



KTO's Sustainable Management Report 2011,  
Together with Our Future Generations

# Preservation, Co-existence and Tourism in Perfect Harmony

## ABOUT THIS REPORT

### Characteristics of This Report

This is Korea Tourism Organization (KTO)'s fourth sustainability report that aims to transparently disclose its initiatives and achievements in sustainability management and illustrate the core issues that were identified through the materiality test as well as sustainability management strategies. KTO publishes sustainability reports every year in order to grow into a leader that pioneers the growth of the Korean tourism industry and ensures proactive communication with its stakeholders.

### Reporting Standards and the G3.1 Guideline Application Level

KTO's Sustainability Report 2011 was prepared in accordance with the GRI (Global Reporting Initiative) G3.1 guidelines and ISO 26000. This report was produced in a way that satisfied all requirements for the GRI G3.1 guideline Application Level A+, which was then directly confirmed by an independent assurance provider and GRI.

### Reporting Period, Scope and Boundary

This report spans the period between January 1, 2011 and December 31, 2011 and also contains data from KTO's 2009 and 2010 sustainability reports for time-series comparison. In addition, the report partially includes achievements in the first half of 2011 if deemed necessary. This report presents KTO's economic, social and environmental performance. The boundary of this report is defined as the major initiatives and achievements made by the KTO main office, domestic and overseas offices, and five regional promotional offices. The companies that KTO invested in were not included in this report.

### Assurance

The content of this report was internally reviewed by the KTO task force team, consisting of working-level staff and was also assured by an independent third-party assurance provider to ensure its accuracy and reliability.

### For More Information and Feedback

You may visit KTO's website for further information and this report is downloadable in PDF format online, available both in Korean and English. For any feedback and inquiry, please fill in the questionnaire that appears at the back of this report or contact us through the following site:

• KOT Website : [www.visitkorea.or.kr](http://www.visitkorea.or.kr) • E-mail : [csteam@knto.or.kr](mailto:csteam@knto.or.kr)

• Tel : 02. 729. 9623

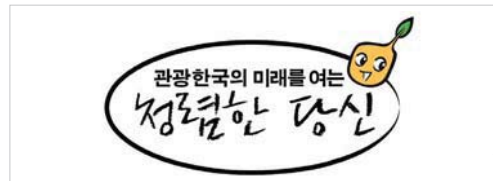
• Fax : 02. 754. 2077

• Department in Charge : CSR Center, KTO



**More Stable and Healthier Financial Position Created through Financial Innovation**

At KTO, multi-faceted financial innovation strategies were undertaken to improve our profit/loss profile and the health of the financial structure. The disposal of our equities invested in such subsidiaries as Kyongbuk Tourism Development Corporation and Jeju International Convention Center, as well as Jeju and Haenam Tourism Complexes, was underway and sector-specific financial structures were improved. These endeavors enabled us to establish a safer and healthier financial structure through reduced loans and debt ratios and increased liquidity ratios.



**No. 2 in Total Integrity and No. 1 in the Level of Improvement Made among Public Enterprises**

In 2011, all KTO employees were united on a company-wide level to establish a culture of ethics and integrity. The development of ethical master plans, 'GoDami', KTO's unique character for ethics management and ethical catch phrases assisted us in creating our own ethical identity. Sustained training and infrastructure improvement also helped KTO place second rank in total integrity and first in ranking for the level of improvement made in the same evaluation group consisting of public enterprises.



**Endeavors to Attract 10 Million In-bound Tourists**

The global economic crisis, the disastrous earthquake in Japan, the growing anti-Korean sentiment in Taiwan and the heavy flood in Thailand posed the greatest-ever challenge to the Korean tourism market in 2011. KTO responded to these crises by creating swift response strategies, proactively developing tourism products and by creating promotional initiatives. As a result, 9.8 million in-bound tourists (the highest-ever in the nation's history) visited Korea, generating \$ 12.3 billion in tourism revenues.



**Bring Group Tourists from Baojian Group under the Incentive Tour Program**

KTO's efforts to promote Korea as a favored tourism destination through the incentive group tour program bore fruits in 2011 by successfully attracting employees of Baojian (a Chinese company) to visit Korea. This constituted the highest number of tourists (10,860 people) coming to Korea from a single nation and a single company. They spent KRW 28.6 billion (KRW 51.6 billion in induced production) during their 15-day stay in Korea and also set a new record in the number of in-bound tourists attending corporate meetings (137,887 people).

**Responsible Operation**

**Embracing our People**



**Attainment of Common Goals through the Declaration of Labor-Management Cooperation in 2011**

In 2011, labor-management cooperation projects were undertaken at KTO under the common goals of 'increasing the number of in-bound tourists, strengthening the corporate competitive edge, and implementing family-friendly management practices'. They enabled us to exceed our original target in attracting in-bound tourists and to be chosen as a leading 'family-friendly company'. At KTO, we have high expectations that the 'Declaration of Labor-Management Cooperation' will continue to serve as the driver behind the strong foundation for labor-management harmony and sustainable development.

**Creating Customer Value**



**Promotion of Domestic Tourism through the Use of SNS and Smartphone Apps**

At KTO, we provide customized customer services through our IT-enabled tourism marketing capabilities that cover smartphones and social networks. Three smartphone apps were developed to suit different consumer needs and were used for integrated marketing and promotional activities in conjunction with regional tourism agencies. Continued improvements were also made through multi-channel monitoring, which allowed us to be awarded with the 'App of the Year' award and the 'Internet Communication Grand Prix Award' in 2011.

**Reaching our Partners & Community**



**KTO's Unique Way of Creating Jobs**

KTO is committed to creating jobs in order to fulfill its social responsibility as a public enterprise. In 2011, we assisted 32 North Korean defectors, who were challenged to find employment, in landing decent jobs through systemized counseling and customized training. We also worked with the Korean government and the industry as a whole, in order to develop a support system to lay the foundation for the 'tourism venture promotion' project, taking the lead in creating jobs through our unique capabilities at KTO.

**2011 Highlights**



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# CEO MESSAGE

## Dear Stakeholders,

In addition to operating a sustainable tourism industry, the Korea Tourism Organization was created with the mission of becoming a 'Total Service Provider' in the national tourism industry by attracting in-bound tourists, stimulating the domestic tourism market and promoting national economic growth. It is with this mission that KTO is committed to sustainable and balanced growth, as well as a sustainable future from the three perspective of : economic profitability, social responsibility and environmental health.

The rapidly-changing conditions that surround the tourism industry and related businesses prompt us to shift to a new business paradigm. We initiate this shift through a relentless pioneering spirit and a sense for innovation. Fulfilling social responsibility in consideration of both economic growth and environmental protection in conjunction with stakeholders is likewise emerging as a critical requirement for corporate sustainability.

To respond to such advancements and promote the development of KTO through sustainability management, the CSR Center was lately established in 2011 as a dedicated unit in charge of undertaking company-wide management initiatives for sustainable growth. To ensure that these initiatives are systematically and proactively executed, our Vision 2020, mid/long-term management strategies, the KTO sustainability management vision of 'Global Leader (No. 1) that Leads a Sustainable Tourism Industry', that reflected the social responsibility issue emphasized by ISO 26000 as well as the five strategic directions, were defined. This was also followed by the selection of detailed action tasks, which are currently in operation at KTO.

Not even the numerous challenges that hit the tourism industry in 2011 (such as the global economic crisis, the great flood in Thailand and the great earthquake in Japan) could hamper our progress. In fact, for the first time in the history of KTO, we surpassed the 9 million mark in the number of in-bound tourists. This was a remarkable feat that positioned us one step closer to developing ourselves into an advanced tourism nation that hosts 10 million in-bound tourists. On top of all this, Korean tourism revenues exceeded KRW 10 billion for the first time in history. Yet, even with all this progress, we have never fallen into the complacency that so often accompanies success. Instead, we have whole-heartedly set our eyes on our new paradigm of 'pursuing internal strength and quality improvement,' and left the conventional approach of simply focusing on increasing the numbers well behind us. Our tourism infrastructure expansion and diverse tourism content development, serve to further reflect KTO's steadfast commitment to strengthen the edge of the Korean tourism industry over the long haul.

Companies that fail to put their customers at the center of their business operations or fall short of fulfilling their social responsibilities, can never guarantee a sustainable future. This is why KTO is consistently taking initiatives for customer-driven management and corporate philanthropy that is based on the management philosophy of 'RIO CHARM'. Especially notable is the fact that in 2011, everyone at KTO was fully dedicated to establishing our own unique corporate philanthropic culture. The blueprint for social contribution initiatives was drawn up in consideration of inherent characteristics of the tourism industry, the business trip for volunteer work scheme was introduced to encourage voluntary employee participation and the Green Mileage scheme was improved. All of these efforts greatly contributed to strengthening the foundation for corporate philanthropy at KTO. Our sincere endeavors in keeping our promise to 'practice the spirit of sharing in every corner of Korea (Guseok Guseok)' allowed us to be honored with the Grand Prix at the "Social Contribution for a Happier Society" Awards for two consecutive years.

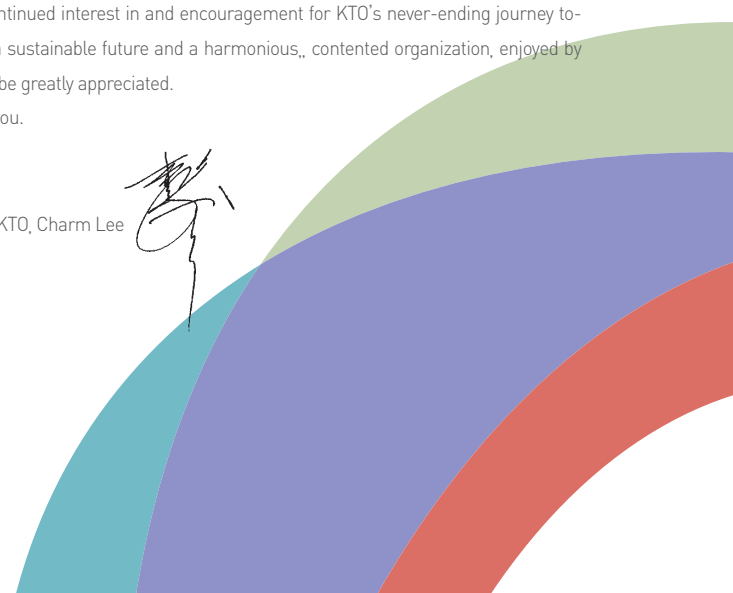
2012 marks the 50th anniversary of KTO's establishment. A half-century later, we will continue to dedicate our endeavors to raising the awareness of what the true identity of a new tourism culture really means. We will be covering green tourism, fair tourism and "refresh holidays," while ushering in a sustainable world where humanity and nature can harmoniously co-exist. We will do our utmost so that the creation of value for stakeholders always comes first in everything that we do. We will make their voices heard and grow into a company that is a household name, a name trusted by society and the public, through the fulfillment of our social responsibility.

As a member of the UN Global Compact, we are in full compliance with the ten principles of the UNGC as well as ISO 26000, the international standard on corporate social responsibility.

Your continued interest in and encouragement for KTO's never-ending journey towards a sustainable future and a harmonious, contented organization, enjoyed by all, will be greatly appreciated.

Thank you.

CEO of KTO, Charm Lee





## Introducing KTO

### Making Korea an Attractive Tourist Destination

In 1962, when tourism was hardly recognized as an industry in its own right, the Korean Tourism Organization emerged with a critical mission to explore this uncharted, yet promising, Korean territory. Nowadays, KTO boasts both a domestic and global reach that is extended to every possible corner of the world and is developing the tourism industry as a new engine of growth that will lead the Korean economy. With forward-looking thinking, improved business environments and endeavors for co-existence and preservation in perfect harmony, KTO is evolving into a creative public enterprise and a leader in the global tourism market.





# Corporate Overview

## Overseas Office



**28 Overseas Offices in 19 Countries**



Germany	Frankfurt Office
Thailand	Bangkok Office
Russia	Moscow Office, Vladivostok Office
U.S.A.	LA Office, New York Office
Japan	Tokyo Office, Osaka Office, Nagoya Office, Fukuoka Office
Australia	Sidney Office
India	New Delhi Office
Canada	Toronto Office
Turkey	Istanbul Office (to be opened)
Vietnam	Hanoi Office
U.K.	London Office
France	Paris Office
Singapore	Singapore Office
Taiwan	Taipei Office
China	Beijing Office, Shanghai Office, Guangzhou Office, Hong Kong Office, Shenyang Office
UAE	Dubai Office
Malaysia	Kuala Lumpur Office
Philippines	Manila Office (to be opened)
Indonesia	Jakarta Office

The Korean Tourism Organization (KTO) was established as a public enterprise in 1962, in accordance with the Establishment of the International Tourism Organization, in an aim to contribute to the enhancement of public welfare and the development of the national economy. It does so by promoting and expanding the national tourism industry. The scope of KTO's business covers the promotion of tourism nationally/internationally, the development of tourism resources, research in the tourism industry and the fostering and training of a professional tourism workforce. As of December 2011, there were 614 KTO employees working in 19 countries across the globe.

## General Status [As of the end of December 2011]

Name of Company	Korea Tourism Organization (KTO)
Date of Establishment	June 26, 1962
Main Office	40 Cheonggyecheonno, Jung-gu, Seoul
CEO	Charm Lee
Business Objective	To promote and grow the national tourism industry

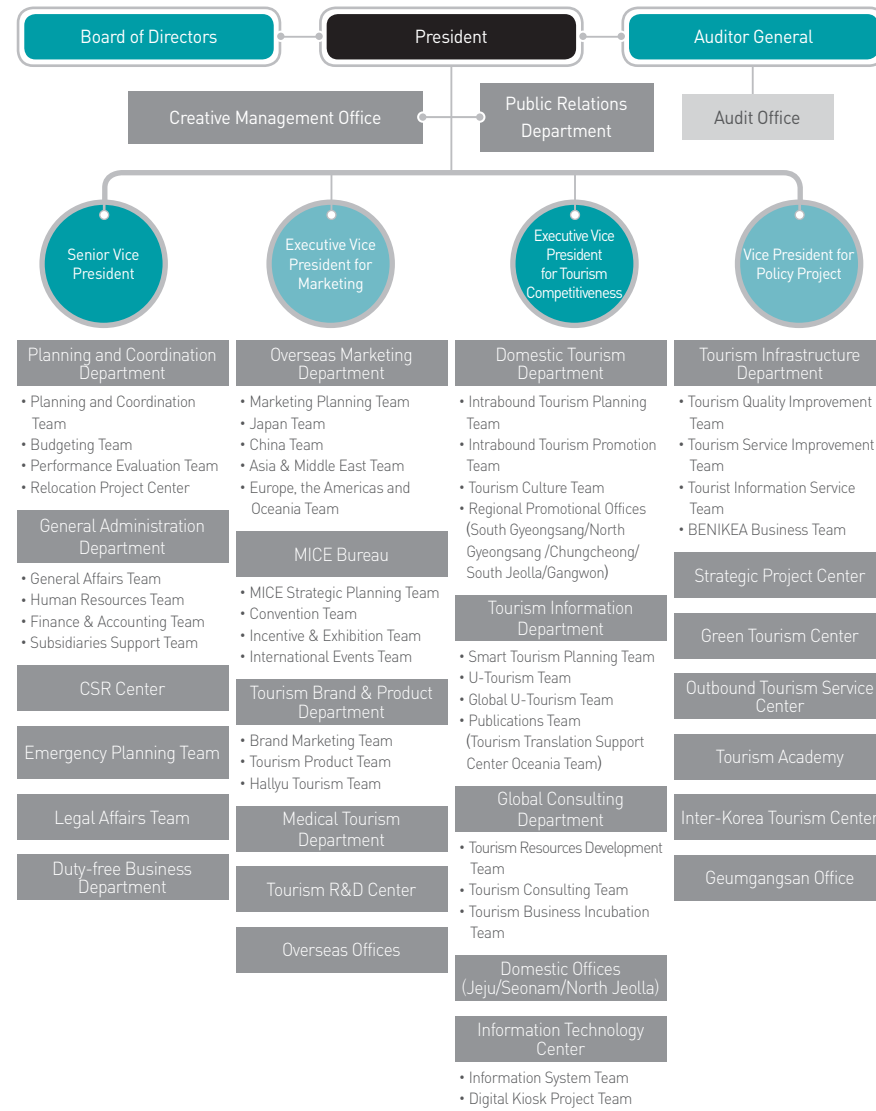
umber of Employees	Sales	Total Assets	Number of In-bound Tourists
<b>614</b>	KRW <b>894.2</b> billion	KRW <b>1.3059</b> trillion	<b>980</b>



### Organization

At KTO, we have four divisions, 13 departments and bureaus, and 39 teams and centers. We also operate the main office, three domestic offices, five regional promotional offices and 28 overseas offices in 19 countries.

Organizational Chart

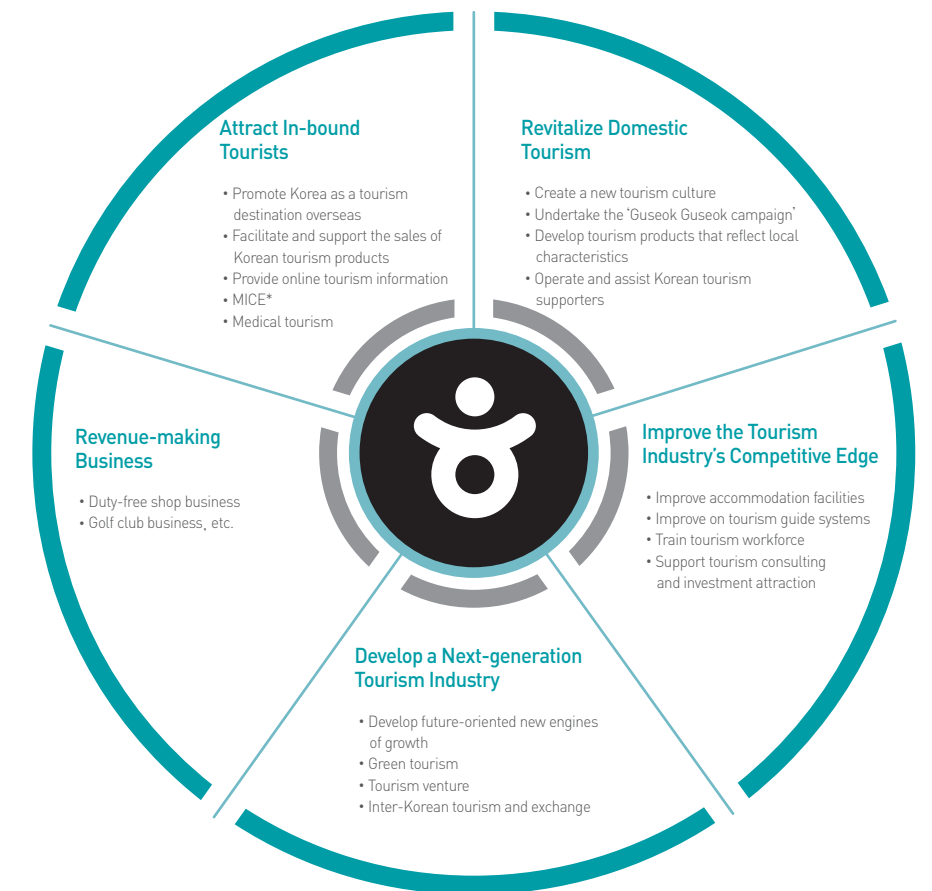


### Introduction to KTO's Major Business Domains

KTO presents the future of the Korean tourism industry as a 'Total Service Provider' and is committed to the sustainable development of the Korean economy and value creation. We are fully dedicated to revitalizing the domestic tourism market by leading a healthy tourism culture as well as promoting Korea as a favored world tourist destination. We also strive to improve on tourism information and readiness continuously and to develop a next-generation tourism industry that creates high added value. Our business domains consist of: the attraction of in-bound tourists, the revitalization of domestic tourism, the improvement of the tourism industry's competitive edge, the development of a next-generation tourism industry and the hosting of large-scale international events. We also run duty-free shops and golf courses as revenue-making businesses.

Major Business Domains

\* Meetings, Incentive Travel, Convention, Exhibitions



1960

- 1962 International Tourism Corporation (currently KTO) was established
- 1963 KTO joined the Pacific Asia Travel Association (PATA)
- 1964 14th PATA General Assembly was held
- 1968 100,000 in-bound tourists visited Korea
- 1969 Hotel school opened, Tokyo Office opened

1970

- 1973 KTO joined the American Society of Travel Agents (ASTA)
- 1975 Gyeongju Tourism Development Corporation (subsidiary) was established, New York Office opened
- 1977 Master plans were developed for the Jeju Jungmun Resort Complex, KTO joined the World Tourism Organization as an associate member
- 1978 One million in-bound tourists visited Korea, Singapore Office opened
- 1979 Gyeongju Bomun Tourist Complex opened

1980

- 1980 Jeju Tourism Development Corporation (subsidiary) was established, Duty-free shops at Gimpo Airport in operation
- 1982 Renamed 'Korea National Tourism Corporation' (KNTC)
- 1983 53rd ASTA General Assembly was held
- 1986 KTO supported the 1986 Asian Games
- 1988 KTO supported the 1988 Seoul Olympic Games (PR and event proceedings), 2 million in-bound tourists visited Korea

1990

- 1991 3 million in-bound tourists visited Korea
- 1993 KTO supported the 1993 Daejeon Expo
- 1994 Visit Korea Year program was held
- 1995 Beijing Office was opened
- 1998 Four million in-bound tourists visited Korea, commercials featuring the President to promote Korea as a tourist destination were produced, tourism to Mt. Geumgang was launched

2000

- 2000 2000 Five million in-bound tourists visited Korea
- 2001 Visit Korea Year program was held, KTO joined the Mt. Geumgang tourism project
- 2002 Tourism planning groups for the World Cup and Asian Games in operation
- 2003 Inland tourism to Mt. Geumgang started
- 2004 PATA General Assembly meeting was held, Investment Attraction Center was opened
- 2005 More than six million in-bound tourists visited Korea, Grand Korea Leisure (subsidiary) was established

- 2008 KTO's organization was structured to enhance the Korean tourism industry's competitive edge, Green Tourism Team and MICE Bureau were newly created
- 2009 More than seven million in-bound tourists visited Korea
- 2010 More than eight million in-bound tourists visited Korea



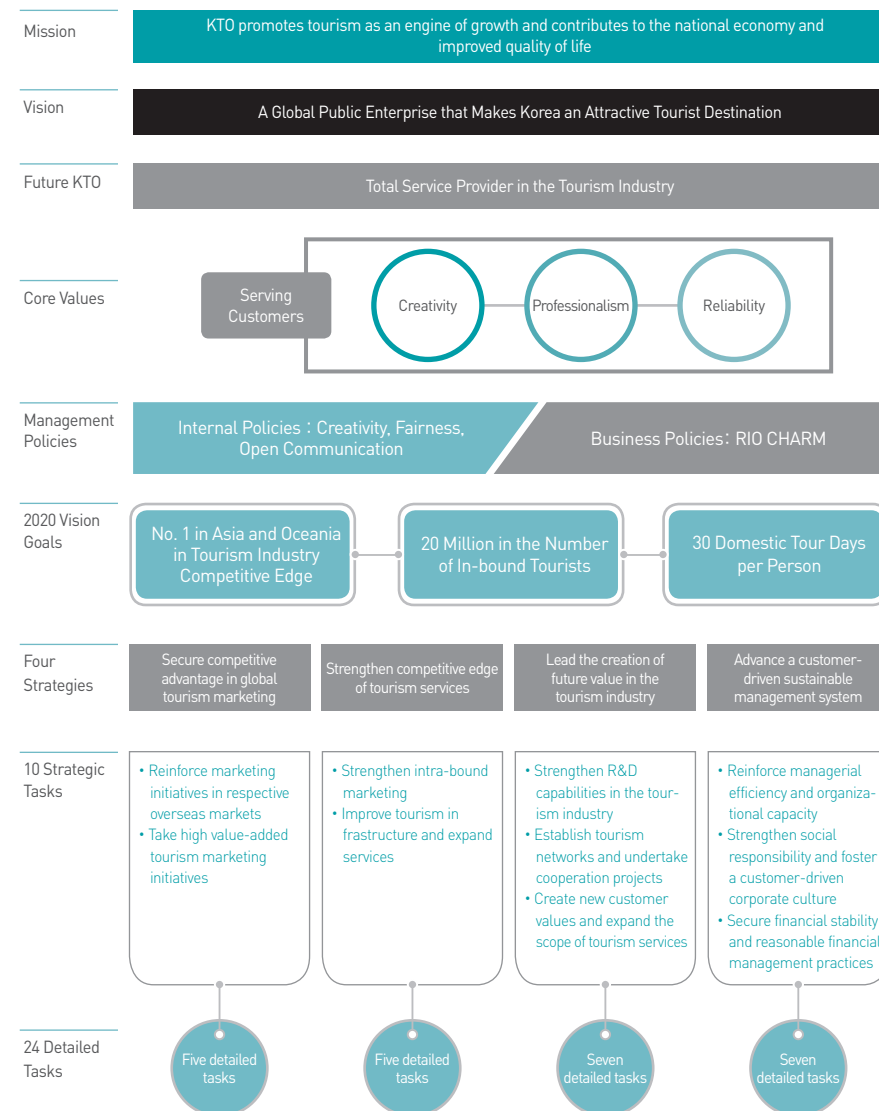
# Vision and Core Value

## Vision 2020 and Core Value

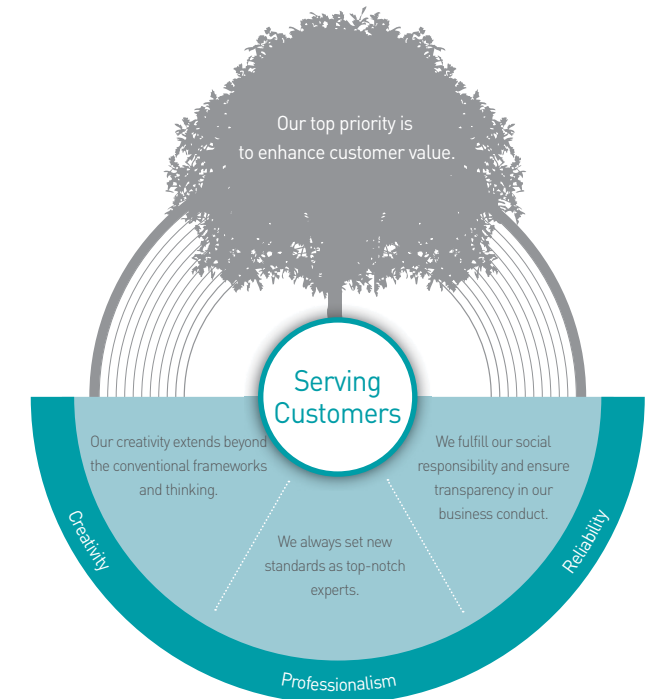
KTO's vision and core values were defined and the value framework was developed to align its vision, core values and management goals, in order to satisfy its purpose in being established. To present a more detailed future vision in celebration of KTO's upcoming 50th anniversary, 2020 vision targets were declared: 'No. 1 in tourism industry competitive edge in Asia-Oceania', '20 million in-bound tourists' and '30 domestic tour days for every Korean'. Moreover, core values of KTO's corporate culture are shared and practiced continuously, under the leadership of the company CEO, so that high-quality growth is attained in the Korean tourism industry and so that KTO employees are united as one.

KTO is determined to evolve into a global sustainable tourism service provider that assists the balanced development of the tourism by reinforcing core business, based on the analysis of global tourism trends.

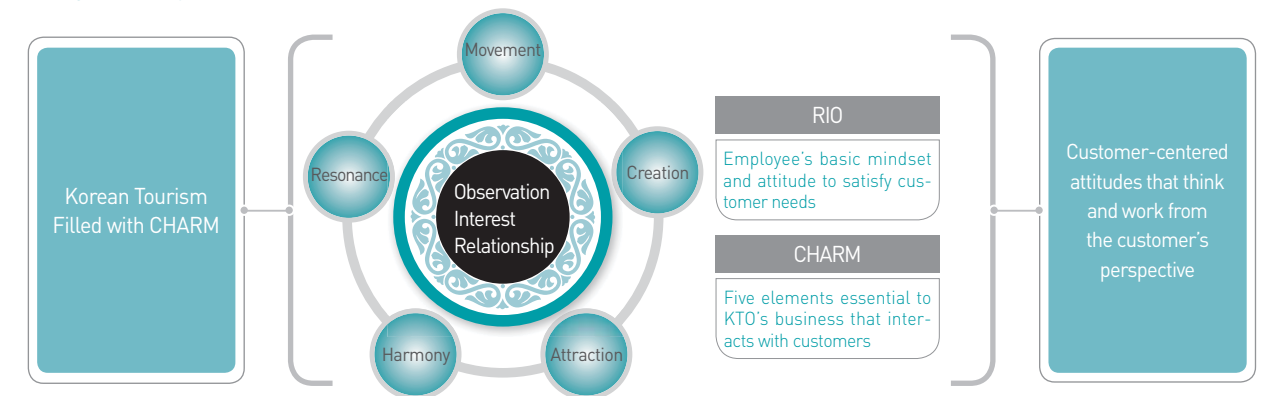
### Vision Framework



### Core Values



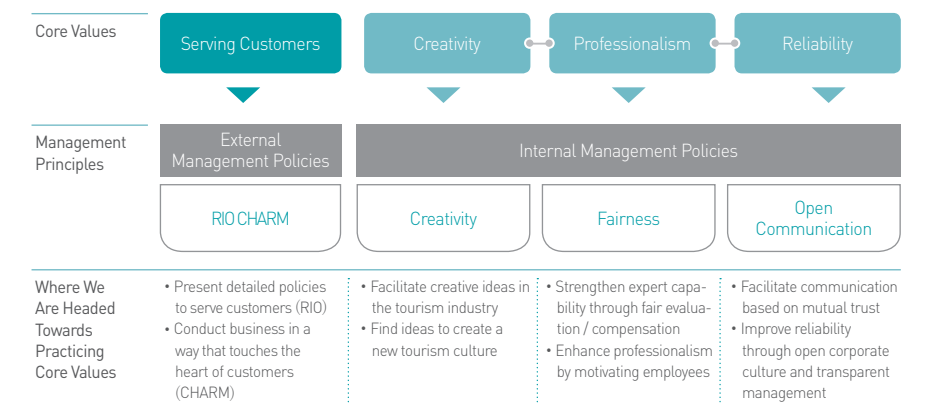
### 'RIO CHARM' Management Principles



### RIO practice meeting



### CEO's Management Principles to Practice Core Values







# Corporate Governance

## Equity Ownership

KTO's equity ownership remained unchanged from 2010 and its major shareholders included the Ministry of Strategy and Finance, the Korea Finance Corporation, the Korea Railroad Corporation, the Financial Supervisory Service and the Korean Reinsurance Company. The Korean government owns 55.2% of KTO, more than half of the total shares, and the rest are owned by respective shareholders such as the ones below.

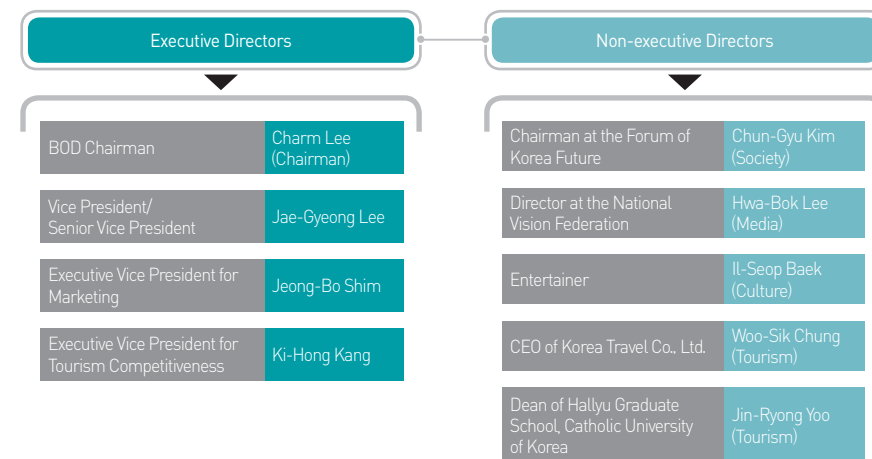
Shareholders and Their Equity Ownership

Ministry of Strategy and Finance (Government)	55.20%	3,575,764shares
Korea Finance Corporation	43.59%	2,823,500shares
Korea Railroad Corporation	0.87%	56,377shares
Financial Supervisory Service	0.17%	11,275shares
Korean Reinsurance Company	0.17%	11,275shares
<b>Total</b>		<b>6,478,191shares</b>

## Composition of the BOD

To address fast-changing business environments and improve management transparency, we at KTO are committed to establishing a BOD-centered management system and an advanced corporate governance system. As KTO's top decision-making body in business operations, our board of directors (BOD) consists of nine members: four executive directors and five non-executive directors, including the company CEO, who serves as the BOD Chairman. Presently, there are no female BOD members. The CEO serves three years while directors serve two years and their tenure may extend on a yearly basis. We comply with relevant laws, the KTO article of incorporation and the Regulation on the Operation of the BOD, in relation to composition and the tenure of office.

