



Sustainable Tourism

2009 Sustainability Report Summary



KOREA
TOURISM
ORGANIZATION

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Appendix

KTO's 2009 Sustainable Management Report

Report Overview

- _ This summary of KTO's second sustainable management report outlines the organization's efforts and achievements in the field of sustainable development.
- _ The report presents the major parties associated with KTO, and examines the major agenda items as determined through a materiality test with participation of related parties and benchmarking.

Principles and Assurance of Reliability

- _ This report was drafted on the basis of GRI (Global Reporting Initiative) G3 guidelines and BEST Sustainability Reporting guidelines. From this year, the reliability of content is verified through third-party assurance.

Period and Scope of the Report

- _ Covering the period from January 2005 to December 2009, the report examines KTO's quantitative achievements. As of the report date, explanation has been provided for data collected. The report is based on significant achievements and activities of 2008 / 2009.
- _ The scope of the report includes KTO headquarters, domestic and overseas branches and three regional promotional offices, but excludes those firms in which KTO has invested. The currencies used herein are the Korean won (KRW) and the US dollar (\$).

For Further Information and Contacts

- _ For further information on KTO's management results, financial statements, or other inquiries, please visit KTO's website and / or contact the following:



Website <http://kto.visitkorea.or.kr> | **Relevant department** Customer Satisfaction Management Team

E-mail 19950028@knto.or.kr | **Phone** 02. 729. 9628 | **Fax** 02. 728. 9701-2

CEO MESSAGE

“

KTO's efforts were recognized when we received the grand prize in the public service sector during the 2009 Korea Ethical Management Awards

”



Dear valued customers, shareholders, and other stakeholders:

As the new president of the Korea Tourism Organization (KTO), I would like to convey on behalf of our management and employees my deepest thanks to our stakeholders.

I would like to express my confidence in the undiscovered joy that tourists will experience in the beautiful landscapes and fascinating historic relics that they will find in every corner of the country. In addition, Korea's traditional cultural artifacts and mouth-watering local cuisines possess high potential as outstanding attractions for international visitors. I strongly believe that this is the time to develop and promote these tourism resources for tourists from around the world.



In fact, as Koreans, we still encounter many obstacles, including a relatively weaker reputation in domestic tourism compared to the size of the nation's economy and growth potential, an imbalance in growth between inbound and outbound travel, and reduced national competitiveness in the tourism industries.

To overcome these obstacles, we continue to improve infrastructure and readiness for tourism. By doing so, we will encourage the participation of the academia, economic industry, cultural industry, foreign residents, and general citizens. We will enhance our promotional and marketing activities. We will aggressively participate in the globalization of Kimchi with the determination of a salesman. Furthermore, we will develop future-oriented and high value-added strategic products, including winter sports, marine, and upscale healthcare tourism.

Through development of these prestige tourism brands, and using global insight, we will upgrade Korea's image for world-wide tourists. We at KTO are committed to raising of Korea's competitiveness in tourism to the level of many other OECD countries, standing shoulder to shoulder with the most advanced nations.

In addition, since joining the United Nations Global Compact, we have strengthened our system for transparent, ethical management. KTO's efforts were recognized when we received the grand prize in the public service sector during the "2009 Korea Ethical Management Awards."

Through our Guseok Guseok Sharers' campaign, we encourage our all employees to reach out to every corner of Korea through various volunteer activities, utilizing our unique capability and strengths to extend our CSR programs. Moreover, we are recognized as a public service that attains high customer satisfaction thanks to consistent creation of customer value and CS management. We are committed to taking our customer-centered services even further.

We at KTO are looking forward to your unwavering interest and encouragement.

Thank you.

Charm Lee
President



Naganeupseong Folk Village

Corporate Overview

KTO – Telling the Stories of Korea

KTO Overview

KTO Overview

Established in 1962 following the Act for the Establishment of the International Tourism Corporation, the Korea Tourism Organization (KTO) is dedicated to fostering and developing the nation's tourism industry. KTO conducts campaigns to promote international and national tourism, develops tourism resources, carries out R&D projects, and fosters and trains tourism personnel. In 2009, 7.82 million foreign tourists visited Korea, totaling USD9.39 billion in tourism revenues. At the end of 2009, KTO had 722 employees at home and at offices in 15 countries.

Corporate name _ Korea Tourism Organization (KTO)

CEO _ Charm Lee

Main Office _ 40 Cheonggyecheonno, Jung-gu, Seoul

Date of Establishment _ April 24, 1962

Objective _ Fostering and developing the nation's tourism industry

Total Assets _ KRW959,211 million

Total Sales _ KRW297,486 million

Net Profits _ KRW157,022 million

No. of Tourists from Overseas _ 7.82 million tourists

No. of Employees _ 722

[As of the end of 2009]





Hoeryongpo



KTO's Business Operations

>> Organizational Structure

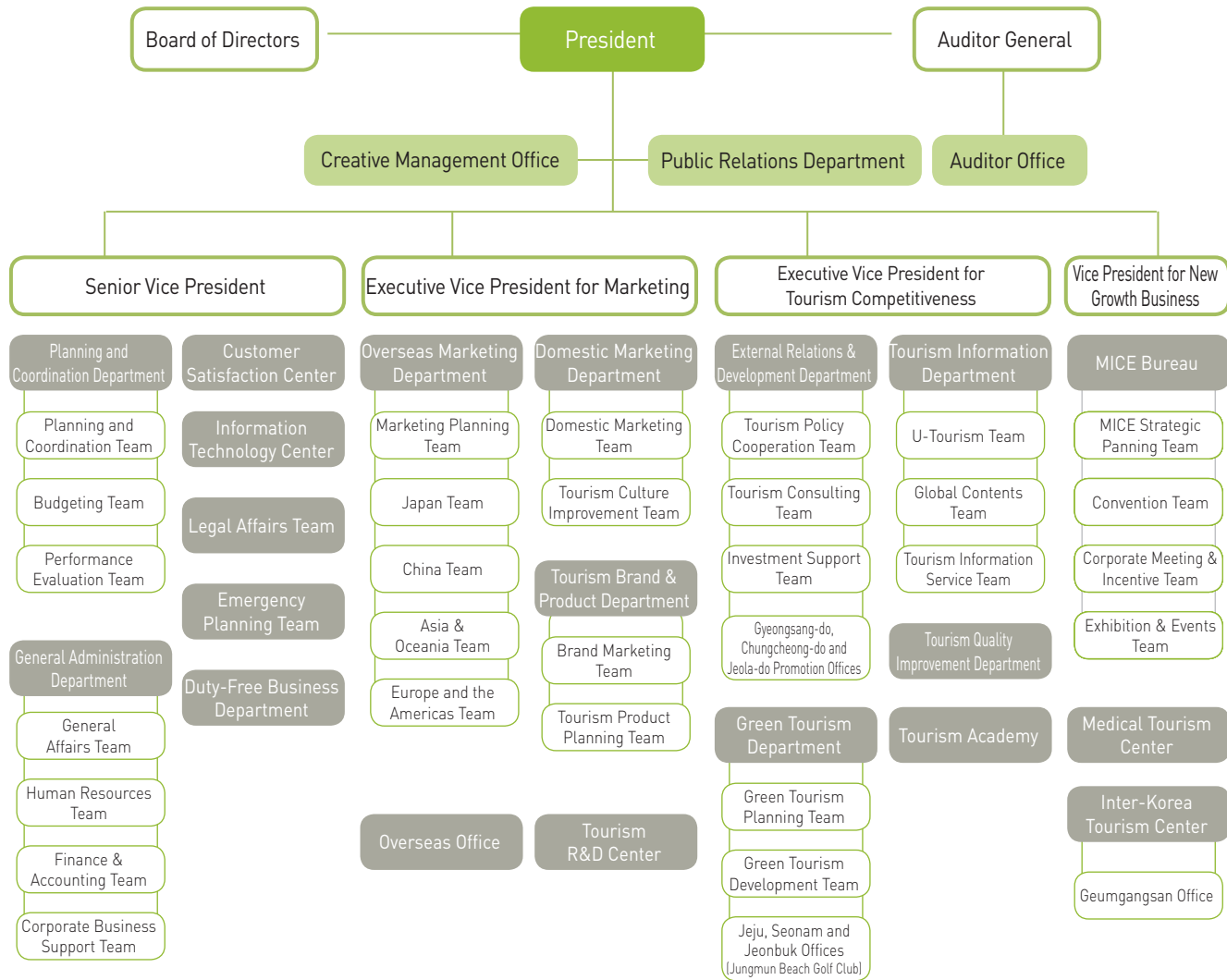
As of the end of 2009, KTO had four divisions, with 13 departments and 36 teams at its main office. In addition, KTO currently operates five domestic branches, including a duty-free business unit and branches in Jeju, Seonam, Jeonbuk, and Geumgangsan. It operates three regional promotional offices in Yeongnam, Chungnam and Honam, and 27 overseas branches in 15 countries. In 2009, abiding by the Korean government's policies for the advancement of the public sector, KTO boosted the overall efficiency of management through HR and asset restructuring while maintaining its performance-based compensation system and strong management-labor relations.

>> Business Overview

In accordance with the Korea Tourism Organization Act, KTO's six major business areas include promotion of international and national tourism promotion, development of tourism resources, research and development, nurturing and training of tourism manpower, and the export or import of goods necessary for the development of the tourism industry. Building on the ability to attract overseas tourists that it has maintained since its earliest days, KTO has introduced the concept of "intra-bound tourism" to the international tourism industry, preparing Korea for an increasing influx of international tourists in the 21st century. Additionally, KTO continues to develop its tourism resources in such a way that it maintains balanced growth between domestic and international tourism.

KTO Organization Chart (As of the end of December 2009)

* Four senior and executive vice presidents, 13 departments, 36 teams and centers, five domestic branches, three regional promotion offices, and overseas branches



KTO's Vision

KTO strives to accomplish its mission of developing the tourism industry as one of Korea's growth engines. It contributes to the advancement of the national economy and enhancement of the quality of Korean life. Committed to its vision of becoming "a global public enterprise that promotes Korea as a world-class travel destination," KTO continues to upgrade its core values of creativity, professionalism, and reliability. To achieve this vision, we have set mid- and long-term goals of attracting 12 million foreign tourists and 250,000 participants in international conferences by 2014.



Sustainability

Efforts for a Sustainable Future

System for Sustainability

Vision Structure

Regarding sustainable management as its future growth engine, KTO employs sustainable management strategies for its major tasks.

In economic performance, KTO is moving toward a sustainable future with the strategy of strengthening global competitiveness through innovation, creativity and advanced management. In social performance, the Organization upholds the principle of sharing profits and outcomes with stakeholders as one of the primary concerns of management. Furthermore, with corporate environmental performance, an increasingly significant global issue, KTO is laying the foundation for a sustainable future by securing green growth while taking a leading role in eco-friendly tourism.

Working with Stakeholders

Definition of a Stakeholder

Stakeholders are groups that significantly influence management activities from economic, social and environmental perspectives.

>> Government

Government stakeholders include related government bodies such as the Ministry of Culture, Sports and Tourism. To bolster the competitiveness of the tourism industry and promote the national image, KTO maintains cooperative relationships with these stakeholders to participate in suggesting and implementing government policies.





>> Institutional Partners

[Travel industries]

Travel stakeholders come from every branch of the tourism industry, including travel agencies, hotels, airlines, and international convention bureaus. KTO cooperates with them through alliances and joint projects, and nurtures the development of these branches of the industry through policy amendment and consultation.

[Local governments]

Local government stakeholders include municipal, district, and provincial governments and regional tourism organizations (RTOs). Through cooperation with them, KTO conducts promotional activities for the domestic tourism industry and supports the improvement of local tourism infrastructure.

>> Tourists

KTO defines tourists in the broader sense to cover all Korean citizens as well as potential visitors from outside Korea. As a tourism promotion business, KTO provides a wide array of information on destinations and assists local communities in preparing for tourism. However, as a promotional agency, it does not create value from tourists directly.

