in order for the organization to stand as a sustainable public corporation truly contributing to the industry.

Stakeholder Committee

Topic: Diagnosis of KAC's Sustainability Management Activities and Suggestions for Development

Purpose: Discuss on KAC's performance and direction in terms of sustainability management with experts in each field of the seven major agendas derived from stakeholder surveys and interviews

Date / Location: July 5, 2017 / KAC Headquarters

Chair: Lee Yun-cheol, Professor of Business Administration, Korea Aerospace University



Choi Yeon-cheol
Professor, Aviation Studies,
Hanseu University

Safety : Bolstering a Safety First Culture

As the number of passengers increase, aviation safety and airport security is more likely to face greater risk. KAC, so far, maintains its safety at a global level. Nevertheless, in order to satisfy the increasing demands from customers, it is essential to set guidelines that integrate customer satisfaction with safety management. Apart from ground operations training and collaboration with airlines, in order to ensure safety on the ground, I recommend the bolstering of a corporate culture that would place safety as top priority.



Park Hyun-soo
Director, Safety & Security
Department, Jin Air

Security : Necessity of Preemptive Measures for Security

Compared to other airports worldwide, KAC boasts the highest level of security in the world. Security at the airport is the fundamental factor which needs to be upgraded every year. The job description of security work is to diminish the threat of terrorism, however, preemptive measures can be considered more important than ex post facto counter-measures. Extending from the existing counter terrorism measures focused on the airside, I would be worthwhile to further conduct research on preemptive measures for the landside.

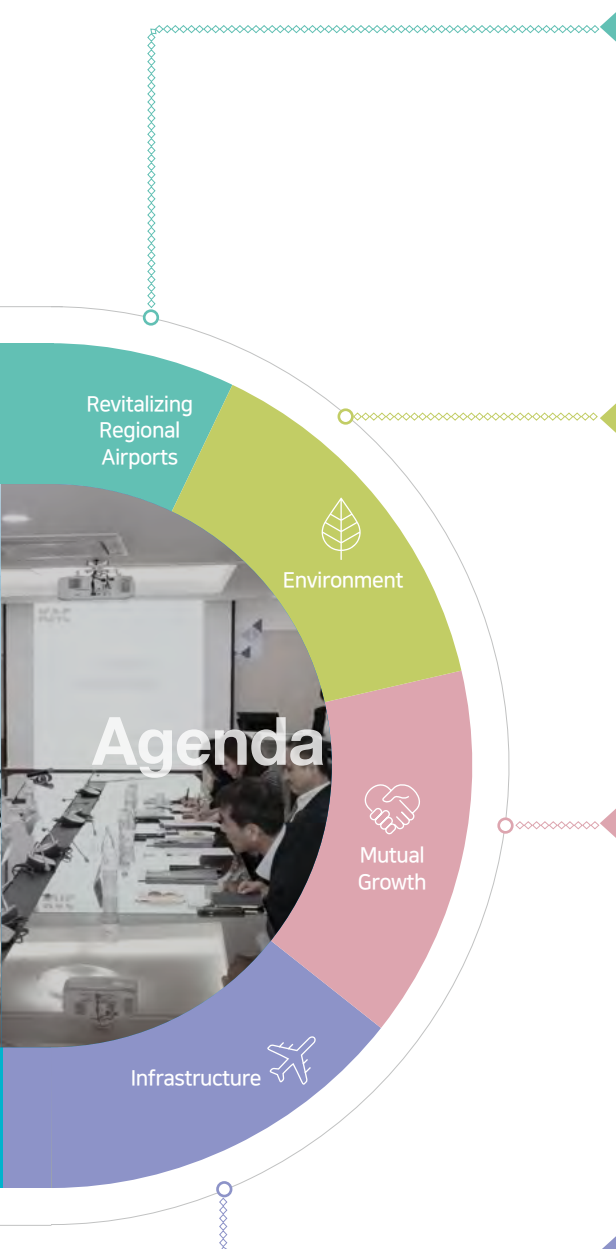


Jeong Min-ju
Professor,
Airline Service Department,
Korea National University of
Transportation

Customer Satisfaction : Expanding Personal Social Service

The quality of the airport service for customers is continuously improving. In particular, it was impressive to see the efforts of the VOC(Voice Of Customer) committee, operated together with resident companies. The committee constantly inquires about customer needs and complaints, and changes the service landscape by really focusing on the customer. Recently, new devices and services have been introduced at the airports and I believe that many customers were having trouble getting familiar with them. My suggestion is that human services that would help guide the use of those new devices and services should be expanded.





Kim Sun-kyoung
Sales Team Leader,
Seoul Passenger office,
Korean Air

Revitalizing Regional Airports : Strategic PR

In order to revitalize regional airports, strategic promotion is needed. KAC, local governments and airlines should promote awareness of the benefits when using air transportation for domestic travel. What is also necessary is the active development and promotion of a diverse portfolio of tourism products connected with those domestic flights in order to attract customers from a variety of levels.



Kim So-hee
Secretary General,
Climate Change Center

Environment : Adapting to Climate Change

I have learned through the Sustainability Management Report that KAC's adaptation and response to the impacts of climate change is handled as an important issue for the entire company including the CEO. Particularly, I have noticed that the corporation is maintaining the level of management and reporting above the regulation standards. Weather anomalies across the world has become a critical factor against airport safety, and the adaptation to climate change becomes in direct involvement with airport safety. In compensation of these risks, all airports including regional airports should reinforce risk management by taking steps in establishing and implementing respective countermeasures.



Cho Keum-jae
General Manager,
Benefit-sharing Department,
KOFCA(Korea Foundation for Cooperation
of Large&Small Business, Rural Affairs)

Mutual Growth : Collaboration

I believe that mutual growth is the very basic factor in achieving sustainability management because KAC operates and manages airports in tandem with partners. As most of the partners happen to be SMEs, KAC's commitment and efforts for healthy collaboration are critical. The building of initiatives for mutual growth through empowerment and assigning roles, in addition to proactive communication with partners becomes imperative.



Song Ki-han
Chief Director,
Department of Aviation,
Korea Transport Institute

Infrastructure : A Smart Airport, a Place for Challenge

It is very encouraging that the KAC has an overall master plan for the infrastructure of 14 airports nationwide and conducts organized researches and training programs to nurture talents for the future. The infrastructure of future smart airports must be equipped with enhanced roles and functions capable of tackling any challenges that may emerge. The operations system combined with the airport as a space, should exhibit advancements in areas such as safety, security, service and environment.

KAC's Commitment to Stakeholders

After diversifying means of communication with stakeholders and assembling a Stakeholder Committee joined by experts coming from respected fields to seek out directions for KAC in becoming a sustainable public corporation, an additional discussion meeting between external experts and internal executives held. During this meeting, intensive discussions were carried out reexamining the areas where KAC should contemplate and make more efforts for its nationwide operations. It was an opportunity to externally express KAC's commitment and direction towards improvement.

Discussion Meeting

Purpose: Reflect stakeholders' opinions (survey results, committee) and seek ways and direction for a sustainable future

Date / Location: August 2, 2017 / KAC Headquarters

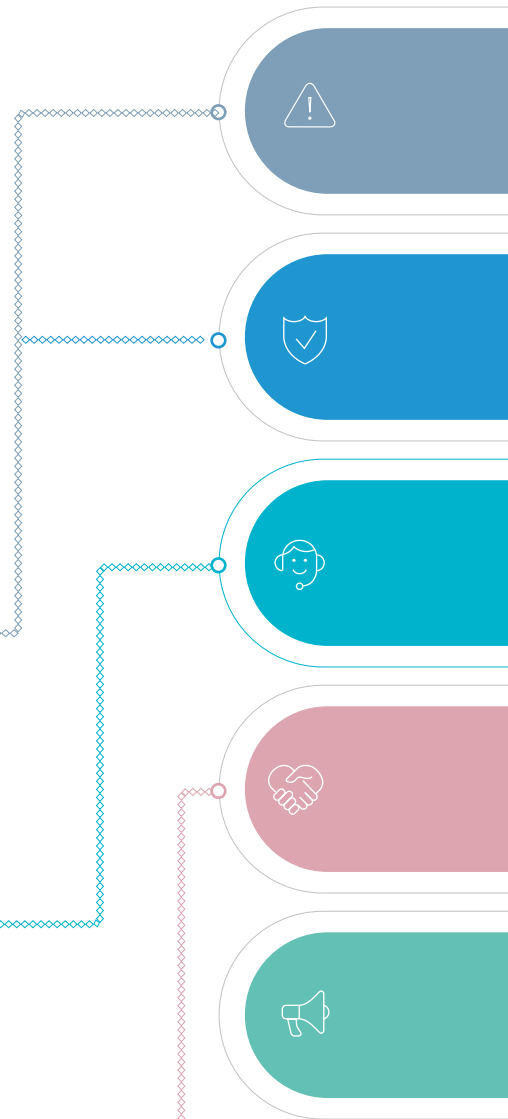


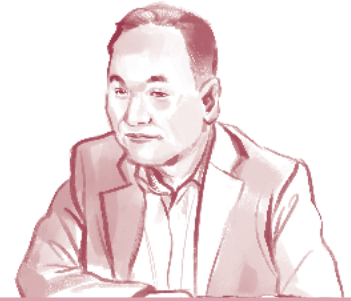
Jeong Yeon-seok
Director, Korea Institute of Aviation Safety Technology

The operation of a sustainable airport is enabled as economic and social activities are carried out with safety as its foundation. In 2019, Korea will undergo the USOAP-CMA (Universal Safety Oversight Audit Programme-Continuous Monitoring Approach) conducted by ICAO and the "Safety Management System for Airport Operators" is one of the important items covered in the ICAO Annex. In order to drastically reduce safety accidents, preemptive safety management together with aviation security should be considered as the value of utmost importance. In addition, for the safe operation of airports, issues regarding Unmanned Aerial Vehicle (UAV) such as drones need to be addressed and managed.

From the perspective of KAC's vision "A New Customer Value," a strategy regarding the users' convenience should be established with priority. When constructing a new airport, KAC needs to make airports attractive to cosmopolitans by improving quality. Examples include the application of tailored services catering to the needs of customers and the consideration of customer convenience when connecting roads and railways with the airport.

As regional airports can provide quick access to destinations and contribute to local development, comprehensive analysis of airport users and their main purpose is needed. In terms of the construction of new airports in Heuksando island and Ulleungdo island, it is important to promote in the aspect of public interest for residents in each of the islands.





Lee Yun-cheol
Professor, Business Administration
Korea Aerospace University
Leading the Stakeholder Committee (July 2017)

With the launch of the new government, converting irregular workers into regular employees became a role and responsibility of the public sector. However, rather than considering it as simply fulfilling roles and responsibilities, we can think differently in ways that steady job creation can develop into new profits and values that have never been achieved before.

KAC has accumulated its' outstanding capability in operating airports for 37 years and this competency should be effectively applied in the operation of regional airports. It is important KAC emphasizes the notion that their regional airports are serving as hubs connecting the entire nation, and creates proper awareness that KAC has the capabilities and means to sustainably develop regional airports through opportunities of making huge leaps, such as constructing entirely new airports.



Kim Tae-han
Director, KAC Operations Division

Safety and security are of first priority and are the most fundamental elements in operating airports. They also serve as a core primary function of airports providing us with insights coming from changes in industry and technology. Taking into consideration safety issues regarding UAVs, we have developed an air navigation measurement system utilizing drones, and we will do our best to fulfill our role as an airport provider.

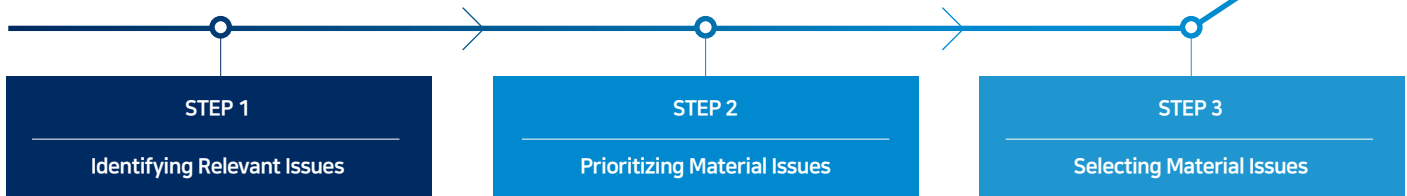
To satisfy our customers, we endeavor to overcome the limited space and make better use of facilities in various ways. Especially, in the process of renovating the Gimpo airport, we are actively making improvements on any customer inconveniences by reflecting the ideas gathered from stakeholders.

In addition, in the construction process of new airports in Gimhae and Jeju, we will ensure that our customers' needs will be taken into account by providing good transportation accessibility and cooperating with the local governments. We will also create new value by effectively harnessing the advantage of operating airports nationwide. Moreover, regarding the social issue and KAC's responsibility of creating jobs, we will pay a further attention to making improvements while gaining social understanding and achieving values in terms of sustainability management.

KAC Material Issues

KAC conducted evaluation surveys on materiality recommended by Global Reporting Initiative (GRI) guidelines and selected material issues that need to be considered and managed overall. The report was prepared on the basis of those evaluation results and the report tried to make transparent the issues that KAC has impact on economy, society and environment and as well as issues addressed by stakeholders with high interested.

Materiality Test Process



STEP 1
Identifying Relevant Issues

- Media Research**
Derived keywords by analyzing 460 relevant articles reported by the media from January 2016 to June 2017
- Benchmarking**
Identified important issues of the industry through analyzing sustainability reports from 12 organizations and companies in the same industry, in addition to reports published by global leaders
- International Standards**
Analyzed Gglobal initiatives including GRI Standards and G4, ISO26000, UN Global Compact (UNGC) Principles, and UN SDGs
- Internal Policies**
Identified internal issues by analyzing business performance reports, internal assessment data and key performance indicators

53 issues
Pool of Issues

21 issues
Shortlisted Issues

STEP 2
Prioritizing Material Issues

- Materiality Test**
Business Impact
Scores were assigned after reviewing policies and system operation, key performance indicators and management, regulations and laws
Stakeholder Interest
Scores were assigned on industry issues, media review, and internal and external stakeholder engagement
- Survey**
Purpose: Selecting KAC's material issues
Period: May 18~26, 2017
Method: Online (mobile) and Intranet, etc.
Content: Selection of material issues

STEP 3
Selecting Material Issues

- Material Issue Review**
 - Analyzed results from rankings, internal impact and external interest (by positioning on a matrix)
 - Selected material issues important to stakeholders (by ranking)
- Suitability Review**
 - Reviewed materiality of the issues worth for sustainability management through appointed executives and TF meetings
 - Reviewed appropriateness of scope, boundary and period



STEP 4

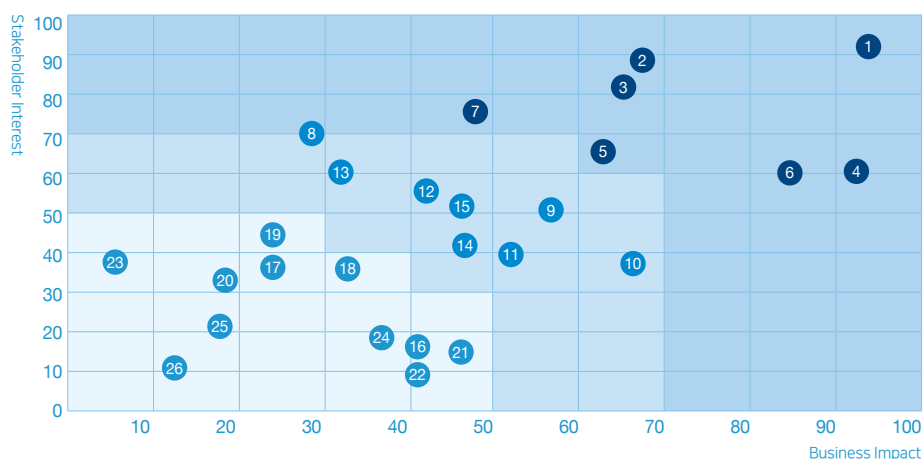
Determining Major Issues for Reporting

Set 15 major issues for reporting

Materiality Test Result

KAC selected 15 major issues that will be covered in the sustainability report. The report was prepared considering GRI standard aspects and the performance of the issues. We also included additional issues and activities to report their impact on the economy, society and environment in a balanced way.

Materiality Matrix



Rank	Material Issues	GRI Standard Aspects	Report Content	Page
1	Technology and facility management for safe flight operation	Customer safety and health	Establishing prevention-oriented safety system Promoting reinforcement strategies for air navigation safety facilities	26-28
2	Regional airport revitalization	Economic performance	Revitalizing regional airports	66-70
3	Infrastructure reinforcement for future demand	Economic performance	Implementing smart airports Upgrading airport infrastructures Constructing new airports	36-43
4	Service quality enhancement	Economic performance	Improving passenger processing Improving the service quality measurement system Strengthening communication with customers	31-32
5	Great place to work, corporate culture establishment	Employment, Labor-management relations, Industrial safety & health	Fair and reasonable HR management Realizing work and life balance Establishing open labor-management relations for mutual growth	50-51
6	Customer satisfaction enhancement efforts	Stakeholders' engagement	Providing inspirational customer services	33
7	Mutual growth	Procurement practices, supply chain, environment, social impact assessment	Strengthening partnerships through communication Revitalizing programs for mutual growth	52-53
8	Systematic security management	Customer safety & health	Advancing the aviation security system Enhancing employees' awareness of information security	29-30
9	Promotion of noise countermeasure projects nearby airports	Local communities, noise	Noise control projects Sharing activities with local communities	59, 63
10	Establishment of a culture of ethics and integrity	Ethics and integrity, anti-corruption	Internalization of ethics management across the organization Strengthening ethics management by improving the system	64-65
11	Future project promotion and R&D expansion	Market positioning	Mutual growth through joint R&D Expanding proactive R&D Establishing success models for overseas projects	44-45
12	Eco-friendly management and response to climate change	Raw materials, energy, water, emission, waste water and waste products	Systematic environment management Operating environment monitoring systems Practicing green management together	58-61
13	Human rights	Prohibit discrimination	Practicing human rights management	48-49
14	Differentiated CSR activities	Local communities	Promoting strategic CSR activities Sharing through voluntary participation of employees Sharing activities with common business traits	62-63
15	Talent cultivation	Training and education, economic performance	Preparing foundations for cultivating aviation talents Boosting prestige through global knowledge sharing Developing into an international education business	54-55



Customer First

Customers always come first with KAC.
Adding inspiration on top of safety and convenience,
KAC will listen and carefully consider the voices of the customer until everyone is satisfied.

Customer as Top Priority

Background and Policy

Safety & security services for airport users have become a top priority as air travel demand increases dramatically worldwide and potential threats, such as terrorism and cyber-attack, spread. To that end, KAC devoted itself to offering world-class safety and security services for “customers,” as top priority for KAC. We will place unceasing efforts for customer satisfaction by enhancing those preventive measures as well as countermeasures, and establish systems for smart transportation.



Key Strategies and Performances

Enhancing Safety & Security

- Establishing a world-class preventive safety system
- 24-hour safety and security control



ZERO safety accidents for 6 consecutive years



ZERO Cyber breaches

Customer Satisfaction

- Upgrading service assessment systems
- Expanding customer services

for 2 consecutive times

A rating

Air Transportation Service Airport Service Sector

for 8 consecutive years

A rating

Public Service Customer Satisfaction Index (PCSI)

KAC's Commitment

KAC will strengthen its focus on prevention and pursue advancements safety management systems, enabling customers to always feel safe at our airports. Moreover, we will constantly improve airport services by actively listening to customers' opinions regarding airport convenience. Such efforts include continuous improvements on airport access systems and smart traffic systems.

UN SDGs (Sustainable Development Goals)



Safe and Convenient Airports

KAC values safety and security as the most important values in airport operations and aims at achieving “ZERO” when it comes to safety accidents. We will reinforce our organizational functions and continue to enhance our preventative and responsive competencies so the our customers can use our airports with reassurance.

Establishing Prevention-oriented Safety Systems

Facilitated with differentiated know-hows as an operator of airports, we established Korea’s first Airport Safety Index and an Airport Safety Forecast System (ASFS) which can help enhance preventive functions in safety management. The Airport Safety Index integrated and quantified 28 existing items which were managed separately. Among those items involved aerodrome safety, operation of airport and air navigation facilities, and industrial accidents and disasters. The development of the system was completed in 2016, enabling systematic evaluations on airport safety. With the operation of the ASFS, real-time information about airport safety levels on every airport was available through KAC’s homepage and mobile channels, thus, gaining more credibility from the public in terms of airport safety.

Operating Efficient Disaster Contingency System

KAC operates a disaster contingency system, where step-by-step manuals are in place to analyze and identify disaster types using a disaster risk matrix. From prevention to executing countermeasures, the manuals also include directives on restoration and feedback reporting. Thanks to this system, KAC achieved “ZERO” disaster damages for four consecutive years.

Acculturating a Field-oriented Safety Management Culture

KAC is making efforts to settle a culture for safety management at the enterprise level, through the field-oriented leadership of the CEO and other activities involving external cooperation. In 2016, KAC achieved the record of “ZERO” safety accidents for six consecutive years according to the safety goals set forth by the Ministry of Land, Infrastructure, and Transport (MOLIT), serving as the supervisory authority for Korea’s safety management. All goals well exceeded the Ministry’s standards.

Airport Safety Forecast System (ASFS)



Safety Management Activities

CEO Activity

[Field-oriented management activity]

- CEO continuously conducted on-site inspections (43 times)

[Operations of the Emergency Response Committee]

- Operated by five sub-committees, established and implemented 22 key tasks 88 specific action plans

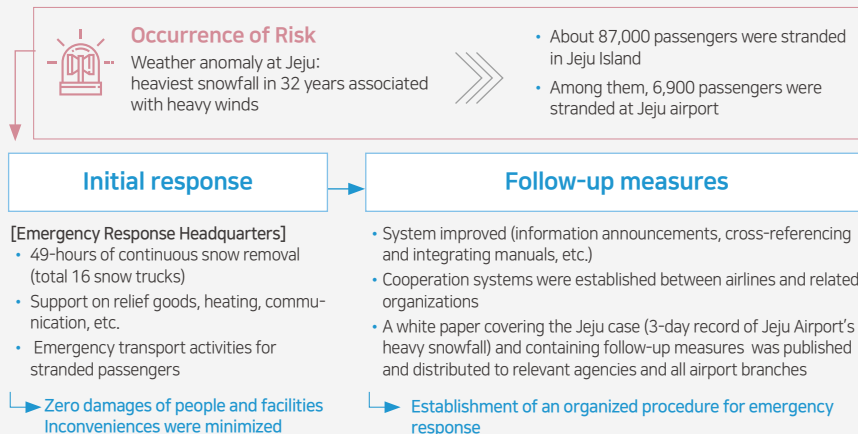
Cooperation with Other Institutions

- MOU with the Air Force for cooperation on safety
- Mutual cooperation between commercial and military for airports in co-use

Training as if it were real……

“Stranded Passengers Response Training at Jeju Airport”

KAC conducted a company-wide emergency drill program in response to disaster situations by developing a collaborative system with the Ministry of Public Safety and Security (MPSS) and local governments. The collaboration covered each function so that the awareness of the situation is quickly disseminated and damages are restored. In addition, regional airports at Gimpo, Yeosu, Cheongju, Gimhae and Jeju conducted Civil-Government-Military joint drills to prepare for aircraft accidents.