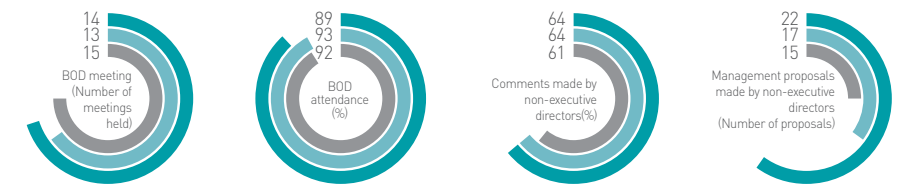
BOD Members (As of June 2012)



## Operation of the BOD

The board of directors (BOD) deliberates and decides on major management issues regarding basic management policies. The BOD meeting minutes are disclosed on the KTO website and on ALIO (a management information disclosure system for public institutions). In 2011, the BOD met 14 times: 12 monthly regular meetings

Operation of the BOD ● 2009 ● 2010 ● 2011



Endeavors to Facilitate the Operation of the BOD

Strengthen BOD's checks and supervision over the top management	<ul style="list-style-type: none"> <li>Newly establish a dedicated BOD team and a preliminary consultative body</li> <li>Strengthen BOD's participation in business operation and proactively incorporate director's management advice</li> <li>Prohibit the exercise of discretion by proxy and restrict the voting right on matters where BOD members have special interest</li> </ul>
Strengthen and utilize non-executive directors' expertise	<ul style="list-style-type: none"> <li>Appoint non-executive directors from diverse fields that suit the needs of business environments</li> <li>Provide work manuals for non-executive directors and allow non-executive directors to perform on-site inspections</li> </ul>
Proposals made by non-executive directors (22 proposals in total)	<ul style="list-style-type: none"> <li>KTO's response to the devastating earthquake that hit Japan</li> <li>Status of the Korea Pass project</li> <li>Status of the development of special products and promotional projects for 2011 mega events</li> <li>Revision of executive remuneration regulations</li> </ul>

## Executive Recommendation Committee

At KTO, our executives (including the CEO), auditors and executive/non-executive directors are appointed through the Executive Recommendation Committee. This committee aims to improve the transparency and fairness in appointing executives and to normalize the internal check system by strengthening the role of executives in charge of the system. The committee consists of non-executive directors and private-sector members who are recommended both internally and externally and then appointed by the BOD. In accordance with internal regulations, one non-executive director in the committee serves as a chair. The committee determines recommendation methods and appointment procedures and also makes final recommendations for executive candidates to the Public Institution Steering Committee (or to the person with the appointive power).

## Compensation and Evaluation

The performance pay of the KTO CEO is determined from the results of the annual governmental management evaluations conducted by the Ministry of Strategy and Finance in accordance with the 'Act on the Management of Public Institutions'. The evaluation categories include: the three areas of leadership/responsible management, management efficiency and major business as well as sustainable business stipulated in the 'CEO management plan' drawn at the beginning of each year. Aside from the company CEO, all executives are subject to internal management assessments made in their respective divisions, governmental management evaluations and top-down assessments made by the CEO. This helps enhance their management accountability. Performance pay for the CEO and executives is made transparently, in accordance with the compensation guidelines determined by the Minister of Strategy and Finance. In 2011, individual performance assessments (which were previously covered only for executives above class 1) were extended to those in class 2 and above, in order to ensure appropriate alignment and feedback between performance assessment outcomes and compensation.



# Risk Management

## Risk Management Process

Risk management constitutes a key factor in enabling sustainable management of a company. Therefore, KTO swiftly responds to risks across the whole spectrum of business operation and strengthens its risk management capability on a strategic level. At KTO, we classify risks into 'financial risks' and 'non-financial risks'. Non-financial risks are further categorized into business management risks and tourism industry risks, in consideration of the inherent characteristics of our operations. These risks are systemically managed through the integrated risk management system (RMS, non-financial risk management).

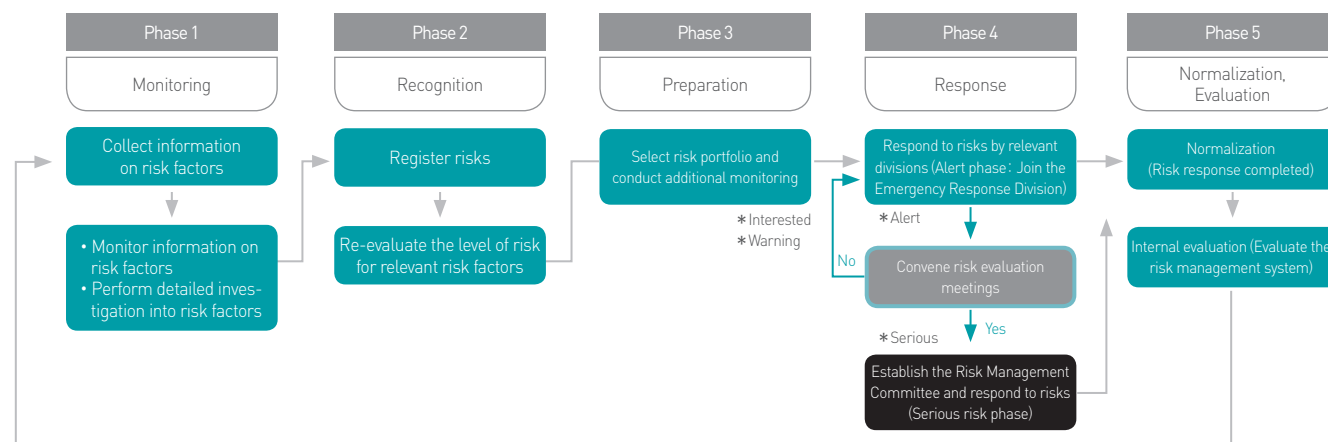
Type of Risks



## Management of Tourism Industry Risks

Risks in the tourism industry may start small but they can gradually spread to hit the entire industry with grave consequences. In turn, these small risks, have the potential to inflict severe damages, loss of property and devastating impacts on the tourism industry. Therefore, we at KTO chose 25 risk factors in four tourism sectors and designated responsible units in each phase, in order to manage a well-functioning risk management process. The Creative Management Office, under the direct leadership of the company CEO, is in charge of risk management, which ensures that decisions are made quickly and issues are addressed with immediate responses.

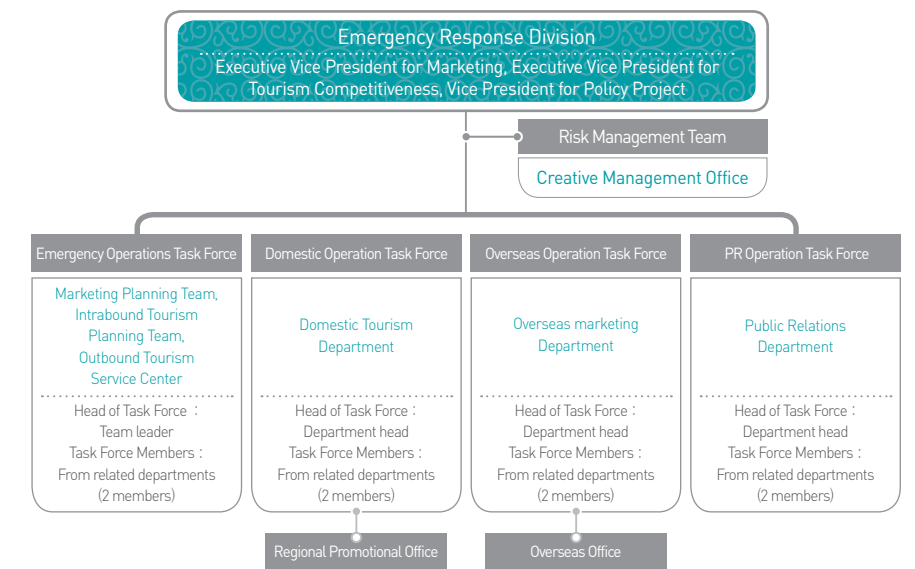
Risk Management Process



Main page of the risk management system



Risk Management Organizational Chart

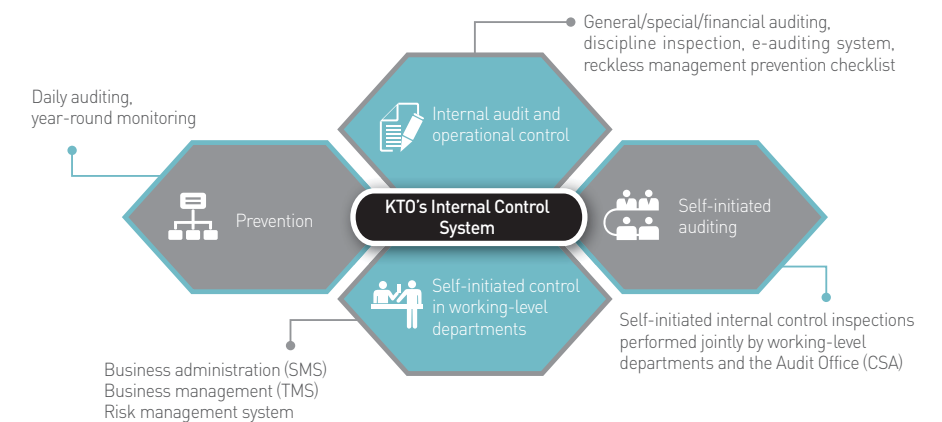


## Internal Audit

At KTO, a highly stringent internal control system is up and running, in addition to a year-round monitoring system for risk diagnosis and prevention, through risk assessment-based auditing. Our prevention and management system uses a pool of 107 risk factors (including 32 key factors) to conduct monitoring. The elimination of risk factors and the prevention of their re-occurrence are also institutionalized through audit consulting, which helps strengthen internal auditing and operational control.

In 2011, our control self-assessment (CSA) system was dualized into standardized common and specialized individual segments. This resulted in the addition of non-regular worker management, HR & compensation and duty-free business as high-risk areas. Such endeavors assisted us in strengthening risk-based self-initiated inspections in working-level departments and in expanding the responsible management system through a specialized sector-specific inspection scheme.

Operational Framework for the Internal Control System





# Stakeholder Communication

At KTO, we identified material issues through various analyses, diagnoses and stakeholder identifications, in accordance with the relevant process suggested by ISO 26000 and the GRI guidelines. Moreover, strategic tasks and management indicators were chosen in alignment with the material issues identified.

## 1. Recognition of Social Responsibility

To identify key sustainability management issues that should be considered in our business conduct, we followed ISO 26000 procedures to analyze the internal and external environments surrounding us.

### Media Analysis

A total of 44,127 media articles spanning three years between January 2009 and December 2011 were analyzed, in order to understand how major issues, regarding KTO's sustainability management were covered by media outlets. This also helped us to identify relevant issues.

### Industry Peer Analysis

The sustainability management reports of five Korean and overseas companies, whose main business concerns the promotion of national tourism and targeted industries, were analyzed by specific issues under the ISO 26000 core subjects and the GRI performance indicators, in order to identify issues relevant to KTO.

### Trend & Impact Analysis

KTO employees were surveyed on major trending sustainability issues and on impact and internal capacity levels, in order to identify issues where KTO impacts others or is impacted by internal capacity issues. Specifically, internal capacity issues were utilized in identifying the sustainability management action framework that appears on page 25 of this report.

### Diagnosis of KTO's Compliance with ISO 26000

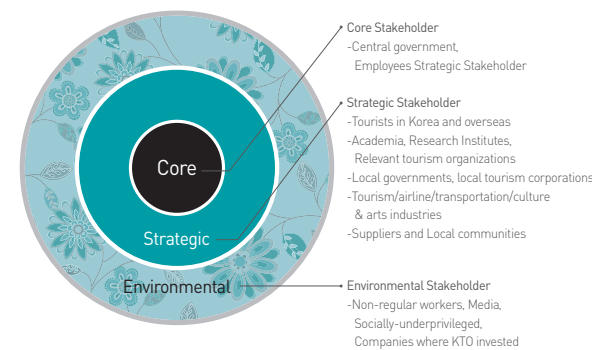
The level of KTO's performance in meeting its social responsibility was diagnosed in accordance with the ISO 26000 diagnostic tool that was developed under the supervision of the Ministry of Knowledge and Economy. This led to the identification of relevant issues with an emphasis on vulnerable areas.

## 2. Stakeholder Engagement

At KTO, our stakeholders are at the core of every action that we take in sustainability management and we are fully committed to fulfilling our economic, social and environmental responsibilities with stakeholders. Our definition of core stakeholders includes: the six groups of customers, policy partners, delivery partners, suppliers, and local communities and employees (depending on whether they are influenced or influence our organizational performance as suggested by ISO 26000 and whether they bear any legal, financial or operational responsibilities).

### Stakeholder Engagement and Communication Channels

We pursue positive synergistic relationships with our stakeholders through the use of wide-ranging communication channels that suit the specific needs of each stakeholder group. This is further complemented by in-depth interviews that are conducted on experts who represent respective core stakeholder groups, in order to identify additional potential issues to address. Moreover, 176 Korean and overseas stakeholders in each stakeholder group were surveyed on KTO's sustainability management, so that the outcomes may be used as the foundation for the materiality test. The operation of group-specific communication channels is adjusted by the level of significance and influence that stakeholders exert on KTO's business operations and on the development of Korea's tourism industry. Their feedback and requirements are reflected in developing sustainability management policies and strategies at KTO.

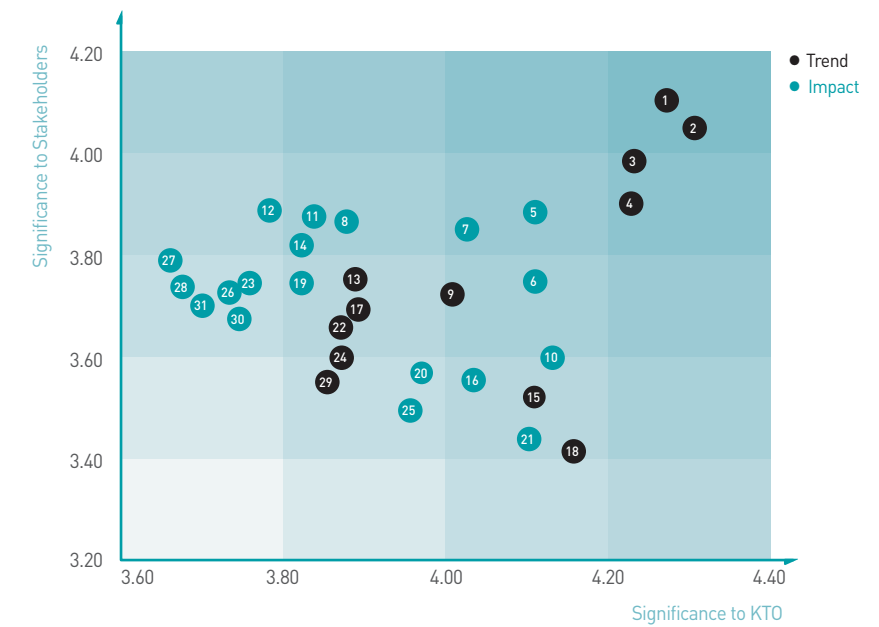


### Stakeholder Interview

Sang-Ug Kim, Director at the Tourism Policy Division, Ministry of Culture, Sports and Tourism, Chul-Won Kim, Professor and Dean at the College of Hotel & Tourism Science, Kyung Hee University, Yong-Su Oh, Executive Director at the Tourism Marketing Department, Gyeonggi Tourism Organization Scott Kwon, Director at the Hong Kong Tourism Board ALIBABA, Managing Director at Hua Bang Travel Service Co., Ltd. Holiday Planners Dae-Hong Kim, CEO at Holiday Planners Jung-Jae Han, Secretary Director at Able Welfare Foundation  
(For further details, please refer to p20-p21)

## 3. Identification of Material Issues

The materiality test was performed in accordance to the two distinct steps of relevance and significance testing, as suggested by ISO 26000. The relevance test was conducted of the first 102 sustainability issues identified and they were narrowed down to 53 issues. These issues were then re-evaluated for their level of significance through internal and external surveys. As a result, 31 trend and impact issues, that scored higher than 3.7 points on a scale of one to five, were finalized as material issues to be reported. This sustainability report outlines KTO's activities on these material issues that were chosen through the materiality test process.



1	Extension of product/service responsibility (Improvement of readiness, improvement of tourism infrastructure and culture, etc.)	4.19	10	Guarantee of fair employment and employment relationships (recruitment, wage, etc.)	3.86	22	Growing importance of shared growth with suppliers	3.76
2	Increase in diversified and stronger customer demand (Spread of the five-day workweek system, growth in the number of FIT(Free Individual Traveler)s and interest in and needs for domestic tourism, etc.)	4.19	11	Sustainable consumption (Green tourism, etc.)	3.85	23	Fair marketing	3.75
3	Increasing number of consumers who value the environment and society (Sustainable tourism)	4.11	12	Contribution to local community education and culture	3.83	24	Deepening regional conflicts and development gaps	3.74
4	Growing demand for transparency	4.07	13	Globalization of market, competition and supply chain	3.82	25	Guarantee of social dialogue with employees	3.74
5	Enhancement of the national image/brand	3.99	14	Endeavors to create wealth and income in local community (Promotion of domestic tourism)	3.82	26	Development of expert knowledge, functionalities and skills and their application to local communities to contribute	3.73
6	Provision of opportunities for human resources development and education & training at work	3.93	15	Growing needs for welfare tourism for the socially-underprivileged	3.81	27	Protection of consumers' data and privacy	3.73
7	Prevention of corruption	3.93	16	Guarantee of workplace health and safety (Stress management, etc.)	3.79	28	Environmental protection and restoration of natural habitats	3.71
8	Involvement in local community development	3.87	17	Intensifying competition in the tourism industry	3.79	29	Increasing evaluation on government's social responsibility	3.71
9	Stronger demand for fair competition and shared growth	3.87	18	Growing importance of employees' rights and roles	3.79	30	Service support for customers and resolution of consumer complaints and conflicts (Introduction of a long-term customer management system, etc.)	3.70
			19	Endeavors to support social investment in local communities	3.78	31	Sustainable use of resources (Conservation of energy consumption and use of renewable energy)	3.70
			20	Labor conditions and responsibility for social protection	3.78			
			21	Guarantee of basic labor rights	3.77			



# Sustainability of KTO

Material Issue	Major Stakeholder	Strategic Direction	Strategic Task	Performance Indicator			
<ul style="list-style-type: none"> <li>Increasing evaluation on governmental social responsibility</li> </ul>	Central government, Employees	Sustainable Growth	Operation of the BOD	Tourism revenues			
			UN Global Compact	Introduction of the CSR mileage scheme			
			Initiative to establish a CSR Committee (Expand the operation of the Ethics Management Committee)				
			<ul style="list-style-type: none"> <li>Growing demand for transparency</li> <li>Prevention of corruption</li> </ul>	Responsible Operation	Institutionalization of ethical culture	KTO phase-specific life cycle education	
					Integrity evaluation		
<ul style="list-style-type: none"> <li>Environmental protection and restoration of natural habitats</li> <li>Sustainable use of resources</li> </ul>	Employees	Creation of eco-friendly value	Reduction in energy consumption	Energy conservation			
			Purchase of eco-friendly products	Stronger protection of ecosystem			
			Environmental impact assessment (Tourism complexes)	Discovery of sustainable tourism programs for the general public			
			<ul style="list-style-type: none"> <li>Growing needs for welfare tourism for the socially-underprivileged</li> <li>Increasing number of consumers who value the environment and society (Sustainable tourism)</li> <li>Sustainable consumption (Green tourism, etc.)</li> </ul>	Tourists, General public	Sustainable tourism	Development of materials for green tourism products	
						Participation in the Korean tourism supporter program	Facilitation of tourism for the socially-underprivileged
<ul style="list-style-type: none"> <li>Enhancement of the national image/brand</li> <li>Globalization of market, competition and supply chain</li> <li>Intensifying competition in the tourism industry</li> </ul>	Tourism industry, Related tourism organizations	Competitive tourism	Number of in-bound tourists	Development of materials and products through convergence			
			Support for planning in-bound travel products and results in attracting in-bound tourists	Support for planning in-bound travel products and results in attracting in-bound tourists			
			Results in attracting in-bound tourists attending MICE events	Support for underdeveloped countries to promote tourism			
			<ul style="list-style-type: none"> <li>Guarantee of basic labor rights</li> <li>Guarantee of fair employment and employment relationships</li> <li>Guarantee of social dialogue with employees</li> </ul>	Employees	Embracing our People	Creation of equal opportunities and an open culture	Ratio of female employees
						Ratio of physically-challenged employees	Labor disputes
<ul style="list-style-type: none"> <li>Growing importance of the rights and roles of employees</li> <li>Labor conditions and responsibility for social protection</li> <li>Guarantee of workplace health and safety (Stress management, etc.)</li> <li>Provision of opportunities for human resource development and education &amp; training at work</li> </ul>	Employees	Creation of a human-centered and content workplace	Education and training	Creation of training programs specialized in tourism			
			Job satisfaction	Employee's mental health care			
			<ul style="list-style-type: none"> <li>Increase in diversified and stronger customer demand</li> <li>Extension of product/service responsibility</li> <li>Fair marketing</li> <li>Service support for customers and resolution of consumer complaints and conflicts</li> <li>Protection of consumers' data and privacy</li> </ul>	Tourists, Tourism industry	Creating Customer Value	Customer satisfaction	In-bound tourist satisfaction with KTO's readiness
						Daily use of online tourism information (in Korea and overseas)	External certification of KTO's information protection systems
						Establishment of tourist health & safety management systems	Consulting for local governments in developing the tourism industry
<ul style="list-style-type: none"> <li>Growing importance of shared growth with suppliers</li> <li>Stronger demand for fair competition and shared growth</li> <li>Deepening regional conflicts and development gaps</li> <li>Development of expert knowledge, functionalities and skills and their application to local communities to contribute</li> <li>Endeavors to create wealth and income in local communities (Promotion of domestic tourism)</li> </ul>	Local government, Suppliers, Local tourism corporations, Local communities	Establishment of a mutually-beneficial cooperation framework				Fostering of specialized tourism workforce (Number of trainees)	Ratio of purchasing SME products
						Ratio of e-contract and procurement	Ratio of e-contract and procurement
<ul style="list-style-type: none"> <li>Involvement in local community development</li> <li>Contribution to local community education and culture</li> <li>Endeavors to support social investment in local communities</li> </ul>	Local communities	Management for shared hopes and happiness	CSR training and CSR diagnosis	Clarification of communication channels			
			Social volunteer work	Local community support project expenditure			
			Education and health promotion programs	Global social contribution initiatives			

Unit	2010 Achievement	2011 Goal	2011 Achievement	2012 Goal	Relevant page
Number of meetings	13	More than one meeting per month	14	More than one meeting per month	13
\$ 100 million	97	95	123	117	26
-	CoP submitted	Submission of CoP	CoP submitted	Submission of CoP	3,54,93
-	-	-	-	Integration of existing mileage schemes	-
-	-	-	-	Review of the revised version of the regulations pertaining to the Ethics Management Committee	-
-	-	-	-	Analysis of educational needs and creation of relevant systems	-
Level	Insufficient	Highest level	Excellent	Highest level	30
%	1.23	2	3.44	3	32-33
Number of cases	5	5	5	7	32-33
%	78.1	90.4	73.0	94.0	35
-	-	-	-	Implementation of programs to further raise awareness of the importance of ecosystem protection	36-37
-	Legal threshold satisfied	Compliance with the legal threshold	Legal threshold satisfied	Compliance with the legal threshold	36-37
Number of discoveries	-	-	-	Understanding of the general public's awareness of sustainable tourism	40-43
Number of development cases	14	15	18	25	42-43
Number of people	2,789	3,100	4,599	5,060	41
-	-	-	-	Identification of the current status of tourism among socially-underprivileged populations (nation-wide)	41
10,000 people	880	930	980	1,100	26, 45
Number of development cases	49	50	57	60	42-43
10,000 people	53	57	63	69	45-47
Number of people	182,091	198,000	202,313	218,000	50
Number of cases	-	-	-	Investigations into the tourism market in underdeveloped countries	44-47, 51
Number of discoveries	-	-	-	Identification of employee's recognition of human rights and diversity	-
%	33.3	35	35.2	36	55
%	1.8	3	1.7	3	55
Number of disputes	0	0	0	0	56-57
%	91.9	Over 90%	90.3	Over 90%	57
Number of hours	23,731	25,000	18,131	20,000	58-59
Number of programs	-	-	-	Compilation of needs for and feedback on employee education programs	59
Points	-	3.6	3.6	3.7	60
-	-	-	-	Preliminary review and analysis of best practices	-
Level	A(Highest level)	A(Highest level)	A(Highest level)	A(Highest level)	66
Point on a scale of one to five	4.02	4.13	3.98	4.12	67-69
Number of page views	1,432 million views	1,623million views	1,713	1,888	-
-	-	-	-	Analysis of the current status of the operation of information protection systems	66
Level	-	-	-	Identification of the status of the operation of tourist health & safety management	-
Number of cases	20	22	17	25	73
Number of trainees	2,261	2,360	1,508	690	59
%	95.3	95.1	90	93.8	74
%	22.2	20.1	22.3	24.4	74
-	-	-	-	CSR training efficiency	-
-	-	-	-	Review of communication channels and their operational status	-
Number of occasions	580	870	946	1,135	75-77
KRW million	19.5	30	47.1	100	-
Level	-	-	-	Selection of professional education and health care service providers	77
Level	-	-	-	Planning for global social contribution initiatives	77

There may be numerical discrepancies concerning 2010 achievements and 2011 targets between this report and the previous 2010 report due to the data modification that occurred after the publication of the 2010 report.



# Stakeholder Interview

# Interview

**Sang-Ug Kim, Director at the Tourism Policy Division, Ministry of Culture, Sports and Tourism**



Korea's domestic tourism market is improving both qualitatively and quantitatively. The spread of the five-day workweek system and the improved quality of life are also changing the way we enjoy tourism. For KTO to lead sustainable tourism and development, it needs to recognize such changing trends in its internal and external environments and address them proactively. KTO would benefit from continuously learning new theories and trends in the tourism industry and broadening its perspectives as well. This will prevent KTO from falling into any kind of despondency. I believe that KTO should move quickly and take the initiative in dealing with problems by directly soliciting feedback from stakeholders and strengthening the management of customer contact points.

**Chul-Won Kim, Professor and Dean at the College of Hotel & Tourism Science, Kyung Hee University**

KTO is fully serving its role in promoting Korean tourism in the domestic tourism market, which is poised to record 10 million in-bound tourists in the near future. I hope that KTO will continue to keep its eye on investments in the tourism infrastructure, improve its readiness for tourists and develop policies for small and medium-sized tourism companies. Human resources are at the center of any organization and this implies that KTO needs to consider professionalism, loyalty and motivation at the workplace in managing its human resources. Given that KTO is positioned to generate profits under its unique business mindset as a public enterprise, it would be beneficial to re-define its corporate structure in consideration of the public nature of its operations. This in turn, will assist KTO in ensuring sustainability and accountability in its business conduct.



**Yong-Su Oh, Executive Director at the Tourism Marketing Department, Gyeonggi Tourism Organization**



The dissemination of the five-day workweek system caused growth in short-term trips, family trips and other forms of domestic tourism. This prompts KTO to pay closer attention to the needs for and interest in domestic tourism, which is gradually increasing. From the viewpoint of a local tourism corporation, our major issues include the facilitation of the local economy through tourism and the operation of various communication channels. The promotion of domestic tourism is directly related with growing incomes in local communities and this is why the voice of local communities must be considered in developing tourism complexes. For KTO to become a sustainable organization, it needs to find ways to ensure its co-existence with external stakeholders and build trust with them.

**Scott Kwon, Director at the Hong Kong Tourism Board**



KTO has played an essential role in developing the Korean tourism industry to what it is today. Nevertheless, KTO needs to be aware that there are numerous private sector companies in the tourism industry nowadays and this inevitably raises doubts over the necessity, credibility and professionalism of KTO. Therefore, KTO should promote solidarity with the tourism industry as a whole and gain trust and legitimacy from the outside so that it may find ways to share value and seek mutual benefits. In addition, KTO's overseas promotional activities need to be further localized to facilitate in-bound tourism and its operational professionalism and employee competency should be enhanced, which will develop KTO into a high-performing organization with a global competitive edge.

**ALIBABA, Managing Director at Hua Bang Travel Service Co., Ltd.**

With rapid growth in the tourism industry, the tourism market has reached a saturation point. The hotel occupancy rate is over 90% and employment rates are increasing in related sectors. I hope that KTO will work harder to expand the overall tourism market further, as it has already been saturated and that it secures professionalism. The tourism industry is a service-oriented one that interfaces with people and this is why it is highly critical to improve customer satisfaction. For KTO to grow into a sustainable company that represents Korean tourism, each and every KTO employee should develop their competitive edge and professionalism with a deep affection for tourism and the nation and strive to establish a healthy tourism market, while enhancing Korea's positive national image.



**Holiday Planners Dae-Hong Kim, CEO at Holiday Planners**



In addition to the recent PR activities undertaken in the nearby markets of Southeast Asia, there need to be stronger PR initiatives for the Korean tourism market in such distant markets as Europe and the Americas. KTO needs to take the lead in expanding information channels to provide diverse and accurate information to potential in-bound tourists and promoting a sustainable tourism culture in Korea. KTO should always be aware of its role as a representative organization that shapes the image of Korea as a tourist destination and serve as an agent to promote Korean tourism.

**Jung-Jae Han, Secretary Director at Able Welfare Foundation**

Our perception of tourism, travel and leisure is changing and these cultural activities are considered as universal rights for everyone nowadays. While there is a growing interest in and demand for welfare tourism, this is not yet duly recognized and tourism themes and readiness are insufficient for vulnerable populations within our society. Therefore, the overall recognition of and conditions for welfare tourism and tourism for the elderly should transform and KTO should pioneer such a transformation. I hope that tourism will be freely enjoyed by the socially underprivileged populations, as well as by in-bound and out-bound tourists. This can be realized through the development of customized services and through the recognition of diversity and human rights as a core value to be respected.





# Responsible Operation

## Management Principle

At KTO, we respond to tourism demands both nationally and overseas by proactively promoting Korean tourism to in-bound tourists and developing differentiated products. We are also boosting the competitive edge of the tourism industry by managing both financial and non-financial risks. Moreover, green tourism products were created and a dedicated GHG emissions and energy management unit was established in order to ensure the sustainable growth of our ecosystem. In so doing, we contribute to the initiative to mitigate climate change and increase our eco-friendly competitive edge.

