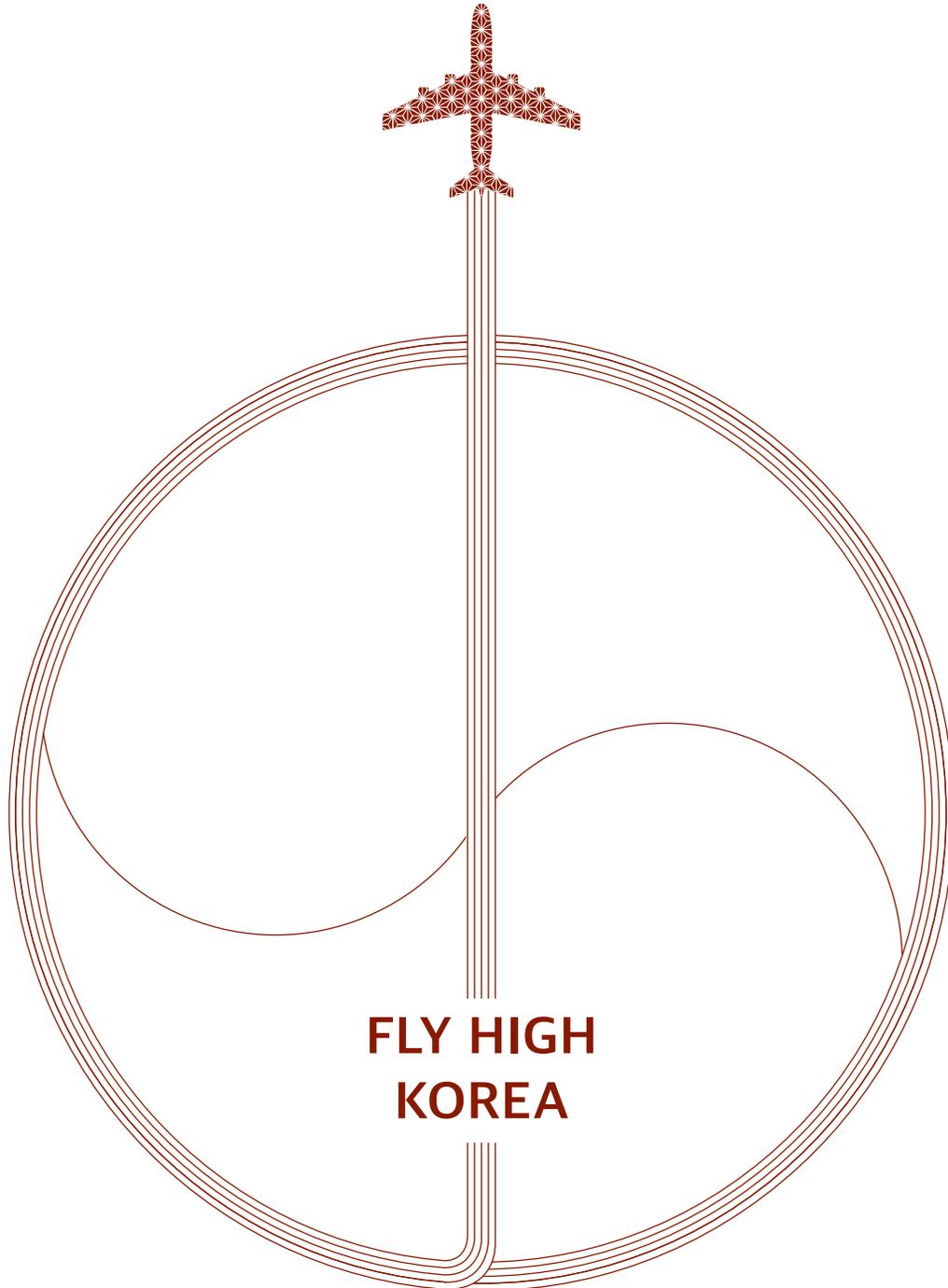# KAC

Social Responsibility Report 2019
Korea Airports Corporation

FLY HIGH
KOREA

ABOUT THIS REPORT

Overview

This is the 11th social responsibility report of Korea Airports Corporation (hereafter "KAC," "we," or "the corporation") which was prepared to transparently disclose our efforts for and achievements in corporate social responsibility and future directions to stakeholders. It was organized around core issues identified through the materiality analysis.

Reporting Principle

This report was prepared in accordance with the "Core Option" of the GRI (Global Reporting Initiative) Standards and reflected the ISO 26000, an international standard for social responsibility, UNGC (UN Global Compact), and US SDGs (Sustainable Development Goals). The K-IFRS was applied to reporting criteria and definition of financial and non-financial information in this report.

Reporting Period, Scope, and Boundary

This report presents our social responsibility activities and performances from January 1 through December 31, 2018 and some important data span to the first half of 2019. As for quantitative performances, we presented data for the last three years (2016~2018) for better understanding of intuitive time-series trend. Reporting scope covers 16 offices across the nation including the head office and regional branches.

Assurance

The third-party assurance was conducted in accordance with the AA1000AP(2018), an international assurance standard, to ensure the objectivity and reliability of this report. The assurance result is presented in the Independent Assurance Report in the Appendix section.

Inquiries

This report was published in Korean and English and can be downloaded from the corporate website. For more details, please contact us through telephone, fax, and mail.

www.airport.co.kr

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KAC's Social Responsibility Report 2019

CEO MESSAGE

"

We will move forward to a brighter future while fulfilling social values.

"

We prepared the 11th Social Responsibility Report to share our efforts for and performances in CSR management during the last year with stakeholders. KAC is committed to efficiently operating 14 airports nationwide to help passengers use the airports safely and conveniently. Our reach also extends to the world by participating in diverse aviation related projects in Latin America, Africa, and Southeast Asia. Without being complacent about current achievements, KAC will promote the following strategies to pursue shared growth with communities.

First, we will do our best by regarding safety as our top priority.

KAC declared the "Flawless Management in Airport Safety" this year, while ruminating our establishment purpose of providing safe air routes. To ensure safety, the center of all things, we will establish a world-class safety management system by constructing cutting-edge safety and security infrastructure. As part of that strategy, we are building a field-centered integrated disaster and safety control system and introducing the Smart Security. In addition to complying with safety standards and rules for the safety of employees and business partners, KAC operates a customized care system and manages high-risk workplaces separately. Going forward, we will continue to do our utmost to create safe airports where everyone can feel comfortable by regarding safety as our top priority.

Second, we will create a culture where everyone respects each other.

KAC believes that "human rights" should be respected prior to any other rights and profits. Although we are living in a better society with advanced technology, there are still blind spots of human rights. KAC regularly conducts human rights impact assessment to detect and improve vulnerable areas focusing on airport stakeholders. In addition, we strive to eradicate irrational discrimination in the employment and evaluation process so that everyone can be treated fairly. The "PC-Off" and "Family Day" programs contribute to employees achieving self-realization and creating great place to work. We will continue to communicate with stakeholders in various ways and reflect their opinions to make our airports a place where everyone can feel happy and pleasant.

### Third, we will pursue win-win growth with stakeholders.

Airports constantly exchange influence with local communities. Residents can easily travel through airports and gain pleasant experience, whereas airports create profits by utilizing local resources. In order to create a virtuous circle of aviation ecosystem, KAC strives to revitalize regional airports by expanding international routes and developing new travel packages. Furthermore, we will conduct systematic social contribution activities satisfying needs of local people to provide them with more practical benefits. Other focuses will be on quality job creation, temp-to-perm transition, and co-prosperity with SMEs through the KAC-style performance sharing system.

Fourth, we will secure new growth engines for a sustainable future.

Established as the International Airport Management Corporation in May 1980, we have made significant changes and innovation for 39 years in preemptive response to rapidly changing business environment. Despite tough conditions such as sluggish passenger demand, cost increase, restrictions on expanding routes, KAC has maintained surplus for the recent 15 years, which tells about our infinite growth potential. Going forward, we will continue the smart airport project, overseas expansion, and investments in R&D, while contributing to the development of the aviation industry and diversifying our revenue sources by entering new fields such as pilot training and aircraft MRO. Without being complacent with current status, we will devote ourselves to securing the future competitiveness of airports.

KAC celebrates the 40th anniversary in 2020. Your unstinted support and encouragement have become a substantial background of our 40-year journey. Going forward, KAC will continue to walk together with you and achieve higher social values by creating airports where safety, convenience, co-prosperity, and happiness are ensured. We would like you to continue to show your love and support for the better tomorrow of KAC.
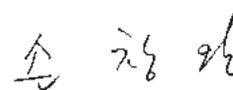
Son Chang-wan
President & CEO of Korea Airports Corporation

KAC Overview

As a public enterprise managing 14 airports* across the nation, KAC engages not only in efficiently constructing, managing, and operating airports but also in cultivating and supporting the aviation industry, thereby ensuring smooth air transportation and contributing to the development of national economy and welfare.

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

Service route
122 routes
(as of summer, 2019)

Destination
13 countries
(as of summer, 2019)

Flights in service
498,458 flights
(in 2018)

Cargo traffic
797 thousand tons
(in 2018)

Passenger traffic
82.26 million
(in 2018)

Net profit
KRW **124.0** billion
(in 2018)

Customer satisfaction
A rating
(PCSI result in 2018)

Total assets
KRW **4,626.4** billion
(in 2018)

14 Airports across the Nation

Yangyang
Gimpo
Wonju
Cheongju
Daegu
Pohang
Gunsan
Ulsan
Gwangju
Gimhae
Muan
Sacheon
Yeosu
Jeju

● International Airport
● Domestic Airport

Profile

Name of organization	Supervisory agency	CEO
Korea Airports Corporation	MOLIT (Ministry of Land, Infrastructure, and Transport)	Son Chang-wan
Type of organization	**Date of establishment**	**Basis of establishment**
Market Type Public Enterprise	May 30, 1980	Korea Airports Corporation Act
Head office	**Shareholders**	**Number of employees**
78 Haneul-gil, Gangseo-gu, Seoul (Korea)	MOEF: 51.7% MOLIT: 48.3%	2,510 persons

Organizational Structure

KAC operates 5 divisions, 15 departments, and 45 teams at the head office and 9 corps and 65 teams under 16 branches. The CSR Management Dept. is dedicated to social responsibility projects and operates Job Creation Team, Corporate Partnership Team, and Social Contribution Innovation Center to ensure systematic and professional social value creation activities. Safety related works, which had been managed at the team level, were transferred to newly established Safety & Security Div. to meet increasing demand for airport safety. The Disaster Prevention Team was also launched for stronger accident and disaster prevention.

President & CEO

Executive Office — PR Department

Board of Directors
Audit Committee
Corporate Auditor
Audit & Inspection Dept.

Executive Vice President

New Airport Planning Dept.
Aviation Research Institute
Management Evaluation Dept.

Strategy & Planning Div.
- Planning & Coordination Dept.
  - Planning Management Team
  - Corporate Planning & Strategy Team
  - Future Planning & Innovation Team
  - Budget Team
- CSR Management Dept.
  - Job Creation Team
  - Corporate Partnership Team
  - Social Contribution Innovation Center
- Pilot Training Center

Operation Div.
- HR Management Dept.
  - General Affairs Team
  - HR Team
  - Labor Relations & Welfare Team
- Business Management Dept.
  - Asset Contract Team
  - Finance & Accounting Team
  - Information Planning Team
  - Cyber Security Team
- Terminal Operations Dept.
  - Landside Operations Team
  - Service Development Team

Construction & Technology Div.
- Construction Management Dept.
  - Airport Planning Team
  - Construction Technology Team
  - Construction Management Team
- Airport Facilities Dept.
  - Airport Facilities Team
  - Airside Operation Team
- Air Navigation Facilities Dept.
  - Air Navigation Facilities Team
  - Information Communication Team

Market Development, Commercial & Global Biz. Div.
- Market Development & Commercial Dept.
  - Route Development & Passenger Promotion Team
  - Commercial Facilities Team
  - Project Development Team
- Global Business Dept.
  - Global Business Team
  - Air Transport Business Team

Safety & Security Div.
- Safety & Security Dept.
  - Safety Planning Team
  - Disaster Prevention Team
  - Security Planning Team
  - Counter-Terror Response Team
- Operations Control Center
- Emergency Planning Dept.

Gimpo International Airport	Gimhae International Airport	Jeju International Airport	Medium-scale Airports & Branches	Small-scale Airports & Branches	Air Route Traffic Facility Center	Civil Aviation Training Center

KAC Overview

KAC's 40-year Track Records and the Future

KAC will celebrate its 40th anniversary in 2020. Since the founding of International Airport Authority in May 1980, our airport operation business began in earnest with the acquisition of Gimpo International Airport in July of that year. We also acquired airports in Gimhae and Jeju and successfully supported large-scale international events including the 1986 Asian Games and 1988 Seoul Olympic Games, evolving as Korea's representative airport operator.

In 1990, we changed corporate name to Korean International Airport Authority and acquired 9 domestic airports including Daegu, Gwangju, and Ulsan. The international flights were transferred to the Incheon International Airport in 2001 and corporate name was changed to Korea Airports Corporation in March 2002.

Based on accumulated experience and knowhow in airport operation, KAC has not only cultivated the domestic aviation industry but also entered the global market beyond just the construction, management, and operation of the domestic 14 airports, thereby leapfrogging into a global airport operation company.

Going forward, KAC will spare no effort to provide more convenient and safer services and support the growth of aviation industry and local communities without being complacent about current performances. Please keep an eye on us as we make unprecedented progress in the next four decades to come.

Management and operation of airport facilities

Aircraft handling and maintenance business

Research and study on aviation business

Construction, expansion, and improvement of airport facilities

Execution of and investment in overseas airport projects

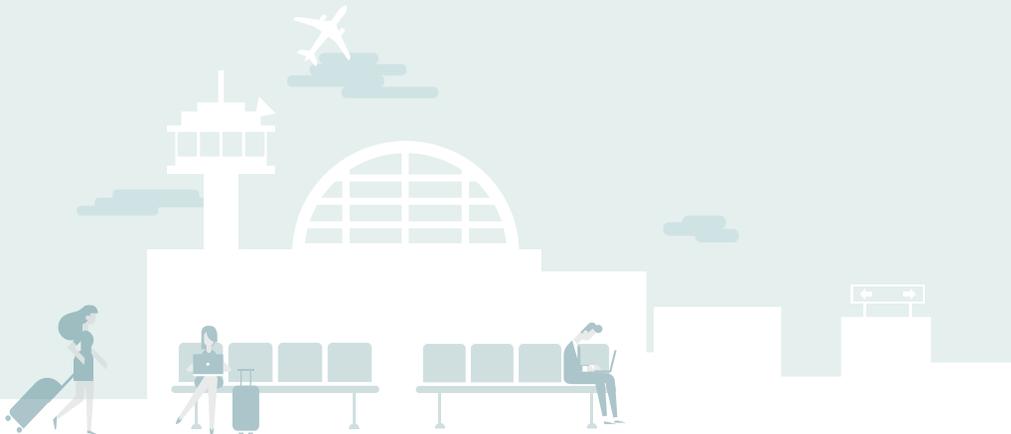Aviation technology development, manufacturing, sale, and export of equipment

Airport vicinity development

Training of aviation talents and construction and operation of training facilities

Airport noise control and supports for local people

Milestones in exploring air routes in Korea

1980.05	Founded the International Airport Authority
1980.07	Acquired and began operation of Gimpo International Airport
1983.05	Acquired and began operation of Gimhae International Airport
1984.06	Established the Civil Aviation Training Center
1985.09	Acquired and began operation of Jeju International Airport

1980's

1990.04	Changed the name to the Korean International Airport Authority
1990.06	Acquired and began operation of 9 airports (including Daegu, Gwangju, and Ulsan)
1992.05	Acquired and began operation of Mokpo Airport
1992.11	Acquired and began operation of Gunsan Airport
1994.12	Established the Air Route Traffic Facility Center
1997.01	Acquired and began operation of Cheongju Airport and Wonju Airport
1999.01	Acquired and began operation of VOR/TACs (8 places)

1990's

Stretching out to the world

2001.03	Transferred international flights at Gimpo Airport to Incheon International Airport
2002.03	Founded Korea Airports Corporation
2002.04	Acquired and began operation of Yangyang Airport
2007.11	Acquired and began operation of Muan Airport
2008.03	Expanded business area (manufacturing and sale of R&D equipment, overseas airport project)

2000's

2010.07	Established Uljin Civil Aviation Training Center
2014.03	Expanded business area (aviation talents cultivation)
2014.11	Expanded business area (aircraft handling and maintenance)
2016.06	Opened Seoul Gimpo Business Aviation Center
2017.06	Established Aviation Training Center
2017.12	Established a subsidiary (KAC Airport Service Inc.)
2018.10	Completed Gimpo International Airport remodeling project in celebration of 60th anniversary
2018.12	Surpassed 80 million pax in total at our airports

2010's

Social Value Creation Strategy

With the corporate vision of "Connecting the World, Inspiring the Future," KAC is focusing on four mid- to long-term strategic directions – enhancing airport competitiveness, leading innovative growth of aviation industry, realizing public interest, pursuing trust-based autonomous innovation. These strategies are promoted by 18 strategic tasks.

KAC Mission

Convenient Airports,
People who Open the Sky

Vision 2025

Connecting the World,
Inspiring the Future

1. Enhance airport competitiveness

Passengers | Safety/service
120 million | **Best**

Achievement level
- Preparation
- Progress
- Achievement

Integrity
1st rating

Reliable KAC for Everyone

· Build transparent governance
· Spread ethics culture and human rights
· Create quality jobs

· Establish ethical culture
· Expand stable employment

Safety/Security Accident
ZERO

Safe and Clean Airport

· Enhance safety & security system
· Secure environmental sustainability

· Ensure safety in airports
· Construct eco-friendly airports

Build transparent governance	Goal	Achievement level
Promotion of the BLER*	Over one person	
Female BOD member (%)	OECD average	
Civil Participating Innovation Group	Over once a year	

Spread ethics culture/human rights	Goal	Achievement level
Integrity assessment (rating)	1	
Survey on human rights status	Over once a year	
Human rights impact evaluation	Over once a year	

Create quality jobs	Goal	Achievement level
Temp-to-perm transition rate (%)	100	
Private job creation (10,000)	2.2	
Rate of flexible workers (%)	10	

Enhance safety & security system	Goal	Achievement level
Navigation facility control system (%)	100	
Safety related accident (case)	0	
Information security control evaluation (rating)	Excellent	
Personal information leakage (case)	0	
Cyber infringement (case)	0	

Secure environmental sustainability	Goal	Achievement level
GHG target management system	Achieved	
Water quality control		
Air quality control	Complied with Environmental standard	
Indoor air quality control		

* BLER: Board-level Employee Representation

Relevant UN SDGs

Relevant UN SDGs

In March 2018, KAC established a mid- to long-term CSR management strategy in conjunction with the mid- to long-term corporate strategy with the aim of boosting social value creation. Based on the strategy, we will devote much effort to creating social value going forward.

2. Lead innovative growth 3. Realize public interest 4. Autonomous innovation

Revenue
KRW **2** trillion

Airport operation
20 airports

Aviation jobs
22 thousand

Public trust
Best
(integrity, social contribution)

CSR management vision

Contribution to the development of communities by creating social value of airports

Considerate service BEST

Considerate Airport Service

· Upgrade service and facility for the transportation vulnerable
· Maximize customer satisfaction through communication

· Provide universal services
· Increase customer satisfaction

Upgrade service and facility for the transportation vulnerable	Goal	Achievement level
Maternity protection support rate (%)	100	
Mobility service for the transportation vulnerable	Activated	
Satisfaction on mobility service for the transportation vulnerable	Excellent	

Maximize customer satisfaction through communication	Goal	Achievement level
Public service customer satisfaction index (rating)	A	
Average handling time for civil affairs (day)	2	
ASQ evaluation (ranking)	3	

Relevant UN SDGs

Shared growth Excellent

Shared Growth with Communities

· Promote differentiated social contribution
· Build a balanced social economic ecosystem

· Solve local community issues
· Pursue cooperation for co-prosperity

Promote differentiated social contribution	Goal	Achievement level
Social contribution expenditure-to-revenue (%)	0.4	
Volunteer works per employee (hour)	15	
Noise control (KRW 100 million)	400	

Build a balanced social economic ecosystem	Goal	Achievement level
Shared growth evaluation (rating)	Excellent	
Performance sharing system (%)	100	
Purchase from SMEs (%)	Satisfied gov. goal	
Purchase for social value creation (%)	Satisfied gov. goal	

Relevant UN SDGs

SPECIAL REPORT

1 Safety Management System

KAC is establishing the SMS (Safety Management System) to ensure safe airport operation. It encompasses organization, responsibility & duty, policies, and process required for independent safety control in accordance with the government's aviation safety program.

KAC Safety Policy

All employees at KAC consider the safety of the people as the best value.

KAC is committed to realizing the social value of safety. To become world-class safe and convenient airports, we are dedicated to reinforcing airport safety system, sharpening safety control competence, and building a culture of safety through the following KAC safety policy.

Safe Airport Operation

Airport safety is top priority value and goal at KAC. To this end, we pay full attention to preventing safety accident at airports by building and conducting flawless action plans.

Detection and Elimination of Risk Factors

KAC encourages swift report on risk factors and complies with the principle of no punishment. All employees make a concerted effort to detect and eliminate risk factors.

Promotion of Safety Management Activities

KAC faithfully observes safety related regulations and enhances safety management competence and activities through proper resource allocation, education, and training.

Establishment a Mature Safety Culture

KAC builds a mature safety culture through swift communication and information exchange about safety based on mutual respect.

Safety Targets

Airport Sector

Ground safety accident per 1,000 vehicles & equipment
(ex. collision between parking airplanes and obstacle/vehicle/equipment/animal, safety accident of vehicle/equipment/human in movement area, etc.)

· 2018 result: **0.57** case
· 2019 target: **0.48** case

Malfunction of Airport Facilities
(ex. critical damage of runway, taxiway, and apron, fire in movement area, FOD & oil leakage, suspension of aviation light operation, etc.)

· 2018 result: **0** case
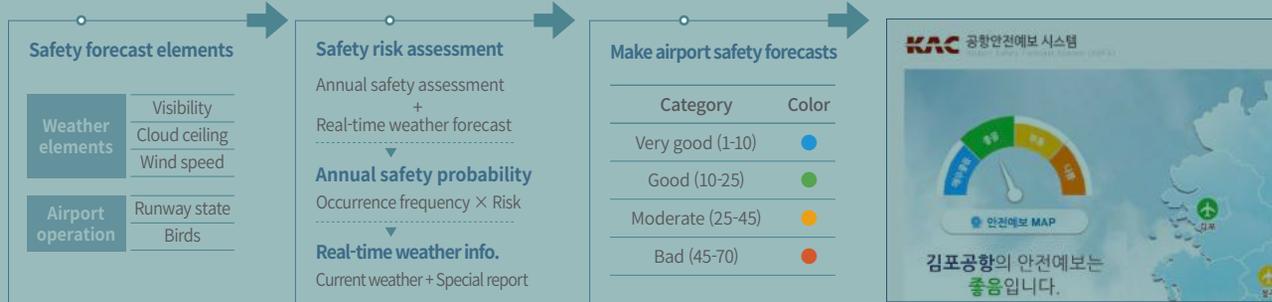· 2019 target: **1.4** case

Navigation Sector

Malfunction of navigation safety facilities per 1 million hours

· 2018 result: **31.55** hours
· 2019 target: below **21** hours

Airport Safety Forecast

KAC operates the airport safety forecast system to prevent safety related accidents in advance. It provides airport workers and passengers with the level of safety risk everyday by analyzing and forecasting weather conditions and diverse data.

Safety forecast elements

Weather elements	Visibility
	Cloud ceiling
	Wind speed
Airport operation	Runway state
	Birds

➡

Safety risk assessment

Annual safety assessment
+
Real-time weather forecast

▼

Annual safety probability
Occurrence frequency × Risk

Real-time weather info.
Current weather + Special report

➡

Make airport safety forecasts

Category	Color
Very good (1-10)	🔵
Good (10-25)	🟢
Moderate (25-45)	🟡
Bad (45-70)	🔴

KAC 공항안전예보 시스템

안전예보 MAP

김포공항의 안전예보는 좋음입니다.

Safety Improvement Activities by Airport

Each airport implements safety improvement activities based on our safety policy in a systematic manner. More detailed information is shared through KAC's annual SMS (Safety Management System) magazine.

Airport	SMS-driven Safety Improvement Activities
Gimpo	SMS-driven Safety Improvement Activities
	Reduce time spent on system recovery by dualizing the integrated interlock monitoring system network
Gimhae	Secure road safety and safe operation by constructing rotaries in movement areas
	Install unmanned speed check system in movement areas
Jeju	Achieve zero mistake of pilots on the taxiway by performing risk reduction measures on the high speed exit taxiway (42 cases before the execution)
	Construct waiting zone for ramp bus and expand maintenance spaces
Daegu	Install oxygen concentration check devices to prevent suffocation accident at jet fuel storage facilities
Ulsan	Swiftly operate boarding bridges by adding stop lines on the taxiway and measuring the coordinate of apron
Cheongju	Prevent ground safety accidents caused by parking line changes at each apron by improving information signs on movement areas
Gwangju	Minimize failure time by dualizing power supply cable of navigation safety facilities
	Prepare strong wind by establishing mooring facilities
Yeosu	Install lights warning system to protect navigation safety facilities
Yangyang	Upgrade measuring equipment, control system, and firefighting facilities of jet fuel storage tanks against possible accidents such as fire and explosion
Sacheon	Secure the safety of radio signals by analyzing impacts from the installation of the barrier arresting component on northern runway 24R

Implement the National Safety Assessment at 14 Airports

In March 2019, we performed the National Safety Assessment on multi-use facilities, amenities, and construction sites at 14 airports. A joint inspection team attended by even private experts in the fields of building construction, firefighting, industrial safety, and so on detected and eliminated potential risk factors in airports. Other activities included discussion meeting for raising awareness of safety and business agreements.

SPECIAL REPORT

2 Human Rights Management

KAC, as Korea's representative airport group, is proactive in protecting the human rights of people guaranteed by the constitution and complying with the UN Guiding Principles on Business and Human Rights. We will continue to enhance human rights management to create social value.