Appointed as Best Institution in the 2016 National Disaster Response and Safety Drill (2 Consecutive years)

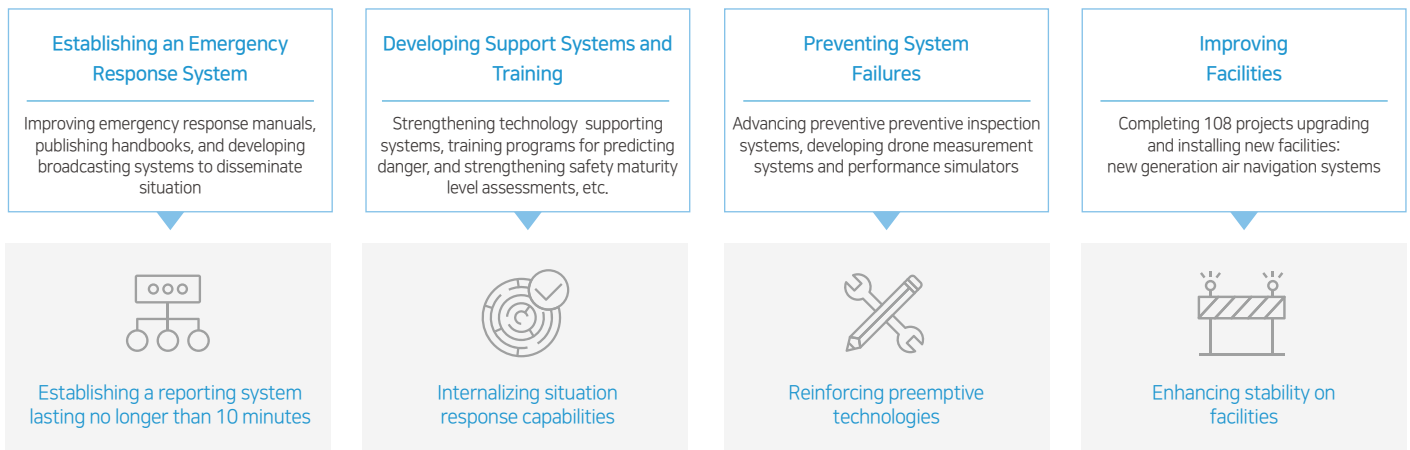


ZERO disaster
for 4 consecutive years

Promoting Strategies to Reinforce Safety of Air Navigation Facilities

KAC established comprehensive safety reinforcement measures for air navigation safety facilities and promoted four strategic tasks for safety reinforcement: emergency response within the 10-minute golden time, supporting and training, preventing the failure of air navigation facilities, and cultivating aviation experts and improving facilities. Through such efforts, KAC achieved "ZERO" number of safety accidents and "minimized" the duration of air navigation facility failures.

Four Strategic Tasks for Safety Reinforcement



Secure the 10-minute Golden Time!

As unexpected situations in the air navigation safety area may cause tragic events, KAC established a system to promptly respond according to a set of standard recovery procedures in the event of a crisis. These procedures are clearly stated and meant to keep the situation calm, so that the golden time is secured and confusion is minimized when tense situations arise from air navigation safety system failure.



Field-oriented Risk Management System

- Manual: Improving initial response procedures during emergencies and the risk management process
- Guidebook: Publishing and distributing handbooks containing various scenarios
- System: Preparing systems for a one-click response to emergency situations and effective dissemination



Response System for Air Navigation Facility Communications Network Failure

- Business agreement between KAC and communication-related agencies: emergency response, joint training, quality management technology support, emergency contacts
- Performance: Reduced failure response time and established a cooperative system



Support and Training

- Supporting working environments for field employees (shuffling posts or shifts, additional staffing, etc.)
- Newly installing a technology support system (initial response and first-aid available in remote areas by staffing only one employee)
- Conducting 46 sessions for danger prediction training (simulating a failure situation by image training techniques)



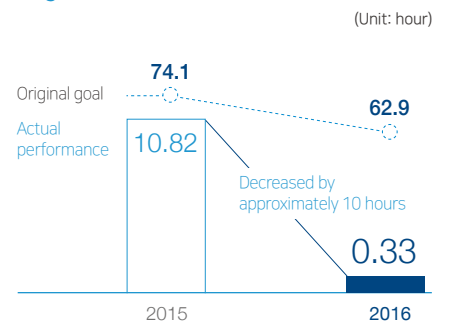
Diagnosing Risk Response Activities

- Monitoring for any responses on navigation safety facility crises
- Reinforcing safety assessment on navigation safety facilities



ZERO
Safety Accidents

Duration of Air Navigation Facility Failures Original Goal and Actual Performance



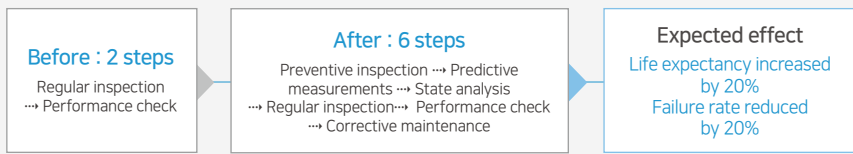
Safe and Convenient Airports

Preventive Efforts for Safe Flight Operation

KAC is making advancements in failure preventions systems for air navigation safety facilities in order to secure safety in flight operations. Also being reinforced are preventative measures that identify risk or uncertainty factors detected in aerodrome areas. Early identification of these risks factors make it possible for them to be either mitigated or eliminated.

System Improvement

- Upgrading air navigation safety facility systems
- Development of failure factor analysis methods for each part
- Improvements in preventive inspection systems



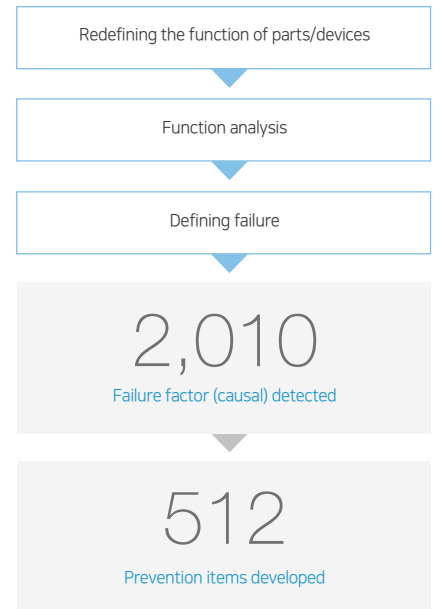
- Improved safety management system for trainer aircrafts: introducing a permit system for aircraft parking, and installation of video surveillance systems

Technology Development

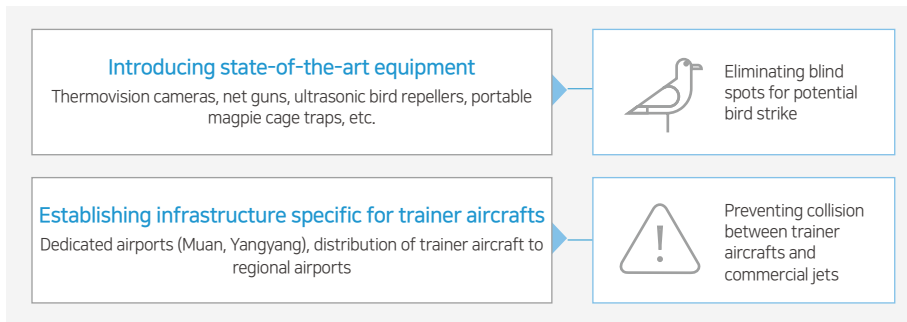
- Independent development of a next-generation inspection system using drones (world's first ever)
: Ultra-small and ultra-light measuring instruments to mount on drones (7.5Kg->0.68kg)
- Independent development of performance analysis simulator for air navigation safety facilities
: The simulator was used to devise optimal designs for a localizer (LLZ) at Osan Airport



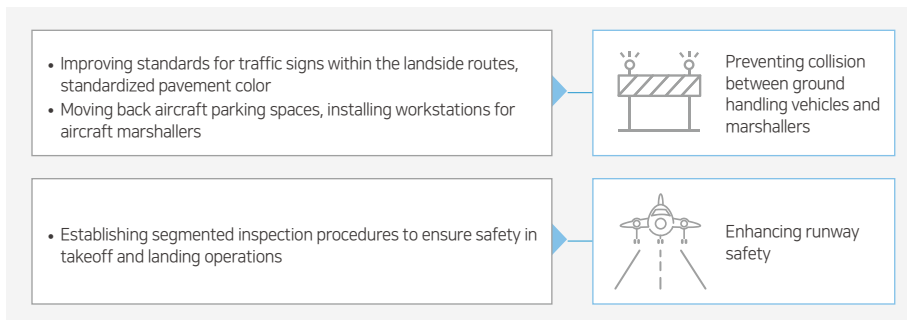
Failure Factor Analysis Method for Each Part



Removing Risk Factors

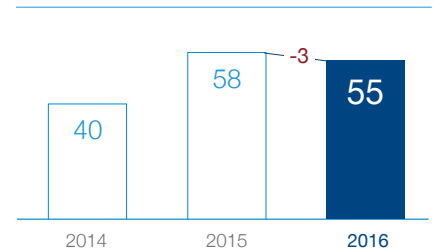


Mitigating Uncertainty Factors



No. of Bird Strikes

(Unit: case)



Always Safe from Crime and Terrorism! Heightening public trust with further advancements in aviation security systems

In order to solidify trust from the public, KAC established aviation security and terrorism response systems. Perimeter surveillance and access control systems were enhanced to prevent illegal trespassing and escape, and infrastructures were established to improve inspection accuracy for hazardous items. By analyzing the risk of terrorist attacks and establishing countermeasures, we have prepared ourselves to deal with any factors vulnerable to terrorism.



Perimeter Surveillance of Airports & Access Control of Protected Areas



Passenger Security Check



Prevention of Terror-related Factors

	Perimeter Surveillance of Airports & Access Control of Protected Areas	Passenger Security Check	Prevention of Terror-related Factors
Facility	<ul style="list-style-type: none"> Introducing high-definition intelligent CCTV systems (299 units) Standardization of perimeter wall facilities Passenger entry checking systems in restricted areas (4 airports, 8 units) Vehicle access control systems (4 airports, 4 units) Facial recognition electronic access control systems (4 airports, 19 units) 	<ul style="list-style-type: none"> Implementing two-way X-rays Operating a Re-check system (precise inspection) Introducing a central remote recognition processing system (strengthening security surveillance centralization) 	<ul style="list-style-type: none"> Operating behavior detection techniques Introducing additional 20% of 4 types of new equipment (liquid explosive detector, etc.)
Process	<ul style="list-style-type: none"> Reassignment of patrol routes (reinforcing staff allocation and intensive patrols) 	<ul style="list-style-type: none"> Self-check systems (self-checking dangerous items) Establishing KOR-US collaboration for aviation security 	<ul style="list-style-type: none"> Establishing a 24-hour response system Expanding the scope of identifying and responding to specific types of terrorist threat Designation and operation of intensive CCTV surveillance in vulnerable areas
Manpower	<ul style="list-style-type: none"> Additional staffing of CCTV surveillance personnel dedicated to security vulnerable areas (15 persons) 	<ul style="list-style-type: none"> The largest no. of security personnel reinforcement (101 persons) Establishing plans to induce long service (expanding rewards, etc.) 	<ul style="list-style-type: none"> Establishing a counter-terror team Deploying patrols designated for passenger congested areas

"Excellence" in all areas of the Foreign Airport Security Assessment conducted by the United States Transportation Security Administration (TSA)

In order to enhance aviation security levels, KAC conducted a joint-diagnosis program with government agencies, identifying and improving vulnerable factors. Also, through international cooperation programs and consultation, we decided to introduce high-performance screening equipment on a yearly basis to upgrade security check systems. Thanks to these efforts, KAC received "excellent" ratings in all areas of the TSA Foreign Airport Security Assessment, and has ensured that our aviation security capabilities are above the global standard. Owing to highly acclaimed evaluations on aviation security, the progress of opening up new destinations was possible including Jeju Airport's new route to North America.



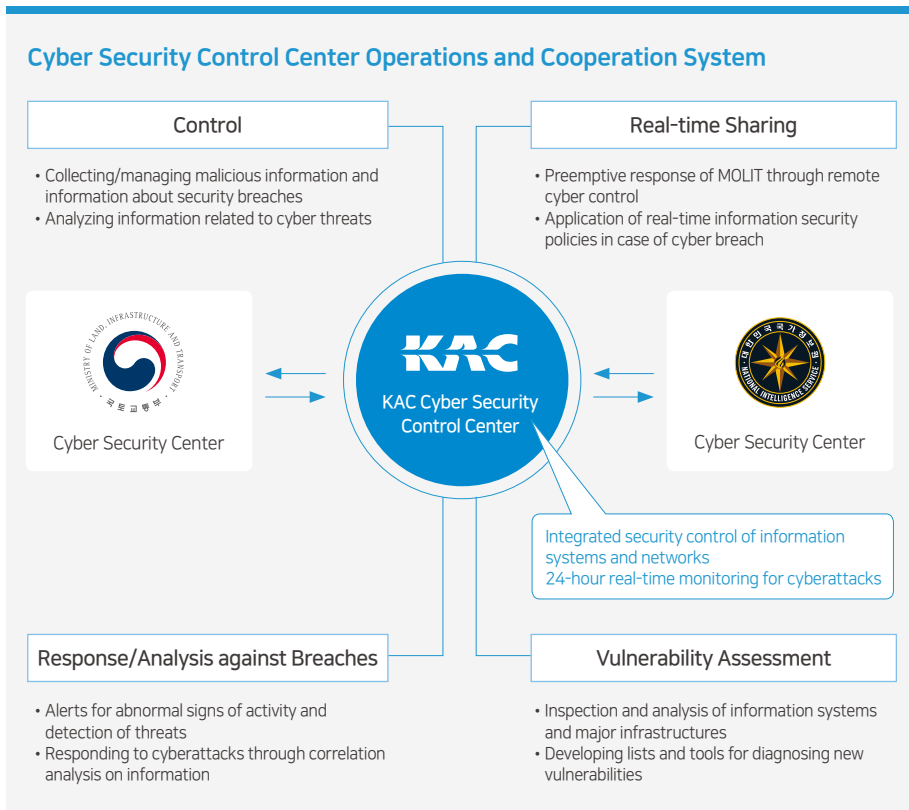
Safe and Convenient Airports

Establishing Mid to Long-term Strategies for Information Security

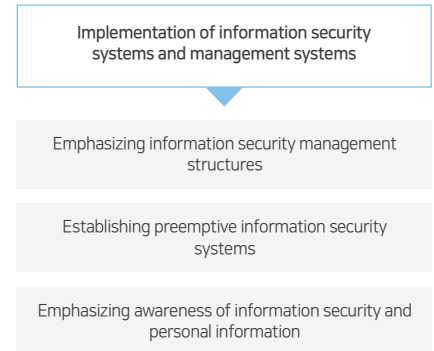
Potential threats of hacking and personal information leaks are increasing as Information & Communication Technology (ICT) environments change and cyberattacks become more sophisticated. In preparation of such threats, KAC developed a mid- to long-term strategy to reinforce information security. In order to operate information security systems at the highest levels, KAC designated the following as pillars for the strategy: enhancing security management systems through consolidated control, upgrading internal and external information security systems, and raising information security awareness.

Advancing Information Security Systems

KAC strives to completely prevent information leakage and intrusion through advanced information security systems. As part of this effort, a network traceability analysis system for preemptive security was newly developed to trace, analyze and respond to any data leakage incidents. Moreover, safety for intranet networks are being secured by operating a two-step information security structure. The intranet can be safely used by both internal and external employees, and any unauthorized access or use is blocked.



Mid- to Long-term Strategies for Information Security



Network Traceability Analysis System

Step 1. Auditing and monitoring

- Analyzing network usage by user
- Establishing Immediate processing of the response after the occurrence of a breach

Step 2. Enhancing traceability and transparency

- Saving all packets to conduct accurate cause analysis in case of an incident

Step 3. Quick and precise response

- Systemizing a procedure to respond and disseminate information about a breach

Information Security Performance in 2016

ZERO Cyber Breaches



Emphasizing the Awareness of Information Security

KAC endeavors to heighten the awareness of information security and personal information protection not only in security officers, but also in all employees. Such levels of awareness are achieved through exhaustive reforms in internal management plans for personal information protection, and through embedding training sessions on cyber information security in regular training programs. The company is also conducting hacking simulations internally, as well as with external organizations, to increase competencies for promptly responding to actual situations.

Selected as Best Institution in Personal Information Protection Management



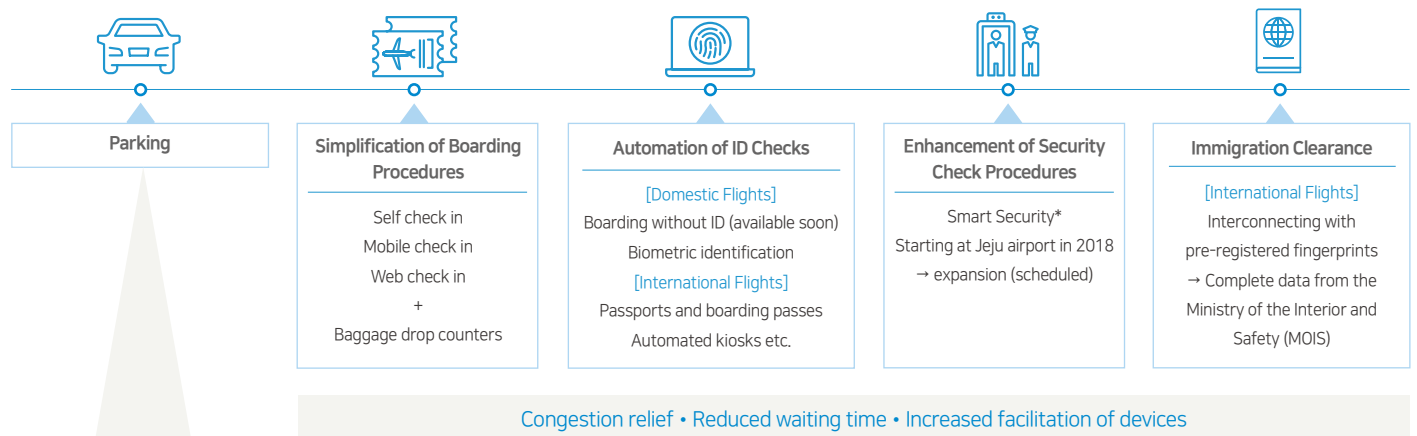
Customer First Management for Customer Satisfaction

The KAC's first decision-making criterion is its customers. We aim to satisfy our customers by understanding their needs and listening to their opinions through active communication, and implementing multidirectional improvements in service quality. Such efforts are helping us create airports that inspire customers and offer excitement

Improving Passenger Processing

In order to provide a comfortable and pleasant airport environment, KAC is continuously improving passenger processing activities by minimizing waiting times for check-in and security checks, as well as promoting simplified and automated processing techniques. From entering the parking lot to getting on the plane, all services are focused on the customer and every considered process is being optimized and reduced of congestion.

Main Services by Passenger Itinerary



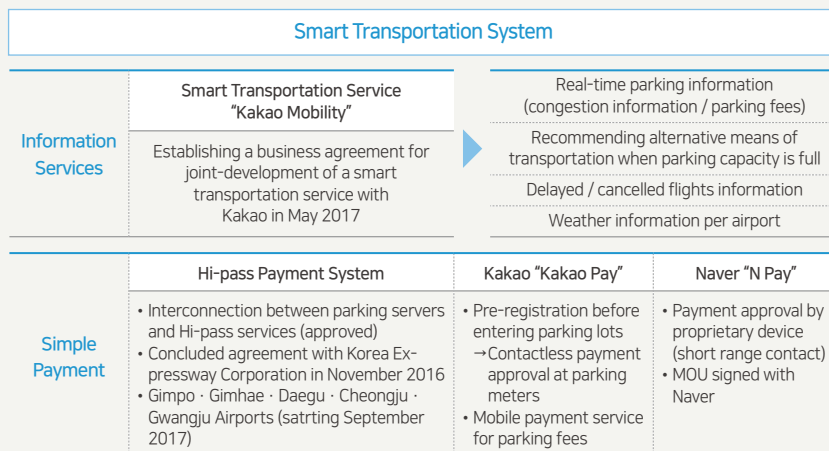
* Smart Security : Enhanced systems and equipment → Reinforcing security and increasing processing speed

Building Smart Transportation Systems

"What should a good airport be equipped with?" No. 1! Convenient Parking Facilities

- surveyed on 1,000 airport users, airport employees and resident business employees

KAC is designing a state-of-the-art smart transportation system to provide customers with "convenient parking facilities." The system is consisted of smart traffic service component which provides real-time parking information and flight information, and Hi-pass payment system component that enables convenient payment for parking. We will significantly improve the convenience of parking facilities and create an evermore satisfying airport for our customers.



Customer First Management for Customer Satisfaction

Improving Service Quality Assessment Systems

KAC clearly defined “service quality standards” that would serve as fundamentals for practice and improved its structure for assessing service quality. The validity of service assessment results was greatly increased by improving the existing “Customer (passenger) Satisfaction Index” with more items that would precisely measure the quality of airport service actually provided to customers; and the new development of the “Corporate Customer Satisfaction Index” based on VOC analysis of corporate customers, such as airlines and ground handling companies who play a pivotal role as KAC’s partners for service improvement. We will constantly enhance customer service quality by understanding airport service satisfaction levels evaluated by customers, and reflecting those findings on service improvement.

Service Quality Assessment Results

(Unit: point)

	2015	2016
KAC-CSI	92.6	92.4
Service Monitoring	92.4	95.1
Corporate CSI (New)	-	86.9

Process for Assessment System Improvement



* CSI: Customer Satisfaction Index

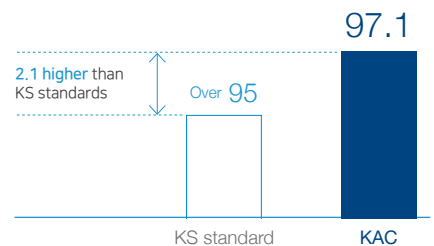
Improving Customer Communication

KAC operates a Customer Satisfaction Center, 365 days a year, to ensure prompt and smooth communication with customers. CS training is conducted regularly for customer service representatives who communicate with customers at the closest encounter. We have also enhanced the quality of customer service to the top level by acquiring the KS Service Certification through improving work processes. Furthermore, practical improvements in the service quality of airports were made by proactively resolve customer complaints reflected from customer satisfaction surveys, Sky Voice VOC System*, and regional surveys conducted by each airport.

* Sky Voice VOC System: A voice of customer (VOC) system on KAC’s website that provides feedback on inquiries registered by customers within 48 hours

Customer Satisfaction Center Response Rate¹⁾

(Unit: %)

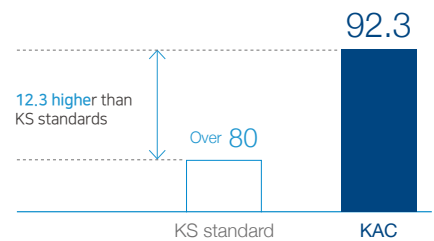


Cases of Improvement with VOC

<p>Parking lot</p> <ul style="list-style-type: none"> • New parking space • Enhanced airport access system and promotion 	<p>Airport amenities</p> <ul style="list-style-type: none"> • Open Wi-fi (no password) • Increased number of mobile device charger stands • Increased facilities for the mobility handicapped • Expansion of facilities concerning human rights and religion (chapel at international terminal, deportees waiting room) 	<p>Passenger terminal</p> <ul style="list-style-type: none"> • Upgraded cooling and heating systems • Installation of a repackaging tables nearby the duty-free pickup area
---	--	--

Customer Satisfaction Center Service Level²⁾

(Unit: %)



1) Response Rate: ratio of answered calls against total incoming calls

2) Service Level: response rate within 20seconds

Inspiring Customers Beyond Satisfaction

“Standardized Service” providing Convenience Everywhere

KAC is making extensive efforts to provide standardized and uniform services at 14 airports nationwide. Increased levels of convenience for passengers are provided with improvements of function and durability in amenities, such as signage*, IT device chargers, waiting room chairs and passenger carts.