## Progress

- Increase the Korean tourism industry's competitive edge to make it to the global top 10, through the development of key tourist attractions regarding ecology, medicine and the convention business
- Attain 10% in the tourism industry's contributions to the national GDP by 2015 by developing higher added value and company-aligned products and attracting more FITs
- Attracting 13 million in-bound tourists by 2015
- Build green buildings and complete a low carbon green culture through the reduction of the GHG
  - Assist in expanding green management in the tourism industry and institutionalizing green tourism through carbon labeling and other means

## Issues

- Increasing the number of consumers who value the environment and society (Sustainable tourism)
- Sustainable consumption (Green tourism, etc.)
- Intensifying competition in the tourism industry
- Environmental protection and restoration of natural habitats
- Sustainable use of resources

## Performance

Category	Performance Indicator	2010	2011	Department in Charge
Economy	Attraction of in-bound tourists	8.8 million	9.8 million	Finance & Accounting Team, Marketing Planning Team
	Tourism revenues	\$ 9.7 billion	\$ 12.3 billion	
	Credit rating (Financial stability)	AAA	AAA	
Environment	Conservation of energy consumption (%)	1.23	3.44	General Affairs Team
	Purchase of eco-friendly products (%)	78.1	73.0	
	GHG emissions (tCO <sub>2</sub> eq)	892.52	1819.40	





# Sustainable Growth

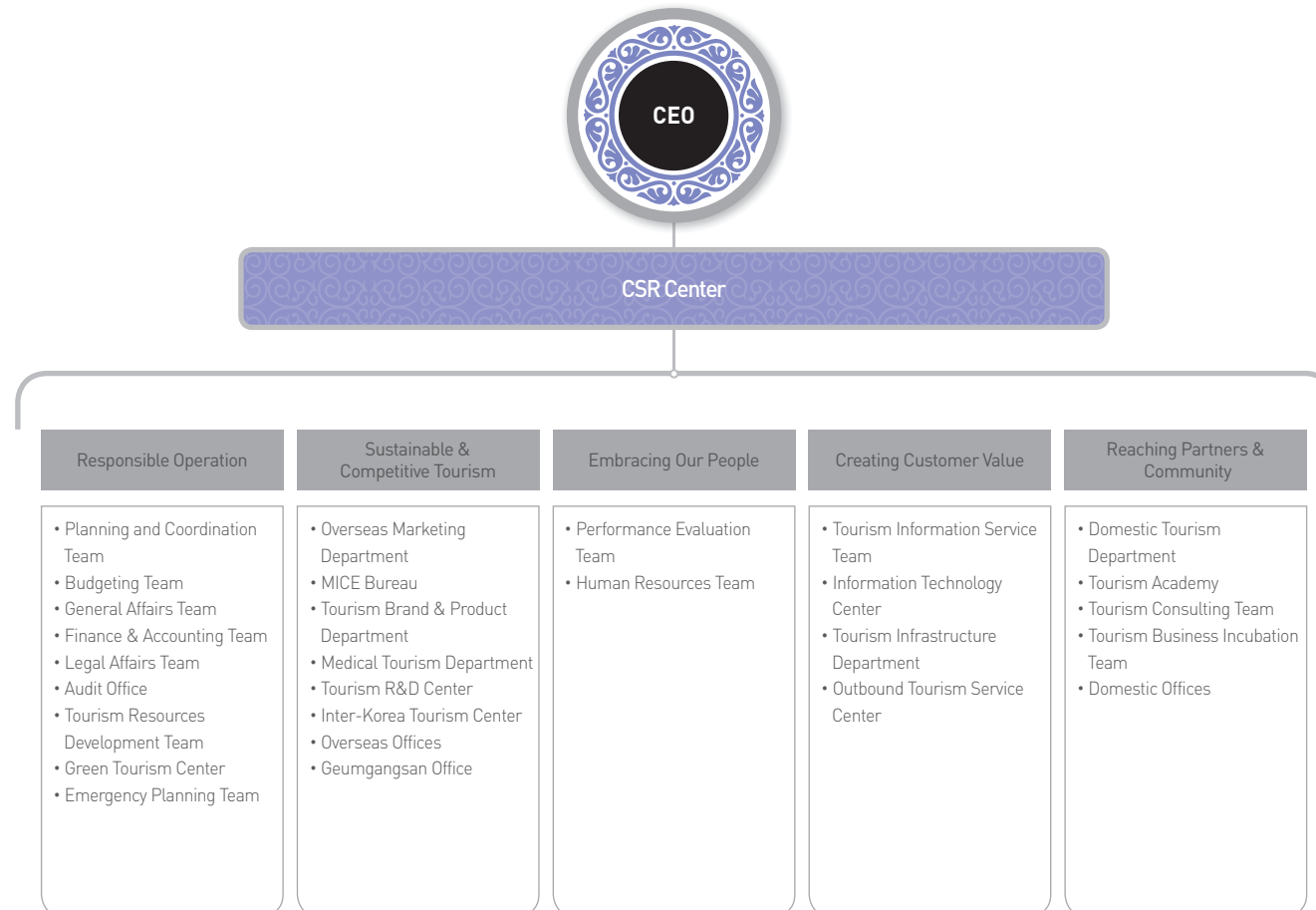
## Sustainability Management Action Framework

### Sustainability Management Strategies and Tasks

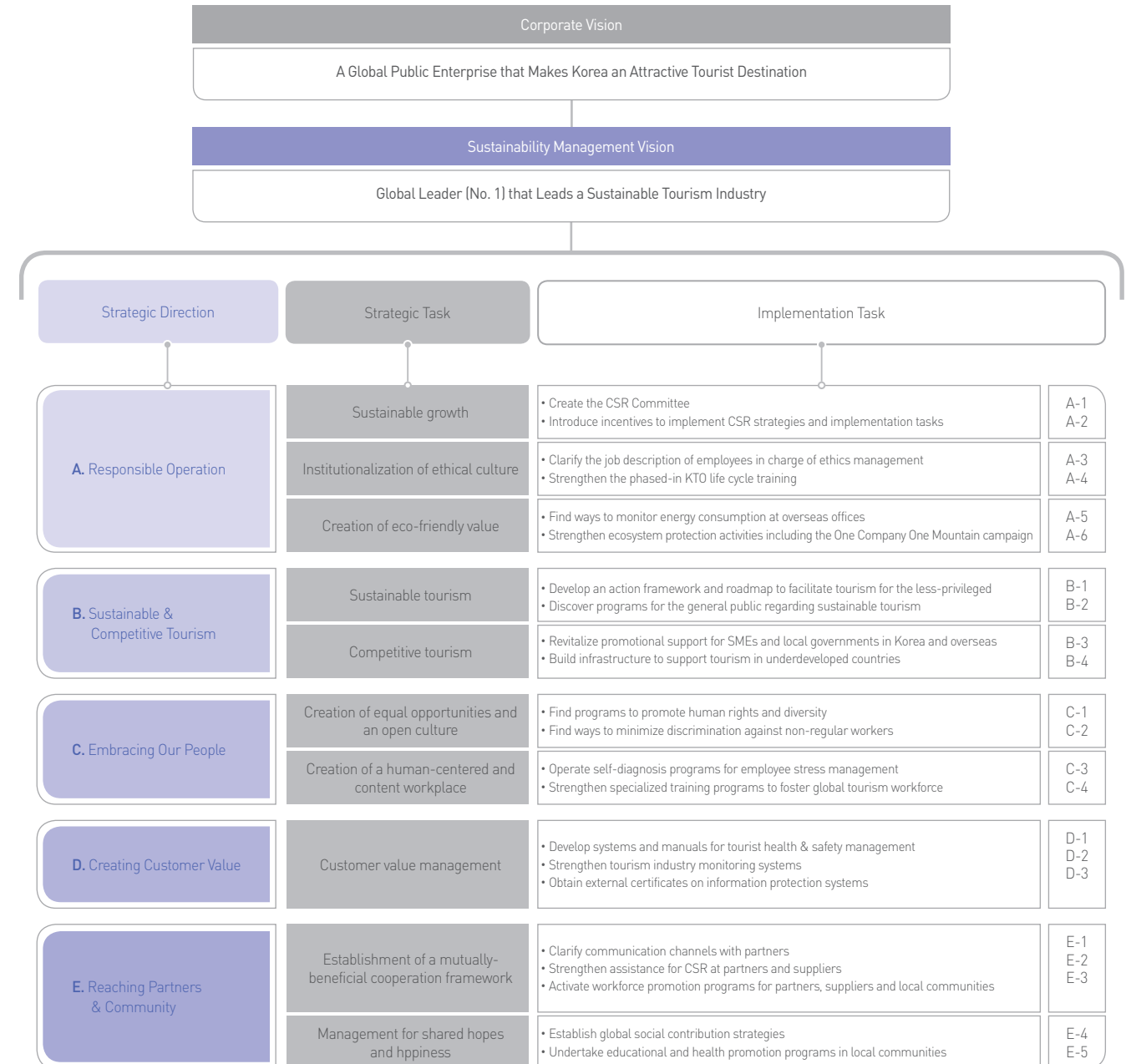
At KTO, we recognize sustainability management as an engine of growth for the future and established our sustainability management vision, strategic directions, strategic tasks and implementation tasks in alignment with the material issues identified through the materiality test and with the four strategies set under KTO Vision 2020 and core values. In addition, the sustainability management action roadmap was created in order to undertake systemized follow-up measures on the action framework and chosen tasks. The CS Management Center was also reorganized into the CSR Center in 2011. We will be fully committed to sustainability management in the upcoming years to grow into a leader with a global competitive edge in the tourism industry.

### Organizational Chart for Sustainability Management

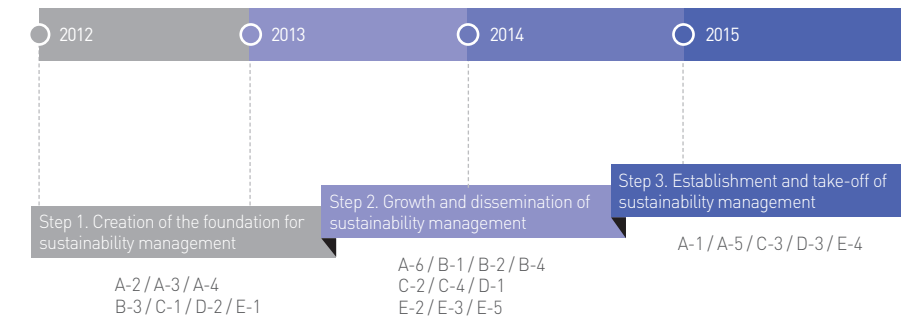
Organizational Chart for Sustainability Management



Sustainability Management Action Framework



Sustainability Management Action Roadmap





## Sustainability Management Vision

### KTO SI

KTO Sustainability Index (KTO SI) is the first-ever systemized performance management system on sustainability management developed by KTO as a public enterprise. This is a self-initiated review evaluation program that generates sector/individual/department-specific index scores and total index scores by assessing performance in such areas of: practice of ethics management, employees' social contribution activities, and CS/Integrity Mileage. The outcomes are disclosed to employees through KEDEX (KTO Ethics Index) and index scores can be verified on an individual/departmental/company-wide level. The self-review system enables both KTO and its employees to build stronger capacities to practice sustainability management and this will be further complemented in the upcoming years by managing performance indicators in alignment with the strategies set in 2012. (See page 18-19)

Category	Details of Review	Schedule	Type of Data	Type of Data
Practice of Ethics	Status of the development of ethics management	Year-round/ Once a year	KEDEX	<ul style="list-style-type: none"> <li>Diagnosis and evaluation of ethics management level</li> <li>Find excellent/vulnerable areas</li> </ul>
Business Ethics	Status of the operation of ethics management	Year-round/ Once a year		
Awareness of Ethics Management	Status of the operation of ethics management	Year-round/ Once a year		
Personal Social Contribution	Personal social contribution activities (Green mileage)	Year-round	Total department score	<ul style="list-style-type: none"> <li>Reflected in internal evaluation</li> <li>Reflected in the provision of incentives</li> </ul>
CS/Integrity Mileage	CS/Integrity mileage management activities	Year-round	Individual/department-specific score	

KTO SI System Management for shared hopes and happiness

## Efficient Operation of Resources

### Value Creation and Distribution

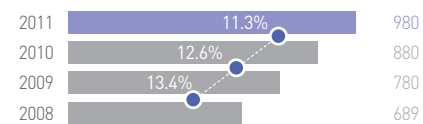
#### Continued Increase in the Number of In-bound Tourists

The less-than-favorable internal and external tourism conditions caused by the devastating earthquake in Japan and the great flood in Thailand failed to hamper our endeavors to record 9.3 million in-bound tourists and we even exceeded this initial target to achieve 9.8 million in the number of in-bound tourists, Korea's largest-ever. This is up by 11.3% from the previous year and we have been marking two-digit growth rates for three consecutive years, outperforming our competitors in Taiwan, China and Japan. Moreover, our tourism revenues set a new record in the nation's history with \$ 12.3 billion. Such a feat is attributable to the improvement of sales and conveniences for Chinese shoppers and the development of high value-added products covering: weddings, cuisine, medical treatments and the incentive tour programs.

#### Creation of Economic Value

At KTO, we classify our business into public interest business and profit-making business. Public interest business is undertaken in Korea and overseas to promote tourism with the profits generated through the operation of duty-free shops, the Jungmun Beach Golf Club & other facilities, as well as the Tourism Promotion Fund. The organizational restructuring and improved management efficiency allowed us to post KRW 2.1 billion in surplus in 2010 from KRW 53 billion in deficit in operating profit. Our operating profit and current net income amounted to KRW 97.4 billion and KRW 32.8 billion respectively in accordance with the IFRS accounting standards modified in 2011.

Trajectory and Increase Rates in the Number of In-bound Tourists (Unit: 10,000 people)



Growth in the Number of In-bound Tourists Against Competitors in 2011 (Unit: %)



### Phased-in Withdrawal from the Duty-free Shop Business The phase

The phased-in withdrawal from the duty-free shop business aims to advance KTO as an organization and to improve its management efficiency. KTO duty-free shops at Mokpo Harbor (Dec. 2008), Sokcho Harbor (Jan. 2009) and Muan International Airport (Aug. 2009) were closed first, followed by Cheongju Airport (Jun. 2010). The closures will begin at Incheon Port, Busan, Port, Pyeongtaek Port, Gunsan Port and Geumgangs Office in December 2012 and at the Incheon International Airport in February 2013. This change in business will not however hamper our sustained endeavors in innovating the operation of our duty-free shop business and reinforcing marketing partnerships with the related industry, which resulted in KRW 205.3 billion in sales and KRW 13.8 billion in current net incomes in 2011. In so doing, resources were secured to undertake purpose business, which assists us in actively addressing internal/external environmental changes and threats and in strengthening sustained growth potential.

## Reinforcement of the Financial Structure

To establish a sustainable and healthy financial structure through the financial budget management system, KTO strives to secure financial stability and manage resources reasonably. As part of our efforts to maintain financial stability and health, our credit rating has remained at AAA, the highest level, for three consecutive years and our debt ratio declined by 1.26% from the previous year. Included in our achievements in improving financial health significantly from the previous year, are a 28.3% and an 8.35% increase in current net incomes and operating profits from duty-free shops, in addition to the turnaround of the Jungmun Beach Golf Club from a state of deficit to a condition of surplus. We will continue to be committed to independently securing a sustainable engine of growth through the development of a mid/long-term financing strategy.

Debt Ratio (Unit: %)



Increase in Current Net Income (Unit: KRW million)



### Advancement of Public Enterprises

In a move to privatize subsidiaries under the Korean government's policy to advance public enterprises, we disposed of an additional 19% in equity of Grand Korea Leisure, one of our subsidiaries, which increased the amount of our equity sold in the company to 49% by December 2010. In September 2011, a provisional transfer/acquisition contract was signed with North Gyeongsang Province in order to sell Kyongbuk Tourism Development Corporation and the disposal was completed in June 2012. In addition, we commissioned the Korea Asset Management Corporation to dispose of the International Convention Center Jeju (ICC Jeju) in August 2011, under the privatization plan of the Ministry of Strategy and Finance. Samil Pricewaterhouse Coopers was also chosen as an underwriter to work on the on-going project to sell the Jungmun Resort Complex (including the Jungmun Beach Golf Course). (The third bidding failed as of June 2012 and the fourth bidding will be announced in September). These endeavors demonstrate that KTO is fully dedicated to securing liquid assets to improve the health of its assets and undertake new emerging ventures by selling non-core assets.

### Improvement of the Accounting System

The consulting project to develop the K-IFRS (Korean International Financial Reporting Standards) system was initiated in 2009 to respond to the introduction of K-IFRS to public enterprises. This led to the completion of our own IFRS financial accounting system within the existing Strategic Management System (SMS) in May 2011. Our K-IFRS accounting policies were set in 2011 and KTO's financial information is disclosed both internally and externally. Before the first IFRS disclosure in 2011, we commissioned an external professional organization to perform preliminary audits in relation to the introduction of IFRS, in order to lay the stable foundation for our accounting policies. Our accounting system was also aligned with that of Grand Korea Leisure, a subsidiary, and a close disclosure cooperation system was built with the government (Ministry of Strategy and Finance), the largest shareholder of KTO, in order to provide swift and accurate financial information to stakeholders.





I. Responsible Operation

- II. Sustainable & Competitive Tourism
- III. Embracing Our People
- IV. Creating Customer Value
- V. Reaching Partners & Community

Tourism Promotion Fund (Unit: KRW million)

	2011	2010	2009
Budget (Regular)	124,870	125,639	103,139
Settlement	131,918	133,047	107,919

Summary Consolidated Income Statement (Unit: KRW million)

The 2010 financial statement is disclosed in comparison with this income statement in accordance with the accounting standards modified in 2011.

Improvement of the Executorial Efficiency of the Tourism Promotion Fund

KTO is supported by the Tourism Promotion Fund as a public enterprise under the leadership of the Ministry of Culture, Sports and Tourism. To ensure efficiency in managing financial resources we receive from the fund, our support business is divided into ten general projects (34 detailed projects) in granting and settling these financial resources. These resources are also managed by each detailed project so that unnecessary administrative elements are eliminated and efficiency is improved through rapid project implementation.

Category	2011	2010
Profit (Sales)	894,235	918,386
Cost of sales	622,918	655,259
Other revenue	841	1,084
Selling and administrative expenses	166,931	156,064
Other expenses	9,467	7,244
Other profit (Loss)	1,739	-3,475
Operating income	97,499	97,428
Financial profit	16,083	12,884
Financial cost	9,840	9,539
Income related to companies subject to equity method	-624	-679
Income before income taxes	103,118	100,094
Income tax expenses	70,331	74,540
Current net income	32,787	25,554

Distributed Values

We posted KRW 894.235 billion in sales and KRW 32.787 million in current net income in 2011 through the sales of products and support business projects. The economic values that we create are equally distributed to our major stakeholders through social contribution initiatives and through assistance for tourism industry partners.

Economic Values Created by KTO in 2011 (Unit: KRW million)

Total profit		375,908
Distributed Values	Stakeholder	Details
	Partner (Local government, tourism industry peers)	Support project expenses
	Supplier	Cost of sales
	Local Community	Donation
	Employee	General management expenses
		Wage and benefit expenses
Others	Non-operating expenses and others	

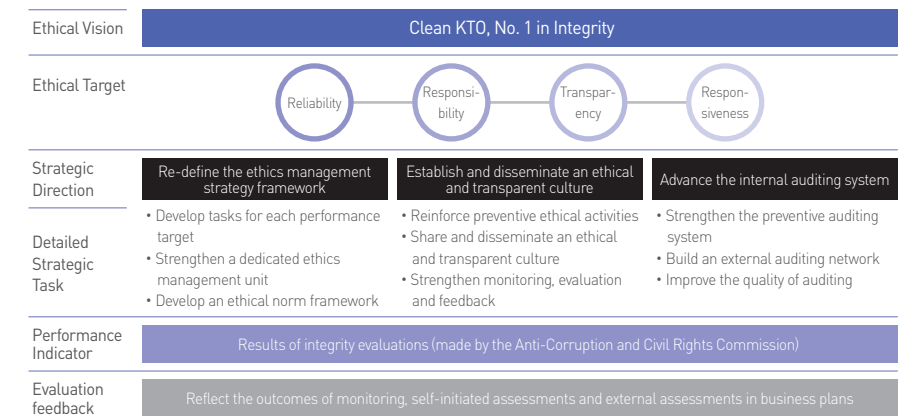
Ethics Management Strategy Implementation Framework

# Institutionalization of Ethical Culture

## Ethics Management

### Ethics Management Action Framework

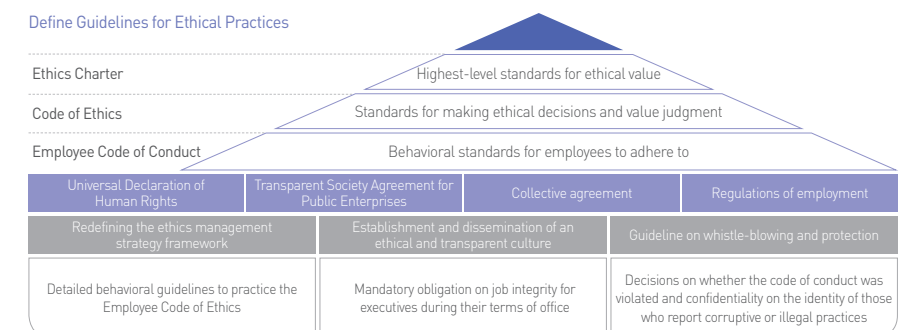
Under the ethical vision of 'Clean KTO, No. 1 in Integrity' and the ethical strategic framework, we are committed to establishing a culture of ethics and integrity.



### Code of Conduct for Ethics Management

Under the Ethics Charter that serves as the highest-level standards for ethical values to enhance the quality of the ethics management action framework, the Code of Ethics, the Employee Code of Conduct and the Practical Guidelines were developed at KTO. The Code of Ethics is the standards for us to follow in making ethical decisions and value judgments. The Employee Code of Conduct sets the behavioral standards for our employees. The Practical Guidelines consist of 'practical guidelines for the Employee Code of Conduct' that define detailed behavioral guidelines for employees, 'provisions for the employee integrity pact' that define mandatory obligations for executives on job integrity during their tenure of office and 'guidelines on whistle-blowing and protection' that stipulate what constitutes a violation of the Code of Conduct and the confidentiality principle to protect those who report corruptive/illegal practices.

Ethical Norms





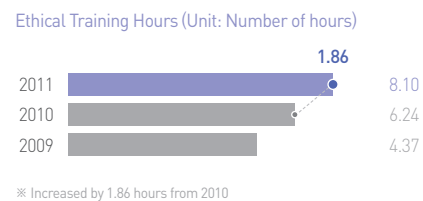
## Practice of Ethics Management

### Introduction of the Integrity Angel and Mileage Program

At KTO, we introduced the Integrity Angel program to serve as a working-level unit for ethics management on a team level. The program aims to encourage employees to practice integrity and disseminate a culture of integrity in order to strengthen the implementation of ethics management. The Integrity Mileage program, which outcomes are reflected in determining employee incentives, was also introduced as part of the compensation scheme. Outstanding employees at ethical training sessions are additionally awarded and encourage others to attend ethical training.

### Building Stronger Ethical Mindset

To build a stronger integrity and ethics mindset, all KTO employees signed the ethical pledge and courtesy training and role training was offered to team managers in September 2011. For 31 weeks between May and December, weekly three-question ethical quiz contests and amusing ethical dramas were staged along with other ethical training programs. This improved employee satisfaction regarding training to more than 80% against the conventional lecture-based training. Training hours per employee also rose from 6.24 hours in 2010 to 8.10 hours in 2011. The in-house contest attended by all employees was also held to create 'GoDami', KTO's ethics management character, and to raise awareness for ethics management. The chosen catchphrase and character were printed on employee business cards and document formats, to further enhance ethics awareness. Moreover, we continue to learn relevant global trends by signing the CEO ethical pledge, attending the ethics management SM forum and serving as a member of the UN Global Compact.



## Monitoring of Ethics Management

Our feedback system was strengthened through continued monitoring, self-initiated diagnosis and external assessments. Internal and external evaluations are made to review the level of ethics management at KTO and the outcomes are incorporated in undertaking ethics management action plans. Moreover, in-house ethics awareness surveys are conducted, which produced 'highly excellent' results for two consecutive years in 2010 and 2011. It was also discovered through the surveys and evaluations led by the Anti-Corruption and Civil Rights Commission, that KTO's status improved from 'substandard' in 2010 to 'excellent' in 2011, with both internal/external integrity improving as well. There was no single legal action taken against us for the violation of anti-trust regulations or regulations concerning unfair competition.

### Review of KTO's Ethics Level through Internal/External Assessments

Evaluation Target	Evaluation Indicator	Assessment	
Ethics management action plans	Benefits of ethics management	Employee surveys on ethical awareness KEDEX	Find excellent/ vulnerable areas
	Institutionalization of an ethical culture	Status of sustainability management (KoBEX SM) Integrity Mileage (Reflected in incentives)	Reflected in internal management evaluation
Improvement of integrity	Organizational integrity (Anti-Corruption and Civil Rights Commission)		Awards
	Executive integrity (Recommendation from the Anti-Corruption and Civil Rights Commission)		Alert

Feedback

### Results of Investigations Supervised by the Anti-Corruption and Civil Rights Commission

Category	2011	2010	2009	
Anti-Corruption and Civil Rights Commission	Total integrity	9.05(Excellent)	8.70(Substandard)	-
	External integrity	9.25points	8.91points	Exempted
	Internal integrity	8.72points	8.11points	9.15points
Results of self-initiated integrity investigations (Performed by the organization itself of high-level positions)	9.68points	-	-	

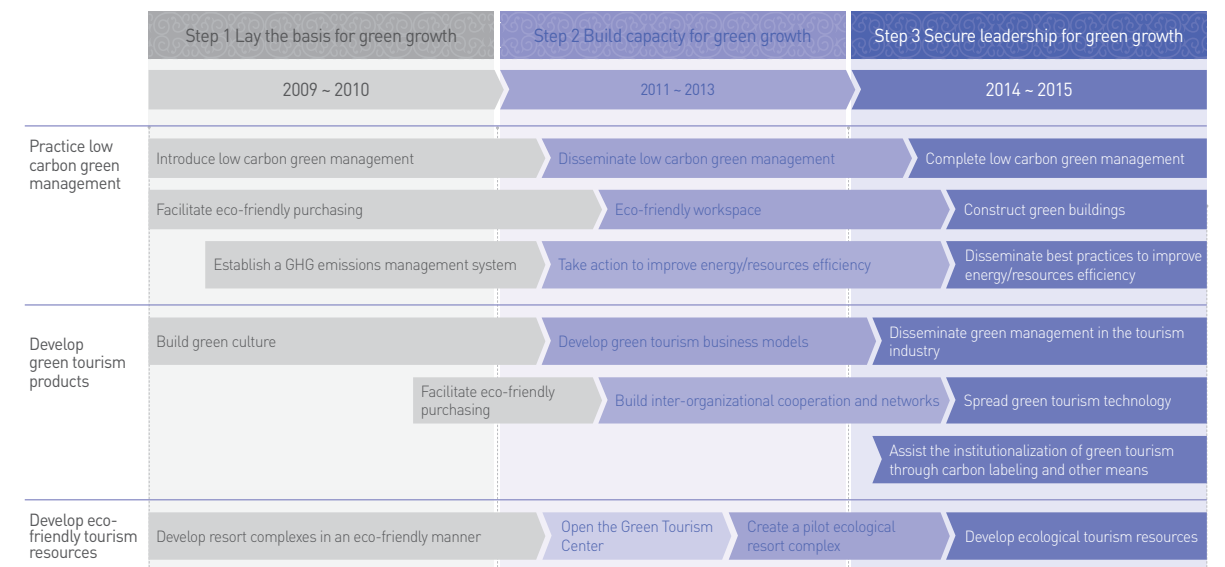
# Creation of Eco-friendly Value

## Green Management Action Framework

### Green Management Action Roadmap

In April 2009, KTO became the first public enterprise in Korea to establish its own green management vision and action strategy framework and hold the green management vision declaration ceremony. Under the vision of 'Low Carbon & Green Tourism Platform', three strategic indicators of: 'practice low carbon green management', 'develop green tourism products' and 'develop eco-friendly tourism resources' were set and phase-specific implementation tasks are being undertaken.

### Green Management Action Roadmap



### Organizational Structure for Green Management

**Energy-Saving Committee** The Energy-Saving Committee serves as a decision-making body to ensure reasonable energy management in accordance with the guidelines on the reasonable energy use at public enterprises. The committee deliberates and decides on matters regarding energy management and execution. Chaired by the Senior Vice President, the committee reports its outcomes quarterly, more often than the semi-annual reporting guideline set by the government. The committee is responsible for setting the total energy consumption targets and for guiding subordinate units to save in energy consumption.

**Green Tourism Center** The Green Tourism Center was launched in January 2011. The center is in charge of the company-wide operation that relates to the systemized undertaking of green tourism projects. To ensure the eco-friendly and efficient development of our natural tourism resources of mountainous and coastal areas, the center provides tourism development consulting, discovers government-led projects and undertakes development projects in conjunction with local governments.



## Energy Management and Response to Climate Change

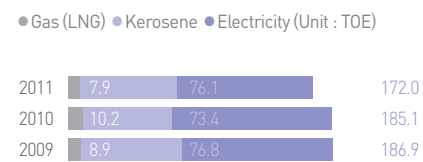
### Reporting Boundary for Energy and Resource Management

The KTO Sustainability Report 2011 focuses on the main office, with a larger number of users in reporting KTO's performance in managing energy and resources. The report also partially covers the Jungmun Resort Complex and the Jungmun Beach Golf Course in Jeju, which account for heavy environmental impacts.

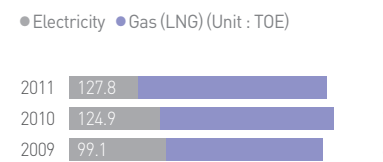
### Energy Consumption

Our energy consumption over the past three years is shown below. The Jungmun Resort Complex does not use any LPG as LNG is not supplied to the area. The KTO Main Office uses city gas (LNG) and solely electricity as an energy source.

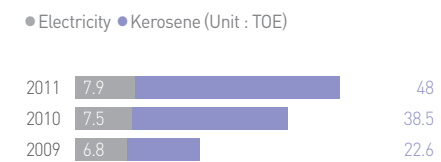
Energy Consumption at the Jungmun Resort Complex 2009-2011



Energy Consumption at the Main Office 2009-2011



Energy Consumption at the Jungmun Beach Golf Club 2009-2011



### Achievements against the Energy Consumption Targets

The annual intensity-based energy consumption targets and achievements at the Main Office are as follows.

	2011			2010			2009		
	Target	Achievement	Savings	Target	Achievement	Savings	Target	Achievement	Savings
Electricity	709.8	708.3	1.5	728.7	721.5	8.2	718.8	698.0	2.8
Gas	126.3	99.1	27.2	127.3	124.9	2.4	141.6	127.8	13.8
Total	836.1	807.4	28.7	857.0	846.4	10.6	860.4	825.8	34.6

Achievements Against the Energy Consumption Targets (Unit: OTE)

\* For more information on the actual consumption of electricity and gas, please refer to page 82 of this report.

Intensity Analysis of Energy Consumption at the Jungmun Resort Complex

Note 1) Fuel intensity (kgoe/m<sup>2</sup>.year)  
 Annual fuel consumption (kgoe/m<sup>2</sup>.year) ÷ cooling and heating areas (4,059.81m<sup>2</sup>)

Note 2) Electricity intensity (kwh/m<sup>2</sup>.year)  
 Annual electricity consumption (kwh/year) ÷ total floor area (4,059.81m<sup>2</sup> / areas of Building Na)

Note 3) Energy intensity (kgoe/m<sup>2</sup>.year)  
 Fuel intensity (kgoe/m<sup>2</sup>.year) + electricity intensity (kwh/m<sup>2</sup>.year) × 0.25

Category	2011		2010		2009		
	Achievement	% against the Previous Year	Achievement	% against the Previous Year	Achievement	% against the Previous Year	
Tourism Center	Kerosene	1.990	107.83	1.846	110.96	1.664	88.96
	Electricity	0.550	5.82	9.456	169.84	5.567	50.98
	Tap water	0.914	83.73	1.092	106.97	1.021	161.98
Total	3.454	27.87	12.393	150.19	8.251	61.49	

### Energy Diet

An energy-saving campaign is underway at the Main Office to maintain the heating and cooling temperature limits at 18°C and 28°C respectively to increase efficiency of energy-saving initiatives. The built-in energy-saving system was introduced to the whole building and sustained savings in electricity consumption were made by cutting down on the power supply needed for bidets, suspending elevator services, turning off neon signboards and turning lights off on all floors during lunchtime. Moreover, a total of 812 light bulbs (412 in 2010 and 400 in 2011) were replaced with energy-saving LED lamps. The current replacement ratio is 11% and we aim to increase this to 30% by the end of 2012. Our power factor remains above 90% through the centralized monitoring and control of electricity consumption and 22 facility managers received energy manager training 12 times a year. These are just a few of the continued initiatives and training undertaken at KTO to reduce energy consumption.

Achievements under the Energy Diet Program at the Main Office (2011)

\* For additional indicators regarding energy consumption, please see page 82.

	Electricity Consumption Reduced (kwh/year)	CO <sub>2</sub> Emissions Reduced	Reduction in Value (KRW/year)
Power disconnection of bidets	4,656	1	500,000
Suspension of elevator services	52,678	11.3	5.5 million
Lights-out for neon signboards	7,300	1.6	500,000
Replacement of conventional lamps with LED lamps	27,000	6.2	2.9 million

GHG Emissions at the Main Office (Unit: tCO<sub>2</sub>eq)



\* For more details on GHG emissions, please see page 82.

### Climate Change Response Strategy

In 2009, we set the in-house GHG emissions reduction target as well as phased-in green management action plans to respond to the Korean governmental 'Framework Act on Low Carbon Green Growth'. The 2010 decision to include KTO under the government's GHG and energy target management system in the public sector prompted us to develop a comprehensive GHG information system, in accordance with governmental policies and set the goal of reducing GHG emissions by 20% by 2015. The Jungmun Resort Complex follows the 'low carbon green tourism resource development guideline' proposed by the Ministry of Culture, Sports and Tourism and worked continuously to reduce carbon emissions by introducing eco-friendly modes of transportation, including 40 electric bikes and five electric vehicles.

### Energy Keeper

At KTO, energy keepers were designated on each floor of the Main Office building to supervise the inspection of the status of energy consumption at the office and to make recommendations to save energy by banning the use of personal electric heaters, cutting power supply for unused electric devices and encouraging the use of scrap paper. They are also responsible for reporting the outcomes of their activities to the General Affairs Team and top-performing keepers are offered incentives. The 'No Driving Day' program is in operation and the ratio of compact cars and hybrid vehicles used for business is increasing. These endeavors assist our employees in saving energy consumption in their daily operations.

## Low Carbon Green Culture Campaigns

### 'Earth-Saving Green Tourism' Campaign

The green tourism campaign was launched for 20 days between June and July of 2011 near Seoul Station and Yongsan Station, with accessibility to both subway and train passengers. The campaign aimed to promote green tourism to the general public during the summer vacation days, offer guidance on practical guidelines for green tourism and encourage tourists to reduce CO<sub>2</sub> emissions through the use of public transportation in conjunction with Green Korea United. The campaign allowed us to assist ordinary people in raising awareness, practicing green tourism and in taking wide-ranging initiatives. These initiatives included: the display of photos of our beautiful rivers, the introduction of 'Dubalo (meaning 'with two feet' in Korean), an application developed for hikers, and the decoration of green trees with verified train tickets. The green-tree decorating event was attended by 618 tourists, which generated the effect of reducing 50,000g of CO<sub>2</sub> emissions and planting 189 trees.