Roadmap for Human Rights Management

Our human rights management is promoted in accordance with the roadmap. In 2018, during the establishment stage, we focused on building an institutional framework, overhauling current status, raising awareness, creating a culture, and promoting human rights improvement activities in each field.

Establishment

Building system and culture
· Framework, rule, awareness of human rights
· Human rights protection and improvement

Advancement

Expanding scope and level
· Regular process and better sensitivity
· Expand risk control and evaluation scope

Spread

Analysis, improvement, and sharing
· Develop and improve human rights tasks
· Feedback and sharing of best practice

Proclamation of Human Rights Management

The Corporation held a ceremony for the proclamation of human rights management in June 29, 2018. The Charter of Human Rights was also launched, and all employees pledged to fulfill their responsibility for protecting and respecting human rights of all stakeholders including partners, customers, and local people.

Human Rights Management Slogan of "Respect Mutually, Esteem Everyone"

We have established a culture where human rights are emphasized and respected. With the recognition that our business has great influence on society, all employees strive to conduct human rights management. Going forward, KAC will continue to strengthen human rights management under the slogan of "Respect Mutually, Esteem Everyone."

Human Rights Principle and Guidelines

Our human rights principle has been built across four stages – drafting the charter of human rights, preparing execution guidelines and discussing with related departments, declaring and resolving human rights management, and disclosing the principle (charter and guidelines) on the website. The charter of human rights was prepared in accordance with the UN Universal Declaration of Human Right, Ruggie Framework, NAP (National Action Plans for the Promotion and Protection of Human Rights), and guidelines of the National Human Rights Commission of Korea. It also emphasizes the protection of mobility and safety rights considering our business feature. In July 2019, KAC revised the guidelines to add the criteria on establishing and operating the Human Rights Management Committee. We will regularly upgrade the guidelines to satisfy environmental changes and stakeholder opinions.
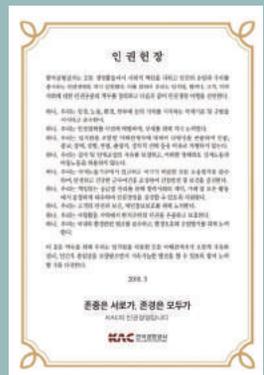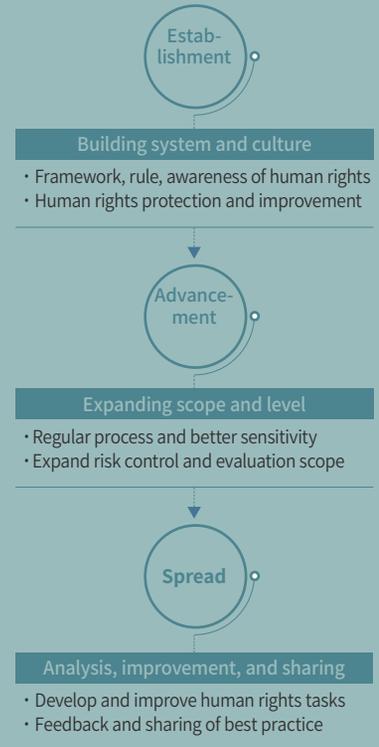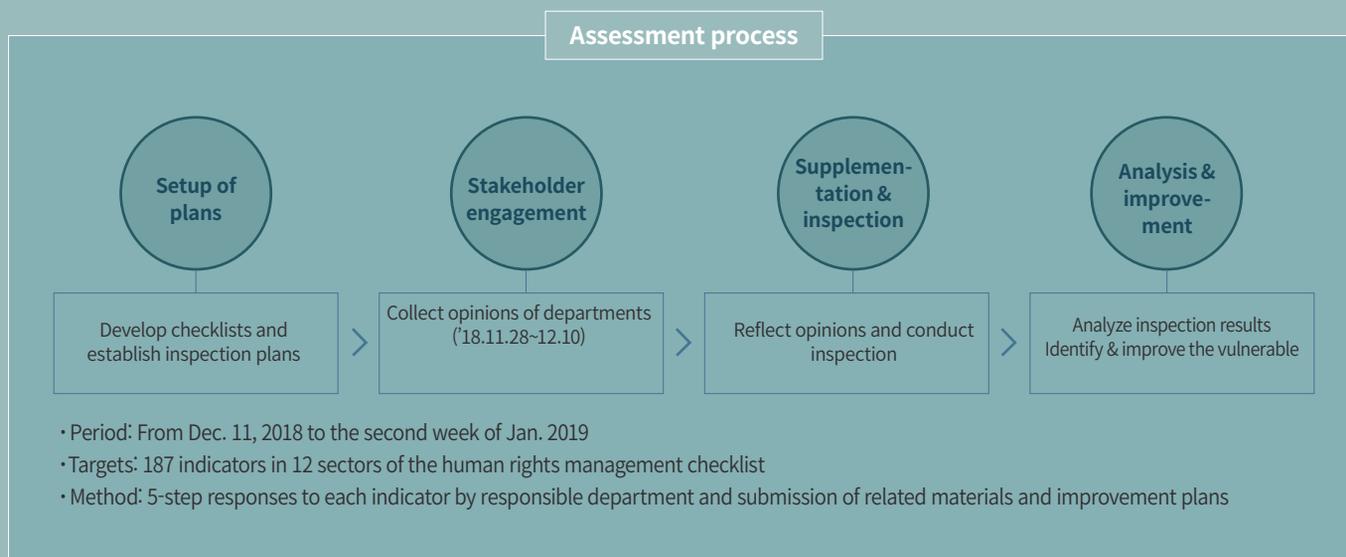
Establishment of the Human Rights Management Committee

KAC's human rights management is driven by a strong commitment of the CEO. We also designated an exclusive organization and launched the Human Rights Management Committee under the CSR Committee on the recommendation of the National Human Rights Commission of Korea. This framework enables the reflection of external stakeholders' opinions and enterprise-wide driving force of human rights management.

Chaired by	CEO

Deliberation	CSR Committee

Subcommittee	Human Rights Management Committee	Led by	CSR Management Department

Human Rights Policy Office
· Major human rights policies
· Human rights impact evaluation

Human Rights Relief Office
· Inspection on human rights abuse
· Relief measures, etc.

Human Rights Impact Assessment

We checked the situation of human rights management by capitalizing on a self-developed checklist (187 indicators in 12 sectors).

Assessment process

Setup of plans → Develop checklists and establish inspection plans

Stakeholder engagement → Collect opinions of departments ('18.11.28~12.10)

Supplementation & inspection → Reflect opinions and conduct inspection

Analysis & improvement → Analyze inspection results Identify & improve the vulnerable

· Period: From Dec. 11, 2018 to the second week of Jan. 2019
· Targets: 187 indicators in 12 sectors of the human rights management checklist
· Method: 5-step responses to each indicator by responsible department and submission of related materials and improvement plans

The result showed that our human rights management satisfied 160 indicators out of 187. It also required us to supplement five sectors including "writing human rights into all contracts" and review two sectors including "evaluation of human rights situation when selecting partners." Those were improved in 2019. In the second half of 2019, we plan to expand the scope of evaluation and indicators.

Education on Human Rights

In accordance with the human rights management manual for public institutions and our guidelines, KAC provided employees of the head office and Gimpo International Airport with education on human rights by inviting an official of the National Human Rights Commission of Korea on October 26, 2018. The education helped participants raise the sensitivity to human rights and learn related business practices.

편안한 공항, 하늘을 여는 사람들

KAC 한국공항공사

01

THE VALUE EVERYONE CAN TRUST

KoBEX-SM

AAA
(9 consecutive years)

LACP 2017/2018
Vision Awards,
CSR Report

Silver

2019 CRRA
CSR Report
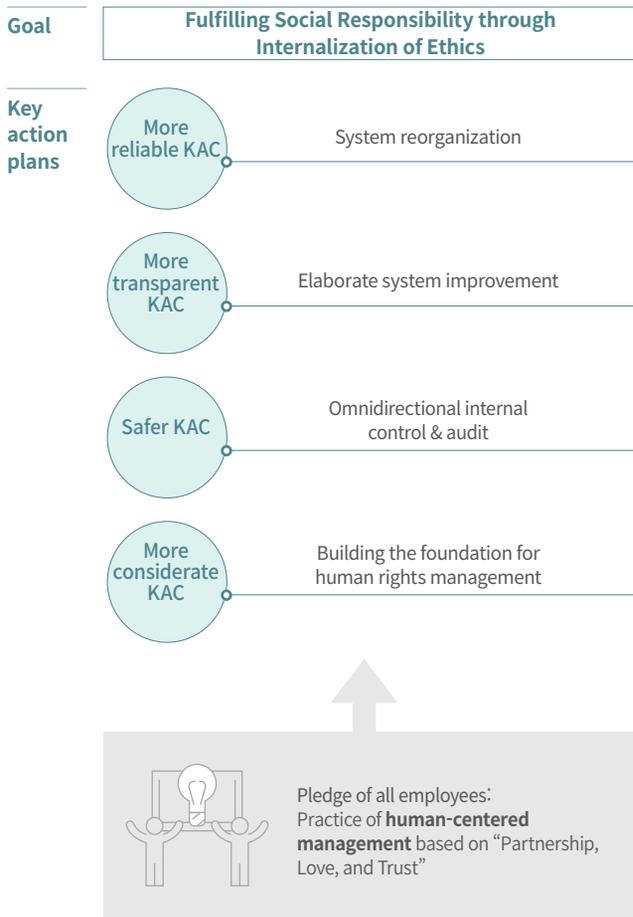Trust & Creativity

No.1
in Korea

KAC's transparent corporate governance and thorough risk management system gain customers' trust and clean and fair corporate culture increases employee value. We always listen to the voice of stakeholders through active communication to ensure sustainable growth.

Ethical Management

Ethical Management Strategy and System

Based on the CEO's management philosophy pursuing high-class business ethics, KAC promotes ethical management aimed at gaining the best customer trust. As part of that, we regularly reorganize our ethical management system to meet increasing demand for trust and responsibility as a public institution and strive to form a consensus on ethics at the group level. KAC's ethical management is driven by the CSR Management Dept. and Audit & Inspection Dept. Working-level organizations including Clean Coach, Integrity Keeper, and Anti-corruption Integrity Promotion Group also lead the practice of ethical management.

Ethical Management Strategy

Goal	Fulfilling Social Responsibility through Internalization of Ethics	
Key action plans	More reliable KAC	System reorganization
	More transparent KAC	Elaborate system improvement
	Safer KAC	Omnidirectional internal control & audit
	More considerate KAC	Building the foundation for human rights management

Pledge of all employees:
Practice of **human-centered management** based on "Partnership, Love, and Trust"

Regulation System

Value declaration	Execution criteria	Detailed guidelines
· Charter of ethics · Code of ethics · Charter of human rights	· Employees' code of conduct · Job integrity contract regulation for executives	· Anti-corruption job integrity guideline · 11 guidelines including the human rights management practice

Supreme decision-making body	CSR Committee
	Anti-corruption Integrity Promotion Group

Responsible organization	Audit & Inspection Department (internal check/integrity)
	CSR Management Department (ethics/human rights)

Working-level organization	Anti-corruption Integrity Promotion Group
	Clean Coach
	Integrity Keeper
	Junior Integrity Promotion Group
	Clean Airport

Monitoring and Evaluation

Our ethical management system is monitored and evaluated internally and externally. We participate in the regular integrity survey for public institutions and anti-corruption policy evaluation. The Integrity Ombudsman, an independent audit advisory body, ensures the objectivity of our ethical management activities. Internally, we conduct self-audit on integrity and KEVIX (KAC Ethics Vision Index). Particularly, in 2018, we added human rights to internal monitoring evaluation items and adopted the point system to escalate effectiveness.

KoBEX-SM (Korean Business Ethics indeX-Sustainability Management)	**AAA** (9 consecutive years)
LACP 2017/2018 Vision Awards - CSR Report category	**Silver Prize**
2019 CRRA - CSR Report, Reliability & Creativity category	Korea's **No.1** (World's 3rd and 4th in reliability and creativity, respectively)

Sharing of Ethics Value

KAC endeavors to attach ethics value to employees and disseminate ethical culture. All employees receive ethical education tailored to their positions during service period. Particularly, intensive ethical training is offered to employees working at vulnerable areas such as lease of airport spaces, contract, and security check. We also pursue participatory ethical education programs such as "Integrity Week" and "Ethics Day" to boost sharing of ethics value.

Moreover, KAC supports ethical management activities of airport families to ensure transparent airport operation and contribute to creating the society of fairness and integrity. For example, ethics contents are shared with partners through the SKYONE (integrated support system) and we support the establishment of anti-corruption practice evaluation plan and code of conduct of subsidiaries. The Clean Airport Committee comprised of KAC, residing agencies, airlines and partners carries out integrity campaigns, consultation about anti-corruption policies, and system improvement on a regular basis.
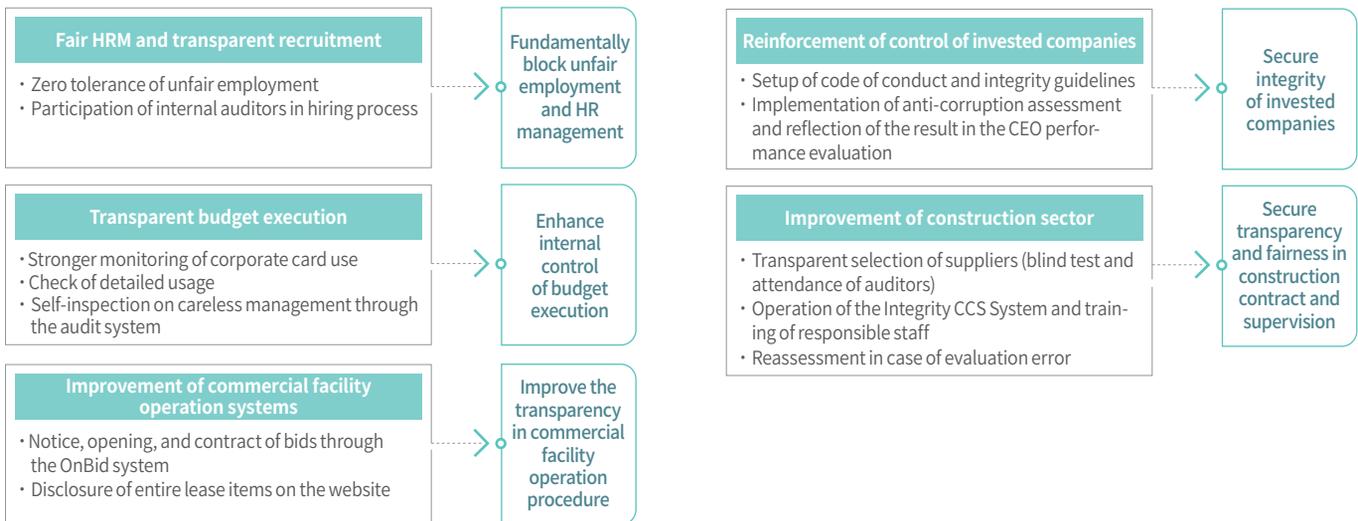
System Improvement Activity

We identify improvement items through autonomous practice of anti-corruption policies and corruption impact assessment and correct them by supplementing related systems. In 2018, we improved systems in five areas of HR management, budget execution, commercial facility operation, invested companies, and construction project.

Reporting Channel Operation

KAC is running an anonymous reporting system named "Clean Airport." All stakeholders including customers and employees can report corruption cases through our website and telephone. For example, the public can report corruptive and illegal cases with regard to our business and employees, while employees are also able to voluntarily report corruptive behaviors within organizations, pressure on irregularity, and unwanted reception of bribe. On top of that, we operate the "Red Whistle," an anonymous reporting system commissioned to professional reporting channel operation agencies.

System Improvement

Fair HRM and transparent recruitment	
· Zero tolerance of unfair employment · Participation of internal auditors in hiring process	Fundamentally block unfair employment and HR management

Transparent budget execution	
· Stronger monitoring of corporate card use · Check of detailed usage · Self-inspection on careless management through the audit system	Enhance internal control of budget execution

Improvement of commercial facility operation systems	
· Notice, opening, and contract of bids through the OnBid system · Disclosure of entire lease items on the website	Improve the transparency in commercial facility operation procedure

Reinforcement of control of invested companies	
· Setup of code of conduct and integrity guidelines · Implementation of anti-corruption assessment and reflection of the result in the CEO performance evaluation	Secure integrity of invested companies

Improvement of construction sector	
· Transparent selection of suppliers (blind test and attendance of auditors) · Operation of the Integrity CCS System and training of responsible staff · Reassessment in case of evaluation error	Secure transparency and fairness in construction contract and supervision

Corporate Governance

BOD Composition and Operation

KAC operates the BOD (Board of Directors), the supreme decision-making body that deliberates and resolves critical management issues. The BOD consists of 13 members including the CEO, executive and non-executive directors and is chaired by the senior non-executive director. Moreover, three members are female directors to ensure gender equality and female representation in the corporate governance.

The BOD makes it a rule to hold meeting once a month and ad-hoc meeting is also held to review and handle pending issues when necessary. The meeting is assembled when a majority of the current members are present, and issues are decided by a majority of those present. In addition, the BOD regulation stipulates that directors who are affiliated with agendas cannot participate in the vote to ensure transparent and objective decision-making. The BOD meeting results are announced through the "Alio," a management information disclosure system for public institutions.

BOD Members

Executive Directors
(As of Aug. 2019)

Name	Position	Gender
Son Chang-wan	President & CEO	Male
Moon Myung-hak	Corporate Auditor	Male
Kim Myung-woon	Executive Vice President	Male
Jang Ho-sang	Head of Strategy & Planning Div.	Male
Lee Jae-hoon	Head of Operations Div.	Male
Lee Hyun-sung	Head of Construction & Technology Div.	Male

Non-executive Directors

Name	Professionalism	Gender
Jin Hyoung-hye*	Law	Female
Park Won-hwa	Diplomacy (Audit Committee member)	Male
Kim Young-hwan	Media	Male
Yoo Kwang-suk	Management	Male
Lee Eun-jeong	Finance (Audit Committee member)	Female
Kim Jong-gil	Media	Male
Park Hye-seon	Construction	Female

* Senior non-executive director, chairperson

Director Appointment Process

Directors are appointed through the Director Recommendation Committee in accordance with the Article 25 of the Act on the Management of Public Institutions. The committee members are experts in diverse fields including academy, law, and labor, and the ratio of male or female members cannot exceed 80%.

The committee recruits director candidates who are experts in airport, transportation, security, law, and management without special restrictions. Particularly, there is no discrimination on gender, religion, race, and nationality in the process of appointment. Directors are appointed through transparent and fair competition and screening and the entire process is released through management disclosure.

Subcommittees

To enhance professionalism and rationality of decision-making of the BOD, KAC operates the Audit Committee, Innovation & Strategy Committee, Budget & Investment Committee, and Safety Committee under the BOD. The Audit Committee consists of two non-executive directors and the Corporate Auditor to ensure independence, and at least one of which is accounting or financial expert.

CSR Committee

The CSR Committee is an organization under the control of the CEO which deliberates and decides on KAC's major social responsibility execution. It consists of the management and external professionals. The committee determines not only ethical management, anti-corruption, integrity, environmental management, and social contribution plans but also major policies for fulfilling social responsibilities for corporate governance, human rights, labor condition, and job creation.

Field-oriented BOD

To help the BOD make rational decisions based on understanding of and experience in business fields, KAC holds the field-oriented BOD meeting every year. Through the meeting, the BOD members visit our airports across the nation including Gimpo, Gimhae, and Jeju to listen to the voice of field workers and check customer safety and service quality. Moreover, the BOD designates an executive mentor by each airport to boost communication with field and reinforce responsibility management.

# Risk Management

Risk Management System

KAC operates risk management system in response to changes in business environment and possible risks in an active and effective manner. We categorize risks into four areas of management risk, disaster, communication, and conflict, and intensively control them by preparing manuals tailored to 25 types of risks. Our risk management is driven by the CRO (chief Risk Officer) who is the executive vice president, general risk management department, and teams dedicated to each risk category. When risk takes place, we operate the crisis response center and rapidly organize the Risk Management Committee chaired by the CEO for swift response and recovery.

Priority Control by Risk Category

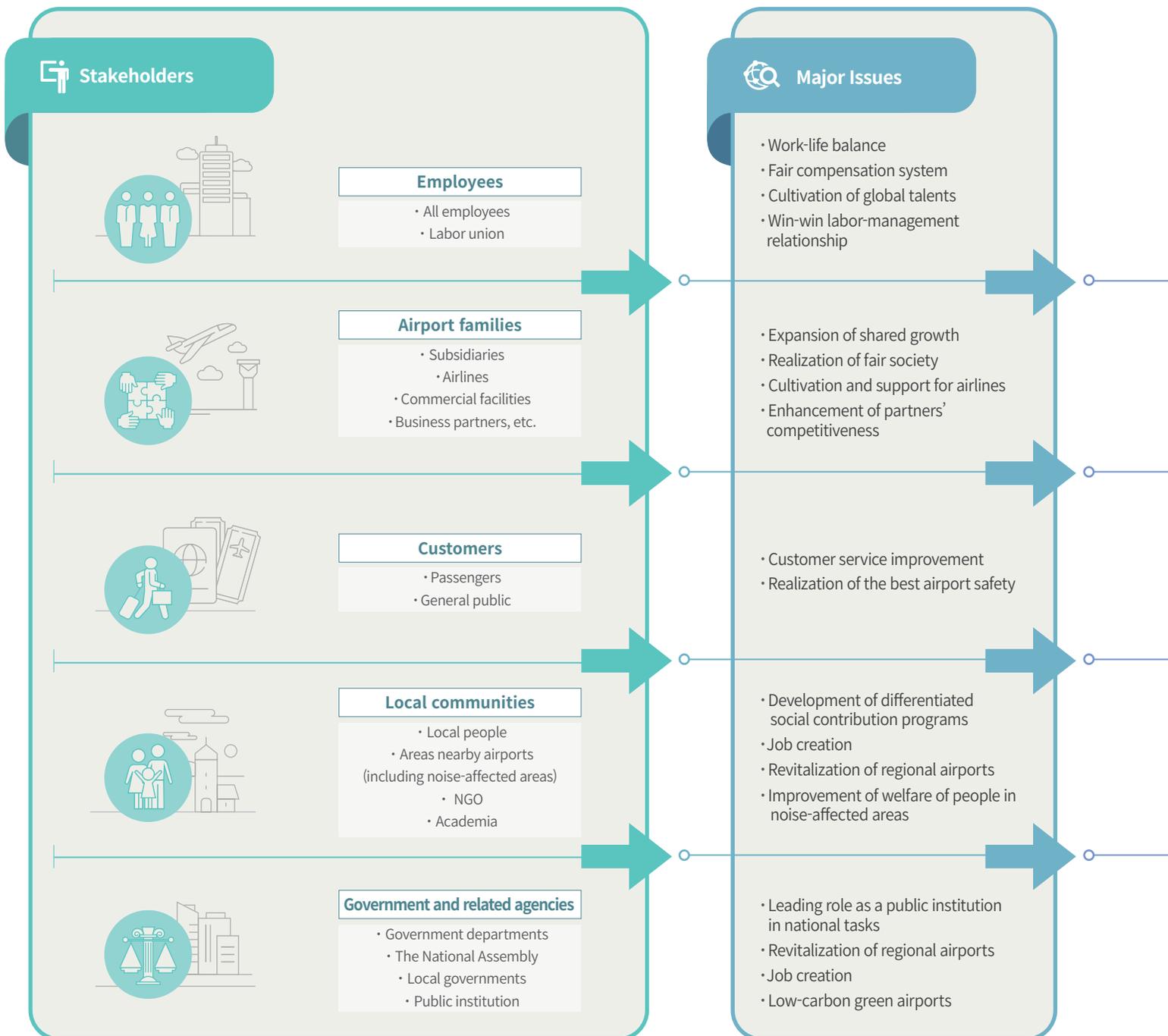| Category	Description
Management risk	8 types including decrease of revenue from leasing due to tourism trend changes and stagnant passengers due to lack of space
Disaster	12 types including natural disaster (typhoon, heavy snow, earthquake, etc.), aircraft accident, and navigation safety equipment failure
Communica-tion	Damage on corporate image due to incorrect, exaggerated, and negative news
Conflict	4 types including labor-management conflicts, civil complaints about noise, and labor-management conflicts of airlines