>> Business partners

Business partners include companies that have entered into contracts with KTO for profitable projects as well as suppliers of office equipment and services. Through commitment to fair, transparent trade and a policy of preferential procurement of products from SMEs, we seek mutually beneficial positions with these business partners.

>> Local communities

In the narrow sense, local communities include those in regions where KTO operates main offices, domestic branches, and local promotion offices. In the broader sense, the local community includes all regions of Korea. KTO conducts a variety of social contribution activities to transform all regions of Korea into attractive tourist destinations.

>> Employees

Employees are inside stakeholders creating value in the corporation, working in the main office, domestic branches, regional promotional offices, and overseas branches.

Communication with Stakeholders

KTO has established its key responsibilities and developed channels for communication with stakeholders to ensure mutually sustainable trust. Stakeholder opinions are reflected in the Organization's management practices and included in sections of this sustainability report.

| Key Responsibilities and Communication Channels with Stakeholders |

Category	KTO's Responsibility (Major Issues)	Communication Channels
Government	<ul style="list-style-type: none"> • Advance public sector • Implement tourism policies • Practice transparent management • Bolster the competitiveness of the tourism industry • Enhance the profile of Korean tourism 	<ul style="list-style-type: none"> • Special meetings to bolster competitiveness • Informal meetings • Consultative meetings • Workshops
Institutional partners	<ul style="list-style-type: none"> • Support SMEs • Support marketing promotion • Support via deregulation and tax incentives • Transfer KTO's expertise • Create revenues by reactivating domestic and overseas tourism 	<ul style="list-style-type: none"> • Informal meetings • Consultative meetings • Workshops
Local governments	<ul style="list-style-type: none"> • Revitalize regional tourism via support for development and promotion. • Support businesses and transfer KTO's expertise • Cooperate with local governments 	<ul style="list-style-type: none"> • Informal meetings • Consultative meetings • Workshops
Tourists	<ul style="list-style-type: none"> • Provide tourism information • Improve the tourism environment • Enhance convenience in tourism services • Upgrade the quality of tourist products 	<ul style="list-style-type: none"> • Customer participation programs • Collect customers' opinions via special public contests and other programs • Survey the tourist activities of Koreans • Survey the tourist activities of Overseas tourists • Survey satisfaction with tourism information websites • Survey level of customer satisfaction
Business partners	<ul style="list-style-type: none"> • Instill ethical management • Encourage fair trade • Promote mutually beneficial cooperation 	<ul style="list-style-type: none"> • Conduct integrity surveys • Survey the satisfaction of contracted customers
Local communities	<ul style="list-style-type: none"> • Develop regional economy • Provide compensation for damages caused by reckless development • Protect regional environments • Fulfill corporate social responsibilities 	<ul style="list-style-type: none"> • Hold informal meetings between KTO's branches and local communities
Employees	<ul style="list-style-type: none"> • Guarantee fair remuneration and HR management • Maintain the balance between the work and personal life (Welfare and employee benefits) 	<ul style="list-style-type: none"> • Survey awareness of ethical management • Survey levels of employee satisfaction • Conduct labor-management meetings



Determining Management Agenda through Materiality Testing

Outline of the Materiality Test

KTO has recently applied the IPS Materiality Test Model™ to determine its agenda for sustainable management. The agenda were categorized into three groups by priority – high, medium, and low. Specifically, the Organization conducted a four-stage test including stakeholder surveys and interviews, internal policy analysis, advanced benchmarking of overseas companies, and media analysis.



» Participation of Stakeholders

KTO regularly collects opinions from outside stakeholders to assess management conditions and mid- and long-term strategies. It holds surveys on satisfaction and other factors with tourism industries, local governments, business partners, and employees. For in-depth opinions, the Organization held interviews with three experts in various fields; results of these interviews are included in this report. The results of the surveys of stakeholders are reflected throughout this report and will be used for future reference in the formation of strategies.

» Analysis of Internal Policies

Following the analysis of internal policies, KTO recorded the results in a core performance index and implemented mid- & long-term strategic tasks. The analysis has led to a fuller understanding of the status of the Organization's sustainable management.

» Benchmarking

KTO used survey results from advanced overseas national tourism organizations in the U.K. and Australia, as well as leading travel groups such as Europe's TUI AG, as benchmarks. KTO refers to the results that these organizations provide as it identifies its own major issues in sustainable management.

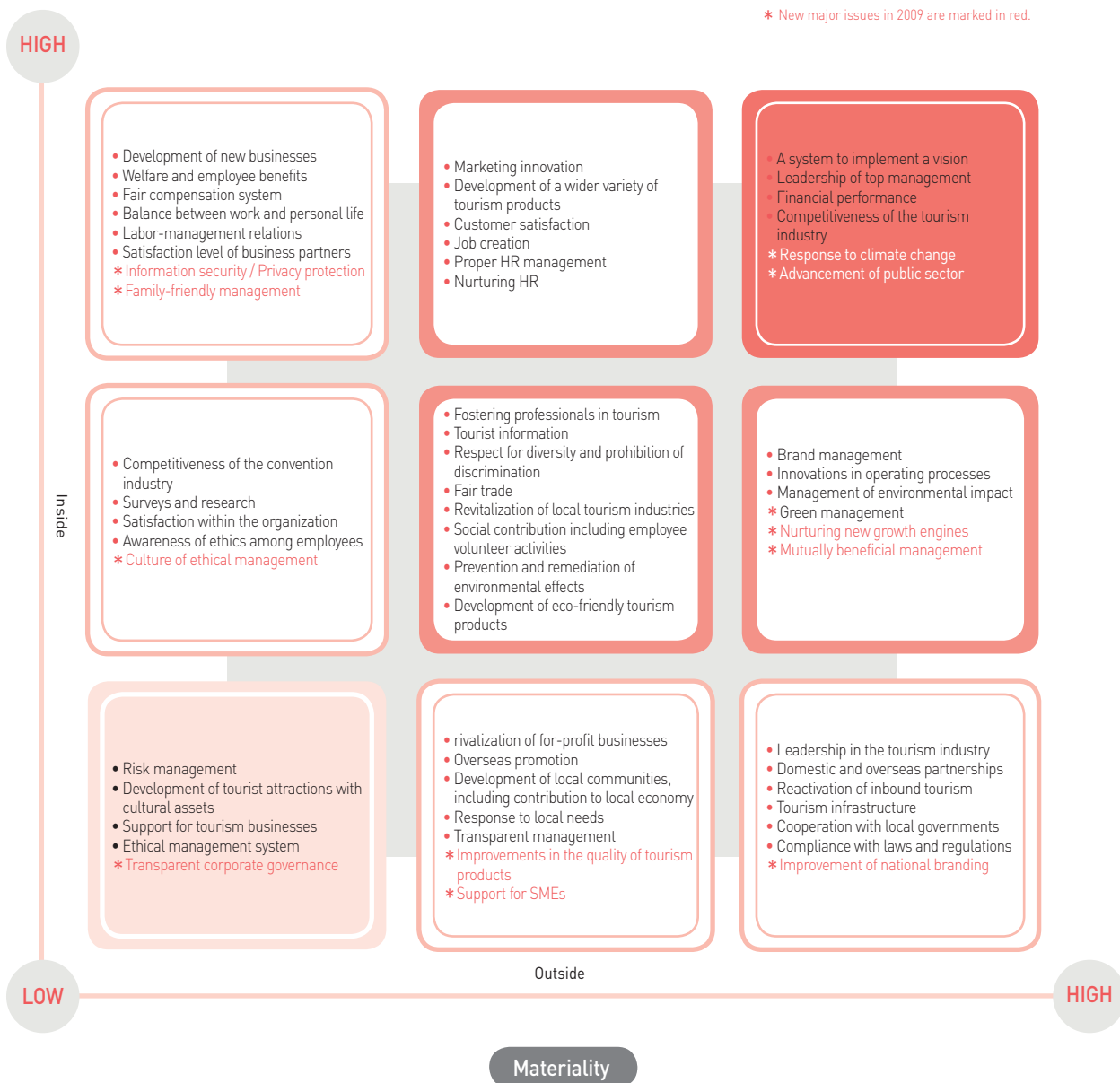
» Analysis of Media Impact

KTO's survey team examined its level of exposure and degree of influence in the media. Major issues in Korean tourism were selected from print and broadcast media between April 2009 and February 2010. The results enable the Organization to ascertain the recognition that KTO receives both internally and externally, and to refer to issues identified in the media as it establishes goals and strategies.

Results of the Materiality Test

The agenda items determined from the materiality test were classified into three groups by priority – high, medium, and low.

| Major Issues of the Materiality Test |



Sustainability Performance Indicators and Objectives

| Sustainability Performance Indicators and Objectives |

Categories		Performance Indicators	2008 Achievements	2009	
				Objectives	Achievements
Sustainability	Sustainability	UN Global Compact	Observed the ten key principles	Continue to submit COP	Submitted COP
		Implement sustainable management	Completed a sustainability report summary	Continue to publish a sustainability report and cultivate sustainable management	Published a sustainability report and cultivated sustainable management-based corporate culture
	Ethical management	Establish a culture of corporate ethics	Won the Ethics Management Award	Continue to achieve the highest level of integrity	Achieved the highest level of integrity
		Reactivate BOD meetings	13 meetings	More than once a month	15 meetings
Economy	Economy	Cost cut ratio (%)	90.1	93.0	68.5
		Credit ratings	AAA	AAA	AAA
		No. of foreign tourists (in 1,000s)	6,890	7,500	7,817
		No. of domestic tourists (in millions)	408	530	432
		Tourism revenue (in USD millions)	970	850	939
	Innovation, Creativity	No. of convergence products developed	24	35	36
		Incidents of support for attracting and hosting international conferences	185	203	205
	Customers	Customer satisfaction (PCSI, %)	A(Highest level)	A(Highest level)	A(Highest level)
Society	Tourists	Foreign tourist satisfaction (out of 5 points)	4.09	Improve satisfaction level	4.12
		Daily average no. of users for online tourism information (Pageviews in 1,000s)	1,146	1,260	1,287
		Satisfaction with tourism information (%)	87.0	65.0	87.0
	Institutional partners	Consultations with local governments on tourism development	20	Improve the number of consultations	17
		No. of foreign tourists attracted with tourism products (in 10,000)	42	46	48
	Employees	Education/training per employee (in hours)	25,344	26,611	26,667
		No. of labor-management disputes	0	0	0
		Female employment ratio (%)	41.5	50	41.5
		Disabled employee recruitment ratio (%)	2	2	2.06
	Business partners	Purchase ratio of SME product (%)	92.	90.	93.8
		Procurement ratio via e-contracts (%)	14.2	13.9	16.6
	Local communities	CSR mileages	13,146	12,000	15,210
Environment	Green Management	Energy-savings (%)	4.1	2.0	4.0
		No. of energy-saving projects	8	5	6
		Purchase of eco-friendly products (%)	96.7	85.0	97.4

UN Global Compact

Agreement to the UN Global Compact

Since joining the United Nations Global Compact in October 2007, KTO has observed the 10 key principles laid out in the compact's four categories, including human rights, labor, environment, and anti-corruption. By abiding with the compact, KTO fulfills its social responsibility and cultivates a culture of corporate transparency. It discloses the status of its compliance with UN Global Compact Principles through sustainability reports.