Display of photos awarded at the Korea River Photograph Contest



Low Carbon Green Expo



### Participation in the Low Carbon Green Growth Expo 2011

To facilitate the tourism industry and green tourism for low carbon green growth, we attended the Low Carbon Green Growth Expo in 2010 and 2011 and established the green tourism promotion booth. With the theme of promoting riverside tourist attractions, our exhibition booth introduced 'Tour Around Korea's Beautiful Rivers', a KTO-recommended tourism product where tourists could experience the top 10 tourist attractions along Korea's four largest rivers as well as events held to provide participants an opportunity to enjoy KTO's tourism products. In addition, hiking routes, including riverside walks such as River Yeo Trail, Confucian Cultural Trail, and River Yongsan Trail, were introduced to raise the general public's awareness of green growth.

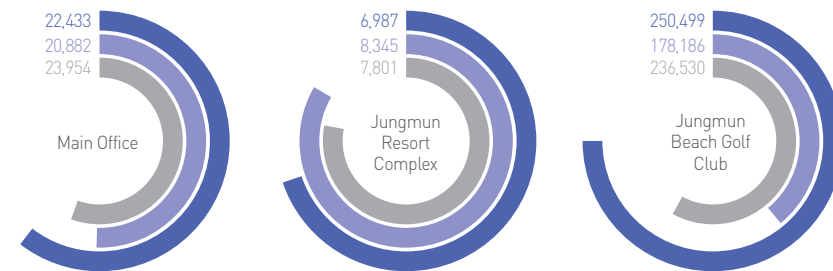


## Minimization of Environmental Impact

### Water and Waste Management

#### Water Consumption

The Main Office and the Jungmun Resort Complex consume tap water while the Jungmun Beach Golf Club uses some recycled rainwater and underground water.



#### Sewage Treatment

The sewage that is generated from the Jungmun Beach Golf Club is processed by the West Sewage Treatment Plant. Sediments created within the sewage collecting tanks installed at the clubhouse are collected and treated more than once a year, in order to minimize odors while older drainage pipes and transport pumps are replaced with new ones to prevent soil and water contamination.

#### Reduction of Water Consumption

At KTO, company-wide water-saving campaigns are being undertaken continuously. At the Jungmun Beach Golf Complex, drain pipes and water-retaining tanks were installed in order to recycle rainwater and reduce the consumption of underground water. The recycling of rainwater began in July 2011 and it reduced the facility's annual daily water consumption by 40% from 2 million tons to 1.2 million tons. Other activities continued to reduce energy consumption and improve the water quality, including the improvement of degraded water quality through self-circulation and current generation in each water-retaining tank.

#### Waste Management

All waste generated at the Main Office and the Jungmun Beach Golf Club is consigned to professional companies for treatment. In-house endeavors to reduce the amount of waste generated include the minimization of the use of disposable products, the use of electronic documents instead of paper documents, and the management of the amount of copies and prints made, as well as thorough recycling of waste generated. The Jungmun Beach Golf Club is monitored for its use of highly toxic materials and prohibited from using agricultural chemicals more than twice a year by the Environmental Resource Research Institute in the Jeju Special Self-Governing Province.

In addition, the on-site replacement of oil used for equipment is strictly banned in order to properly store and treat waste oil at the groundwork site for the Mt. Naejang Resort Complex and waste oil containers are stored at the dedicated storage units installed near the on-site office for integrated consigned treatment. Mobile crushers are mobilized for the on-site recycling of construction waste including waste concrete and asphalt and all of these waste materials are consigned to professional treatment companies in order to prevent the generation of additional air pollutants, as well as noise and vibration. In 2011, waste wood was not produced during the construction and thus there was no waste wood to recycle and there was no single violation of environmental regulations during the reporting period.

Water Consumption (Unit: Ton)

● 2011 ● 2010 ● 2009

\* For details on water consumption at the Main Office, please refer to page 82.

Temporary storage for waste oil



Major Waste Generated at the Main Office

	Treatment Method	2011	2010	2009
Waste paper (Ton)	Disposal	72	72	73
Waste (Ton)	Consignment (Environmental service provider)	12	5.4	5.4
General Waste (Based on the 100L standard plastic garbage bag)	Collection (by Seoul City)	2,040	2,278	2,508
Paper Towels (10,000 sheets)	Collection (by Seoul City)	311	300	350

Major Waste Generated at the Jungmun Beach Golf Club

	2011	2010	2009
Clippings (Ton)	32	55	50
Waste Oil	320	220	386
Oil Cloths	52	42	48
Used Batteries	1,129	1,765	3,903
Waste Sand	122	43	81

### Eco-friendly Office

#### Purchase of Eco-friendly Products

We give precedence to eco-friendly products in making purchasing decisions in accordance with the 'Act on the Promotion of Purchase of Eco-friendly Products'. Major purchase items include office devices and construction materials with environmental marks that verify their eco-friendliness, as well as recycled paper. In 2011, the ratio of eco-friendly purchasing amounted to 93% of the total volume and 73% of the total amount. We will continue to expand the number of items and ratio of green purchasing.

Purchase of Eco-friendly Products (Unit: KRW 10,000)

	2011	2010	2009
Total Purchase	39,729	86,880	101,587
Purchase of Eco-friendly Products	28,985	67,870	99,073
Purchasing Ratio	73.0	78.1	97.4



## Management of Eco-friendly Tourism Resources

### Environmental Impact Assessment

KTO's development project sites are categorized into underground water preservation areas, ecosystem preservation areas and landscape preservation areas by their environmental characteristics, which are taken into consideration to enable eco-friendly development. Moreover, environmental impact assessments are performed quarterly in accordance with the 'Environmental Impact Assessment Act' of the Ministry of Environment and all substances discharged from these sites satisfy legally permissible standards. The development sites that are subject to environmental impact assessments, including the Jeju Jungmun Resort Complex, the Mt. Naejang Resort in Jeongeup and the Haenam Oceano Resort, do not generate a significant amount of direct pollutants, unlike most manufacturing sites. However, such external factors such as other construction sites in their vicinity and climate change have an impact, which warrants the annual monitoring conducted by environmental monitoring organizations in alignment with local governments. There was no single legal sanction imposed in relation to violations of environmental regulations during the reporting period.

### Preservation of Biodiversity

#### Phase 2 Area of the Jeju Jungmun Resort Complex

The phase 2 area of the Jeju Jungmun Resort Complex includes such cultural heritage protection areas as the community of big cone pines along the coastline, Natural Monument No. 378 Cheongjeyeon Warm-Temperate Forest Area and the Columnar Joint Area. We ensure that the indigenous species including the camellia, the Ilex rotunda and the silver magnolia are planted in harmony with surrounding vegetation, to preserve biodiversity near the development areas and that the big cone pine forest along the coastline is continuously maintained and managed to preserve its pristine condition.

#### Mt. Naejang Resort in Jeongeup

The project site to be developed into Mt. Naejang Resort in Jeongeup contains a clean region where the Korean buzzard, the grade II endangered wildlife was observed during the field survey in March 2008. In addition, Seodangcheongol, the habitat for a variety of aquatic plants, amphibians and fish, is maintained to keep its original condition within the site. Green natural areas with healthy vegetation, such as the pine groves in the south of the complex are also well preserved to maintain their natural condition.

#### Haenam Oceano Resort Complex

The post environmental impact assessments of the Haenam Oceano Resort Complex discovered that the nearby marine ecosystem was not impacted by the construction. Moreover, the big cone pines within the project area are preserved to keep their pristine condition and transplanted trees are listed for appropriate management for trees damaged due to the development of the golf course in the complex.

- ① Mt. Naejang Resort in Jeongeup
- ② Haenam Oceano Resort Complex



### Southwestern Coast Tourism and Leisure City

The Southwestern Coast Tourism and Leisure City is under the planning phase and its construction has not yet begun. To minimize any possible environmental impacts, the city was designed in a way to maintain ecological stability through a multi-layered structure and species diversity. In addition, the natural permeation of rainwater and the creation of water-retaining areas within the complex will establish an appropriate water circulation system.

Results of Post Environmental Impact Investigations – Air Quality

Category	Evaluation Item	Environmental Regulatory Threshold	2011	2010	2009
Jungmun Resort Complex	PM-10	60	41	28	40
	NO2	0.027	0.006	0.002	0.008
Haenam Oceano Resort Complex	PM-10	100	25.9	24.9	24.9
	NO2	0.06	0.01	0.01	0.01
Mt. Naejang Resort Complex	PM-10	100	46.0	44.4	41.9
	NO2	0.06	0.015	0.01	0.01

Results of Post Environmental Impact Investigations – Ocean Water Quality

Category	Evaluation Item	Environmental Regulatory Threshold	2011	2010	2009
Jungmun Resort Complex	PH	7.8 - 8.3	8.1	8.3	8.1
	COD	Under 1.0	0.9	0.8	0.9
	T-N	Under 0.3	0.4	0.22	0.1
	T-P	Under 0.03	0.07	0.03	0.02
	Colicount	Under 1000	Not detected	Not detected	Not detected
Haenam Oceano Resort Complex	PH	6.5 - 8.5	7.9	7.9	7.8
	DO	Above 5.0	8.5	9.8	12.0
	COD	Above 2.0	1.6	1.4	2.0
	T-N	Under 2.6	0.2	0.659	0.51
	T-P	Under 0.05	0.01	0.043	0.04
	Colicount	Under 1000	155	Not detected	18.2



# Sustainable & Competitive Tourism

## Management Principle

The tourism industry is sustainable in its nature in that it creates eco-friendly added values in addition to the economic benefits of job creation, balanced regional development and stimulus for national economic development. It also supports other industries by promoting Korea as a brand and its national image across the globe. KTO is fully aware of its economic, social and environmental responsibility as a leader of the nation's tourism industry and as a public enterprise that serves the general public and is thus committed to fulfilling its social responsibility as a corporate citizen.

## Progress

- Improve tourism infrastructure and culture
- Advance tourism culture by undertaking ten strategic tasks and detail tasks
- Promote Korea as a favored tourist destination by using both conventional and modern media

## Issues

- Increasing number of consumers who value the environment and society
- Sustainable consumption (Green tourism, etc.)
- Intensifying competition in the tourism industry
- Increase in diversified and stronger customer demand (Spread of the five-day workweek system, growth in the number of FIT (Free Individual Traveler)s and interest in and needs for domestic tourism, etc.)

## Performance

Category	Performance Indicator	2010	2011	Department in Charge
	Korea tourism supporters (Unit: Number of supporters)	2,789	4,599	
Labor	Develop materials for green tourism products (Unit: Number of products developed)	14	18	Tourism Culture Team Green Tourism Center
	Results in supporting planning for in-bound trip products and attracting in-bound travelers (Unit: 10,000 travelers)	54	63	





# Sustainable Tourism

## Leader in New Tourism Culture

Under the vision of becoming a 'A Global Public Enterprise that Makes Korea an Attractive Tourist Destination,' ten strategic tasks were defined covering: the reinforcement of services to promote intra-bound trips and the improvement & expansion of the tourism infrastructure, as well as detailed tasks. To undertake these detailed tasks, 'facilitation of tourism for the less-privileged' and 'promotion of Korea's national image through improved travel etiquettes' were chosen as the key words for the new tourism culture and efforts are underway to advance tourism culture.

## Dissemination of a Sustainable Tourism Culture

### Development of Green Tourism Resources

Our support for the development of green tourism resources and the commercialization of these resources by local governments aims to enhance the general public's awareness of green tourism and increase the accessibility of FITs to green tourism. The pilot certification project, related to the Korean eco tourism promotion project that is underway in conjunction with the Ministry of Culture, Sports and Tourism and the Ministry of Environment, helped us develop certification indicators and certify four tour products and three accommodation facilities in the pilot phase. The certification system will be legalized in the upcoming years to improve public awareness of ecological tourism. Moreover, 230 tourist spots nationwide were surveyed in April 2011 to identify the status of their operations and old and outdated destinations were surveyed to identify the locations that require remodeling. As a result, four remodeling candidates were chosen and renovation work began accordingly.

### Fair Tourism Campaign

At KTO, fair tourism was newly selected as an element for a modern tourism culture, that is both eco-friendly and joined by local residents. The fair tourism familiarization tour was performed in Ilwon, Jongno District in November 2011. As part of this event, fair tourism content was discovered, developed and promoted in conjunction with the Jongno District Office. The tour was attended by 24 participants, including ambassadors to Korea (from Israel and 12 other countries) and it also made headlines 25 times at major media outlets such as JTBC TV and The Korea Herald. This served as an opportunity for both media and the public to pay special attention to fair tourism as a new type of tourism culture.

## Improvement of Leisure Culture

### Expo Attendance to Increase the Appeal of Korean Tourist Destinations

To advance Korea's tourism culture and introduce new trends and the appeal of Korean tourist destinations, KTO attended major tourism expos in Korea and more than 290,000 people participated. These events included the Travel My Country Expo (Feb.), the Korea World Travel Fair (May) and the Gyeonggi International Travel Mart (Dec.). KTO's attendance at these expo events shed new light on the value of domestic tourism and motivated expo participants to travel to a variety of tourist spots across the nation. KTO also provided useful and living information on accommodations and tour guides and proposed a healthy and recommended direction for domestic tourism culture, developed together with travelers. These included: fair tourism, global tourist etiquettes and the Smile and Hospitality Campaign.

Fair tourism campaign attended by ambassadors to Korea



Korea World Travel Fair



Barrier-Free Travel



## Public Participation for Sustainable Tourism

### Promotion of Domestic Tourism for the Less-privileged

At KTO, we provide travel information to over 2.5 million individuals with disabilities who are registered in Korea and strive to promote tourism for these vulnerable populations.

As part of our endeavors to create a tourism environment that can be accessed and enjoyed by all, we offer information on amenities for individuals with disabilities in such customized formats as: websites, guides & braille books and audil files. All of these further contribute to the creation of tourism culture where no one is left behind. We also offer invitation trips to the less-privileged to promote tourist spots where the physically-challenged can travel with ease and encourage local governments to improve tourist amenities to this end.

### Barrier-Free Travel

Through the promotion of domestic tourism for people with disabilities, KTO is producing media content to introduce barrier-free (BF) tourist attractions to create a tourism culture where no one is left behind. Video content that promotes barrier-free amenities at famous domestic tourist spots was developed and broadcast through TV channels, in order to enhance the readiness and awareness of local governments regarding barrier-free travel. Moreover, TV programs to promote barrier-free tourism in Korea are broadcast through the nation's major terrestrial TV stations: KBS, MBC and SBS. Such PR initiatives will continue to be taken through wide-ranging media outlets.

### Korea Tourism Supporters

Our 'Korea Tourism Supporters' organization is open to every Korean who is interested in and willing to participate in the sustainable development of local tourism. These supporters directly take part in local tourism events for monitoring so that high-quality tourism services are provided. Initiated in 2010, the organization has a total of 4,423 supporters in operation at 46 local governments including 380 businessmen and 3,970 ordinary citizens. In 2011, these supporters visited six local areas of Muju, Yongin, Cheongsong, Hapcheon, Sancheong and Gwangju to perform monitoring and hold events in relation to local governments while assisting events visited by private sector supporters and holding cultural events. Every local government invitation event was attended by 30 foreign residents in Korea, including diplomatic delegates and overseas NTO (National Tourism Organization) employees. These opinion leaders served to maximize the promotion of domestic tourist destinations and are expected to contribute to revitalizing local tourism in the upcoming years.

### Farmer's Market for Special Products from Areas Damaged by Foot and Mouth Disease

The 'Grand Festival for Local Special Products from Areas Damaged by Foot and Mouth Disease' was held in Cheonggye Square in February of this year in order to stimulate the local economy and tourism in agricultural areas that are suffering economic woes due to foot and mouth disease. Nine cities and provinces, 30 municipalities and counties and 56 producers' organizations participated and operated exhibition booths to promote local tourism for their region. The festival served to introduce the unique advantages of locally produced agricultural and special products and the excellent quality of domestic agricultural products. This, in turn promoted the sale of local products from areas hit by foot and mouth disease. Some 30,000 Koreans and tourists attended the festival, which offered a venue for warm-hearted sharing

Farmer's market for special products from areas damaged by foot and mouth disease

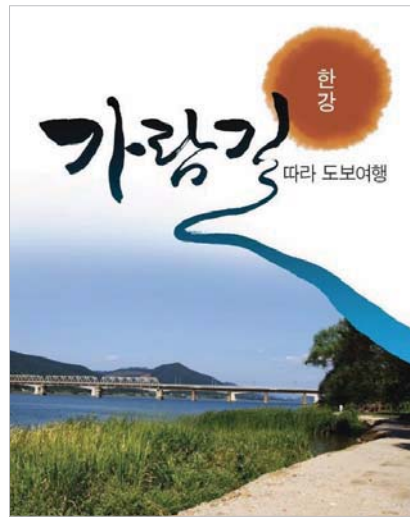




## Promotion of Green Tourism

### Enhancement of Awareness of Green Tourism

Green Tourism



#### Significance of Green Tourism

Green tourism combines the conventional eco-friendly tourism that aims to minimize environmental impact with 'low carbon green growth' as a strategy to proactively address climate change caused by global warming. Its fundamental objective is to reduce 1.37 billion tons of CO<sub>2</sub> emissions generated from tourism across the globe. In a nutshell, green tourism constitutes a voluntary program to attain such goals as 'reducing CO<sub>2</sub> emissions to zero through hiking tours, enjoying fresh local food and saving energy resources at tourist destinations'.

#### Green Tourism PR Campaign

KTO's endeavors to promote green tourism were initiated with the creation of the 'Green Tourism' website in 2010, followed by the production of a PR video and brochures covering the necessity for green tourism, action guidelines for citizens willing to practice green tourism and related smartphone applications, in addition to green tourism campaigns. The green tourism website and Naver blog account were created while the green tourism pledge was signed (by 1,335 people), carbon widgets were installed (by 58,284 people) and an action plan event was held (attended by 4,978 people). KTO's own smartphone application 'Dubalo' that offers green tourism information was developed and distributed and an event was held to encourage users to download it. As part of our efforts to use media and exhibitions & expos for PR purposes, programs were developed, feature stories were run and eco tourism was introduced through KBS, the Joonang Daily and Euronews. In addition, we attended the Green Growth Expo and waged a green tourism PR campaign at Seoul and Yongsan Station. These initiatives produced KRW 4.08 billion in advertising effects, from the investment of KRW 150 million. At the end of 2011, a 'two-part special episode on eco tourism' that covered overseas eco tourism stories and Korea's potential for eco tourism development, was developed through the 'Environment Special', the representative environmental documentary program of KBS and broadcast in February 2012.

### Development of Green Tourism Products

#### Riverside Travel Products

'Tour Around Korea's Beautiful Rivers' represents KTO's riverside tour program that aims to further familiarize Korea's beautiful rivers to travelers. This tour product attracted 3,702 tourists for four months and allowed them to enjoy ten top-notch historical tourist attractions near the four rivers of the River Han, the River Geum, the River Youngsan and the River Nakdong. Moreover, 'Hiking along Riverside Trails' was developed as a hiking course program that aligns the four largest rivers in Korea with surrounding tourist spots. This allowed travelers to take a look at the history of Korea where rivers were historically at the center of developing villages, as well as look back on the cultural exchanges made and see the flourishing life and culture enjoyed. In addition, 'Green Bike Train' was created to enable bikers to carry their bikes on the dedicated bike train and explore surrounding tourist resources. Developed with an aim to produce synergistic effects by aligning local festivals with bike competitions, this tour package attracted 2,066 travelers between September and November.

- ① Tour Around Korea's Beautiful Rivers
- ② Green Bike Train



#### Cultural & Eco Trails with Stories

At KTO, 'Cultural & Eco Trails with Stories' have been chosen each year since 2009 to encourage domestic and overseas in-bound travelers to enjoy beautiful natural landscapes and to experience local history and culture while taking a walk conveniently. In 2011, ten trails including: Seoul Castle Train, River Geum Estuary Trail, River Seomjin Trail and Dumulmeori Trail were selected under the four themes of 'Periodical History Trails', 'Samnamdaero Old Trails', 'Scenic Riverside Trails' and 'Mediation Trails with Love and Romance'. There are a total of 29 designated trails nationwide as of the end of 2011 and the number will be increased continuously.

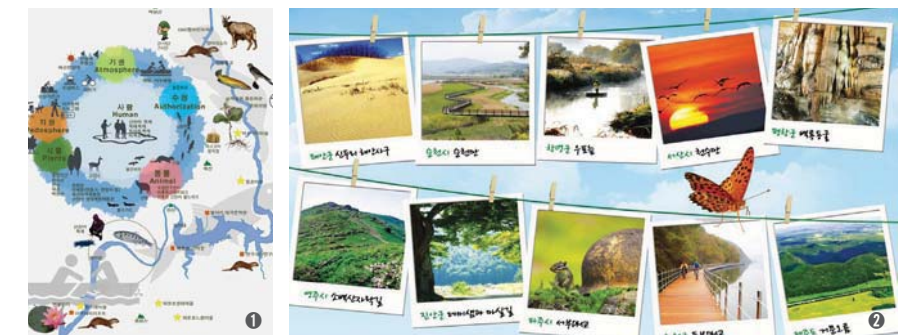
#### Ten Korean Eco Tourism Models

To expand the basis for green tourism and stimulate green tourism, an eco-tourism consulting group, consisting of experts in ecology, environment and tourism is in operation. The aim is to develop ten model project sites, selected jointly by the Ministry of Culture, Sports and Tourism and the Ministry of Environment and promote Korean eco-tourism, into a world-class one, while focusing on unique and differentiated eco-tourism attractions by taking advantage of Korea's distinct ecological resources. The consulting group serves as a coordinator, presenting reasonable directions from the initial planning stage and preventing project-related redundancy among local governments. As of 2011, basic plans were completed for these ten project sites and design work or construction is underway.

#### Ten Eco Tourism Model Project Sites

Category	Site	Category	Site
Coastal Resources	Sinduri Sand Dune	Fossils/Caves	Baekryong Cave
Coastal Wetlands	Suncheon Bay	Mountains/Rivers	Mt. Sobaek/Demi Spring
Inland Wetlands	Upo Wetland	DMZ	East DMZ/West DMZ
Habitats for Migratory Birds	Cheonsu Bay	Islands	Geomun oreum, Jeju Island

- ① Eco tourism program
- ② Details of eco tourism projects



#### Slow City - Panoramic view of Jeungdo, Shinan



#### Slow City

At KTO, project management and PR activities are underway to turn Slow City into a tourism resource. Slow City represents an initiative to improve the quality of life for local residents by delivering a rich life based on the indigenous natural environment and traditions. It seeks to achieve the sort of 'globalization' where local areas are globalized through the protection of the natural eco-system, the preservation of traditional cultures, the inheritance of local special products & handicrafts and the voluntary initiatives led by local residents. As of 2011, a total of ten Slow Cities were designated and the slow life concept is gaining increasing attention. KTO is enhancing the value of Slow City as a domestic and global brand by supporting and promoting wide-ranging experience programs that combine both slow life and tourism.





# Competitive Tourism

## Development of Emerging Markets

### Reinforcement of Image Marketing for Korean Tourism

KTO uses modern media such as social network services, mobile applications and video websites as well as conventional media and printed PR materials, in order to promote Korea as an attractive tourist destination. We also take localized PR marketing initiatives that include the invitation of local consumers in overseas markets, the use of local networks and the participation in local events and use of major local media outlets to promote Korean tourism. In addition, sustained marketing activities are underway to introduce the charm of Korea as a tourist hotspot in mid-sized cities in countries where KTO's overseas offices are located. Such marketing initiatives also extend into the regions where KTO is not present and where emerging markets point to a huge growth potential.

#### PR Activities through the Use of Multi-channel Media

We undertake localized marketing activities by choosing specific modern media favored by respective countries. In Japan, where the mobile phone penetration is particularly high, practical tour content specialized for the mobile environment was developed and real-time mobile events were held to achieve 90.3% in content satisfaction. In China, where global social network services are not available, a KTO account was created on Weibo, the Chinese version of Twitter, and FIT-dedicated content was uploaded in order to hold power Weibo invitation events and to disseminate tour information. In English-speaking regions, 'VisitKorea', our mobile application that provides tourism information in English, was launched and we used Facebook to promote in-bound tour products covering Hallyu trends and winter travel products. Specifically, VisitKorea was ranked No. 1 in the number of downloads in the free travel category at a U.S. app store and our Facebook account in English recorded 70,000 fans.

We also use conventional media marketing that reflects consumer needs in each market. This provides participatory and story-telling content that come with clear themes and is differentiated based on the analysis of country-specific needs. Moreover, the customized online website ([www.visitkorea.or.kr](http://www.visitkorea.or.kr)) was developed through the analysis of online trends, consumer needs and overseas market trends in order to produce high-quality Hallyu content, introduce K-pop music and videos and strengthen content customized for respective markets. This, in turn, resulted in 670,000 daily visits to the KTO website in foreign languages.

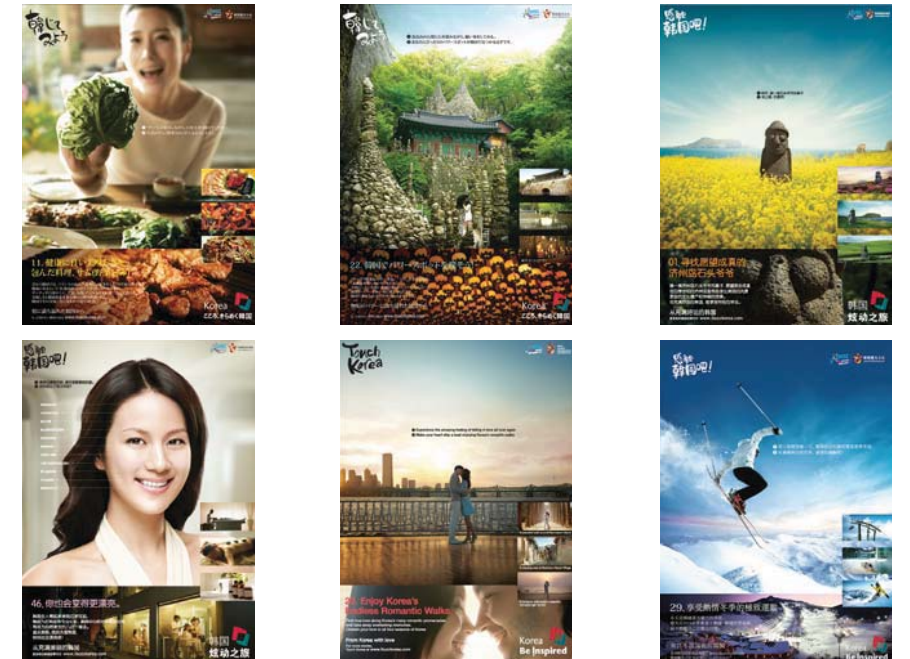
#### Local PR Marketing

KTO promoted Korea as a tourist destination through the first-ever Hallyu event in Europe and through consumer events boosted by K-pop fever in Southeast Asia and Dongdaemun fashion shows in Japan. In-bound shopping tour products were promoted through E-mart stores located in China and joint marketing initiatives were taken with the established networks of well-known Korean companies with global reaches such as Samsung, Korean Air Lines and LG. This generated synergistic effects and disseminated Korea's image as a favored tourist destination through local networks. Specifically, the first Hallyu event and K-pop concert was held successfully in Europe produced KRW 2.7 billion in advertising revenue while the Malaysian version of Superstar K, a Korean talent show TV program, that was co-produced with local media, also generated KRW 7.4 billion in advertising revenue. Moreover, major local media outlets were invited to cover and promote the Korean tourism market, which produced PR effects valued at KRW 155.5 billion in China, KRW 46.5 billion in Japan, KRW 14.6 billion in Southeast Asia and KRW 14.9 billion in the Americas and Europe. KTO also attended a total of 64 expos held in China, Southeast Asia, the

- 1 Mobile marketing in Japan
- 2 VisitKorea application in English-speaking regions
- 3 Weibo-based marketing in China



Advertisements that combine participatory & story-telling content with clear themes



#### PR to Develop New Markets

Based on the 26 overseas offices concentrated in large cities in 17 countries, we were well aware of the limited capability in attracting in-bound travelers and the need to develop new markets. This prompted us to establish five new overseas offices in two countries so that we could take advantage of the Hallyu trends in exploring new market potential. To this end, PR marketing activities were launched in Chengdu, Wuhan, Xian, Nanjing and Harbin in order to tap inland cities, which are the emerging new stronghold cities in China. Briefing sessions for local companies and consumer events were held and special commercials were produced to promote in-bound travel products, while the familiarization tour to 'foster professionals on Korean tourism' for working-level travel agency employees was conducted and B2B events in conjunction with Korean companies were held. Moreover, special charter plan tour products for the secondary market were launched, which attracted 13,116 travelers in 2011 alone. In addition to such PR marketing targeted at inland Chinese cities, overseas offices were newly established in Chengdu, Wuhan to expand the global presence of KTO.

## Increase in the Number of In-bound Travelers

### Marketing to Respond to Crises in the Tourism Market

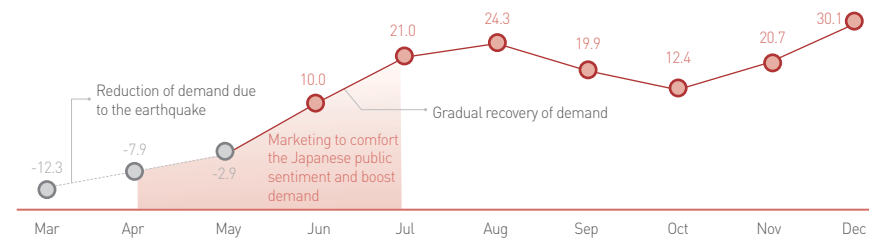
Large-scale crises that hit our major markets in 2011, such as the devastating earthquake in Japan, the growing concerns over the safety of the Korean peninsula in China, anti-Korean sentiment in Taiwan, and the great flood in Thailand, caused a market slowdown and posed serious challenges to the Korean tourism market. In spite of this, KTO continued to take selective and phased-in marketing initiatives through its in-house risk management system and was able to record 9.8 million in the number of in-bound tourists. This exceeded its original target, and KTO went on to post \$ 12.3 billion in tourism revenues, the largest-ever in its history.



### Addressing Japan's Devastating Earthquake

In March 2011, Japan, the largest consumer of Korea's tourism market, was hit by a devastating earthquake that left 20,000 dead and caused an economic slow down in the Japanese domestic market. This inevitably resulted in a dramatic decline in the number of Japanese in-bound tourists. Immediately after the earthquake, KTO ensured the safety of Korean travelers in Japan and their early departure to Korea was supported in cooperation with the legation to Japan, airlines and travel agencies. In addition, KTO ran advertisements in the Daily Yomiuri to soothe the minds of the Japanese people suffering from the disaster and our CEO visited Japan with the Minister of Culture, Tourism and Sports to deliver compensation funds worth KRW 300 million. Other proactive marketing activities to address the crisis included the assistance for festivals held to revive the northeastern region of Japan and the hosting of the Night of Korea-Japan Friendship in Sendai. Moreover, the decision was made to open a Korea-Japan tourism exchange center in Sendai to promote friendship between the two countries and K-pop concerts were held in order to recover demands for Korean tourist attractions in Japan. These various endeavors contributed to a turnaround of an 8.8% increase in Japan's demand for Korean tourist destinations.

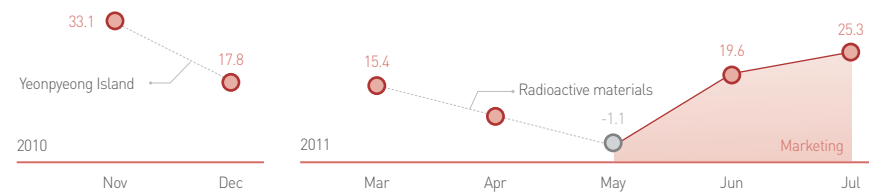
Increase/Decrease Ratio of Japanese Visiting Korea(%)



### Addressing Chinese Concerns Over the Safety of Travelling to Korea

The extensive coverage by the Chinese media of the artillery attack launched by North Korea on the South Korean island of Yeonpyeong in November of 2010 and the possible impact of radioactive materials leaking onto the Korea peninsula from the nuclear power plant in Fukushima in March of 2011, caused many Chinese traveler groups to cancel their reservations for Korean vacation packages. This led to a dramatic drop in the number of Chinese tourists in Korea. KTO responded by holding year-round briefing sessions to reassure Chinese local travel agencies and media outlets of the safety of travelling to Korea, while increasing the number of media professionals it invited by 190% from the same period of the previous year and concentrating its media PR activities to fall in the first half of the year. Moreover, discussion meetings with Chinese correspondents stationed in Korea were held to encourage these correspondents to offer more coverage concerning the safety of Korean travel so that they could eliminate Chinese concerns over the Korean tourism market. This led to a 25.3% increase in the number of Chinese tourists in Korea.