Risk Management Process

We adopt preemptive prevention to the control of management risks, while other categories are managed by post-counteraction methods. For example, as for management risks which require sensitive and rapid preemptive recognition, the Planning & Coordination Department leads a comprehensive response system. As for other risks, KAC implements urgent response activities aimed at minimizing damages when risks take place.
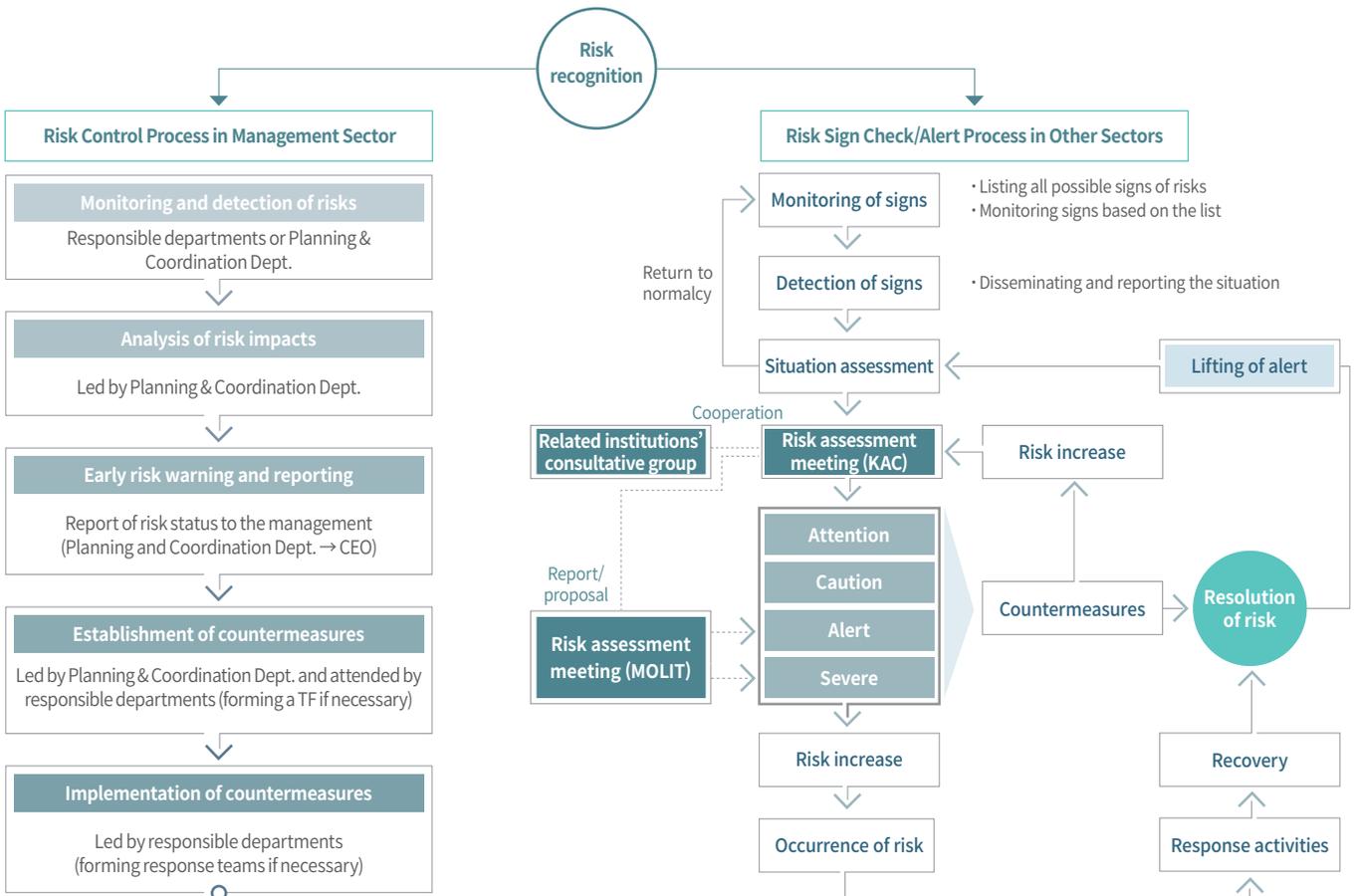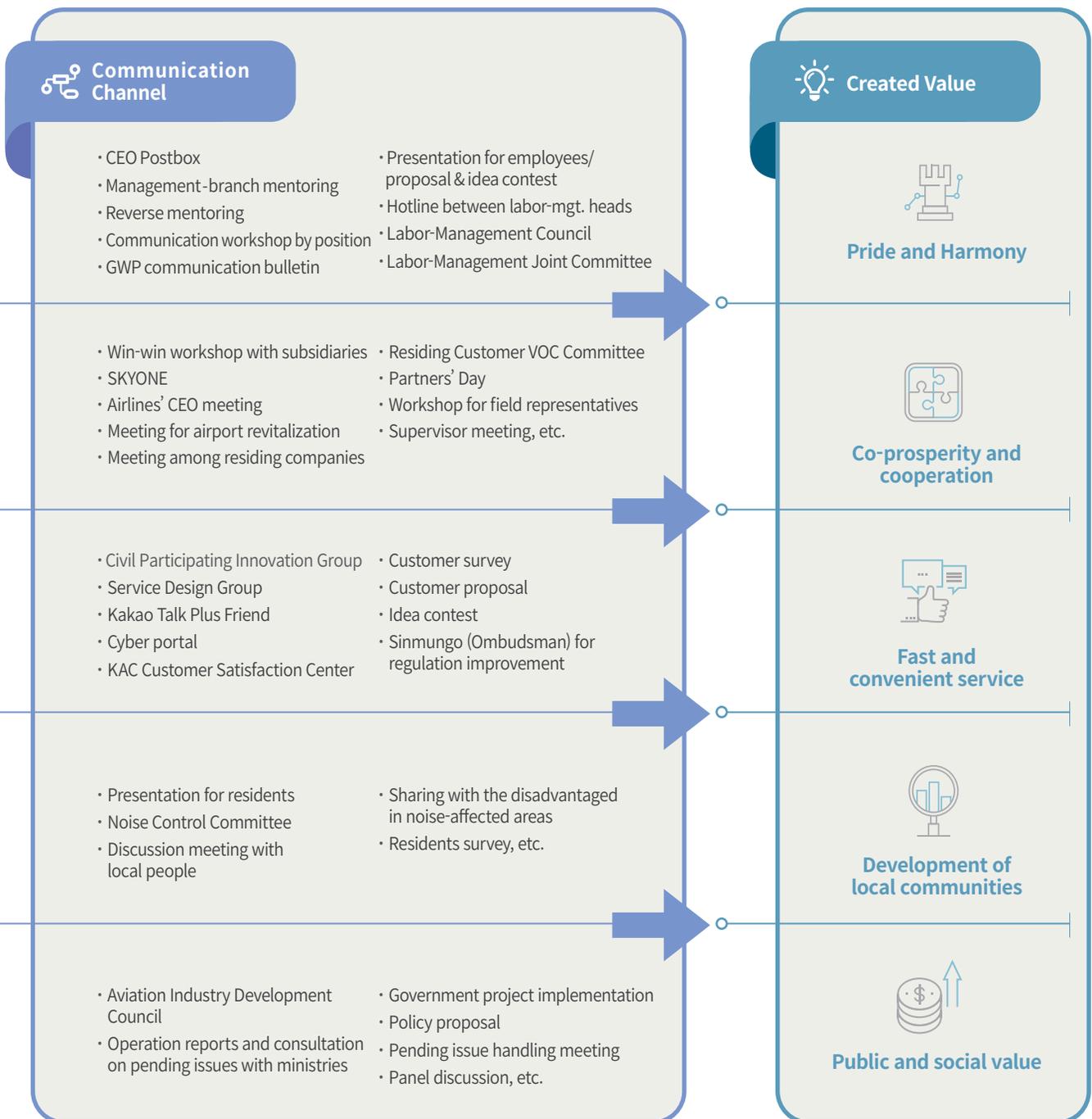
Stakeholder Engagement

KAC defines employees, airport families, customers, local communities, and government & related agencies as major stakeholder groups and is proactive in communicating with them through diverse channels.

Communication with Stakeholders

Stakeholders

Employees
· All employees
· Labor union

Airport families
· Subsidiaries
· Airlines
· Commercial facilities
· Business partners, etc.

Customers
· Passengers
· General public

Local communities
· Local people
· Areas nearby airports
(including noise-affected areas)
· NGO
· Academia

Government and related agencies
· Government departments
· The National Assembly
· Local governments
· Public institution

Major Issues

· Work-life balance
· Fair compensation system
· Cultivation of global talents
· Win-win labor-management relationship

· Expansion of shared growth
· Realization of fair society
· Cultivation and support for airlines
· Enhancement of partners' competitiveness

· Customer service improvement
· Realization of the best airport safety

· Development of differentiated social contribution programs
· Job creation
· Revitalization of regional airports
· Improvement of welfare of people in noise-affected areas

· Leading role as a public institution in national tasks
· Revitalization of regional airports
· Job creation
· Low-carbon green airports

We actively reflect stakeholder opinions in whole management activities to pursue shared growth with them. Going forward, KAC will always listen to your voice and make efforts for communication with all stakeholders.

Communication Channel

· CEO Postbox
· Management-branch mentoring
· Reverse mentoring
· Communication workshop by position
· GWP communication bulletin
· Presentation for employees/ proposal & idea contest
· Hotline between labor-mgt. heads
· Labor-Management Council
· Labor-Management Joint Committee

· Win-win workshop with subsidiaries
· SKYONE
· Airlines' CEO meeting
· Meeting for airport revitalization
· Meeting among residing companies
· Residing Customer VOC Committee
· Partners' Day
· Workshop for field representatives
· Supervisor meeting, etc.

· Civil Participating Innovation Group
· Service Design Group
· Kakao Talk Plus Friend
· Cyber portal
· KAC Customer Satisfaction Center
· Customer survey
· Customer proposal
· Idea contest
· Sinmungo (Ombudsman) for regulation improvement

· Presentation for residents
· Noise Control Committee
· Discussion meeting with local people
· Sharing with the disadvantaged in noise-affected areas
· Residents survey, etc.

· Aviation Industry Development Council
· Operation reports and consultation on pending issues with ministries
· Government project implementation
· Policy proposal
· Pending issue handling meeting
· Panel discussion, etc.

Created Value

Pride and Harmony

Co-prosperity and cooperation

Fast and convenient service

Development of local communities

Public and social value

Stakeholder Engagement

Interview with Experts

Safety

Korea Industrial Safety Association
Director, Choi Soon-muk

Q1. There is growing public interest in and social demands for safety. What do you think is the most important safety issue?

A. There are various fields in safety. As far as we are concerned, it is important to prevent accidental disasters in terms of industrial safety. Recently, we frequently hear news on accidental disasters and death such as falls, jams, and suffocation. Such accidents can be reduced by shifting existing prevention measures to inspection and patrol centered on fatal accident prevention, making compliance with safety rules mandatory, and raising workers' awareness of safety. We are aware that the government is striving to establish a culture where site workers should comply with safety rules by taking strong measures such as both suspension of work and judicial actions against worksites ill-equipped for safety.

Q2. What kind of work does Korea Industrial Safety Association do with KAC?

A. KAC is a member of our association. The corporation signed an "Agreement for the Safety of Airport Facilities and Prevention of Worker's Industrial Accidents" to establish an error-free airport operation system focusing on safety with us. Therefore, we will actively cooperate with KAC in the fields of safety inspection and diagnosis of airport facilities, safety management of airport workers,

Human Rights

Law School of Sogang University
Professor, Lee Sang-soo

Q1. There is growing public interest in and social demands for human rights issues. Why do public institutions pay attention to human rights?

A. If a public institution promotes human rights management, it has the responsibility of proving the fact. The coverage of human rights management extends to publishing reports on the fact that it promotes human rights respect activities based on a proper system and sharing the results with stakeholders. The report should include how the institution identifies their own human rights issues, establishes policies and plans to solve such issues, conducts training, and what is next year's plan.

Social requirement on human rights management to public institutions aims to prevent human rights violations in the supply chain. It asks public institutions for playing the role as a supervisor who monitors private companies in the supply chain. It means that public institutions should conduct self-audit in order not to be linked with private companies who violate human rights in the supply chain instead of intermeddling in whether they promote human rights management or not. Both KAC and private companies in the supply chain are obligated to conduct human rights management. Public institutions want to work with partners who respect human rights in order to fulfill their human rights obligations and the partners are also responsible for proving the fact. Ultimately, human rights management at public institutions aims to disseminate it to all private companies.

training on prevention of industrial accidents, establishment of safety & health management system, and increase of workers' awareness of safety.

Q3. What areas do you think KAC should focus on in order to secure airport safety?

A. The airport is a representative public facility and the first gateway to Korea. Therefore, it is critical to enhance the safety of airports. In that sense, I believe the strength of safely operating airports across the nation derives from satisfying the most fundamental requirements. I also think that safety management is one of corporate social responsibilities required from society. Therefore, KAC should be proactive in complying with legal obligations such as the Occupational Safety and Health Act and continue to pay attention to safety and health. It is also required to implement efficient safety and health management to prevent occupational accidents and establish an organization dedicated to leading

autonomous safety control activities. To strengthen the awareness and capability of safety, it is recommended to regularize theoretical education and practical training for employees in charge of safety and health management. We hope this education and training will be extended to airport families including business partners.

The safety of customers, airport workers, and airport facilities is a very significant issue. We will actively utilize our capabilities and know-how to realize safe and error-free airports where passengers can feel convenient and comfortable.

Q2. What do you think KAC should do to share and spread human rights management within the value chain?

A. KAC is responsible for respecting and protecting human rights and is required to ensure that all companies in the value chain can promote human rights management. It can be an important issue how to address human rights issues within the Group as well as fields (companies in the supply chain which are not controlled by the Group) not included in the group. KAC should conduct human rights impact assessment to identify and address human rights issues in the supply chain in advance. However, it's not possible to cover entire supply chain from the beginning. You need to expand the coverage step by step, for instance, starting from the first-tier partners in the first year, then the second-tier partners in the next year, and the third-tier partners in the following year. Meanwhile, there may be cases that can be solved only through formal objections. In the event a human rights problem arises despite enough preliminary investigations and efforts, you need to resolve it individually according to the prescribed procedure of relief until the victim is satisfied.

Q3. What do you think that KAC should do to fulfill its obligations of protecting and respecting human rights as a public institution and to be an institution that leads human rights management?

A. If the major issue was to be equipped with a human rights management system until last year, from now on, it is important to operate it in an efficient way. In other words, it requires conducting human rights impact assessment for preemptive prevention and establishing and implementing the procedure of relief in an appropriate way. The level of human rights is on a rise and new issues may be included in the scope of human rights. KAC needs to cooperate with domestic and international organizations in relation to human rights issues in the airport operation sector to create a social consensus. Furthermore, I hope KAC to become a globally leading airport group in terms of human rights and to disseminate your best practices across the globe.

Stakeholder Engagement

Interview with Experts

Local Communities

Work Together Foundation
Dept. Head, Lee Won-tai

Q1. What are the recent trends of company's involvement in local communities?

A. In the past, companies used to make community involvement mainly around their worksites. Major activities were also just one-off events under the concept of welfare or charity. However, these days, companies tend to breathe in with local communities rather than doing charitable activities. They are also proactive in designing new shared growth models in cooperation with professional social contribution agencies beyond satisfying the needs of local communities. In other words, they are trying to solve local issues by capitalizing on their competencies and influence to create value.

Q2. What is the Work Together Foundation doing with KAC?

A. A certain place in Sinwol-dong, Yangcheon-gu, where KAC has supported has been called "bag factory street" for a long time. However, the street faced an economic crisis due to rapid market changes. We have been conducting a project aimed at supporting their self-reliance in order to revitalize the local economy. This can be viewed as an example of urban regeneration. We are contributing to creating local jobs and preventing job loss by establishing an office for the bag cooperatives and supporting small factories to work cooperatively. Moreover, we are striving to solve local problems by building a bag-making workshop, strengthening the capabilities of the groups who are

Stakeholder Survey Result

Survey Overview

Targets: Internal & external stakeholders of KAC
Participants: 1,261 persons

Employees: 371 persons
Customers & local communities: 516 persons
Airport workers: 374 persons

KAC surveyed stakeholders to understand what they were interested in and identify material issues in the process of preparing our CSR report. Based on the survey, we reviewed the significance of issues in each CSR sector which should be preferentially managed for the fulfillment of our social responsibility and sustainable growth, thereby identifying material issues to be reported.

Survey Results

2019 HIGH MATERIALITY TOP 5

1. Safety
2. Ethical management
3. Security
4. Response to increasing demand for air traffic and infrastructure expansion
5. Human rights management

2019 LOW MATERIALITY TOP 5

1. Response to climate change
2. Contribution to local communities
3. Promotion of eco-friendly management system
4. New businesses and R&D
5. Revitalization of regional airports

The survey items were designed to efficiently evaluate the impacts and significance of issues in four sectors of general CSR management, economy, society, and environment with the aim of promoting strategic and systematic CSR management. Survey results showed that stakeholders were most interested in "safety." Other key issues included "security," "response to demand for growing air traffic and infrastructure expansion," "ethical management," and "human rights management."

disadvantaged in employment such as women who stopped working, and creating educational contents. This project is expected to create a virtuous circle of revitalizing business district and increasing floating population.

Another joint project is to provide "mobility service for the transportation vulnerable." Our role is to find social enterprises and connect them with KAC. And then, they hire only senior citizens who can undertake this service. This project enabled KAC to create jobs for 24 senior citizens and improve the convenience of the transportation vulnerable.

Q3. What do you think about our current social contributions?

A. The two cases above suggest a sustainable win-win growth model for KAC and the local community in the aspect of the CSV (Creating Shared Value), rather than a traditional social contribution project. The first case tells about a new sustainable win-win growth model driven by a partnership with local communities and public institutions. It goes beyond offering short-term welfare to

supporting self-reliance of local communities by understanding their characteristics.

Likewise, the second case started from efforts for better airport service. The number of the transportation vulnerable has been on a rise. In response to this trend, the Foundation and KAC introduced the mobility service for the transportation vulnerable which can contribute to creating jobs for senior citizens in cooperation with social enterprises. This service has resulted in increasing service quality, ensuring the sustainability of social enterprises, and creating 24 jobs for senior citizens.

KAC has been supporting the Yangcheon Bag Cooperatives for 4 years and carrying out the mobility service for the transportation vulnerable for 2 years. We hope KAC will continue to pursue co-prosperity with local communities with a long-term perspective.

Internal stakeholders
29.42%

External stakeholders
70.58%

2019 HIGH MATERIALITY TOP 5

2019 LOW MATERIALITY TOP 5

Average=4.36

4.64	4.60	4.53	4.45	4.44	4.42	4.39	4.37	4.37	4.34	4.27	4.25	4.22	4.21	4.20	4.16
Safety (anti-disaster, airport safety)	Ethical management	Security (aviation, information)	Response to growing air traffic and infra.	Human rights management	Transparent and expert governance	Convenient and smart airports	Minimize environmental impacts	Job creation and talents mgt.	Stakeholder engagement	Shared growth with airport families	Revitalize regional airports	New businesses and R&D	Eco-friendly management system	Contribution to communities	Response to climate change

Stakeholder Engagement

Stakeholder Meeting

In order to share our CSR management activities and performances with stakeholder and collect their opinions, KAC holds the stakeholder meeting every year. In 2019, we invited major stakeholder groups working in the field of job, human rights, environment, customer, and community to explain the process of identifying major issues and collect opinions on each field and suggestions for future directions. In particular, employees of subsidiaries and university students were invited to share more diverse and practical feedbacks.

Date
Oct. 14, 2019

Place
Meeting room #3A at the headquarter of KAC

Topics
1. Collect opinions of each sector about key CSR issues in 2019
2. Present opinions about KAC's CSR activities and future directions

Sector	Working at	Name	Position
Chairperson	Myongji University	Kim Jae-ku	Professor
Job creation	University of Seoul	Lee Choon-woo	Professor
Human rights	National Human Rights Commission	Kim Yong-goo	Member
Ethics	IPS (Industrial Policy Studies)	Kwon Soon-young	Division Head
Environment	Korea Green Foundation	Jee Hyun-young	Director (lawyer)
Airport worker	KAC Airport Service Inc.	Oh Joon-ho	Employee
Customer	Chungbuk National University	Kim Jin-kyeong	Student (KAC University Student Supporters)
Local community	Sinwol Social Service Center	Lee Jae-keun	General Manager

Chairperson Professor of Myongji University, **Kim Jae-gu**

The first step in CSR management is to listen to the various opinions of stakeholders and actively embrace them. In order to pursue public interest, it is necessary to understand the surrounding environment and consider ways to fulfill our social responsibility by utilizing the resources and capabilities of KAC together with stakeholders. I hope KAC will continue communication with customers, experts, and local communities for better CSR management.

Job creation Professor of the University of Seoul, **Lee Choon-woo**

The value created by KAC should be delivered to all stakeholders including customers, employees, and the local community in a balanced manner. Therefore, it is necessary to handle the concept of creating jobs in a systematic and conscious way, and it is also important to work on creating jobs in a qualitative perspective.

⚖ Ethics

Director of IPS

Kwon Soon-young

In order to lead anti-corruption, integrity, and ethics, KAC needs to conduct differentiated activities beyond traditional and basic ethical management. In this respect, it may be desirable to modularize the human rights assessment from next year as well. It would be much meaningful at this time to check whether there were no gender discrimination factors and whether the fair system was established.

☁ Environment

Lawyer of the Environmental Foundation

Jee Hyun-young

KAC should make every effort to develop technologies to actively respond to major environmental issues with regard to airport such as GHG reduction, investment in renewable energy, and noise control. In particular, it is required to prepare and operate not only practical measures such as vouchers for residents around airports to minimize damage from aircraft noise but also strict and systematic environmental management to minimize fine dust generated during takeoff and landing. Furthermore, it is necessary to actively use renewable energy to reduce GHG emissions.

⊞ Local community

General Manager of Sinwol Social Service Cneter

Lee Jae-keun

It is necessary to consider how to share the value of social contribution activities with local communities rather than focusing on the size of the activity. In such respect, KAC needs to conduct activities that can gain the sympathy from local communities beyond participating in charitable activities. For instance, if KAC collects opinions of local people and allows them to suggest projects together by organizing a committee, authentic co-prosperity will be realized.
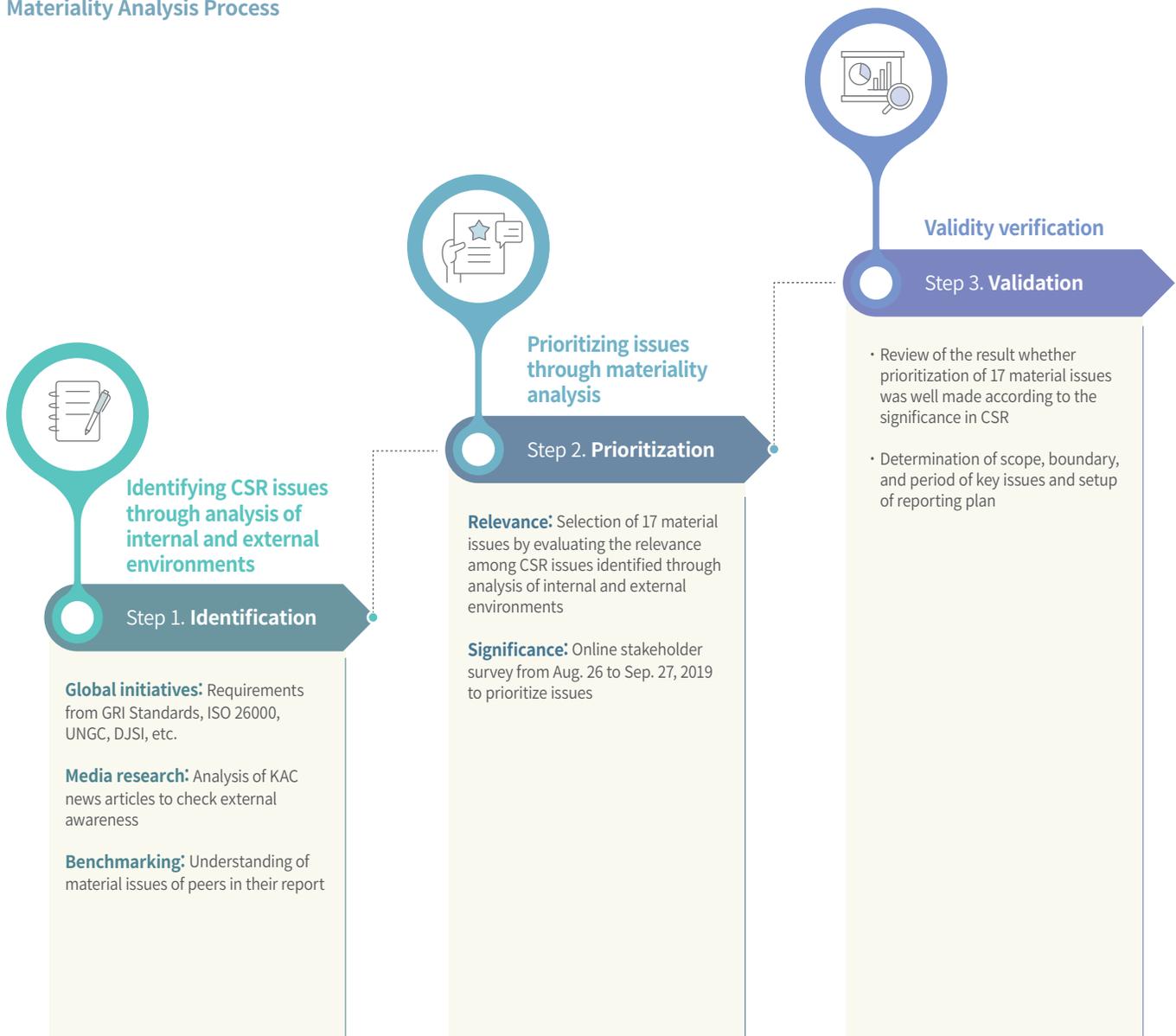
👪 Human rights

Member of the National Human Rights Commission of Korea

Kim Yong-goo

It is necessary to clearly identify factors that may infringe or give negative effects to human rights by systematically conducting human rights impact assessment. Even if employees or business partners fail to identify and feel any violations to human rights while working, KAC can minimize the violations of human rights in advance by controlling factors identified through the human rights impact assessment. Also, recent issues such as power abusing should be dealt with in a way to help victims from the victim-oriented perspective.

♿ Customer

Chungbuk National University Student

Kim Jin-kyeong

To promote the slogan of integrity and anti-corruption, KAC should strive to build horizontal organization structure and transparent corporate culture. Customer service and safety will be really improved when such organizational culture is established. I also hope regional airports to continue to develop their services so that customers are satisfied with them.

⛭ Airport Family

Employee of KAC Airport Service

Oh Jun-ho

I hope KAC, subsidiaries, and partners to cooperate closely as an airport group. As each sector is physically separated, it is not easy to operate businesses in an integrated manner. However, if we endeavor to build a close cooperation system, synergy will be created. Moreover, it is necessary to utilize the media such as YouTube to provide job seekers with opportunities for indirectly experiencing the works of KAC.

Materiality Analysis

KAC conducted materiality analysis to systematically manage CSR issues, select reporting topics, and identify issue which were recognized as important to stakeholders. It was carried out in accordance with the sustainability context recommended by the GRI Standards and ISO 26000 and the principles of materiality, completeness, and stakeholder inclusiveness. The identified material issues were used for organizing contents of this report and we strived to faithfully report related information.

Materiality Analysis Process

Identifying CSR issues through analysis of internal and external environments

Step 1. **Identification**

Global initiatives: Requirements from GRI Standards, ISO 26000, UNGC, DJSI, etc.

Media research: Analysis of KAC news articles to check external awareness

Benchmarking: Understanding of material issues of peers in their report

Prioritizing issues through materiality analysis

Step 2. **Prioritization**

Relevance: Selection of 17 material issues by evaluating the relevance among CSR issues identified through analysis of internal and external environments

Significance: Online stakeholder survey from Aug. 26 to Sep. 27, 2019 to prioritize issues

Validity verification

Step 3. **Validation**

· Review of the result whether prioritization of 17 material issues was well made according to the significance in CSR

· Determination of scope, boundary, and period of key issues and setup of reporting plan

Internal and external stakeholders evaluated the importance of our diverse CSR management issues based on the level of risk, opportunity, and impact. They recognized "Safety (disaster control, airport safety)" as the most important issue. "Ethical management," "security," "human rights management," and "transparency and professionalism of corporate governance" also ranked top issues.