IT Device Charger



Information boards for bus stops



IT Device Chargers

Standardized free charging services



Waiting Room Chairs and Passenger Carts

Reinforces durability and convenience



Signage

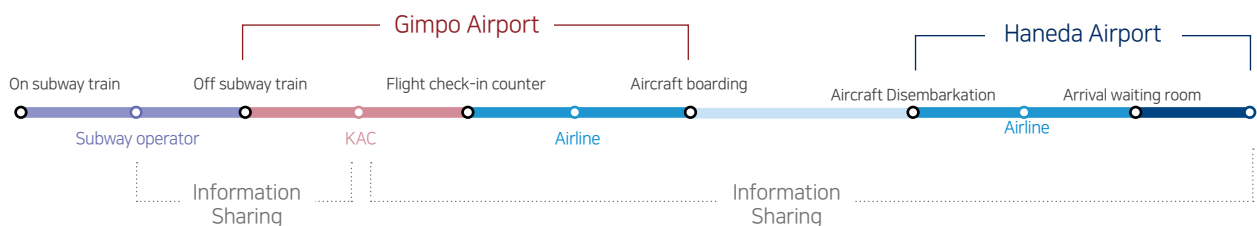
Enhanced visibility

* Signage : Displays installed in public or commercial space

“PORTY Care Service” Considering the Mobility Handicapped

Since 2015, KAC has provided the “PORTY Care Service,” a customized caring service for the mobility handicapped in cooperation with Korean subway operators and Haneda Airport in Japan. Anyone mobility handicapped and visiting Japan through Gimpo Airport can travel conveniently from the Seoul metro subway system to Haneda Airport using PORTY Care Service. Applications to use the service be made through a dedicated service reception counter at the airport or through the 24-hour Customer Satisfaction Center. Provided in four languages (Korean, English, Japanese, Chinese), foreigners can also use this service with ease.

Gimpo~Haneda PORTY Care Service (One stop)



A “Culture Port” Where Waiting Becomes Enjoyable

KAC aims to build each airport nationwide as a “Culture Port” full of culture and emotion. Airports are regional gateways, and we seek to transform them into cultural platforms where artists and passengers of different nationalities can communicate by means other than language. In 2016, the number of cultural events held in airports nationwide have tripled year on year, and in particular, we provided increased number of events during the peak season for more customers to enjoy.

Culture Events

Total 213 days

Leading Innovation

One step ahead in preparing the future, practicing open innovation through ceaseless challenge.

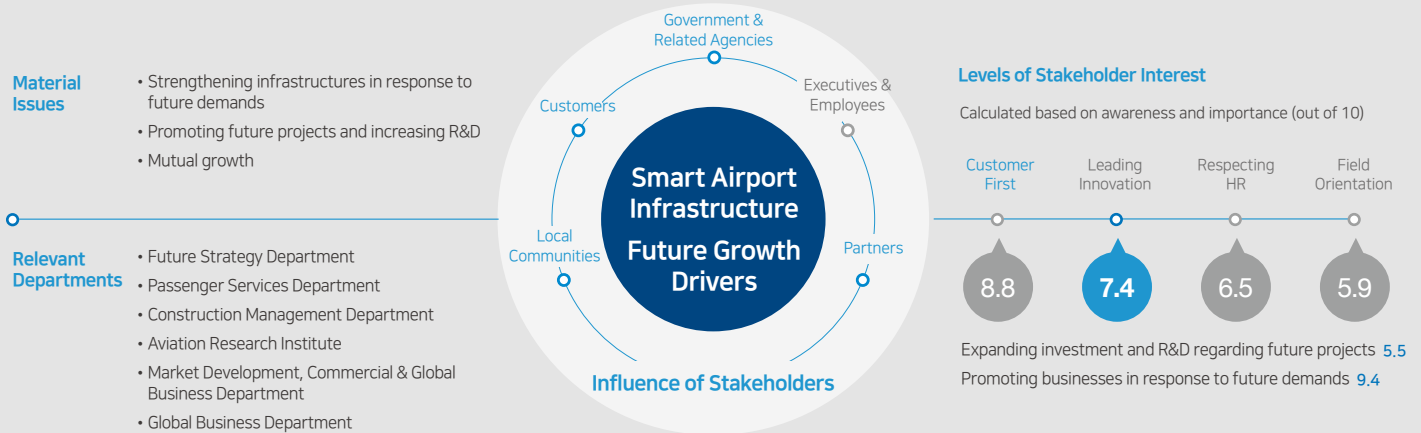
Realizing smart airports with convenience and pleasure, introducing an astonishing future.

Korea Airports Corporation.

Futuristic Airports Built by High Competencies

Background and Policy

Future-prepared environments and infrastructures are needed as air transportation demand sharply increases due to national economic development, change of consumer awareness, and intensified competition in the aviation industry. KAC pursues to be one step ahead in preparing futuristic airports by utilizing those competencies accumulated through airport construction, management and operation. We are concentrating on realizing smart airports capable of leading Industry 4.0 era with the application of state-of-the-art ICTs. Not only are we carrying out improvements on existing airport infrastructures, but also actively promoting the construction of new airports. By investing in superior aviation R&D projects and expanding into overseas markets, additional efforts are being made to secure promising future growth drivers.



Key Strategies and Performances

Realizing Smart Airports

- Expanding automated, simplified and customized systems
- Establishing a master plan for smart airports



Air-purifier robots, simplification of passenger processing using biometric data, etc.
Introducing 8 new technologies

Building Infrastructures

- Improving and expanding airport infrastructures
- Constructing new airports in preparation of future demands

Non-Stop

Non-stop operation even during overall renovation

Securing Future Growth Drivers

- Customer-oriented R&D
- Continued winning of overseas projects (mutual growth)

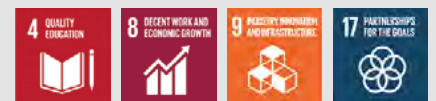


Joint R&D projects and overseas business with SMEs
Winning a project for Mongomeyen Airport in Equatorial Guinea(KRW 3.69 billion)

KAC's Commitment

KAC aspires to provide a differentiated customer experience by establishing and implementing a master plan for smart airports, and seeks to prepare the construction and operation of a new airport intensive of technology coming from Industry 4.0. Moreover, we will enhance and expand our infrastructures to provide convenience for customers, and also secure drivers for sustainable growth through promoted global projects contributed with our 37 years of airport operation know-how.

UN SDGs (Sustainable Development Goals)



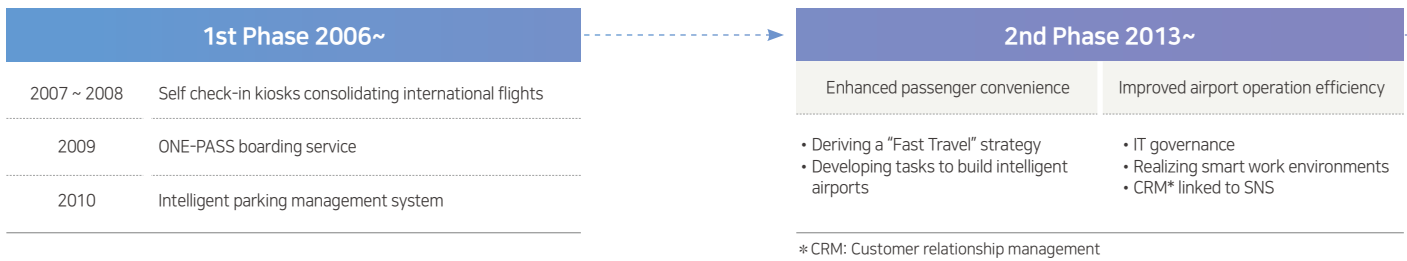
New Challenges towards Futuristic Airports

KAC is striving to create futuristic and smart airports to offer pleasant and convenient services for customers. We will make a forward leaps in becoming globalized airports leading Industry 4.0 by setting a foundation for sustainable growth and value creation through the realization of smart airports.

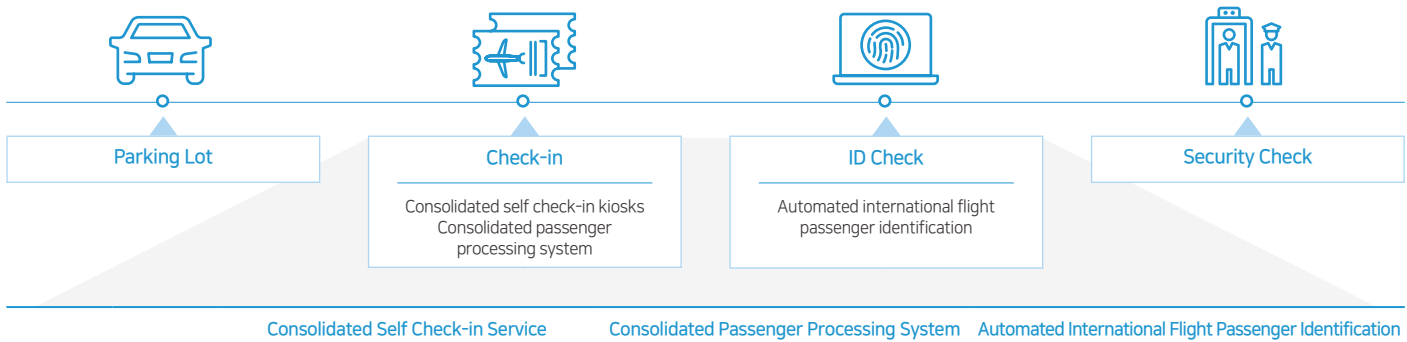
Realizing Smart Airports Leading the Future

With the rapid development of informatization technology, various services have been created with information technology converged with different industrial sectors. In accordance with global trends, KAC has embraced informatization technology in each function of the airport and continuously promoted improvements in passenger convenience and operational efficiency. Diverse efforts have been made to accelerate the realization of smart airports, including the assembly of the Smart Airport TF team in 2016 to implement smartization in all parts of the organization.

Smart Airport Master Plan

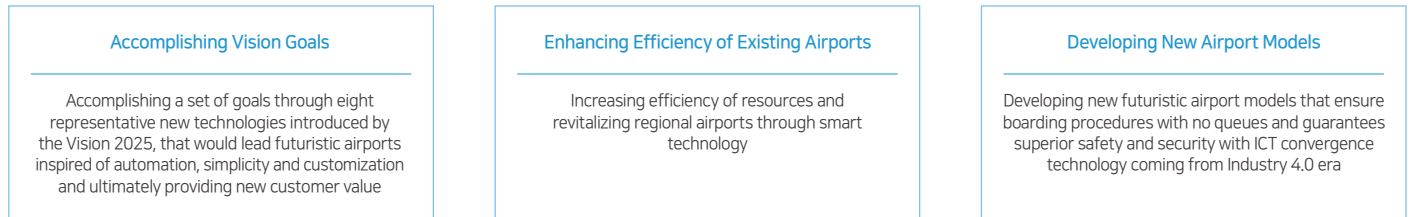


Main Services by Passenger Itinerary



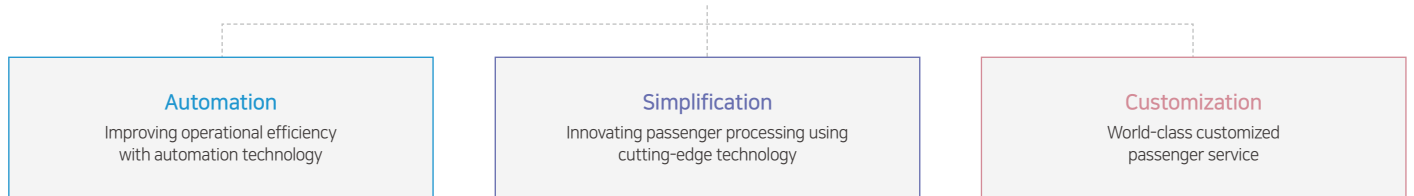
	Consolidated Self Check-in Service	Consolidated Passenger Processing System	Automated International Flight Passenger Identification
Function	Unmanned ticketing service available for a variety of airlines	Allowing service environments for consolidated check-in counters and boarding gates	Automated procedure for checking passport/boarding pass
Benefits	Reducing processing time and increase space efficiency	Relieving congestion at passenger terminals	Reinforcing aviation security and prompt passage to departure gates
Completion	Domestic	Gimpo/Gimhae/Jeju/Daegu/Ulsan/Gwangju/Cheongju/Yeosu airports	Gimpo/Daegu/Cheongju airports
	International	Gimpo/Gimhae/Jeju airports	Gimpo, Gimhae, Jeju, Daegu, Cheongju, Muan, Yangyang airports

KAC is establishing a Smart Airport Master Plan to accomplish the Vision 2025 goals (employing cutting-edge technology to existing airports) and develop a new airport model such as Gimhae and Jeju.



3rd Phase 2017~

Realizing Smart Airports Inspiring the Future with New Customer Value
Connecting the World, Inspiring the Future



Futuristic Airport Model



* Walking Thru: Security check service that enables inspection by simply passing through with baggage

Experiencing KAC's Smart Airport in Advance



AS-IS

30 min. 20% Fatigue index

TO-BE

20 sec. 20% Healing index 40% Healing index



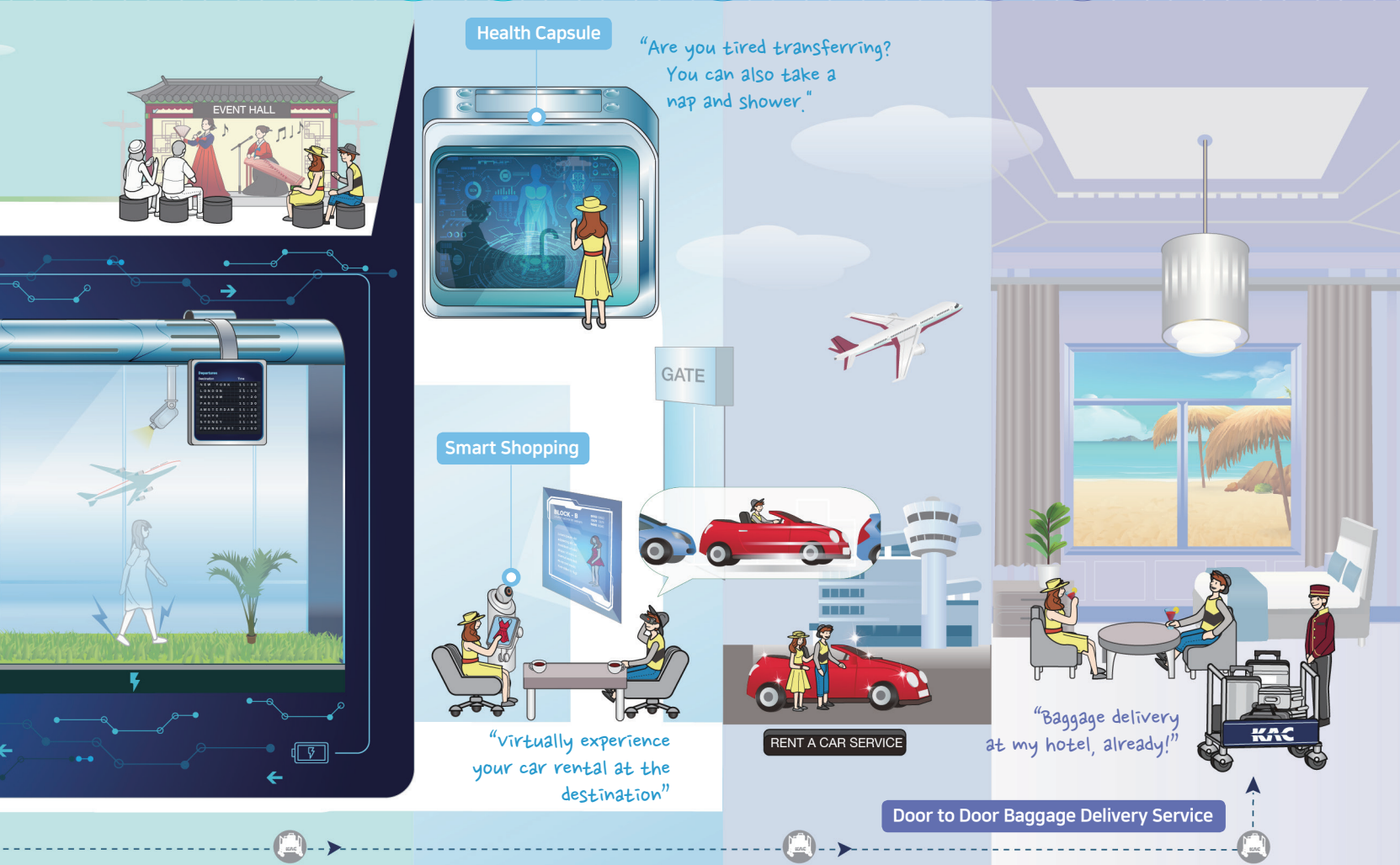
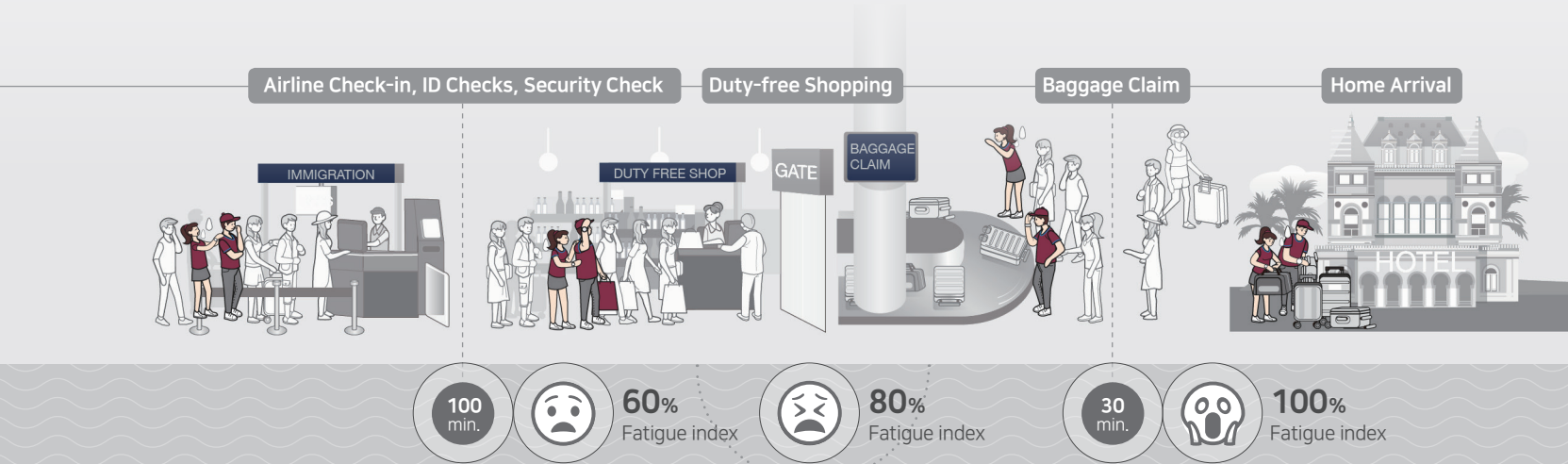
Door to Door Baggage Delivery Service

Walking Thru: Airline Check-in, ID Checks, Security Checks

"wow! I walked on the grass for a while and ID and security check is done"

Self-driving Shuttle

"Every step generates energy moving the airport."

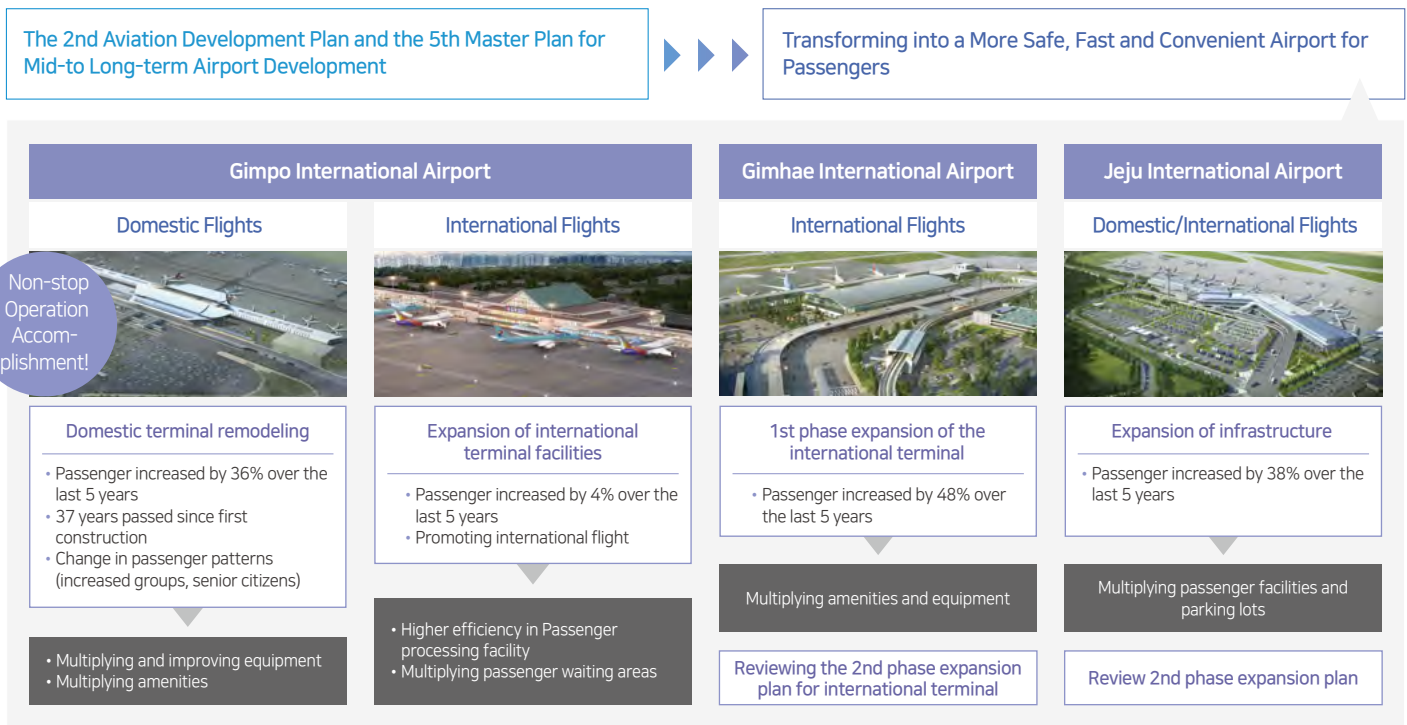


Infrastructure Preparing for the Future

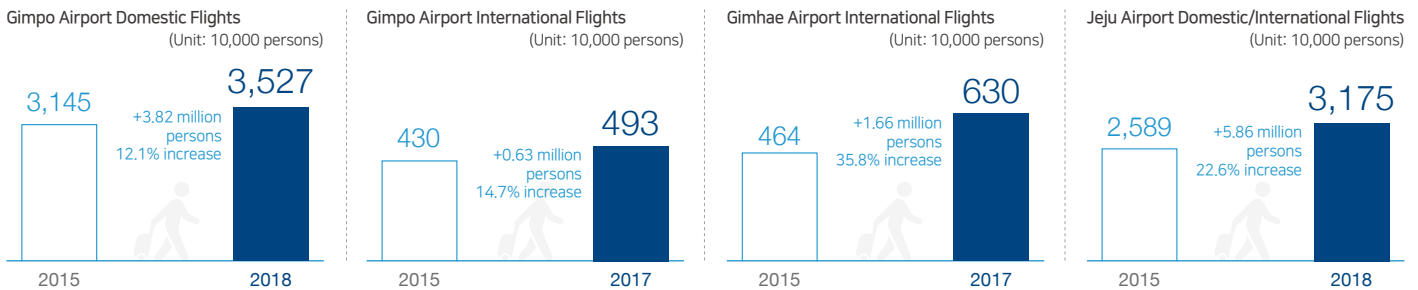
KAC continues to improve airport infrastructure in response to changes in the aviation market as well as the rapid increase in air transportation demand. Agile investments for phased infrastructure improvement will be implemented to expand passenger capacities and enhance passenger convenience, making world-class airports.

Improving Airports Infrastructure

In order to correspond to the national airport development plan and to upgrade old airport facilities, starting from Gimpo Airport in 2010, KAC has been conducting remodeling and infrastructure expansion projects on all 14 airports nationwide including Gimhae and Jeju International Airports. In particular, countermeasures were thoroughly prepared to prevent any customer inconveniences and safety accidents caused by long term construction. Despite that the scope of renovations covered entire airports, we were able to accomplish "non-stop operation" of all airport services.