| Materiality Test |

Category	Principle	Related Regulations and Policies	GRI G3 Guidelines	B.E.S.T. Guidelines
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	Collective Agreement - Article 34 (Responsibility for Verification of Punishment), and Employment Rule - Article 55 (Guarantee of Status)	HR1 HR5 HR9 HR2 HR6 HR3 HR7 HR4 HR8	PN2 EM9 C02 PN3 EM10 EM7 EM30 EM8 EM31
	2. Businesses should make sure that they are not complicit in human rights abuses.	Employment Rule 55 (Guarantee of Status)	HR1 HR2 HR8	PN2 PN3 EM31
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Collective Agreement - Article 12 (Single Only Negotiation Body), and Article 10 (Guarantee of Union Activities)	HR5 LA4 LA5	EM8 EM12 EM13
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Collective Agreement - Article 11 (Ban on Improper Labor Acts), and Employment Rule - Section 2 (Working Time and Break Time)	HR7	EM10
	5. Businesses should uphold the effective abolition of child labor	- Regulations on the Management of Employees in Special Jobs - Article 27 (Requirements for Using Short-Term Workers)	HR6	EM9
	6. Businesses should uphold the elimination of discrimination with respect to employment and occupation.	Collective Agreement - Chapter 6 (Gender Equality and Maternal Protection)	HR4 LA13 LA2 LA14 LA10	EM2 EM7 EM3 EM17 EM5 EM27
Environment	7. Businesses should support a precautionary approach to environmental challenges.	Guidelines on neo-tourism	4.11	GR11
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	Guidelines on neo-tourism	EN2 EN13 EN26 EN5 EN14 EN27 EN6 EN18 EN30 EN7 EN21 EN10 EN22	EV1 EV16 EV27 EV2 EV17 EV23 EV3 EV4 EV24 EV11 EV26
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Foreword of Employees' Code of Conduct	EN2 EN10 EN5 EN18 EN6 EN26 EN7 EN27	EV4 EV23 EV5 EV24 EV11 EV18
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Employees' Code of Conduct Chapter 2 Employees' Moral Attitude Chapter 5 Ban on Accepting and Giving Illegal Profits	S02 S03 S04	C05 EM25 EM26

Global Ethical Management

Ethical Management System

Objectives and Structure of Ethical Management

To respond to rapid changes in global tourism trends, KTO is developing its competitiveness. The Korean government's strategies for the advancement of the public sector encourage state-owned institutions to transform themselves into competitive corporations. Accordingly, KTO is sharpening its competitive edge as it complies with global standards in ethical management. It is focusing on the global role already inherent in its purposes, since its broader business scope includes international relations and inter-cultural exchanges, as well as the target group of international tourists.

Cultivating Ethical Management

Awareness of Ethical Management

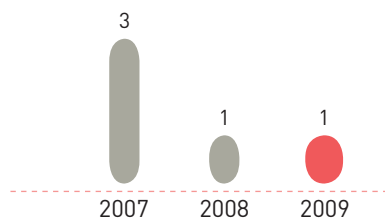
>> Implementing Ethical Management

In addition to the company-wide ethical management initiatives it has implemented since 2004, KTO has launched a special unit to ensure ethical management practices, including establishment of a code of ethics and conduct for employees. The Organization has also introduced several anti-corruption and ethical management programs, including an internal reporting system, an integrity-pledge program, and an internal-compliance monitoring team.

>> Education and Promotion in Ethical Management

To encourage employee participation in the culture of ethical management, KTO has held online education programs on ethical management for all employees every year since 2006.

No. of Violations of the Code of Conduct



| Education for Ethical Management in 2009 |

Categories	Details	No. of meetings
Common topics	Special lectures of an auditor general for ethical management	5
	Education for a message of ethical management for 724 employees	10
	Special lectures of experts	2
	Education for sexual harassment prevention	1
By job	Ethical management education for ten employees dispatched for overseas branches	1
	Ethical management education for youth interns	1
	Case studies of ethical management in working places	11
	Education programs for codes of conduct of 546 employees in blind spots for auditing	15
By rank	Special morning lectures for 34 executives	5
	Special morning lectures for 74 managers	1
	Mandatory education for 50 promoted personnel	1

>> External Network for Ethical Management

KTO responds to global standards in corporate ethics by following the guidelines of the Ethics Round and other ethical management programs, including participation in the UN Global Compact since September 2007. The Organization has also signed an agreement for a corruption-free society with other 17 public bodies. It joined a CEO club for ethical management and the Korea Academy of Business Ethics in January 2008.

Ethical Management Programs

>> Job Integrity Agreement with Employees

KTO enacted guidelines for job integrity among employees in 2006. The agreement requires not only integrity on duty during the period of employment, but also after retirement.

>> Internal Reporting System

If violation of the code of conduct occurs, KTO monitors and consults with employees through its Clean Management Center. Since 2007, it has conducted a campaign called No Gifts for the Holidays, which requires employees to report monetary or other types of gifts from stakeholders exceeding KRW 30,000 to a gift-reporting center. Money and other articles are returned to senders with shipping and handling fees paid by KTO, or they are donated to social volunteer organizations through an internal auction if return is not possible. In 2009, seven such gifts were reported and returned or donated.

>> Integrity Assessment and Improvement

In the results of a 2007 survey on agency integrity, KTO ranked 11th among 333 public institutions, and third among state-owned corporations. No incidents of bribery or extravagant entertainment occurred. The Korean government selected KTO as a state-initiated public agency with outstanding integrity. As a result of this recognition, the Anti-Corruption & Civil Rights Commission waived external integrity assessments for the second consecutive year in 2009. In 2009, KTO scored 9.15 on internal integrity.

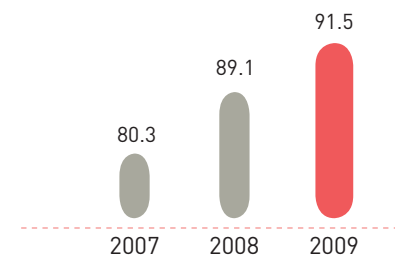
>> Winner of Ethical Management Awards

As a result of its efforts to meet global standards in ethical management, KTO received Korea's Ethical Corporation Award from Asia Economic Daily in June, the LOHAS management award from Korea Green Foundation in October, and the Sustainable Management Award from the Ministry of Knowledge Economy in November 2009.



Internal integrity

(out of 100 points)





Transparent Governance Structure

Governance Structure

>> Shareholders

KTO's major shareholders include the Ministry of Strategy and Finance, the Korea Finance Corporation, the Korea Railroad Corporation, the Financial Supervisory Service, and Korean Re, a state-owned reinsurance company.

| Ownership Structure |

(As of the end of 2009)

Ministry of Strategy and Finance	Korea Finance Corporation	Korea Railroad Corporation	Financial Supervisory Service	Korean Re
55.20%	43.59%	0.87%	0.17%	0.17%

Board of Directors

>> Board of Directors

As the Organization's top decision-making body, the board of directors consists of nine directors, including four standing directors, of whom one is the president, and five non-standing directors. In 2009, the number of utilization of the non-standing directors' expertise in various fields posted 13, up from four in 2008. As an example of this expertise, director Kyu-Jae Jung conducted seven special lectures on the significant role of the tourism industry in economic growth.

>> Executives Recommendation Committee

Through the Executives Recommendation Committee, KTO appoints executives including a CEO, an auditor, and both standing and non-standing directors. This ensures transparency and fairness in appointment of executives, as well as strengthening the system of checks and balances on internal management.



Yongjangsa Valley Three-story Stone Pagoda

Contribution to the Nation and Society

» Improving the Tourism Environment

To upgrade the relatively poor condition of Korea's tourism infrastructure compared to other advanced countries, particularly due to heavy government regulation, KTO collects input from the private sector on ways to achieve deregulation, and then petitions the government for greater assistance in improving the circumstances of Korean tourism.

KTO plays a crucial role in reviving Korea's lagging MICE industries in cooperation with the Office of Regulatory Reform under the National Assembly and the Prime Minister's Office, as well as with the Ministry of Culture, Sports and Tourism. It advocates simplification of immigration procedures for MICE tourists, diversification of banquet facilities including the use of historical palaces, and VAT exemption programs for international conferences. It actively encourages discussions with the government on visa issuance.

Sharpening the Tourism Industry's Competitiveness

» Major Achievements in the Tourism Industry

As the primary guidance system for Korea's tourism industry, KTO achieved remarkable success in 2009 at attracting tourists from abroad. It created new tourism revenue sources, attracted international participation in conventions, a higher number of page-views for its homepage (www.visitkorea.or.kr), and increased satisfaction among overseas tourists in the level of readiness. KTO continues to fulfill its pledge as a global tourism organization and to accomplish its mission of transforming the tourism industry into one of Korea's most important growth engines. Through these goals, it contributes to the advancement of the national economy and enhancement of the quality of Korean life.



Economic Achievements

Economic Achievements

Creation of Economic Value

Sharing the Yield

In 2009, KTO generated KRW 297.5 billion in sales and KRW 197 billion in net profits through product sales and support to its partners. The Organization allocates its annual yield to its major stakeholders, including shareholders, employees, the government, business partners, local communities, and institutional partners. It shares the yield through job creation, tax payment, mutually beneficial relations with partnering companies, contribution to local communities, and support to institutional partners in the tourism industry.

Creating Economic Value

KTO classifies its business operations into non-profit and for-profit enterprises. KTO reinvests revenues generated from its for-profit operations, including duty free shops and the Jungmun Golf Club, into promotional activities for domestic and overseas tourism. In 2009, with the "Charm Project," the company established a new system to carry out a new vision, enhanced its innovation strategies, and maintained its financial stability through preemptive risk management.

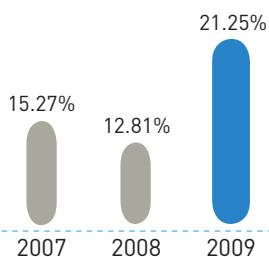
| Summarized Income Statements for 3 Years |

(KRW in millions)

	2007	2008	2009
Sales	457,808	300,414	297,486
Costs	285,301	209,486	227,053
G & SA costs	153,274	122,224	123,385
Operating profit	19,233	△31,296	△52,952
Non-operating income	40,794	62,709	264,891
Income tax	5,251	△1,739	54,916



Assets



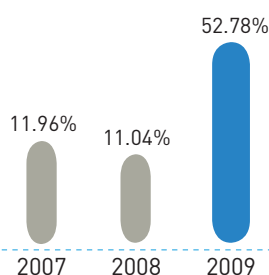
>> Growth

As the end of 2009, KTO recorded KRW 959.2 billion in total assets, increasing from KRW 791 billion in 2008. Assets increased as a result of improvements in the financial structure following closure of three underperforming duty free shops and significant improvements in the performance of all remaining shops. KTO continues to expand into new, profitable areas so that it can secure future growth engines and adapt to the fluctuating management environment.

>> Profitability

In 2009, the net profits of KTO quadrupled in one year. This rapid growth was due mainly to KRW 36.1 billion in new sales through customer contact points and VIP marketing. KTO continues to take advantage of this favorable growth through advanced integrated management systems and value innovation, escalating its corporate value while offsetting the risk of deteriorated profitability that accompanies reductions in funding resources.

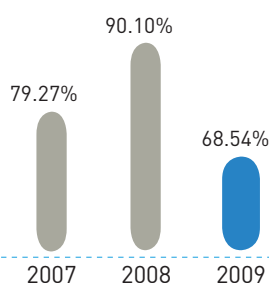
Net Income



>> Stability

KTO keeps its cost-cutting ratio under 100%, thereby maintaining its sound financial structure. To secure stable funding, the Organization diversifies its funding sources and emphasizes careful credit management. In 2009, as part of its business restructuring process, KTO downsized its workforce by letting go of 221 employees and closed underperforming duty free shops in Sokcho, Muan, and Mokpo. Meanwhile, KTO completed the privatization of Grand Korea Leisure (GKL), a subsidiary of KTO, by enlisting it in the stock market. Thus, it also created KRW 193.1 billion in gains from sales of investment stock using the equity method.

Debt-to-Equity



Improved Financial Performance

>> Mid- & Long-term Financial Plans

In 2009, KTO enhanced the harmony between mid- & long-term financial plans and budget compilation, in keeping with its new vision. It also employed the proactive "SMART Project" to prepare better for financial difficulties in the future.

>> Risk Management

KTO manages financial and non-financial risk, coping effectively with changes in the tourism market both in Korea and abroad. It also operates several methods for dealing with political, natural, or health crises that may affect tourism. In 2009, the Organization approached risk management by introducing a crisis response manual. With the guidelines provided in this manual, KTO effectively prepared itself to manage crises including the swine flu epidemic and a fire in Busan that killed a number of Japanese tourists. Despite the swine flu epidemic and other crises, KTO succeeded at attracting 7.82 million tourists from overseas.



