



Preservation, Co-existence and Tourism in Perfect Harmony

KTO's 2012 Sustainability Report



ABOUT THIS REPORT

Characteristics and Significance of This Report

This represents our fifth sustainability report-created with an emphasis on the key issues identified through the materiality test-on the basis of the table of contents that was structured around our sustainability management strategies. This report presents our wide-ranging endeavors and achievements in the economic, social and environmental field. As a leader of the Korean tourism industry, we publish such reports annually to communicate with our stakeholders.

Reporting Standards and the GRI G3.1 Guideline Application Level

Our 2012 Sustainability Report was prepared against the GRI (Global Reporting Initiative) 3.1 guidelines and ISO 26000. Furthermore, this report satisfies all the requirements for the GRI G 3.1 Application Level A+ Level.

Reporting Period, Scope and Boundary

This report contains the major initiatives and accomplishments concerning our main office, our domestic and overseas offices and our five regional promotional offices. It does not, however, include those companies that we invested in. This report spans the period between January 1 of 2012 to December 31 of 2012 and includes a portion of the data concerning the 1st half of 2013 wherever deemed necessary. Furthermore, the data for 2010 and 2011 was used in major performance indicators to allow for time-series comparisons.

Assurance

The content of this report was internally verified by our own task force team consisting of working-level employees. The accuracy and reliability of this report was further enhanced through the assurance engagement performed by the Korea Management Association Registrations & Assessments, an independent external assurance service provider.

For More Information and Feedback

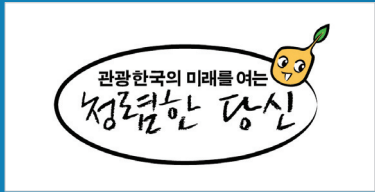
For further information or to download this report online in PDF format (available both in Korean and English), please refer to the KTO website. For feedback or inquiries, please fill out the questionnaire that appears at the back of this report or contact us at:

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- e-mail csteam@knto.or.kr
- Phone +82. 2. 729. 9623
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- Department in Charge CSR Center, KTO

2012 Highlights

01

Responsible Operation



Top-performing Public Enterprise in Ethics Management

In 2012, we ranked 2nd among 26 public enterprises in the area of corporate integrity. While we placed 3rd in 2011, in 2012 we evolved into a leader of integrity culture. This feat can be attributed to our multi-faceted endeavors for ethics management: we defined a strategic framework to reinforce our ethics management and integrity, while creating 'GoDami' as our pivotal character that bounds out together with ethics management initiatives, in addition to providing ethics training customized for each phase of the life cycle of a public official.

02

Sustainable & Competitive Tourism



Attracting 11.14 million In-bound Tourists

We set a new record for the number of in-bound tourists in 2012, which amounted to 11.14 million. This has never been accomplished-even by such countries as Switzerland, which is very advanced in tourism. We were at the very center of this historic turning point in the nation's tourism industry and fulfilled our duty as a global public enterprise in making Korea a favored tourist destination. Our tourism revenue rose by 14.4% from the previous year to \$14.2 billion, to reach its highest-ever level in history.



Bringing Chinese Amway Employees under the Incentive Group Tour Program

Our commitment to promote Korea as a favored tourism destination through the incentive group tour program continued to produce tangible results in 2012: we successfully attracted a great number of Chinese Amway group tourists, as we had Baojian tourists in 2011. Approximately 25,000 group tourists came to Korea, which constituted of the highest number of tourists coming to Korea from a single nation and a single company. This achievement generated KRW 40 billion in direct consumption expenditures and KRW 72 billion in induced production while driving the sustained growth of our MICE industry.

03

Embracing our People



Complete Elimination of Discrimination against Non-regular Workers

We set a new record for the number of in-bound tourists in 2012, which amounted to 11.14 million. This has never been accomplished-even by such countries as Switzerland, which is very advanced in tourism. We were at the very center of this historic turning point in the nation's tourism industry and fulfilled our duty as a global public enterprise in making Korea a favored tourist destination. Our tourism revenue rose by 14.4% from the previous year to \$14.2 billion, to reach its highest-ever level in history.