Expanding Passenger Capacities through Infrastructure Improvement



KAC is establishing and implementing plans for improvement on regional airports to bring balanced development in airports nationwide and enhance passenger convenience. Yangyang International Airport, preparing for the Pyeongchang Olympic Games, is making thorough preparations to improve infrastructures in order to smoothly serve the functions of a gateway airport. Muan Airport, as the hub airport in the southwestern region, conducted construction activities to expand the airport apron area and re-pave runways, in preparation for increased demands in the future. Furthermore, Wonju Airport, with recent renovations, and other small sized airports such as Gunsan Airport are carrying out infrastructure improvement activities such as terminal remodeling.

Forming an Aviation Ecosystem Creating Public Interest

Making use of the geographical advantage of Gimpo International Airport, we are constructing a large scale "Air City" on the hinterlands adjacent to the airport. The Air City will serve as an aviation, culture, leisure and shopping complex which will also include a public golf course along with Korea's first National Aviation Museum. It is expected that Air City will contribute to local economy development through job creation, as local residents will have priority over employment to those jobs operating the golf course. By operating Air City, KAC aims at invigorating the aviation ecosystem by securing non-aviation profits and creating public interest for the local community.

Public Golf Course Construction

- Local residents will have priority over employment to jobs operating the golf course
 - Creating 300 jobs
 - Estimate annual non-aviation profit of KRW 10 billion
 - Improving the health of local residents

Establishment of Seoul Gimpo Business Aviation Center (SGBAC)

- Taking less than five minutes for CIQ (customs, immigrations, quarantine) processing
- Providing differentiated services such as VIP lounges
 - Developing Gimpo International Airport as a business airport

Aviation Support Center

- Creating a cluster, such as relocating offices for related businesses (airlines, relevant agencies, resident companies, etc.)
 - Aviation industry development through reinforced cooperation

National Aviation Museum Construction

- Building Korea's first National Aviation Museum
- Hinterland development in line with the National Aviation Museum
 - : office complex for airlines, education complex, convention centers, hotels, airport terminals, other facilities
 - Creating jobs for local residents
 - Contributing to the local economy

Aircraft Handling Services

- Providing ground handling services to all airlines operating in Muan and Yangyang International airports
- Operating reliable ground handling services 24/7
- Providing quality service at reasonable costs for Low Cost Carrier (LCC)s
 - Invigorating regional airports
 - Creating an aviation ecosystem through stabilized airline management



Infrastructure Preparing for the Future

Efforts to Implement New Airport construction

The construction of new airports at Gimhae and Jeju are one of KAC's core projects that are preparing for future airport demand. By assembling a New Airport Construction Task Force Team in 2016, anticipated measures are being prepared to construct airports reflected with KAC's 37 years of accumulated know-how and experience. Smart Airports will be realized by integrating diverse state-of-the-art technologies from Industry 4.0, such as artificial intelligence (AI), robots and the internet of things (IoT). The establishment of airport design standards and operating plans for organizations and workforces are underway to ensure efficiency in the construction of new airports. The primary value of constructing new airports is to create public interest. In order to realize these public interests, a variety of efforts are being made, which include the establishment of a stakeholders' network joined by experts, and the establishment of a public consensus among Korean citizens.

A New Gimhae International Airport

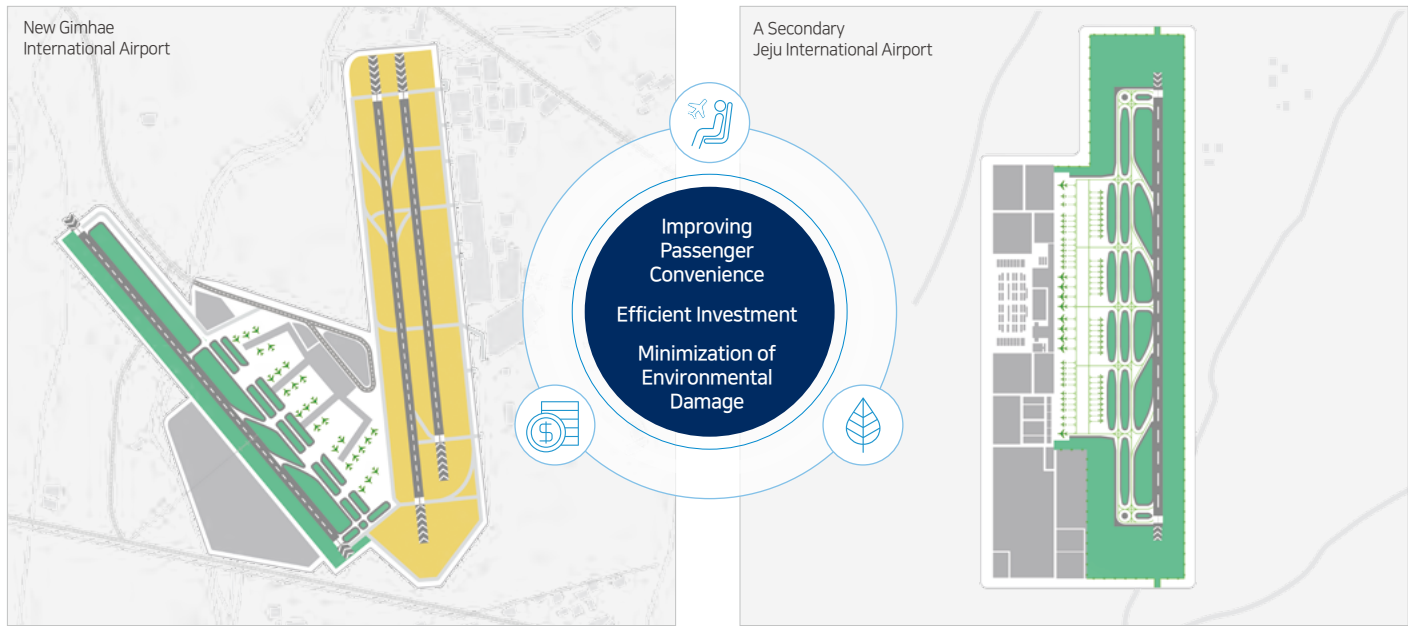
Runway	Project Cost	Capacity	Open
3,200m	KRW 5.96 trillion	38 million persons	2026

- Improving safety measures with runways avoiding mountainous obstacle
- Increasing accessibility to the southeastern region by expanding connected transportation networks

A Secondary Jeju International Airport

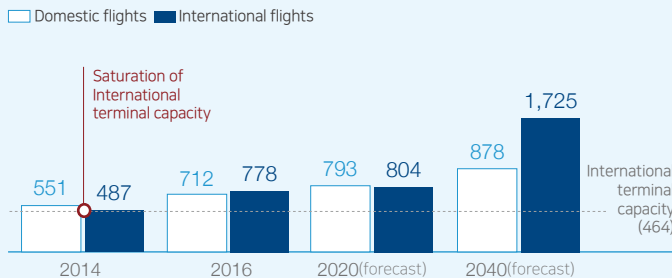
Runway	Project Cost	Capacity	Open
3,200m	KRW 4.87 trillion	25 million persons	2025

- Alleviating increased flight demands in Jeju Island.
- Promoting the effective use of multiple airports.



Increase of Passengers at Gimhae International Airport

(Unit: 10,000 persons)



Increase of Passengers at Jeju International Airport

(Unit: 10,000 persons)



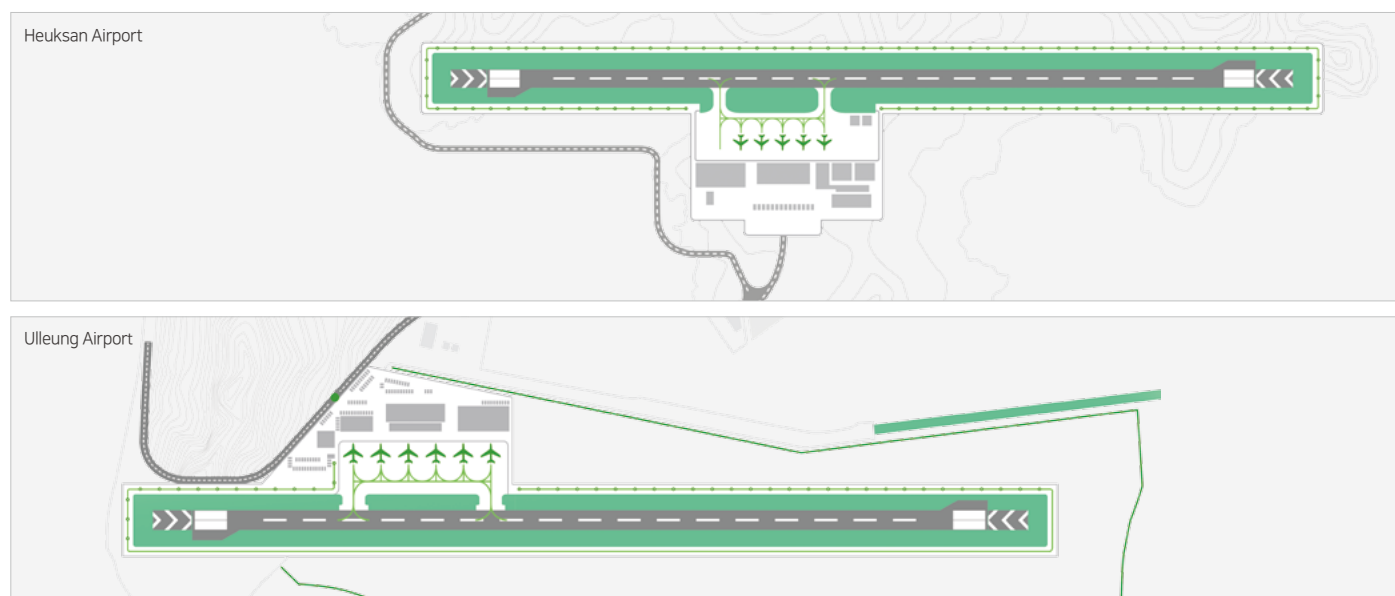
To alleviate inconvenience of citizens living in remote islands and to revitalize tourism, KAC is participating in the construction of Heuksan and Ulleung airports. We are preparing the basic designs for Heuksan airport's landside area, and plans are being made for KAC to start its involvement in the design phase for Ulleung airport. By providing alternative transportation services for citizens living in remote islands, participation in new airport construction in these areas allow KAC to help guaranteeing fundamental transportation rights for citizens and contribute to the revitalization of local economies.

Heuksan Airport

Runway	Project Cost	Terminal	Open
1,200m	KRW 183.3 billion	3,200㎡	2021

Ulleung Airport

Runway	Project Cost	Terminal	Open
1,200m	KRW 575.5 billion	3,500㎡	2022



New airports, Why do we need them?

Aviation conditions for domestic passenger flights

- Continuous increase in number of foreign tourists with no-visa entry initiatives
- Significant increase in domestic flights due to the growth of LCCs since 2009

Gradual increase in flight demands
+
Saturation of terminal capacity

Expected effect



Improving passenger convenience



Revitalizing local economy



Reinforcing national competitiveness

Growth Drivers Leading the Future

KAC is developing future growth drivers and contributing to aviation industry development, through activities in next generation aviation technology R&D and expanding overseas projects. As we lead globalization by displaying an array of enhanced competencies exceeding the primary role of an airport, we will also prepare the future together with our stakeholders and fulfill our roles as a professional airport provider.

Mutual Growth through Joint Research and Development

For sustainable cooperation and mutual growth, KAC is promoting joint development with SMEs. Such initiatives include "benefit-sharing" and the free licensing of KAC's patents to SMEs possessed with production capabilities and expertise. New technology discovered from this process was patented in joint ownership and was applied in airport construction projects, providing SMEs with opportunities to create new business. KAC is trying to create an ecosystem for the aviation industry by promoting tasks with SMEs and establishing systematic plans for mutual growth.

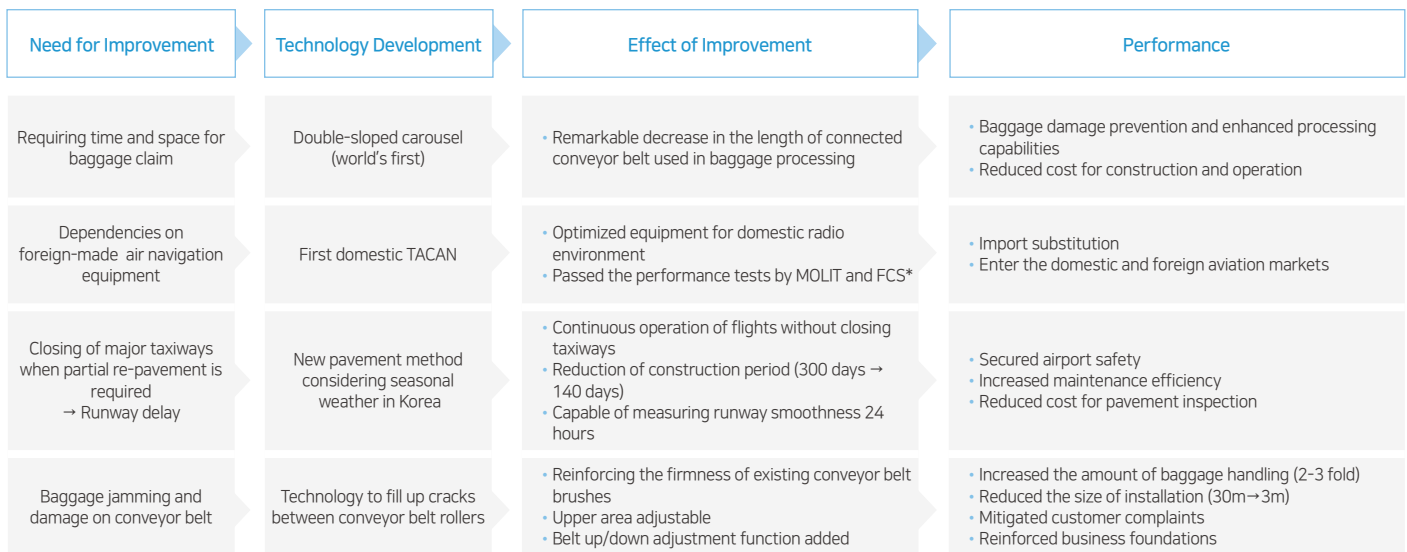
Benefit sharing with SMEs

Developed projects	3 cases	Succeeded in technology development	4 cases	Certification	4 cases
--------------------	---------	-------------------------------------	---------	---------------	---------

Expanding Proactive Research and Development

KAC is creating synergies in aviation R&D by expanding technology exchange networks, not only with world-class institutions on aviation policy, but also with domestic and international industry-academic cooperation. Along with the accelerated introduction of state-of-art technologies for airport systems, we are securing patent technologies such as a "Multi-language Automated Information System for Passengers" and a "Baggage Location Tracing System," and we are also promoting various projects such as the development of an "Automatic Foreign Object Debris (FOD) Detection System" and advancements in security checks utilizing artificial intelligence. Recognized for airport operational know-how and technological competencies, in 2016, KAC began to participate in joint research with FAA* on a new technology for runway pavement installation. KAC has also been designated by ICAO as an Korea-exclusive agency for next generation R&D, ready to take initiatives in establishing international technology standards.

* FAA: Federal Aviation Administration of the United States



* FCS (Flight Calibration Services): A flight inspection service provider accredited by the German government, inspecting flights for Germany, the Netherlands, Norway and Kuwait for more than 50 years

Patent Allowance *

9 cases

Increase of 8 cases compared to 2015

* Patent Allowance : A patentee of a registered patent grants limited permission to another to use the patent

Double-sloped carousel

Korea Invention Patent Exhibition (KINPEX) 2016

Received award from the Minister of Science, ICT and Future Planning (MSIP)



Tactical Air Navigation (TACAN)

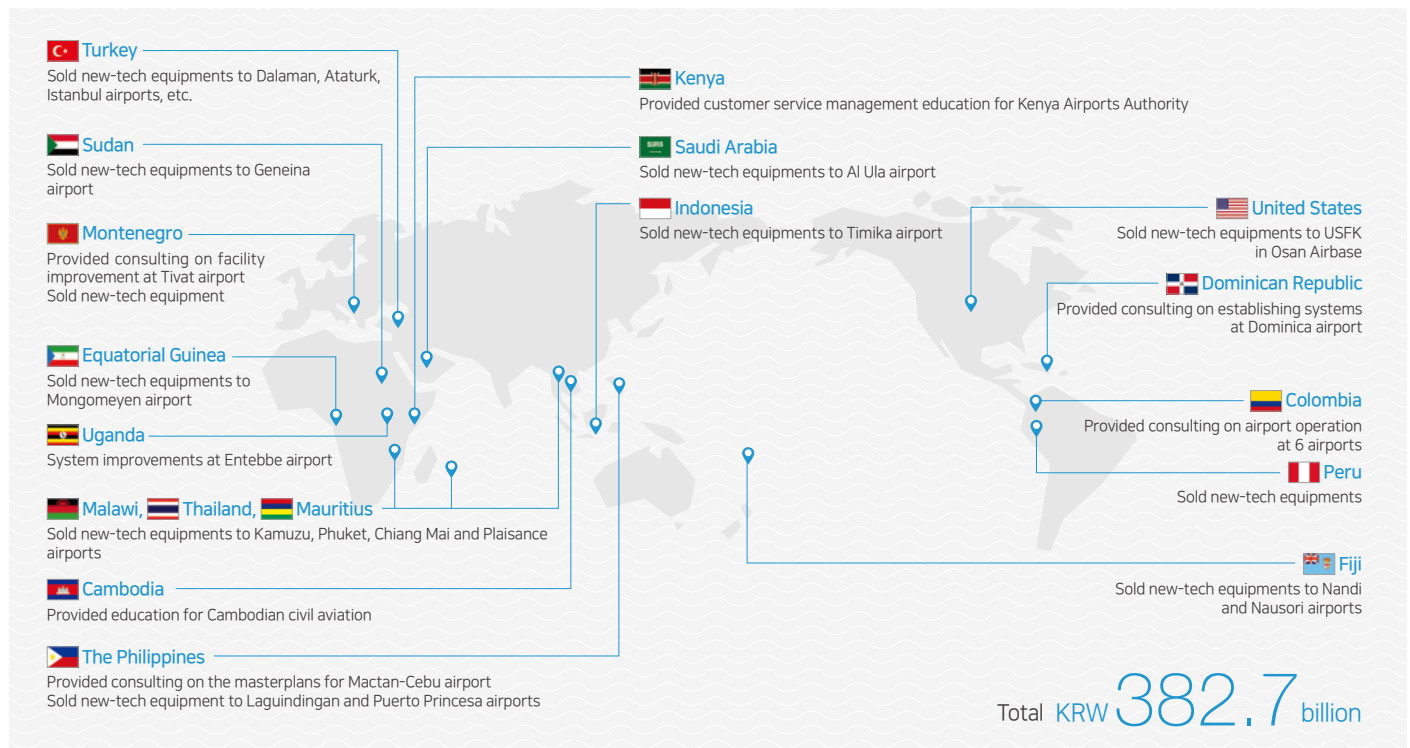
Passed the performance test in Korea and Europe



Building Success Models for Overseas Projects

We are actively promoting overseas projects to secure new growth drivers. With 37-years of airport operation know-how, a diversity of “KAC Success Models for Overseas Projects” are being developed in different areas, such as consulting, education and IT systems improvement. In the perspective of an airport operator, KAC succeeded in self-developing an air navigation safety system and established collaborative agreements with SMEs for mutual growth, and is now ready to become a leader of exporting new technologies to overseas markets. Moreover, project implementation capabilities are being strengthened by heightening external reliability using the patented technologies KAC possess, and by collaborating with competitive domestic companies when participating in overseas projects. KAC will not only develop new growth drivers, but also improve national competitiveness through expanding overseas projects.

Awarded Overseas Projects



An “SME Successfully Partnering” in an Overseas Project: Winning a project bid at Mongomeyen airport in Equatorial Guinea

- Technology developed from an idea on-site
- Additional bids won through effort and competence

Outline	<ul style="list-style-type: none"> • Background: Seeking for a contractor for building passenger boarding bridges under the construction (Mongomeyen Airport in Equatorial Guinea) by the domestic construction company • Achievement: won the bid for building boarding bridges (February in 2016) and was also awarded another project for a Baggage Handling System (BHS) (May in 2016)
External Evaluation	<ul style="list-style-type: none"> • Recognized for outstanding performance by the government's evaluation for joint growth in 2016 • Selected as the best case of benefit-sharing by Korea Foundation for Cooperation of Large&Small Business, Rural Affairs
Expected Effect	<ul style="list-style-type: none"> • Sustainable mutual growth, Realizing a "genuine long-term partnership" with an SME from R&D to entering into the overseas market (revenue of KRW 3.69 billion)

Competences and Bidding Efforts



A large, bright window in an airport terminal. The window is divided into a grid of panes. Outside, a large airplane is visible on the left, and a Ferris wheel is visible on the right. Inside, several people are silhouetted against the bright light. Two men in suits are bowing slightly towards each other in the center. Other people are standing and talking on the left and right sides. The floor is highly reflective, showing clear reflections of the people and the window panes.

Growing Together

KAC is willing to share growth.
Sharing happiness and opportunities for success in the workplace,
and for a better future for all, together with KAC.

Growing Together through Respect and Cooperation

Background and Policy

With drastic environmental change and intensified competition in the global aviation industry, the competence of human resources and competitiveness of partners have become important factors for sustainable growth. KAC is encouraging its employees to demonstrate their potentials and pursue growth together with the corporation by innovating the organizational culture into one that is focused on the spirit of respecting human rights. Efforts are not spared when it comes to pursuing mutual growth with partners. Means of communication and cooperation are enhanced and support is provided to strengthen competitiveness. In addition, we also strive to cultivate global aviation professionals.



Key Strategies and Performances

Reinforcing Human Rights Management

Corporate Culture Innovation

- Establishing a master plan for corporate culture innovation
- Settling a reasonable labor-management culture



100 Great Places To Work (2016 Korea)
(grand prize in public corporate sector for 4 consecutive years)

Mutual Growth with Partners

- Strengthening communication with partners
- Establishing mutual growth partnership

87.2 points

Satisfaction of employees from partners

Cultivating Talents

- Expanding foundations for cultivating aviation talents
- Sharing global knowledge

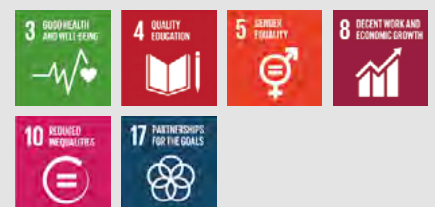


Opening of the KAC Aviation Training Center
Jet Training Program

KAC's Commitment

By enhancing human rights management systems, KAC will implement world-class human rights management and create a great place to work for, and by benefit-sharing through close communication with partners, we will strengthen cooperation for mutual growth. In addition, through strengthened capabilities to cultivate aviation professionals and through the promotion of global education programs, KAC will escalate its reputation as a professional airport-operating public corporation.

UN SDGs (Sustainable Development Goals)



KAC Cherishes Human Dignity and Value

KAC is taking initiatives in protecting and promoting human rights of all stakeholders including its executives and employees. Furthermore, we are improving our human rights management system while observing the principles for human rights and labor in the UN Global Compact, and also pursuing the establishment of a culture, respecting human rights.