Increase/Decrease Ratio of Chinese Visiting Korea(%)

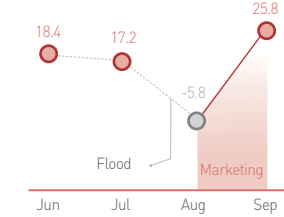


### Great Flood in Thailand and the Anti-Korean Sentiment in Taiwan

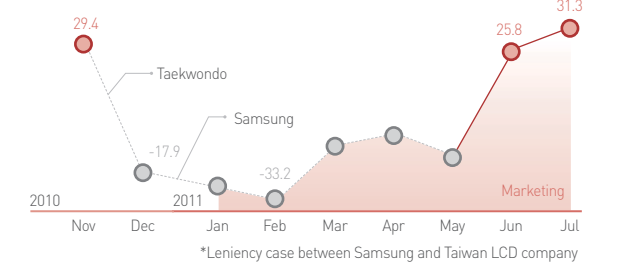
The great flood that hit Thailand in August 2011 slowed down the nation's economic growth and reduced demands for overseas travel. This in turn, brought a sharp decline in the number of Thais visiting Korea. KTO responded to this by launching the 'KOREA ♥ THAI' campaign, which included advertisements, donations, volunteer work and relief aid. The 'Rush to Korea' campaign was also waged to stimulate demands for Korean tourism and this contributed to a 25.8% growth in the number of Thai travelers to Korea. Meanwhile, the disqualification of a Taiwan Taekwondo athlete at the Asian Games held in Guangzhou, China, ignited a widespread anti-Korean sentiment in Taiwan. This accounted for a 17.9% drop in Taiwanese travelers to Korea. To address this, we launched various

Korea-Taiwan Friendship Week events, including concerts featuring famous singers from the two nations and the expansion of KTO's participation in the Taipei World Travel Fair. Included in other marketing initiatives to eliminate the anti-Korean sentiment were cultural and tourism exchanges between the two governments and special online promotional offerings. As a result, the number of Taiwanese travelers to Korea rose by 31.3%.

Increase/Decrease Ratio of Thai Visiting Korea (%)



Increase/Decrease Ratio of Taiwanese Visiting Korea



## Development of Korean Tourism Products and Promotion of their Sale

KTO classifies its overseas markets into the four regions of: Japan, China, Northeast Asia and the Americas & Europe. We identify their respective market share & characteristics and potential product materials in order to undertake marketing activities with an emphasis on selected target products in each market.

### Promotion to Attract FITs

KTO's commitment to inducing FITs (Free Individual Travelers) is based on the characteristics of their higher expenditures and satisfaction than group tourists and such environmental changes as the spread of smartphones, SNS and other new media, as well as the growing number of low-cost airlines. In Japan, we provided diverse content covering Hallyu, local spots and food & culture to encourage more Japanese to revisit Korea. Meanwhile, we strengthened promotional activities through the channels of wide-ranging media and included Japanese celebrities and famous DJs in such activities. In China, where the idea of free traveling is relatively rare, marketing initiatives were geared around 'Xing Er', our free-travel brand, in accordance with the streamlined process for individual visas. As a result, a total of 56,227 products were sold, which set a new sales record for a single tourism product. In the Americas and Europe, our Facebook account and smartphone applications became available in seven languages including English, French and German, in order to promote Korea as a favored tourist destination. Moreover, our marketing endeavors aligned with such world-renowned online travel agencies as Expedia and Lastminute.com attracted 29,394 travelers to Korea.

### Development of SIT Tour Products Customized for Respective Markets

In response to diversifying the preferences of overseas tourists and an increasing the number of FITs, KTO was fully dedicated to developing and promoting SIT (Special Interest Tourism) products customized for respective markets. In Japan, products targeting the "Hallyu mania", including fan meetings with Hallyu celebrities, attracted 24,601 tourists. Meanwhile, Korean cuisine and lifestyle products, such as Makgeolli (Korean raw rice wine) and Tteokbokki (Korean stir-fried rice cake) along with medical tourism products appealed to 5,871 travelers. In China, 10,595 tourists from the Baojian Group (under the incentive tour program) and 25,489 tourists from youth and senior exchange organizations visited Korea. In Asia, PR marketing for ski tour packages attracted 35,538 winter tourists. In the Americas and Europe, we targeted special-purpose organizations affiliated with Taekwondo, the hearing-impaired and education as well as organizations in special relationships with Korea that consist of Korean adoptees or Korean War veterans. This resulted in an additional 1,275 travelers to Korea. Our marketing activities for "Hallyu mania" in France and the U.S. and the development of medical tourism products in Russia appealed to 191 and 10,000 tourists respectively. Specifically, our Hallyu marketing in Paris ignited the boom for K-POP in the Americas & Europe and the Oceania.



## Facilitation of Domestic Tourism

### Discovery and Promotion of Local Tourism Materials

#### Interactive Marketing Based on Three Channels



#### Discovery and Promotion of Theme-specific Local Tourism Materials

To further facilitate traditional markets, which was initially started to help recover the livelihood of ordinary people, KTO promoted traditional market tourism products, while running year-round programs to discover local tourism materials. This led to a 23% year-on-year increase in the number of traditional market travelers in 12 areas and a 91% year-on-year increase in the number of online page views. In addition, PR activities were undertaken based on large-scale local events. These included the promotional support for the Visit Daegu Year 2011, promotion of the Expo 2012 Yeosu Korea and its commercialization and PR initiatives in celebration of the successful bidding of Pyeongchang in hosting the Winter Olympics in 2018. As part of our efforts to stimulate local tourism through the initiatives taken by citizens, interactive marketing programs that used the three channels of the KTO tourism information site, Naver blogs and SNS, were launched and proactive online communication activities were undertaken. Thanks to such endeavors, KTO's travel twitter account was chosen as the Number 1 account with the largest impact among 600 public organization twitter accounts. Also, we were honored with the 'Social Media Grand Prix in the Public Enterprise Sector' at the Korean Internet Communication Awards in December of last year.

Growth in the Number of Online Page Views  
 (Unit: 1,000 page views)



Growth in the Number of Travelers Visiting 12 Selected Areas  
 (Unit: 1,000 people)



### Improvement of Satisfaction with Domestic Tourism

To address the rising needs for exotic tourism and the intensified preference for physical activity, KTO is expanding customized and story-telling content, in addition to experiential tourism products, in order to provide greater experiences to domestic travelers. Specifically, stronger synergistic effects are being created in the tourism industry through tourism industry-related services offered in cooperation with governmental agencies and through close collaboration with local governments through our regional promotional offices.

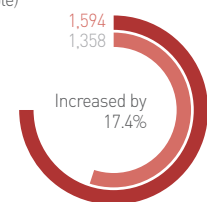
#### Achievements in Using SNS and Smartphone Apps

Category	Guseok Guseok App	SNS Channel
Popular Application	1,591,193 downloads 63,521,125 page views	No. 1 in Twitter impact among 600 public organizations
Best Practice	Best practice on public organization customer satisfaction	Presented as a best practice at the public organization leader workshop attended by the President
Awards	Mobile App Awards (3 times)	Internet Communication Awards

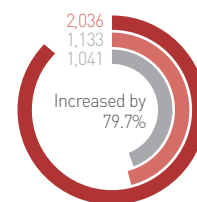
#### Achievements in Facilitating Local Tourism

● 2011 ● 2010 ● 2009

Travelers in 10 Tourist Spots Recommended by the President (Unit: 1,000 people)



Visitors during the Visit Daegu Year (Unit: 1,000 people)



### Customized Story-telling Tourism

With the help of the analysis of domestic tourism trends and consumer needs, we shifted the focus of our tourism content from delivering facts on tourism destinations, to providing customized story-telling content and guidance-driven informational services. Specifically, we strove to take the customer's perspective in creating travel demands by selecting top tourist attractions through online voting and events on 20 candidate attractions selected by tourism experts and through the expansion of related content through on-the-spot media coverage. The expansion of story-telling content through internet, SNS and mobile applications produced 3,460 informational postings on travel information websites, 3,769 postings on Twitter and 682 pieces of information through our Guseok Guseok application. We also assisted local governments in improving on customized travel information websites by disseminating GPS-based electronic tourist maps. Such endeavors helped us increase the accumulated number of visits to our KTO tour blog by 614% from the previous year to 2 million. Moreover, our 'Guseok Guseok app' was downloaded 160,000 times (Dec. 2011) and we were honored with the top award in the app store tourism sector at the Mobile App Awards.

#### Establishment of Online Human Networks



#### Offering and Dissemination of Story-telling Content through the Use of the Internet, SNS and Mobile Applications

Category	Channel	Offering of Story-telling Content	Dissemination of Content
Online Channel	Travel information website	3,460 postings	1.4 million average daily page views
	Naver blog	656 postings	2 million accumulated visits
	Naver Opencast	63 postings	1.4 million page views
SNS Channel	Twitter	3,769 postings	6,546,834 cases of content exposure
	me2day	532 postings	5,400 friends
Smartphone App	Guseok Guseok app	652 postings	63,521,125 page views

### Expansion of Experience Tours

To locate materials for experience tours that revitalize the local economy in agricultural and fishing villages and to enhance the tourism expertise of those operating experience villages, we cooperated with local governments in improving the quality of products offered by experience tour villages and undertook systemized marketing activities through our integrated brand of 'Green Nara Giljabi (meaning guidance to a greener nation in Korea)'. This led to a continued increase in the number of visitors to the 102 experience tour villages to 22,840 in 2011 as well as growth in the number of ecological experience tourists and farming households' income through the sale of local special products.

In addition, surveys were conducted to identify the status and preferences of school trips and it was discovered that South Jeolla areas were less popular than other regions as a destination. We responded by developing attractive tour courses for school trips, creating and distributing informational books and conducting familiarization tours. This resulted in 3,093 students from 18 metropolitan area schools and KTX-aligned areas visiting the province. Students were introduced to new tourist sites and the local economy was promoted accordingly.



## High Value-added Tourism Themes

### Promotion of the MICE Industry

MICE, the abbreviation of Meetings, Incentive Travel, Conventions and Exhibitions, represents an industry that generates economic profits by providing wide-ranging services in relation to holding and proceeding events. This is also a high value-added industry that is organically aligned with accommodation, transportation, tourism, trade and distribution. In 2011, KTO undertook intensive support projects to foster the MICE industry. This served as a driving engine to expedite the goal of inducing 10 million in-bound travelers

#### MICE Action Framework

Business Objective	Facilitate the MICE industry and strengthen Korea's national brand through stronger global competitive edge	
Business Direction	<ul style="list-style-type: none"> <li>Undertake strategic marketing activities and sophisticate tourist attraction capacity through cooperative networks</li> <li>Lay the basis for the MICE industry and support the facilitation of the industry</li> </ul>	
Action Strategy	Make comprehensive endeavors to invite and hold MICE events	Lay the foundation for stronger competitive edge of the MICE industry

#### International Conferences Held by Major Countries in 2011

Global Comparative Indicator	Ranking in Holding International Conferences	Number of International Conferences Held
Singapore	1	919
U.S.	2	744
Japan	3	598
France	4	557
Belgium	5	553
Korea	6	469
China	16	200

#### Endeavors to Invite and Hold MICE Events

The dual operational system between the Main Office and overseas offices enhance the efficiency of our marketing channels and boosted our endeavors to invite and hold MICE events in 2011. Briefing sessions and consulting services to this end also helped host organizations with capacity building. In addition, our support system to provide customized assistance services for respective MICE event types (including convention meetings, incentive groups and corporate meetings) improved to the point that we were able to post a 92% success rate in the invitation of international conferences. This rate remained above the 90% mark for three consecutive years. In 2011, the Korean MICE industry was ranked No. 6 in the world, in terms of hosting international conferences. This can be attributed to the proactive initiatives taken by KTO to stimulate the industry. In spite of the stagnant growth in the number of international conferences caused by the global economic downturn, we were able to improve by two steps from the previous year, which can be attributed to the concerted efforts made by the central and local governments and other MICE-related organizations.

#### Comprehensive Endeavors to Invite and Host MICE Events

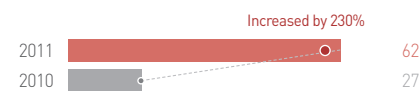
Most-ever in-bound travelers invited to international conferences



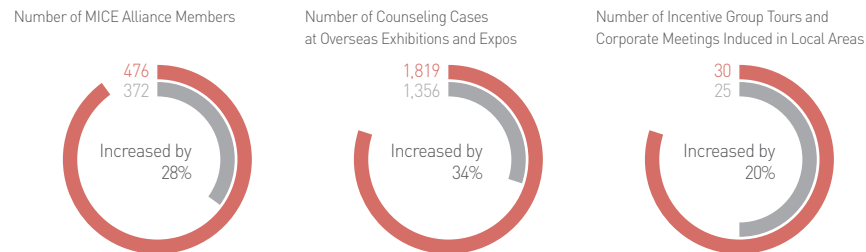
Success in inviting international conferences (Unit: %)



Consulting support to invite and host international conferences



#### Laying the Basis for Stronger Competitive Edge of the MICE Industry (Unit: Number of people)



#### Attracting Baojian Group Employees as Incentive Tourists

The organically established cooperation between KTO and related organizations (including the central and local Korean governments) led to the attraction of group tourists from the Baojian Group as an incentive tourism organization to Korea, between the dates of September 13th to September 28, 2011. This success improved the awareness of the general public concerning the economic benefits produced by incentive tours and built a nation-wide consensus regarding the need to improve our readiness in inducing more in-bound travelers. Specifically, the visit of 10,595 tourists, the largest-ever incentive group coming from a single country, generated KRW 28.6 billion in direct consumption expenditures, KRW 51.6 billion in induced production and 4.59 points in satisfaction (on a scale from one to five).

## Revitalization of Medical Tourism

Extended life expectancies, growing demands for medical services and the competition and opening of the medical industry, have all led to an increasing number of consumers who are willing to travel across the globe for better medical services. This, in turn, implies that the medical tourism industry is poised to show continuous growth in the upcoming years. In responding to the Korean governmental policy to promote medical tourism as a new engine of growth, KTO is fully committed to revitalizing the medical tourism industry as it generates tremendous economic rippling effects and serves as a significant contributor in job creation

#### Laying the Foundation for Medical Tourism

With an aim to achieve 300,000 in the number of in-bound medical tourists by 2015, KTO is striving to lay the foundation for domestic medical tourism, build cooperative networks with related organizations, launch promotional marketing initiatives for overseas target markets and foster a professional medical tourism workforce. We are fully committed to attaining the mid/long-term goal of making Korea into Asia's top five medical tourism powerhouses.

#### Achievements in Attracting Medical Tourists (Unit: Number of people)



#### Awards ceremony for the medical tourism product contest



#### Laying the Foundation for Medical Tourism

To discover outstanding medical tour products and provide systemized assistance, KTO held the first medical tourism product contest in 2011. Meanwhile, it expanded joint projects with medical institutions, medical tourism developers, related governmental agencies and local governments, while establishing medical tour clusters differentiated for unique local features. The medical tourism information centers located in Seoul and Incheon were expanded to cover Busan in March 2011, which offers accurate information and improved accessibility for in-bound medical tourists

#### Promotion of oriental medicine in Japan



#### Promotional Marketing in Overseas Markets

At KTO, target-specific and differentiated overseas marketing activities were undertaken in consideration of preferred medical specialties and effective marketing channels in each market. Specifically, our intensive PR initiatives in oriental medicine for Japanese travelers during the first half of 2011 resulted in more than twice as many Japanese tourists coming to Korea for oriental medical services. In addition, our U-health center opened in Vladivostok, Russia in 2011 to offer more convenient access for potential overseas medical tourists interested in Korean medical tourism. In the emerging markets of Indonesia, Vietnam and Mongolia, sharing-oriented marketing initiatives were proactively taken. This included inviting patients who lacked access to appropriate medical services due to technological or economic reasons, to Korea to provide effective medical services. This promoted the excellent quality of Korean medical services and touched their heart through humanitarianism.

#### A Vietnamese child under brain tumor operation



#### Training to foster a professional medical tourism workforce

As demand for medical tourism professionals is expected to increase with the growth in the medical tourism industry, KTO offered various training courses covering medical tourism coordination, marketing and international nursing. In 2011, 200 such professionals completed their training to serve medical tourists. Specifically, specialized trainers, who have cultural knowledge and language skills, assisted migrant women from multi-cultural families, in landing suitable jobs.



## Embracing our People

### Management Principle

KTO is taking the lead in delivering a great workplace by ensuring fairness in recruitment, creating a mutually beneficial labor-management culture and offering differentiated benefit schemes. Moreover, regular training on human rights is provided and human rights protection activities are undertaken in order to guarantee human rights for all our employees and prevent any type of discrimination. KTO is committed to creating a 'Great Work Place' and assisting all employees in growing into experts in their respective fields, through continuous support for career development.

### Progress

- Provide continuous training to prevent discrimination and expand human rights training
- Ensure transparency and fairness in HR decisions through multi-dimensional assessment schemes
- Strengthen career development schemes and help strike a fair work/life balance through the expansion of family-friendly management

### Issues

- Provision of opportunities for human resources development and education & training at work
- Guarantee of fair employment and employment relationships
- Guarantee of workplace health and safety (Stress management, etc.)
- Growing importance of employees' rights and roles
- Labor conditions and responsibility for social protection

### Performance

Category	Performance Indicator	2010	2011	Department in Charge
Labor	Satisfaction with labor relations (On a scale from one to five)	3.4 points	3.5 points	Human Resources Team
	Satisfaction with education	75.2 points	77.0 points	
	Job satisfaction (On a scale from one to five)	3.72	3.85	
Human Rights	budget (KRW million)	1,644	1,373	
	Ratio of female employees (%)	33.3	35.2	





# Equal Opportunities and Open Culture

## Respect for Human Rights and Diversity

The 'challenging and innovative spirit', 'Global professionalism' and a 'sense of self-initiated responsibility' form the basis of our corporate culture, upon which we strive to fulfill our role as a professional tourism company that promotes the Korean tourism industry into the wide world. Moreover, wide-ranging strategic tasks are undertaken at KTO to provide benefits to employees and create a family-friendly corporate culture so that our employees may strike the right work/life balance. Open recruitment processes and respect for human rights assist our endeavors in creating a discrimination-free corporate culture and labor regulations set by domestic and international labor organizations are strictly observed. KTO will be fully committed to becoming a 'Great Work Place' where all employees enjoy a sense of pride and contentment, by delivering a healthy and safe work environment, along with wide-ranging benefits.

## Employee Data and Respect for Human Rights

### Employee Data

The employee quota at KTO stood at 544 as of December of 2011. With 23 employees newly hired in 2011, there are 480 employees (including five executives at the Main Office, 271 at domestic offices and 72 at overseas offices). This adds up to a total of 823. Regular employees and contract employees account for 614 and 209 respectively. While unionized workers, subject to collective agreements, comprise 469 or 57% of the total. General labor conditions are applied to all employees in accordance with Article 4 of the Collective Agreement. In 2011, two employees resigned due to retirement age, four resigned voluntarily and 11 others resigned for personal reasons. At KTO, unionized employees are entitled to undertake legitimate and free union activities according to the labor's three primary rights stipulated in the Constitution and the Collective Agreement and our top management discusses major issues with the labor union through the horizontal communication channel of the Labor Management Council.

### Open Recruitment and Respect for Human Rights

At KTO, we provide equal opportunities to applicants through an open recruitment process. The participation of outside experts and simulation interviews promote the fairness of such processes and newly hired employees are not discriminated against on the grounds of gender, nationality, religion or social status. The average wage level per employee is KRW 66.89 million and employees in the same job level are treated equally in wage level and benefits regardless of gender difference. Non-regular workers are 209 or 25% of the total and are also equally treated in welfare and benefits with their regular counterparts. In recruiting new regular employees in 2011, social equality was considered as a key factor: 3 science and engineering majors as well as 2 local talents were hired. In addition, our efforts to hire more high school graduates increased the ratio of high school graduates to 11.7% of the total as of the end of 2011. KTO is in full compliance with labor regulations under the Labor Standards Act. As a public enterprise, it prohibits its employees from any political activities or support. Moreover, child labor or forced labor is strictly banned at KTO in accordance with the UN Global Compact principles and

ILO guidelines. The prevention of sexual harassment guidelines and regular worker protection guidelines were developed and widely shared, in order to prevent discrimination on the ground of gender, age or employment type. In 2011, there was no single complaint raised or corrective measure taken due to discrimination.

## Gender Equality and Job Creation

Data on Recruitment and Employment

Category	2011	2010	2009	
Employee Quota	544	544	544	
Current Number of Employees	614	609	722	
Regular Retirement	2	10	5	
Voluntary Retirement	4	107	1	
Other Type of Retirement	11	8	8	
Newly Recruited Regular Employees	Female	3	17	
	Physically-challenged	-	-	
	Locally-hired	2	1	
	High School Graduates	-	-	
	Vocational School	-	-	
	Science and Engineering Majors	3	-	
	Total	23	8	
Recruitment of Non-regular Employees	Youth Interns	58	22	
	Contract Employees	185	200	
		209		
	Female Employees (Ratio)	214(35.2%)	203(33.3%)	300(41.6%)
Out of the Current Employees	Number of Female Employees in Positions of Team Leader and Above (Ratio)	8(7.6%)	6(7.3%)	6(5.9%)
	Ratio of Physically-challenged Employees	1.7%	2.0%	2.2%

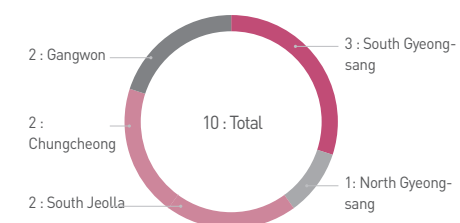
Our HR system aims to strike the right gender balance by developing female recruitment targets and nurturing female leaders. As of the end of 2011, the female workforce accounted for 35.2% of the total or 214, which increased by 1.9% from 2010. This makes KTO one of the top-performing enterprises in recruiting and fostering a female workforce. In 2011, female employees accounted for 17 or 74% of the total new recruits. The number of female employees in team leader positions and above also continues to rise from 6 in 2010 to 8 in 2011.

In 2011, KTO created more jobs for the national economy by hiring 58 youth interns, 105 student trainees for overseas operations, and 15 work-study program participants. In addition, there are 10 physically challenged employees and 39 employees under employment protection at KTO, which further demonstrates KTO's firm commitment towards the socially underprivileged.

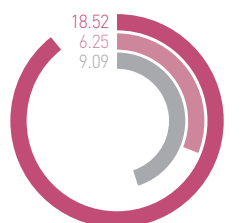
Current Employees by Overseas Region  
 (Unit: Number of employees)

	Expatriate Employees	Local Employees
Japan	14	12
Greater China	16	23
Asia and Oceania	15	15
the Americas	11	7
Europe	13	12
Total	69	69

Local Employees in Korea by Region  
 (Unit: Number of employees)



Ratio of Female Employees in High-level Positions(%)





## Creation of an Open Corporate Culture

### Promotion of Open Communication Channels

Under the internal management policies of creativity, fairness and open communication, real-time information sharing and multi-faceted communication systems are up and running in order to ensure open communication at KTO. Specifically, bottom-up communication channels have expanded and the Corporate Culture Council and Junior Board (attended by employee representatives) were in operation in 2011, in order to expand a new corporate culture (V-KTO) based on open communication.

#### Information Sharing System

At KTO, our management information systems are differentiated in the way information is shared through the KTO-Net, the Smart KTO, SMS and TMS. Meanwhile, the Labor Management Council, employee briefings and the CEO Kinship Management serves as means for diversified real-time information sharing and consensus building between labor and management. In addition, employee briefings were held on major issues including performance-based salary schemes, organizational relocation, corporate advancement and management strategies, in order to solicit the various opinions of employees and reflect them in business operation.

Differentiated Sharing of Information by Management Information System

Intranet (KTO-Net)	CEO Message, in-house regulations, BOD meeting minutes, etc.
Strategic Management System	Decision-making, strategy, performance, HR, finance, risk management
Tourism Marketing System	Marketing plan management, business operation, performance management, etc.
Customer Relationship Management System	Analysis and management of customers including individual and group customers
Market Survey System	Tourism statistics, forecast of in-bound tourism demand
Smart KTO	Development of mobile offices, sharing management strategies and etc.

#### Establishment of Multi-faceted Communication Systems

Our communication systems, categorized into online and offline, are both vertically and horizontally aligned to deliver the perfect environment to facilitate internal communication. The multi-faceted communication systems enabled us to successfully build consensus and take action to expand the organization by hiring more employees in order to strengthen our core capacity. Open communication also allowed us to remain dispute-free for the past 37 years since the KTO labor union was launched.

### Commitment to Expanding an Open Corporate Culture

#### Facilitation of Bottom-up Communication

Another key pillar that supports our multi-faceted communication channels is the facilitation of bottom-up communication for open communication and corporate culture. The exiting communication channels of the Grievance Committee and the sexual harassment counseling system were further complemented by new channels including: the Corporate Culture Council, the V-KTO Post Box, KTO Talk Talk, reverse mentoring for new hires, the Junior Board and the Young Gun Meeting that were established in 2011 to solicit diverse opinions from employees. These channels were used to discuss new directions for our corporate culture, receive requests for public briefings on major issues, IT training for manager-level employees and take many other initiatives.

## Grievance Resolution System

The secretary-general of the labor union and the head of the Human Resources Team serve as members of the Grievance Committee in accordance with the grievance resolution guidelines developed in 2004. Grievances submitted through various channels of e-mail, phone calls or interviews are consulted within 24 hours after the admission and the employee in concerned is notified of the outcome within 10 days. Those issues not addressed within this timeframe are considered unacceptable or non-eligible for institutional improvement and are proposed as agenda items to the Labor Management Council for further deliberation. Our grievance resolution rate remains over 90% and new provisions were added in 2012 for the improved treatment of non-regular employees and the confidentiality principle for those who raise grievances.

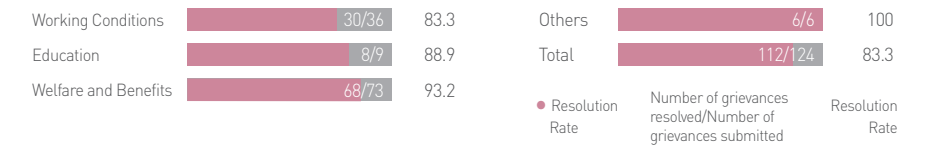
Ratio of Grievance Resolution (Unit: Number of cases)



Operation of Bottom-up Communication Channels

Category	Communication Channel	Details	Results		
			2011	2010	
Existing	Grievance Committee	Counseling and resolution of grievances	112 cases	124 cases	
	Sexual Harassment Counseling	Counseling and a deliberation system in Operation	None	1 case	
Offline	Corporate Culture Council	Consultation on the directions for a new corporate culture	Five meetings		
	V-KTO Post Box	Receipt of opinions through in-house broadcasting	22 receipts		
	New	KTO Talk Talk	Request for the disclosure of real names on major issues	Four requests	New
		Reverse Mentoring for New Recruits	IT training for managers	One session	
		Junior Board	Identification of creative tourism materials	Six times	
	Young Gun Meeting	Work	Three meetings		

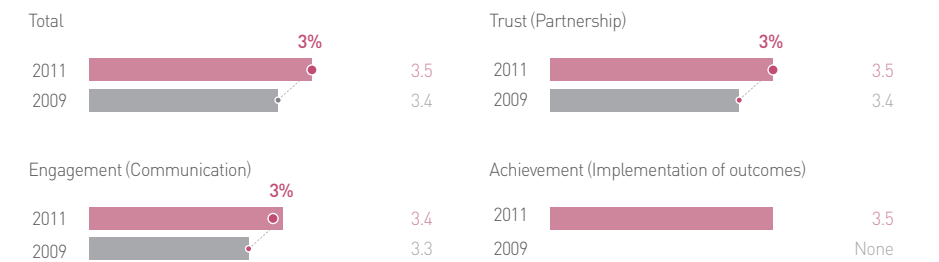
Results in Resolving Individual Grievances (Unit: %)



### Survey on Satisfaction with Labor Relations

At KTO, feedback systems were established to promote horizontal communication with the Labor Management Council and to measure employee satisfaction with labor relations. Surveys are performed to measure employee satisfaction over the entire spectrum of labor relations covering mutual trust, engagement and performance. The survey results improved by more than 3% to 3.5 points from 2009.

Satisfaction with Labor Relations Against 2009(Score)



#### Minimum Notification Period Regarding Important Issues

Article 23 of the Collective Agreement (Notification obligation) stipulates that important issues between labor and management should be handled by notifying each other in written document format. When disciplinary measures are taken against any unionized member, a written notification is made at least five days prior while any dismissal notice concerning unionized employees is given at least 45 days (Legally-permissible criteria is 30 days) prior to the dismissal.



# Human-centered and Content Workplace

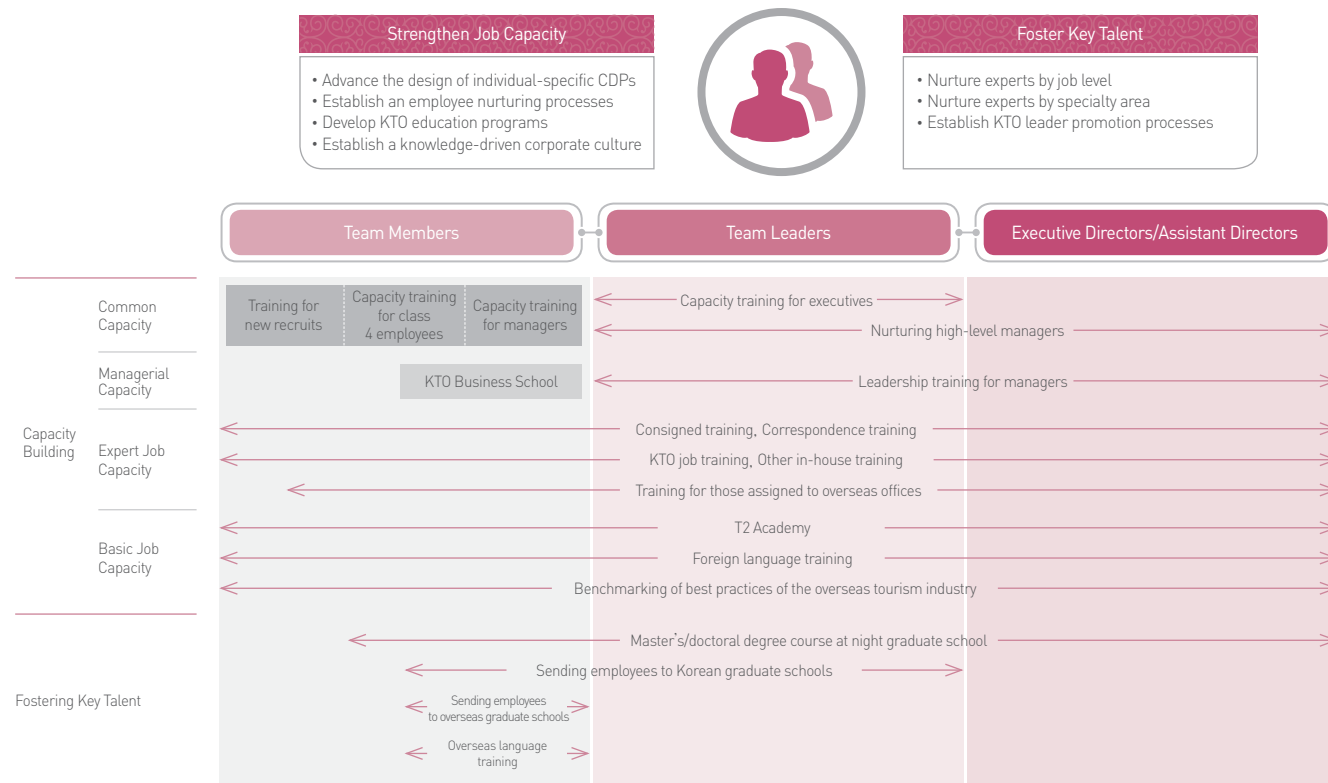
## Fostering of Talented Individuals

The first step that any company should take in order to achieve sustainable growth and gain trust is to trust and respect its own employees. Therefore, we provide fair opportunities to our employees and operate diverse programs to assist employee capacity building and the development of human resources. This creates a workplace genuinely favored by employees.

### Ideal KTO Employee

The ideal KTO employee has a challenging and innovative spirit, global professionalism and a sense of self-initiated responsibility. KTO is taking the lead in delivering a pleasant work life to its employees by helping them strike a fair work/life balance through such initiatives as the 'establishment of a family-friendly corporate culture' and the 'creation of an exciting workplace'. We are also in full compliance with the labor regulations of domestic and international labor organizations.

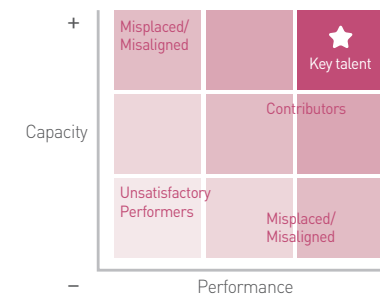
Education and Training System by Job Level



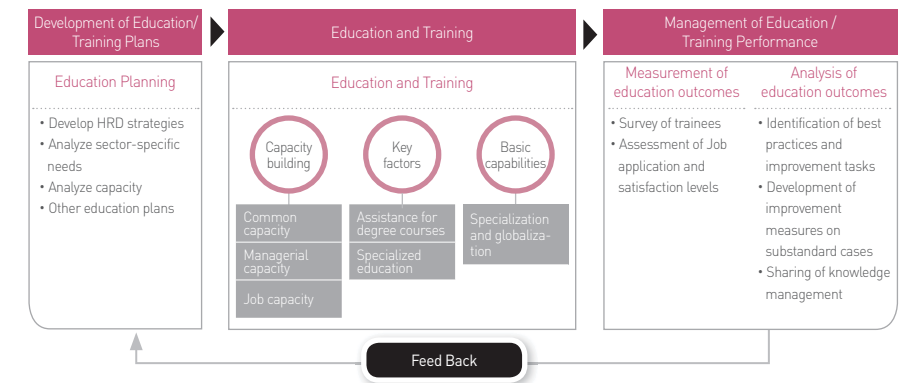
## Talent Promotion Action Framework

KTO is committed to the sustained development and improvement of employee capacity and the fairness of HR management, including a corporate culture that enables a work/life balance. This is why KTO has developed and implemented employee capacity building plans and human resource development plans in consideration of the capacity required at KTO. Specifically, our employee capacity building system ensures that education and training plans are developed, their outcomes are managed and that the feedback is integrated in planning again. In addition, the analysis of organizational and individual needs in each sector helps us identify possible improvements. This process forms the basis for developing strategies that use the 9 Block Model to manage key talented individuals. Moreover, 13 employees were sent to take MBA and policy and local expert courses at domestic and overseas universities, including Washington University. Other education programs specialized for the business at KTO include: the 'You Can Be a KTO Expert' program, correspondence education, and mobile education programs.