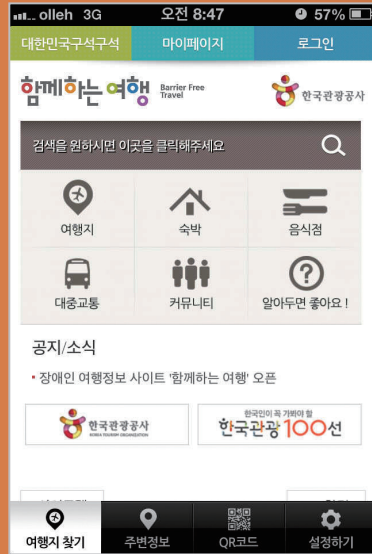


Leader in Family-friendly Management

We took the initiative in family-friendly management. The time spent on childcare leave was fully recognized as career service and flexible working hours helped our employees care for their children, while other diverse support programs were offered. This made us the first Korean public enterprise to win an award at the 'Great Work Place Awards' for five consecutive years and earned us the Prime Minister's Commendation as a top-performing company in family-friendly management.

04

Creating Customer Value



Korea's First Tourism Information Infrastructure for Handicapped Populations

Our survey into the accessibility of major tourist destinations and facilities across the nation for people with disabilities was based on the launching of the website 'Barrier Free Travel [access.visitkorea.or.kr]', the first of its kind to be created in Korea to provide tourism information to people with disabilities, as well as a smartphone application. This website enables us to provide travel tips that are customized according to various types of disabilities, and thus make it easier for handicapped individuals to travel across the country. It also encourages these individuals to travel to the more remote corners of the nation, which has been less active than its actual demand.

05

Reaching our Partners & Community



Revitalizing the National Economy through the Facilitation of Domestic Tourism

In response to the growing importance of the tourism industry in revitalizing the sluggish domestic economy, we helped create a virtuous cycle of providing economic stimulus: we expanded the culture of 'refresh' travel and identified new travel themes in Korea in order to facilitate domestic tourism, which in turn encouraged consumption and private sector investments. In so doing, we generated KRW 3.02 trillion in expenditures and jobs for 69,000 people.



Pursuing Shared Growth with SMEs

We opened a 'SME Store' dedicated to marketing products manufactured by SMEs within the Incheon International Airport's duty-free shopping area, as a way to promote shared growth with SMEs. While Korean SMEs have been excluded from the duty-free shop sales channel that is dominated by large companies selling overseas designer or imported goods, our SME store allows 90 SMEs to market 1,700 products, generating KRW 460 million in sales.

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Overview of the Korea Tourism Organization Organization