UN Global Compact

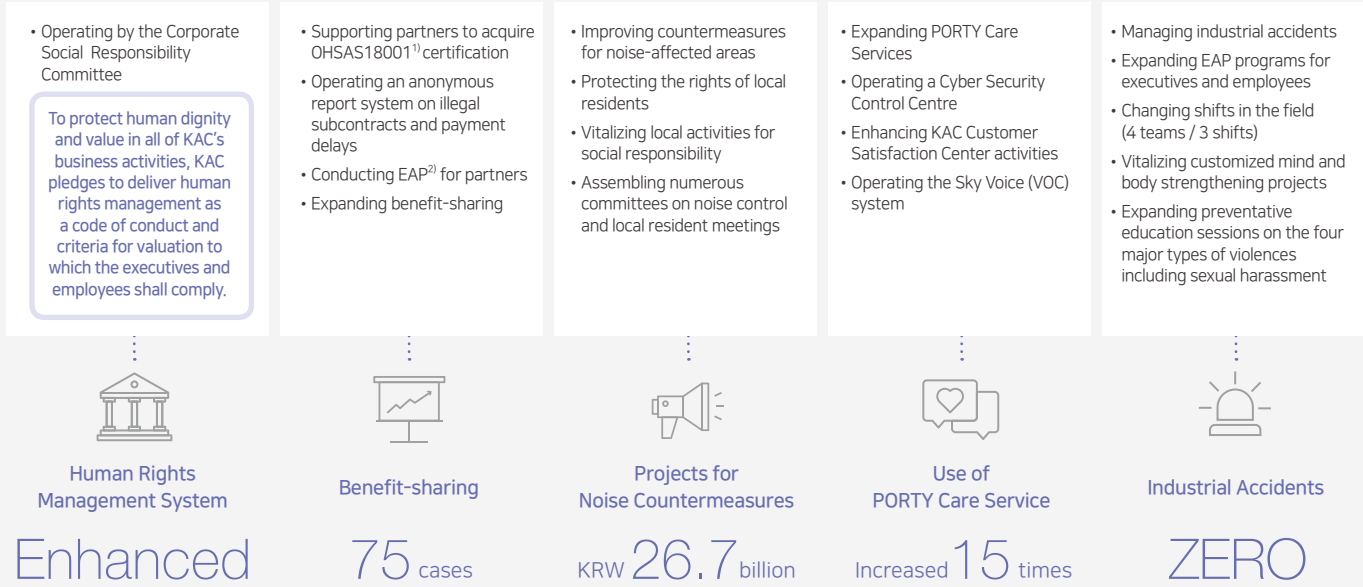
Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses

National Human Rights Commission of Korea Human Rights Management Guideline

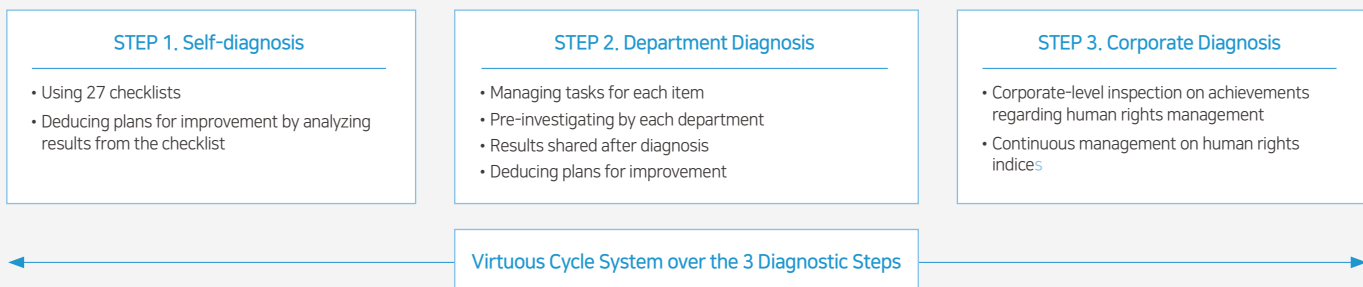


KAC Human Rights Management



1) OHSAS (Occupational Health & Safety Management System) 18001: A standard that sets minimum requirements on the identification and sustainable management of risk factors so that organizations may autonomously take measures to prevent industrial accidents
 2) EAP: Employee Assistance Program

KAC Human Rights Management Diagnosing System



Labor	<ul style="list-style-type: none"> 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labour; 5. The effective abolition of child labour; and 6. The elimination of discrimination in respect of employment and occupation 	Environment	<ul style="list-style-type: none"> 7. Businesses should support a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater environmental responsibility; and 9. Encourage the development and diffusion of environmentally friendly technologies 	Anticorruption	<ul style="list-style-type: none"> 10. Businesses should work against corruption in all its forms, including extortion and bribery
--------------	--	--------------------	--	-----------------------	---

Guarantee of Freedom of Association and Collective Bargaining	Prohibition of Forced Labor	Prohibition of Child Labor	Non-discrimination in Employment	Guarantee of Environmental Rights
--	------------------------------------	-----------------------------------	---	--

<ul style="list-style-type: none"> • Operating quarterly and timely Labor-management councils • Establishing a participatory labor-management culture for all employees 	<ul style="list-style-type: none"> • Prohibiting any form of forced labor • Prohibiting business profit even for indirect forced labor 	<ul style="list-style-type: none"> • Prohibiting employment and labor practices of children under 15 	<ul style="list-style-type: none"> • Conducting employment equality • Vitalizing maternity protection systems (installing child care centers) • Expanding paternity leave policies 	<ul style="list-style-type: none"> • Renewing ISO14001 certification • Subscribing an environmental impairment liability insurance • Installing carbon-reducing and renewable energy facilities • Reinforcing green culture activities(guerilla gardening)
---	--	---	---	--

Nighttime childcare for local residents "Starlight Guardian"

- Protecting children from neglect and crimes
- Providing welfare programs for left alone children (tutoring, club activities, counseling, going home monitoring, etc.)



Plans for Reforming Human Rights Management Platform

<p>Infrastructures</p> <ul style="list-style-type: none"> • Preparing systematic diagnosis and management system 	<p>Strategy and Action Plans</p> <ul style="list-style-type: none"> • Establishing human rights management strategies • Finding tasks for strategy implementation • Establishing performance indices for diagnosis and assessment 	<p>Evaluation and Feedback</p> <ul style="list-style-type: none"> • Preparing the methods for internal feedback and disclosure • Establishing processes for prompt improvement through feedback
--	---	--

Corporate Culture Creating a Pleasant Workplace

With the belief that the satisfaction of employees directly connects with KAC's development, we are exerting efforts to heighten employee satisfaction by establishing and implementing mid- to long-term master plans for corporate culture innovation. Moreover, we will create a great place to work for and a great place to work at, by implementing a transparent human resources management and establishing a mutual growing labor-management relation.

Corporate Culture Innovation

The "Mid- to Long-term Master Plans for Corporate Culture Innovation" was established to develop an environment where all executives and employees can be satisfied with the organization and concentrate on work. Adhering to the master plan, we will innovate our corporate culture in stages, from establishing foundations, improving conditions, settlement, all the way to dissemination. In particular, we are prioritizing tasks that are urgent and can be executed within the short-term, and are expediting corporate culture innovation by publishing and distributing guidebooks for action.

Master Plan for Corporate Culture Innovation



Realizing Work and Life Balance

KAC is earning a reputation as a great place to work offering a variety of benefits which make employees satisfied with their work and personal lives. We are motivating our employees to work and building a happy corporate culture by implementing various Employee Assistance Programs (EAPs); reducing long working hours, changing corporate culture, stabilizing the shiftwork on the field and strengthening mind & body for employees' health. Furthermore, We are taking the lead in practicing family-friendly management through a variety of programs for maternity protection, such as introducing shortened-working hour during pregnancy, operating daycare center at work and distributing women's guidebooks accommodating different stages of life.

Great Work Place (GWP) Promotion Activities

Making a Great Work Place	Corporate Culture Improvement
<ul style="list-style-type: none"> Improving social gathering culture Enforcing "No Overtime Day" and "Family Day" Fruitful vacation and automatic paternity leave system, etc. 	<ul style="list-style-type: none"> Improving unclear directives Removing partitions between offices Managing working hours (active self-management) Improving meeting cultures and simplifying documentation
Stabilizing Work Shifts in the Field	Customized Mind and Body Strengthening Projects
<ul style="list-style-type: none"> Changed to 4 teams / 3 shifts in 2014 Fully implemented in 2015 Additional staffing in 2016 	<ul style="list-style-type: none"> Customized health care program (1 sport per person, smoking cessation programs) Opening a healing zone (yoga, stretching, meditation) Recreational projects (private care for 6 months with the support of a nutritionist and physical trainer)

GPW Index

Average of 100 companies in Korea: 78 points

86 points

EAP (Employee Assistance Program)

out of 5

4.7 points



100 Great Places To Work 2016 Korea (grand prize in public sector for 4 consecutive years)



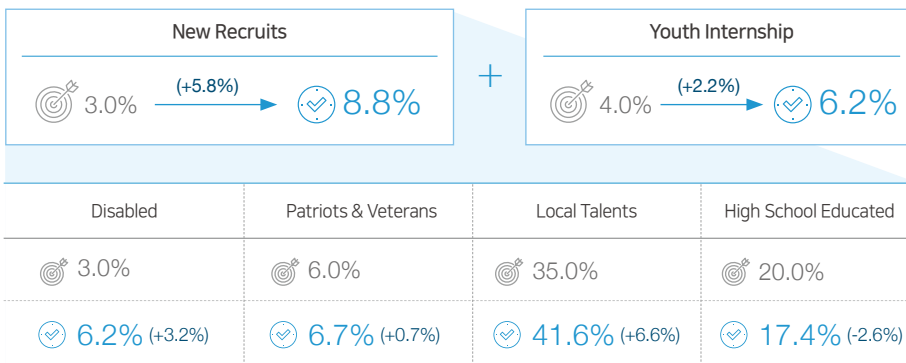
Awarded Best Workplace in Asia by U.S. GPTW for 2 consecutive years

Fair and Reasonable Human Resources Management

KAC has adopted the National Competency Standards (NCS), which is a job-oriented evaluation system, and is practicing a blind recruitment system to fairly recruit regardless of age, gender, educational background and major. We also contribute to job creation by providing opportunities to experience different jobs through youth internship programs. In addition, we strive to realize the balancing of gender ratio by proactively cultivating female talents through establishing and implementing four pillars of task goals, which include female recruitment, capability enhancement, maternity protection and human resources management.

Employment Status

🎯 Target 📊 Achievement Rate (rate exceeded target)



The "MBO,"* an Evaluation System focused on Achievement and Competence

Category	Content
Evaluation index	Establishing pool of indicators
Goal Establishment	Consultation among team members and team leader
Evaluation Process	-Step 1: Specifying indicators and setting goals
	-Step 2: Periodic interim checks
	-Step 3: Announcing evaluation results and providing feedback
	-Step 4: Finalizing results after receiving appeals (2 times)

Enhancing Trust

* MBO : Management by Objectives

Building an Open Labor-management Relation for Mutual Growth

To successfully embody within the organization a strategic labor-management system, establishing reasonable grounds for labor-management and increasing productivity, KAC continues to improve the strategic system through various activities, such as conducting surveys on all employees, labor-management workshops, change management education, in addition to providing feedback on each strategic assignment. So that the cooperation between labor and management can be strengthened through openness, we are actively vitalizing communication channels, not limited to formal channels and councils, but extending into the online. The CEO directly listens through a "CEO Postbox" as well as on-site visits, and the labor union listens directly through employee seminars covering current issues. We are shaping a culture through which employees can actually engage, discuss current issues and cooperate with each other by participating in the maternity protection task force team, GWP promotion groups and corporate culture innovation committees.

Confidence Index for Labor-management Communication :

Goal : 73.1 points **77.1 points**

Labor Disputes

0 case

Communication Channels between Labor and Management

Labor-management Representatives Hot-line

Direct hot-line between labor and management representatives, direct SNS communication: 18 times

Regular Labor-management Councils

Regular working-level meetings on current management issues, information sharing, coordination, disclosure and reporting: frequent

Enhanced Labor-management Partnership

- Nationwide "Harmony Workshop": 32 people
- Management-labor union consensus workshop: 3 times
- Labor-management joint visits to corporations with excellence (Yuhan Kimberly): 28 people
- Joint investigation on reality issues: 32 people

Partnership Realizing the Value of Mutual Growth

Together with 53 partners, KAC is placing every effort to make all 14 airports nationwide safer and more convenient. Considering our partners as family, we will broaden our communication by operating diverse communication channels, and provide competitiveness enhancement support through collaborative programs for mutual growth.

Reinforcing Partnerships through Communication

KAC performs "Skinship Management" which actively generates a consensus with partners through various communication channels both on- and off-line. We listen to a wide array of voices by opening meetings classified by corporate hierarchy, which include CEOs of partners, field managers and employees. Two-way communications have also been enhanced by newly developing the "SKYONE," an online one-stop supporting system.

Process for Reflecting Partners' Opinions



Offline Channels



Online Channels

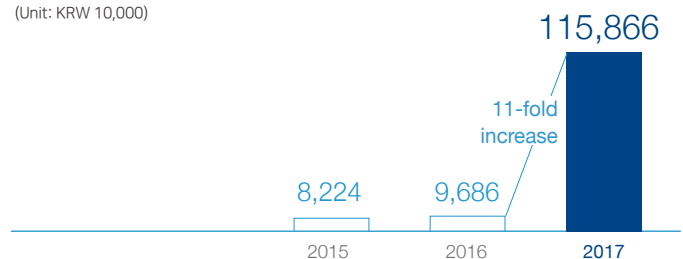
	Offline Channels				Online Channels	
Channels	CEOs meetings	Field manager workshops	(Expanded) Meetings about the field	Grievance Office	Naver Band	(New) SKYONE
Participants	Representatives of KAC and other partners	Field managers	All partner employees	All partner employees	All partner employees	All partner employees
Contents	<ul style="list-style-type: none"> Face-to-face communication and integrity agreements between decision makers 	<ul style="list-style-type: none"> Training for enhancing organizational management and communication Listening to suggestions from the field 	<ul style="list-style-type: none"> Listening to suggestions from the field Introducing tasks for mutual growth 	<ul style="list-style-type: none"> Handling grievance issues from partners 	<ul style="list-style-type: none"> Announcing notifications regarding work Real-time sharing of current issues Posting suggestions regarding work Introducing tasks for mutual growth 	<ul style="list-style-type: none"> Introducing policies for mutual growth Sharing ethics management programs Supporting welfare program operations Introducing other tasks for mutual growth
Effects	Reinforcing action for solving problems	Understanding difficulties in the field and increasing employee satisfaction		Preserving anonymity and prompt response to grievance	Sharing major issues and gathering suggestions in real-time	

Expanding Amenities Support for Partners

In many of the meetings operated jointly by KAC and its partners, the issue of "increasing amenities support for partners" was often brought up and taken into action. In July 2016, the standards for amenities support for partners were revised and support was expanded. KAC will continue to take interest in even the smallest voices made by partner employees and will constantly improve cooperative relations for mutual growth.

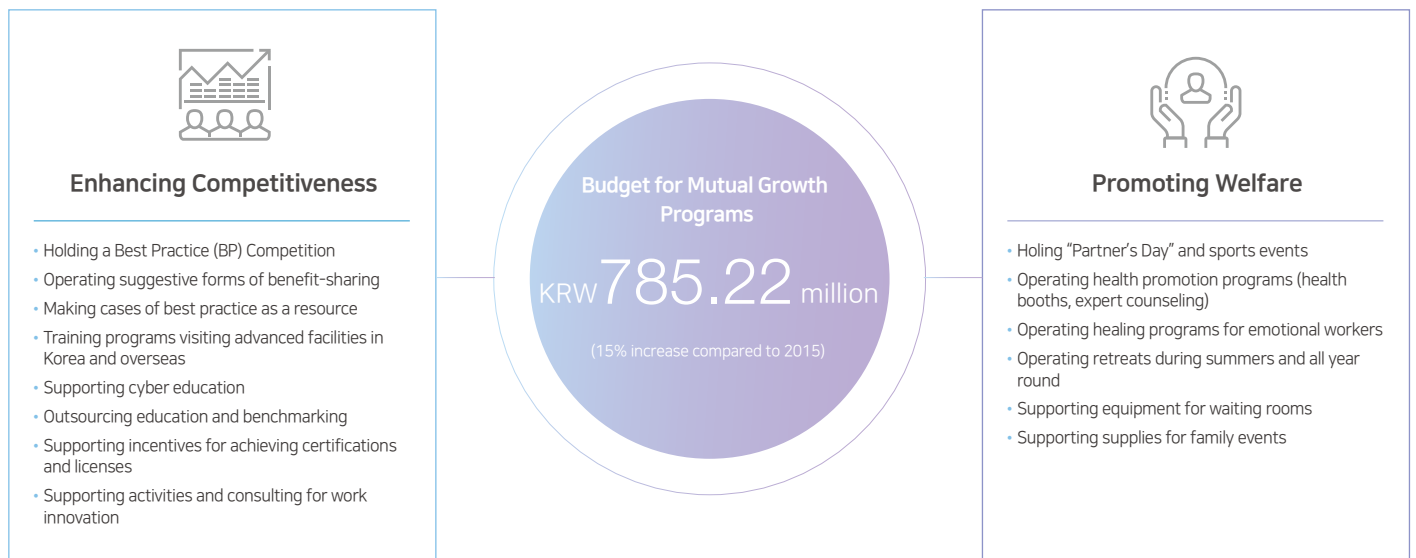
Budget of Amenities Support for Partners

(Unit: KRW 10,000)



Stimulating Programs for Mutual Growth

KAC operates cooperation programs for mutual growth to elevate competitiveness and improves welfare in partners. We sought to strengthen the quality of service by promoting fifteen assignments in 2016 (nine for increasing competitiveness and six for establishing a culture for mutual growth), and by operating a benefit-sharing service level agreement to provide incentives for outstanding partners. We will further strengthen cooperation for mutual growth based on the shared consciousness that the growth of partners eventually lead to the growth of KAC.



The BP (Best Practice) Competition

KAC induces partners to innovate through the "Best Practice Competition." By publishing and distributing innovative cases with excellence to all partners, we attempt to disseminate innovative culture as well as elevate levels of service in all of our partners. We are also encouraging the participation of partners by issuing winners additional points to the SLA* and providing additional incentives.

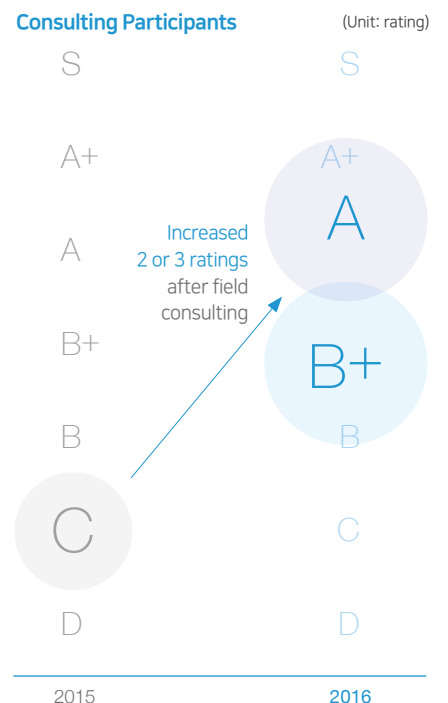


* SLA (Service Level Agreement): A benefit-sharing system which provides incentives to SME partners when co-achieving coordinated objectives including service quality improvement

Conducting Field Consulting

KAC conducted field-oriented consulting activities in 2016 to improve the competitiveness of partners. For partners who requested consulting, we visited their site and examined for any weaknesses, and also shared varied information about cases of best field operations, tips on SLA evaluation standards & reporting, and partner supporting programs. With our consulting practice being successful, we were very pleased to observe that all participating companies showed improvements in their 2016 SLA evaluation results.

SLA Evaluation Results of the Consulting Participants



Cultivating Talents Leading the Aviation Industry

KAC is focusing on cultivating global talents who will lead the world aviation industry. We will gain our reputation as a professional airport operating organization by systematically cultivating aviation experts, and proactively supporting developing countries in nurturing aviation human resources.

Complete with the Foundations for Cultivating Aviation Talents

KAC operates systematic education programs to cultivate outstanding aviation talents. In order to pursue cultivation of talents based on potential, we recommend customized programs based on individual capabilities and operate programs in multi-levels to accommodate different positions and their lifecycles. Moreover, we are diversifying our efforts to cultivate aviation experts, such as reinforcing the field-oriented aspect of training, introducing education programs by the Ministry of Gender Equality and Family (MOGEF), and selecting students for long-term outsourced education.

Publishing a Casebook Covering Experts' Know-how

KAC published a "Casebook of success and failure" containing knowledge and experience of various experts in each field. This book, containing key knowledge coming from 83 executives and employees working in diverse fields, allows to vividly share across the corporation know-how and experience. Such examples include the development of a safety index (forecast), processes for solving problems, and implementation methods.

Diversifying Airport Security Education

As the significance of airport security has been enhanced due to various factors such as recent terrorist threats, KAC reformed its airport security education to proactively respond to shifting environments.

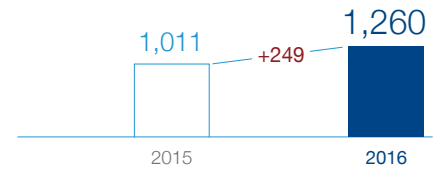
Education focusing on accidents and cases

Special education reflecting current trends (trends in dangerous goods, etc.)

1 on 1 education in forms of consultation (for airport screening & security guards)

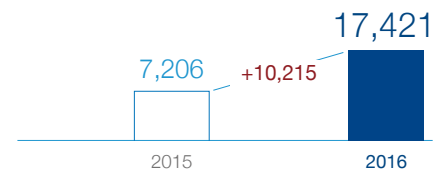
Programs

(Unit: program)



Trainees

(Unit: person)



Inauguration of the KAC Aviation Training Center and the Jet Training Program

To resolve the shortage of pilots around the world and to boost development of the aviation industry in Korea, KAC has promoted a training program since 2014 to cultivate new pilots. In June 2017, the inauguration of the "KAC Aviation Training Center" was held through the collaboration with the Korean government and international professional training institutions. The "Jet Training Program (Advanced Training Course)," which is a mandatory course for all pilots serving national carriers including LCCs, was opened for the first time at this center. Such jet training requirements required a lot of time and money in the past, as training infrastructure and education was scarce in Korea. With the establishment of the training center, comprehensive foundations to cultivate excellent pilots were finally established, enabling pilot cadets to complete their jet training requirements domestically.



Gaining Reputation through Global Knowledge Sharing

Since 2001, KAC has been supporting the enhancement of technological competencies of aviation personnel in developing countries in cooperation with the International Civil Aviation Organization (ICAO), the Ministry of Land, Infrastructure and Transport (MOLIT) and the Korea International Cooperation Agency (KOICA). Until 2016, KAC's Civil Aviation Training Center (CATC) provided invitations and delivered outreach programs for 1,015 trainees of 107 nationalities, covering themes such as Instrument Landing System (ILS) Maintenance, Navigation Policy and Security, Radar Approach Control and airport operation.

Training School for Aviation Talents "CATC"

In 2016, the CATC obtained RTCE¹⁾ certification which is the highest tier in ICAO TRAINAIR PLUS, and also acquired the very second ATI²⁾ certification in the world from ACI³⁾, achieving high reputation for excellence as a global aviation training institution. This resulted from the global recognition of our achievements and competency, through practices such as operating training courses meeting international standards and dispatching instructors abroad.



Airport Pavement Evaluation Course in Kenya

- 1) RTCE: Regional Training Centre of Excellence
- 2) ATI: Accredited Training Institutes
- 3) ACI: Airports Council International

First Outreach Education in Korea's Aviation Industry

Kenya, March 2016

Rwanda, June 2017

Program Overview

Disseminating knowledge about managing runway pavement evaluations

Expected Effect

- Heightening reputation as a global aviation training institute
- Building friendship with participants
- Contributing to civil aviation industry development and airport safety

Expanding into the Global Education Business

Taking one step ahead with global knowledge sharing, foundations have been established to advance global education into a new profitable business. We are continuously expanding profitable global education projects, and some of those include the building of a user building a user-focused IT system at Entebbe airport in Uganda in 2016, achieving sales of KRW 1.7 billion, and the inauguration of a civil aviation training center in Cambodia in March 2017.

Successful achievement in 5 years! CATC in Cambodia opened... Returning the aviation training aid that Korea received back to the international community in 30 years

The CATC in Cambodia, which inherited Korea's aviation education know-how, finally opened in March 2017, 5 years after the project's launch. Utilizing KRW 2.7 billion of KAC's ODA budget, KAC carried out the project including the construction of the training center, establishing master plans for education, cultivating professional aviation instructors and providing operational consulting. It is expected that this center will take a leading role in cultivating aviation experts in that region.