Materiality Analysis Result

● Common CSR ● Economy ● Society ● Environment
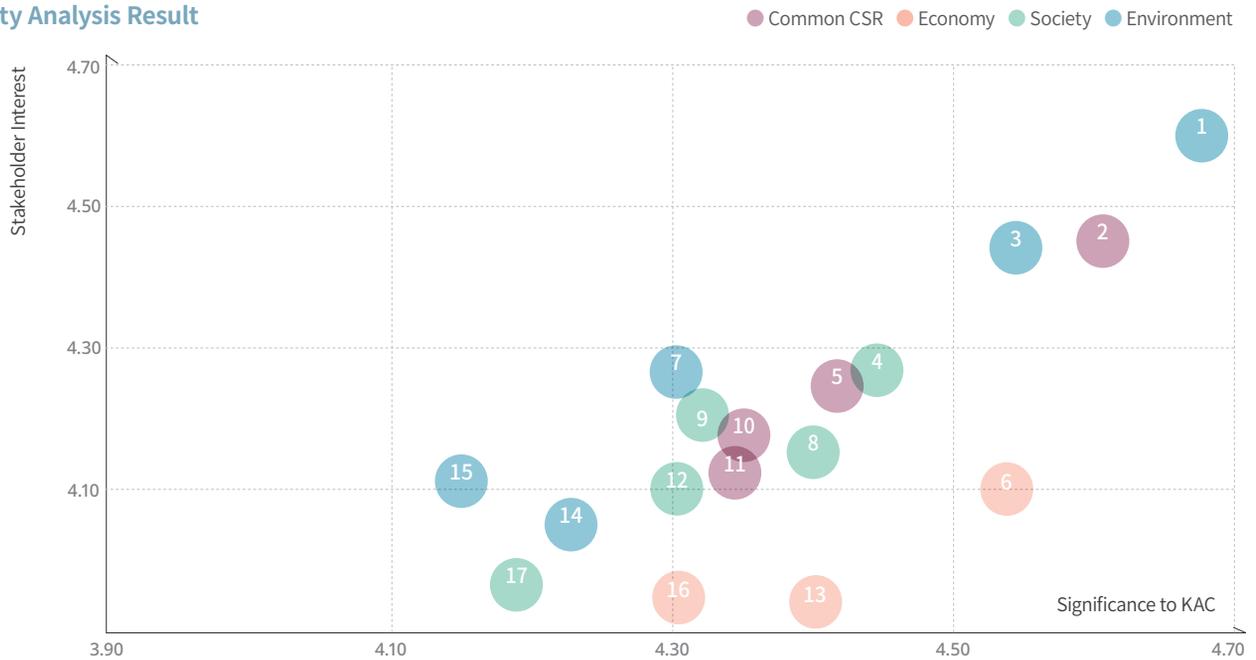
NO.	Material Issue	Category	Stakeholders					Page
1	Safety (disaster control, airport safety)	Special Report, The Value Created in the Airport	●	●	●	●		12~13, 54~58
2	Ethical management (ethics, integrity, anti-corruption, etc.)	The Value Everyone Can Trust		●	●			18~19
3	Security (aviation, information)	The Value Created in the Airport	●	●	●	●		54~58
4	Human rights management (respect, risk control, removal of inequality)	Special Report		●	●			14~15
5	Transparency and professionalism in corporate governance	The Value Everyone Can Trust			●		●	20
6	Response to growing demand for air traffic and infrastructure expansion	The Value Created in the Airport			●	●	●	69~71
7	Minimization of environmental impacts (noise, air quality, etc.)	The Value We Can Share			●	●	●	48
8	Smart airport (service quality and facilities, customer satisfaction)	The Value Created in the Airport	●	●				59~65
9	Job creation and human-focused management (quality job creation, etc.)	The Value We Can Share		●	●	●		34~39
10	Financial and non-financial risk management	The Value Everyone Can Trust			●			21
11	Stakeholder engagement (stakeholder communication channel)	The Value Everyone Can Trust	●	●	●	●	●	22~29
12	Shared growth with airport families (partnership, etc.	The Value We Can Share		●	●			41~42
13	Revitalization of regional airports (activation of local lines, etc.)	The Value Created in the Airport		●	●	●		69~71
14	Promotion of eco-friendly management system	The Value We Can Share		●	●	●	●	46~47
15	Response to climate change (GHG reduction, renewable energy, etc.)	The Value We Can Share		●	●	●	●	49
16	Promotion of new businesses and R&D	The Value Created in the Airport		●	●			67~68
17	Contribution to local communities (differentiated activities, etc.)	The Value We Can Share			●	●		43~45

● Customers ● Airport Families ● Employees ● Local Communities ● Government & Related Institutions

02

THE VALUE
WE CAN SHARE

Job creation

614
persons

**Volunteer hours
per employee**

14.3
hours

**Response to
climate change**

**Minister
Prize of
Environment**

KAC is committed to creating human-focused jobs and conducting social contribution activities to realize the value of co-prosperity. We will also promote systematic environmental management to ensure sustainable eco-friendly airports.

HUMAN-FOCUSED JOB CREATION

Job Creation Committee

Citation of merit for job creation

Ministry of Gender Equality and Family

Recertified for family-friendly corporation

Use of flexible work system

Up almost 7 times

BUSINESS & SOCIAL CONTEXT

As job insecurity and youth unemployment have become a major social issue today, public institutions are much required to lead the creation of quality jobs from society. In response, KAC is proactive in building and supporting the virtuous-circle ecosystem for the aviation industry, thereby creating more jobs in the private sector. We are also striving for stable employment of non-regular workers. Furthermore, the level of satisfaction and job commitment of employees is very critical to our sustainable growth as they are valuable partners for realizing our vision and mission. To this end, KAC makes efforts to create great workplace and corporate culture where they can present their abilities, achieve self-fulfillment, contribute to corporate growth, and pursue work-life balance.

PROGRESS

· Creating new jobs by fostering the aviation industry
· Promoting temp-to-perm transition and fair employment
· Conducting the four strategies aimed at female talents cultivation
· Activating flexible work system for work-life balance

FUTURE PLAN

· Achieving the mid and long-term job creation goal
· Realizing GWP (Great Workplace)

RELATED STAKEHOLDERS

Employees
Airport Families
Local Communities

RELATED DEPARTMENT

Job Creation Team,
Corporate Partnership Team,
General Affairs Team, HR Team,
Labor Relations & Welfare Team

LINK TO SDGs
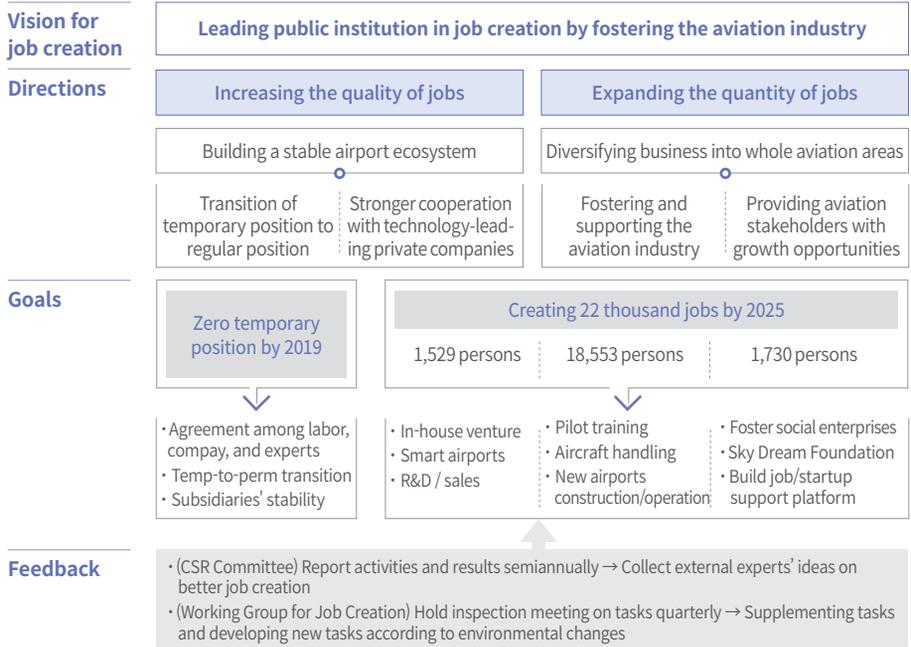
Leading Job Creation

Citation of merit at the 2018 Korea's Job Creation Awards for Public Organizations

(Presidential Job Creation Committee)

Job Creation Promotion System

In order to live up to the government's policy, KAC is promoting job creation projects based on short- to mid-term job creation strategy and roadmap linked with our mid- to long-term management plans. Our strategy is performed in two directions – increasing the quality of jobs by building a stable airport eco-system and expanding the quantity of jobs by diversifying our business into whole aviation categories.

Job Creation Strategy

Vision for job creation	Leading public institution in job creation by fostering the aviation industry			
Directions	Increasing the quality of jobs		Expanding the quantity of jobs	
	Building a stable airport ecosystem		Diversifying business into whole aviation areas	
	Transition of temporary position to regular position	Stronger cooperation with technology-leading private companies	Fostering and supporting the aviation industry	Providing aviation stakeholders with growth opportunities
Goals	Zero temporary position by 2019		Creating 22 thousand jobs by 2025	
			1,529 persons / 18,553 persons / 1,730 persons	
	· Agreement among labor, compay, and experts · Temp-to-perm transition · Subsidiaries' stability	· In-house venture · Smart airports · R&D / sales	· Pilot training · Aircraft handling · New airports construction/operation	· Foster social enterprises · Sky Dream Foundation · Build job/startup support platform
Feedback	· (CSR Committee) Report activities and results semiannually → Collect external experts' ideas on better job creation · (Working Group for Job Creation) Hold inspection meeting on tasks quarterly → Supplementing tasks and developing new tasks according to environmental changes			

Performance in Job Creation

To increase the quality of jobs, KAC has been promoting the transition of partners' workers into regular employees. In 2018, a total of 649 workers found regular jobs in our subsidiaries. In the first half of 2019, we directly hired 169 firemen and gave regular jobs of subsidiaries to 105 workers of partners. We also plan to execute the temp-to-perm transition project for 2,635 workers to realize zero non-regular position within this year. Another plan is to expand our business territory to aircraft handling and pilot training and actively participate in the development of infrastructure including new airports and public golf courses, which will contribute to creating 22 thousand new jobs in the private sector by 2025.

BUSINESS FOCUS

Establishment of a Subsidiary, KAC Airport Service Inc.

KAC Airport Service Inc., as a subsidiary of KAC, provides 14 airports across the nation including Gimpo, Jeju, and Gimhae and four airport facilities with services for 27 kinds of functions such as maintenance of machinery and power facilities, information system, landscaping, and environmental beautification. It was launched with the aim of fulfilling the government's temp-to-perm transition policy for public institutions on December 21, 2017. As of January 2019, a total of 1,350 employees are working at the subsidiary. The number of employees whose job was changed from non-regular to KAC Airport Service's regular position in 2018 reached 649. Going forward, KAC will make a concerted effort to create quality jobs.

KAC's Efforts for Job Creation

We have been proactive in creating new jobs and expanding business territory in order to lead the growth of aviation industry and supporting the government's job creation policy. In 2018, a total of 614 jobs were created (214 new employees in KAC and 400 persons in the private sector).

Pilot training **147** persons

Operation of the jet transition course to support airline job seekers and establishment of the Sky Dream Foundation

Expansion of aircraft handling business **10** persons

New employment **214** persons

Cultivation of social enterprises **23** persons

THE VALUE WE CAN SHARE

Human-focused Job Creation

Youth Startup Incubation Center 19 persons

Cultivation of aviation-specific startups
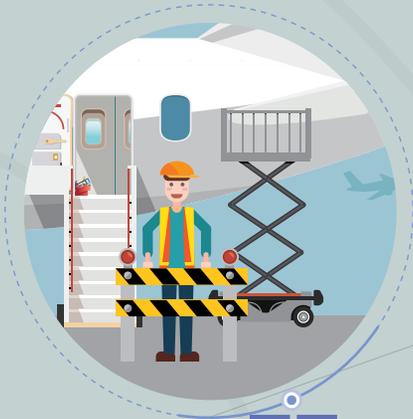
Aircraft maintenance 77 persons

Launch of a company specialized in aircraft maintenance

Public golf course 5 persons

Recruitment of the golf course staff

Expansion of commercial facilities 83 persons

Smart airport system 20 persons
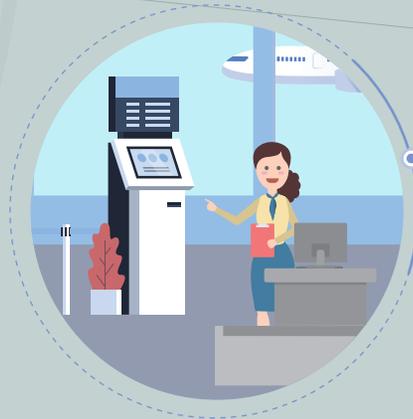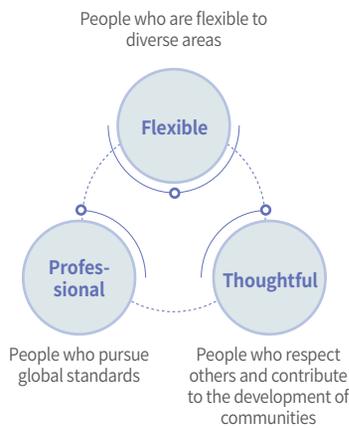
Storage of goods and courier service 9 persons

Supports for the marginalized neighborhoods 7 persons

Human Resources Management

KAC pursues open HR management to secure multi-skilled flexible talents suitable for our business. We will continue to build an organizational culture where fair HR management, capability development, and work-life balance are ensured.

HR Management Strategy

HR goal	Open HR management to secure multi-skilled flexible talents suitable for our business			
Government policy	Creation of quality jobs	Great workplace without discrimination	Trustworthy public institutions	A life of leisure
Employee needs	"Work Together" Culture ✚ Ability & Performanc-based HRM ✚ Work-Life Balance			
Detailed strategies	Energize organization through open hiring	Performance & ability-based HR innovation	Enhance employee ability and expertise	Establish work-life balance culture
Action plans	· Ability-focused hiring · Early cultivation of new recruits	· Improvement of HR management system (evaluation, duty, education, etc.)	· Career development system · Increase of employee professionalism	· PC-Off system · GWP campaign

Fair HR Management

KAC strives to hire outstanding individuals suitable for the ideal talent. Hiring is driven by fair examination and blind test. We have also slackened document screening process and adopted core value-focused questionnaire method in accordance with the NCS (National Competency Standards) to pursue job-centered evaluation. As for employee evaluation, KAC executes the MBO (Management by Objectives) centered on performance and capability and enhances multilateral assessment which emphasizes review by juniors and peers. Compensation and HR management depend on comprehensive assessment of organizational and personal achievements without discrimination on academic background, age, and gender.

Cultivation of Talents with Professionalism

HR Development Directions

In order to cultivate talents with global competitiveness, KAC has developed education programs considering employees' capabilities and needs and continuously improved them for better application to business fields. Moreover, we run a distinctive HR program to nurture specialized experts in aeronautical instruction, airport security, and new airport construction.
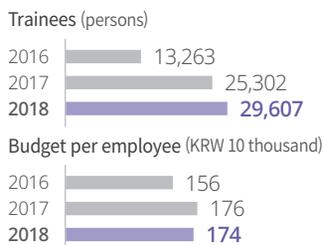
Promotion of the Role of Female Talents

We are carrying out diverse tasks under the "4 Action Plans for Female Talents Cultivation" in order to nurture female talents, promote their role, and prevent career break.

Four Promotion Plans

Female employment (quantitative expansion)
· Improve systems to appoint female non-executive directors
· Assign female interviewers when hiring new employees
· Expand the pool of female managers

Capability enhancement (qualitative growth)
· First launch the female leadership training course

Maternity protection (new childcare environment)
· Start childcare leave (two days a year)
· Execute autonomous parental leave system
· Expand parental leave (1 year → 3 years)
· Relax entrance criteria to workplace nursery
· Reduce work hours during pregnancy (mandatory)

HR management (talents cultivation)
· Expand female managers
· Assign female employees to key positions
· Restrict night and weekend works
· Assign those who return to work after parental leave to jobs they want
· Pursue gender equality and harsh punishment on sexual harassment

Performance in 2018
1. First appointment of female directors **2** persons
2. Female employment 33 in 2016 → 45 in 017 → **55** persons in **2018**
3. Rate of return to work after parental leave **100%**

Ideal Talent

People who are flexible to diverse areas

Flexible

Professional — People who pursue global standards

Thoughtful — People who respect others and contribute to the development of communities

Education and Training Results

Trainees (persons)
2016 13,263
2017 25,302
2018 29,607

Budget per employee (KRW 10 thousand)
2016 156
2017 176
2018 174

Improving the Quality of Employees' Life

Korea Occupational Safety and Health Agency

Citation on excellent health management

Ministry of Gender Equality and Family

Recertified for family-friendly institution
(~2021.11.30.)

Cooperative Labor-Management Culture

Promotion of Employee Health

We run a variety of employee health promotion programs. For example, we collect and share real health promotion activity cases through the "Health Sympathy Project," broadcast self-created body stretching video clips on every Wednesday and designate every Friday as the "No Smoking Day." Other programs are as follows: psychology consultation through the EAP (Employee Assistant Program); operation of the "Tailored Care Service" that provides one-on-one tailored muscle balance training to employees with disabilities; alarm service that helps pregnant employees take a rest once a day; and offering of yoga and contemplation hours once a week. KAC also revised a rule related to business trip cost execution to allow severely handicapped and pregnant employees to use business class when going abroad for business.

Great Place to Work

KAC promotes diverse activities aimed at building great place to work. We designated every Wednesday and Friday as the day of leaving work on time and PC-OFF system. The personal working hour management system helps employees comply with legal working hours and prevent long hours of work. We have also developed work diet tasks and streamlined product purchasing procedure and related accounting, thereby easing pressure of work in reality. Other programs include 30-minute leave system, annual leave saving system, and launch of the "Family Day" that ensures leaving off at 4:00 p.m. on the last Friday of every month for work-life balance.

To share corporate vision with employees and listen to their voices, KAC strives to create a strong bond between the management and employees by running the CEO Postbox program and CEO's visit to business fields. We also operate diverse labor-management communication channels and councils and cooperate with employees in terms of working environment, job creation, and social contribution, thereby pursuing co-prosperity with them.

Labor-Management Communication Channel

- CEO Postbox, employee opinion bulletin
- Reverse mentoring with young employees (at least twice by director)
- Dialogue with employees at each airport (20 times)

Participation of the management (management-employee)

Labor-management communication (company-labor union)

- Regular labor-management council at the head office (three times a week)
- Benchmarking of overseas advanced airports (5 corporate and union executives)
- Workshop for corporate and union executives of airports

- Sharing of in-company documents among departments
- Gathering of opinions on corporate culture and innovation of working
- Collection of employee ideas about CSR management

Information sharing & participation (company-employee)

Led by the labor union (Labor union-union members)

- Discussion meeting of union members of airports
- Communication with employees working at branches and distant areas and collection of their opinions
- Dialogue with the labor union when conducting job trainings

CO-PROSPERITY WITH COMMUNITIES

BUSINESS & SOCIAL CONTEXT

Continuously widening supply chain and growing effects on local communities in the aviation business require us stronger social responsibility. In response, KAC is committed to fulfilling its social role and responsibility in the direction of securing comprehensive competitiveness in the aviation industry together with business partners. We also pursue sustainable and systematic social contribution activities connected with our corporate strategy beyond one-off events.

Performance sharing system

30
cases

Time spent on volunteer works

14.3
hours

Donation

32.3
billion KRW

PROGRESS

· Reorganizing shared growth promotion strategy
· Creating common profits through KAC-specific performance sharing
· Promoting social contribution customized for local communities

FUTURE PLAN

· Operating the Fairness Culture Promotion Committee and disseminating fairness culture
· Enhancing shared growth and overseas expansion with domestic SMEs
· Strengthening our social contribution brand

RELATED STAKEHOLDERS

Airport families
Local communities

RELATED DEPARTMENT

Aviation Research Institute, Corporate Partnership Team, Asset & Contract Team, Commercial Facilities Team, New Technology Business TF Team, Social Contribution Innovation Center TF Team

LINK TO SDGs

Creating Fair Culture

Adding Points to SLA in CSR Evaluation

· ISO 9001
  (Quality Management System)
· ISO 14001
  (Environmental Management System)
· ISO 20000
  (IT Service Management)
· ISO 27001
  (Information Protection Management System)
· OHSAS 18001
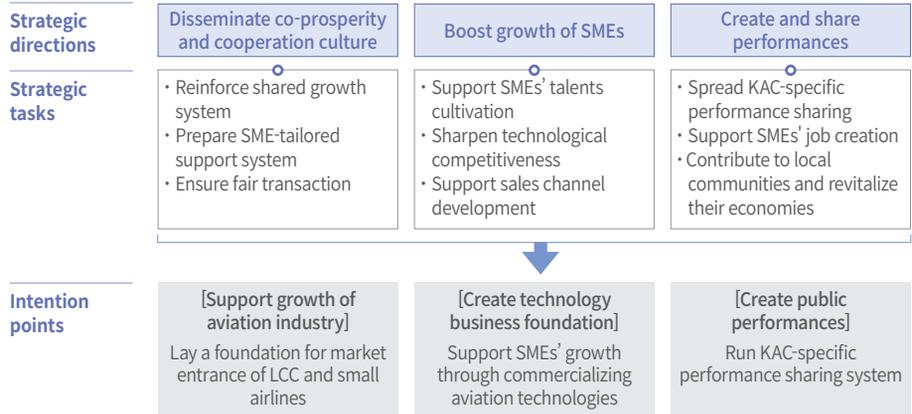 (Occupational Health and Safety Assessment Series)

Leading Fair Economic Order

KAC operates the KAC Fair Culture Promotion Committee to ensure transparent work process and lead fair economic orders. We introduced the Subcontractor Keeper program which ensures direct payment to subcontractors in the construction contract sector. The program went into effect on construction projects which consume over KRW 50 million and at least one month in 2018. KAC checks the practice of Subcontractor Keeper program every month. As a result, there was no delay in payment of construction costs. As for airport leasing projects, we allow bidders to pay security deposit through bank guarantee and performance guarantee insurance apart from cash when they make bids, lowering barriers for SMEs. Unreasonable articles in the standard contract were also improved, which contributed to compensating KRW 860 million for surplus in rental fee.

Shared Growth Promotion System

We support the growth of business partners and SMEs for co-prosperity with them. In response to changes in business environment such as demands for stronger public interest, KAC reorganized its shared growth strategy system and identified three strategic directions and nine tasks aimed at creating the value of co-prosperity with the private sector. To this end, we conduct discussion meeting by class with their CEOs, site managers, and staff. Moreover, business partners' opinions are collected through diverse online and offline communication channels including the SKYONE.

Shared Growth Promotion Strategy

Strategic directions	Disseminate co-prosperity and cooperation culture	Boost growth of SMEs	Create and share performances
Strategic tasks	· Reinforce shared growth system · Prepare SME-tailored support system · Ensure fair transaction	· Support SMEs' talents cultivation · Sharpen technological competitiveness · Support sales channel development	· Spread KAC-specific performance sharing · Support SMEs' job creation · Contribute to local communities and revitalize their economies
Intention points	[Support growth of aviation industry] Lay a foundation for market entrance of LCC and small airlines	[Create technology business foundation] Support SMEs' growth through commercializing aviation technologies	[Create public performances] Run KAC-specific performance sharing system

Supporting Partners' Competitiveness Enhancement

The SLA (Service Level Agreement)-based performance sharing system is operating to improve the quality of airport services and grant performance-based incentives. The SLA evaluation includes social responsibility index to encourage partners to fulfill their social responsibilities. KAC also holds the best practice contest to award excellent SLA performers.

In addition, for welfare promotion of partners' employees, KAC supports physical training cost and utilization of recreational facilities. In 2018 and 2019, a 5-day training program for global competence upgrade was offered to around 100 and 70 employees of partners, respectively. They visited airports in Hong Kong, Taiwan, and Japan to benchmark recent trend and quality of airport services.

Cultivation of a Culture of Fairness
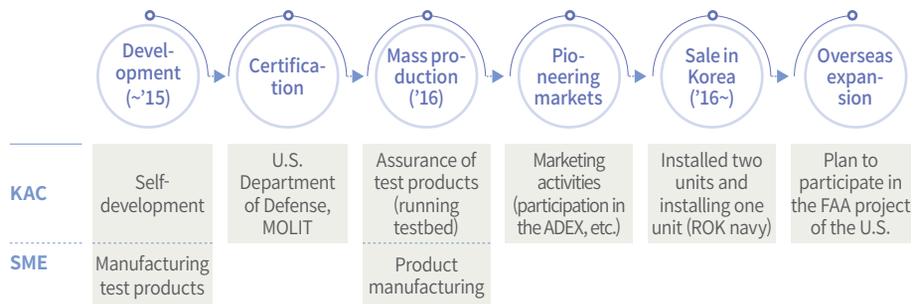

TACAN PR booth

KAC-type Performance Sharing System

To maximize mutual profits with business partners, we operate the KAC-type performance sharing system. KAC demonstrates patent technologies on airport equipment, professional manpower, and brand awareness based on airport operation knowhow, while SMEs have difficulties in business expansion due to lack of manpower, capital, and awareness despite skills of manufacturing special equipment for airport operation. The KAC-type performance sharing system is a co-prosperity model that helps maximize our advantages and overcome their weakness. Going forward, we will continue to make efforts for sharpening their competitiveness and creating more sharing growth models in a sustainable way.