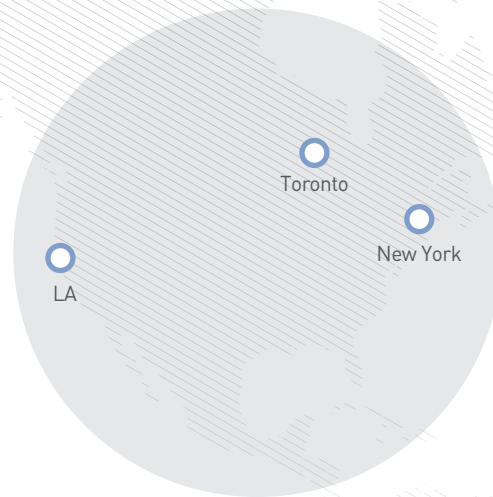
Corporate Overview

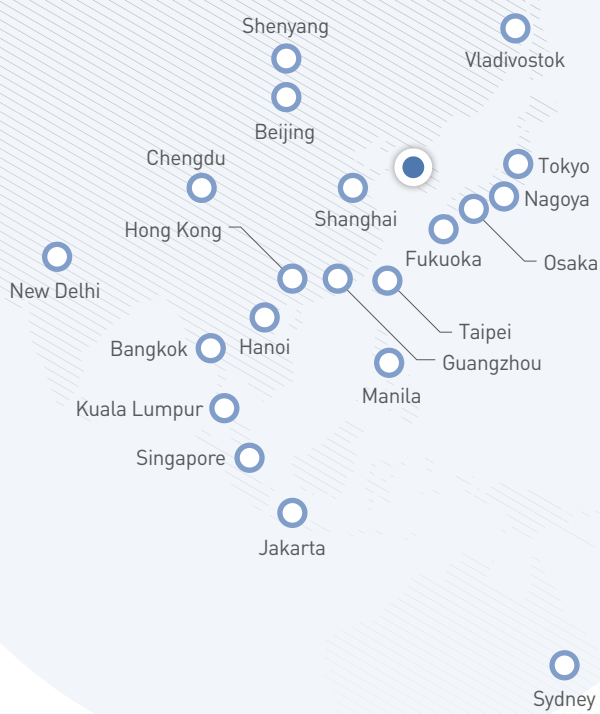
The Korea Tourism Organization (KTO) was established as a public enterprise in 1962, in accordance with the Act on the Establishment of the International Tourism Organization, in an aim to contribute to the enhancement of public welfare and the development of the national economy. It does so by promoting and expanding the national tourism industry. The scope of our business covers the promotion of tourism nationally/internationally, the development of tourism resources, research in the tourism industry and the fostering and training of a professional tourism workforce. As of December 2012, there were 629 KTO employees working in 19 countries across the globe.

General Status		As of December 31, 2012
Name of Company	Korea Tourism Organization	
Date of Establishment	June 26, 1962	
Main Office	40 Cheonggyecheon-ro, Jung-gu, Seoul	
CEO	Charm Lee	
Business Objective	To promote and grow the national tourism industry	
No. of Employees	629	
Sales	KRW 857.7 billion	
Total Assets	KRW 1.3508 trillion	
Liabilities	KRW 440.1 billion	
Capital	KRW 910.7 billion	
No. of In-bound Tourists	11.14 million	