Cambodian air controllers are receiving customized one-on-one training from five KAC instructors offering knowledge about the contents of each course, in addition to designing and operating training programs. We plan to additionally provide the latest training equipment made with our own technology, and continue our support with professional education to cultivate future experts in aviation.



Field Orientation

For ceaseless efforts to create social value to 14 airports nationwide,
KAC has been loved and trusted by customers for 37 years.
Korea Airports Corporation.



Field-oriented Social Responsibility

Background and Policy

With the increasing influence of businesses on society and the emphasis of transparency in management, stakeholder interests and demands for social responsibility from public corporations are also on the rise. KAC pursues to become a public corporation beloved by the people, through means of assiduously fulfilling its social responsibilities based on its field-oriented management policies. To that end, we are performing corporate social responsibility activities in a more strategic way, so that we can actively partake in environment management and fight climate change, as well as contributing to local community development and social value creation. In addition, we are placing our efforts to embrace ethics management as a unique part of our corporate culture by promoting ethics and integrity in all our executives and employees.



Key Strategies and Performances

Practicing Green Management

- Systematic environmental management and climate change countermeasures
- Creating eco-friendly airports



Grand Prize at Korea's Green Management Awards (presidential prize)

Sharing Activities

- Strategic and active CSR activities
- Assisting the growth and self-support of local communities



Establishing the Community Service Center of Innovation

Embracing Ethics Management

- Creating an ethical culture across the corporation
- Continuous improvement on policies

7 consecutive years
AAA rating

Korean Business Ethics Index for Sustainability Management (KoBEX SM)

KAC's Commitment

With eco-friendly green management strategies, KAC will heighten environmental sustainability through the effective promotion of countermeasures and adaptation against climate change. We also aim to create new values for society and customers by creating shared value (CSV) through business-type social responsibility activates. With our corporate culture ingrained with ethics and integrity, KAC will stand as a public corporation favored by all citizens and customers.

UN SDGs (Sustainable Development Goals)



Eco-friendly Airports Made by Green Management

KAC is promoting green management, founded on environmental policy and world-class environmental management systems, to make eco-friendly airports for future generations. Through energy saving and greenhouse gas emission reduction, we are taking initiatives to respond against climate change, and to further our efforts, we are reinforcing the cooperation with various stakeholders, including local residents and partners.

Systematic Environmental Management

KAC practices company-wide green management, by establishing an environmental management system pursuant to KAC environmental policies to operate eco-friendly airports. Through strict control, KAC responds to various environment regulations by preventing the pollution of water, air, waste and soil. In addition, we are taking initiatives in eco-friendly airport operation by checking vehicle exhaust in aerodrome movement areas, controlling specified wastes and waste fluids from deicing/anti-icing areas, and monitoring environments in the field.

Operating Environment Monitoring Systems

KAC operates environment monitoring facilities tracking aviation noise, water and air quality, to constantly oversee green management conditions and analyze environmental effects. The monitoring results are also transparently disclosed to all stakeholders.

Automatic Aircraft Noise Monitoring Systems

To constantly monitor aircraft noise during flight operations, KAC operates automatic aircraft noise monitoring systems at Gimpo, Gimhae and Jeju Airports. We make our continuous efforts to reduce aircraft noise near airports by monitoring aircraft noise during aircraft takeoffs and landings, and fining aircraft operators breaching noise restrictions.

- Status of aircraft noise monitoring station installation
- Gimpo : 17 stations, Gimhae : 9 stations, Jeju : 6 stations

Automatic Water and Air Quality Monitoring Systems

Three water quality monitoring probes in the drainage system and one ambient air quality monitoring system are installed at Gimpo International Airport, allowing us to measure and monitor the quality of drainage water and air for 24 hours. To enhance our levels of quality control management, for important drainage points, we outsourced the monitoring and analysis of water quality to a professional company.

Green Culture Activities, "KAC Guerrilla Gardening"

Since 2014, KAC has performed "Guerrilla Gardening," a green culture activity currently promoted in 30 countries to tend abandoned sites not being cared for. First performed only at Gimpo Airport, the scope was later extended in 2016 to three hub airports: Gimpo, Gimhae and Jeju. Environmental improvement activities such as planting flowers and trees on abandoned sites in aviation noise-affected areas, and drawing wall paintings on old walls, were part of the project. With the appreciation of our continuous commitment on this campaign, KAC won the "Green World Champion" at the "Green World Awards 2016 for Government Bodies" hosted by The Green Organization, a British eco-friendly NGO.

Subscribing Environmental Impairment Liability Insurance

To minimize the damage of environmental accidents, KAC has voluntarily subscribed environmental liability insurance policies on facilities related to soil, water and air, petroleum production and storage facilities, and management facilities for specific water pollutants. (KRW 90 billion in coverage)

Water Quality Results

Category	Standard*	4Q 2015	4Q 2016
pH	5.8-8.6	7.1	6.8
DO(ppm)	-	6.1	4.1
SS(ppm)	Below 120	3.4	5.6
COD(ppm)	Below 130	3.7	5.1
OIL(AER)	Below 1,000	91.4	81.6

* Environmental Policy Standards: A standard KAC established in compliance with Korea's Framework Act on Environmental Policy

Air Quality Results

Category	Standard*	4Q 2015	4Q 2016
SO ₂ (ppm)	Below 0.05	0.004	0.010
NO ₂ (ppm)	Below 0.06	0.035	0.007
CO(ppm)	Below 9	0.4	1.567
O ₃ (ppm)	Below 0.06	0.012	0.013
PM10(µg/m ³)	Below 100	53	54
PM2.5(µg/m ³)	Below 50	34	30

* Environmental policy standards: A standard KAC established in compliance with Korea's Framework Act on Environmental Policy

Practicing Green Management Together

Energy and Environment Management

- Monitoring and improving greenhouse gas reduction objectives
- Finding and improving wasted energy factors for each airport
- Finding and announcing best greenhouse gas reduction practices

Best Greenhouse Gas Reduction Practices

- 1) 24/7 greenhouse gas monitoring system
- 2) Indoor air quality certification (clean breathing)
- 3) Sealing out outdoor winds
- 4) LED lamps with automatic attenuators

Policies for Green Management

Airport CO₂ Point System

- A greenhouse gas emission reduction program that gives incentives (onnuri gift cards) to resident companies when they reduce the use of electricity
- 386 companies participated in 2016, reducing a total amount of 796 metric tons of CO₂

Green Idea Contest

- 2016 Theme: Spreading the mentality for a low-carbon & green airport, and saving energy
- 2016 Winners: Total seven ideas including "replacing perimeter security light bulbs with LED" were implemented in the field

Green Management Projects in Aviation Noise-affected Areas

To implement systematic plans for noise control, KAC is carrying out different noise-controlling projects by categorizing the areas near airports into three zones in compliance with WECPNL*. Highly effective soundproof facilities and air-conditioning systems are installed for households and schools in the noise-affected areas, and the utility costs for those air-conditioners are supported as well. Additionally, through supporting scholarships and residential projects, we are trying to provide diverse means of aid that residents would actually appreciate and experience.

* WECPNL (Weighted Equivalent Continuous Noise Level): A noise evaluation index recommended by ICAO. It indicates a total amount of aircraft noise per day, which is calculated by averaging the maximum noise levels and applying weight according to the number of flights at a specific time frame (day, night, late-night).

Commitment to Reduce Carbon Emission

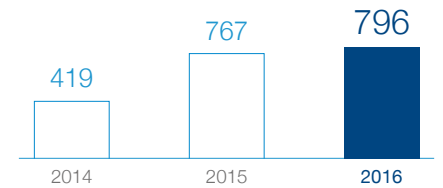
Designating support projects to improve energy efficiency for public buildings in May 2016
supporting KRW 120 million

Installing renewable energy equipment	Introducing geothermal heat and solar power <ul style="list-style-type: none"> - Gimpo : SGBAC construction and domestic terminal remodeling - Gimhae : International terminal expansion 	Replacing with LED lights <ul style="list-style-type: none"> - Replacing 13,129 units at 16 branches
Installing high efficiency equipment at airports nationwide	<ul style="list-style-type: none"> - Replacing with absorption chiller-heaters - Replacing escalators - Replacing moving sidewalks and moving walkways - Replacing ventilation system 	Introducing electric cars and install charging stations <ul style="list-style-type: none"> - Introducing electric cars for official use - Installing a superstation (charging station)

Silver Winner for Environmental Best Practice at the Green Apple Environment Awards 2016

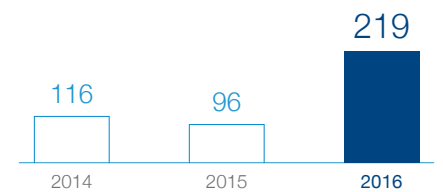
Airport Carbon Point System

Greenhouse gas emission reduction (Unit: tCO₂)



Green Idea Contest Applications

(Unit: case)



Zone Categorization by Noise Levels

Zone	Noise Level	Households*	
Zone 1	Over 95	-	
Zone 2	Over 90 ~ Less 95	2	
Zone 3	Region A	Over 85 ~ Less 90	133
	Region B	Over 80 ~ Less 85	5,844
	Region C	Over 75 ~ Less 90	26,126

* Neighboring areas at Gimpo, Gimhae, Jeju, Ulsan and Yeosu airports

Noise Countermeasure Projects in 2016

(Unit : KRW 100 million)

Project	Cost
Installation of soundproofing and air-conditioning equipment	71
Support on electric bills and television license fees	72
Resident support projects (supporting local governments)	98
Scholarships and other projects	26
Total	267

Healthy and Pleasant Eco-friendly Airports! A Completely Eco-friendly Airport Responding to Climate Change Response and Managing Environmental Goals

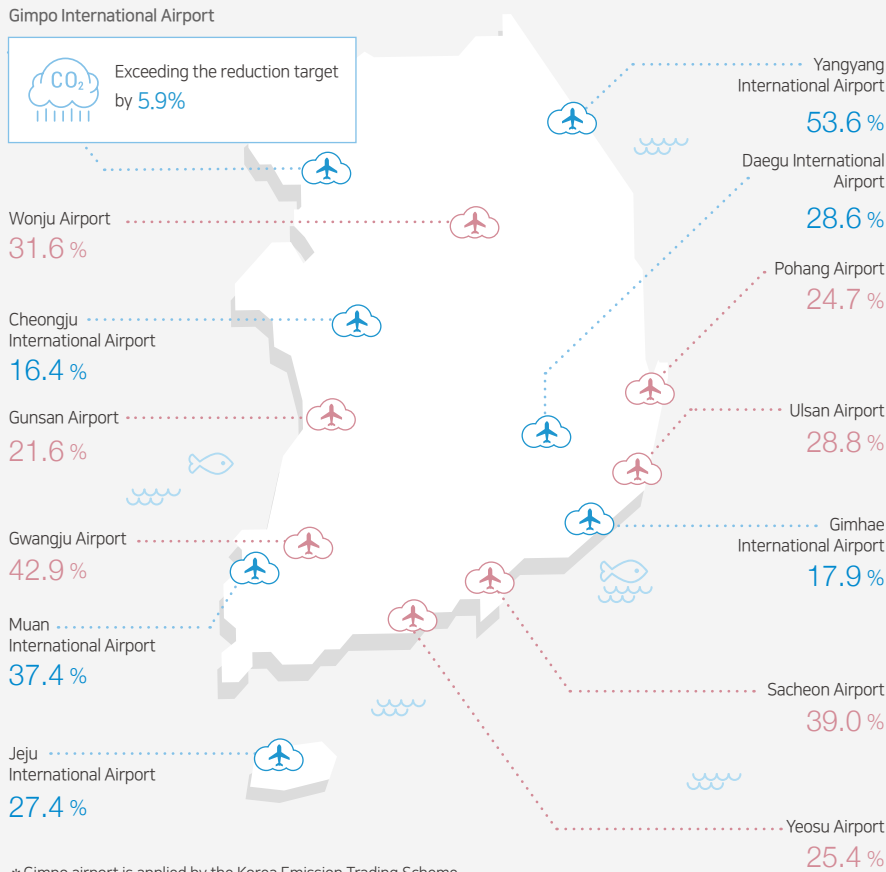
Achieving Goals to Reduce Greenhouse Gas Emissions

As the Paris Agreement came into effect to prevent radical climate change, the Korean government pledged its reduction target as 37% compared to BAU* by 2030. KAC's 15 branches, including the Air Route Traffic Control Center and the Civil Aviation Training Center, which are affected by the government's target management system for the public sector, well exceeded the reduction target by 5.4% in 2016. This was achieved despite that the number of flights increased that year, and the year of 2016 marks six consecutive years of exceeding the target. In particular, Gimpo International Airport, which was applied by the Korea Emission Trading Scheme (ETS) since 2015, exceeded the ETS target by 5.9% through systematic target management and reduction activities on greenhouse gas emissions, becoming the first airport in Korea to acquire Certified Emission Reductions (CERs). It also renewed the Level 3 status (Optimization) in the ACI Airport Carbon Accreditation (ACA), the highest rank in Asia and Pacific regions. ACI evaluates airports around the world for their competencies to manage and reduce carbon emissions.

* BAU (Business As Usual): Estimates on greenhouse gas emissions

Greenhouse Gas Reduction at each airport

Domestic Airports International Airports



* Gimpo airport is applied by the Korea Emission Trading Scheme

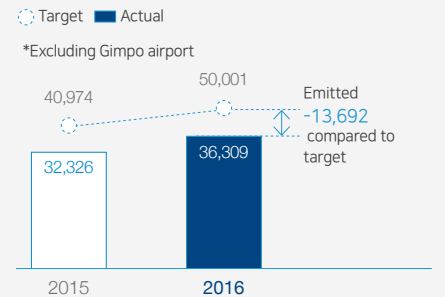
ACI Airport Carbon Accreditation (level 3)



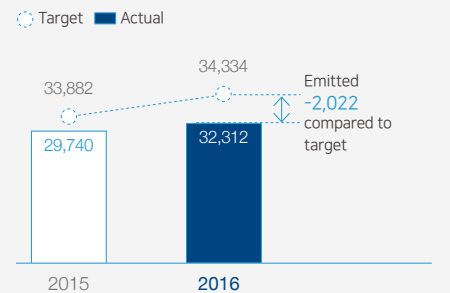
Greenhouse Gas Emission Reduction

Exceeding the target by **5.4%**
(6 consecutive years)

Target Management System for the Public Sector



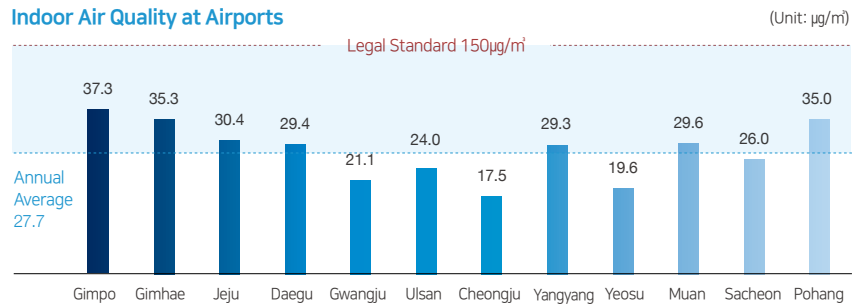
Emission Trading Scheme



Air Quality Control

- Indoor air quality (fine dust) measurement in airports
- Sustainment to approximately 1/5(20%) of the legal standard
- Self-analysis of indoor air quality
- Distribution of the air quality monitoring results
- Inspection of vehicle emissions in the same region

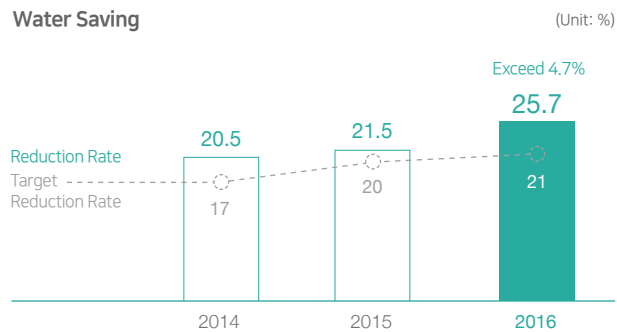
Indoor Air Quality at Airports



Water and Waste Water Management

- Drinking water quality control at airports
 - Total cholera inspection on all drinking facilities (first in the public sector), ZERO detection
 - Special management including daily chloride residual measurement
- Periodic water quality analysis and checking against standards
- Facilities operation to process sewage and waste water
- Facilities operation to reduce nonpoint pollution
- Facilities operation to utilize rainwater

Water Saving



Greenhouse Gas Emission Control

- Participation in basic government provisions for greenhouse gas reduction and climate change response
- Adherence to target management policies stipulated for the public sector and the emission trading scheme
- Operation of a target management policy for water saving
 - First in the public sector
 - Aimed to reduce 25% of the standard usage from 2016 to 2020

Waste and Soil Contamination Management

- Dissemination of tips for managing designated wastes
- Management supervision of construction sites wastes
- Compliance with legal standards on waste management
- Measurement analysis for soil contamination

Energy Management and Green Product Purchases

- Introduction of renewable energy devices or equipment (replacing LED lights)
- Establishment of agreements to support projects for improving energy efficiency at public buildings
- Purchase of green products
 - Preferential purchasing policy of eco-friendly products
 - Increased 3.8% of purchasing rate* compared with year 2015

* Purchasing rate = Amount of green products purchased / total amount purchased



Beloved KAC through Sharing

KAC aspires to become a leader in social responsibility by creating shared value through strategic corporate social responsibility activities. Founded on the active engagement of KAC’s executives and employees, we will fulfill our social roles and responsibility as a global airports corporation by continuously delivering differentiated corporate social responsibility activities characterized in what we fundamentally do.

Promoting Strategic CSR Activities

KAC developed a mid- to long-term roadmap for CSR in line with the Vision 2025 and established more systematic and strategic foundations by opening the Community Service Center of Innovation in 2017. CSR activities for executives and employees have been supported by raising a regional social welfare fund with the voluntary donations of our employees, and by expanding the operation of programs for contributing to society.

Voluntary Participation in Sharing by Executives and Employees

Formed by department affiliation, the 26 volunteer groups at KAC delivers hope to disadvantaged local community groups residing nearby all 16 branches including the head office. The corporation provides uniforms and covers all expenses to assist with the volunteer groups’ active engagement, and also annually awards the best volunteer group and individual volunteer for distinguished efforts. Furthermore, we encourage our executives and employees to participate in corporate social responsibility activities by additionally operating programs for motivation, such as the “Family Volunteer Corps” and “I would like to help.”

Rewarding the Best Volunteer Group and Best Volunteer

Every year, KAC rewards the best volunteer group and individual volunteer for their achievements in corporate social responsibility activities. In 2016, the CEO personally handed out the prize and rewards to the recipients at the ceremony to inspire their pride, and the rewards are continuously being expanded.

- * Best group’s average volunteer hours per person in 2016: 46.4 hours
- * Total volunteer hours of the “KAC Volunteer King” 2016: 2,143.5 hours

KAC Family Volunteer Corps

During vacation seasons, each volunteer group gathers family members who want to participate, allowing employees and families to share the experience. It is very meaningful that it contributes as an opportunity for children to inculcate a sense of service to society as well as for families to enhance communication between family members.

I Would Like to Help

If an employee posts on the intranet a case where help is in need, financial support is offered after review so that the employee him- or herself can practice sharing. This program motivates executives and employees to participate in donations and volunteer work, and uses the donation funds voluntarily raised by employees.

[Step1] Posting a case on the intranet: KAC employees can post a story about any case where sharing is needed by the local community

[Step2] Reviewing and selection of beneficiaries: After review, 3 or 4 beneficiaries are selected each time (CSR Leader and Corporate Partnership Team)

[Step3] Activities for sharing: Evaluations results and feedback are gathered from employees participating in the activities

Establishing the Community Service Center of Innovation

KAC opened the “Community Service Center of Innovation” to promote systematic and effective support consolidating all corporate social responsibility operations which were originally performed by three different departments. In accordance with the mid- to long-term roadmap for corporate social responsibility, the center will oversee all corporate social responsibility initiatives and strengthen its activities involving special projects connected with the industry, local community support, new projects for creating shared value (CSV) and sports projects.



The Opening Ceremony of Community Service Center of Innovation (January 2017)

Sharing Activities with Common Business Traits

KAC is trying to create a specialty brand for corporate social responsibility by performing corporate social responsibility activities connected to its industry. In particular, based on the idea that an airport is a gateway to another country with images of “multinational” and “multicultural,” KAC supports multicultural families to settle down in Korean society. We offered customized programs in different phases to support multicultural families: from initial settlement, educating children, youth going independent, all the way to changing social perception. KAC sponsored 250 families (969 people) for homeland visits in 2016 and expanded the size of support by more than 11% year on year, contributing to the happiness of multicultural families and bringing society together. Moreover, KAC is actively conducting corporate social responsibility activities utilizing its business characteristics and competencies providing opportunities for teenagers to explore careers in the aviation industry and supporting scholarships to university students majoring in aviation.

<p>Sky Camp, Flying My Dream</p> <ul style="list-style-type: none"> Supporting opportunities for teenagers interested in aviation industry to explore careers Simulating air traffic control, building model aircraft and Gimpo International Airport tour programs 	<p>Haneulnuri Scholarship</p> <ul style="list-style-type: none"> Sponsoring scholarships for university students majoring in aviation related fields 	<p>Supporting Airport Experience for the “Free Learning Semester” System</p> <ul style="list-style-type: none"> Applying to students from schools nearby 14 airports nationwide Vivid airport experiences utilizing airport infrastructures, and offering diverse airport career experiences
<p>20 students (overnight program)</p>	<p>KRW 180 million</p>	<p>2,839 participants Awarded at the 5th Korea Donation for Education Awards 2016</p>

Sharing with Local Communities

Creating Jobs

To create decent jobs in local communities, KAC supports small manufacturers near airports producing bags and wallets. In 2015, through an MOU with the Work Together Foundation and Yangcheon-gu Office, a Small Business Cooperative Union was established, and a 3-year budget of KRW 300 million was provided to offer support in diverse ways, from brand development to finding distribution channels & markets, and advertising. Beyond making mere donations, KAC will further in developing CSR activities allowing local communities to become self-supportive.

Offering Education Opportunities

By fostering the competencies in children who will lead the future, KAC is establishing foundations for children’s long-term growth near airports. Various programs are provided, such as improving study room environments to encourage students to study and give them educational opportunities, Vietnamese classes to teach students the Vietnamese language and culture, and a Healing English Village to offer free English education for disadvantaged children. Among them, the Healing English Village is being recognized as a meaningful program because it not only offers education for the students, but also provided teaching job opportunities for immigrant women married to Korean men.

Supporting the Socially Disadvantaged

A variety of sponsorship programs are in operation, which include supporting the centers for senior citizens and facilities for single mothers, providing funds covering medical, living and heating expenses for low-income families. The volunteer groups from KAC regularly visit the local welfare facilities in their regions to offer support for socially disadvantaged groups. Every winter season, the executives and employees at each airport make Kimchi through the “Sharing Kimchi with Love” event and deliver them to neighbors in difficult times as well as social welfare facilities in local communities.



Safety Guard for Children with PORTY - KAC Yellow Carpet

Based on the statistics that 81% of children traffic accidents occurred at crosswalks, KAC installed Yellow Carpets on the sidewalks in front of crosswalks in school zones. The Yellow Carpet is a traffic safety facility for children, which was devised by the International Child Rights Center. Yellow aluminum stickers are installed in front of crosswalks and solar-powered lamps are also installed, providing children a safe place to wait as they wait for their green light. The strong color contrast also helps drivers to see children at nighttime, hence, preventing accidents. Led by KAC and Child Fund Korea, and further collaborated with the local governments, schools, and the Green Mothers Club, Yellow Carpets are being installed in school zones near airports.




KAC Yellow Carpet

Strong Ethics Management Culture

To become a beloved and trusted public corporation, all executives and employees at KAC are actively implementing ethics management with the lead of the CEO. We are heightening our levels of practice on ethics management by annually establishing goals and executing them. To settle roots and disseminate a culture based on ethics management we are also sharing those outcomes with our stakeholders.