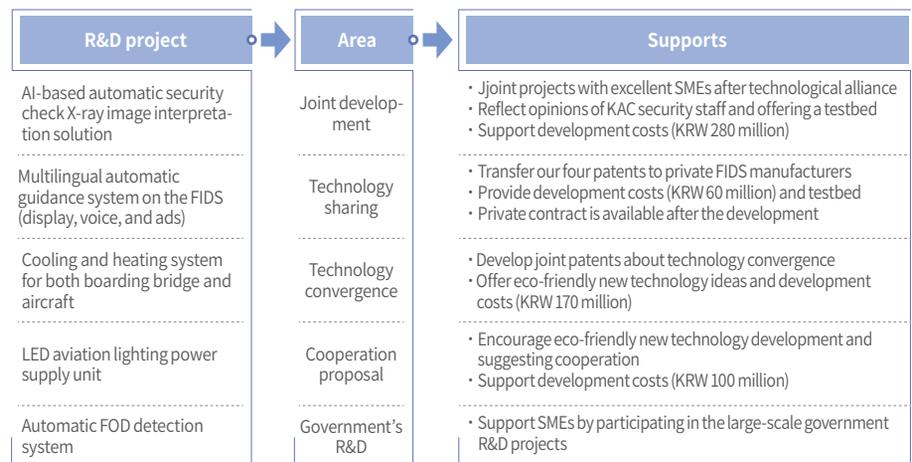### Korea's First Development and Sale of the TACAN

The TACAN (Tactical Air Navigation) is a system that provides accurate azimuth and distance information to military aircrafts to safely attract them to destinations. KAC succeeded in self-development of the TACAN and delivered two sets of the TACAN to the Navy by manufacturing them in cooperation with SMEs who have production lines. With this as a momentum, KAC intends to give impetus to winning large-scale orders for the TACAN in Korea, exploring overseas markets, and strengthening cooperation with SMEs.

Development and Commercialization of the TACAN

	Devel-opment (~'15)	Certifica-tion	Mass pro-duction ('16)	Pio-neering markets	Sale in Korea ('16~)	Overseas expan-sion
KAC	Self-development	U.S. Department of Defense, MOLIT	Assurance of test products (running testbed)	Marketing activities (participation in the ADEX, etc.)	Installed two units and installing one unit (ROK navy)	Plan to participate in the FAA project of the U.S.
SME	Manufacturing test products		Product manufacturing			

Joint R&D

KAC promotes diverse joint R&D projects with SMEs beyond just simple technological alliances, supporting private R&D activities and their growth.

R&D project	Area	Supports
AI-based automatic security check X-ray image interpretation solution	Joint develop-ment	• Jjoint projects with excellent SMEs after technological alliance • Reflect opinions of KAC security staff and offering a testbed • Support development costs (KRW 280 million)
Multilingual automatic guidance system on the FIDS (display, voice, and ads)	Technology sharing	• Transfer our four patents to private FIDS manufacturers • Provide development costs (KRW 60 million) and testbed • Private contract is available after the development
Cooling and heating system for both boarding bridge and aircraft	Technology convergence	• Develop joint patents about technology convergence • Offer eco-friendly new technology ideas and development costs (KRW 170 million)
LED aviation lighting power supply unit	Cooperation proposal	• Encourage eco-friendly new technology development and suggesting cooperation • Support development costs (KRW 100 million)
Automatic FOD detection system	Government's R&D	• Support SMEs by participating in the large-scale government R&D projects

Social Contribution for Local Communities

2018 Happiness Plus Social Contribution
(held by the Association of Korean Journalists and Korea Employers Federation)

Grand Prize
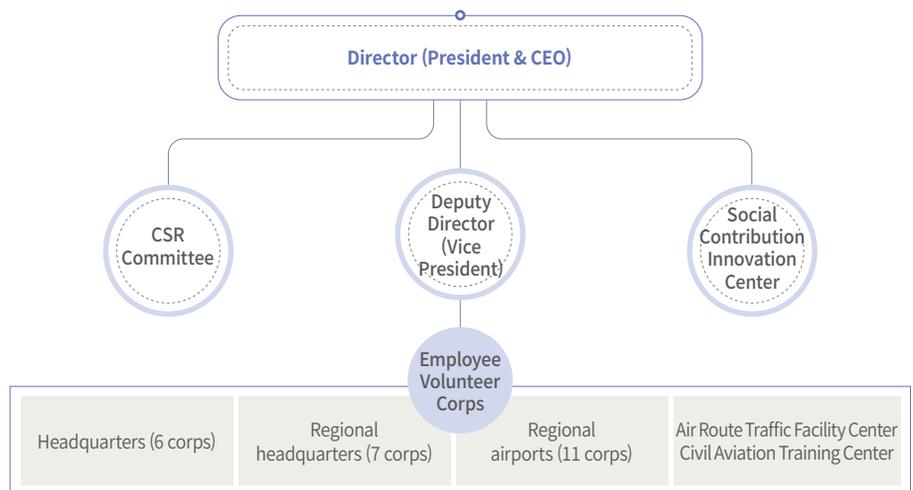
Social Contribution Promotion System

KAC promotes strategic social contribution connecting with corporate vision. Our social contribution programs pursue sustainable and systematic operation beyond just a one-off event and employees' participation. We are also proactive in partnering with local communities, non-profit organizations, and NGOs.

Social Contribution Strategy

Vision 2025	Connecting the World, Inspiring the Future		
Goal for social contribution	CSR leader in creating new values for society and customers		
Strategic tasks	Business-related social value creation projects	Supports for growth and self-reliance of local communities around airports	Hope sharing in the fields of education, culture, and sports

To ensure more systematic social contribution, KAC operates the Social Contribution Innovation Center as an exclusive department and employees participate volunteer corps. Benefits are granted to excellent volunteer corps and volunteers to motivate them. In addition, we operate the KAC Family Volunteer Corps during vacation to help employees' families participate in community services.

Organization for Social Contribution

Director (President & CEO)

CSR Committee

Deputy Director (Vice President)

Social Contribution Innovation Center

Employee Volunteer Corps

Headquarters (6 corps)	Regional headquarters (7 corps)	Regional airports (11 corps)	Air Route Traffic Facility Center Civil Aviation Training Center

Social Contribution Activities

Business-linked Happiness Sharing

The international travel voucher program is to provide whole costs for overseas trip including airline tickets, hotel coupons, and food to residents in noise-affected areas around Gimpo International Airport who have few opportunities for travel. A total of 231 persons of 60 households became the first beneficiaries of the program launched in 2018. KAC will continue social contribution activities that make the most of our business feature going forward.

We also support multicultural families to create the society where diverse cultures can be recognized and harmonized. Major programs include teaching languages for their early settlement and self-reliance, sponsoring visits to their homelands, assisting the formation of self-identity of the 2nd multicultural generation, and holding overseas camps for understanding the culture of mother's country.

International travel voucher program

Tailored supports for multicultural families

Hope Sharing with Local Communities

KAC Porty Wedding

Social contribution for sports

The "KAC Porty Wedding" program, which is conducted in cooperation with the Korea Population, Health and Welfare Association, provides reserve couples of the underprivileged living in noise-affected areas with wedding hall, event, honeymoon by capitalizing on idle spaces in airports. Starting with first couple in Gimpo International Airport in December 2018, a total of 10 couples have held a wedding ceremony as of the end of December 2018.

As for sports sector, KAC has hosted the nationwide tennis club tournament in areas around Gimpo, Gimhae, and Jeju International Airport since 2016. In 2018, we also started supports for badminton clubs. Those contributed to activating communication and promoting friendship with local people.

Love Sharing with People around Airports

KAC opened an integrated playground for children named "KAC Sky Dream-Wisdom-Happiness Playground" in Sinwon Elementary School located around Gimpo International Airport in April 2019. It goes beyond the concept of barrier-free space. It was meaningful in the way that children and their parents as well as experts participated in the design stage. With the hope that children can run and play freely regardless of the disabilities, KAC intends to build more integrated playgrounds around airports.

We have implemented the Cool Roof campaign for outdated houses and social welfare facilities vulnerable to heat wave within noise-affected areas. It aims to lower indoor temperature of the houses and facilities by 3~4°C through painting the rooftop with thermal paint. 29 outdated houses and 3 social welfare facilities around Gimpo International Airport in 2018 and 40 outdated houses in 2019 have benefited from the campaign. We will continue this campaign for the health of local people, energy saving, and mitigation of the city heat island effect.

KAC Sky Dream-Wisdom-Happiness Playground

KAC Cool Roof Campaign

KAC Green Companion in the Sky Project

Supports for self-reliance of small businesses in Yangcheon-gu

We have been conducting a 5-year-long social contribution project named "KAC Green Companion in the Sky" which aims to improve deteriorated residential areas around Gimpo International Airport. In 2018, we painted walkways, installed solar power lamps and wall, and built rest areas and small gardens after presentation for residents and verification by experts. It is expected that this project will contribute to even better safety of pedestrians and urban regeneration effect beyond just the improvement of living environment.

KAC and the Work Together Foundation have invested KRW 300 million for three years from November 2015 in establishing the Yangcheon Bag Cooperatives for small bag manufacturers in Yangcheon-gu, supporting the development of their independent brand (LANTT), and operating sales booth. In October 2018, we allowed them to install a PR booth in the domestic terminal of Gimpo International Airport, supporting sales growth. We plan to add KRW 150 million by 2020 to their design, product development, and marketing activities.

ECO-FRIENDLY AIRPORT FOR THE FUTURE

GHG target management system in the public sector

Exceeded the goal by **35%**
(exceeded the goal for 8 consecutive years)

LED light replacement rate

92%

Noise improvement rate (cooling & heating facilities)

36%
(Year-on-year 7%↑)

BUSINESS & SOCIAL CONTEXT

As concerns about climate change, resource depletion, and environmental pollution issues are growing, we are facing increasing interest of stakeholders in corporate efforts for minimizing environmental impacts and responding to climate change. Recently, demand for air quality control against fine dust issue is also sharply increasing. In response, KAC is proactive in systematic environmental management to realize sustainable eco-friendly airports.

PROGRESS

· Building a green infrastructure including new and renewable energy
· Improving air quality by expanding eco-friendly vehicles, etc.
· Expanding aircraft noise improvement activities

FUTURE PLAN

· Achieving the 2025 New and Renewable Energy Roadmap
· Realizing green airports by responding to climate change

RELATED STAKEHOLDERS

Government and related agencies
Local communities
Customers

RELATED DEPARTMENT

Environmental Energy TF Team

LINK TO SDGs

Environmental Management System

Based on the vision of "realizing eco-friendly airports where people can feel comfortable," KAC has established the environmental preservation system. In order to ensure sustainable eco-friendly airport construction and operation, we are thorough in preventing environmental pollution, complying with related laws and manuals, and running more tightening internal criteria than legal requirements. Furthermore, the ECO-GREEN system is running for the purpose of making our airports low-carbon eco-friendly together with local stakeholders and the airport families including partners and residing companies.

Environmental Preservation System

Vision	**Realizing eco-friendly airports where people can feel comfortable**		
Scope	Pan-national environmental policy	Customers who visit airports	Neighboring local people
Targets	Actively executing the government's environmental policies	Providing people with comfortable airport environment	Preserving basic rights of local people for their comfortable life
Action Plans	· Realizing low-carbon green airports · Establishing climate change response plans	· Improving air quality water quality · Expanding eco-friendly infrastructure	· Reducing noise impacts on local communities · Expanding supports for local people

ECO-GREEN System

Carbon point system for residing companies	Consulting on energy saving	Energy campaign
· Offering incentives (On-nuri gift card) to residing companies to encourage voluntary saving · Awarding incentives to 69 companies out of 406 participants	· Providing residing companies with consulting on reducing waste of energy to encourage their reasonable energy consumption · Consulting for rentees	· Conducting campaigns for climate change response and energy saving such as the Energy Day and Earth Hour together with local communities

BEST PRACTICE

Gold Prize at the "2018 Green Apple Awards"

KAC won the gold prize in the sustainable water control sector of the "2018 Green Apple Awards." We have promoted a sustainable water saving project throughout 14 airports across the nation since 2011 when the water saving goal management plan was set up. As a result, KAC has saved approximately 2.09 million tons of water from 2011 to 2017, which was highly recognized at the awards.

Silver Prize at the "2018 Green World Awards*"

We won the silver prize in the carbon reduction sector of the "2018 Green World Awards." KAC has endeavored to reduce carbon emissions by building EV charging infrastructure at airports and promoted a variety of GHG reduction projects and clean airport operation programs. These efforts were well-received at the awards.

* Green Apple Awards and Green World Awards: Environmental awards hosted by "The Green Organization," a U.K.-based environmental non-profit organization and officially authorized by the European Commission and the Environment Agency of the U.K. Those are granted to institutions who are proactive in improving environment and developing related projects.

Minimization of Environmental Impacts

Water Recycling Center

Water Quality Control

The capacity of sewage treatment has reached the limit due to deterioration of airport facilities and growing number of passengers. In response, KAC established the water recycling center to control the quality of water used in airports. The center's sewage treatment capacity increased 17.5% in comparison with the past to 700 tons a day and subterranean sewage treatment facility solved the smelly problem. The quality of effluent is monitored around-the-clock. We also inspect water quality of seven facilities including water tanks and pipes at least once a year.

Air Quality Control

In response to increasing concerns about fine dust, KAC has been making a concerted effort to maintain clean and comfortable air quality in airports. For example, we conduct the alternative-day-no-driving system, control operating hours at construction sites, and inspect exhaust gas on moving areas. We also adopt stricter air quality control cycle than legal requirements by inspecting PM10 quarterly (legally once a year) and PM2.5 annually (legally no restriction). As a result, the indoor air pollution level is maintained at 22% of legal requirement and PM2.5 level remains in good condition. In addition, KAC has expanded EV charging facilities to contribute to revitalizing eco-friendly vehicles. A total of 39 EV charging stations were operated at airports nationwide as of 2018 and the usage record increased 1,815% year-on-year (863 times in 2017 to 15.664 times in 2018. Moreover, KAC introduced the Korea's first automated lower-emission vehicle exemption system based on number recognition to reduce their parking rates.

Waste and Soil Pollution Control

We regularly analyze the situation of waste generation and treatment at all airports and frequently check the level of soil pollution.

Efforts for Reducing Noise

Aircraft noise is regularly monitored through the automatic aircraft noise monitoring network. We also purchase lands of noise-affected areas to reduce noise complaints and reform the areas as public facilities. KAC also strives to solve grievances of residents in noise-affected areas. Major activities include installing soundproof facilities at houses and schools and supporting electric charges for air conditioning in summer (4 months from June to September) when they it is not easy to open windows due to aircraft noise despite summer heat. The number of beneficiaries from this program sharply increased to 78,589 households in 2018 from 57,876 households in 2017 and application process was further streamlined. On top of that, we operate diverse communication channels such as workshop, discussion meeting, and public hearing for residents to collect their opinions and provide them with practical benefits.

Noise Control Projects in 2018

(Unit: KRW in millions)

Project	Expenditure
Installation of soundproof equipment and air-conditioning facilities	22,500
Support for residents' electricity charge and KBS license fee	17,831
Supports for local people (local government)	19,874
Scholarships, etc.	3,151
Total	63,356

Response to Climate Change

Energy efficiency improvement

Award for Merit
(Prime Minister Prize)

Climate change response measures

Excellent Institution
(Won the Minister Prize of Environment)

GHG target management system in the public sector Surplus achievement in

8 consecutive years

Renewable Energy Introduction Plan

With the aim of saving energy and reducing fine dust and carbon emissions in compliance with the government's Renewable Energy 3020 policy, KAC has established a plan for introducing renewable energy facilities including solar power to airports. Based on the 2025 Renewable Energy Roadmap, we will promote the replacement of existing energy source in airports with eco-friendly energy step by step.

Renewable Energy Introduction Plan

Goal	Increasing renewable energy generation by 3.1 multiples by 2025	
Period	~2020	~2025
Power generation (Mwh)	4,423	9,559
Introduction rate (%)	4.1	8.9
Eco-friendly infrastructure construction	· Expanding EV charging stations · Installing a 60kw class fuel cell and 567kw class solar power facilities (9 units including Gimpo)	· Expanding EV charging stations to all airports · Installing a 3,608kw class geothermal power and 1,187kw class solar power facilities (8 units including Jeju)

Establishment of Countermeasures to Climate Change

In response to increasing natural disasters caused by abnormal weather conditions, KAC has analyzed damage cases in terms of climate change, vulnerability of airports, and related risks. Based on the results, we established countermeasures to the new climate change issue by each airport and organized the Climate Change Adaptation Council led by managers of the Airport Facilities Dept. at the head office and 14 airports. The council is held regularly (half-year) and occasionally. In addition, the implementation of countermeasures is monitored, and each department prepares related regulations and plans, which allow us to efficiently respond to climate change. These efforts were introduced to the Korean Society of Climate Change Research as a case study and resulted in winning the Minister Prize of Environment in 2018.

Efforts for GHG Reduction

The Air Route Traffic Control Center, Civil Aviation Training Center, and 14 airports across the nation are subject to the target management system for public institutions. KAC's GHG emissions in 2018 decreased 35% from the target of 63,148tCO$_2$ to 40,950tCO$_2$, outperforming the government's target of 26% by 9% and even the previous year's performance (33.3%). Meanwhile, Gimpo International Airport introduced the emissions trading in 2015 and currently secures emissions rights on surplus.

GHG target management system
(Unit: tCO$_2$)

	2016	2017	2018
Standard emission	50,001	58,190	63,148
Real emissions	36,308	38,785	40,950

* The emissions increased due to the expansion of building and infrastructure.

Emissions trading
(Unit: tCO$_2$)

	2016	2017	2018
Standard emission	34,328	38,660	29,245
Real emissions	30,823	35,639	39,524

Green Airport

The operation of eco-friendly airports is KAC's proper duty and at the same time, a promise with stakeholders and future generations. To this end, we are proactive in building eco-friendly infrastructure and strictly monitoring and managing airports to minimize environmental impact.
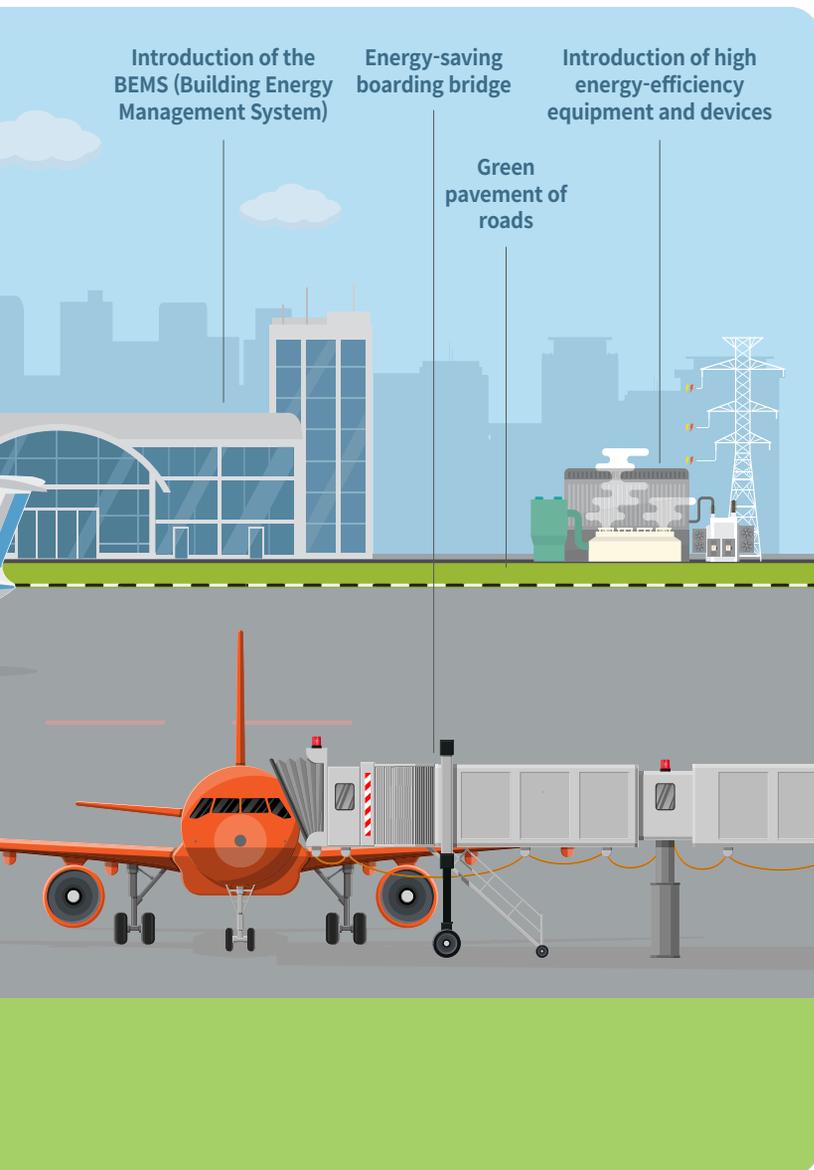
* This page shows environmental data we have consumed, emitted, and managed in 2018.

INPUT

Energy Consumption

(Unit: TJ)

Direct energy	Fuel	249
	Vehicles	24
Indirect energy		1,339
Total energy consumption		**1,612**

Water Consumption

(Unit: Tons)

City water	640,153
Underground water	518,850
Heavy water	227,284
Total water consumption	**1,386,287**

ENVIRONMENT-FRIENDLY

Installation of 39 EV charging stations

LED replacement 92%

Eco-friendly engineering
Excellence in green building certification, 2nd Rating in Energy Efficiency (Gimpo International Airport)

Indoor air quality
PM10: 33.6 µg/㎥ (Average of airports nationwide in 2018)

AIRPORT MANAGEMENT

Introduction of the BEMS (Building Energy Management System)

Energy-saving boarding bridge

Introduction of high energy-efficiency equipment and devices

Green pavement of roads

OUTPUT

GHG Emissions

(Unit: tCO₂)

Direct emissions	15,398
Indirect emissions	65,076
Total emissions	**80,474**

Air Pollutants Emissions

Complied with environmental standards

Waste Emissions

(Unit: Tons)

General	4,861
Designated	99
Total	**4,960**

Water Pollutants Emissions

Complied with environmental standards

Water Recycling

16.6%

03

THE VALUE CREATED IN THE AIRPORT

Disaster damages

0 case
(6 consecutive years)

PCSI (Public-service Customer Satisfaction Index)

A rating

International routes

24 new routes

KAC makes a concerted effort to help passengers enjoy safe and comfortable services. Our cutting-edge safety and security infrastructure and global-level services provide them with the best value, which contributes to securing future competitiveness for sustainable growth.

SAFER AIRPORT

2 sectors in the national disaster control assessment

The Only Top Rated among Public Enterprises

"Smart Security"

World's First Application of All Elements

"Award for merit on industrial safety" by drone-driven inspection

Minister Prize of Public Administration and Security

BUSINESS & SOCIAL CONTEXT

Recently there has been a growing interest in safe airport operation among stakeholders due to significantly increasing demand for air services and air traffic globally. Diverse risk factors threatening airport operation such as terror and cyber-attack require airport operators to conduct omnidirectional security control based on advanced security system. KAC ensures global level safety control at all airports based on cutting-edge safety and security infrastructure.

PROGRESS

· Improving disaster response system and enhancing execution power
· Introducing the Smart Security system to Jeju International Airport
· Increasing the runway operation rating at Gimpo and Gimhae International Airport
· Establishing a comprehensive personal information management system

FUTURE PLAN

· Carrying out anti-disaster drills attended by local people around airports
· Expanding the Smart Security system to new airports
· Exploring new drone-utilizing inspection areas

RELATED STAKEHOLDERS

Customers
Airport families
Employees

RELATED DEPARTMENT

Cyber Security Team, Airport Facilities Team, Airside Operation Team, Aviation Facilities Team, Safety Planning Team, Disaster Prevention Team, Security Planning Team

LINK TO SDGs

Disaster and Safety Management

Disaster control evaluation of public institutions

A rating

Disaster control evaluation of national infrastructure

A rating

Number of disaster damages

ZERO
(6 consecutive years)

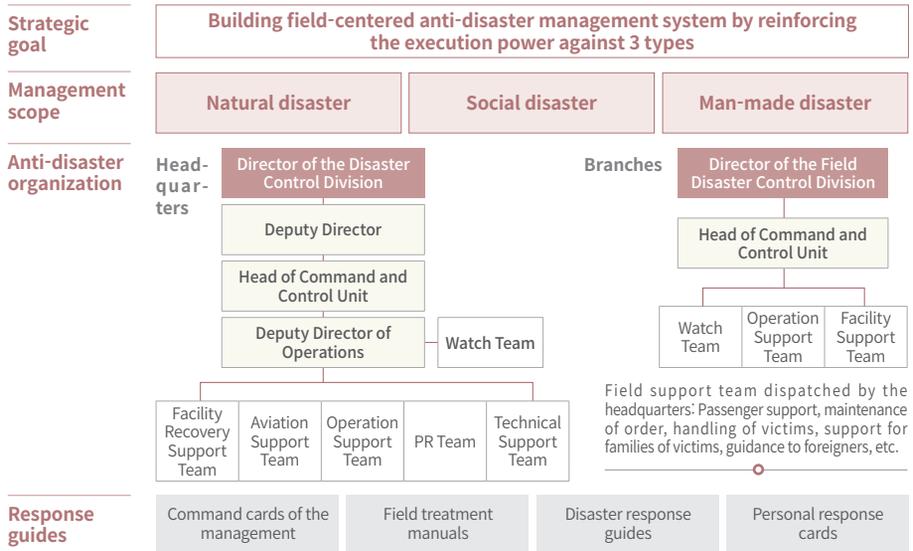**Relief and firefighting personnel**

227 persons (direct hiring),

43 persons (new hiring)

Disaster and Safety Management Strategy

KAC has established a field-centered disaster control system that aims for preventing spread of damage by early response and suppression. At KAC, disasters are managed in three categories – natural disaster (typhoon, heavy rain, heavy snow, earthquake, etc.), social disaster (aircraft accident, disease, transport disturbance, etc.), and man-made disaster (fire, terror, etc.). We have infrastructure and response plans tailored to the features of each category.