A Culture of Integrated Innovation

Innovation Management

Innovation Systems

KTO's objective is to become a global public enterprise that promotes Korea as an attractive travel destination. In keeping with this goal, KTO has launched a campaign to encourage innovation in all its operations and thus to fuel the global competitiveness of the Korean tourism industry. This new emphasis on the role of innovation began with the "Charm Project," headed by newly inaugurated CEO Charm Lee in September 2009, with the participation of all employees. KTO has five strategies for innovation: creation, harmony, attraction, resonance, and movement. With these strategies, KTO is preparing itself to play a significant role as the primary source of guidance in Korea's tourism industry.

Major Innovations

Operation Process Innovation

>> Management System Improved

Between September and December of 2009, the Charm Task Force began operations to develop the management policies of the new CEO, which entail redefining the function of each division and restructuring the organization. Throughout the year, KTO operated the Advanced Management Steering Task Force to boost the efficiency of management. In 2009, KTO convened the task force 39 times, using the in-depth knowledge and experience of field experts in each division to resolve specific management issues and support the decision-making processes of top management.



»» One-Stop Services through the Integrated Tourism Information System

In 2008, KTO opened an integrated tourism information website (www.visitkorea.or.kr), which provides a Korean-language homepage as well as tourism information pages in eight languages. KTO redesigned its website between April and December of 2009. To better understand the needs of tourists, we completed 65 analyses of requests and concerns from online users. As a result, KTO won first place in Web Award Korea in 2009. All tourism information on the website is maintained in compliance with the ISO9001 certificate for management of contents and quality. The tourism information on the website provides advanced Web 2.0 social media to encourage user interaction.



The Value Model for Management Innovation

»» Streamlining Duty Free Shops

KTO manages financial soundness through meetings for financial planning. The Advanced Management Steering Task Force monitors all duty-free shops and the Jungmun Golf Club through surveys conducted biannually, quarterly, and weekly. Based on results from these surveys, KTO closed three airport duty-free shops to cope with changes in legislation affecting shop locations and sellable items. To boost the sales volume of the remaining duty-free shops, we established joint marketing strategies with companies in other branches of the tourism industry, including airlines, travel agents, and credit-card providers. We also developed new sources of revenue by opening on-board duty-free shops.



Seeking Blue Oceans for Tourism

New Overseas Marketing

Telling the Stories behind Korea's Tourist Attractions

In 2009, KTO introduced several innovative promotion strategies to attract more international tourists. The Organization has utilized the input of CEO Charm Lee, a naturalized Korean citizen, who has brought to KTO a strong overseas reputation. Under Lee's guidance, KTO is focusing aggressively on attracting international tourists to Korea.



One of the significant new strategies is to provide tourists with the stories and folklore that make every tourist attraction in Korea important. By telling the stories of Korea, international tourists not only enjoy the attractions, but experience them. KTO bases the stories of attractions on surveys of tourists and tourism assets. The approach employs emotional marketing techniques with the goal of strengthening Korea's image as an attractive destination for international travelers.



Fostering New Growth Engines

Convergence Tourism Products

KTO is creating high value-added products through convergence between tourism and other industries, such as medical, sports, and education. The Organization gauges the current status of other industries and their potential for commercialization as tourism products, then develops products through association with the related institutions. KTO is proceeding with projects linking tourism with the fields of medicine, athletics, education and seafaring, while expanding the scope of convergence into knowledge-based industries such as film-making. As a result, 42 convergence products were developed in 2009.

Nurturing MICE Industries

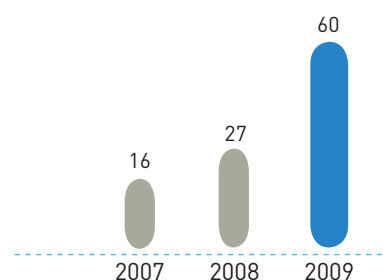
The Asian convention market has grown consistently in recent years, and Asian nations have begun bolstering their tourism marketing by attracting conventions. As a result, Asian countries are competing fiercely for investment. In particular, not only the existing international conference sector, but also the MICE industries (Meetings, Incentives, Conventions, Events & Exhibitions) - which include corporate meetings, corporate incentive travel, and events - have become a highly competitive sector.

Selected as one of the nation's 17 new growth engines in 2009, MICE industries have gained more attention than ever before. As a result of their focus on MICE activities, three cities, including Seoul, Busan, and Jeju, were included in lists of the top 10 Asian cities for conventions in 2006. In 2009, Seoul was ranked second, Busan 10th, and Jeju sixth. During the last 10 years from 2000 to 2009, the number of conventions hosted by Korea increased by 218.3%, from 109 to 347.

Year	No. of Large Conventions Supported by KTO	No. of Large Conventions Hosted by KTO	No. of Participants from Overseas
2005	26	9	13,500
2006	36	15	47,800
2007	43	18	76,500
2008	42	25	101,200
2009	31	14	47,500

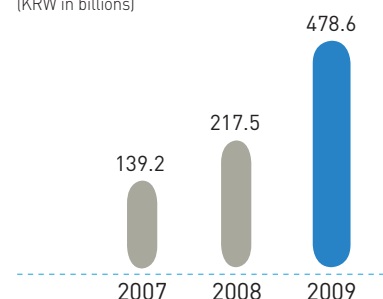
No. of Medical Tourists

(in thousands)



Revenues by Medical Tourists

(KRW in billions)





Center for Baekje History and Culture



Social Achievements

Building customer relations based on full satisfaction with service

Organizational Structure of CS Management

Organizational Structure of CS Management

To achieve fully customer-oriented services, KTO reorganized its customer satisfaction (CS) management structure in 2009. Under the supervision of a senior vice president as the chief officer for innovation in corporate culture, all customer satisfaction issues are handled through support units at CS centers, which are staffed by 60 MOT leaders who respond to customer complaints within 60 minutes of receipt.

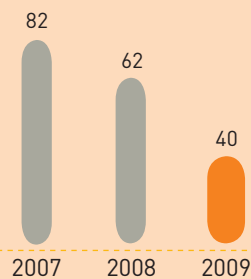
Customer Satisfaction Management Initiatives

KTO CS Mileage Program

In 2007, as part of its CS operations, KTO introduced a customer service program called "CS Mileage." Through integration with conventional, individual CS evaluation systems, the program enables KTO to assess the efforts of the entire company toward customer satisfaction. In 2009, the program adopted additional CS performance indicators to assess corporate culture and ethical management. This more precise monitoring has yielded favorable results: The number of customer compliments increased from 120 in 2008 to 213 in 2009, and the Korean Association for Management Consulting has selected KTO as a model for successful CS in the public sector for the second year in a row.

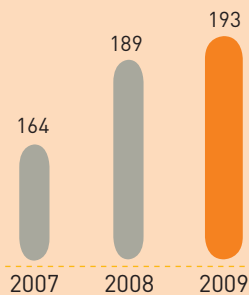
Speed of Handling VOC

(in minutes)

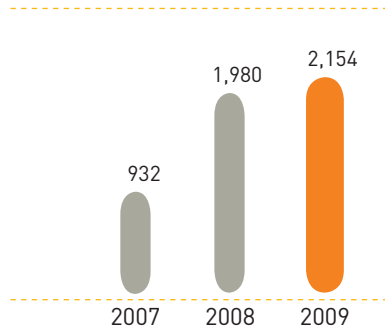


No. of Customers Under CRM

(in 10,000)

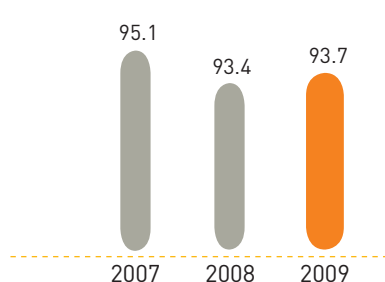


No. of VOCs Treated Online

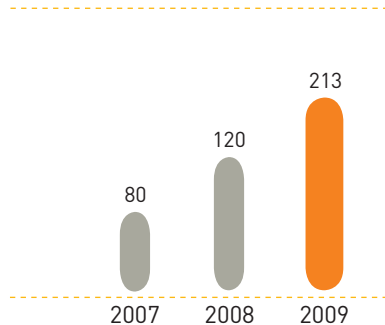


PCSI

(in points)



No. of Customer Compliments



Standardization of Service

Prior to 2008, KTO maintained service standards through its Charter of Customer Satisfaction and the CS 1004 Mileage program. In 2009, however, to enhance the Charter, it conducted promotional activities to improve its indicators of service quality and to establish action plans for each division, resulting in 60 additional standards for divisional management.

Voice of the Customer

In 2009, KTO upgraded its Voice of the Customer (VOC) system to obtain more thorough feedback from customers and to resolve customer-service issues more promptly. The upgrade included the integration of offline feedback collected at KTO customer service facilities with online processes. As a result of this integration, the number of online VOC interactions gradually grew in 2009. The average duration of VOC interactions was 40 minutes in 2009.

CS Improvement

Every year, KTO surveys the PCSI (Public Service Customer Satisfaction Index) and its own customer satisfaction index (KTO-CSI). KTO has maintained its position in the highest rating category (AA) of the PCSI since 2007, including 2009. KTO's rating of 93.4 in the PCSI is well above the average score of 89.3 for other public institutions.

Establishing Partnerships through a Global Network

Fostering Professionalism in the Tourism Industry

Educating Tourism Personnel

KTO provides educational programs for tourism personnel to improve the domestic tourism environment and to sharpen the competitive edge of the Korean tourism industry. In 2009, the Organization expanded its region-specific education programs into Incheon and Jeju, nurturing local expertise in the domestic MICE (Meetings, Incentives, Conventions, Events and Exhibitions) industries in these areas.

| Nurturing Local Experts in MICE Industries in 2009 |

Programs	Locations	Dates	Participants
MICE Intelligence Program	Nine overseas branches including Sidney and Beijing	Sep.-Dec., 2009	Draft of 20 university students majored in MICE
Extended education for potential HR	Twice on online	Jun.2-Jul.2, 2009 Nov.2-Dec.4, 2009	1,250 students and other job seekers (including 604 who completed the course)
Extended education for local industries	Common region-friendly education (Incheon and Jeju)	Incheon: Jun. 24-25, 2009 Jeju: Nov. 25-27, 2009	HR in local MICE industries

Revitalization of Tourism through Partnerships

>> Mutually Beneficial Partnerships with Related Organizations

KTO builds market and industry networks to revitalize Korean domestic tourism and promote tourism products.

[Development of Green Tourism Pilot Products]

In an effort to respond to climate change while revitalizing domestic tourism, KTO participated in a program to develop green tourism products for Suncheon Bay. Activities included field investigations, monitoring of readiness, and implementation of promotion plans, particularly the production of a 2010 calendar to promote the area. By agreeing to MOUs with more local governments, KTO is developing closer relationships with local tourism industries.

[Support for the 2012 Yeosu Expo]

Since 2007, KTO has consulted with local tourism authorities in Yeosu to develop of resources and attract of investment for marine tourism. Through 2009, KTO has signed MOUs in seven regions for a total investment worth KRW 1.012 trillion.

>> Cooperation with Local Governments to Develop Regional Themes

Through cooperation with local governments and regional tourism organizations (RTOs), KTO is developing regional tourism themes, laying a firm foundation for regional marketing. In 2009, the KTO-RTO Plaza was launched with cooperation from RTOs. At the Plaza, four CEO councils, four Seoul City tourism councils, and six southern Gangwon tourism councils were opened. Working with local governments, KTO's regional promotion offices at Yeongnam, Chuncheong, and Honam regions launched a joint branding program, "Sparkling, Green Land." The KTO-RTO Plaza is quickly becoming a platform for communication, leading to rapid decision-making and information sharing among regional tourism authorities.