Internalizing Ethics Management Across the Organization

Ethics management at KAC is being fueled by the CEO's concrete philosophy on ethics management and initiatives for setting an example. The CEO is at the vanguard of creating ethical culture, by making a pledge on ethics management practice, and sending messages to employees and their families as well as other stakeholders to encourage ethical practice. In addition, the volition of ethics management practice has been reinforced, as all executives and managers took pledge in resigning when violating their integrity.



Employees

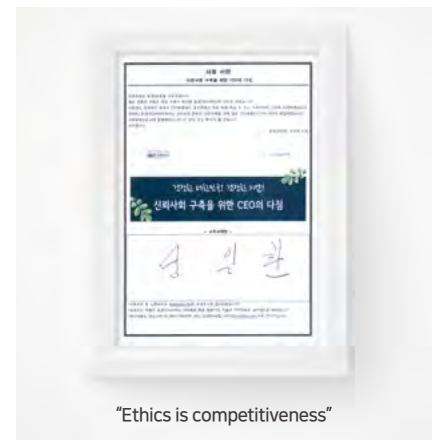
Posting CEO's Message about ethics on SKYNET and corporate blog
→ Employees' ethical comments (384)



Family Members of Employees

Sending a "CEO's Ethics Card" during national holiday seasons including tips on the code of conducts for ethics

CEOs' Declaration of Commitment Towards Ethics Management



Proclaiming Integrity Reform

In January 2017, KAC announced "Integrity Reform" to start again from "ZERO" through comprehensive integrity assessment. All executives and employees at 14 airports, the Air Route Traffic Control Center, the Civil Aviation Training Center and others participated in a video conference to pledge a reformed public corporation with high integrity. With the pledges of the reform, "integrity" was selected as a core task across the organization, and a motivating process was formed to enable executives and employees to voluntarily establish and implement integrity goals, as well as to provide incentives. Acting organizations for integrity are being reinforced to ensure practice in the field, and efforts are being continued to acculturate integrity throughout the entire company.



Unveiling Ceremony for the Integrity Monument

Plans for KAC's Integrity Reform

- Preemptive Anti-corruption Measures**
 - Improving the reporting system (operating a special week for corruption reports, promoting an anonymous reporting system)
- Internalization of Integrity Awareness**
 - Reinforcing field inspections and integrity education
 - Imposing stronger penalties on evaluations in cases of corruption
- Improvement on Vulnerable Areas**
 - Increasing integrity education participants for areas with more vulnerability (supply related)
- Transformation into a Clean Organization**
 - Designating "integrity" as a major task in the Vision 2025
 - Holding a ceremony for proclaiming integrity reform

Acting Organizations for Integrity

Anti-corruption and Integrity TF 10 persons including civil advisors	Integrity Ombudsman 3 persons checking 4 times a year	Chief Officers for Allocated Codes of Conduct 16 persons	Clean Coaches by Affiliation 97 persons	Clean Airport Steering Committees One at each of 14 airports	Integrity Keepers by Project 264 persons
--	---	--	---	--	--

Enhancing Ethics Management through System Improvement

KAC took steps in preparation of changes in the business environment and in preparation of the new new Improper Solicitation and Graft Act by revising its code of conduct and related guidelines. So that ethics management is acculturated as a unique corporate culture, internal control measures have been reinforced by constant monitoring of the work process, and the implementation of a “one strike, you’re out” policy, which is a zero-tolerance policy for those breaching the Act. Moreover, we have prepared a preventative system eliminating possible sources of corruption in the work process by holding a “tasks for voluntary system improvement contest.” Other various efforts, such as running an anonymous “Red Whistle” program and operating a voluntary reporting program for misconduct, are being made to acculturate a “Speak-up” culture.

“Cheong Shim Hwan” Talks on Integrity for Communication and Harmony

“Cheong Shim Hwan” is an event where the Corporate Auditor visits all 17 branches including head office, listens to the voices in the field and disseminates the commitment of integrity. By open-heartedly sharing candid opinions with 1,580 executives and employees throughout 17 gatherings, the event contributed to preventing corruption and establishing integrity awareness.

Revised Ethics Standards

Category	Revisions
KAC Code of Conduct	Revised 21 articles, reflecting the Improper Solicitation and Graft Act
Improper Solicitation and Graft Act Guidelines	Appointed an officer for solicitation prevention, Improved processes for operating, reporting, registration and handling
Corruption Impact Assessment Guidelines	Improved and reinforced assessment standards on corruption causing factors (from 9 to 11 items)
Overseas Business Travel Guidelines	Vitalized the gift receipt report system and applied stronger measures for management
Corporate Credit Card Use Guidelines	Detailed report required when balancing business promotion expenses (company, department, name and number of participants the expense was used for)

Expanding Programs to Enhance Ethics Awareness

To spread the culture of ethics and integrity, KAC boosts ethical awareness in its employees by mandatorily allocating related courses in education programs designed for all employees. We developed and operated diverse programs with different forms of content, such as “lead by example” types performed by director-levels, “interesting” types utilizing games, and “practical” types sharing practices in real-world situations. In June 2016, KAC designated a “KAC Integrity Week” and held various events including “Our Resolution for Anti-corruption and Integrity,” “Online Comments Relay” and “Special Lecture on Integrity” to further enhance ethical awareness in all employees.

KAC conducts self-checks before and after delivering ethics education programs to assess and manage the effects of education. We also continuously diagnose and improve the level of ethics management by developing our own ethics management measurement index and external assessment. The Sustainability Report 2016 published by KAC was highly acclaimed and awarded 1st prize for an authoritative international award.

Awarded 1st Place in the LACP Vision Awards

KAC’s Sustainability Report 2016 was awarded 1st place in the 2015-2016 Vision Awards Annual Report Competition held by League of American Communication Professionals (LACP) in the U.S. The report received the highest scores on seven categories among a total of eight, including structure, message delivery, creativity and design, and also ranked 1st place in the top world-wide.



First in Korea

Survey on Corporate Sustainability Management

KoBEX SM¹⁾

AAA rating
for 7 consecutive years
(highest rating)

KEVIX²⁾

A rating
for 5 consecutive years
(highest rating)

1) KoBEX SM (Korean Business Ethics Index Sustainability Management): Sustainability Management Assessment Index made by the Ministry of Trade, Industry and Energy (MOTIE)
2) KEVIX (KAC Ethics Vision Index): KAC’s own Ethics Management Measurement Index

Regional Airports Contributing to Public Interest

Domestic Airport	Domestic Flights	Domestic Passengers	Production Inducement	Employment Inducement	Added-value Inducement
International Airport	International Flights	International Passengers			

Gwangju Airport

10,792 flights

1,587,098 passengers

KRW 8.4 billion

234 employees

KRW 230 million

Yangyang International Airport

1,173 flights

634 flights

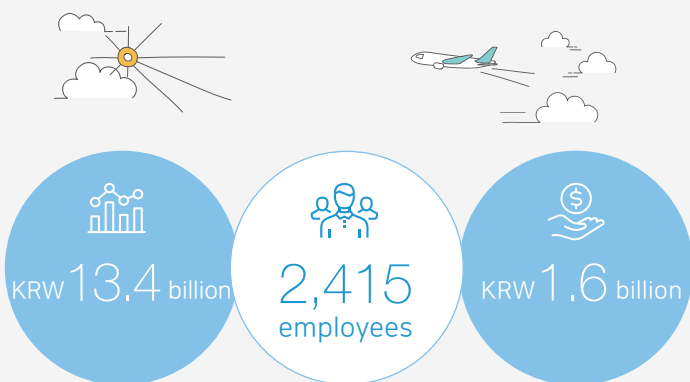
25,219 passengers

88,128 passengers

KRW 240 million

206 employees

KRW 70 million



Muan International Airport

607 flights

1,362 flights

104,466 passengers

170,972 passengers

KRW 370 million

193 employees

KRW 100 million

Yeosu Airport

4,831 flights

503,371 passengers

KRW 290 million

224 employees

KRW 80 million



* No. of flights and passengers are based on 2016 data

KAC operates 14 airports around the country representatively including Gimpo, Gimhae and Jeju airports. With the decrease in air travel demands due to the development of diverse means of transportation connecting the nation, it is only natural that KAC should try to improve the rate of earnings and develop utilization policies for each airport. However, as a beloved public corporation, KAC considers that creating value for public interest through the development of local communities and growth of the aviation industry is more important in the long-term. Hence, we will pursue sustainable growth by creating value for public interest through more vigorous efforts in revitalizing regional airports.

Ulsan Airport

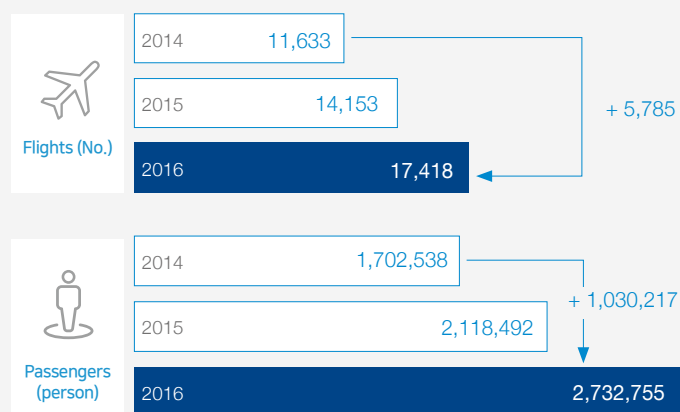


Ulsan Airport suffered difficulties with the decreased number of passengers and flights when KTX opened in 2010. However, by reducing airfares and making efforts for invigoration, the number of passengers between Ulsan and Jeju increased by 13.3% and showed another increase after August 2016. The airport selected a group of "Ulsan Airport Supporters" to invigorate the airport and operated SNS-based promotions about airport information and events. Other contributions to stimulate Ulsan region tourism included the cooperation with Pohang airport by designing an Ulsan-Gyeongju-Pohang Stamp Tour, producing a promotional video and building public relations through SNS channels. In addition, Ulsan airport, which was mostly operated by full service carriers (FSCs), began to introduce low cost carriers (LCCs), opening up more skyways for Ulsan citizens.

Cheongju International Airport



At Choengju Airport, the number of flights increased 23.1% year on year due to the efforts to revitalize the airport including the expansion of incentive policies and the development of various tour programs with local travel agencies. We provided fast and convenient check-in processing environments by establishing a consolidated passenger processing system, and enhanced the convenience of regional transportation for airport accessibility through a Transportation and Tourism Vitalization Council. Those efforts contributed to the increase of passengers and revenue, holding its position as a profitable airport.



Sacheon Airport



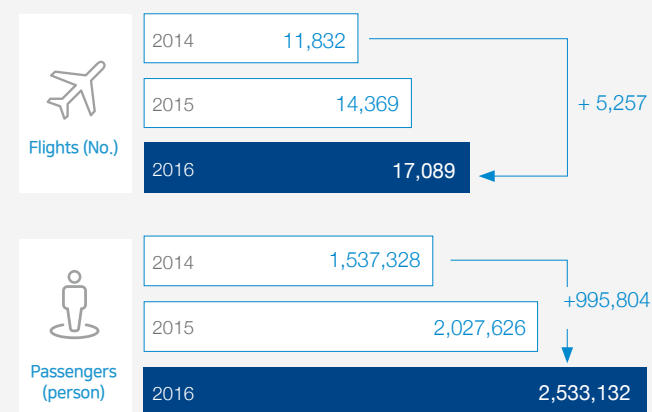
Through business agreements with Sacheon city and travel agencies, and with close cooperation with other regional airports including Pohang and Yeosu, Sacheon Airport developed eight types of tour packages under the theme "Domestic Travel by Flight." By utilizing the region's merits, such as the developed environments of Jinju Innovation City and great tourist attractions near airport, Sacheon Airport took initiatives in marketing activities focused on new inland air travel tourism products. As a result, the boarding rate of the Gimpo-Sacheon route reached 50%, beating the old record for the first time since 1996.

Daegu International Airport



With the active aid of stakeholders, Daegu airport persuaded the Republic of Korea Air force and local government to reduce the curfew time to five hours a day in 2014. This was followed by the expansion of the existing no-visa entry system allowing tourism for transferring passengers in 2015, and also the increase of short-distance LCCs to destinations such as Taiwan and Japan. In order to meet increasing demands, the airport infrastructure was upgraded: expanding capacity of aircraft parking (2 sites), building a parking garage (1,621 spaces) and introducing consolidated unified passenger processing system. As a result, not only did airport operations turned into a surplus, but Daegu airport also became a role model for regional international airports.

* Curfew time : Time when the operation of flights are controlled at night



Efforts to Revitalize Regional Airports

In June 2016, an Airport Revitalization team was newly organized to help resolve the fundamental issue, lack of demand, for regional airports, and contribute to regional economy development. Domestic inland air tourism products were jointly developed by the collaboration of KAC, local governments, travel agencies and airlines to stimulate stagnant inland flight routes. Means of increasing demands for regional airports are being developed with diverse marketing activities including Pocketmon Go and special events to induce opposite-direction traveling during family holidays.

Revitalizing Inland Routes by Working Together with Local Governments, Travel Agencies and Airlines.

Inland Air Tourism Products (23 products)			
	Development		Public Relations
	Familiarization Tours	System	
KAC	<ul style="list-style-type: none"> Planning and supporting costs 	<ul style="list-style-type: none"> Providing necessary statistics for tourism product development Supervising agreements for package development 	<ul style="list-style-type: none"> Planning public relation strategies for tourism products Performing events (press release, SNS, homepage, Air Travel Portal Service, etc.)
Local Governments	<ul style="list-style-type: none"> Supporting common costs 	<ul style="list-style-type: none"> Introducing flight incentive systems Providing regional tourism information Sharing tourism networks 	<ul style="list-style-type: none"> Joint public relations on tourism products (press release, SNS, homepage, etc.)
Travel Agency	<ul style="list-style-type: none"> Implementation 	<ul style="list-style-type: none"> Developing and selling tourism products Providing the sales performances 	<ul style="list-style-type: none"> Joint public relations on tourism products (SNS, homepage, etc.)
Airlines	<ul style="list-style-type: none"> Supporting flight tickets 		<ul style="list-style-type: none"> Discounting flight tickets

Marketing for Underperforming Routes

- Supervising event planning
- Promoting events (press release, SNS, homepage, etc.)
- Supervising and planning the event with the local government and airlines
- Providing information regarding other transportation means connecting with regional airports

- Promoting through the webpage of local governments
- Promoting regional BIS (Bus Information System)

Revitalizing Domestic Inland Routes

Air Travel Portal Service

A "Comprehensive Travel Information Service" offered by KAC's homepage and mobile apps



<http://www.airport.co.kr>



Real-time flight reservations



Travel review sharing



Door-to-door real-time traffic information



Useful tips for tours



Inclusive of 23 tourism products recommended by KAC, local government and travel agency collaboration



Customized tourist attraction search Fit for my traveling style (cooperation with Korea Tourism Organization)

Offering Useful Tips for Tours



Benefits for boarding pass holders



Special services at each airport



Rent-a-car information



WiFi and internet zones



Cellphone charging stations



Duty free store information



Roaming service



Travelers insurance

Door-to-door Real-time Traffic Information



Home



Airport



Destination



KAC is developing plans to increase the number of passengers for underperforming routes and stimulate new routes, with the analysis of demands for international routes and carrying out joint promotion with local governments as well as airlines. We are also working on diversifying international routes in preparation of drastic decreases in demand on routes to China, due to international conflicts such as THAAD. Moreover, KAC is working on cooperative marketing projects with local governments and related organizations, including the Korea Tourism Organization (KTO), to attract new routes to our airports, and also developed an incentive system for chartered routes run by travel agencies.

Revitalizing International Routes by Working Together with Local Governments, KTO and Airlines

	Marketing on Underperforming and New Routes	Efforts to Diversify Flight Routes		Improving the Incentive System for Chartered Routes
		Public Relations	System Improvement	
KAC	<ul style="list-style-type: none"> Promoting online through SNS, homepage, etc. Hashtag (#) event Employing the Haneulnuri Reporter Group Planning for route promotion Analyzing the rate of boarding and select routes 	<ul style="list-style-type: none"> Supporting SNS reporter groups Supporting familiarization tours Participating in travel marts, promoting tourism at international airports and their hinterlands Producing media contents and broadcasting them to Southeast Asian countries 	<ul style="list-style-type: none"> Establishing plans for system improvement 	<ul style="list-style-type: none"> Expanded number of routes applied <div style="border: 1px solid black; padding: 5px; margin: 5px;">China, Japan + Southeast Asia</div> January 2017: Expanded from 2 to 3 routes Expanded number of routes applied <div style="border: 1px solid black; padding: 5px; margin: 5px;">China, Japan, Southeast Asia + Russia</div> March 2017: Expanded from 3 to all new routes Expanded financial support for each airport <p style="text-align: center;">From KRW 15 million to 500 million</p> Expanded number of airports applied <div style="border: 1px solid black; padding: 5px; margin: 5px;">Daegu, Cheongju, Muan, Yangyang + Gimhae, Jeju</div> April 2017: Expanded from 4 to 6 airports
Local Governments	<ul style="list-style-type: none"> Promoting online through SNS, homepage, etc. Promoting offline through BIS at bus stations, etc. Developing and introducing travel courses 	<ul style="list-style-type: none"> Supporting SNS reporter groups Supervising familiarization tours 	<ul style="list-style-type: none"> Selecting travel agencies for incentives Reviewing the results of chartered routes 	
Korea Tourism Organization		<ul style="list-style-type: none"> Employing SNS reporter groups Supporting Familiarization tours and promoting SNS reviews Supervising travel marts 		
Airlines	<ul style="list-style-type: none"> Promoting travel review events on- and off-line, and sponsoring free flight tickets Requesting promotion and providing information on new routes Ticket discount promotions 		<ul style="list-style-type: none"> Discounting flight tickets Collaborating with local governments on promotion and marketing 	

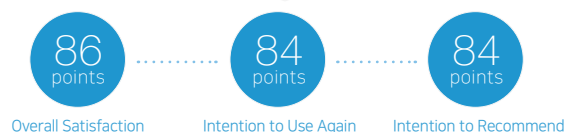
Revitalizing International Routes



Real-time Flight Ticket Sales from the Flight Travel Portal Service (March ~ December 2016)

Sales	Total	Passengers
56,000 cases	KRW 7.48 billion	114,095 persons

Satisfaction of service from the customers



Interview with Regional Airport Stakeholders

KAC is carrying out FAM (familiarization) tours to develop inland air travel tourism products in cooperation with local governments, airlines and travel agencies, and the developed tour packages are marketed at promotion booths and events. We will lead mutual growth together with regional stakeholders by listening to their voices and reflecting them.

KAC Strategies for Revitalizing Regional Airports

“KAC developed a diversity of flight tour packages to offer citizens convenient and fast inland tours at competitive prices. I am confident that the differentiated tourism products developed through collaboration with stakeholders will revitalize regional airports and contribute to the local economy.”

Lee Chang-gon

(Team leader, Airport Revitalization Team, KAC Headquarters)

Achievements Made Through Communication and Cooperation

“Korean Air developed tourism products to improve the quality of domestic tourism products and revitalize inland routes through collaboration with KAC, travel agencies and local governments, including Sacheon-city, Goheung-gun and Yeosu-city. Using this opportunity offered by KAC, I expect that the inland routes will be revived through the communication and cooperation among various stakeholders.”

Jeon Kyeong-woo

(Team leader, Sales Team 3, Korean Air)

Heightening Regional Tourism Awareness by Revitalizing Inland Routes

“With KAC’s efforts to revitalize regional airports, the awareness of tourism towards Ulsan, being relatively low compared to other regions, was significantly increased. Through cooperation with related organizations, this project was a good opportunity for us to share a variety of information about tour promotion strategies at other local governments and travel agencies. It really helped us to prepare for the “2017 Visit Ulsan Year.” I hope these efforts and cooperation on tourism and the aviation industry continues.”

Park Hey-kyeong

(Public Worker, Tourism Promotion Division, Ulsan City)



Small Airlines, Mutual Growth with Local Communities

“Yangyang Airport is the only airport which is operated by small airlines and provides financial support for them, like reducing landing charges. In addition, the airport sold air tickets and promoted events on its homepage raising the awareness of small airlines which are more vulnerable than LCCs. We will do our best to achieve and develop mutual growth partnerships with small airlines and the local community.”

Kang Hak-won

(Deputy Team Leader, Operations Team, KAC Branch in Yangyang)

Developing Tourism Products with New Approaches

“So far, it was not easy for schools to go on field trips by plane. However, various tourism products are now developed through the cooperation between KAC, local governments and Korean Air. I believe new destinations for school trips will be developed.”

Chae Ho-jin

(CEO, Tour Plaza)

Providing Better Inland Tourism Products

“The advantages of tourism products using air flights is speed and convenience. The convenience of tourists will be enhanced due to the increased accessibility to local tourism attractions, enabling people to visit the tourist destinations and decent restaurants in the region without wasting time.”