Disaster & Safety Management System

Strategic goal	Building field-centered anti-disaster management system by reinforcing the execution power against 3 types		
Management scope	Natural disaster	Social disaster	Man-made disaster

Anti-disaster organization

Headquarters
- Director of the Disaster Control Division
- Deputy Director
- Head of Command and Control Unit
- Deputy Director of Operations — Watch Team
  - Facility Recovery Support Team
  - Aviation Support Team
  - Operation Support Team
  - PR Team
  - Technical Support Team

Branches
- Director of the Field Disaster Control Division
- Head of Command and Control Unit
  - Watch Team
  - Operation Support Team
  - Facility Support Team

Field support team dispatched by the headquarters: Passenger support, maintenance of order, handling of victims, support for families of victims, guidance to foreigners, etc.

Response guides	Command cards of the management	Field treatment manuals	Disaster response guides	Personal response cards

Enhance Control Tower Function

KAC has unified the disaster control structures of all airports and definitized role and responsibility. Disaster and terror are controlled by the Central Disaster Control Center. And we launched Safety Planning Team and Disaster Prevention Team under the Safety & Security Div. to enhance the function of control tower. In addition, we are building the KAC Integrated Disaster & Safety System in order to enable prompt radio communication between the headquarters and branches and provide necessary information at the right time.

Reinforce Disaster Response Execution Power

As for Jeju International Airport, we have been reinforcing the snow removal system in consideration of its geographical characteristic that large-scale flight delays or cancellations can be unavoidable in case of heavy snow. More snow removal equipment operators were hired, and snowplows were upgraded. Now we are constructing a new garage for snowplows. Moreover, to ensure rapid recovery in case of aircraft accidents, KAC purchased air-cushioning equipment for aircraft.
In response to earthquake in airports, we are promoting seismic performance evaluation on two airports and seismic reinforcement project for 17 places in 2019. Particularly, Gimpo International Airport performed a virtual simulation diagnosis in preparation for fire. Based on the results, the airport secured proper exit routes by fire situation and location, thereby minimizing damage from fire and enhancing safety against fire.

Upgrade Disaster Relief Capability

KAC has enhanced safety control and disaster relief capabilities by directly managing relief and firefighting works which are critical to the life and safety of people. We have also considered the launch of private fire brigade in military airports to secure the safety of commercial flights and reinforce their relief and fire system. This project will be preferentially promoted at Cheongju International Airport in the future.

Safe Environment at Worksite

Safety accidents of main- and sub-contractors

Death rate per 10,000 workers
(Unit: %)

2016	0
2017	0
2018	**0**

Fire accident (Unit: cases)
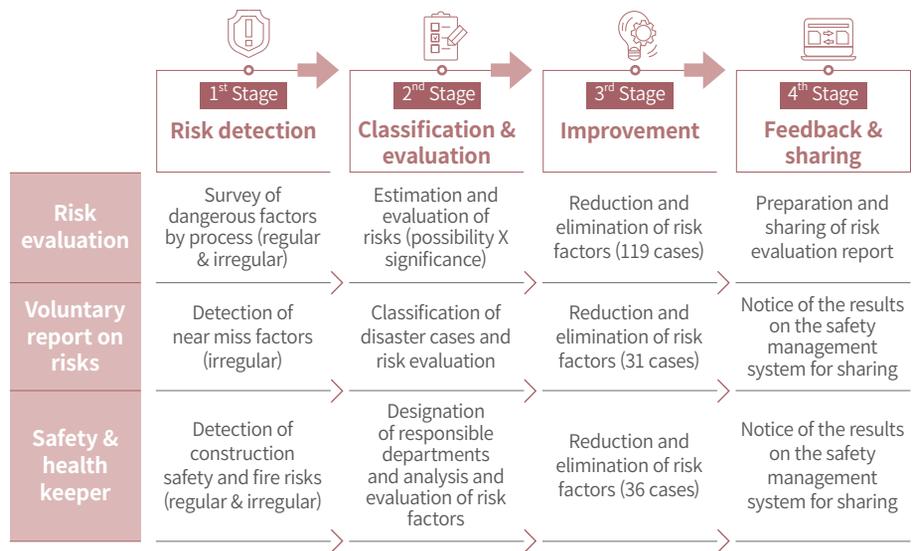
2016	3
2017	1
2018	**0**

Strict Management of High-Risk Worksites

To ensure the safety of jet fuel storage facilities against fire and explosion, KAC conducted analysis and inspection of their operation status in all airports across the nation in which two more external experts participated from the previous year. Through the analysis, a total of 98 risk factors were detected and corrected. We have also expanded the coverage of safety consulting to all airports and promoted a joint workshop for jet fuel management, enhancement of safety culture, and self-inspections. At all construction sites, fire detectors are assigned to fireplaces to prevent fire and life accidents in advance. Other activities include additional installation of portable fire extinguishers and thermal imaging camera, additional inspection on fireplaces by the fire brigade, organization of the joint safety check team and inspection twice a day, etc.

Prior Control of Risk Factors

KAC is proactive in detecting and eliminating risks to the safety of site workers. risks are systematically controlled in three categories of risk evaluation, voluntary report on risks, and safety & health keeper and by four stages of risk detection, classification & evaluation, improvement, and feedback & sharing.

	1st Stage **Risk detection**	2nd Stage **Classification & evaluation**	3rd Stage **Improvement**	4th Stage **Feedback & sharing**
Risk evaluation	Survey of dangerous factors by process (regular & irregular)	Estimation and evaluation of risks (possibility X significance)	Reduction and elimination of risk factors (119 cases)	Preparation and sharing of risk evaluation report
Voluntary report on risks	Detection of near miss factors (irregular)	Classification of disaster cases and risk evaluation	Reduction and elimination of risk factors (31 cases)	Notice of the results on the safety management system for sharing
Safety & health keeper	Detection of construction safety and fire risks (regular & irregular)	Designation of responsible departments and analysis and evaluation of risk factors	Reduction and elimination of risk factors (36 cases)	Notice of the results on the safety management system for sharing

Create Safe Working Environment

Safe working environment is indispensable to airport workers. To this end, we made it mandatory for airside* workers to wear luminous vest within apron and introduced the IoT-based head-mounted imaging radio device which enables direct communication between the field and control center when the fire brigade or bomb disposal unit is sent to the field. As for landside** workers, KAC conducted fire safety assessment on multi-use facilities, made it mandatory for security personnel to wear body camera, and installed black boxes at checkpoints. Other activities included education on malicious customer response manuals for emotional laborers and operation of a consultation office to handle grievances of employees caused by civil complaints.

* Airside: Areas for take-off, landing, and movement of aircrafts where access and movement are restricted except on the authorization by security check
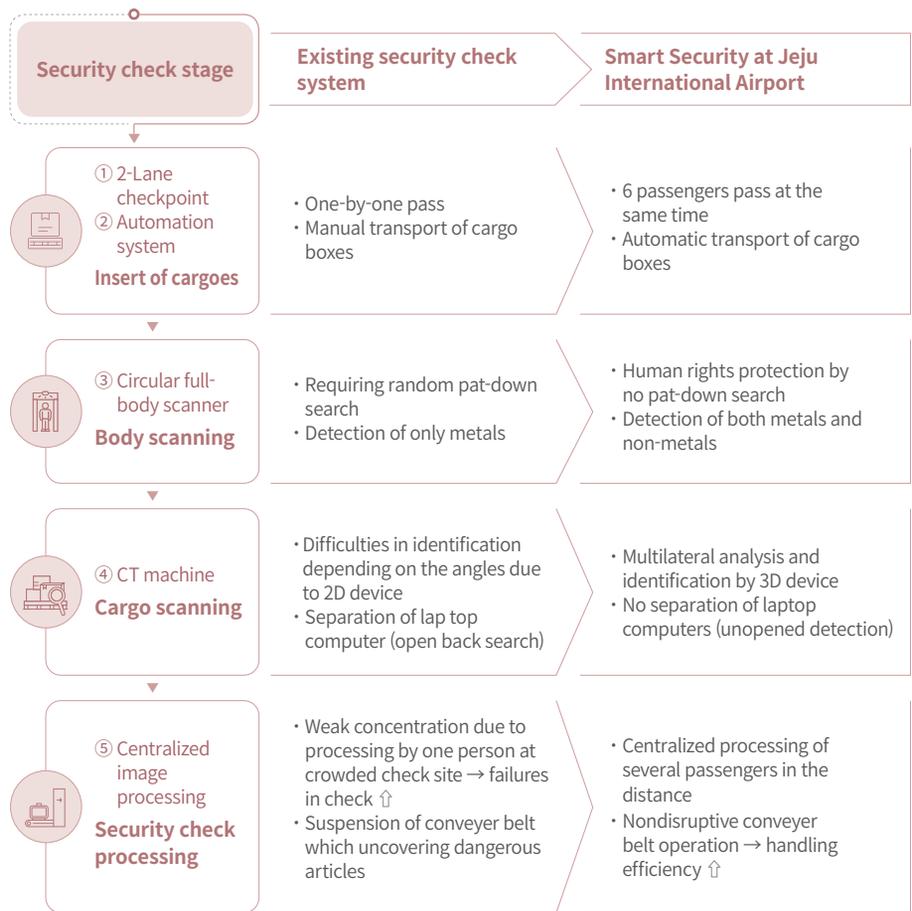**Landside: Areas where access and movement are available such as affiliated facilities, parking lots, groundwork spaces, and neighboring spaces

Reinforcement of Aviation Security

Introduce Smart Security System

KAC has introduced the "Smart Security," an advanced security check system based on accumulated safety management knowhow, which reflected the national safety management policy and new technologies of the Fourth Industrial Revolution. Our Smart Security, which adopted all five elements for the first time in the world, allows us to solve passenger inconvenience, dramatically reduce time for security check, and increase the efficiency in operating security personnel. It was first adopted to Jeju International Airport and will be introduced to new airports.

Entire Smart Security

Security check stage	Existing security check system	Smart Security at Jeju International Airport
① 2-Lane checkpoint ② Automation system **Insert of cargoes**	· One-by-one pass · Manual transport of cargo boxes	· 6 passengers pass at the same time · Automatic transport of cargo boxes
③ Circular full-body scanner **Body scanning**	· Requiring random pat-down search · Detection of only metals	· Human rights protection by no pat-down search · Detection of both metals and non-metals
④ CT machine **Cargo scanning**	· Difficulties in identification depending on the angles due to 2D device · Separation of lap top computer (open back search)	· Multilateral analysis and identification by 3D device · No separation of laptop computers (unopened detection)
⑤ Centralized image processing **Security check processing**	· Weak concentration due to processing by one person at crowded check site → failures in check ⇧ · Suspension of conveyer belt which uncovering dangerous articles	· Centralized processing of several passengers in the distance · Nondisruptive conveyer belt operation → handling efficiency ⇧

Passenger throughput efficiency

Increase of passenger handling capacity per one screening staff

36passengers/h → **49**passengers/h

Passenger convenience

Reduction of time required for passenger screening

20seconds → **10.7**seconds

Safe Aircraft Operation

Inspection on Navigation Safety Facilities with Drone

KAC has applied ICT to navigation safety facilities to ensure safe aircraft operation. We have realized standardized navigation safety management based on big data-driven integrated data platform at all airports and succeeded in developing and commercializing the DIVA (Drone for ILS/VOR Analyzer) for inspection on navigation safety facilities. The DIVA inspects the facilities on the real routes of aircrafts, which ensures higher reliability and accuracy than existing ground inspection. We plan to adopt the DIVA to all airports and radio beacons across the nation by 2022, secure drone operators with the national qualification, and operate in-house training courses to cultivate professional drone operators.

Upgraded CAT for Runway Operations

The number of flight delays and cancellations has reached around 2,049 annually for recent five years due to increasing air traffic (19.6%) and bad weather (fog or low visibility). In response, with the aim of ensuring higher safety and passenger benefits by upgrading the CAT of Gimpo and Gimhae International Airport, we conducted verification on facilities and procedures by organizing an exclusive team. Based on the result, KAC revamped the ALS (Approach Lighting System), modernized the ILS (Instrument Landing System), and reviewed the aviation impacts through the ICAO's CRM (Collision Risk Model), thereby identifying the safety of flights. These efforts resulted in upgrading the CAT of Gimpo (CAT IIIa → IIIb) and Gimhae International Airport (CAT I → II) in December 2018 and improving the rate of cancellation and delay.
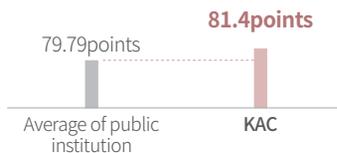
Enhanced Information Security

Cyber breach and personal information leakage

ZERO

Information security evaluation by the NIS in 2018

81.4points

79.79points

Average of public institution   KAC

Diagnosis on personal information protection level by the MOIS

Excellent
(3 consecutive years)

Cyber Threat Response

We have been running the Cyber Security Control Center since 2017 in response to cyber threats. The center was further ungraded in 2018 and, as a security control tower, comprehensively manages company-wide business and internet network. Moreover, KAC has built security infrastructure such as independent networks and anti-ransomware tools to prevent new types of cyber threat. We also share information on cyber threats with the Ministry of Land, Infrastructure and Transport and National Intelligence Service.

Personal Information Management System

Our personal information management system has been further enhanced. We collect and maintain minimum amount of information and revamped the agreement on personal information collection at the company level. Information leakage is prevented by reinforced technical security level and unified access authority management. KAC employees implement autonomous personal information protection activities and self-inspection and related education is offered to all employees as well as information handlers. Furthermore, we are in 100% compliance with legal requirements and information leakage is strictly monitored through the integrated personal information control system.

MORE CONVENIENT AIRPORT

ASQ airport service sector (same class)

5th

PCSI (Public-service Customer Satisfaction Index)

A rating

Satisfaction on commercial facilities at airports nationwide

79.2 points

BUSINESS & SOCIAL CONTEXT

Demand for swift and convenient airport service is continuously increasing in line with sharply growing number of passengers. Their needs are also complicated and diversified on the back of rapidly changing aviation business trend and improved living standard. In response, KAC is proactive in identifying customer needs through active communication and reflecting them in airport operation, thereby improving airport services and helping all passengers, including those with reduced mobility, use airport facilities more conveniently.

PROGRESS

· Providing bio information-based identification service
· Expanding mobility services for the vulnerable groups
· Managing food and beverage prices through system improvement
· Successfully completing the large-scale remodeling project at Gimpo International Airport

FUTURE PLAN

· Realizing convenient airports by applying cutting-edge technologies
· Continuously expanding mobility services for the transportation vulnerable
· Improving facilities at the right time to meet increasing passengers

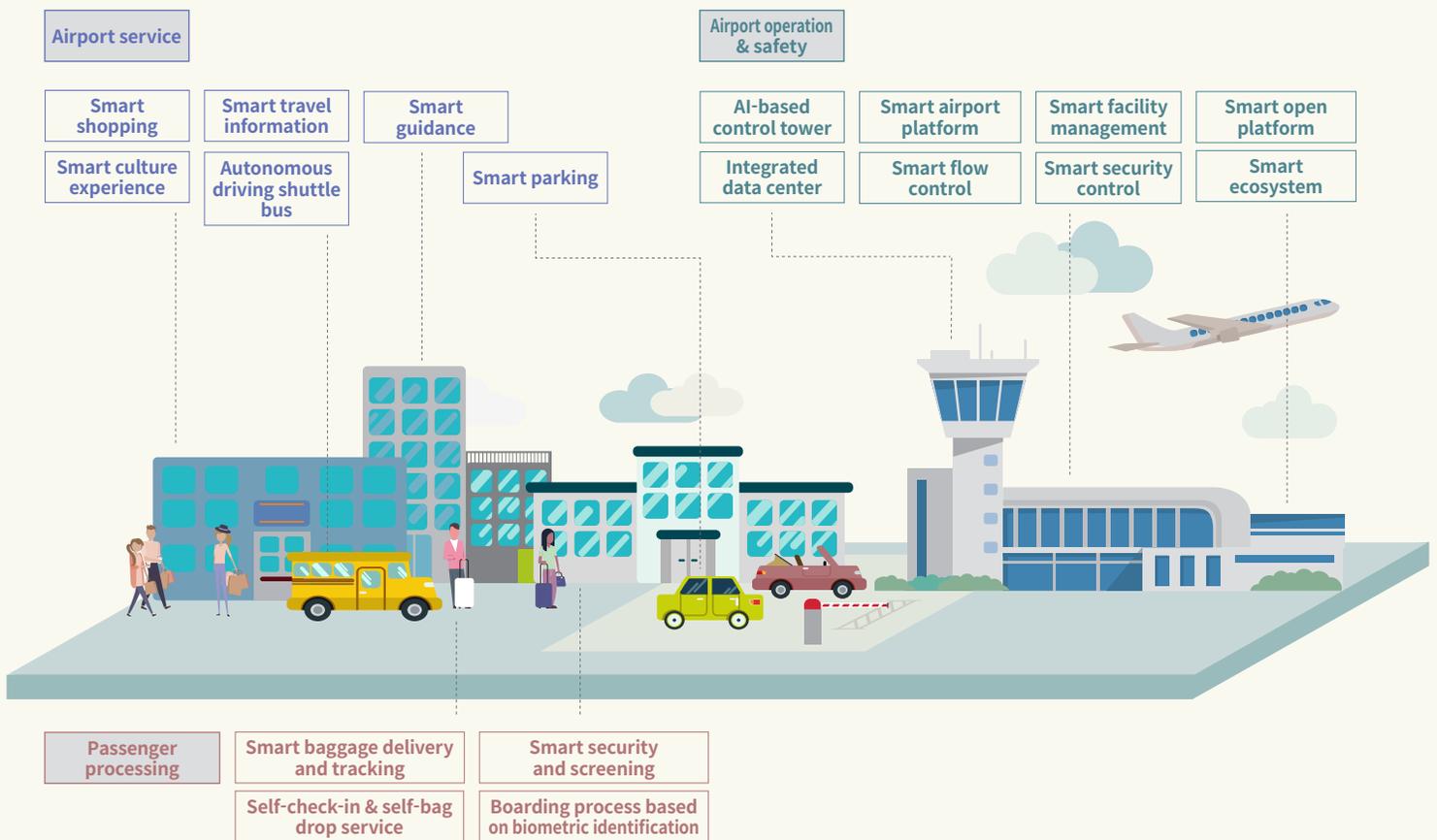| RELATED STAKEHOLDERS	RELATED DEPARTMENT	LINK TO SDGs
Customers Airport families	Landside Operations Team, Smart Airport TF Team, Service Development Team, Construction Management Team, Commercial Facilities Team	

Realization of the Smart Airport

Smart Airport, the Start of Future Airport

Our airports are transformed into a smart airport driven by future technologies such as AI and robot. New infrastructures including biometric identification service and automated check-in equipment are adopted to 14 airports across the nation. Those will ensure not only errorless immigration inspection, rapid check-in process, and more accurate baggage check but also advanced passenger services such as robot guidance and AR (Augmented Reality) shopping.

Future-oriented Smart Airport

Airport service

- Smart shopping
- Smart culture experience
- Smart travel information
- Autonomous driving shuttle bus
- Smart guidance
- Smart parking

Airport operation & safety

- AI-based control tower
- Integrated data center
- Smart airport platform
- Smart flow control
- Smart facility management
- Smart security control
- Smart open platform
- Smart ecosystem

Passenger processing

- Smart baggage delivery and tracking
- Self-check-in & self-bag drop service
- Smart security and screening
- Boarding process based on biometric identification

Common-use Self Bag Drop Service

KAC started the common-use Self Bag Drop (unmanned baggage handling) service at the international terminal of Gimpo International Airport. It helps reduce waiting time for check-in by 40% and resolve congestion and inconvenience. Currently, passengers of 4 airlines including KAL and Asiana Airline can use this service. We will continue to expand the service to other airlines.

Biometric Identification Service
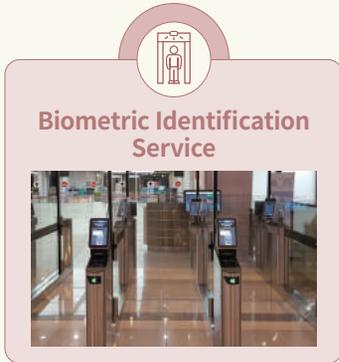
Step 1. Scanning of boarding ticket

Stand in the front of the biometric identification gate and scan the bar code of boarding ticket to enter the first gate

Step 2. Recognition of palm information

Open the hand and recognize palm information on the sensor to identify the passenger and enter the second gate

Check-in Time

Passengers who use biometric identification service and mobile tickets

Shortening average 4 min 42 sec

4 min 57 sec > **15 sec**

Check-in counter (3 min 37 sec) + Identification check (1 min 20 sec)

Prior issuance of mobile tickets + Biometric identification check (15 sec)

* Passengers who use biometric identification service and general tickets (check-in counter and self-check-in) can shorten average 1 min 5 sec.

Biometric identification service allows passengers who registered their palm vein and fingerprint, in advance, to pass the gate even without identification cards. Bio information demonstrates high security due to the impossibility of forgery and falsification and helps eliminate the possibility of human errors in identification by eyes and ease congestion. This service was extended to the domestic terminal of all 14 airports in 2018. We also operate the self-registration stand.

Biometric Identification Service (Domestic Terminals)

Exclusive gate
Gimpo (6 gates), Jeju (8 gates)

Integrated stand
Gimpo (9), Gimhae (5), Jeju (10), Daegu (3), Cheongju (3), Ulsan (3), Gwangju (3), Yeosu (3), Muan (3), Pohang (3), Sacheon (3), Gunsan (2), Wonju (2), Yangyang (2)

Autonomous Robot for Self Check-in

KAC introduced the "Autonomous Robot for Self Check-in" shaped like an animation character which issues boarding tickets when passengers input their registration number on touch screen. When meeting passengers, this robot is transformed into an automatic dispenser. Meanwhile, we integrated self-check-in systems which were independently managed by each airline into a common-use self-check-in system to increase space efficiency and ease congestion at terminal.

*Self-check-in system: A smart service that issues boarding ticket when passengers input boarding information such as registration number on the automatic dispenser

Automatic Parking Fee Reduction System

Exit of target vehicle → **Automatic recognition of vehicle number** → **Real-time check of public data** → **Exit of vehicle**

By building the automatic parking fee reduction system connected with public data for the first time in Korea, we improved the convenience of parking lot users. This system automatically identifies the number of vehicle eligible for discount in real time in connection with public data. It does not require document submission, contributing to reducing time spent on vehicle exit.

Airport Service for Customer Satisfaction

Customer Satisfaction Management System

To maximize customer satisfaction, KAC improves airport services through new approach from the customers' view and reflection of their opinions. To this end, we subdivided customers into individual customer group (passengers) and corporate customer group (airlines, ground handling partners, and residing companies) and listen to their voices through diverse communication channels. We strive to provide passengers with the best services, while offering practical supports to corporate customers with the recognition that they are valuable partners for better airport services.

Customer Satisfaction Management Strategy

CS Vision	Airport that Connects Encounters and the Future			
Service issues	Forming a national consensus on environmental issues	Increasing social value in the public sector	Improving field-centered customer service	Increasing demand for customer-tailored services
	Airport service improvement project		Customer communication channel sophistication project	
Strategic directions	Building comfortable airport environment	Considering the underprivileged and protecting the rights of passengers	Expanding customer-participating platforms	Improving employees' kindness and creating happy workplace
Key tasks	· Innovating smoking zone operation criteria · Building beautiful restrooms · Conducting scent marketing	· Expanding services for the transportation vulnerable and raising the awareness of the services · Improving damage relief treatment process	· People-participating airport services · Establishing a regular customer satisfaction survey system	· Intensive management of VOCs with regard to customer complaints (ex. unkindness of employees) · Protecting human rights of employees working at fields

Customer Communication Channel

Facility and service improvement

KAC
Customer satisfaction management

Sales support & infrastructure enhancement

Customer trust

Cooperation for co-prosperity

· Customer Satisfaction Center
· Sky Voice VOC System
· Information counter
· Regular satisfaction survey system

Personal customers

Corporate customers

· Residing Customer VOC Committee
· Visiting VOC service
· Discussion meeting with companies in airports
· Discussion meeting with LCCs

Real-time satisfaction survey system

Real-time Customer Satisfaction Survey System

Existing customer satisfaction survey methods were insufficient in the aspects of the representative of samples and understanding of detailed data by contact point. To overcome those shortcomings, KAC introduced 52 touchable survey systems to regularly assess customer satisfaction. The systems are located in major customer contact points such as restroom to gain frank service evaluation. Customer survey data are promptly collected and efficiently managed for rapid improvement. At commercial facilities, QR code is used for surveying satisfaction on price, quality, and service through mobile devices and survey results are utilized for practical service improvement. As a result, customer satisfaction on services at commercial facilities rose from 77.2 points in 2017 to 79.2 points in 2018.

Outdoor smoking zone

Services for the Transportation Vulnerable

Mobile support facilities
- Areas for the transportation vulnerable to get on and off
- Electric wheelchair charging zones
- Moving walkways
- Expansion of elevators

Restroom for the disabled
- Gender-based separation of restroom
- Installation of telephones for emergency call

Convenient facilities
- Childcare room
- Children's playground
- Rest areas for the transportation vulnerable

Security screening facilities
- Fast-tracks for screening

Boarding bridges
- Gap-free boarding bridge
- Wheelchair lift

Airport Services Considering the Health of People

All indoor smoking rooms in the domestic terminal of all airports were moved outside to improve the health of people and the quality of their lives. In addition, we relocated existing outdoor smoking rooms adjacent to gate which were obstacles to passengers off to one side where natural ventilation is available and smokers are free from rain, wind, and snow. Existing indoor smoking rooms were remodeled as public spaces such as the lounge for the transportation vulnerable.

Differentiated Restroom

To meet increasing passengers' expectation on the quality of airport restroom, we have promoted the differentiation of restroom by reflecting their needs. For example, we widened the distance between restrooms for men and women to protect their privacy and operate safe restrooms for women free from hidden cameras. Other activities included designation of restroom for family and the disabled only for the transportation vulnerable and assignment of service staff's lounge and supply store for business efficiency. As a result of these efforts, KAC won the Minster Prize (Silver) at the "20th Beautiful Restroom Awards" hosted by Ministry of the Interior and Safety.

Airport Services for the Transportation Vulnerable

KAC provides mobility support upon arrival at the airport to check-in counters for all the transportation vulnerable including the disabled, the elderly, pregnant women, and infants. The application to this service is available at the desk located on the central area of underground passage and this service is offered in Korean, English, Japanese, and Chinese. Experts who complete training programs and fully understand service manuals provide this service, around 50% of whom are over 60 years old to contribute to creating jobs for the elderly.