Block model



Employee Capacity Building System



## Talent Development Program

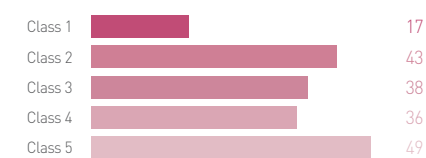
### Education and Training Process

At KTO, job duties are categorized into 20 job classes in a total of five areas and annual Individual Development Plans (IDP) are developed in accordance with standard learning paths in each job class, based on one-on-one coaching. Moreover, our education courses are operated in a systemized manner with an aim to enable each employee to grow into an expert in one specialty area, through mandatory courses by job class and detailed courses by capacity level. These are further complemented with diverse education programs that reflect the latest learning trends, such as alignment with mobile training as well as conventional online/offline programs that improve effectiveness and employee satisfaction. In 2011, the total education and training hours at KTO amounted to 18,131 hours or 36hours\* per employee. We will continue to provide wide-ranging education opportunities to employees and enhance the quality of these programs to satisfy organizational needs.

### Nurturing Key Talent

Our talent pool is managed in an open manner with an emphasis on human resource development and promotion. In doing so, we support training to foster specialized key talented individuals. Such training covers: foreign language experts, regional experts and experts on tourism industry policies and marketing.

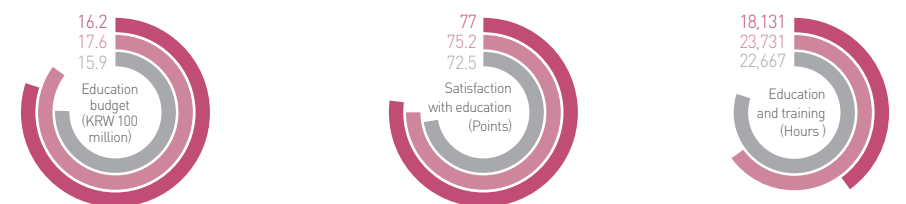
Annual Average Training Hours by Job Level in 2011



\*The calculation method was changed from session-based calculation into per capita-based calculations in 2011. This resulted in discrepancies in average training hours between this report and the previous report. The current per capita-based calculation method will be used in future reports.

Trajectory of Education and Training Data

● 2011 ● 2010 ● 2009

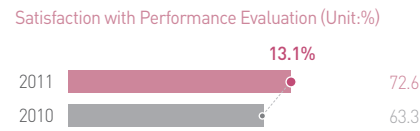






## Fair Evaluation and Remuneration

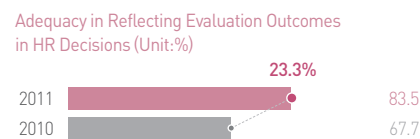
### Performance-based HR System



#### Operation of the Performance Management System and the Use of Evaluation Outcomes

KTO's performance management system is operated fairly in order to establish a reasonable performance-driven management and remuneration system. Moreover, the appropriateness of evaluation indicators was enhanced through the improvement of performance indicators in consideration of strategic and organizational changes. The composition of external evaluation committee members was also improved and the percentage make-up of evaluation items was adjusted to further advance the performance evaluation methodology. This, in turn, is aligned with the overall HR system to motivate employees to improve on performance.

Under our promotion system, high-performers are given precedence, so that those with outstanding evaluation outcomes come first in assignments and promotions and the '2+1 scheme' used for the open competition for overseas expatriates ensures that top-notch expatriate employees may benefit from extended residences. Moreover, the performance-based salary scheme with stronger alignments between performance and remuneration allows performance pay differences for executives to more than double their base salaries to differ by 2%. This inspires employees to improve.



### Innovative Workforce Reorganization

The innovative reorganization of the workforce at KTO aimed to pursue sustained change. Team leaders were appointed through open competitions that valued job duty execution and performance above previous job levels. Also, external experts are being hired more proactively. In addition, overseas expatriates are subject to interim evaluations and overseas offices were reorganized with a stronger emphasis on local on-site operations to explore new markets.

## Improvement of Working Conditions and Welfare

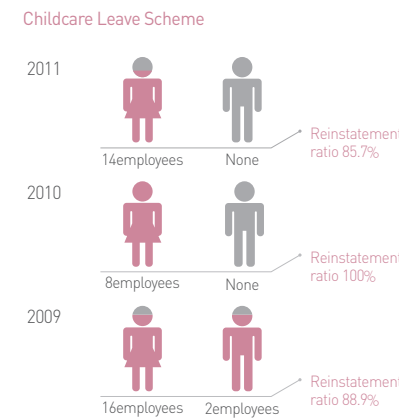
### Culture for an Improved Quality of Life

V-KTO (that was defined in 2009) represents our unique corporate culture slogan and the Corporate Culture Council attended by labor and management was launched in 2011, in order to operate a variety of programs to promote our corporate culture. Specifically, the labor-management joint cooperation declaration was announced in June 2011 and the V-KTO 4H program was undertaken to disseminate family-friendly management. Such endeavors allowed us to be chosen as a company with excellent performance in family-friendly management in 2011 and to be awarded with the Prime Minister's Commendation that recognized these endeavors in celebration of the Family Month in 2012.

### Welfare and Benefits

#### Welfare and Benefits Programs

Our In-house Labor Welfare Fund was launched in 1992 and presently its assets amount to KRW 9.2 billion. Its major operations include loans for a stable livelihood (Annual interest rate 5%, up to KRW 30 million per employee), expenses for family events, and selective welfare schemes. These are in addition to diverse welfare and benefit



programs covering housing and scholarship loans, guest houses, health check-ups and collective accident insurance policies. These benefits are provided equally to both full-time and part-time employees. Previously, partial differences were existent in the way our welfare and benefits programs were provided by employment type but the revision of relevant systems on July 1, 2012 guaranteed that every KTO employee was eligible for equal benefits.

#### Pension System Support

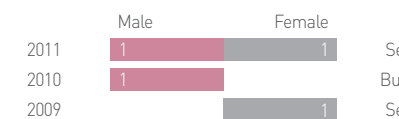
As a leader in operating retirement fund systems, KTO's pension system is reasonably operated. Our pension system guarantees a stable retirement life for employees in the aging Korean society and is operated in accordance with legal standards. At KTO, the Joint Labor-Management Retirement Pension Steering Committee is in operation and the external deposit amounted to 90% in 2011. As of 2011, every KTO employee was a member of either the in-house pension fund or the national pension system.

## Health & Safety Management

#### Health & Safety Issues

Our Industrial Safety and Health Committee attended by an equal number of members from both the labor and management meets quarterly and is operated in accordance with Article 76-79 of the Collective Agreement. The NeoDINE Medical Institute and Korea Technology Safety Co., Ltd. were selected as a consigned health manager and a consigned safety manager respectively from July of 2010, in order to enhance expertise and efficiency. Every year, all KTO employees and their spouses receive comprehensive medical check-ups and musculoskeletal risk factors are inspected every three years. This goes to demonstrate our sustained commitment to the prevention of industrial safety accidents and injuries. Moreover, our employees and their family members are collectively insured against accidents each year. Employees are entitled to paid sick leave (up to one month) and paid leave of absences (up to one year) if they are in need of medical treatment, as well as free leaves of absences (up to one year) if their family members are in need of care, in accordance with Article 30 of the Collective Agreement and Article 23-2 and Article 45 of the Rules of Employment.

Number of Occupational Injuries by Year, Region and Gender



#### Employees Represented at the Joint Labor-Management Industrial Safety and Health Committee

The Industrial Safety and Health Committee represents all employees and consists of an equal number of representatives from both labor and management. The present KTO labor union (which is the majority labor union) serves as the employee representative at the committee.

#### Job Training and Life-long Learning Programs to Support Retirees

To assist future retirees in pursuing continuous self-development and prepare for uncertainties in their retirement lives, we offer systemized support, from career diagnosis & development and counseling that helps design a new retirement life, to career move support programs covering outplacement, business start-ups and certifications. In addition, we cover actual expenses spent on education for career moves, such as government-certified qualification training, outplacement & business start-up training and the purchase of relevant training materials and books of a pre-determined limit.

#### Improvement of Employee Satisfaction Covering GWP

At KTO, we pursue a family-like corporate culture that is joined by everyone with contentment. A specific portion of our net income before taxes is invested in the welfare business in order to enhance employee welfare and our selective benefits scheme has been in operation since 2002. Our multi-dimensional endeavors to create a great work place helped raise employee job satisfaction from 3.72 to 3.85 points on a scale of one to five. Moreover, we have been chosen as the best performer for four consecutive years since 2008 by the 'Great Work Place' Awards held by Hankyung Magazine and were honored with the Grand Prix at the awards in 2011.



## Creating Customer Value

### Management Principle

We at KTO believe that customer satisfaction is the core value we must pursue to become a 'Global Public Enterprise that Makes Korea an Attractive Tourist Destination'. Under the Customer Satisfaction vision of 'providing attractive tourism services through the creation of customer value', targets and implementation tasks were defined and company-wide customer satisfaction management initiatives were undertaken. KTO is committed to customer satisfaction activities that customers can resonate with by soliciting various opinions through customer feedback.

### Progress

- Increase customer satisfaction by providing differentiated tourism services in consideration of diverse customer characteristics
- Operate the 'Tourism Idea Bank' and 'KTO Monitors' as sustained VOC channels that engage customers
- Facilitate the operation of CSOs (Customer Satisfaction Officers) and CS/Integrity Angels Issues
- Extension of product/service responsibility
- Increase in diversified and strengthened customer demand
- Protection of consumers' data and privacy
- Service support for customers and resolution of consumer complaints and conflicts

### Performance

Category	Performance Indicator	2010	2011	Department in Charge
	Number of VOCs submitted	2,277	2,381	
Customers	Evaluation of customer handling level(points)	85.26	86.1	CSR Center
	Customer satisfaction(points)	93.57	95.23	
	Services at customer contact points(points)	77.19	91.19	





# Customer Value Management

## Customer Satisfaction Initiatives

### Customer Satisfaction Management Action Framework

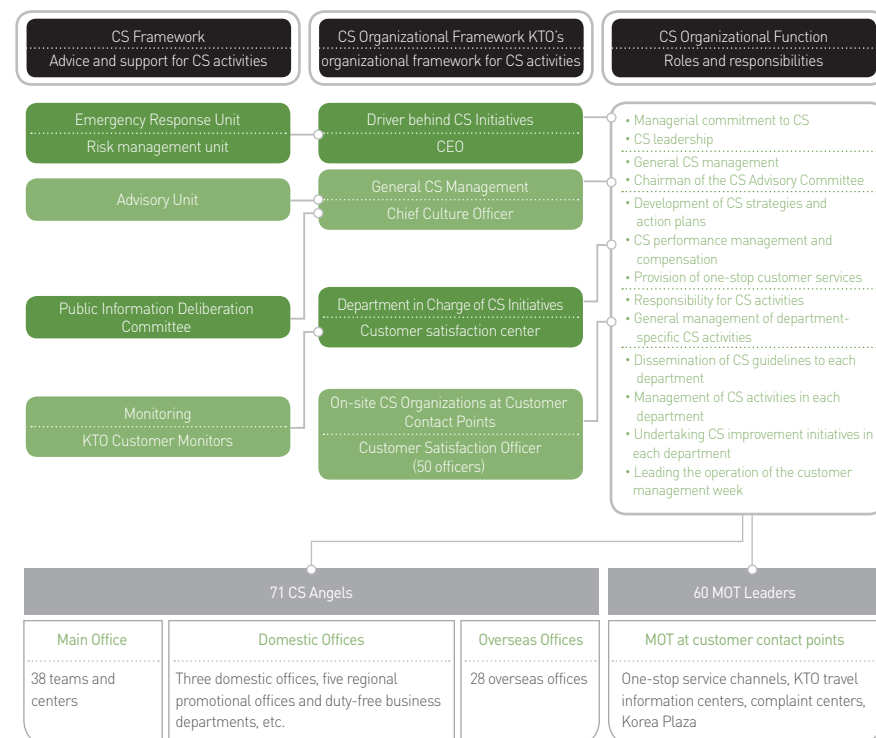
#### KTO's Customers

KTO's scope of business covers the service-oriented industry where public interest and profit making are intertwined together. Therefore, mutually beneficial development with stakeholders, through cooperative relationships, is directly related with the enhancement of the corporate values at KTO. We classify our customers into internal and external customers, based on their operational and cooperative relationships we hold and our frequency of contact with them. External customers are further categorized into end customers, partners or suppliers.

#### Customer Satisfaction Action Framework

KTO's organizational structure for customer satisfaction is systematically aligned, with the CEO at the center, through all the different phases that reach on-site operations. Our Senior Vice President is in charge of customer satisfaction management as the Corporate Culture Officer and the CS Management Center encourages the company-wide implementation of CS initiatives. Working-level departments swiftly respond to customer complaints through the CS Angels and MOT leaders working at customer contact points. Specifically, MOT leaders are responsible for disseminating action guidelines developed by the CS Center and review relevant activities and handle VOCs within 60 minutes of admission.

Customer Satisfaction Action Framework



Declaration ceremony for the Practice RIO Year



### Customer Satisfaction-driven Management

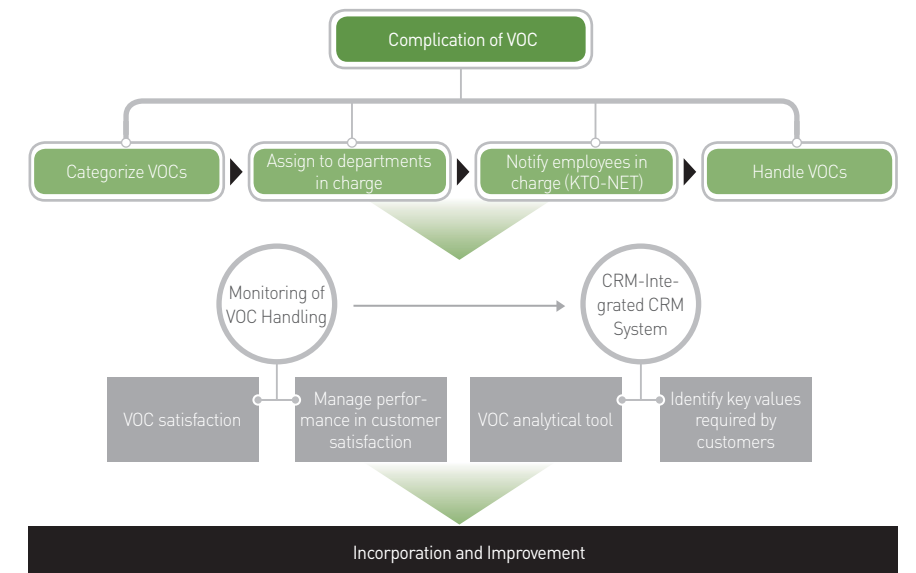
The declaration ceremony for the 'Practice RIO Year' (Observation, Interest and Relationship) was held in January 2011 and company-wide extensive efforts were launched for customer satisfaction-driven management. Customer briefings were held to introduce the customer-driven management philosophy of RIO, while another ceremony to declare our commitment in attracting 10 million in-bound tourists was held in 2011 to raise the awareness of the general public. Monthly RIO practice meetings and workshops for executive-level employees were also held.

### Management and Improvement of Customer Services

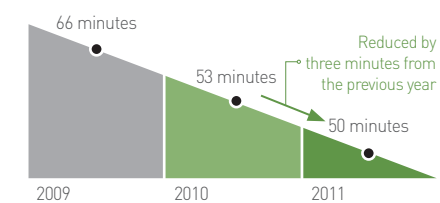
#### Diversified Operation of the VOC System

KTO recognizes that the true essence of customer satisfaction management is to seek solutions to the issues raised by customers. By ensuring that their voices are heard, we can more rapidly and accurately respond to such issues. Therefore, our VOC(Voice of Customer) system aims to manage customer information, statistics and surveys in an integrated manner. VOCs are submitted through the various channels of: our website, e-mail, phone calls and letters. In 2011, 2,381 VOCs were submitted and addressed and the online customer complaint handling time was reduced by three minutes (from the previous year) to 50 minutes. Specifically, VOC channels that engage customers more closely, such as the 'Tourism Idea Bank' and 'KTO Monitors,' produced two proposals that were fully adopted and incorporated into our operations.

Integrated VOC Analysis Framework



Improvement in VOC Handling Time



Tourism Idea Bank



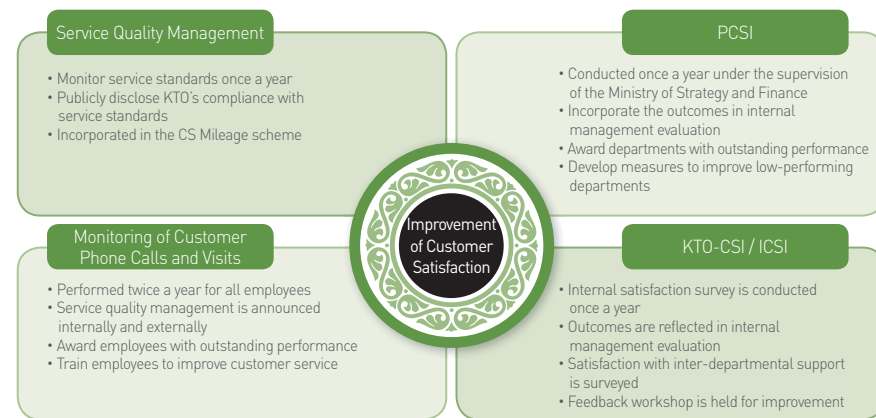


### Infrastructural Improvement for Customer Satisfaction Management

Our criteria for customer satisfaction management were publicly declared and sustained endeavors are underway to improve the quality of customer services. To manage service quality, public services (provided by each department) were divided into 29 categories, while service standards were revised and monitoring was performed to review compliance with these standards. Consequently, our customer satisfaction management initiatives are undertaken in consideration of the vision and core values at KTO that are revised to adopt to various business environments.

### Operation of Dedicated CS Organizations

To raise the awareness of the importance of CS management across the board, 50 team leaders at the Main Office and other offices were designated as Customer Satisfaction Officers. In addition, CSO workshops and executive workshops to practice RIO were held to identify implementation tasks in preparation for public evaluation. A total of 71 working-level employees were appointed as CS/Integrity Angels, responsible for disseminating CS guidelines, making improvements and operating the customer management week.



## Customer Satisfaction Survey

### Enhancement of Customer Satisfaction

At KTO, customer service levels are assessed to monitor the quality of services. In 2011, such monitoring practices covered all employees, in order to evaluate each individual employee's level of customer service and provide feedback to help them improve upon on vulnerable areas. This raised the monitoring score by 0.84points to 86.1 points. Due to a year of extensive endeavors, "service at contact points" (which was identified as a vulnerable area the previous year) greatly improved by 14 points to 91.19 points. Moreover, the 2011 customer satisfaction management manual was developed and distributed throughout the company to offer customized CS training, while KTO's unique CS guidelines were developed and utilized. In addition, our CS management expertise was introduced to the subsidiary of GKL and joint responses were made to address customer complaints. Such efforts all demonstrate our commitment to disseminating and expanding CS management. These endeavors allowed us to maintain our status of 'excellent' (the highest-possible level of customer satisfaction with public enterprises) for five consecutive years. We also fully established the customer satisfaction evaluation system through the in-house customer satisfaction survey scheme (KTO-CSI).

### Information Disclosure

In 2011, there was no single legal violation that occurred at KTO concerning personal information protection. We are in full compliance with the Customer Information Protection Act so that we may maintain trust from our customers. KTO's management information is fully disclosed on our corporate website at ([www.visitkorea.or.kr](http://www.visitkorea.or.kr))

### Service Quality Management Framework

### Service Monitoring in 2011(Unit:points)



### CS Integrity Angel Workshop



and on ALIO ([www.alio.go.kr](http://www.alio.go.kr)), the management information disclosure system for public organizations. The disclosed information comes with the names of the employees in charge. This enables effective communication with customers and the management disclosure operational manuals are published to ensure efficiency in managing management disclosure practices.

## Commitment to Improved Tourism Environments

### Diversified Tourism Information Channels

#### New logo for 1330 TT Call Center

To provide diverse information on Korean tourist attractions, KTO's 1330 TT Call Center is in operation 24 hours a day. This tourist information telephone service is available in English, Japanese, and Chinese. It also serves as a one-stop tour guide that provides tourist interpretation services. Our professional QA team, the regular monitoring by 1330 supporters, the cross monitoring with Seoul City's 120 Dasan Foreign Language Call Centers and customer satisfaction surveys, all ensure that the quality of services is managed in accordance with service quality management standards.

### 1330 TT Call Center



### Number of Visitors to KTO's Travel Guide Exhibition Room



#### Support for Standardized Tourism Guide

The quality of services offered by 359 KTO Information Centers across the nation was assessed and low-performing centers received service training while 290 employees at top-performing centers were awarded with incentives. In February 2012, the Tourism Guide Exhibition Hall was remodeled on the 1st basement level of a KTO office building. The remodeling came in addition to the establishment of a Korean food experience room, a Hallyu exhibition room and a Hallyu product shop. These facilities all served to help visitors experience Hallyu. Specifically, 100-day Korean culture experience events such as: wearing Hanboks (traditional Korean clothing), handicraft experiences and playing traditional Korean games were attended by 15,955 participants. This contributed to enhancing the image of Korean culture and travel.

### Improvement of Travel Environments and Readiness

In an aim to advance our readiness in satisfying both domestic and in-bound tourists, certification systems on lodging and food & shopping are being developed under the supervision of KTO. Our goal is to increase the number of certified facilities, as well as focus on on-site training to maintain and improve the quality of services so that we may further enhance the satisfaction of travelers.

### Korea Stay Bi



### Expansion and Improvement of Accommodation Infrastructure

#### Legislation of Municipal Lodging Business and Introduction of Korean B&B Business

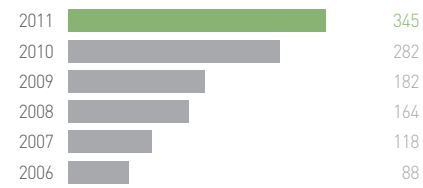
The legislation of 'municipal lodging business for overseas travelers' in December 2011 was attributed to the growing needs for alternative lodging facilities to respond to an increasing number of in-bound tourists. With this, came the introduction of the 'Korean Stay' certification system, a Korean B&B business system, while a two-way matching system between hosts and guests was developed. As a result, a total of 230 households were certified and this attracted 727 in-bound traveler stays for four months from October 2011. Our goal is to increase the number to 400 households in 2012.

### Korea Stay certificate awarding ceremony





Number of Good Stay Facilities



### Commitment to Expanding Good Stay Facilities

Our Good Stay designation scheme has been in operation since 2006 in an aim to expand high quality lodging facilities, support room sales and build cooperative systems with local governments. In 2011, 63 facilities and 2,400 rooms were newly designated as 'Good Stay', up 22% from the previous year. With this, the total number of Good Stay facilities and rooms amounted to 345 and 13,000 respectively. In addition, the Good Stay website ([www.goodstay.or.kr](http://www.goodstay.or.kr)) was completely revised to enhance customer accessibility. Good Stay reservations are available through the partnership established with online lodging reservation websites and their quality is managed through the regular monitoring of their operational status and through workshops held for operators and employees. In 2012, Good Stay facilities were further expanded in conjunction with South Jeolla Province as part of our support for the Yeosu Expo Korea 2012 and we joined forces with the province in operating and managing these facilities. The online Good Stay sales and the number of rooms sold amounted to \$ 830,000 and 15,483 respectively in 2011.

Create a more luxurious Korean traditional housing interior



### Facilitation of the Traditional Korean Housing Experience Program

'A Day at Hanok([www.hanokstay.or.kr](http://www.hanokstay.or.kr))', the website that provides information on staying at Hanoks (traditional Korean housing), was created in order to encourage travelers to experience staying in Hanoks, Korea's unique housing culture and Hanok promotional projects are underway at 250 sites nationwide. Specifically, 30 tour courses in alignment with the Hanok experience were identified and promoted, while the world wide growing popularity of Hallyu was used to hold Hanok experience events for overseas travelers. In addition, assistance was offered to promote and commercialize Hanok experience programs. This led to the initiation of consulting projects on Hanok management for local governments and the installment of washing facilities for Hanok experience businesses. Other varied PR and marketing events were waged, including Hanok supporters and experience programs for foreigners. This resulted in a 26% increase in the number of travelers staying at Hanoks from the previous year.

Workshop for BENEKIA hotel managers



### Development of the Local Brand of BENEKIA

'BENEKIA' is the acronym for 'Best Night in Korea' and represents a Korean mid/low price tourist hotel franchise business launched in 2007. There were 44 BENEKIA hotels as of 2011 and their quality management follows stringent criteria through quality assessments and customer satisfaction surveys in accordance with BSI standards. Specifically, BENEKIA hotel reservation guide services became available 24 hours a day, 365 days a year, through smartphone applications and 1330 tour guide call services in 2012. This raised sales generated through online reservation systems by 44% to KRW 540 million. Our plan is to increase the number of BENEKIA hotels to 60 by the end of 2012 through various supportive policies for BENEKIA business partners.

## Improvement of Food Tourism Environments

Various projects were launched to facilitate food tourism, as well as to improve readiness to address complaints regarding food that are often raised by in-bound tourists. A government-wide task force team was created in October to improve on food tourism services while monitoring was performed on Korean restaurants specializing in serving in-bound travelers in order to enhance food services and ultimately the satisfaction of in-bound tourists with food in Korea. Chua Lam, a famous gourmet chef from Great China, was invited in May 2011 to promote Korean food and to develop & distribute menus favored by Chinese travelers, so as to minimize complaints raised by Chinese travelers. In addition, 200 food streets were selected nationwide and their diverse cultural and historical stories related to food were introduced in an appealing manner so that representative food streets in each local area could be promoted as a brand. This paved the foundation for facilitating food tourism. We also supported the publication of the Korean version of the 'Michelin Green Guide', a world-renowned tour guidebook, which promoted Korean tourist attractions and food culture.

## Improvement of Shopping Environments

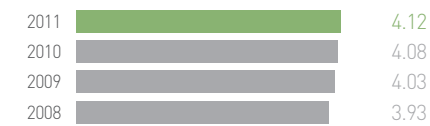
### 1st Premium Shops Certification

The 1st Premium Shopping certification scheme was introduced for the first time in Korea in December 2010. This aimed to bump up our shopping culture a notch higher by upgrading services and emphasizing premium shops. These premium shops are chosen in accordance with stringent criteria covering product features, shop services, price services, employee services and additional services. There were 429 certified 1st premium shops in operation as of 2012 and overseas PR activities were strengthened through on/offline media. We will be further committed to improving awareness of the certification scheme, its external credibility and post management as well as shopping tour satisfaction.

- 1 1st Premium Shop certificate
- 2 Shopping guidebook



In-bound Traveler's Satisfaction with Shopping Experience (On a scale from one to five)



### Korea Pass

The Korea Pass (the hybrid-type, pre-paid card specialized in tourism services) was launched in December 2010 in order to provide differentiated conveniences to FITs, whose numbers are ever increasing. With one single Korean Pass card, a traveler may enjoy special benefits at 7,300 discount franchise stores nationwide. These benefits can be found in: transportation, tourist attraction admissions, shopping, lodging and other types of fees related to tour activities.

As part of our efforts in raising awareness for the Korea Pass and in stimulating its application, Korea Pass is offered at various promotional events for in-bound tour products held at overseas offices, while joint cooperative projects with external organizations are proactively identified (such as the agreement and joint promotional initiatives with Busan City, Jeju Air, the Korean Railroad Corporation and the Visit Korea Committee). Connections were also established with 1330 tour guide services to receive inquiries and complaints related to the Korea Pass as well as to train employees at Korea Pass stores and monitor foreign pass users. Such endeavors assist us in the continuous quality management of services and in establishing the Korea Pass as a representative tourism card in Korea.

- 1 Korea Pass
- 2 PR leaflets for 'Korea Grand Sale' and Korea Pass





## Reaching our Partners & Community

### Management Principle

KTO fully recognizes such social issues as: human rights, poverty, the environment, cultural marginalization and social discrimination. This recognition is possible and taken with a deep sense of responsibility as a member of society and a public enterprise, under KTO's vision that speaks of a 'society where everyone lives in harmony through sharing and sympathy'. Moreover, partnerships are being forged with the government and the National Assembly and wide-ranging corporate philanthropic programs are in operation at KTO to support its endeavors in contributing to the prosperity of both the local communities where KTO is based and the development of the nation as a whole. In this way, KTO is growing into a respected public enterprise.

### Progress

- Take initiatives to ensure transparency in the entire spectrum of contract conclusion with suppliers from the bidding process to post management.
- Expand the purchase of SME products and facilitate purchasing contracts with SMEs
- Dramatically expand employee corporate philanthropic activities by building a company-wide corporate philanthropic operational system.
- Undertake governance-type corporate philanthropic projects in the tourism sector in conjunction with the private sector and the tourism industry
- Identify corporate philanthropic projects that are aligned with KTO's business

### Issues

- Growing demand for transparency
- Enhancement of the national image/brand
- Prevention of corruption
- Involvement in local community development
- Stronger demand for fair competition and shared growth

### Performance

Category	Performance Indicator	2010	2011	Department in Charge
	Ethical management training (Hours)	6.24	8.10	
	Purchase of SME products (%)	95.3	93.8	
Society	Total integrity	8.70(Insufficient)	9.05(Outstanding)	CSR Center, General Affairs Team
	Volunteer work per employee (Hours)	6.4	11.9	
	Social contribution activities taken by labor and management jointly (Number of times)	580	894	





# Establishment of a Mutually-beneficial Cooperative Framework

## Public-Private Partnership and Local Competitiveness

### Establishment of a Partnership Framework

#### Policy Sharing with the Government and the National Assembly

KTO is committed to the economic development of the nation and the improved quality of life for the public through its tourism business in its capacity as a key organization dedicated to the promotion of the Korean tourism industry. To provide policy support for the promotion of the tourism industry, we share governmental policies and strategies with the Presidential Office, the Ministry of Strategy and Finance and other relevant organizations. We also hold joint workshops bi-monthly with the Ministry of Culture, Sports and Tourism and visit the National Assembly to propose bills to promote the tourism industry, working continuously to share policy issues with legislative organizations. In 2011, a total of ten policy proposals were made by KTO, including the legislation of the 1st Premium Shop certification scheme and training of tour guides. In addition 12 interviews with the KTO CEO and law-makers were conducted to discuss the reinforcement of KTOs' role and secure budget of KTO funds.

#### Support to Launch the Korean Tourism Forum

We assisted the launch of the Korean Tourism Forum in March of last year, which was established in an aim to locate legal and institutional aspects that could be improved on and to facilitate the tourism industry and generate ways to further develop the industry. The forum will be committed to stimulating domestic demand through investment in outstanding local tourism resources and strengthening the competitive edge of the tourism industry. Our goal is to use this forum as a venue to improve on internal/external environments surrounding the tourism industry more efficiently.

### Income Creation in Local Areas through Tourism

#### Facilitation of Traveling in Traditional Markets

Facilitation of local tourism is emerging as a solution to address the economic downturn in local areas caused by the national economic slowdown and shrinking domestic demand, as well as the breakout of foot and mouth disease. Therefore, KTO is stimulating local tourism to assist the Korean government's policy to recover the economic livelihood of ordinary people by attracting more tourists to local areas and helping generate income in doing so. Specifically, our tour information website, tour blog and twitter events were mobilized to emphasize the role of traditional markets as a venue where indigenous agricultural products are traded directly between producers and consumers. Such online PR activities were combined with the activities at the joint e-marketing fair for local governments held in conjunction with Auction and G Market (online auctioning websites in Korea) as well as visits to traditional markets in celebration of the New Year. These online events recorded 12,160 occasions of participation by citizens and the local governmental e-marketing fair generated KRW 200 million in the sales of domestic tourism products, through the selection of outstanding local governments through votes cast by 2.63 million citizens. In addition, visits to traditional markets in Seo-

Online promotion for traditional markets



e-marketing fair held jointly by the KTO, Auction and G Market



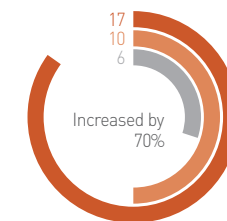
cheon, Gunsan, Jeonju and Pohang were attended by 914 participants with an average of KRW 125,000 spent on purchases per family and KRW 57 million of local income generated. This contributed to income generation and revitalized the local economy through tourism.