Kim Hoon

(Director, Domestic Tour Program Department, Mode Tour)

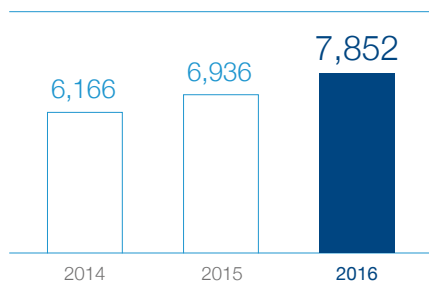
Appendix

72	Sustainability Management Performance
76	Independent Assurance Statement
78	GRI Standards / ISO Index
80	Awards, Certifications and Memberships

Sustainability Management Performance

Passenger traffic performance

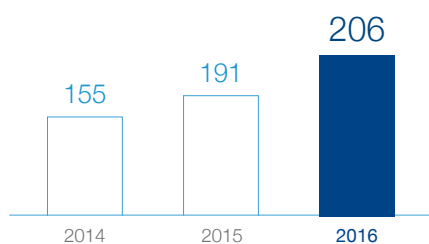
(Unit: 10,000 persons)



R&D performance

(Unit: case)

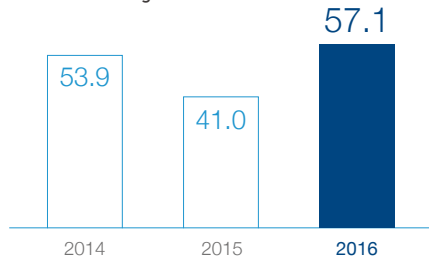
Number of patents applied (accumulated)



Overseas business performance

(Unit: KRW 100 million)

Revenue of new growth business



Economic Performance

Summarized Financial Position

(Unit: KRW 1 million)

	2014	2015	2016
Current assets	879,865	845,786	774,804
Non-current assets	3,316,969	3,490,959	3,657,810
Total assets	4,196,834	4,336,745	4,432,614
Current liabilities	168,393	268,695	201,316
Non-liabilities	227,896	138,519	176,368
Total liabilities	396,289	407,214	377,684
Capital stock	2,357,766	2,357,766	2,357,766
Others	1,442,779	1,571,765	1,697,164
Total equity	3,800,545	3,929,531	4,054,930

Summarized income statement

(Unit: KRW 1 million)

	2014	2015	2016
Revenue	762,089	808,840	830,297
Cost of revenue	484,243	511,478	518,831
Selling and administrative expenses	63,254	71,555	75,586
Operating income	214,592	225,807	235,880
Other income	8,977	14,684	11,165
Other expenses	8,524	6,508	7,465
Other gains(losses)	-869	-173	-489
Financial income	23,557	18,344	13,927
Financial costs	4,966	5,107	4,248
Income before tax	232,767	247,047	248,770
Income tax expenses	59,230	59,628	58,579
Net income	173,537	187,419	190,191

Net Income margin

(Unit: %)

	2014	2015	2016
Net income margin	22.8	23.2	22.9

Passenger traffic performance

(Unit: 10,000 persons)

	2014	2015	2016
Domestic flights	4,941	5,625	6,218
International flights	1,222	1,311	1,634
Total	6,163	6,936	7,852

Cargo traffic performance

(Unit: 1,000 tons)

	2014	2015	2016
Cargo traffic	734	764	824

R&D performance

(Unit: case)

	2014	2015	2016
Number of patents applied (Accumulated)	155	191	206
Number of international patents applied (Accumulated)	7	27	37

Overseas business performance

(Unit: KRW 100 million, case)

	2014	2015	2016
Revenue of new growth business	53.9	41.0	57.1
Number of MOUs	5	8	3

Environmental Performance

Energy use

(Unit: TJ)

		2014	2015	2016
Direct energy	Fuel	162	187	205
	Vehicle	25	25	26
Indirect energy	Electricity	884	821	1,003
Total energy use		1,071	1,033	1,234

GHG emission

(Unit: tCO₂)

		2014	2015	2016
Direct GHG		10,272	11,570	12,115
Indirect GHG		45,803	42,544	56,506
Total GHG		56,075	54,114	68,621

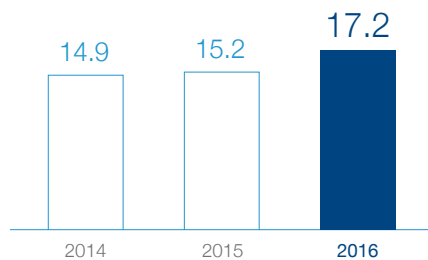
Airport carbon point system

(Unit: tCO₂, company)

		2014	2015	2016
Amount of GHG reduction		419	767	796
Number of companies		386	390	386

Water recycle

(Unit: %)



Water use

(Unit: ton)

		2014	2015	2016
City water		345,100	354,730	481,616
Underground water		593,546	669,868	645,292
Heavy water		164,334	183,054	234,200
Total		1,102,980	1,207,652	1,361,108

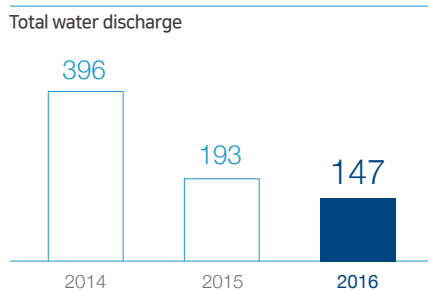
Water recycle

(Unit: %)

		2014	2015	2016
Water recycle		14.9	15.2	17.2

Water discharge

(Unit: ton)



Water discharge

Water discharge	Unit	2014	2015	2016
SS	mg/L	3	6.6	5.65
COD	mg/L	7.6	10.3	10.9
Total water discharge	톤	396	193	147

* SS & COD data scope: Gimpo airport

* Total water discharge data scope: Gimpo/Jeju/Cheongju airports

Waste discharge

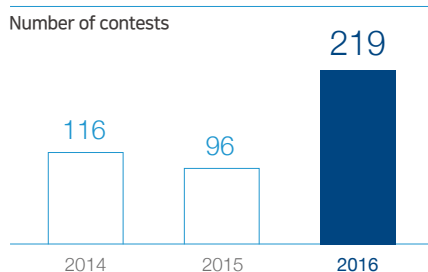
(Unit: ton)

		2014	2015	2016
Regular waste		2,960	2,700	3,662
Designated waste		89	143	169
Total waste discharge		3,049	2,843	3,830

* Data scope: excluding Air Route Traffic Control Center and the Civil Aviation Training Center

Green idea

(Unit: case)



Air pollution emission

(Unit: µg/m³)

		2014	2015	2016
Particulate matter		27.0	27.6	27.7

* Data scope: average of KAC airports in the nation

Number of green idea contests

(Unit: case)

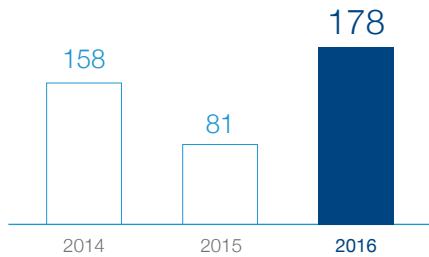
		2014	2015	2016
Contests		116	96	219
Acts		5	4	7

Sustainability Management Performance

Employees

(Unit: person)

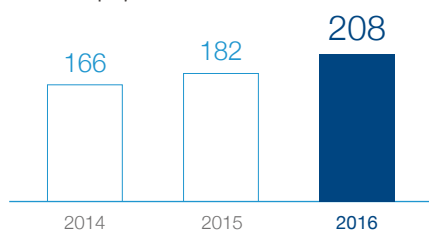
New recruits



Female employees

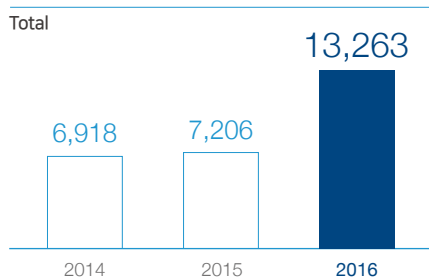
(Unit: person)

Female employees



Participants in education by position

(Unit: person)



Social Performance

Employees

(Unit: person)

	2014	2015	2016
Total number of employees	1,829	1,860	2,013
Existing employees	1,779	1,798	1,932
Regular retirements	52	42	0
Early voluntary retirements	2	0	16
Contracted	13	10	11
Non-regular workers (Direct employment)	17	14	21
Indirect employment	3,260	3,541	3,866

Female employees

(Unit: person)

	2014	2015	2016
Female employees	166	182	208
Female executives	11	10	11

Recruitments

(Unit: person)

	2014	2015	2016
New recruits	158	81	178

Usage of parental leave

(Unit: person)

	2014	2015	2016
Parental leave	6	15	19
Male parental leave	3	4	4
Rate of return to work after parental leave	100	100	100

Flexible working system

(Unit: person)

Unit	2014	2015	2016	
Part time work	3	6	10	
Flexible working system	Working at different times	71	33	27
	Choosing work hours	41	31	26
	Working intensively	6	5	3
Satisfaction of flexible working system	4.44	4.42	4.30	

Employee education

(Unit: hour, KRW)

	2014	2015	2016
Education hours per person	128.6	131.9	125.4
Education budget per person	159	188	156

Participation in education by position

(Unit: person)

	2014	2015	2016
Level 1	148	344	329
Level 2	153	1,243	1,360
Level 3	1,397	1,033	2,300
Level 4	2,682	2,227	4,791
Level 5 and below	2,188	2,359	4,483
Total	6,568	7,206	13,263

Job training and language education performance

(Unit: person)

	2014	2015	2016
Job competency	450	376	856
Value capability (Integrity)	2,588	1,311	1,032
Labor-management relation capability	2	71	31
Language education	1,738	1,467	1,175

Labor union

(Unit: %)

	2014	2015	2016
Rate of joining the labor union*	99.9	99.9	99.9

* All employees except Level 2 and above, Level 3 team leader and a representative of user profits are eligible to join the labor union.

Employee satisfaction

(Unit: point)

	Unit	2014	2015	2016
GWP activity satisfaction	Individually	4.39	4.34	4.13
	Organizationally	4.50	4.40	4.23
Trust index survey (TI)		66	91	86

Customer satisfaction

(Unit: rating)

	2014	2015	2016
Customer satisfaction	A	A	A

VOC system operation performance

(Unit: hour, %)

	2014	2015	2016
Average handling time	25hrs 21mins	24hrs 35mins	27hrs 21mins
Average handling time compliance rate	98.1	97.6	99.1

Welfare satisfaction index

(Unit: point)

	2014	2015	2016
Welfare satisfaction index	69.6	69.8	70.5

Preferential purchasing performance

(Unit: KRW million)

	2014	2015	2016
SMEs	278,790	306,211	366,500
Social enterprises	2,067	2,834	3,700
Severely disabled/Men of national merit	2,304	3,087	3,100
Female-owned companies	30,930	27,872	61,700
Technology development	6,675	9,513	11,700

Current status of partners

(Unit: company)

	2014	2015	2016
Main partners	41	46	53
New partners	2	7	24

Social contribution performance

	Unit	2014	2015	2016	
Volunteer service hour	Total volunteer service hour	hour	33,828	35,616	31,262
	Volunteer service hour per employee	hour	19.3	19.8	16.9
	Participation rate	%	74.2	74.7	69.5
Donations	Total donations	KRW million	2,630	3,199	3,069
	Donations-to-revenue	%	0.34	0.40	0.37

Ethics management performance

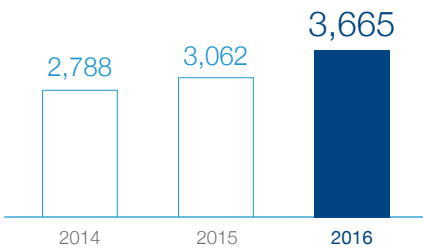
(Unit: point)

	Internal and external evaluation result of ethics management	2014	2015	2016
External	Comprehensive integrity	8.1	8.6	7.7
	Result of self-assessment for integrity	9.6	9.7	9.7
Internal	KEVIX (KAC Ethics Vision Index)	A	A	A

Safety performance

	2014	2015	2016
Number of bird strikes (case)	40	58	55
Risk assessment and improvement(case)	602	771	903
Number of natural disasters(case)	0	0	0
Number of safety accidents(case)	0	0	0
Number of ground safety accidents(case)	0	3	2
Number of aerodrome facility function failure(case)	0	1	0

Purchasing SME products (Unit: KRW 100 million)



4 consecutive years ZERO

Number of natural disaster occurrence

6 consecutive years ZERO

Number of safety accident occurrence

Independent Assurance Statement

The Business Institute for Sustainable Development (BISD), led by the Korea Chamber of Commerce & Industry, was requested by Korea Airports Corporation (KAC) to serve as an independent “third-party assurance institute” for the “Sustainability Report 2017 Korea Airports Corporation” (hereinafter “Report”), and submits the assurance statement as follows.

Purpose

The purpose of this assurance report is to identify any major errors or biases in the Report and to present an assurance opinion based on independent assurance procedures to determine whether the sustainable management issues of KAC were appropriately reported.

Responsibilities and Independence

The Report contains matters on KAC’s sustainable management efforts, achievements and future plans in 2016. All responsibility regarding the preparation of the Report lies with KAC.

In conducting assurance procedures on the Report and providing assurance opinions to the board of directors, BISD has no management-related interests in profits with KAC, aside from carrying out third-party assurance, in order to maintain independence and autonomy.

Assurance Standards and Restrictions

BISD performed a Type 2, Moderate Level assurance in accordance with AA1000AS (2008) and considered three accountability principles (inclusivity, materiality and responsiveness) and the principles for defining report content and report quality of the Global Reporting Initiative (GRI) G4 and GRI Standard guidelines.

Physical inspections were conducted at the headquarters of KAC. The scope of the assurance evaluation was limited to only those performances stated in the Report and excludes data from previous years and data reported online.

Major Assurance Procedures

For the assurance process, documents provided by KAC were examined. Major assurance procedures undertaken are as follows:

- Review of application of company’s internal sustainability report standards
- Review of the Report contents and the information collection process
- Review of the materiality test process, core issues and company policies
- Check of specific data through physical inspection

Opinions

BISD performed the assurance evaluation in accordance with the procedures identified above, and the Report was modified by KAC if and when deemed necessary. Based on the assurance evaluation, BISD is not aware of any significant errors in the Report and confirmed that the Report was written in accordance with GRI G4 and GRI Standard guidelines (Core option). The opinions of BISD produced as a result of its assurance evaluation are explained below.

- Inclusion: Does KAC adhere to the principle of stakeholder engagement in order to ensure a responsible and strategic response in advancing sustainability management?
 - KAC gathered major concerns and opinions from core stakeholders, including its customers, partners, government, employees and local communities.
 - BISD is not aware of any significant stakeholder groups that were omitted from the process of gathering sustainability management issues through KAC's stakeholder communication channels.

- Materiality: Does KAC include material issues that affect stakeholders in the entire spectrum of sustainability management?
 - KAC compiled opinions from each stakeholder group through a survey and identified major issues through the materiality test.
 - BISD is not aware of any significant issues that were omitted from the process.

- Responsiveness: Does KAC respond appropriately to stakeholder issues?
 - KAC has acknowledged the impact of its business decisions on stakeholders, responded properly with coherent actions and presented related performances in the Report.
 - BISD is not aware of any violations of the principle of responsiveness in KAC's response to major sustainability management issues or performances.

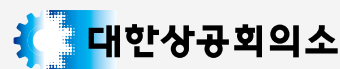
Recommendation

BISD makes the following recommendations within a scope that will not affect the assurance results:

- The efforts of KAC in expanding communication channels with stakeholders such as holding a stakeholder committee with 7 agendas drawn from surveys and interviews and a discussion meeting for sustainability have stood out. BISD recommends continuing the process of gathering stakeholder opinions and applying them in management activities through various communication channels.

- The Report contains the sustainable management performances of KAC. As the number of countries in service and passenger traffic of KAC increases, society's interests and expectations of sustainable management performances of KAC expand as well. Thus, BISD recommends the head office and regional branches to standardize a quantitative index and report the outcomes to stakeholders.

September 2017



BISD President
Park, Dong-Min

GRI Standards / ISO Index

GRI G4		GRI Standards	Details	Page	UN Initiatives	ISO26000
GRI	GRI G4					
1. General Standard Disclosures						
Strategy & Analysis	G4-1	GRI 102-14	Provide a statement from the most senior decision-maker of the organization	4-5	UNGC 19	4.7, 6.2, 7.4.2
Organizational Profile	G4-3	GRI 102-1	The name of the organization	6	UNGC 22	6.3.10, 6.4.1-6.4.5, 6.8.5, 7.8
	G4-4	GRI 102-2	The primary brands, products, and services	6	UNGC 1, 22	
	G4-5	GRI 102-3	The location of the organization's headquarters	6	UNGC 22	
	G4-6	GRI 102-4	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	6	UNGC 1, 22	
	G4-7	GRI 102-5	The nature of ownership and legal form	6	UNGC 22	
	G4-8	GRI 102-6	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6	UNGC 1, 22	
	G4-9	GRI 102-7	The scale of the organization	6, 74	UNGC 22	
	G4-10	GRI 102-8	The total workforce	74	UNGC 22	
	G4-11	GRI 102-41	The percentage of total employees covered by collective bargaining agreements	75	UNGC 22	
	G4-12	GRI 102-9	The organization's supply chain	52-53	UNGC 2, 18, 22	
	G4-13	GRI 102-10	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	2	UNGC 22	
	G4-14	GRI 102-11	whether and how the precautionary approach or principle is addressed by the organization	8		
	G4-15	GRI 102-12	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	80	UNGC 17, SDGs 17	
	G4-16	GRI 102-13	Memberships of associations (such as industry associations) and national or international advocacy organizations	80	UNGC 17, SDGs 17	
Identified Material Aspects and Boundaries	G4-17	GRI 102-45	All entities included in the organization's consolidated financial statements or equivalent documents	6		5.2, 7.3.2-7.3.4
	G4-18	GRI 102-46	The process for defining the report content and the Aspect Boundaries	22-23		
	G4-19	GRI 102-47	List all the material Aspects identified in the process for defining report content	22-23		
	G4-20	GRI 103-1	For each material Aspect, report Aspect Boundary within the organization	22-23		
	G4-21	GRI 103-1	For each material Aspect, report the Aspect Boundary outside the organization	22-23		
	G4-22	GRI 102-48	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	2		
	G4-23	GRI 102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	2		
Training & Education	G4-24	GRI 102-40	List of stakeholder groups engaged by the organization	14-15	UNGC 21	5.3
	G4-25	GRI 102-42	The basis for identification and selection of stakeholders with whom to engage	14-15		
	G4-26	GRI 102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	14-17		
	G4-27	GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	14-17		
Report Profile	G4-28	GRI 102-50	Reporting period (such as fiscal or calendar year) for information provided	2		7.5.3, 7.6.2
	G4-29	GRI 102-51	Date of most recent previous report (if any)	81		
	G4-30	GRI 102-52	Reporting cycle (such as annual, biennial)	81		
	G4-31	GRI 102-53	Provide the contact point for questions regarding the report or its contents	2		
	G4-32	GRI 102-54 GRI 102-55 GRI 102-56	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines	76-77		
	G4-33	GRI 102-56	Report the organization's policy and current practice with regard to seeking external assurance for the report	76-77	UNGC 23	
Governance	G4-34	GRI 102-18	The governance structure of the organization, including committees of the highest governance body	9-10	UNGC 20	6.2, 7.4.3, 7.7.5
Ethics and Integrity	G4-56	GRI 102-16	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	48-49, 64-65	UNGC 3-5, UNGC 12-14, SDGs 16	4.4, 6.3

GRI G4		GRI Standards	Details	Page	UN Initiatives	ISO26000
GRI	GRI G4					
2. Specific Standard Disclosures						
Disclosures on Management Approach(DMA)	G4-DMA	GRI 103-1 GRI 103-2 GRI 103-3	a. Why the Aspect is material. Report the impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. The evaluation of the management approach	25, 35, 47, 57		
Economic						
Economic Performance	G4-EC1	GRI 201-1	Direct economic value generated and distributed	72		
	G4-EC2	GRI 201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change	60	UNGC 15, SDGs 13	6.8.1-6.8.3, 6.8.7, 6.8.9
	A01		Total number of passengers annually, broken down by passengers on international and domestic flights and broken down by origin-and-destination and transfer, including transit passengers	6,72		
	A02		Total annual number of aircraft movements by day and by night, broken down by commercial passenger, commercial cargo, general aviation, and state aviation flights	6,72		
	A03		Total amount of cargo tonnage.	6,72		
Indirect Economic Impacts	G4-EC7	GRI 203-1	Development and impact of infrastructure investments and services supported	33, 41, 66-70	UNGC 16, SDGs 9	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9
	G4-EC8	GRI 203-2	Significant indirect economic impacts, including the extent of impacts	41, 44-45, 55	UNGC 16, SDGs 9	6.3.9, 6.6.6, 6.8.5, 6.8.7, 6.8.9
Procurement Practices	G4-EC9	GRI 204-1	Proportion of spending on local suppliers at significant locations of operation	75	SDGs 12	6.6.6
Environmental						
Water	G4-EN8	GRI 303-1	Total water withdrawal by source	73	SDGs 6	
	G4-EN10	GRI 303-3	Percentage and total volume of water recycled and reused	73	SDGs 6	
Emissions	G4-EN15	GRI 305-1	Direct greenhouse gas(GHG) emissions (scope 1)	73	SDGs 13, 15	6.5.5
	G4-EN16	GRI 305-2	Energy indirect greenhouse gas(GHG) emissions (scope 2)	73	SDGs 13, 15	6.5.5
	A04		Quality of storm water by applicable regulatory standards	73		
	A05		Ambient air quality levels according to pollutant concentrations in microgram per cubic meter (µg/m ³) or parts per million (ppm) by regulatory regime	58,61,73	UNGC 9-11, 15	6.5.3, 6.5.5
Noise	A07		Number and percentage change of people residing in areas affected by noise	59	UNGC 9-11, 15	
Social						
Employment	G4-LA1	GRI 401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	51, 74	UNGC 6-8, SDGs 8	6.4.3
	G4-LA2	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	50	SDGs 3	6.4.4, 6.8.7-6.8.8
	G4-LA3	GRI 401-3	Return to work and retention rates after parental leave, by gender	74	SDGs 5,10	6.4.4
Training & Education	G4-LA9	GRI 404-1	Average hours of training per year per employee, by gender, and by employee category	74	SDGs 4	6.4.7
	G4-LA10	GRI 404-2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	74	SDGs 4	6.4.7
Diversity & Equal Opportunity	G4-LA12	GRI 405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	74	UNGC 6, SDG 5, 8	6.4.3
Indigenous Rights	G4-HR8	GRI 411-1	Total number of incidents of violations involving rights of indigenous peoples and actions taken	59		
Society						
Local Communities	G4-S01	GRI 413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	63	SDGs 11	6.5.3, 6.8
	G4-S02	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	59		
	A08		Number of persons physically or economically displaced, either voluntarily or involuntarily, by the airport operator or on its behalf by a governmental or other entity, and compensation provided	59		6.8.8
Anti-corruption	G4-S04	GRI 205-2	Communication and training on anti-corruption policies and procedures	64-65	SDGs 16	6.6.3
	G4-S05	GRI 205-3	Confirmed incidents of corruption and actions taken		Corruption Incidents: None	
Product Responsibility						
Customer Health & Safety	G4-PR1	GRI 416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	26-29		6.7.4-6.7.7
	A09		Total annual number of wildlife strikes per 10,000 aircraft movements	28		6.7.4
Product & Service Labeling	G4-PR5	GRI 102-43 GRI 102-44	Results of surveys measuring customer satisfaction	6, 75		6.7.6

Awards, Certifications and Memberships

Awards

Title	Granted by
Primary Minister Prize at the 52nd Invention Day	KIPA (Korea Invention Promotion Association)
Best Workplace in Asia	GPTW Institute
Grand Prize in Public Enterprise sector at the 20th Korean Logistics Awards	KLS (Korea Logistics Society)
Primary Minister Prize for Public Relations 2016	MCST (Ministry of Culture, Sports and Tourism)
A rating in PCSI 2016 for 8 consecutive years	MOSF (Ministry of Strategy and Finance)
Gimpo International Airport, 2nd Rank in Mid-sized Airport Sector at ASQ	ACI (Airport Council International)
1st Place at 2015-2016 Vision Awards Annual Report Competition	LACP (League of American Communications Professionals)
Grand Prize at Donation For Education Award 2016	MOE (Ministry of Education)
Grand Prize at Top 100 Best Workplaces in Korea 2016 for 4 consecutive years	GWP Korea
Gold Prize at Korea Invention Patent Exhibition 2016	KIPA
Grand Prize at Green World Awards 2016	The Green Organization
Excellence award in the public sector at 2016 National VE Competition	MOLIT (Ministry of Land, Infrastructure and Transportation)
2016 Korea CEO Awards	Dong-A ILBO
A grade in airport service sector at Air Transportation Service for 2 times	MOLIT
Excellent Institute at 2016 Safe Korea Training for 2 consecutive years	MPSS (Ministry of Public Safety and Security)
Presidential Prize at Korea Green Management Awards 2016	ME (Ministry of Environment)
Gold Prize at 2016 Invention and New Product Exposition in Pittsburgh	WIPO (World Intellectual Property Organization)
Excellence Prize at 2016 Invention and New Product Exposition in Pittsburgh	INPEX (Invention and New Product Exposition)
Special Prize at 2016 Invention and New Product Exposition in Pittsburgh	CAI (China Association of Inventions)
Best Workplace in Asia	GPTW Institute
ICAO best Regional Training Center	ICAO (International Aviation Organization)
Gimpo International Airport, 1st Rank in Mid-sized Airport Sector at ASQ for 6 consecutive years	ACI
Prized merit at commemorative ceremony of the 4th Anti-corruption & Civil Rights Day	ACRC (Anti-corruption & Civil Rights Commission)

Memberships

Korea	
Public Audit Forum (regular member)	Korea Association for Aviation Security (served as the president)
Best (business ethics and sustainability management for top performance) Forum (regular member)	Korea Society of Air and Space Law and Policy (regular member)
Korean Network on Anti-corruption and Transparency (regular member)	Korea Civil Aviation Association (regular member)
The Institute of Internal Auditors (regular member)	The Korea Navigation Institute (special member)
Korea Mecenat Association (regular member)	Korea Air Navigation Technology Association (special member)
Korea Engineering and Consulting Association (regular member)	International Contractors Association of Korea (special member)
Korea Information and Communications Contractors Association (regular member)	Un Global Compact Network Korea (regular member)
Aviation Management Society of Korea (special member)	
Abroad	
ACI World Standing Committee (regular executive)	
ACI Asia-Pacific (director of board)	
EAAA (east Asian airport alliance) (regular member)	
ICAO TRAINAIR PLUS (regular member)	

KAC Sustainability Reports



2008



2010



2011



2012



2013



2014



2015



2016



2017



Link to
www.airport.co.kr



78 Haneul-gil, Gangseo-gu, Seoul, Korea (07505)
TEL. +82-2-2660-2824 www.airport.co.kr



This report was printed in soy ink on FSC
(Forest Stewardship Council) papers.