KAC also provides the transportation vulnerable first check-in service. Attaching the "transportation vulnerable first sticker" on the back of boarding ticket at check-in, they can rapidly pass through identification, security check, and immigration inspection through dedicated passageway. On top of that, KAC is realizing the barrier-free airport by expanding the number of restrooms for the disabled and childcare rooms and improving elevators and boarding bridges.

Concession Service Pursuing the Latest Trend and Reasonable Prices

To enhance the competitiveness of concession business, KAC has revamped commercial facilities which provide food and beverage service after analyzing the latest trend and customer needs. In response to the growing number of travelers who tend to enjoy the best-quality foods during tour in line with the recent trend pursuing "little but certain happiness," KAC has reshaped existing facilities at all airports as special food courts pursuing reasonable prices, diversity, and high quality by attracting more food and beverage shops. In addition, we encourage them to maintain reasonable prices by holding consultations, stipulating the "right to demand price cut" in the contract, and adjusting rental fee.

BUSINESS FOCUS

Gimpo International Airport to Leap Forward

KAC established a basic plan and undertook its remodeling project in 2009, in order to revamp the outdated domestic passenger terminal of Gimpo International Airport, which was completed in 1980, and respond to changes in customer needs and business environment such as the growth of LCCs. As a result of efforts for a decade, Gimpo International Airport was reborn as an advanced airport.

Passenger capacity of the terminal

12% ↑

(building expansion: 10,605㎡, remodeling: 77,838㎡)

Cargo treatment capacity

35% ↑

(introduction of a nondisruptive cargo treatment system)

Security check capacity

40% ↑

(expansion of checkpoints from 10 to 14 units)

Parking capacity & boarding bridge use

33% ↑

(expansion of the number of aprons and boarding bridges from 9 to 12, respectively)

Fast and convenient airport

Up-to-date baggage handling system

· Building a centralized nondisruptive baggage image processing system
· Automatically separating doubtful baggage from conveyer belts and notifying them to airlines through the "open check requiring baggage notification system"

Biometric identification system

· Passengers who registered palm vein and fingerprint in advance can rapidly and simply enter the departure hall through exclusive gates

Check-in congestion level information system

· Informing expected waiting time for security check through the latest information and communication technology

Eco-friendly airport

Installation of eco-friendly energy facilities

· 94kw class solar power generation facility
· 1,650kw class geothermal cooling and heating system

Eco-friendly construction

· Domestic passenger terminal obtained the excellent rating in green building and 2nd rating in building energy efficiency.
· Entirely replacing indoor lights with high-efficiency LED lights
· Using construction materials with the Eco Label or GR Mark
· Using internal finishing materials with low harmful chemicals

Impressive airport

Facilities for the transportation vulnerable

· Installing more elevators
· Minimizing human traffic line by rearranging escalators crossed
· Reducing walk distance by building 13 moving walks
· Expanding the number of restrooms for the disabled from 8 to 37
· Expanding the number of rest areas for pregnant women and children from 2 to 7

Mobility services for the transportation vulnerable

· Airport pickup service
· Preferential check-in service for the transportation vulnerable
· Electric passenger cart

Safer airport

Pleasant airport

Enhancing emergency response to blackout

· Increasing the power generation capacity from 2.3MW to 4MW
· Installing uninterruptible operation systems

Enhancing response to fire

· Installing addressable fire detectors
· 13,000 sprinklers, 1,000 exit signs, and 400 alarms

Eco-friendly atrium

· Creating rest areas with daylighting system

Observatory deck on rooftop

· Installing a year-round open observatory

Large-scale theme-based food court

· Attracting famous restaurants to the food court

Indoor landscape

· Installing large-scale green walls

CONTINUOUSLY GROWING AIRPORT

Airport operation efficiency survey by the ATRS (Air Transport Research Society)

No. 1

Number of pilots cultivated

182persons

Number of international passengers at regional airports

47% increase
(1.86 million → 2.73 million)

BUSINESS & SOCIAL CONTEXT

As the exchange of human and material resources has increased due to the economic bloc within Asia-Pacific region, there has been fierce competition among East Asian airlines to preoccupy flight demand. This business environment requires airports to make active investments in new growth engines based on accumulated capabilities in constructing, operating, and managing airports. In response, KAC is proactive in creating an ecosystem for aviation business, investing R&D activities, promoting overseas projects, revitalizing regional airports, and constructing new airports to secure future competitiveness.

PROGRESS

· Increasing revenue by diversifying the scope of overseas business to airport operation, construction, and consulting
· Establishing the Sky Dream Foundation
· Establishing a corporation specialized in the MRO business
· Encouraging LCCs and supporting their route diversification

FUTURE PLAN

· Developing more joint R&D tasks with the private sector
· Helping the MRO-specific corporation secure maintenance projects from the domestic LCCs to ensure its early stabilization
· Expanding and vitalizing international routes of regional airports

RELATED STAKEHOLDERS

Government and related agencies
Employees
Local Communities

RELATED DEPARTMENT

Aviation Research Institute, Pilot Training Center, Construction Technology Team, Route Development & Passenger Promotion Team, Global Business Team, New Technology Business TF Team, Air Transport Business Team

LINK TO SDGs

Future Growth Businesses

Entrance into Overseas Markets

By capitalizing on accumulated knowhow in airport operation and construction for 39 years, KAC has given impetus to diverse overseas projects in the fields of consulting, education, and IT system improvement. For example, we succeeded in developing and commercializing navigation equipment. Particularly, in Turkey, we dominated over 40% market share in the navigation equipment sector on the strength of successfully completing the ILS/DME delivery and installation projects many times. Moreover, KAC established an aviation training center in Cambodia and built an IT & navigation system for Entebbe Airport in Uganda as the ODA project, raising Korea's status as a donor country. In 2019, we won the PMO project to construct ChinChero New Airport in Peru through the inter-government contract, which boosted our overseas expansion. When participating in overseas projects, KAC cooperates with domestic SMEs with professionalism to secure higher project execution power and support their overseas expansion.

Order Records in the Overseas Business (Accumulated)
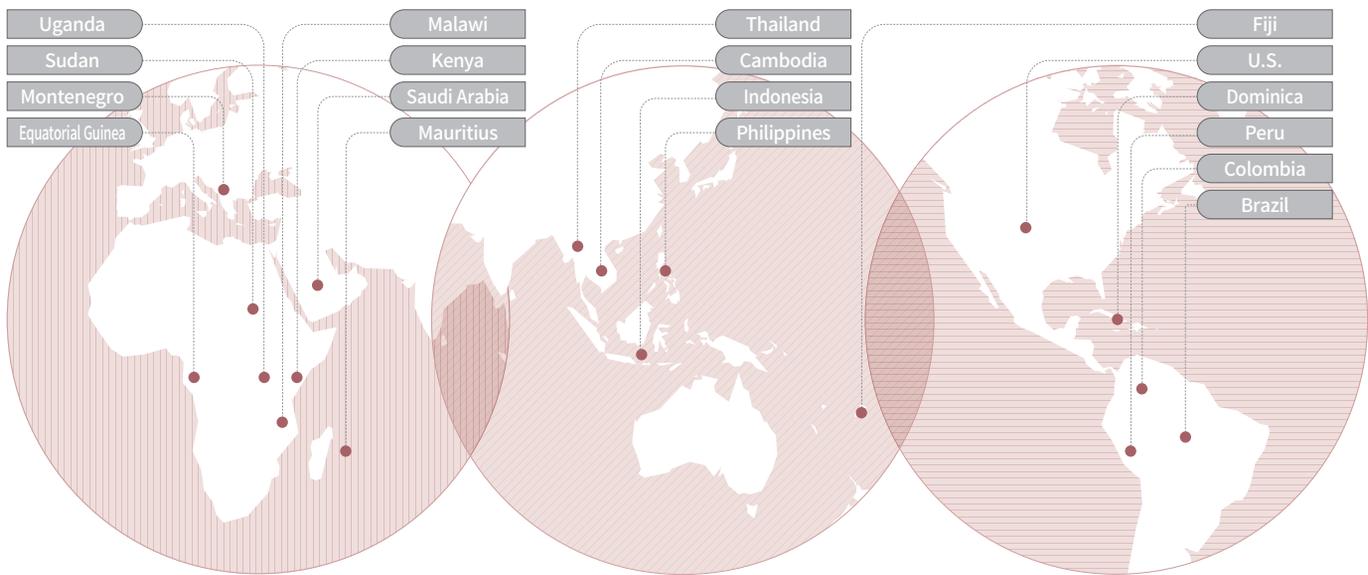
Country	Orders
Turkey	Sale of new technology equipment to the Istanbul, Kastamonu, and Bursa airports
Sudan	Sale of new technology equipment to the El-Geneina Airport
Montenegro	Consulting on facility improvement and sale of new technology equipment for the Tivat Airport
Equatorial Guinea	Sale of new technology equipment to the Mongomeyen Airport
Uganda	System improvement at the Entebbe Airport

Country	Orders
Cambodia	Construction of a private aviation training center
Philippines	Consulting on setting a master plan for the Mactan-Cebu Airport and sale of new technology equipment to the Laguindingan and Princesa airports
Kenya	Training on customer satisfaction management for the Kenya Airports Authority
Saudi Arabia	Sale of new technology equipment to the Al Ula Airport
Malawi, Thailand, Mauritius	Sale of new technology equipment to the Kamuzu, Phuket, Chiang Mai, Plaisance airports

Country	Orders
U.S.	Sale of new technology equipment to the U.S. Air Force (Osan Air Base)
Dominica	Consulting on building systems for the Dominica Airport
Colombia	Consulting on the operation of 7 airports and navigation drone technology
Peru	PMO project to construct ChinChero New Airport and sale of new technology equipment
Indonesia	Sale of new technology equipment to the Timika Airport
Fiji	Sale of new technology equipment to the Nadi and Nausori airports
Brazil	Consulting on navigation drone technology

Developing the Next-Generation Core Technologies

KAC has been developing the next-generation core technologies for aviation business through joint R&D with the private sector. We succeeded in developing the "AI-based Automated Security Check X-ray Image Interpretation Solution" which won the Bronze Prize at the Invention Patent Competition. We also occupied core technology by developing the international standard of the SWIM (System Wide Information Management). Other performances include the "multilingual automatic guidance system" and "cooling and heating system for both boarding bridge and aircraft." These technologies will give us a momentum for future growth.

Co-prosperity in the Aviation Industry

KAC Aviation Training Center

CITATION M2 flight simulation device

Cultivation of Aviation Experts

To meet increasing demand for pilots in the domestic aviation industry, KAC has been supporting the cultivation of pilots since 2014. We provide infrastructures for flight training through regional airports and run the jet transition course which had been inactive due to enormous investment costs, with the aim of expanding the base of pilot cultivation.

KAC Aviation Training Center

The KAC Aviation Training Center was opened in June 2017 to cultivate aircraft pilots. It is located at Gimpo International Airport Cargo Terminal and demonstrates the scale of approximately 5,200 square meters. The Center operates the simulator hall accommodatable for up to 10 flight simulation devices, lecture halls, and briefing rooms. Jet trainers (CITATION M2) and flight simulators are used for the jet pilot course. As of December 2018, a total of 287 persons have completed the jet pilot course. KAC is contributing to the development of domestic aviation industry by operating the jet pilot course which had depended on overseas training.

Establishment of the Sky Dream Foundation

The cost-consuming pilot training program can be a barrier to low-income youths who dream of becoming a pilot. Thus, KAC launched the "Sky Dream Foundation" in December 2018 for the purpose of lending training fee at low interest rate to low-income trainees. We first raised KRW 3 billion and have encouraged airlines to join the foundation for sustainable support. We expect that more than 40 trainees will achieve their dreams on the strength of the support from the Sky Dream Foundation every year.

Support for the Growth of Aircraft MRO Business

KAC established KAEMS (Korea Aviation Engineering & Maintenance Service), Korea's largest aircraft MRO* provider, in cooperation with 8 companies including KAI (Korea Aerospace Industries) in July 2018 with the aim of nurturing the domestic MRO business which had been sluggish due to enormous initial investment. KAEMS has signed contracts worth KRW 20 million for MRO of aircrafts of LCCs and fighters of the U.S Air Force since the beginning of business in December. Going forward, KAEMS will focus on attracting MRO projects which have been commissioned to overseas providers. It is expected that this strategy will create import-substituting effect worth KRW 2.2 trillion and production inducement effect worth KRW 5.4 trillion by 2027.
*Aircraft MRO (Maintenance, Repair, Overhaul): Aircraft airframe, engine, parts, disassembly & inspection

Increasing Air Traffic and Revitalizing Regional Airports

Regional Airport Revitalization Strategy

Due to lack of air route diversity, It takes additional costs and time for people living outside of the capital city to access Incheon International Airport when going on a trp overseas. Thus, Kac is focusing on diversifying air routes to ensure their rights of mobility and revitalize regional airports. We also established a mid- to long-term roadmap for systematic air route development in line with the full-fledged international flight service at regional airports.

Mid- to long-term Roadmap for Revitalizing Regional Airports

~2017 (10.14 million passengers)	2018 (11.14 million passengers)	~2021 (target: 14.62 million passengers)
Identifying the best LCC hub cases	Disseminating the best LCC hub cases	Utilizing regional airports as the LCC hub
Expanding short-distance international routes	Securing traffic rights in Southeast Asia, etc.	Diversifying international routes
Developing new products linking aviation and tourism	Expanding products linking aviation and tourism	Developing cooperation projects and policies for aviation and tourism

Diversifing Air Routes

KAC promoted a project to cultivate Daegu and Muan International Airport as a hub for LCC to support convenient trip of people in the southern region. On the strength of service improvements such as designation as the no-visa transit airport and exemption of airport facility charges, the number of international passengers at the airports sharply increased from the previous year. The rate of using international terminal also rose. As a result, Daegu International Airport achieved a surplus for three consecutive years and Muan International Airport saw a decline in deficit in five years. A total of 24 regular international routes were newly launched, which resulted in moving away from existing route structure centered on China and growing the number of international passengers by 47%. In addition, KAC first secured the traffic right on the Gimhae-Singapore route to meet increasing demand of local people.
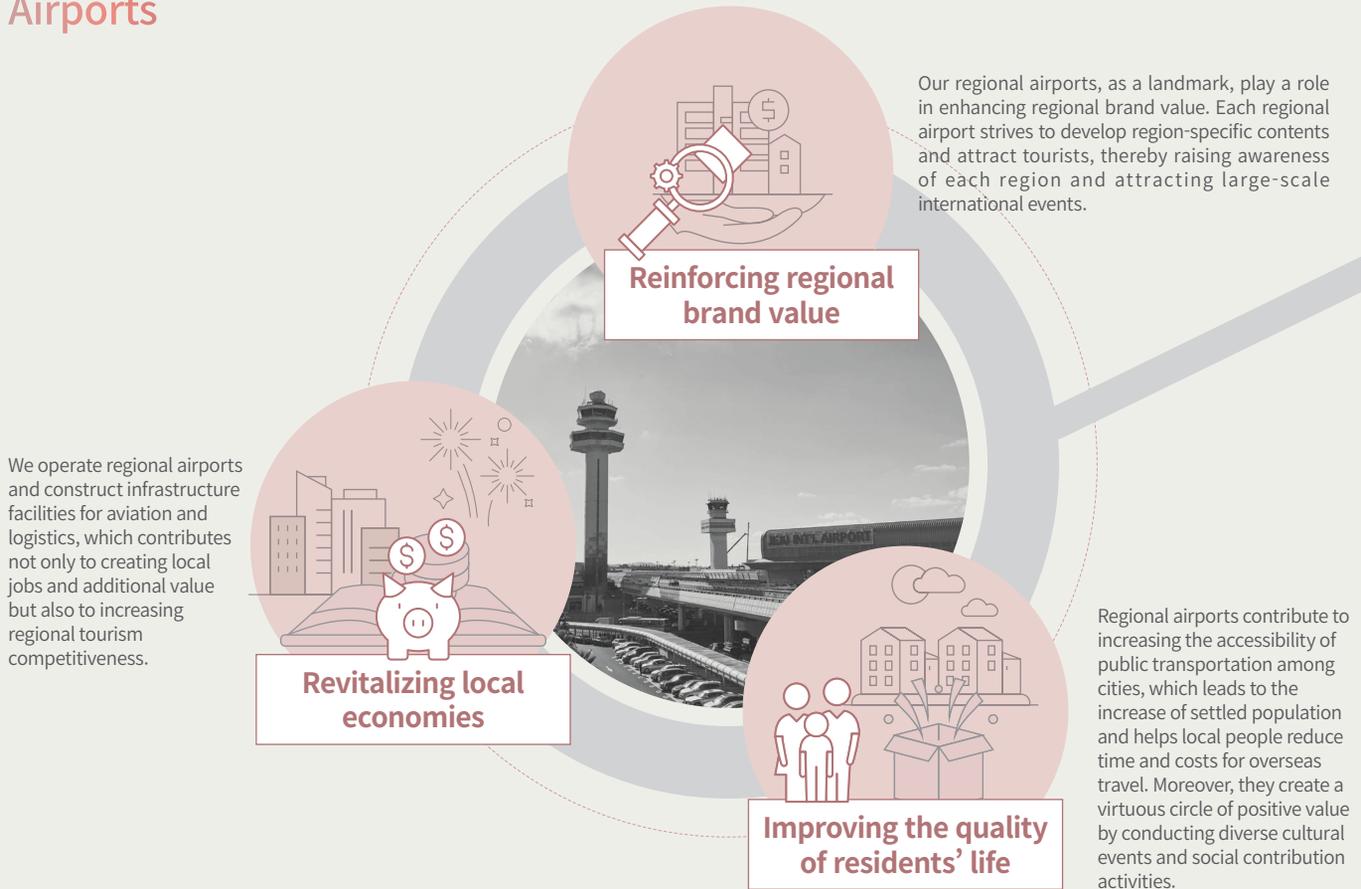
Attracting Passengers to Regional Airports

Considering approximately 62.8% of foreign travelers are concentrated in Seoul and metropolitan area, KAC is striving to attract them to local areas for the vitalization of local economy. To this end, we are enhancing marketing activities for attracting B2B customers and group tourists from Vietnam, an emerging strategic market, and China, the largest demand market. Small-scale regional airports are utilizing KAC's "traveling inlands through a plane" product to explore passenger demand. As a result of these efforts, the number of Vietnamese and Chinese passengers who visited six regional airports increased 43.9% and 30.7%, respectively.
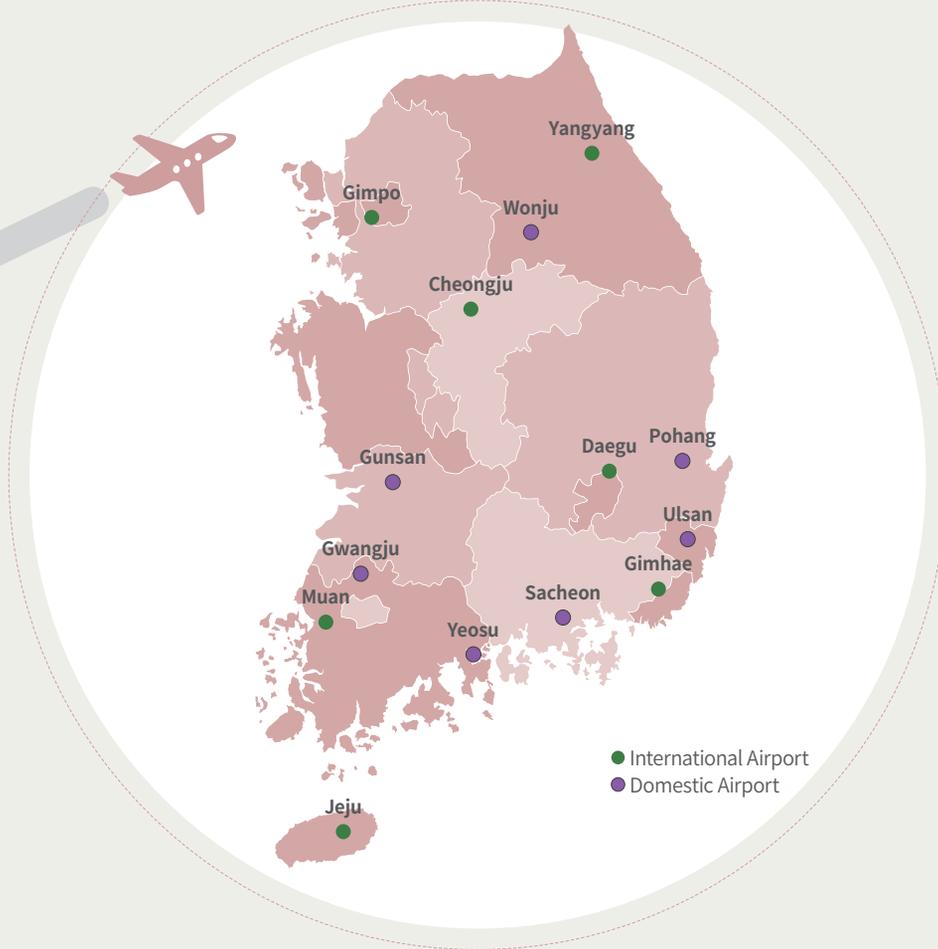
Reinforcing Core Airport Competitiveness

Our airports are preemptively responding to future passenger demand by upgrading the capacity of terminals and aprons in line with their issues. Gimhae International Airport has relocated major facilities and improved the flow of passenger traffic. It also plans to build a temporary passenger terminal to attract more than 2 million passengers annually before the construction of the new airport. Meanwhile, Jeju International Airport increased the passenger handling capacity by 23% (from 25.89 million to 31.75 million persons) by expanding passenger terminal and check-in facilities.

International Passengers

2.05 million passengers at Daegu International Airport

36.2%↑ compared with 2017

330 thousand passengers at Muan International Airport

108%↑ compared with 2017

Creating Public Value at Regional Airports

KAC provides balanced air traffic services through 14 airports nationwide and promotes the growth of local communities and aviation industry, thereby creating public value and becoming a public institution loved by people.

Our regional airports, as a landmark, play a role in enhancing regional brand value. Each regional airport strives to develop region-specific contents and attract tourists, thereby raising awareness of each region and attracting large-scale international events.

Reinforcing regional brand value

We operate regional airports and construct infrastructure facilities for aviation and logistics, which contributes not only to creating local jobs and additional value but also to increasing regional tourism competitiveness.

Revitalizing local economies

Improving the quality of residents' life

Regional airports contribute to increasing the accessibility of public transportation among cities, which leads to the increase of settled population and helps local people reduce time and costs for overseas travel. Moreover, they create a virtuous circle of positive value by conducting diverse cultural events and social contribution activities.

Gimpo International Airport	· Generalizing check-in and boarding facilities of the domestic terminal · Rearranging check-in counters and installing self-back drops (13 units) of the international terminal · Building a water recycling center · Establishing the Youth Startup Incubation Center
Gimhae International Airport	· Opening a mid- and long-distance international route (Busan-Singapore) · Building two indoor gardens in the international terminal and creating Korean-style indoor spaces
Jeju International Airport	· Asia's No.1 in airport operation efficiency evaluation hosted by the ATRS · 48% increase in international passengers · Supporting sales expansion by launching a community with social economic organizations
Cheongju International Airport	· Increasing passenger capacity through the domestic terminal expansion (1.89 mn → 2.89 mn passengers) · Building a parking building and improving parking facilities · Increase of international passengers by 71.1% and 10 routes
Yangyang International Airport	· Successfully supporting the 2018 Pyeongchang Winter Olympics · Increasing four international routes and one domestic route · Satisfying the aviation security evaluation criteria of the TSA (Traffic Safety Administration) of the U.S.
Muan International Airport	· Building the airport revitalization promotion system attended by the local government, local people, airlines, and airport operator · 82.3% increase in passengers and increase of 6 regular rotes
Daegu International Airport	· Securing 20 international routes by attracting 9 new routes · Reducing at least 10 minutes for departure and arrival by improving passenger traffic · Achieving the roadmap (by 2020) for adopting eco-friendly high-efficiency LED lights earlier
Gunsan Airport	· Increasing 7 flights a week on the Gunsan-Jeju route · Displaying excellent local products in Gunsan Airport through agreements on co-prosperity
Sacheon Airport	· Building a small library by utilizing idle facilities at the airport · Fully replacing indoor lights with LED lights

- **Yangyang**
- **Gimpo**
- **Wonju**
- **Cheongju**
- **Gunsan**
- **Daegu**
- **Pohang**
- **Ulsan**
- **Gimhae**
- **Gwangju**
- **Sacheon**
- **Muan**
- **Yeosu**
- **Jeju**

● International Airport
● Domestic Airport

Constructing New Airports

KAC is promoting the construction of Gimhae New Airport and 2nd Airport in Jeju with the aim of solving the congestion issue stemmed from growing passengers and improving regional accessibility. These projects will contribute to attracting more tourists and expanding transportation infrastructure. We are also engaging in small-scale airport construction projects in Ulleung Island and Heuksan Island to solve traffic inconvenience and revitalize local economy.