### Improvement of Competitive Edge of the Local Tourism Industry

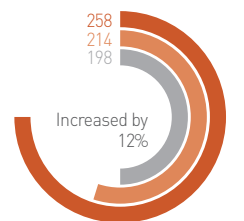
#### Tourism Consulting for Local Governments

To respond to the growing needs for KTO experience and expertise in developing tourism resources and stimulating the local economy through the diversification of in-bound tourism products, we developed an integrated consulting system and standard models to undertake differentiated tourism consulting projects that meet specific local needs. A total of 17 consulting projects with contract amounts worth KRW 3.2 billion were undertaken. This supported the development of new tourism resources, such as the identification of international events to develop high-end tourism products for Daejeon and the discovery of representative festivals in Busan in 2011. The amount of awarded project value per employee also rose by 21% from the previous year. In addition, tourism readiness diagnosis and consulting was performed on 33 local governments, whose outcomes were reflected in 13 local governmental projects. In so doing, KTO is determined to propose the best way forward for those working in relation to the tourism industry and serve as a center for exchanges and cooperation in the tourism industry.

Number of For-free Tourism Consulting Projects  
 (Unit: Number of projects)  
 ● 2011 ● 2010 ● 2009



Consulting Projects Awarded per Employee  
 (Unit: KRW million)  
 ● 2011 ● 2010 ● 2009



#### Local Tourism Promotion Consultative Bodies

To contribute to the balanced development of the entire nation and the revitalization of the local economy, we developed organically aligned cooperation systems with local governments, local tourism organizations and KTO's regional promotional offices to discuss major issues. In 2011, heads of regional promotional offices and working-level employees met twice a year respectively in order to lay the basis for public-private partnerships, through the expansion of the function fulfilled by regional promotional offices. In addition, endeavors were made to strengthen the role and responsibility of these offices as NTOs (National Tourism Organizations) that were capable of undertaking highly localized projects. To this end, four key implementation tasks and 11 detailed implementation guidelines were defined and the cooperation infrastructure among KTO-RTO-local governments was reinforced. This resulted in securing KRW 550 million for 2012 with cooperative projects among the industry, governments and academia underway.

#### Standardization of Service Quality at KTO Information Centers Nationwide

Between April and September, 369 KTO Information Centers nationwide were assessed for their operational status. This was the second such inspection made since 2008 and aimed to reflect and improve on issues raised in the 2008 assessment. This was done in order to establish an assessment system in accordance with operational guidelines for these Information Centers and standardize their operation while investing KRW 2 billion in remodeling these centers (depending on assessment outcomes). This encouraged local governments to grow interested in the operation of Information Centers. We plan to evaluate center-specific assessment outcomes and their compliance with improvement measures as well as expand the service monitoring of Information Centers nationwide.



## Leading a Fairer Society

KTO's suppliers include customers who signed revenue-generating business contracts and providers of office supplies and services. We pursue transparency in the entire contract process from bidding and processing to post management and offer equal opportunities to all suppliers. Specifically, we defined the vision of 'enhancing SME's independence and sustainable growth' to support SMEs and the key strategy to strengthen customer support in order to expand the purchase of SME products and facilitate purchasing contracts with SMEs. In so doing, we continue to explore ways to seek mutually beneficial development with suppliers and SMEs.

### Continued Expansion of e-Bidding (Unit:%)

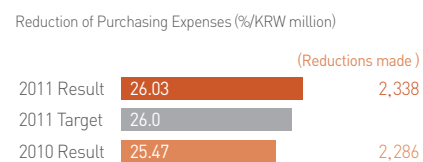
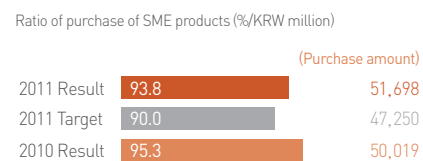


[Number of e-procurement cases / Total procurement cases] ● Ratio of e-procurement

### Results of the External Integrity Survey by the Anti-Corruption and Civil Rights Commissions in 2011

Category	External Integrity
All Organizations Surveyed	8.69
Related Organization	8.99
Public Enterprise	9.10
KTO	9.25
Contract and Management Operation	9.41

### Increased Purchase of SME Products



## Compliance with Fair Trade Principles

To reinforce SME support policies, fulfill our leading role as a public enterprise and to efficiently manage indicators related to reasonable purchasing and contracting practices, we use the public e-procurement information network (SMPP) and our own SMS purchasing management system. We also revise contract systems (laws and regulations) so that we can help SMEs reduce their burdens. Moreover, the expansion of electronic bidding contributes to providing equal bidding opportunities, thus establishing a culture of fair trade and mutual benefits among SMEs.

## Integrity Contract System and Outcomes of External Integrity Surveys

For contracts worth over KRW 20 million, the supplier and the KTO employee in charge of the contract are obligated to write and sign the integrity contract agreement in order to promote fair administrative practices and prevent collusion among suppliers. Moreover, the integrity survey conducted by the Anti-Corruption and Civil Rights Commission in 2011 discovered that KTO scored 9.25 points in external integrity and 9.41 points in the integrity of its contract and its management practices, which recognized the fairness and transparency established in the way our contract operation is conducted in relation to SME support.

## Stronger Support for SMEs

### Preferential Purchase of SME Products

The Korean governmental policy to promote the support for SMEs was followed by stronger evaluations made in compliance with the 'preferential purchase of SME products' regulation and assessment made by the Ministry of Knowledge and Economy on performance of public enterprises in supporting SMEs. Therefore, KTO is faced with increasing requirements to support SMEs through the purchase of their products. We give precedence to green products and products manufactured by small businesses run by the physically challenged, female-owned businesses, technology developers and social enterprises. Moreover, our company-wide promotional activities led to an increased share of SMEs in our publicly procured products, offering stronger support for SMEs.

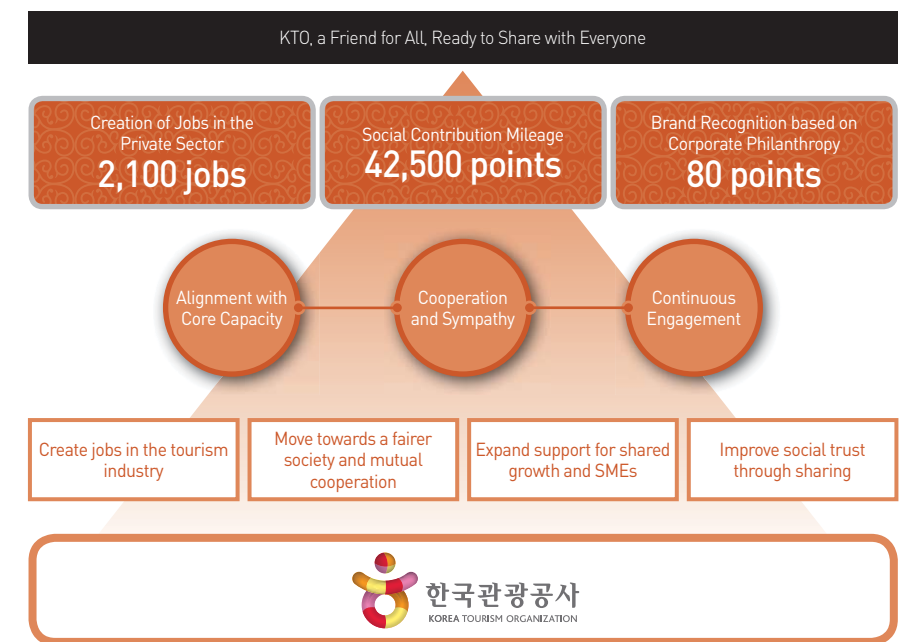
### Creation of a Mutually-beneficial Culture

We developed support systems that ensure mutually beneficial cooperation with private sector businesses and defined shared growth strategies and action frameworks that meet the specific needs of KTO. Under the vision of creating a tourism ecosystem for shared growth through the promotion of SME suppliers and their independence, tasks were defined for companies in other industries, tourism companies, travel agencies and local governments. We also joined forces with SMEs in tapping the duty-free shop business and lodging service market worth over KRW 34 billion and supportive of 141 exporters. Our CEO personally declared his commitment to shared growth and strengthened initiatives, while internal systems were improved to ease bidding conditions for international conferences and events held by KTO so that equal opportunities are offered to SMEs.

# Management for Shared Hopes and Happiness

## Stronger Engagement with Local Communities

### Social Contribution System



### Discovery of KTO Social Contribution Projects

Our 'Fun Sharing' Multi-cultural campaign was held from May to December of 2011. Under the four themes of: multi-cultural online tourism footprint, Fun-sharing Cool summer camp, Fun-sharing multi-cultural festival, and Fun-sharing multi-cultural family trip, the event was promoted through such media outlets as K-TV, the Dong-A Daily News, KBS Radio, the JoongAng Ilbo, and the Associated Press. Moreover, multi-cultural families in Korea were assisted with understanding Korean culture, mingling with Korean society, understanding the cultural heritage of Korea and in tourism resource protection activities. Also included in our various corporate philanthropic initiatives for socially underprivileged children and teenagers, was the volunteer work performed by Guseok Guseok Nanumi volunteers.

### Social Contribution Initiatives Aligned with KTO's Business

The Intra-bound Tourism Promotion Team supported sharing-driven tourism projects in conjunction with travel agencies, G Market, and Holt Children's Services Inc. to generate KRW 15 million in revenues. As part of our social contribution initiatives for socially underprivileged people in local communities, welfare facilities and local areas where our four regional promotional offices are based, we became beneficiaries of our year-end social-giving programs.





Results in Creating Jobs

Year	2011	2010
Organizational Quota (Number of employees)	544	544
Jobs created through outsourcing	Regular jobs: 81 Non-regular jobs: 705	Regular jobs: 66 Non-regular jobs: 433
Jobs created by awarding investment projects	Regular jobs: 81 Non-regular jobs: 705	Regular jobs: 57 Non-regular jobs: 241
Jobs created through the partnerships forged with the private sector	Regular jobs: 25 Non-regular jobs: 60	Regular jobs: None Non-regular jobs: None
Others (Jobs created through KTO's unique initiatives)	Regular jobs: 2 Non-regular jobs: 117	Regular jobs: 3 Non-regular jobs: 104
Total	Total: 1,310 employees/Increased by 44% Regular jobs: 175/Increased by 39% Non-regular jobs: 1,135/Increased by 45%	Total: 904 Regular jobs: 126 Non-regular jobs: 778

**Social Contributions Made Jointly by Labor and Management**

Our joint labor-management Social Contribution Committee is in operation in order to undertake corporate philanthropic initiatives more systematically. In addition, the 'Guseok Guseok Nanumi (volunteers)' volunteer program attended by all employees is underway. Our commitment to wide-ranging volunteer initiatives taken to help multi-cultural families, people with disabilities, individuals in struggling homes and welfare facilities for the elderly was recognized widely and we were honored with the 'Social Volunteering for a Happier Society Grand Prix Award' by the Korean Society of Consumer Studies for two consecutive years. In 2011, 894 occasions of joint labor-management social giving activities took place at KTO, which is translated into 2.4 activities and 11.9 volunteering hours per employee.

	2010	2011	Increase or Decrease	
Number of Activities	580	946	63% ↑	
Average per Executive	Number of Participation Occasions	1.4	2.4	71% ↑
	Volunteer Hours	6.4	11.9	86% ↑

**Green Mileage Scheme**

Under the Green Mileage scheme, our employees are given individual social contribution index scores when they participate in social contribution activities or propose ideas for social-giving initiatives. The scheme is aligned with an internal management evaluation. In 2010, a total of 21,397 miles were achieved and the "Nanum King" (Nanum means 'sharing' in Korean) ceremony was held to award individuals and departments for their contribution. In 2011, our employees earned 34,752 miles, up by 58.4% from 2010, and the green mileage accumulated annually has been on the rise continuously since 2008. Our goal for 2012 was set at 38,300 miles.

**Sharing Initiatives in Local Communities**

**Strategic Sharing Initiatives in 2011**

In 2011, we defined our own social contribution strategic tasks from the three aspects of: the continuous expansion of an employee's social-giving activities through the development of a company-wide social contribution operational system, the undertaking of governance-type social contribution projects performed in conjunction

Social Contribution Activities Taken Jointly by Labor and Management

Increase in Green Mileage Targets



Due to the data modified after the publication of the 2010 Sustainability Report, there are discrepancies in the Green Mileage data between the 2010 report and the previous report.

Participation in Social Volunteer Work (Unit: Number of occasions)



Average Number of Participation Occasions per Employee (Unit: Number of occasions)



Sharing of cultural tourism



Sharing of cultural tourism



with the private sector & tourism industry, and the discovery of social contribution projects in alignment with KTO's business. Such company-wide endeavors helped us raise employee participation in social volunteer initiatives to 894 occasions, up 54% from 2010, the average per-employee participation to 2.4 occasions, up 71% from 2010, and volunteer hours to 11.9 hours, up 86% from 2010. Moreover, tangible outcomes were produced by social contribution projects undertaken together with the CJ Welfare Foundation, RTOs and domestic travel agencies, as well as other social-giving projects aligned with KTO's unique business covering the facilitation of domestic tourism and overseas tourism marketing.

**Social Contribution Program**

**Sharing of cultural tourism**

Our "Fun-sharing Campaign" for multi-cultural families and the socially underprivileged was launched to offer enjoyable travel and experiential Korean culture opportunities to 860 individuals from multi-cultural families and children from less-privileged families. The program contributed to stronger social cohesion and paved the foundation for governance-type social contribution projects that encourage businesses in the tourism and other industries to donate their talent. The 'Guseok Guseok Love Sharing Trip' campaign was waged to stimulate domestic tourism as well as to donate its profits. This program was developed into a larger-scale initiative that joined with Korean travel businesses and created a total of 30 sharing-driven tour products and attracted 2,867 travelers. Moreover, 3% of the profits were donated to child welfare facilities, practicing the spirit of sharing through tourism.

**Public PR Initiatives**

**Sharing in Local Communities**

As part of our sustainable social contribution initiatives based on the protection of Korean cultural heritage and the environment, we signed an MOU with the Cultural Heritage Administration and have been undertaking annual PR activities for the 'Keeper for Every Piece of Cultural Heritage' campaign. Included in our efforts to protect the cultural heritage of Korea, are palace experience events for children from less-privileged families and volunteer programs for teenagers. Moreover, 21 elderly individuals living alone were matched with 210 family participants for health-sharing trips and Saturday experience trip products were developed to benefit 607 students from low-income families at five elementary schools nationwide.

**Overseas Exchanges and Volunteer Work**

In an effort to promote cultural and tourism exchanges for overseas customers, we undertook a public interest project to invite the parents of 60,000 Chinese students studying in Korea. Consultations were made with the Ministry of Justice to streamline the visa process for these parents and increase their accessibility to individual visa issuance. This was followed by various events held through the joint efforts of airline companies and local governments. As a result, 98% of the participants responded that they developed a favorable image of Korea. This laid a foundation for long-term bilateral exchanges between China and Korea. In addition, proactive assistance and exchanges occurred in alignment with the devastating earthquake that hit Japan and the great flood in Thailand in 2011. In order to improve the image of Korean tourism and forge an even stronger trust-based relationship, our overseas volunteer work and exchanges continued on in 2011.



# Appendix

Our CSR Performance

Sustainability Management Network

Awards

Third-party Assurance Statement

Results of ISO 26000 Compliance Diagnosis

GRI, ISO 26000 Index

UNGC Advanced Level & UNGC Index

GRI Application Level Check

Reader Feedback Survey

## Our CSR Performance

### Economy

#### Summary of Financial Statements (2010~2011)

(Unit: KRW million)

Category	2011	2010
<b>Assets</b>		
1. Current Assets	632,129	714,763
(1) Cash and Current Financial Assets	461,437	540,096
(2) Inventory Assets	143,355	145,026
(3) Other Current Assets	27,337	29,641
2. Non-current Assets	673,802	640,127
(1) Non-current Financial Assets and Accounts Receivable	72,327	60,149
(2) Tangible and Invested Property	489,398	468,512
(3) Intangible Assets	61,388	65,406
(4) Shares in Subsidiaries and Related Companies	31,497	32,122
(5) Other Non-current Assets	19,192	13,938
<b>Total Assets</b>	<b>1,305,931</b>	<b>1,354,890</b>
<b>Liabilities</b>		
1. Current Liabilities	334,075	34,171
2. Non-current Liabilities	204,653	220,587
<b>Total Liabilities</b>	<b>538,728</b>	<b>564,758</b>
<b>Capital</b>		
1. Paid-in Capital	47,272	47,272
2. Retained Earnings	428,984	466,309
3. Other Capital Components	182,501	182,656
4. Non-controlling Interests	108,446	93,895
<b>Total Capital</b>	<b>767,203</b>	<b>790,132</b>
<b>Total Liabilities and Capital</b>	<b>1,305,931</b>	<b>1,354,890</b>

#### Labor Productivity Trends by Year

\* Separate IFRS-based financial statements were used for 2011 while K-GAAP-based financial statements were used for 2009 and 2010.

• Full-time Employees (Unit: Number of employees)



• Labor productivity (Unit: KRW 1,000)



#### Operating Performance of Duty-free Shops

• Sales (Unit: KRW 100 million)



• Operating profit (Unit: KRW 100 million)

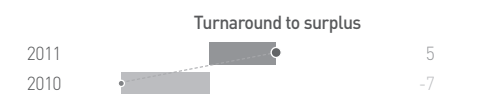


#### Operating Performance of the Jungmun Beach Golf Club

• Sales (Unit: KRW 100 million)



• Operating profit (Unit: KRW 100 million)





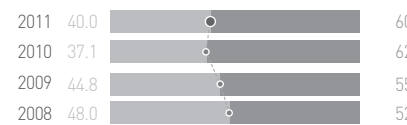
## Society

### Employees

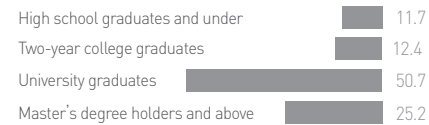
• Employee Composition by Age (Unit: %)



• Trends of Employee Composition by Age (Unit: %)  
● Under 40's ● Over 40's



• Employee Composition by Educational Attainment (Unit: %)



### Education

• Data on Educational Budgets (Unit: KRW million)

Category	2011	2010	2009
Budget on in-house education	298	255	328
Budget on external education	1,075	1,389	1,293
Total educational budget	1,373	1,644	1,621

The educational budgets between 2009 and 2010 showed a temporary increase due to the large-scale special voluntary resignations induced from the corporate advancement initiative taken in 2010.

• Trends of Employee Satisfaction with Education (Unit: Points)



### Education Program Participants by Training Period and Job Level (Unit: Number of employees)

• Training Period

Category	Within One Day	One to Five Days	One to Four Weeks	One to Six Months	Seven to 12 Months	Over One Year
2011	724(46.4%)	511(32.74%)	246(15.8%)	32(2.0%)	9(0.6%)	39(2.5%)
2010	658(46.8%)	348(24.8%)	287(20.4%)	61(4.3%)	6(0.4%)	45(3.2%)
2009	758(44.9%)	570(33.8%)	276(16.4%)	32(1.9%)	7(0.4%)	45(2.7%)

• Job Level

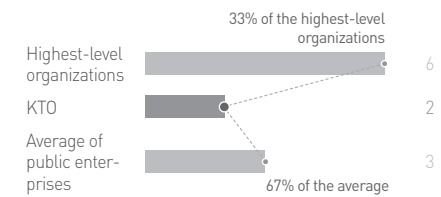
Category	Class 1	Class 2	Class 3	Class 4	Class 5
2011	34(2.4%)	163(11.6%)	489(34.9%)	635(45.3%)	81(5.8%)
2010	26(2.3%)	122(10.6%)	400(34.8%)	588(49.3%)	35(3.0%)
2009	27(2.6%)	86(8.3%)	361(34.8%)	556(53.7%)	6(0.6%)

### Job Creation

Performance Indicator	2010 Achievement	2011		Note
		Target	Achievement	
Jobs Created in Korea	808 employees	808 employees	1,145 employees	Outsourcing, investment projects, private-sector partnerships and KTO's unique approach in creating jobs
Jobs Created Overseas	96 employees	115 employees	165 employees	Forging partnerships with the private sector (p 57) / KTO's unique approach in creating jobs (p 58)
Total	904 employees	1,084 employees	1,310 employees	175 regular employees / 1,135 non-regular employees

## Welfare and Benefits

• Paid Welfare Expenses per Employee (Unit: KRW million)



• Improvements in Employee Welfare and Benefits in 2011

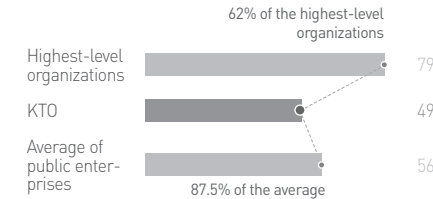
- Subsidies for leased company housing or bi-annually leased housing were raised to more realistic levels
- Assistance was offered to childbirth for employees and their spouses
- Loan regulations were newly developed for families with multiple children
- Travel expenses and overseas service allowances were raised to more realistic levels
- Outplacement support period was extended

• Welfare and Benefits for Non-regular Employees

Employee Type	Minimum hourly wage and paid holidays	
	KTO	Legal Threshold
Contract Employees	KRW 6,000	KRW 4,580
	24 days per two years of full work	15 days per two years of full work
	Comprehensive medical check-ups, expenses for family events, compensation holiday work	
In-house Subcontract Employees (Outsourcing companies)	Separate staff lounges and amenities are provided	
	One Heart events held by KTO and subcontractors (Six times a year)	
	Welfare and benefits are supported (KRW 9 million per year)	
Additional Improvements Required	Holiday gifts are provided on the New Year and on the Korean Thanksgiving Day	
	Benefits points scheme, support for guest houses, etc.	

### Wage

• Average Wage Level (2010) (Unit: KRW million)



### Labor Relations

• Zero Lay-off strategy

Current Job Categories	Professional Capacity	Details
All Job Categories		Encourage voluntary resignation
Administrative (Sales)	Sales capacity	Help find a job
	Office work	Assigned to general positions
	Foreign language	Assigned to tour interpretation positions
Technical		Relocated to different sites
General	Resort development	Nurtured into marketing professionals
Non-regular		Advance notice of contract period

• Satisfaction with Labor Relations against 2009 (Points)

Total	Trust (Partnership)	Engagement (Communication)	Performance (Implementation of outcomes)
2011	3.5	3.4	3.5
2009	3.4	3.3	None

### Social Contribution

### Purchase of Products Manufactured by Female-owned Businesses

Total purchase (Unit: KRW million)		Achievement (Unit: Number of cases)	
2011	52,992	2011	2,497
2010	52,484	2010	2,415



## Environment

### Energy Consumption by Year

Category (Unit)	2011	2010	2009	2008	2007
Electricity(KWh)	3,301,333	3,355,965	3,246,696	3,262,734	3,298,104
Gas(m <sup>3</sup> )	120,327	118,965	121,684	210,754	134,514

### Targets and Achievements on Water Consumption by Year (Main Office )

Year	Target	Achievement	Savings Made	Savings Ratio
2011	22,420	22,433	13(Excess )	0.06(Excess )
2010	24,297	20,882	3,415	14.06
2009	25,471	23,954	1,517	5.96

### Energy Consumption in 2011 (Main Office)

Category (Unit)	Target	Achievement	Against (%)	Note
Electricity(KWh)	3,301,333	3,294,228	99.8	Ratio of Achievements against Targets
Gas(m <sup>3</sup> )	120,327	94,365	78.4	
Water(m <sup>3</sup> )	22,420	22,433	100.1	

### Vehicle Fuel Consumption

	Main Office	Duty-Free Business Department	Seonam Office	Jeonbuk Office	Jeju Office	Total
Gasoline	20,012	18,399	936	-	10,495	49,842
Diesel	10,751	4,965	5,503	2,194	6,460	29,873
LPG	889	-	-	2,107	-	2,996

(Unit:l)

### GHG Emissions by Year (Vehicles at the Main Office, buildings)

Year	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Total
2011	1,815.00	1.14	4.8	285.00	1,535.94	1820.94
2010	1,886.70	1.18	4.64	327.80	1,564.72	1892.52
2009	1,833.91	1.17	4.37	325.67	1,513.78	1839.43
2008	1,832.66	1.14	4.22	316.77	1,521.25	1838.03

(Unit:tCO<sub>2</sub>eq)

## Sustainability Management Network

Category	Name of Organization	Category	Name of Organization
Korea	Korea U.S. Economic Council, Inc.	International	PATA(Pacific Asia Travel Association)
	Korean American Friendship Association		ASTA(American Society of Travel Agents)
	Korea Golf Association		ICCA(International Congress and Convention Association)
	Korea Golf Course Business Association		UNWTO(UN World Tourism Organization)
	Korean Toilet Association		UIA(Union of International Associations)
	The Council for the Korean Pact on Anticorruption and Transparency in Public Corporations		TTRA(Travel and Tourism Research Association)
	World Toilet Association		AACVB(Asian Association of Convention and Visitor Bureaus)
	UN Global Compact		DMAI(Destination Marketing Association International)
	BEST Forum		APTA(Asia Pacific Tourism Association)
	BEST CEO Club		ASAE & The Center (American Society Of Association Executives & The Center For Association Leadership)
	Service Science National Forum		WYSETC(World Youth and Student Educational Travel Confederation)

## Awards

Number	Date of Awarding	Name of Award	Awarding Organization	Reason
01	Mar. 12	Best Exhibitor in the Asia/Oceania sector	ITB Organizing Committee, German Travel Association (DRV), CBS (business school)	Excellent performance in operating the Korean booth at the ITB Berlin
02	Mar. 30	App of the Month, Mobile App Awards	Money Today, Korea Communications Commission	Awarded in the non-entertainment sector/chosen as a recommendable app for the first time as a public enterprise
03	May 15	Excellent PR Award in promoting destinations for medical tourism	Tourism business management committee of Shanghai	Selected as a best booth at the World Travel Fair 2011 in Shanghai
04	May 25	Best 25 App Award in the public service sector, App Awards Korea 2011	Digital Chosun, Business and TV	Provided rich tourism content and handy tour guide services in consideration of user convenience
05	May 26	Letter of Appreciation	Cultural Heritage Administration	Contributed to the preservation of cultural heritage and the dissemination of its value
06	Jun. 1	Social Volunteering for a Happier Society Grand Prix Award 2011	Korean Society of Consumer Studies, Dong-A Ilbo	Contributed to the establishment of a culture of happiness through social contribution initiatives
07	Jul. 15	Plaque of Appreciation	Uijeongbu City	Contributed to the enhancement of Uijeongbu City's brand value by holding the pre-match to choose the Korean representative for R-16 Korea 2011
08	Dec. 7	Social Media Grand Prix – 4th Korea Internet Communications Awards	Korea International Communications Association	Chosen as a public enterprise with outstanding track records in communication with customers through SNS
09	Dec. 8	App of the Year in the public service sector – App Awards Korea 2011	Digital Chosun	Provided rich tourism content and handy tour guide services in consideration of user convenience
10	Dec. 21	Beset Promoter Award	BEST Forum	Contributed to expanding an ethical culture
11	Dec. 22	Plaque of Appreciation	Gangwon Province	Contributed to helping the province in attracting in-bound tourists through the Hallyu week concert held in celebration of inviting the Winter Olympic Games 2018
12	Dec.	Plaque of Appreciation	Shinsegae Co., Ltd.	Contributed to attracting tourists from Greater China and facilitating shopping-driven tourism by taking global marketing initiatives that combine tourism and retail distribution
13	Dec.	Plaque of Appreciation	China Union Pay	Improved convenience for Chinese travelers in Korea through shopping promotional events and the expansion of China Union Pay affiliates



# Third-party Assurance Statement

## To the Management of the Korean Tourism Organization Sustainability Report 2011

The Institute for Industrial Policy Studies (IPS, the assurance provider hereafter) was commissioned to undertake an assurance engagement on the 'Korean Tourism Organization Sustainability Report 2011 (the 'Report' hereafter)' as a 'third-party assurance provider' and proposes the assurance statement as below.

### Responsibility and Objective

The responsibility for defining sustainability management goals, managing performance, compiling information and all data and statements related to the preparation of the Report lies in KTO. The objective of this assurance statement is to find any critical errors or biases in the Report, check the operation of KTO's information compilation system, review the identification process of sustainability management issues and thus suggest opinions to further improve the quality of Report.

### Independence

IPS does not have any interest regarding profit-making in KTO and performed the assurance engagement with independence and autonomy by not participating in the creation of the Report except for the presentation of its feedback on the Report.

### Assurance Standards

This assurance engagement used the following standards:

- 1) Assurance criteria in AA1000 Assurance Standard(2008)<sup>1</sup>
- 2) BEST guidelines<sup>2</sup>
- 3) GRI G3.1 guidelines on sustainability reporting<sup>3</sup>

### Assurance Type and Level

This constitutes a Type 1, moderate level assurance in accordance with AA1000 AS (2008).

- IPS reviewed the appropriateness of data presented in the 'Korean Tourism Organization Sustainability Report 2011' in order to perform a Type 1 assurance engagement while evaluating disclosure materials, reporting systems and performance management methodologies based on inclusiveness, materiality and responsiveness, the three principles suggested by AA1000 AS (2008). Not included in this assurance statement is the verification of the reliability of data presented.
- IPS also conducted a moderate level engagement by obtaining evidence materials that are sufficiently enough to lower the possibility of errors occurring regarding the Report content and performing limited interviews with employees in charge of respective performance areas.

### Assurance Scope and Methods

IPS used the following processes in order to 1) evaluate the inclusiveness, materiality and responsiveness of the Report content and to 2) verify the level of compliance with indicators suggested by GRI/BEST sustainability reporting guidelines

- Review of the source of disclosed data and the department in charge
- Review of the adequacy of sector-specific performance data compilation systems as well as reporting processes
- Review of the consistency between financial data in the Report and the corresponding audit report
- Verification of response systems for material issues
- Interviews with employees in charge of respective performance areas
- Physical on-site inspections and verifications with an emphasis on the Main Office (Aug. 1~2 of 2012)
- Review of the Application Level in accordance with GRI/BEST guidelines on sustainability reporting

### Limitations

Not included in this assurance statement are

- Interviews conducted of employees in charge of respective performance areas and employees in charge of compiling performance data as well as review of the adequacy of data
- On-site inspections on the KTO Main Office
- Verification performed based on materials concerning the reporting period and disclosed information
- Evaluation of the reliability of performance data

### Opinions

IPS is not aware of any critical errors or biases regarding the Report content in accordance with the assurance scope, methods and evaluation criteria stated above. Major assurance outcomes are suggested through this assurance statement and detailed outcomes and recommendations were submitted to KTO.

### [Inclusivity]:

Review of the appropriateness of KTO's strategy development and engagement processes regarding stakeholder engagement

IPS believes that KTO is aware of the importance of stakeholder engagement in practicing sustainability management and that stakeholder engagement processes are under constant operation at KTO. KTO endeavored to analyze & define stakeholders in accordance with ISO 26000 and operate communication channels for respective stakeholder groups, thereby incorporating their feedback in its business operation. Specifically, KTO is highly appreciated for the following:

KTO developed communication channels that enable stakeholder engagement such as blogs, Twitter, Facebook and customer satisfaction surveys, in addition to their VOC(Voice of Customers)s. KTO proactively used these channels as effective means for communication. KTO established on/offline communication channels to ensure multi-dimensional communication with its employees and solicit feedback. It then reflected such findings in creating its own corporate culture and business conduct.

IPS recommends that KTO shares its stakeholder engagement processes and the results of the decisions made on a company-wide level. In so doing, such strategic management approaches may strengthen KTO's executive capabilities to handle relevant issues and enable the voices of more diverse stakeholders to be heard.

### [Materiality]:

Review of whether information most material to KTO and its stakeholders is included in the Report

IPS is not aware of any critical omissions or exclusions of material information that should be disclosed to KTO's stakeholders in this Report. IPS verified that KTO reviewed material issues through such analytical processes of media analysis, benchmarking of industry peers, stakeholder interviews and ISO 26000 compliance diagnosis and identified & reported issues material to stakeholders through relevance and significance tests. KTO is particularly appreciated for the following:

KTO used surveys and conducted interviews with its internal/external stakeholders so as to concretely identify material issues. This helped KTO select more substantial and

detailed material issues.

KTO was committed to clearly stating material issues by prioritizing material issues through the materiality test process and the reflecting the outcome in constructing the table of contents for this Report.

IPS believes that KTO would benefit from reporting on negative issues regarding sustainability management more proactively, as well as proposing detailed plans and measures to be taken.

### [Responsiveness]:

Review of the appropriateness of responses made by KTO to address stakeholder requirements and interest

IPS believes that KTO endeavored to appropriately address stakeholder requirements and interest by soliciting their opinions through stakeholder-specific communication channels. IPS also verified that KTO was committed to identifying internal and external issues that are critical to sustainability management and in responding to stakeholder feedback. Specifically, KTO is highly appreciated for the following:

KTO stated its endeavors to communicate with its stakeholders through stakeholder interviews and surveys, so as to effectively compile their feedback for response.

KTO reported its responses to and achievements in issues of great interest to stakeholders. Such issues included: the demand for tapping emerging markets to strengthen the competitive edge of the tourism industry, facilitation of high value-added items, theme-driven tourism and customized efforts to attract foreign travelers.