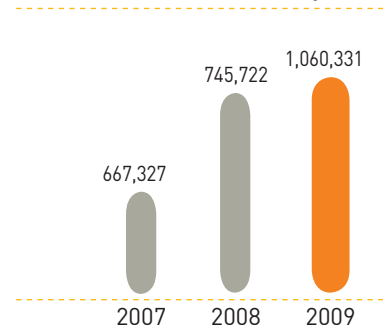
>> Reinvigoration of MICE Industries

KTO forms joint promotion teams with domestic tourism authorities to set up Korean pavilions and consult with overseas buyers at international conventions and fairs every year. In association with the national Convention Council, KTO holds convention networking workshops, giving the Organization status as a leader and mediator in the convention industry.

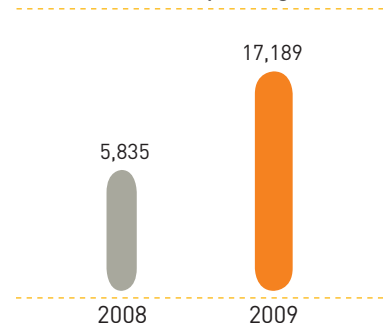
| No. of Joint Presentations with Local Governments Opened in 2009 |

Seoul	Once	Nov.
Busan	Twice	Apr., Dec.
Daegu	Twice	Mar., Nov.
Gwangju	Twice	Jun., Oct.
Jeju	Once	Sep.
Incheon	Once	Nov.

No. of Visitors to Suncheon Bay



No. of Visitors to "Sparkling Green Land"





>> Improving Local Tourist Information Services

In 2009, KTO supported the upgrade of the tourism homepages of local governments. Out of 36 applicants for the program, KTO selected 10 local governments. Among these, four local governments completed upgrades in 2009, while six were in process.

Stronger Cooperation with Local Organizations

The Competitiveness of “Intra-bound Tourism”

With an increasing awareness of the imbalance in demand for overseas and domestic tourism, more importance is being placed on revitalization and competitiveness of local tourism. To address this imbalance, KTO emphasizes the concept of “intra-bound tourism,” leading to stronger interaction with regional tourism resources and revitalization of local tourism

>> Performance of Regional Promotion Offices

KTO establishes cooperative relationships with local governments to address regional tourism issues.

| Cooperative Relationships with Local Governments |

Cooperation	Details
Signed MOUs	Signed MOUs with twelve local governments
KTO-RTO & CEO Councils	Opened once in every quarter
Video conference with overseas branches	Discussed about business plans via timely video conference
Shared business plans	Shared business plans including a customer presentation in Jan. 2009

>> Nurturing Regional Expertise and Talents

KTO nurtures regional expertise and talent by offering region-specific education programs for tourism personnel in local governments. It is establishing an increasing number of MOUs with local governments for education programs, as well. In 2009, 768 tourism personnel attended the Kyungpook Tourism Academy, a joint program between KTO and Gyeongsangbuk province to develop regional talent including public service offices and travel agencies. During same period, programs to train culture tourism commentators were held in five local tourism organizations. Through these programs, KTO improved its scores for education satisfaction among personnel from 4.1 in 2008 to 4.5 in 2009.

In December 2009, KTO was commissioned by Gangwon province to develop and implement an 11-year education program for medical tourism. This program combines financial resources of Gangwon with KTO's expertise in specialized tourism.

Reinvigoration of Regional Tourism

>> Campaigns to Boost Domestic Tourism

Through the Guseok Guseok of Korea campaign, KTO discovers and promotes attractive hidden tourist sites. In 2009, the campaign was highlighted in a school textbook. To appeal to Korea's 1.1 million foreign residents, KTO also launched an English version of "Guseok Guseok," a TV advertising campaign featuring the voice of KTO president Charm Lee.

Tourism to Develop Regional Economies

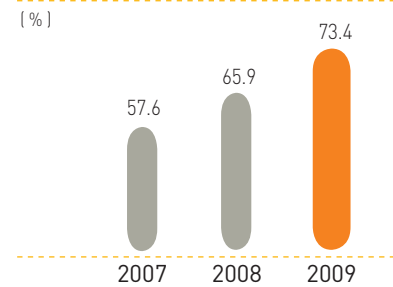
To help improve the balance of tourism development and diversity of tourism resources, KTO real-locates tourism from outside Korea into regions outside Seoul. Overseas tourism is overwhelmingly concentrated in the Seoul metropolitan area, with 74.5% of total international visitors. KTO works toward resolving the regional imbalance in tourism through decentralization and localized job creation.

Improving Regional Tourism Infrastructure

>> Evaluating Municipal Tourism Readiness

In 2008, KTO developed a tourism readiness index to assess the preparedness of the tourism industry in each region. The index uses six criteria: accommodation, food, amenities, information services, transportation, and shopping. The Organization conducted a pilot evaluation of tourism readiness for 50 local governments and shared the results with those governments. In 2009, to assess the readiness of the nation's 50 most attractive tourist destinations in five regions, KTO conducted simulated tours of those sites, with the participation of 50 members of the national monitoring team along with 50 KTO employees acting as "tourists." As a result, 934 issues were identified from the tourist's point of view, and improvement tasks were conducted at all 50 sites. Local tourism authorities were asked to implement improvements in phases, and 192 tasks have been completed with another 80 tasks now being planned. To augment the tourism readiness index, KTO has also implemented a tourism readiness competitiveness index, which assists each local authority in assessing its own readiness.

Positive Changes to Domestic Tourism





Dedication to Tourists

Tourists and the Tourism Environment

Responding to Changes in Travel Trends

Current trends show a shift from group travel to individual or family travel. In response to these trends, KTO is implementing strategies to attract free independent travelers (FITs). Travelers increasingly respond to online marketing, and KTO is adapting to this trend, as well. In 2009, we took the point of view of the independent traveler into consideration as we improved our tourist guide system. The improved system now includes travel journals that reflect actual tourist movement and guidebooks and maps designed for independent travelers.

Improving Awareness of Tourism

>> Vacation Allocation Campaign and School Excursion Culture Improvement

KTO conducts campaigns encouraging Koreans to take advantage of domestic tourism opportunities. Campaigns utilize advertising and contests to increase public recognition of the importance of seasonal allocation of vacation time.

KTO also increasingly promotes school excursions. Traditionally focused on visits to historic and cultural sites, KTO now encourages schools to take advantage of other types of destinations, allowing students to develop a sense of the value of excursions and to carry a more positive image of domestic tourism into adulthood.

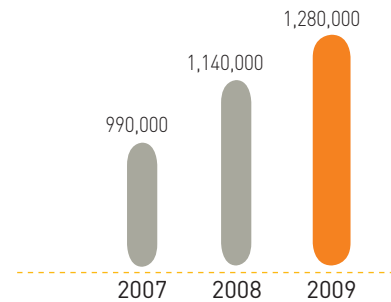
Improving Tourist Service

Ensuring Tourist Safety

Due to Korean security issues, including the threat of nuclear crisis, as well as other risks to tourists, KTO provides a system for tourism risk management. In particular, it operates a War Room. The Organization held meetings in the room in 2009 to form contingency plans for the swine flu epidemic.

In 2009, KTO also responded promptly to a fire incident that killed 10 Japanese tourists in Busan by setting up a center for emergency countermeasures on the day of the incident and dispatching support liaisons to the site as well as to Japan. KTO also petitioned the Korean government to heighten safety inspections at other tourist facilities.

No. of Daily Page Views for "Visitkorea.or.kr"



Linking Online and Offline Marketing

>> Online Tourism Information

In response to the increasing use by travelers of Web 2.0 social media, KTO has enhanced its integrated online marketing using Web 2.0 technologies.

Between April and December 2009, KTO upgraded the quality of information services on its homepage (visitkorea.or.kr). The renovated site, which features a more user-friendly interface with travel information, UCC, and maps, won first place in Web Award Korea for 2009.

KTO also launched Traveli (traveli.visitkorea.or.kr), a travel blog using Web 2.0 technology. The average monthly number of visitors to the blog has reached 85,975, growing 7.5 times. In the five months since its launch, the site has encouraged the participation of self-motivated "powerbloggers" by selecting 762 of the most prolific posters. To diversify the channels for online promotion and user participation, KTO's web services utilize social media marketing tools through Naver Blog, Opencast, and Twitter.

Improving the Travel Guide Service

>> Tourism Information Guide System

Access to information via the Internet has encouraged the growth of independent travel and increased the demand for a greater depth of information. In response to this trend, KTO launched "i-net," an online repository for nationwide travel guides, in 2008. The site offers incentives for members who visit often. Since 2007, KTO has standardized its tourism offices.



Tourism Information Channels

>> Mobile Services for Tourism Information

KTO launched mobile tourism information and coupon services in 2008. The number of coupon users reached 7,800 in 2009, with 364 affiliated companies. The Organization also inaugurated a real-time mobile tourism information service (visitkorea.jp) for the Japanese market. It began offering iPhone-compatible travel guides through the Apple iPhone App Store – the first time in the world that a national tourism organization has done so. Users downloaded 290 travel-guide files to their iPhones from August to December of 2009. KTO has also placed its Korean Attraction Grid Puzzle, a free, downloadable game featuring photographs of Korean travel destinations, at the iPhone App Store.

>> Information Access for Marginalized Users

The redesigned KTO homepage will soon enable marginalized Internet users to access information more easily. In 2009, KTO began work toward obtaining a Web Accessibility Certificate from the National Information Society Agency.

Improving the Tourism Environment

Improving Regulations and Services

>> Simplifying Visa Procedures for Chinese Tourists

KTO actively supports the simplification of visa issuance procedures for Chinese tourists, and particularly a visa waiver program for Chinese tourists to Jeju Island. KTO views the easing of visa issuance restrictions for Chinese tourists as one of its major goals in overseas marketing.

>> Increasing Satisfaction Through Tourist Surveys

KTO conducts surveys of both international and domestic tourists to better understand their needs and issues, and it implements measures to address those issues. Responding to the growing number of free independent tourists (FITs), KTO performed market research on FITs from Japan and other countries and began planning a wider array of tour options, with greater accommodation for language, food and lodging. In 2009, the Organization succeeded at gaining legislation to simplify visa procedures for Chinese FITs. We also attracted 25,145 tourists through products designed especially for FITs, including coupon books and T-Money cards. It has presented FIT products to 50 leading travel agencies.

Tourism Readiness

>> Improving Accommodations for Tourists

To improve the tourism environment, KTO offers the Good Stay authorization program and operates the BENIKEA franchise business.

[“Good Stay” Authorization Program]

In 2006, KTO launched the “Good Stay” authorization system, through which the Organization locates and secures outstanding privately-owned tourism facilities in the low- and medium-price range. By providing publicity and incentives to selected facilities, this program helps to cultivate a positive attitude toward tourist accommodation among Koreans. Since KTO’s initial authorization of 43 facilities in 2006, the number of authorized Good Stay facilities has reached 174 as of June 2010. The Good Stay program provides Internet support through a multi-lingual homepage and online registration services.

[BENIKEA – An Alliance of Low- to Medium-Priced Hotels]

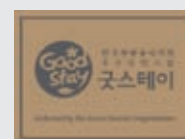
BENIKEA, launched in 2007, is an alliance of low- to medium-priced hotels that responds to the preference of foreign tourists for low- and medium-priced accommodations over luxury hotels. The number of affiliated hotels under BENIKEA reached 40 as of the end of 2009.

[Home Stays in Traditional Korean Houses]

KTO provides an integrated management system for home-stays in traditional Korean houses. In 2009, the Organization implemented an integrated promotional website, as well as cultural experience programs, education programs for owners of traditional houses, and legislation to assist the home-stay industry.

[Korean Culinary Tourism]

KTO is developing special products to offer tourists the opportunity to experience traditional Korean cuisine. One such product is the series of books entitled Tales of Taste in My Hometown. In April 2009, KTO conducted surveys on potential culinary attractions and began implementing plans for revitalization of Korean food tourism products, including kimchi and natural sea salt. KTO’s Tourism Competitiveness Division has introduced its own restaurant ratings guide similar to the Michelin Guide to rate restaurants that specialize in serving foreign customers. This program also helps to improve customer service and overall conditions in these restaurants through education and multi-lingual support. In preparation for the culinary tourism program, KTO has identified and researched the historic background of 170 local dishes, thus providing branding opportunities for local cuisine as value-added tourism resources.