Overseas Offices

29 Overseas Offices in
19 Countries

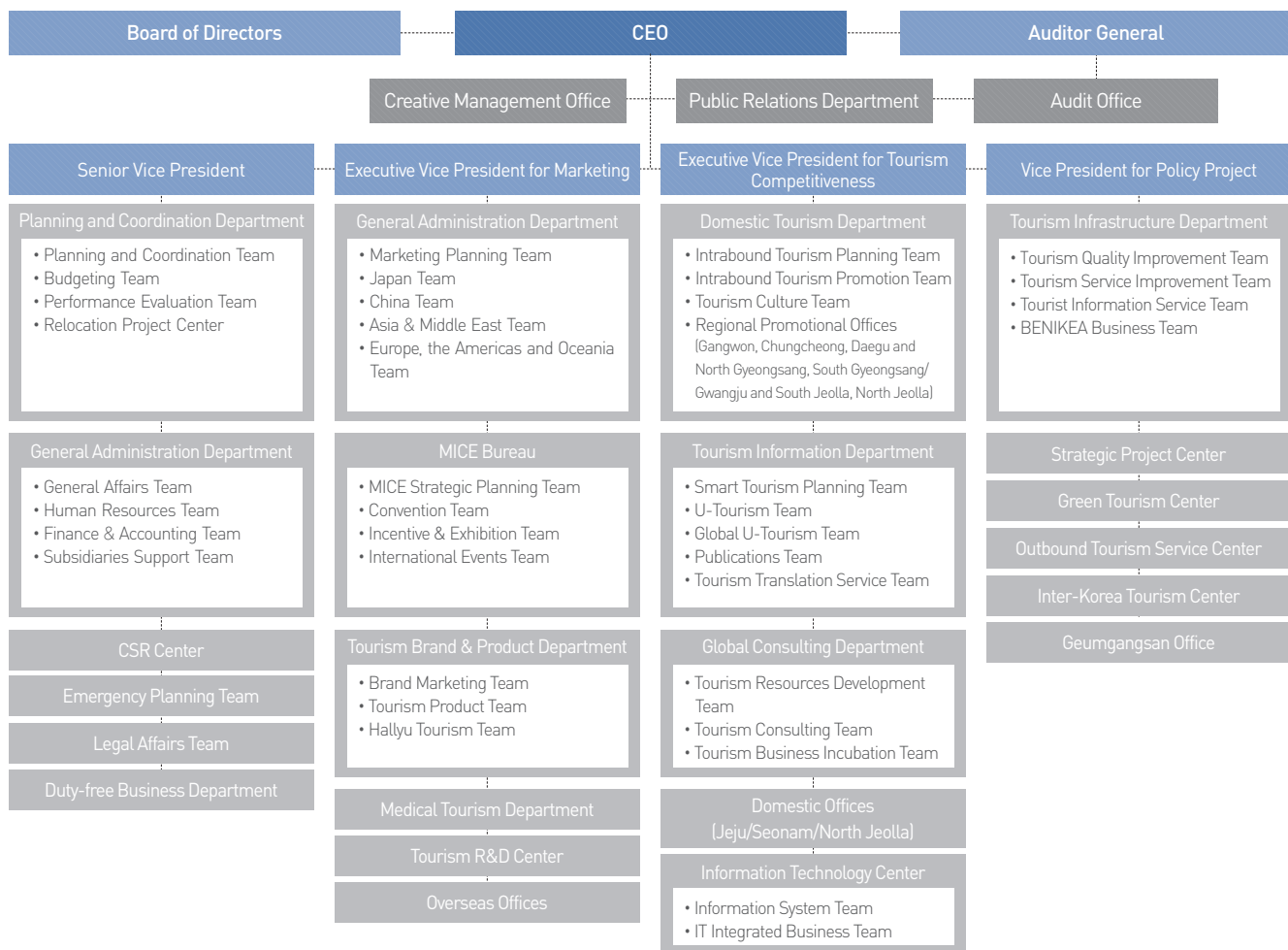




Organizational Status

As of January 1, 2013, we have four divisions, 14 departments and bureaus, and 42 teams and centers. We also operate the main office, five domestic offices, five regional promotional offices and 29 overseas offices in 19 countries.

Organizational Chart



1960

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

1970

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

1980

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

Our Major Business Domains

We conduct business in the following five categories: the attraction of in-bound tourists, the revitalization of domestic tourism, the improvement of the tourism industry's competitive edge, the development of a next-generation tourism industry and the revenue-making business for securing financial resources for the promotion of tourism. In so doing, we endeavor to present a future path for the Korean tourism industry and contribute to the sustainable growth of our nation, while effectively promoting Korea as an attractive tourist destination across the globe and revitalizing domestic tourism.

Major Business Domains



*MICE : Meetings, Incentive Travel, Convention, Exhibitions

1990

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

2000

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

- **2008** KTO's organization was structured to enhance the Korean tourism industry's competitive edge, Green Tourism Team and MICE Bureau were newly created
- **2009** More than seven million in-bound tourists visited Korea
- **2010** More than eight million in-bound tourists visited Korea
- **2011** More than 9.8 million in-bound tourists visited Korea
- **2012** More than 11 million in-bound tourists visited Korea