Gimhae New Airport

Budget: **KRW 5.96 trillion**
Space: **Around 3 million ㎡**
Capacity: **38 million passengers/year**
(10 million in domestic terminal, 28 million in international terminal)
Opening: **Year 2026**

2nd Airport in Jeju

Budget: **KRW 4.87 trillion**
Space: **Around 5 million ㎡**
Capacity: **25 million passengers/year**
(20 million in domestic terminal, 5 million in international terminal)
Opening: **Year 2025**

Heuksan Airport

Budget: **KRW 183.3 billion**
Runway: **1,160m × 30m**
Apron: **5 passenger planes, one de-icing machine**
Terminal: **3,200㎡**
Airport development area: **683,448㎡**

Ulleung Airport

Budget: **KRW 663.3 billion**
Runway: **1,200m × 30m**
Apron: **5 passenger planes, one de-icing machine**
Terminal: **3,450㎡**
Airport development area: **412,950㎡**

04

APPENDIX

Performances in CSR Management

Economic Performances

Summarized Financial Position (K-IFRS)

		Unit	2016	2017	2018
Assets	Current assets	KRW in millions	774,804	576,500	368,224
	Non-current assets	KRW in millions	3,657,810	3,988,059	4,258,204
	Total assets	KRW in millions	4,432,614	4,564,559	4,626,428
Liabilities	Current liabilities	KRW in millions	201,316	245,446	255,746
	Non-current liabilities	KRW in millions	176,368	139,111	140,784
	Total liabilities	KRW in millions	377,684	384,557	396,530
Equity	Capital stock	KRW in millions	2,357,766	2,357,766	2,357,766
	Others	KRW in millions	1,697,164	1,822,236	1,872,132
	Total equity	KRW in millions	4,054,930	4,180,002	4,229,898

Summarized Income Statements (K-IFRS)

	Unit	2016	2017	2018
Revenue	KRW in millions	830,297	883,196	909,556
Cost of revenue	KRW in millions	518,831	567,666	647,030
Selling and administrative expenses	KRW in millions	75,586	88,202	110,128
Operating profit	KRW in millions	235,880	227,328	152,398
Other income	KRW in millions	11,165	6,714	13,629
Other expenses	KRW in millions	7,465	5,450	9,045
Other gains (losses)	KRW in millions	(489)	13,226	(1,777)
Financial income	KRW in millions	13,927	10,354	10,439
Financial costs	KRW in millions	4,248	4,007	2,913
Income before tax	KRW in millions	248,770	248,164	162,730
Corporate tax	KRW in millions	58,579	58,388	38,899
Net profit	KRW in millions	190,191	189,776	123,831

Net Profit Margin

	Unit	2016	2017	2018
Net profit margin	%	22.9	21.5	13.6

Passenger Traffic

	Unit	2016	2017	2018
Domestic flights	10 thousand persons	6,218	6,526	6,347
International flights		1,634	1,599	1,879
Total		7,852	8,125	8,226

Cargo Traffic

	Unit	2016	2017	2018
Cargo traffic	Thousand tons	824	806	797

Research & Development

	Unit	2016	2017	2018
Number of patents applied (accumulated)	Cases	206	219	229
Number of international patents applied (accumulated)		37	51	53
Revenue from new growth businesses	KRW 100 million	63.9	121.4	88.4

Performances in CSR Management

BOD Operation

	Unit	2016	2017	2018
Number of the BOD meetings held	Times	19	16	18
Number of agendas concluded	Items	28	30	43
Preliminary deliberation rate	%	42.9	46.7	53.5
Number of amended agendas concluded	Items	2	1	4
	%	3.9	1.7	5.9
Number of agendas reported	Items	23	27	25

Participation of Non-standing Directors in Management

	Unit	2016	2017	2018
Management proposals	Items	35	27	31
Reflection of proposals	Items	35	27	31

Environmental Performances

Energy Consumption

		Unit	2016	2017	2018
Direct energy source	Fuel	TJ	206	235	249
	Vehicle	TJ	26	26	24
Indirect energy source	Electricity	TJ	1,321	1,337	1,339
Total energy consumption		TJ	1,553	1,598	1,612

Greenhouse Gas Emissions

	Unit	2016	2017	2018
Direct GHG emissions	tCO_2	12,671	14,124	15,398
Indirect GHG emissions	tCO_2	51,144	57,172	65,076
Total GHG emissions	tCO_2	63,815	71,296	80,474

Airport Carbon Point System

	Unit	2016	2017	2018
GHG reduction	tCO_2	796	658	404
Participating companies	Companies	386	368	406

Water Consumption

	Unit	2016	2017	2018
City water	Tons	481,616	501,649	640,153
Underground water	Tons	646,012	660,972	518,850
Heavy water	Tons	200,575	201,027	227,284
Total	Tons	1,328,203	1,363,648	1,386,287

Rate of Water Recycling

	Unit	2016	2017	2018
Rate of water recycling	%	15.1	14.7	16.6

Water Quality and Wastewater Discharge*

	Unit	2016	2017	2018
pH	-	6.8	6.9	6.7
DO	ppm	4.1	3.4	2.7
SS	ppm	5.6	10.9	15.4
COD	ppm	5.1	7.3	16.1
OIL	AER	81.6	115.9	96.98
Total wastewater discharge	Tons	147	184	125

*SS and COD refer to Gimpo International Airport, while total wastewater discharge refers to Gimpo and Jeju International Airport.

Waste Discharge*

	Unit	2016	2017	2018
General waste	Tons	3,661	4,221	4,861
Designated waste	Tons	169	137	99
Total waste discharge	Tons	3,830	4,358	4,960

*Excluding Air Route Traffic Facility Center and Civil Aviation Training Center

Air Quality*

	Unit	2016	2017	2018
SO_2	ppm	0.01	0.006	0.004
NO_2	ppm	0.007	0.041	0.050
CO	ppm	1.6	2.5	0.7
O_3	ppm	0.013	0.006	0.021
PM10	$\mu g/m^3$	54	-	25.4
PM2.5	$\mu g/m^3$	30	17	13.3

*Data of Gimpo International Airport

Indoor Air Quality

	Unit	2016	2017	2018
PM10*	$\mu g/m^3$	27.7	28.2	33.6
CO_2	ppm	477.8	488.9	523.1
CO	ppm	0.5	0.8	0.73

*Average of airports across the nation

Social Performances

Employment

	Unit	2016	2017	2018
Full number of employees	Persons	2,057	2,155	2,510
Existing employees	Persons	1,932	2,109	2,183
Regular retirements	Persons	0	1	48
Early voluntary retirements	Persons	16	14	10
Contracted	Persons	11	0	8
Non-regular workers (Direct employment)	Persons	21	27	14
Indirect employment	Persons	3,866	4,254	4,394
Female employees	Persons	208	248	293
Female managers	Persons	11	16	18
New recruits	Persons	178	198	214

Performances in CSR Management

Socially Equal Employment

	Unit	목표	2018
Youths	%	3.0	7.5
The disabled	%	3.2	2.96
National veterans	%	6.0	5.94
Local talents	%	35	36.9

Parental Leave

	Unit	2016	2017	2018
Parental leave (female)	Persons	19	13	18
Parental leave (male)	Persons	4	4	7
Total	Persons	23	17	25
Rate of return to work after parental leave	%	100	100	100

Flexible Working System

		Unit	2016	2017	2018
Part-time work		Persons	10	2	5.63
Flexible Working System	Flex-time work	Persons	27	85	85
	Alternative work schedule	Persons	26	76	1,347
	Compressed work	Persons	3	21	47
Satisfaction of flexible working system		Points	4.30	4.28	4.28

Welfare Satisfaction Index

	Unit	2016	2017	2018
Welfare satisfaction index	Points (out of 6)	4.18	4.4	4.3

Employee Training

	Unit	2016	2017	2018
Training hours per person	Hours	125.4	139.4	116
Training budget per person	KRW 10 thousand	156	176	174

Trainees by position

	Unit	2016	2017	2018
Level 1	Persons	329	621	530
Level 2	Persons	1,360	2,232	2,404
Level 3	Persons	2,300	4,128	4,853
Level 4	Persons	4,791	8,354	9,478
Below level 5	Persons	4,483	9,967	12,342
Total	Persons	13,263	25,302	29,607

Labor Union*

	Unit	2016	2017	2018
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	2016	2017	2018
Employee satisfaction	Individually	Points	4.13	4.19	4.17
	Organizationally	Points	4.23	4.23	4.17
TI (Trust Index) survey		Points	86	81	78

*Excluding Air Route Traffic Facility Center and Civil Aviation Training Center

Customer Satisfaction

	Unit	2016	2017	2018
Public-service Customer Satisfaction Index (PCSI)	Grade	A	S	A
Average handling time of complaints	Hours	22hrs 14mins	27hrs 51mins	26hrs 16mins
Average handling time compliance rate	%	98.0	97.7	96.5

Preferential Purchasing of Products

	Unit	2016	2017	2018
SMEs	KRW in millions	366,500	481,897	519,735
Social enterprises	KRW in millions	3,700	3,317	4,296
Severely disabled/Men of national merit	KRW in millions	3,100	6,384	8,099
Female-owned companies	KRW in millions	61,700	76,346	75,115
Technology development	KRW in millions	11,700	12,507	14,359

Business Partners

	Unit	2016	2017	2018
Number of business partners	Companies	46	54	37
Outsourcing	Cases	64	75	56

Social Contribution

		Unit	2016	2017	2018
Volunteer works	Total time spent on volunteer works	Hours	31,262	29,433	28,251
	Average time per employee	Hours	16.9	15.8	14.3
	Participation rate	%	69.5	73.0	66.8
Donations	Total amount	KRW in millions	3,069	3,197	3,230
	Donation-to-revenue	%	0.37	0.36	0.35

Ethical Management

		Unit	2016	2017	2018
External	Comprehensive integrity	Points	7.7	8.6	8.3
Internal	Result of self-assessment on integrity	Points	9.7	9.7	9.6
	KEVIX (KAC Ethics Vision Index)	Points	90.1	90.2	86.5

Safety

	Unit	2016	2017	2018
Number of bird strikes	Cases	55	47	79
Risk assessment and improvement	Cases	903	1,123	119
Number of occupational accidents	Cases	0	0	2
Number of ground safety accidents	Cases	2	2	0
Number of aerodrome facility function failure	Cases	0	0	0

Independent Assurance Statement

To the Management of Korea Airports Corporation

The Institute for Industrial Policy Studies (hereinafter referred to as "Auditor"), hereby presents the following statement of assurance, upon the request for auditing the 2019 Korea airports Corporation Social Responsibility Report (hereinafter referred to as "Report") as a licensed sustainability assurance provider.

Responsibility & Objective

Korea airports Corporation (hereinafter referred to as "KAC") is responsible for economic, environmental, and social dimensions of performance measures and all statements contained in this report. The objective of the assurance is to offer professional counsel for improving the quality of the report by; checking whether there were any errors or bias present in the Report; by assessing whether the data collection system is in appropriate working order; and by examining the process of identifying issues of material importance to sustainability management.

Assurance Type & Level

The Auditor referred to AA1000AP (2018)[1], ISAE3000[2] and GRI Standards[3] for the assurance of the Report.

Assurance Scope	Economic, environmental and social dimensions of the report's performance measures and objectives
Assurance Type & Level	Type II - Moderate level
Assurance Criteria	• "IPS Assurance Manual™" to verify compliance against the four core principles of AA1000AP (2018) • "IPS Performance Indicators Assurance Criteria™" to assess the reliability of performance indicators based on ISAE3000 • GRI Standards: The compliance of the "Core Option" criteria

Assurance Process and Activities

The Auditor confirmed ① the inclusivity, materiality, responsiveness, and impact of the reported content; ② the reliability of the reported performance data; and ③ the GRI Standards "In accordance" criteria.

· Review of KAC's identification process of material issues and following results
· Review of the stakeholder engagement process
· Review of data samples, other than financial statements, used as sources for economic, social and environmental quantitative performance measures
· Review of reference materials underlying economic, social and environmental qualitative performance measures
· Review of the Report's compliance with GRI Standards

The Auditor conducted written correspondence and in-person interviews with the reporting management and staff, within KAC, in the process of assurance measures. The staff appropriately reflected the Auditor's request for revision and opinions in the Report.

Assurance Findings

The Auditor discussed about the Report's editing with KAC though written correspondence and in-person interviews and reviewed the final draft of the Report to confirm whether our requests and recommendations for revision were reflected. As a result, the Auditor could not find any contents violating the following assurance principles, or any evidence showing major errors or bias in the performance information or claims stated within the assurance scope.

[Inclusivity]
Were KAC's stakeholder engagement plans and processes appropriate?

It is the Auditor's view that KAC has established process for stakeholder engagement to better reflect stakeholder views in its actual management activities, in recognition of the importance of communication and cooperation with stakeholders for pursuing social responsibility management. In particular, KAC confirmed that it is trying to listen to the experts' opinions and reflect them in its social responsibility management activities by conducting a survey of the stakeholders and the expert interviews during the report preparation process. The Auditor has not found any important stakeholders left out from this process.

[Materiality]
Does the Report offer substantive information of material importance to KAC's economic, environmental and social stakeholders?

The Auditor confirmed that KAC is identifying material issues affecting both stakeholders and management activities of the Company and is appropriately disclosing the current status of management on the issues. In particular, it is believed that the method of identifying and prioritizing new sustainability issues through stakeholder meetings in preparing the report is a standardized materiality assessment process adopted by the KAC. No omissions were discovered by the Auditor, in terms of sustainability management information important to stakeholders.

[Responsiveness]
Does the Report provide an adequate response to stakeholder demands and interests?

The Auditor confirmed that KAC is operating diverse engagement channels appropriate for each key stakeholder and is identifying material reporting issues through those opinions collected in the process. In particular, the Auditor found that the 'Special Report' and 'The Value Everyone Can Trust' and 'The Value Created in the Airport' that make up the theme of the report reflect topics of high interest from internal and external stakeholders. It has been found in this

[1] AA1000 - Accountability Principles 2018: One of the sustainability report assurance standard series established by the non-profit organization AccountAbility based in the UK, in order to audit corporate social responsibility and sustainability development, thus explaining a set of auditing principles. It was revised with the addition of the "Impact" principle to the existing AA1000APS (2008) in 2018.

process that the corporation has appropriately reacted to stakeholder demands and interests.

[Impact]
Does KAC identify and measure economic, social, and environmental impacts on stakeholders and disclose the results through the Report?
It is the Auditor's opinion that KAC measures the environmental safety effects of noise, radio waves, and flight during the procedure of its own business, and the social impact on corruption and human rights in terms of management, and appropriately discloses the results in the report.

[GRI "In Accordance" Criteria]
The Auditor has recognized that the Report is in accordance with the "Core Option" criteria of the GRI Standards.

[Reliability of Performance Indicators]
The Auditor confirmed that the performance indicators presented in the Report are free from bias or error that would affect stakeholders' judgement of KAC. Followings are the key performance indicators the Auditor has recognized.

Category	Issue	Performance Indicator
Safer Airport	Disaster safety	Structural fire protection services directly employed: 227 people Reinforcing personnel : 43 people
	Introduction of smart security	'World's first' realization of full smart security
	Information security	2018 National Intelligence Service information security assessment result : 81.4 points
Business Ethics	Monitoring and evaluation	2019 CRRA 1st in Korea
	Partner dissemination	Ethnic contents sharing through SKYONE, support for subsidiary anti-corruption policy evaluation plan
Special Report	Human rights management	Establishment of the Charter of Human Rights and Human Rights Management Guidelines
		Develop the Human Rights Impact Assessment Checklist and execute the Assessment
Eco-friendly Airport for the Future	Environmental management system	Green Infrastructure, Aircraft noise mitigation activities
	Minimize environmental impact	2018 air quality (PM 10, PM 2.5) measurement result
		The state of land purchase in noise-impact areas in recent 3 years

* 39 Qualitative and 11 quantitative performance indicators on 17 issues and included only some of the performance indicators that correspond to material reporting issues

Recommendations

The Auditor highly values the Report's endeavor to ① reflect key topics related to 'VISION 2025' and 'Social Responsibility Management Strategy' of the KAC; ② try to properly reflect the key internal and external concerns of KAC through stakeholder engagement process; ③ highly appreciate the fact that KAC has human rights management systems, including charter, guidelines and checklists and manages human rights risks at all times. However, it is recommended to consider the following points in future reports.

· Disclosure of the follow-up process of human rights impact assessment: provide human rights impact assessment process and results in terms of improvement activities and key businesses in 2019
· Status disclosure of economic performance creation and distribution: provide a summary of the current status of spending for key stakeholders (employees, suppliers, communities and government) based on numbers in the financial statements according to the GRI standards criteria

Independence of the Auditor

The Auditor does not have any for-profit or commercial affiliation with KAC and did not involve in any of the preparations of the Report, with the exception of this independent assurance statement.

Qualifications of the Auditor

The Institute for Industrial Policy Studies is a "Independent Assurance Provider" engaging in sustainability report assurance for corporations and public organizations nationwide. The auditing team participating in the assurance of this report consists of experts specialized in disciplines of business administration, economics, and accounting, and also with many years of accumulated experience and professional training in the fields of ethical management, human rights management, CSR, and sustainability.

October 2019
Chairman of the Institute for Industrial Policy Studies, Tae Hyun Kim

AA1000
Licensed Assurance Provider
000-24

I|P|S

GRI & ISO 26000 Index

Universal Standards

GRI 102: General Disclosures

Disclosures		Page	ISO 26000	Assurance
Corporate Profile				
102-1	Name of the organization	7		●
102-2	Activities, brands, products, and services	8		●
102-3	Location of headquarters	7		●
102-4	Location of operations	7		●
102-5	Ownership and legal form	7		●
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102-12	External initiatives	84		●
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102-47	List of material topics	31		●
102-48	Restatements of information	About This Report		●
102-49	Changes in reporting	About This Report		●
102-50	Reporting period	About This Report	7.5.3/7.6.2	●
102-51	Date of most recent report	About This Report		●
102-52	Reporting cycle	About This Report		●
102-53	Contact point for questions regarding the report	About This Report		●
102-54	Claims of reporting in accordance with the GRI Standards	About This Report		●
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103-2	The management approach and its components	34, 40, 46, 54, 59		●
103-3	Evaluation of the management approach	34, 40, 46, 54, 59		●

Topic-specific Standards

Topics		Disclosures		Page	ISO 26000	Assurance
		GRI 200 Economic Topics				
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	201-2	Financial implications and other risks and opportunities due to climate change		49~51		●
Indirect Economic Impacts	203-1	Infrastructure investments and services supported		70~71		●
	203-2	Significant indirect economic impacts		70~71		●
Procurement Practices	204-1	Proportion of spending on local suppliers		77		●
Anti-corruption	205-1	Operations assessed for risks related to corruption		18		●
	205-2	Communication and training about anti-corruption policies and procedures		19		●

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		GRI 300 Environmental Topics				
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Emissions	305-1	Direct (Scope 1) GHG emissions		50		●
	305-2	Energy indirect (Scope 2) GHG emissions		50	6.5.5	●
	305-5	Reduction of GHG emissions		49		●
Effluents and Waste	306-1	Water discharge by quality and destination		51, 75	6.5.3/6.5.4	●
	306-2	Waste by type and disposal method		75	6.5.3	●

Topics		Disclosures		Page	ISO 26000	Assurance
		GRI 400 Social Topics				
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		39, 76	6.4.4/6.8.7	●
	401-3	Parental leave		76	6.4.4	●
Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		56	6.4.6/6.8.8	●
	403-4	Health and safety topics covered in formal agreements with trade unions		56	6.4.6	●
Training and Education	404-1	Average hours of training per year per employee		76	6.4.7	●
	404-2	Programs for upgrading employee skills and transition assistance programs		38	6.4.7/6.8.5	●
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees		20, 38	6.2.3/6.3.7/ 6.3.10/6.4.3	●
Security Practices	410-1	Security personnel trained in human rights policies or procedures		63		●
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples		48		●
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments		15	6.3.3.	●
	412-2	Employee training on human rights policies or procedures		15		●
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs		22, 45	6.3.9/6.5.1- 6.5.2/6.5.3/6.8	●
	413-2	Operations with significant actual and potential negative impacts on local communities		48		●
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		53	6.7.1-6.7.2/ 6.7.4/6.7.5/6.8.8	●
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		56	6.7.1-6.7.2/6.7.7	●

Sector Specific Disclosures: Airport Operator

Indicator		Disclosures	Page	ISO 26000	Assurance
Market Presence	A01	Total number of passengers annually	6, 72		●
	A02	Total annual number of aircraft movements	6		●
	A03	Total amount of cargo tonnage	7		●
Emissions	A05	Ambient air quality levels according to pollutant concentrations	46, 74	6.5.3, 6.5.5	●
Effluents and Waste	A06	Aircraft and pavement de-icing/anti-icing fluid used and treated	55		●
Noise	A07	Number and percentage change of people residing in areas affected by noise	48		●
Customer Health and Safety	A09	Total annual number of wildlife strikes per 10,000 aircraft movements	77	6.7.4	●

UNGC / SDGs

UNGC

Since joining the UNGC (UN Global Compact) in October 2007, KAC has reported the execution results of the 10 principles with regard to human rights, labor, environment, and anti-corruption presented by the UNGC. With the purpose of encouraging the execution of corporate social responsibility and stakeholder communication, the UNGC has sophisticated the COP (Communication on Progress) regulation as the Advanced Level. This report contains our practices meeting 23 standards required by the Advanced Level.

	Principles	Page
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2	The COP describes value chain implementation	82
3	The COP describes robust commitments, strategies or policies in the area of human rights	14~15
4	The COP describes effective management systems to integrate the human rights principles	14~15
5	The COP describes effective monitoring and evaluation mechanisms of human rights integration	14~15
6	The COP describes robust commitments, strategies or policies in the area of labour	39
7	The COP describes effective management systems to integrate the labour principles	39
8	The COP describes effective monitoring and evaluation mechanisms of labour principles integration	39
9	The COP describes robust commitments, strategies or policies in the area of environmental stewardship	46~49
10	The COP describes effective management systems to integrate the environmental principles	46~49
11	The COP describes effective monitoring and evaluation mechanisms for environmental stewardship	46~49
12	The COP describes robust commitments, strategies or policies in the area of anti-corruption	18~19
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15	The COP describes core business contributions to UN goals and issues	83
16	The COP describes strategic social investments and philanthropy	44~45
17	The COP describes advocacy and public policy engagement	22~23
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20	The COP describes Board adoption and oversight	20
21	The COP describes stakeholder engagement	22~29
22	The COP includes high-level transparency and disclosure	18
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Efforts for Executing the UN SDGs

03 Good Health and Well-being
- Activation of the flexible work system
- Operation of the GWP programs
- Supports for employee health management

3 GOOD HEALTH AND WELL-BEING

04 Quality Education
- Hey, Porty. Let's Play (Local children care at night)
- Pilot training project
- Mentoring of multicultural families

4 QUALITY EDUCATION

05 Gender Equality
- 4 action plans for female talent cultivation

5 GENDER EQUALITY

06 Clean Water and Sanitation
- Water quality and waste water control
- Water recycling

6 CLEAN WATER AND SANITATION

07 Affordable and Clean Energy
- Introduction of new and renewable energy
- Expansion of EV charging stations

7 AFFORDABLE AND CLEAN ENERGY

08 Decent Work and Economic Growth
- Operation of the youth startup incubation center
- Temp-to-perm transition
- Support for self-reliance of small businesses

8 DECENT WORK AND ECONOMIC GROWTH
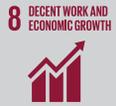
09 Industry, Innovation and Infrastructure
- Improvement of airport infrastructure
- Participation in new airport construction

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 Reduced Inequalities
- Hiring and HR management without discrimination
- Mobility service for the transportation vulnerable
- Human rights impact assessment

10 REDUCED INEQUALITIES

11 Sustainable Cities and Communities
- KAC Cool Roof campaign
- KAC Porty Yellow Carpet (children traffic accident prevention facilities)
- KAC Green Companion in the Sky

11 SUSTAINABLE CITIES AND COMMUNITIES

12 Responsible Consumption and Production
- Purchasing products from SMEs and social enterprises
- KAC-type performance sharing system
- Revitalization of regional airports

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 Climate Action
- Establishment of climate change response measures
- GHG reduction activities
- Response to the carbon trading system

13 CLIMATE ACTION

17 Partnerships for the Goals
- Join and advocate UNGC

17 PARTNERSHIPS FOR THE GOALS

Awards, Certifications, and Memberships

Awards and Certifications

Awards and Certifications	Granted by
2018 Happiness Plus Social Contribution Awards	Korea Employers Federation, Association of Korean Journalists
2018 Best Workplace in Asia	Best workplace in Asia GPTW Institute
Excellent Institution in the 2017 Open Innovation Assessment for Public Institutions	Ministry of the Interior and Safety
Minister Prize of Employment and Labor at the 12th National Sustainability Management Conference	Association of Korean Journalists
Asia's Best Airport Group and Airport in Airport Operating Efficiency Survey	ATRS (Air Transport Research Society)
Gimpo International Airport won awards in three sectors of the 2018 ASQ (Top 5% in environment and atmosphere among mid- to large-scale airports, employees' kindness, and facility & infrastructure, respectively)	ACI (Airports Council International)
Silver Prize at the 2018 Green World Awards	The Green Organisation (U.K.-based environmental group)
Silver Prize at the 2018 IBA (International Business Awards)	STEVIE AWARDS
Korea's Top 100 Great Workplace	GPTW
Silver Prize at the 2018 Green Apple Awards	The Green Organisation (U.K.-based environmental group)
Silver Prize at the 20th Beautiful Restroom Awards	The Citizen's Coalition for Restroom
2018 Awards for Merit on Industrial Safety	Ministry of the Interior and Safety
Reacquisition of the KS Service Certification on Customer Satisfaction Center (Call Center)	Korean Standards Association
11th Korea Internet Communication Awards	KICOA (Korea Internet Communication Association)
Bronze Prize at the 2018 Korea's Invention Patents Competition	KIPO (Korean Intellectual Property Office), Korea Invention Promotion Association
Excellence in the 2018 Disaster Control Evaluation	Ministry of the Interior and Safety
Excellence in the 2018 National Infrastructure Evaluation (A rating)	Ministry of the Interior and Safety
Citation at the 2018 Korea's Merit Organization on Job Creation	Job Creation Committee
Silver Prize at the 2017/18 Vision Awards	LACP

Memberships

| Association	
ACI (Airports Council International)	The institute of Internal Auditors
ATRS (Air Transport Research Society)	Korea Industrial Technology Association
EAAA (East Asian Airport Alliance)	Korea Fire Safety Conference
ICAO Certification Aviation Security Training Center	Korea Engineering & Consulting Association
ICAO TRAINAIR PLUS RTCE	
UN Global Compact	Korea Society of Air and Space Law and Policy
Korea Industrial Safety Association	Korea Civil Aviation Association
Best (Business Ethics and Sustainability Management for Top Performance) Forum	The Korea Navigation Institute
Aviation Management Society of Korea	Navigation Safety Technology Association
Korean Network on Anti-corruption and Transparency	International Contractors Association of Korea

KAC Social Responsibility Reports

2008

2010

2011

2012

2013

2014

2015
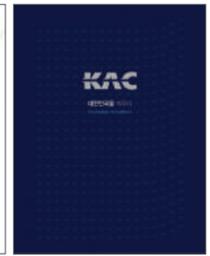
2016

2017

2018

2019

KAC KOREA AIRPORTS CORPORATION

2019 KAC Social Responsibility Report

BETTER FUTURE FOR ALL

KAC, FLY HIGH KOREA!