Gwangang Bridge

Mutually Beneficial Culture with Business Partners

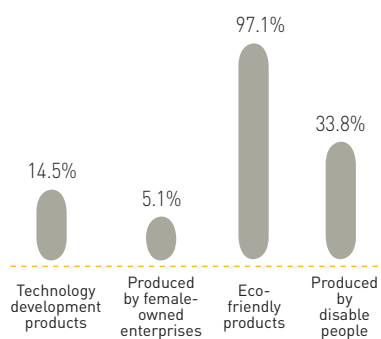
Mutually Beneficial Management of Business Partnerships

Mutually Beneficial Cooperation Models

>> Ethical Management of Business Partnerships

KTO partners come from every branch of the tourism industry, including the travel agencies, hotels, airlines, and international convention bureaus, as well as provincial and local government authorities. KTO conducts promotional activities for the domestic tourism industry with a wide array of business partners including travel agencies, duty-free shops, tourist site developers, and product suppliers. Through fair, transparent trade and support, we seek positions with these with these business partners that are mutually beneficial, going beyond conventional partnership.

Breakdown of SME Products Purchased by KTO in 2009



>> Support for SMEs

To enhance its policy of supporting SMEs, and thus strengthen its role as a leading public body, KTO provides on-the-job training programs for SMEs and consultations on procurement policies for their products. To promote a policy of benefit-sharing between large corporations and SMEs, the Organization has provided a guidebook for the integrated procurement of SME products and has expanded education programs for employees in charge of purchase contracts. To assist SMEs even further, KTO consults with them on setting targets for procurement items and on improving systems for procurement management. In 2006, the Organization won the Prime Minister's Commendation at the sixth Promotional Competition for Integrated Purchase of SME Products, an award organized by the Presidential Commission on Small and Medium Enterprise. As a result of all these advances, SME products, including those of enterprises owned by women, accounted for 93.8% of all goods purchased by KTO in 2009, well over the 50% required by government regulation.

Fair Trade with Business Partners

>> Transparent Contract System

To ensure transparent management, eradicate corruption, and strengthen corporate integrity, KTO has implemented a management disclosure policy for bidding and contracting on goods, construction, and labor. Moreover, in response to an act of unfaithful disclosure in 2008, KTO began providing detailed guidelines for disclosure of management practices in 2009. It began penalizing divisions committing unfaithful disclosure by deducting CS 1004 Mileage. As a result of internal assessment, 31 violations were recorded and corrected.

>> Integrity Pact

To prevent illegal collusion and bribery during the processes of bidding, contracting and implementation of all contracts with budgets exceeding KRW 20 million, KTO has asked for integrity pacts since July 2002. In 2009, the Organization decreased vulnerability for corruption in 13 areas by requiring direct deposit into bank accounts, prohibiting private use of meal tickets, and improving policies governing deliberation and evaluation.

>> KTO's Committee on the Operation of Duty-free Shops

To maintain fairness and transparency in the opening and closing of duty-free shops and their products, a Committee on the Operation of Duty-free Shops has deliberated since 2002. The committee has fewer than 10 members, including a chairperson.

Improving the Satisfaction of Business Partners

>> Communicating with Business Partners

A bulletin board at the KTO homepage (www.visitkorea.or.kr) enables business partners to freely state their views and to receive a prompt response to issues raised. The bulletin board provides a communication channel for the discussion of sales growth and of the difficulties faced by underperforming partners, with participation of representatives from KTO.

Creating Happiness in Local Communities

CSR Structure

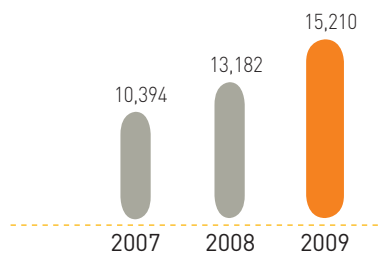
In the narrow sense, local communities include those in regions where KTO's main office, domestic branches, and local promotion offices operate directly. In the broader sense, the local community includes all regions of Korea. With responsibility toward the less fortunate members of that community, KTO conducts a variety of social contribution activities.

Tourism Development for Local Communities

KTO communicates with local communities and organizations on various issues, including fundraising from private investment capital, development of tourism complexes to boost local economies, and consideration of environmental impact from development projects. Through designated desks at each regional branch, KTO listens to the voices of local citizens. It visits and interviews local governments, including related organizations and institutions, to fully understand local needs. In addition, during projects, the Organization notifies residents of local meetings through newspapers and community service centers. It collects stakeholders' opinions through previews of environmental impact assessments and meetings with residents.



Total Green Mileage performance of all Employees



CSR Organization and Activities

As part of its effort toward more effective CSR, KTO conducts the “Guseok Guseok Sharers” campaign for its employees. “Guseok Guseok,” which means “every corner” in the Korean language, is KTO’s primary in-house initiative for developing a CSR-oriented corporate culture. As the name suggests, the campaign encourages employees to become “Guseok Guseok Sharers” – people who reach out to every corner of Korea and nurture relationships with communities. Utilizing the significant talent and capabilities of its own human resources, KTO holds meetings to seek ideas for community outreach from employees. The “Guseok Guseok Sharers” campaign includes four major activities: core implementation, local community sharing, tourism environment protection, and overseas sharing. KTO also conducts “Guseok Guseok tours” and other major activities. In 2009, leaders from both labor and management participated in joint volunteer activities.

CSR Programs

KTO encourages the CSR activities of its employees through a variety of programs. On the third Thursday of every month, the Organization holds a “Day of Sharing” to encourage individuals to perform community volunteer work.

In the “Green Mileage” program, employees receive mileage awards through community volunteer work. In 2009, a total of 15,210 mileage points were awarded, increasing from 13,182 points the previous year. The Organization encourages an ethos of donation among its employees through a grant-matching program, in which it donates amounts equivalent to those of its employees.

CSR Activities in 2009

Activities	Details
Sharing with local communities	<ul style="list-style-type: none"> February: Offered bottled water worth of KRW 5 million to 10,638 residents during drought in Taebaek June: Hosted special touring programs for 60 children of low-income families in Busan July: Donated 45 computers to Sokcho and Sangju July and October: 60 employees assisted in flood recovery at rural villages in July and augmented shorthanded farms in October October: 57 employees participated in a charity luncheon to raise KRW 4 million for disadvantaged neighbors who do not have three meals per day Held several year-end charity campaigns for marginalized groups
Sharing through cultural tourism	<ul style="list-style-type: none"> Provided five cultural tours for 500 disadvantaged people in Youngnam, Honam, and Chungcheong regions August: Supported a group of 120 visually-impaired people on a visit to Jeju Island September: Hosted a special trip to Jeju for 36 pediatric oncology patients Held nine Wednesday Rice Ball Concerts in the first half of the year, open to the public
Protecting tourism environments	<ul style="list-style-type: none"> June: Sponsored the Hope Greenway Walking Competition June and August: 50 employees participated in Cultural Asset preservation
Others	<ul style="list-style-type: none"> March and December: Held “One Company, One Facility” ceremonies for the Chungju Sacred Heart Rehabilitation Center for the Blind July: Two employees participated in an international volunteer program between Korea and Cambodia November: Held a donation ceremony for the World Vision Foundation of Thailand



Nurturing Core Global Talent

Equal Opportunity Employment

Employee Demographics

A total of 554 people were employed at KTO's main office and domestic and overseas branches as of the end of 2009, with five executives, 498 general employees, and 41 other employees. In 2009, KTO restructured 221 personnel in order to focus on core competencies and boost the efficiency of its management. Amended salary guidelines from the Ministry of Strategy and Finance call for a 12.5% reduction in annual salary compared to the previous year. In compliance with these guidelines, KTO placed its average entry-level annual salary in 2009 at KRW 23,345,000, lower than the average of KRW 24,674,000 for other public agencies.

| Employee Status |

Categories		2007	2008	2009
No. of employees		750	733	722
By rank (persons)	Executives	4	5	5
	Employees(1st - 5th rank)	509	499	492
	Other jobs (including technical services and tourist interpretation)	237	229	225
By region (persons)	Main office	387	374	478
	Domestic branches	288	283	168
	Overseas branches	75	76	76
Average No. of years served		13.55	14.52	15.38
Job quitting rate (%)		2.13	2.57	0.98
No. of employees recruited		7	1	1

Ban on Discrimination, Respect for Human Rights

KTO does not discriminate against employees according to gender, age, religion, education, physical disability, or region. It observes the Labor Standards Act and ILO regulations on the abolition of child labor and forced labor. It enforces labor standards according to the 10 principles of the UN Global Compact. Security and protection services are outsourced, and education programs are held on the prevention of sexual harassment, customer-interaction skills, and security.

| KTO Prevents Discrimination Against Female Employees Through the Following Methods: |

Categories	Details
Preventing disadvantage in promotion	-Discrimination is prohibited during promotion assessment and pre-employment screening.
Resolving problems arising from duties	-Labor-management communication must be used in resolving problems arising from duties.
Fostering professionalism	- The participation of female employees is encouraged in overseas benchmarking trips and on-the-job training sessions.
Preventing sexual harassment	- KTO has established guidelines on the prevention and resolution of sexual harassment. - KTO maintains a communication channel to prevent sexual harassment and appoints an officer in charge of complaint resolution. - KTO ensures the safety of female employees through in-house education on the prevention of sexual harassment.

Abiding by Equal Employment Principles

>> Expanding Recruitment of Disabled Employees

In 2009, KTO hired 20 disabled people, comprising 2.23% of the total workforce and exceeding the 2% required by law.

>> Recruitment of Science and Engineering Majors from Local Talents

Since 2004, recruitment has focused on eliminating unnecessary requirements and relaxing restrictions on hiring. In 2008, the percentage of 28.4% of employees were graduates from local universities, while more than 14% of new recruits since 2005 have been science or engineering majors. These percentages comply with government guidelines.

In 2009, KTO recruited 45 people for internship programs, froze employee wages, and reduced entry-level salaries for university graduates in line with government policies on to boost the economy and distribute jobs.

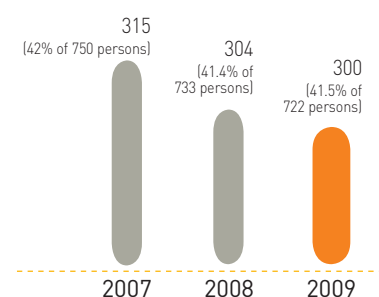
| Recruitment of Science and Engineering Majors and Local Talents |

Categories	2007	2008	2009
No. of recruits	750	733	722
Recruits majored in science & engineering (persons)	114	110	109
Ratio (%)	15.2	15.0	15.1
Recruits graduated from local universities (persons)	210	208	208
Ratio (%)	28.0	28.4	28.8

>> Encouraging the Employment of Women

KTO prohibits gender-based discrimination in personnel management. It has set the objective of recruiting more women and seeking leaders among its female employees. The Organization has maintained a female recruitment ratio of 40% for eight years in a row. It offers professional development and training programs designed specifically for female employees, including assignment and training in overseas branches. In 2009, KTO launched a professional development program for potential CEOs focusing on women. It also expanded maternity leaves from 13 months to 15 months. KTO is implementing a three-phased plan for fostering the talents of women.

Female Employees



Global Talent and Performance-based HR Management

Satisfaction with Educational Opportunities

KTO conducts surveys on employee satisfaction with its education and training programs. In the most recent survey, employee satisfaction with self-development increased from 55.7% in 2008 to 59.9% in 2009.

Life-long Learning

» Retirement Preparation Programs

In 2009, KTO launched a Future Planning Center, a website to prepare employees for retirement, along with other programs for retiring employees. It has also developed a program for employees who are considering job and career changes.