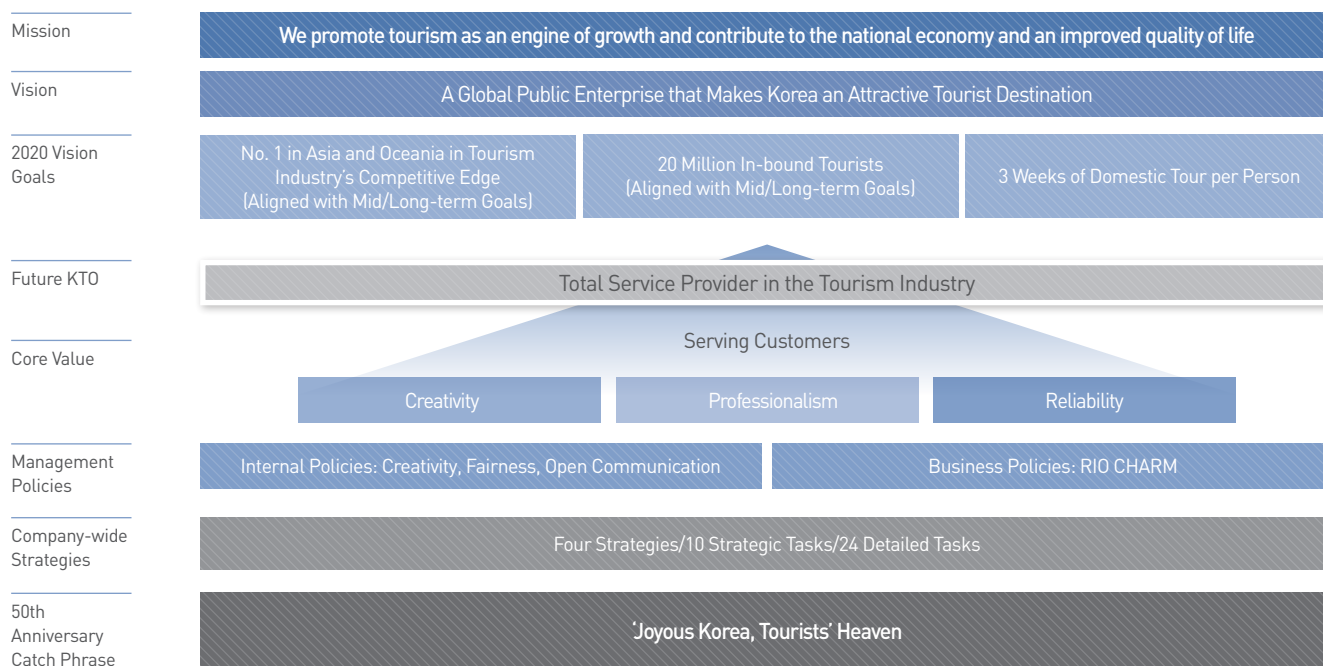
Vision and Core Value

Vision 2020 and Core Value

In celebration of our 50th anniversary, we created our new catch phrase 'Joyous Korea, Tourists' Heaven' that reflects our core value in 2012 and have fully capitalized on it since then. Under our company-wide mission of improving the quality of life for the public, we declared our vision of becoming 'A Global Public Enterprise that Makes Korea an Attractive Tourist Destination' as well as 2020 vision goals that aspire to achieving 'No. 1 in Asia and Oceania in Tourism Industry's Competitive Edge, 20 Million in the Number of In-bound Tourists (Aligned with Mid/Long-term Goals), and Three Weeks of Domestic Tour per Person' in detailed quantifiable terms.

Furthermore, we continue to share and practice the core value of our organizational culture, which is to serve our customers on the basis of creativity, professionalism and reliability as a Total Service Provider in the tourism industry under the leadership of our CEO. We will constantly analyze global tourism trends and operate our key business domains, so as to emerge as a sustainable global tourism company that supports the balanced growth of the tourism industry.

Vision Framework



2020 Vision Goals in Quantifiable Terms

Vision Indicators	Current Goals (2012)	Mid-term Goals (2017)	Long-term Goals (2020)
Tourism Industry's Competitive Edge	No. 6 in Asia and Oceania	No. 3 in Asia and Oceania	No. 1 in Asia and Oceania
Attract In-bound Tourists	11 million	16.8 million	20 million
Korean's Domestic Tour Days	10.4 days/person	14.6 days/person	3 weeks/person