It is recommended that KTO take a more balanced approach in addressing diverse stakeholders and develop management systems to become more proactive in soliciting and addressing opinions from suppliers and local communities. In addition, KTO would benefit from creating a variety of communication channels in consideration of its unique features so as to respond to and report on stakeholder interest and issues in a more preemptive and proactive manner.

### [GRI Application Level]

IPS verified that this Report satisfied all the requirements for the Application Level 'A+' in accordance with GRI G3 guidelines.

### [Compliance with BEST Sustainability Reporting Guidelines]

The evaluation of KTO's compliance with reporting standards and the intensity of information in this Report under the BEST Sustainability Reporting Guidelines prompted IPS to believe that the Report satisfies 97.1% of the Level 4 (establishment) requirements out of the five Levels defined in the guidelines.

[ KTO Sustainability Report's Compliance with BEST Sustainability Reporting Indicators]

Year of Report Publication	Round of Report Publication	Level	Compliance Rate
2011	4th	Level 4	97.10%
2010	3th	Level 4	96.38%

<sup>1</sup> AA1000AS(Assurance Standard): This represents the assurance standards for sustainability management reports that were developed by AccountAbility, a non-profit organization working in relation to social responsibility management located in the U.K., in 1999. Their objective is to improve the quality of social & ethical accounting, assurance and reporting to enhance general performance and accountability on an organizational level. The application of the revised 2008 version was initiated from 2010.

<sup>2</sup> BEST Sustainability Reporting Guidelines: These guidelines concerning the creation and assurance of sustainability management reports were developed in 2006 through joint endeavors made by the BEST Forum, the Ministry of Knowledge and Economy, IPS and the Korea Chamber of Commerce & Industry, in order to expand the practice of sustainability management reporting among Korean corporations. The guidelines define the level of reporting on five different levels.

<sup>3</sup> GRI G3.1 guidelines: These guidelines constitute sustainability reporting guidelines that were established in 1997 jointly by CERES (Coalition for Environmentally Responsible Economics), an international association of environmental organizations, and UNEP. The guidelines evolved from the G3 version announced in October 2006, to the G3.1 version announced in March 2011, which came with the expansion and supplementation of such areas as human rights, gender, and local communities. The fourth revised version of the G4 is slated for release in 2013.

## Recommendations

It is IPS's conclusion that the 'KTO Sustainability Report 2011' is highly recommendable in that (1) the Report established a framework to align corporate management strategies and sustainability management strategies, (2) the Report outlines indicators and goals to measure performance of sustainability management as well as relevant achievements and clearly stated them for appropriate management, (3) KTO created a dedicated sustainability management organization and took a step further to ensure company-wide implementation of sustainability management. KTO's future sustainability reports would be further improved in consideration of the following:

- Strengthen KTO's concept of sustainability management and develop a stronger management framework for sustainability management
- Analyze and illustrate material issues identified through the materiality test process from a time-series perspective so as to manage and report trends of material sustainability management issues
- Present more detailed responses and plans to improve on mistakes or shortcomings to take a more balanced perspective (through some such issues were addressed in the Report).

## Qualifications of IPS as an Assurance Provider

The Institute for Industrial Policy Studies (IPS), commissioned by KTO to perform this assurance engagement, serves as a 'third-party assurer' that provides assurance services to Korean sustainability management reports. Established in 1993, IPS has been accumulating rich experience in the fields of ethics management, social responsibility management and sustainability management since 2002. The assurance team for the KTO Sustainability Report 2011 consisted of professors at prestigious universities in Korea and experts with specialized training records and experience as advisors on sustainability management, with major specialties in general management, accounting, the environment, etc.

Aug. 8, 2012  
Jae-Eun Kim  
President of the Institute for Industrial Policy s





# Results of ISO 26000 Compliance Diagnosis



## Diagnostic Standards

A social responsibility compliance diagnosis checklist was developed in accordance with ISO 26000, the international standard on social responsibility, by the Korean Standards Association (KSA) as part of the research contract commissioned by the Korean Agency for Technology and Standards under the Ministry of Knowledge and Economy. This report outlines the outcomes of the diagnosis performed of the social responsibility process and of the Korean Tourism Organization (KTO) along with its achievements in each of the seven core subject areas in conformity with the checklist standards.

## Diagnostic Method

KSA undertook the following steps by compiling relevant evidenced data in accordance with objective diagnostic standards (with an emphasis on KTO's task force team in charge of publishing sustainability reports):

- Review of internal documents in KTO's sustainability reports as well as its activities and achievements
- Interviews with KTO employees in charge of each issue of social responsibility management

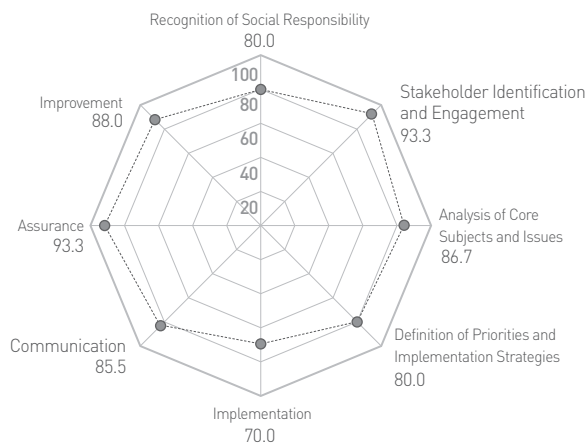
## Scope of Diagnosis

The scope of the diagnosis performed by KSA included KTO's processes and achievements in fulfilling its social responsibility. To this end, KTO's mid/long-term strategies, as well as its social responsibility management strategies, stakeholder engagement and social responsibility initiatives, were evaluated.

## Diagnostic Outcomes of the ISO 26000 Social Responsibility Process

KTO recognizes social responsibility and sustainability management as engines of corporate growth. These are demonstrated through the development of sustainability management visions and strategic directions, as well as a dedicated CSR organization in order to achieve its vision of 'a Global Public Enterprise that Makes Korea an Attractive Tourist Destination' based on public interest. Since the first publication of its sustainability report in 2008, KTO has been engaging stakeholders and identifying material issues annually. However, KTO still lacks an appropriate system to incorporate stakeholder feedback and material issues in the top managerial decision-making process. Therefore, KTO is advised to extend the scope of its social responsibility to cover contract employees and the entire organizational value chain, while expanding the role and influence of the dedicated CSR organization so as to ensure the systemized implementation and management of strategic tasks and performance indicators regarding sustainability management.

Diagnostic Outcomes of the Social Responsibility Process



Recognition of Social Responsibility	Review the current status of the reporting organization based on the commitment of top management
Stakeholder Identification and Engagement	Review the interest and requirements of stakeholders and develop engagement strategies
Analysis of Core Subjects and Issues	Create a list of issues through the review of issues and the analysis of internal organizational capacity
Definition of Priorities and Implementation Strategies	Prioritize issues that require improvement and management and develop implementation plans in consideration of organizational capacity
Implementation	Undertake strategies, targets and implementation plans, while adhering to the corporate vision to monitor performance in the regular fulfillment of social responsibility
Communication	Prepare performance reports to communicate with stakeholders
Assurance	Verify activities and reporting in order to improve the reliability of performance data
Improvement	Review performance regularly to make sustained improvements

## Diagnostic Outcomes of the Seven Core Subjects of ISO 26000

### Organizational Governance

KTO is committed to facilitating the efficient and transparent operation of the Board of Directors. It is recommended that KTO establish a social responsibility management committee, as a dedicated decision-making body within the BOD in order to practice social responsibility management and strengthen corporate governance, while continuing to manage performance on social responsibility goals and tasks.

### Human Rights

Among the seven core subjects, KTO is relatively weak in the area of human rights and is specifically insufficient in providing human rights protection and support policies for partners, suppliers and local communities. KTO would benefit from developing detailed guidelines and policies to promote the protection of human rights and in creating training and regular monitoring systems for its employees and stakeholders.

## Labor Practices

KTO offers outstanding policies and support related to working conditions regarding flexible working hours, family-friendly benefit schemes, support for club activities, the KTO Future Plan Center and counseling systems. It also has policies to better treat non-regular employees. KTO's remarkable performance will be further improved by developing workable measures to assist employees in improving on safety and physical health, as well as managing stress.

## Fair Operating Practices

Wide-ranging initiatives are being undertaken at KTO to build a culture of integrity into its daily business operations. These include: integrity training, the Integrity Mileage scheme and contract provisions on executive job integrity. However, there lacks an adequate system to support the tourism industry and suppliers in taking social responsibility initiatives. In addition, KTO would benefit from preventing negative cases from occurring by developing tourism resorts and transferring KTO business to the private sector.

## Community Involvement and Development

KTO's social contribution initiatives are categorized into: sharing with local communities, sharing cultural tourism, protection of the tourism environment and support for overseas exchanges (with KTO volunteer groups playing a central role). In addition, tourism development consulting and tourism business incubation projects are underway in consideration of KTO's unique business characteristics. KTO is recommended to extend the scope of its social contribution activities and take stronger initiatives so that programs are developed and supported to improve the health and training for local community residents.

## The Environment

Under the vision of becoming a 'Platform for Low Carbon Green Growth', KTO set GHG emissions reduction targets and drew up a green management roadmap, KTO is undertaking systemized initiatives to address climate change, with the Energy-saving Committee playing a key role. It is advised that KTO expand investment plans for environmental management, while waging company-wide training and protection activities to raise the awareness of green tourism and the protection of ecosystems.

## Consumer Issues

KTO provides diverse and detailed information on Korean and overseas tourist attractions, as well as its own management practices, through its website blog, guides and brochures. KTO is also improving the quality of its services through self-supervised certification schemes regarding accommodation, food and tourist sites. As sufficient practices to secure the safety and health of travelers are still lacking, KTO would benefit from developing relevant manuals and systems while undertaking regular training and campaigns in order to raise the awareness of sustainable tourism

Diagnostic Outcomes of Social Responsibility Performance



Organizational Governance	Activities to respect the principle of social responsibility and its integration into existing systems policies and practices
Human Rights	Activities to respect, protect, observe and realize human rights within an organization and the sphere of its influence
Labor Practices	Policies and practices that affect employees and their working conditions within an organization and its suppliers
The Environment	Activities to consider the meaning of decisions made and the actions taken by an organization in order to reduce the environmental impact of an organization
Fair Operating Practices	Activities that foster ethical behaviors in making transactions between an organization and its counterparts (including partners and suppliers)
Consumer Issues	Activities to protect the rights of consumers covering: consumer training, fair and transparent marketing information & contracts and the promotion of sustainable consumption
Community Involvement and Development	Activities to recognize and respect the rights of local communities and to maximize their resources and opportunities

## Conclusions

The self-initiated assessment of KTO's compliance with ISO 26000 discovered that KTO scored 84.5 points in process and 89.9 points in performance, on a scale from 1 to 100. The final weighted score was 88.3 points, which places KTO in the SR IV level with outstanding results. Process-wide, KTO has established a systemized recognition of its social responsibility and sustainability while governance, human rights and the environment proved to be relatively weak areas in performance. However, KTO demonstrated remarkable outcomes in fair operating practices, consumer issues and community involvement & development. Therefore, it is recommended that KTO manage and evaluate implementation tasks on strategic directions regarding sustainability management in a more systemized manner, thus making sustained improvement.



The Korean Standards Association(KSA), established as a special corporation in accordance with the Law for Industrial Standardization in 1962, is serving as a knowledge service provider that distributes and disseminates such services as industrial standardization, quality management, sustainability management, KS certification and ISO certification. KSA is committed to the sustainable development of the Korean society as an ISO 26000 national secretary, a recognized GRI training body, AA1000 assurance provider, KSI(Korea Sustainability Index) operator, UN CDM DOE(development operational entity), and assurance provider of the Korean government's greenhouse gas energy target management system.

Aug. 2012  
Chang-Ryong Kim  
Chairman and CEO, Korean Standards Association

김창룡



# GRI, ISO 26000 Index

● Reported ● Partially Reported ○ Not Reported ◇ N/A

Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
Stakeholder Inclusiveness Principle	6.8.2	Community involvement	16	●
Boundary Protocol	6.6.5	Promoting social responsibility in the value chain	About This Report	●
<b>Strategy and Analysis</b>				
1.1 Statement from the most senior decision-maker of the organization.	6.2	Organizational Governance	2-3	●
1.2 Description of key impacts, risks, and opportunities.	6.2		3, 14-15	●
<b>Organizational Profile</b>				
2.1 Name of the organization.			6-7	●
2.2 Primary brands, products, and/or services.			6-9	●
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	Organizational Governance	6-9	●
2.4 Location of organization's headquarters.			7	●
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.			6-7	●
2.6 Nature of ownership and legal form.			12	●
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			6-7, 9	●
2.8 Scale of the reporting organization.			7	●
2.9 Significant changes during the reporting period regarding size, structure, or ownership.			About This Report	●
2.10 Awards received in the reporting period.			83	●
<b>Report Parameters</b>				
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.			About This Report	●
3.2 Date of most recent previous report (if any).			About This Report	●
3.3 Reporting cycle (annual, biennial, etc.)			About This Report	●
3.4 Contact point for questions regarding the report or its contents.			About This Report	●
3.5 Process for defining report content.			16-17	●
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			About This Report	●
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).			About This Report	●
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			6-7, 9	●
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.			32-37, 82	●
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).			About This Report	●
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			About This Report	●
3.12 Table identifying the location of the Standard Disclosures in the report.			88-92	●
3.13 Policy and current practice with regard to seeking external assurance for the report.	7.5.3	Verification	84-85	●
<b>Governance, Commitments, and Engagement</b>				
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6.2		12-13	●
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	6.2		12	●
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	6.2	Organizational Governance	12	●
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	6.2		13	●
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	6.2		13	●

● Reported ● Partially Reported ○ Not Reported ◇ N/A

Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	6.2		13	●
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	6.2		13	●
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6.2		10-11, 93	●
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	6.2		12-13	●
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	6.2		12-13	●
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	6.2	Organizational Governance	14-15	●
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	6.2		83, 93	●
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	6.2		83	●
4.14 List of stakeholder groups engaged by the organization.	6.2		16	●
4.15 Basis for identification and selection of stakeholders with whom to engage.	6.2		16	●
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6.2		16	●
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	6.2		16-17	●
<b>Economic (Disclosure on Management Approach)</b>				
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8/6.8.3/6.8.7/6.8.9	Community involvement and development / Community involvement / Wealth and income creation / Social investment	26-28	●
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	Climate change mitigation and action	31-33, 36-37	●
EC3 Coverage of the organization's defined benefit plan obligations.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	61	●
EC4 Significant financial assistance received from government.			27	●
EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	54-55, 81	●
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6/6.8/6.8.5/6.8.7	Promoting social responsibility in the value chain / Community involvement and development / Employment creation and skills development / Wealth and income creation	54-55	○
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8/6.8.5/6.8.7	Community involvement and development / Employment creation and skills development / Wealth and income creation	-	○
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9/6.8/6.8.3/6.8.4/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Technology development and access / Wealth and income creation / Social investment	72-73, 75-77	●
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9/6.6.6/6.6.7/6.7/6.8/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Social investment	28, 55, 60-61, 72-73	●
<b>Environmental (Disclosure on Management Approach)</b>				
EN1 Materials used by weight or volume.			37	●
EN2 Percentage of materials used that are recycled input materials.			34-35	●
EN3 Direct energy consumption by primary energy source.			32, 82	●
EN4 Indirect energy consumption by primary source.			32, 82	●
EN5 Energy saved due to conservation and efficiency improvements.			32-33	●
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	6.5/6.5.4	The Environment / Sustainable resource use	32-35	●
EN7 Initiatives to reduce indirect energy consumption and reductions achieved.			32-35	●
EN8 Total water withdrawal by source.			34	●
EN9 Water sources significantly affected by withdrawal of water.			34	●
EN10 Percentage and total volume of water recycled and reused.			34	●
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.			36, 42-43	●
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	6.5/6.5.6	The Environment / Protection of the environment & biodiversity, and restoration of natural habitat	36, 42-43	●
EN13 Habitats protected or restored.			36, 42-43	●



● Reported ● Partially Reported ○ Not Reported ◇ N/A

Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	The Environment / Protection of the environment & biodiversity, and restoration of natural habitat	36	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		36	●	
EN16	Total direct and indirect greenhouse gas emissions by weight.	The Environment / Climate change mitigation and action	33, 82	●	
EN17	Other relevant indirect greenhouse gas emissions by weight.		-	○	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		31-33	●	
EN19	Emissions of ozone-depleting substances by weight.		33, 82	●	
EN20	NOx, SOx, and other significant air emissions by type and weight.	The Environment / Prevention of pollution	-	○	
EN21	Total water discharge by quality and destination.		34-35	●	
EN22	Total weight of waste by type and disposal method.		34-35	●	
EN23	Total number and volume of significant spills.	The Environment / Prevention of pollution	-	◇	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		34-35	●	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	The Environment / Sustainable resource use / Protection of the environment & biodiversity, and restoration of natural habitat	34-37	●	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	The Environment / Sustainable resource use / Promoting social responsibility in the value chain / Sustainable consumption	36-37	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	The Environment / Sustainable resource use / Sustainable consumption	-	◇	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The Environment	34	●	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	The Environment / Sustainable resource use / Promoting social responsibility in the value chain	-	◇	
EN30	Total environmental protection expenditures and investments by type.	The Environment	28, 31-33, 42-43	●	
<b>Social: Labor Practices and Decent Work (Disclosure on Management Approach)</b>				18-19, 52	●
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Labour Practices / Employment and employment relationships	54-55	●	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		54-55	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Labour Practices / Employment and employment relationships / Conditions of work and social protection	54	●	
LA4	Percentage of employees covered by collective bargaining agreements.	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue / Fundamental principles and rights at work	54	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue	57	●	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Labour Practices / Health and safety at work	61	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.		61	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		61	●	
LA9	Health and safety topics covered in formal agreements with trade unions.	Labour Practices / Health and safety at work	60-61	●	
LA10	Average hours of training per year per employee by gender, and by employee category.	Labour Practices / Human development and training in the workplace	59, 80	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Labour Practices / Human development and training in the workplace / Employment creation and skills development	61	●	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Labour Practices / Human development and training in the workplace	60	●	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment relationships	12, 54-55	●	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment relationships / Conditions of work and social protection	54-55	●	
LA15	Return to work and retention rates after parental leave, by gender.	Discrimination and vulnerable groups / Economic, social and cultural rights	61	●	
<b>Social: Human Rights (Disclosure on Management Approach)</b>				18-19, 52	●
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Human Rights / Due diligence / Avoidance of complicity / Promoting social responsibility in the value chain	74	●	

● Reported ● Partially Reported ○ Not Reported ◇ N/A

Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6.3/6.3.3/6.3.5/6.6.6	74	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3/6.3.5	relationships / Promoting social responsibility in the value chain* 59-61	●	
HR4	Total number of incidents of discrimination and corrective actions taken.	6.3/6.3.6/6.3.7/6.3.10/6.4.3	54	●	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.3/6.3.3/6.3.4/6.3.5/6.3.8/6.3.10/6.4.3/6.4.5	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Fundamental principles and rights at work / Employment and employment relationships 54, 56-57	●	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3/6.3.3/6.3.4/6.3.5/6.3.7/6.3.10	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Civil and political rights / Fundamental principles and rights at work / Employment and employment relationships / Social dialogue 54	●	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	6.3/6.3.3/6.3.4/6.3.5/6.3.7/6.3.10	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work 54	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3/6.3.5/6.4.3/6.6.6	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work -	◇	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3/6.3.6/6.3.7/6.3.8/6.6.7	Human Rights / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain -	◇	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	6.3/6.3.4	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Respect for property rights 7, 54	●	
HR11	*Number of grievances related to human rights filed, addressed and resolved through formal	6.3.6	Due diligence / Human rights risk situations 57	●	
<b>Social: Society (Disclosure on Management Approach)</b>				Resolving grievances	●
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9/6.8/6.8.5/6.8.7*/6.6.7	Economic, social and cultural rights / Community involvement and development / Employment creation and skills development / Wealth and income creation / Respect for property rights 73, 75-76	●	
S02	Percentage and total number of business units analyzed for risks related to corruption.		29-30	●	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	6.6/6.6.3	Fair Operating Practices / Anti-corruption 30	●	
S04	Actions taken in response to incidents of corruption.		29-30	●	
S05	Public policy positions and participation in public policy development and lobbying.		54, 72	●	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	6.6/6.6.4/6.8.3	Fair Operating Practices / Responsible political involvement / Community involvement -	◇	
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6/6.6.5/6.6.7	Fair Operating Practices / Fair competition / Respect for property rights 30	●	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6/6.6.7/6.8.7*	Fair Operating Practices / Respect for property rights / Wealth and income creation 34, 66	●	
S09	Operations with significant potential or actual negative impacts on local communities.	6.8	Community involvement and development -	◇	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	6.8	Community involvement and development -	◇	
<b>Social: Product Responsibility (Disclosure on Management Approach)</b>				18-19, 62	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6.3.9/6.6.6/6.7/7.4/6.7.5	Economic, social and cultural rights / Promoting social responsibility in the value chain / Consumer Issues / Protecting consumers' health & safety / Sustainable consumption 64-66	●	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		-	◇	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7/6.7.3/6.7.4/6.7.5/6.7/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Education and awareness 64-66	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		-	◇	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7/6.7.4/6.7.5/6.7.6/6.7.8/6.7.9	Consumer Issues / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Access to essential services / Education and awareness 64-66	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		-	◇	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	6.7/6.7.3/6.7.6/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Consumer service, support and complaint and dispute resolution / Education and awareness -	◇	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7/6.7.7	Consumer Issues / Consumer data protection and privacy 66	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7/6.7.6	Consumer Issues / Consumer service, support and complaint and dispute resolution -	◇	





# UNGC Advanced Level

Since joining the UN Global Compact (UNGC) in September 2007, the Korean Tourism Organization (KTO) has been in full compliance with the UNGC's 10 principles in the four areas of human rights, labour, environment and anti-corruption. Moreover, KTO's Sustainability Report 2012 outlines its achievements based on the 24 Advanced Level requirements suggested by UNGC. In so doing, KTO commits itself to stronger initiatives to fulfill its social responsibility and establishing ethics/transparency management while strengthening its endeavors to satisfy UNGC requirements and expand best practices

UNGC Principle	Condition	Summary of Report Content (Or Future Plans)	Page
Strategy, Governance and Engagement	1. C-suite and Board level discussions of strategic aspects of Global Compact implementation	<ul style="list-style-type: none"> <li>The CEO Message describes the establishment of the CSR Center as a dedicated sustainability management organization as well as company-wide management initiatives for sustainable growth</li> <li>Continued social responsibility initiatives and achievements that reflect KTO's unique characteristics are illustrated.</li> <li>Sustainability management achievements in 2010 and 2011 as well as 2012 plans are disclosed.</li> </ul>	p.3, 18-19
	2. Effective decision-making processes and systems of governance for corporate sustainability	<ul style="list-style-type: none"> <li>Sustainability management strategies were developed in consideration of Vision 2020, mid/long-term management strategies and ISO 25000 issues.</li> <li>Top management took the lead in defining and implementing the value framework aligned with KTO's corporate vision, core values and management goals.</li> <li>The board of directors made proposals from the economic, environmental and social perspectives through its subcommittees and they were reflected in business operation.</li> <li>Proposals made by non-executive directors were reported.</li> </ul>	p.10, 13
	3. Engagement with all important stakeholders	<ul style="list-style-type: none"> <li>KTO's major stakeholders, engagement channels as well as results of engagement activities are stated.</li> <li>Efforts to make the voice of stakeholders heard in identifying KTO's major issues, performing the materiality test and making decisions are stated.</li> </ul>	p.16
UN Goals and Issues	4. Actions taken in support of broader UN goals and issues	<ul style="list-style-type: none"> <li>Assistance was offered to the socially-underprivileged and endeavors were made for sustainable environment and tourism by providing tour information to individuals with disabilities, facilitating eco-friendly green tourism and undertaking governance-type corporate philanthropic projects.</li> </ul>	p.40-43, 77
	5. Robust commitments, strategies or policies in the area of human rights	<ul style="list-style-type: none"> <li>KTO's endeavors and achievements regarding human rights are reviewed.</li> <li>Stronger and sustained commitment will be made to practice human rights-driven management and respect human rights in accordance with the UNGC principles and ILO guidelines.</li> </ul>	p.54
Human Rights Implementation	6. Effective management systems to integrate the human rights principles	<ul style="list-style-type: none"> <li>Efforts were made to reduce negative impact on suppliers and SMEs.</li> <li>The grievance resolution system as well as the whistle-blower system are in operation.</li> </ul>	p.57, 74
	7. Effective monitoring and evaluation mechanisms of human rights integration	<ul style="list-style-type: none"> <li>Achievements regarding human rights are measured through customer satisfaction and satisfaction with labor relations.</li> <li>Management of non-regular employees and related HR matters were added in the scope of internal audit.</li> </ul>	p.15, 57, 66,
	8. Standardized performance indicators on human rights	<ul style="list-style-type: none"> <li>Achievements and plans are outlined by ISO 26000 issue regarding human rights as well as GRI G3.1 indicator on human rights performance.</li> </ul>	p.88-91
Labour Principles Implementation	9. Robust commitments, strategies or policies in the area of labour	<ul style="list-style-type: none"> <li>Endeavors to facilitate a venue for open communication and to expand a corporate culture of open communication are stated.</li> </ul>	p.56
	10. Effective management systems to integrate the labour principles	<ul style="list-style-type: none"> <li>Initiatives to improve the quality of communication and productivity by expanding and emphasizing bottom-up communication channels and operating the Corporate Culture Council and the Junior Board are stated.</li> <li>The operational status of bottom-up communication channels is stated.</li> <li>Efforts to promote balanced labor relations through employee training and discussion meetings are stated.</li> </ul>	p.56-57, 59
	11. Effective monitoring and evaluation mechanisms of labour principles integration	<ul style="list-style-type: none"> <li>Management of performance indicators in the labor sector, employee satisfaction with labor relations, satisfaction with performance evaluation and labor productivity are illustrated</li> </ul>	p.18, 57, 79
	12. Standardized performance indicators on labour principles integration	<ul style="list-style-type: none"> <li>Achievements and plans are outlined by ISO 26000 issue regarding labor and GRI G3.1 indicator on labor performance.</li> </ul>	p.88-91
Environmental Stewardship Implementation	13. Robust commitments, strategies or policies in the area of environmental stewardship	<ul style="list-style-type: none"> <li>The green management organization, eco-friendly green tourism and green culture campaigns are stated.</li> <li>Commitments, strategies and detailed actions taken in the environmental sector are reported covering energy management, response to climate change as well as water resources management and minimization of environmental impact.</li> </ul>	p.31, 37
	14. Effective management systems to integrate the environmental principles	<ul style="list-style-type: none"> <li>Alignment between green management and company-wide strategies through the green management action framework and roadmap is stated.</li> </ul>	p.31
	15. Effective monitoring and evaluation mechanisms for environmental stewardship	<ul style="list-style-type: none"> <li>Strategies to create eco-friendly values covering environmental protection and restoration of natural habitats as well as the management of relevant performance indicators are stated.</li> </ul>	p.18
Anti-Corruption Implementation	16. Standardized performance indicators on environmental stewardship	<ul style="list-style-type: none"> <li>Achievements and plans are outlined by ISO 26000 issue regarding environment and GRI G3.1 indicators on environmental performance.</li> </ul>	p.88-91
	17. Robust commitments, strategies or policies in the area of anti-corruption	<ul style="list-style-type: none"> <li>The Code of Ethics, the Employee Code of Ethics and the ethics management strategic framework were defined under the Ethics Charter. Endeavors were made to establish and expand an ethical and transparent culture. An internal reporting system as well as the whistle-blower confidentiality principle were developed for company-wide implementation and application.</li> </ul>	p.29
	18. Effective management systems to integrate the anti-corruption principle	<ul style="list-style-type: none"> <li>Ethics management strategies as well as the action framework were established and strategic directions, detailed tasks and assessments were undertaken.</li> <li>The Integrity Angel and Integrity Mileage schemes were introduced and implemented through ethics management training.</li> </ul>	p.29-30
	19. Effective monitoring and evaluation mechanisms for the integration of anti-corruption	<ul style="list-style-type: none"> <li>KTO's ethical level was reviewed through internal evaluation and external evaluation (monitoring) and results were reflected in developing action plans.</li> <li>Results of the survey conducted by the Anti-Corruption and Civil Rights Commission are disclosed.</li> </ul>	p.30
	20. Standardized performance indicators on anti-corruption	<ul style="list-style-type: none"> <li>Achievements and plans are outlined by ISO 26000 issue regarding fair operating practices and GRI G3.1 indicator on social performance.</li> </ul>	p.88-91

UNGC Principle	Condition	Summary of Report Content (Or Future Plans)	Page
Value Chain Implementation	21. Implementation of the Global Compact principles in the value chain	<ul style="list-style-type: none"> <li>Major suppliers along the value chain include customers who signed revenue-making contracts as well as providers of office supplies and services. Operational transparency was improved in the entire spectrum of bidding, processes and post management</li> <li>Stronger policy support was offered to SMEs and reasonable purchasing practices were undertaken while contract systems were improved to reduce burden on suppliers.</li> </ul>	p.74
	22. Provision of information on the company's profile and context of operation	<ul style="list-style-type: none"> <li>An overview of KTO (business sites and etc.), the status of organization, business domains, vision structure and corporate governance are demonstrated.</li> </ul>	p.6-13
Transparency and Verification	23. Incorporation of high standards of transparency and disclosure	<ul style="list-style-type: none"> <li>Achievements are reported transparently in accordance with ISO26000 and GRI G3.1 as well as future plans for areas that require improvement.</li> <li>The third-party opinion on the GRI Level A+ is stated.</li> <li>Three-year data on performance indicators related to sustainability management strategies is presented.</li> </ul>	p.18-19,84-85, 88-91
	24. Independent verification by a credible third-party	<ul style="list-style-type: none"> <li>The Institute for Industrial Policy Studies (IPS) transparently performed a third-party assurance engagement based on the principles of inclusivity, materiality and responsiveness in accordance with AA 1000 Assurance Standard and GRI G3.1 guidelines.</li> </ul>	p.84-85

# UNGC Index

Principle	Related regulations and policies	Page
<b>Human rights</b>		
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	Article 34 of the Collective Agreement (Burden of proof for discipline), Article 55 of the Rules of Employment (Status guarantee)	54-55
2. Make sure that they are not complicit in human rights abuses.	Article 55 of the Rules of Employment (Status guarantee)	54-55
<b>Labor</b>		
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Article 12 of the Collective Agreement (Exclusive bargaining representation system), Article 10 of the Collective Agreement (Guarantee of union activities)	56-57
4. the elimination of all forms of forced and compulsory labor;	Article 27 of the Privileged Government Position Employee Management Regulation (conditions for using temporary workers)	54
5. the effective abolition of child labor; and	Article 27 of the Privileged Government Position Employee Management Regulation (conditions for using temporary workers)	54
6. the elimination of discrimination in respect of employment and occupation.	Chapter 6 of the Collective Agreement (Gender equality and maternity protection)	54
<b>Environment</b>		
7. Businesses should support a precautionary approach to environmental challenges;	Practical guideline on neotourism	31
8. undertake initiatives to promote greater environmental responsibility; and	Practical guideline on neotourism	31-37
9. encourage the development and diffusion of environmentally friendly technologies.	Preface to the Code of Conduct for Employees	33-37, 42-43
<b>Anti-corruption</b>		
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter 2 of the Code of Conduct for Employees Basic attitudes of employees Chapter 5 of the Code of Conduct for Employees Prohibition of unfair enrichment	29-30, 74



# GRI Application Level Check

# Reader Feedback Survey

The Korean Tourism Organization (KTO) welcomes candid feedback from its stakeholders. Please fill out the questionnaire below and send it to us through mail or fax. Your invaluable opinions will be fully incorporated in our endeavors to implement sustainability management and create high-quality reports.

01. Which of the following do you belong to?

- Customer
- Employee
- Shareholder
- Investor
- Supplier
- Government/Government official
- Industry
- Academia
- Media
- Local resident and government
- NGO or civil/social organization
- Sustainability management expert
- Others

02. Was this report helpful to help you understand KTO's sustainability management practices?

- Very helpful
- Helpful
- Average
- Not helpful
- Not helpful at all

03. Which of the following were you most interested in this report?  
(Multiple choices allowed)

- Introducing KTO
- Responsible Operation
- Sustainable & Competitive Tourism
- Embracing Our People
- Creating Customer Value
- Reaching Partners & Community
- Others

04. Which of the following were you most satisfied with in this report?  
(Multiple choices allowed)

- Introducing KTO
- Responsible Operation
- Sustainable & Competitive Tourism
- Embracing Our People
- Creating Customer Value
- Reaching Partners & Community
- Others

05. Please rate the usefulness of information contained in this report.

	Very useful	Useful	Average	Not useful	Not useful at all
Introducing KTO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsible Operation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sustainable & Competitive Tourism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Embracing Our People	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating Customer Value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reaching Partners & Community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

06. Please rate this report in the following aspects.

	Very useful	Useful	Average	Not useful	Not useful at all
The content is clear and easy to understand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The content is well-organized.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
It provides sufficient and useful information on material issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
It is easy to find the information that I look for.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The content is trustworthy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The design is aesthetically-pleasing and helps with better understanding of the report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

07. Please feel free to present your opinions on the KTO Sustainability Report.