Fair Performance Evaluation and Compensation

» Fair Performance Management System

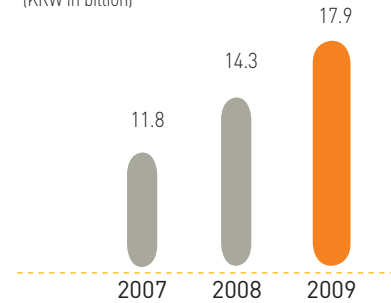
KTO introduced the SMS performance management system in 2007. It also adopted an open competition system for job positions in 2009.

» Performance-oriented HR Management

Through the in-house open-competition system for job positions, the first draft of which was introduced in 2009, KTO selected the best candidates from 102 employees applying for a position based on capability and performance evaluations. Eight applicants withdrew from the open-competition system and were not considered for the positions. The system permitted applications from former executives who had been demoted to the status of ordinary employees. KTO also strengthened standards for the assignment of employees overseas.

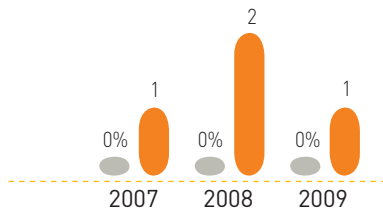
Investment for Employee Education

(KRW in billion)



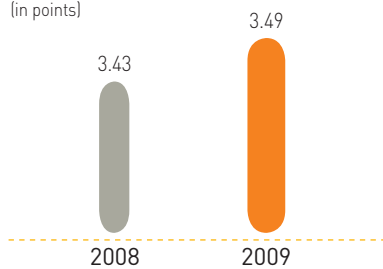
No. of On-the-job Accidents and Absence Rate

No. of Accidents (cases) ■
Absence Rate ■



Satisfaction Index for Health Exams

(in points)



Balance between Work and Personal Life

Family-friendly Management

>> Cultivating a Family-friendly Culture

KTO seeks to inspire employees and their families to take pride in the Organization through a variety of programs. "Sparkling Days," an event held every Wednesday, encourages employees to spend time with their families, along with additional family days. In 2009, the Organization launched the V-KTO Program, which encourages employees to place more value on vacation time. It sponsors ski camps for elementary school students and domestic experience programs for junior high school students to encounter culture and history.

Health and Safety and Initiatives

>> Health and Safety, Accident Compensation

KTO has streamlined integrated risk management for the health and safety of its employees, business partners, and local communities. All employees have accident compensation insurance and participate in a health and safety education program. The Organization also compensates employees for on-the-job accidents and for consequent medical treatment and provides prompt response to accidents by assembling special units at accident sites.

>> Disease Prevention and Health Promotion

Every year KTO offers free medical exams for all employees and their spouses. These exams include special items such as conscious-sedation endoscopy. The scope of health screening agencies and exam durations have also been extended. Coverage under the collective injury insurance plan has also been expanded to include the children of employees. The injury insurance scheme also now covers myocardial infarction and cerebral hemorrhage. According to a 2009 survey of employee satisfaction with the medical exam, satisfaction has increased since they were allowed to choose the nearest hospitals for their exams.

Open, Rational Labor-Management Relations

Labor Unions

The KTO labor union, established in 1974, is open to employees of second and third rank. Members of the HR, audit, and executive secretary teams, as well as CEOs and the chief auditor, are not permitted to join. The labor union is affiliated with the Korean Federation of Public Service and Transportation Workers Unions and the Korean Confederation of Trade Unions.

Since its inception, the union has recorded no strikes, labor disputes, or violations, and it has served as a role model for labor-management relations. In 2009, the labor union and the management successfully negotiated wage freezes without resorting to strikes. KTO is only the second organization in the public sector to do so.



Mutually Beneficial Labor-Management Relations

» Labor-management Committee

Through a labor-management committee, KTO management communicates with the labor union on employee welfare. The committee convenes once every fiscal quarter, and it offers occasional presentations to employees as the need arises, as well as informal labor-management meetings. The committee has successfully negotiated a wage-peak system, improvements in multi-source assessment, and implementation of an industrial health and safety committee.

In 2009, a working committee on stable employment, operating under the labor-management committee, convened four times to mediate in matters related to employment stability prior to HR restructuring.



Open Communication between Labor and Management

Through timely communication KTO's labor and management share information on the status of management and changes in major policies. In addition, if major management issues arise, the CEO visits worksites for informal meetings and other active communications to achieve resolution. In 2009, 55 labor-management meetings and working-level informal meetings were convened.

In 2009, KTO conducted its first survey on issues in labor-management relations, with 105 employees participating.



Seongsan Sunrise Peak

Green Management

Korea Tourism with Green Management

Green Management Vision

KTO launched its green management programs in April 2009 with an inauguration ceremony, the first such ceremony in Korea's public sector. With the vision of becoming a platform for "low carbon, green growth," KTO is implementing three core strategies, each named for the goal it achieves: "Low Carbon Efficiency," "Carbon Sink," and "De-carbonization." The Organization encourages employees with a weekly "Green Day," held every Wednesday. Because of these programs, KTO received the fifth Green and Safety Management Award in green life and green tourism services, and the Korea Green-Growth Brand Award in the public services.

Energy Management

To help address Korea's insufficient natural energy resources and higher oil prices, KTO conducts company-wide energy-saving activities.

» Energy-saving Steering Committee

KTO's energy management system includes the Energy-savings Steering Committee and the Energy Keepers program. The Energy-saving Steering Committee delivers and resolves all processes in KTO's energy management. Led by the Senior Vice President, members consist of the head of each department, who analyze energy-saving performance every quarter. In 2009, KTO began making its buildings more green via inspection, maintenance, and replacement of facilities to minimize energy consumption. Its targets for energy consumption coincide with the average volume over the past two years. Energy usage from 2006 to 2009 follows:

| Energy Consumption Target vs. Performance at Headquarters(in TOE) |

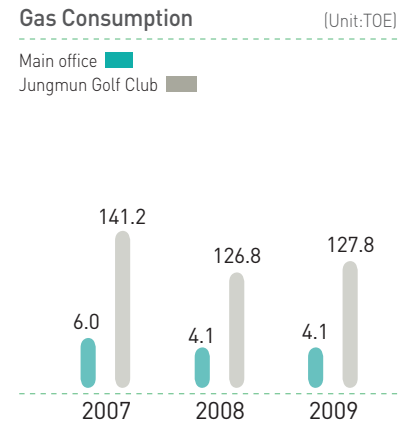
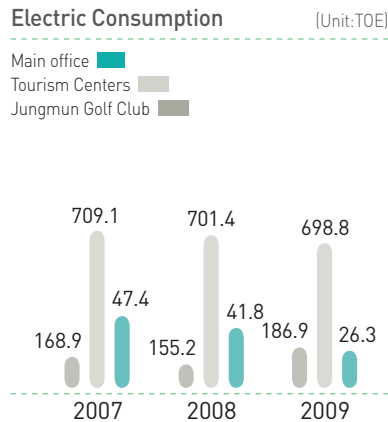
	2007			2008			2009		
	Target	Consumption	Energy-saving(%)	Target	Consumption	Energy-saving(%)	Target	Consumption	Energy-saving(%)
Electricity	660.84	709.09	-7.30	699.46	701.49	-0.29	718.84	698.04	-2.89
LNG	163.12	141.24	13.41	164.25	126.79	22.81	141.58	127.77	-9.75
Total	823.96	850.33	-3.20	863.71	828.28	4.10	860.41	825.81	-4.02

※ The Ton of oil equivalent (TOE) is a standardized unit of caloric value based on the International Energy Agency (IEA) standard for different energy sources, equivalent to the amount of energy released by burning one ton of crude oil, approximately 10Kcal.



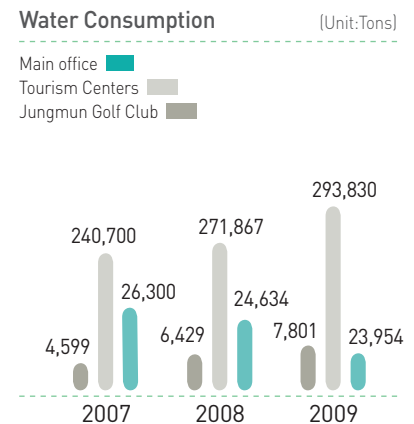
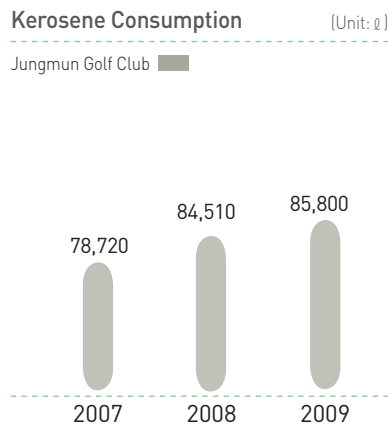
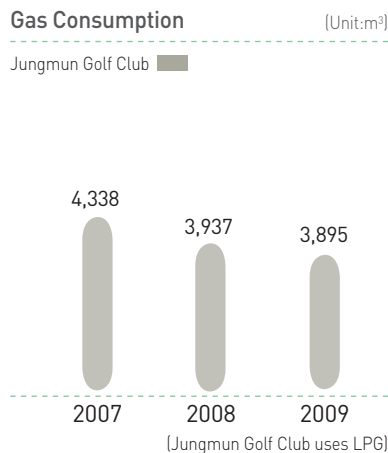
>> Energy-Saving Efforts

To save energy, KTO manages the energy and consumption of fresh water at its main office building, tourism centers, and the Jungmun Golf Club. The Organization has minimized no-load losses by using lightly-loaded transformers at our buildings, while installing electric saving equipment at hot and cold water pumps. Through elevators with automatic energy-saving mechanisms, KTO has reduced additional energy consumption by controlling elevator operations during off-peak times. The organization also uses energy-saving fluorescent lighting, achieving a 90% energy reduction for electrical appliances through central monitoring and control.



(Main office uses LNG, while the Jungmun Golf Club uses LPG)

* Tourism centers are outside LNG supply lines for heating and do not use LPG due to the closure of the employee cafeteria.



As part of its company-wide water conservation, KTO is installing water-storage basins and shower taps, as well as one-touch water valves. At the Jungmun Golf Club, KTO has curtailed water consumption every year by taking advantage of natural factors such as temperature and storm water volume and energy-saving promotion campaigns. In addition, KTO conducts company-wide energy-conservation promotion campaigns as part of the “+10/-10 Project.”

| Energy-Saving Efforts |

Categories	Details
Operation of energy-saving management bodies	-Established an Energy-saving Steering Committee
Education and promotion	-Promoted rational and efficient energy consumption
Building maintenance	-Set appropriate temperature for cooling/heating system and used highly energy-efficient equipment -Saved KRW1.0 million by replacing 50 lighting system with LED lighting bulbs
Transportation	-Observed the nation's "Individual Car-free Day," a incentive program using RFID tag
Others	-Encouraged employees wear casual suits during summer seasons, and introduced a video conference system

>> Energy Consumption Assessment

As a result of two assessments of energy consumption in 2009, KTO's energy factor, an indicator for electric power efficiency, exceeded 96%. Offices also maintain the appropriate temperature for cooling and heating between 27°C and 17°C. These improvements in conservation volumes include our main office and the Jeju Branch, including a tourism center and the Jungmun Golf Club, and are included in the sections that follow. Assessments have been conducted in five-year cycles since 2007.

>> Energy-saving Activities and Promotion

Selected employees on each floor are designated as energy keepers in the main office building. KTO also monitors energy consumption at offices and suggests improvements. In 2009, office staff turned off 5,200 fluorescent lamps during lunchtime. Every year, we also encourage energy managers to participate in seminars organized by the Ministry of Knowledge Economy and the Korea Energy Management Corporation. We held monthly internal energy-education programs in 2009.

[Activities of Energy Keepers]

- Started January 2, 2009
- Applied to all cars of KTO employees and visitors
- Removed the power plug of used electrical office equipments
- Turned off lights nearby windows and checked them as leaving offices
- Kept appropriate internal temperature at offices (20°C or lower during winter, 26°C or higher during summer seasons)
- Encouraged employees to use both sides of paper
- Checked whether windows were opened or closed
- Turned off lights of all floors during lunchtime between 12:00 and 13:00
- Controlled the lighting hours of signboards and outdoor lamps
- Controlled the lighting of parking lots
- Turned off unnecessary lights found during overnight patrol for all floors
- Turned off 105 fluorescent lamps at emergency staircases of all floors, including 26 lamps of mechanical and electrical rooms in basements
- Included three Keepers for facilities management, and nine Keepers for all floors

Integrated Communication Systems for Energy Conservation

KTO is implementing an integrated communication system through video conferencing, internal online chatting, email, and internet broadcasting. These methods save additional energy by reducing the number of meetings and other communication. As a result, the number of video conferences has increased 105.5% in one year, from 109 in 2008 to 224 in 2009.

| Energy Conservation Example |

Systems	No. of usages in 2009	Energy-savings
Video conference	224	KRW314 million
Chatting and email services	2.2 million	KRW218 million

Procurement of Eco-friendly Products

In accordance with the Act on Encouragement of Purchase of Environment-friendly Products, KTO purchases eco-friendly products such as fluorescent lamps, paper, ink cartridges, and copying machines, whenever possible. The organization obtains information on eco-friendly products from the homepage of the Public Procurement Office and prefers to select eco-friendly products from SMEs in its procurement planning. KTO continues to emphasize eco-friendly product lines increasingly in its purchases.

| Procurement of Eco-friendly Products |

Categories	2007	2008	2009
Total purchase amount for equipment (in KRW1,000)	352,681	218,328	1,015,871
Total purchase amount for eco-friendly products (in KRW1,000)	229,463	211,176	990,731
Purchase rate (%)	65.1	96.7	97.4



Response to Climate Change

Following the Korean government's declaration in 2008 of "Low Carbon, Green Growth" as a national vision, the Chamber of Ministers selected the Framework Act on Low Carbon, Green Growth as a government bill. The framework includes the creation of green economy and industries in phased changes. To respond to the government's vision and the effects of climate change, KTO seeks and examines successful low-carbon tourism complexes. This benchmarking helps in converting the Jungmun Tourist Complex into an eco-friendly tourism complex. Jeju Island, where the complex is located, emits far less CO₂ than other region of Korea.

In 2009, the Ministry of Culture, Sports and Tourism outlined the guidelines for development of low-carbon green tourism resources. In compliance with the guidelines, KTO continues to establish action plans to turn the Jungmun Tourist Complex into a green tourism complex with sustainable growth. In line with government guidelines, it is also introducing special programs to measure and offset carbon emissions at major international conferences, and it is establishing a civic-governmental joint council to formulate effective measures against climate change.

CO₂ emissions resulting from energy consumption, including electricity, LNG, LPG, and kerosene, at the main office building, a Tourist Information Center, and the Jungmun Golf Club, are as follows:

| CO₂ Emission |

	2007	2008	2009
CO ₂ Emissions in tons	2,351.6	2,498.0	2,362.6

Environmental Impact

With the introduction of the Green Tourism Department in 2008, KTO established a program for "low carbon, green tourism" in 2009. As a result, Korea was accredited by the World Tourism Organization (UNWTO), a United Nations agency, as an outstanding destination for green tourism. KTO also put highest priority on environmental protection and minimization of environmental impact, as demonstrated by its development of tourism programs such as "Sparkling Green Land," a new joint brand for agricultural tourism.

In 2009, KTO conducted surveys on green-tourism marketing. Major categories of green tourism include eco-tourism, experience of nature, walking tours, and carbon-emission reduction. In addition, KTO has developed seven joint projects in cooperation with government bodies, local governments, academia, and tourism industries. It has opened four meetings of the Green Tourism Advisory Committee to obtain in-depth consultations with experts in environmental tourism.

Environmental Impact from Development of Tourist Attractions

>> Preserving Biodiversity

Reckless development of tourist attractions causes reductions in wildlife and places further stress on endangered species by destroying their habitats. Going beyond endangered flora and fauna, KTO's biodiversity prevention activities aim to protect all eco-systems for all forms of life, including human beings. To protect life in forests, KTO catalogs and manages the trees of a development area as follows:

| Tree Planting at Oceano Golf Club in Haenam Tourism Complex |

Trees (as of 2009)	Total amount of plants	Amount of plants in the course	Amount of plants in other regions
Pinus thunbergii (Pine trees)	1,020	800	220
Deciduous tree	74	74	0
Eurya emarginata	800	800	0
Total	1,894	1,674	220





>> Environmental Effects Assessments

KTO classifies its development sites according to local environmental characteristics, using three criteria: groundwater resources, ecosystem, and landscape. In 2009, the Organization began to survey participants in eco-tours and, in collaboration with the Ministry of Environment, to develop eco-tourism monitoring products. In 2010, this project is growing into a joint strategic program between the Ministry of Culture, Sports and Tourism and the Ministry of Environment.

Environmental Impact from the Operation of Tourist Attractions

KTO directly operates seven duty-free shops nation-wide and the Jungmun Golf Club. It treats sewage from the Jungmun Golf Club at the West Sewage Treatment Station in Jeju. It has built ponds that prevent the pollution of streams by fertilizers. KTO also disposes of waste grass, a major waste material, at an incineration site in southern Jeju. Pursuant to the Soil Environment Conservation Act, the Organization holds annual examination for soil-pollution, outsourcing to authorized external agencies. These examinations have shown that no breaches of environmental protection laws have occurred.

| Major Waste at the Jungmun Golf Club |

Categories	2007	2008	2009
Waste grass (tons)	92	52	50
Waste oil (l)	200	800	386
Oily rags (kg)	32	58	48
Waste batteries (kg)	1,032	6,678	3,903
Waste sand (kg)	16	98	81

Conservation of Wetlands as Tourist Attraction

Since joining the Ramsar Convention on Wetlands in 1997, an international environmental treaty designed to ensure wetland conservation, Korea has registered eight Ramsar wetland zones, and in October 2008, Korea successfully hosted a Ramsar Convention in Changwon, Gyeongsangnam-do. In 2009, KTO provided a database for wetlands nation-wide as one of a series of materials on green tourism for its websites. It distributed 62,000 copies of a 2010 calendar to promote Suncheon bay, as well as posting special news articles in 10 languages at its homepage (www.visitkorea.or.kr)

Development of Eco-Friendly Tourist Attractions

In August 2009, KTO introduced the company-wide Green Tourism Steering Committee to manage its green tourism businesses. The committee consults with local governments on tourism development and provides state funding for joint projects. This collaboration with local governments ensures the eco-friendly and efficient development of natural tourism resources, particularly mountains and coastal areas.

Tourism to protect nature

>> Ecology Trails and Jeju Olle Routes

Experts on walking tours explored Jeju Island to begin development of thematic elements for ecological trails. KTO developed seven trails and eight products as a result of the exploration, and attracted 267 tourists in 2009.

Walking tour products	Time	No. of participants
Walking with Korean novelist Hwang Suk-Young on Dulle Trail on Mt. Jiri	Nov.	80
Leaving for Mun-gyeong-sae-jae with writer Kim Hoon	Dec.	80
"Slow city" certification memorial walk-a-thon at Hadong-gun	May	1,250
International slow walking festival at Kwan-dong-byeol-kok	Oct.	4,000

Jeju Olle Routes have become a popular attraction and an outstanding, highly successful green tourism product, with visitors increasing 8.4 times over the course of a year.

>> Development of Peace & Life Zones

In cooperation with the Ministry of Culture, Sports and Tourism, KTO is turning the Demilitarized Zone (DMZ) and its adjacent areas into peace and life zones (PLZs), creating an innovative tourist resource. In October 2009, the Organization produced a TV documentary to introduce the PLZs with all their beauty and potential as tourist attractions. It also organized Familiarization Tours for 70 school principals from Daejeon City in July, and then again for overseas journalists in October. Once established, PLZs will be significant as areas where the ecosystem is protected and restored. They will also signal start of unification between South and North Korea.

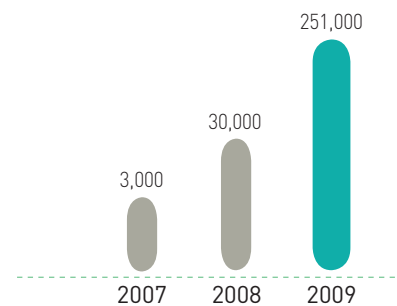
>> "Sparkling Green Land," an Integrated Program for Agricultural Tourism

Through our integrated brand system "Sparkling Green Land," KTO provides tourist attractions and experience programs utilizing nation-wide grasslands and rice paddies that are fallow during non-growing seasons, leading to a unique combination of local culture and tourism while also increasing local residential population. In 2009, the program expanded into Youngnam, Honam, and Chungcheong. Experiential villages increased in number from 48 in 2008 to 63 in 2009, while visitors to those villages increased by 8.7%, from 503,980 in 2008 to 548,045 in 2009.



Visitors to Jeju Olle Routes

(Persons)



Third Party's Assurance Report

Dear Readers of 2009 KOREA TOURISM ORGANIZATION Sustainability Report

Foreword

The Korea Management Association Registration and Assessments (KMAR) has been engaged by KOREA TOURISM ORGANIZATION (hereinafter called KTO) to verify the contents of its 2009 Sustainability Report (the Report). KTO is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

Our independence

With the exception of providing third party verification services, KMAR is not involved in any other KTO business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

Verification scope

KTO described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information:

- Verification of the economic segment: Review whether financial performance data has been extracted appropriately from KTO's 2009 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors
- Verification of environment segments: Review whether information included in the following segments is presented appropriately.
 - Energy control and counter-moving against climate changes
 - Development environmental friendly tourism resources
- Verification of social segments: Review whether information included in the following segments is presented appropriately.
 - Sustainability Management System
 - Ethical Management
 - Stakeholders (External client, supplier and employee)
 - Social Contribution

"Appropriately Presented" means that the actual data and the original information are appropriately reflected in the contents of the report with consistency and reliability. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

Verification standards

KMAR performed the review based on verification standards that have been developed in accordance with the Accountability "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

Verification process and conclusion

In order to form our conclusion, KMAR undertook the steps outlined below to assess KTO's internal processes for reviewing the sustainability reporting practices.

- Surveyed KTO's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with KTO on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

• Economic performance

We compared the Report with KTO's 2009 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2009 Financial Statements.

• Environmental and social performance

We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

Recommendation for improvement

We hope the Report KTO issued in 2010 will be actively used as a communication tool with stakeholders and recommend the following for improvements.

- Strengthening liaison of sustainability strategy for green tourism with vision and objectives of green management
- Analyzing of causes and presenting increases of environmental index such as the use of energy, etc.
- Strengthening social contribution in relation to characteristic duties of KTO



Korea Management Association
Registrations & Assessments Inc.

K. H. Park

CEO Ki Ho Park

2009

2009 Export Management Award (Special Acknowledgement)
2009 Recommended Destination for International Travel
2009 Green Growth Brand Award (Public service sector)
Korea's Best Company to Work (Grand Prize)
Green & Safety Management Award (Green tourism category)
2009 Korea Ethics Management Award in the public sector
PATA Gold Awards (Gold Prize)
Korea's New Growth Engine Management Award
Destination of the Year in Asia Pacific region
Most Satisfying Destination of the Year for Overseas Travel

Major Awards

Korea's Employees' Best Corporation Award
Korea Ethics Management Award
KMA Quality Management Award
2008 Corporate Social Responsibility Award
Sexual Harassment Prevention by a Public Agency Award
2008 Korea Global Management Award
Sponsorship Plaque of Appreciation for the Asia International Conference on Sustainable Management
2008 Service Management Award in the Public Corporation Category
Adrian Award Gold Award (Travel/Services)
Best Consumer Advertisement Award (TV Corporate PR)
Korea Advertisement Award (Public Ad)
3rd JATA Tourism Award (Best Tourist Office 2008)
Mercury Award Gold Award

2008



KOREA
TOURISM
ORGANIZATION

Sustainable Tourism

2009 Sustainability Report Summary

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www.visitkorea.or.kr



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