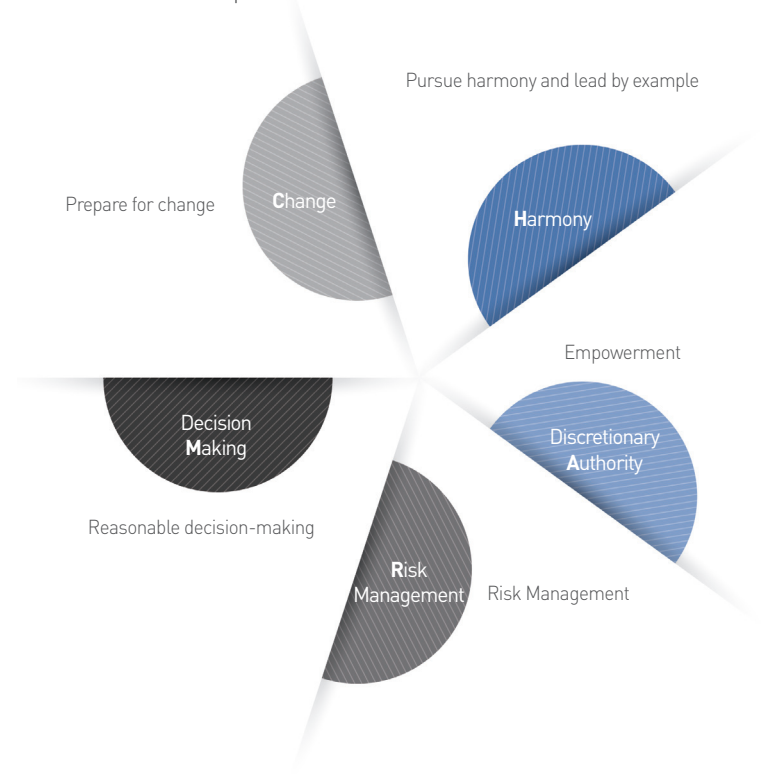
Creation and Use of the Catch Phrase in Celebration of KTO's 50th Anniversary

Category	2012
Catch Phrase	Joyous Korea, Tourists' Heaven
Meaning	Making Korea a favored tourist destination that satisfies both overseas and domestic tourists
Use	Used for the events held in celebration of the KTO's 50th anniversary and various tourism-related events

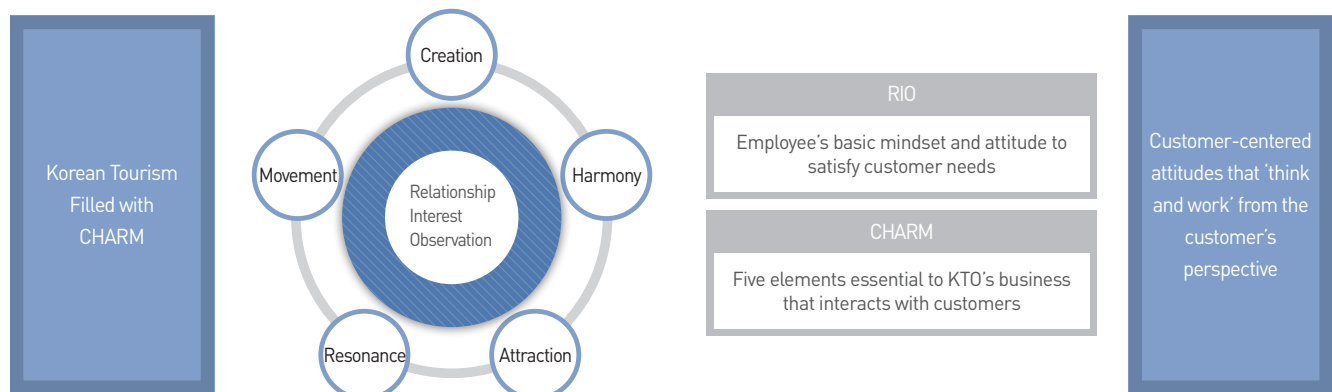
Our Core Value and CEO's Management Principles to Put the Core Value into Action



CHARM Leadership



'RIO CHARM' Management Principles



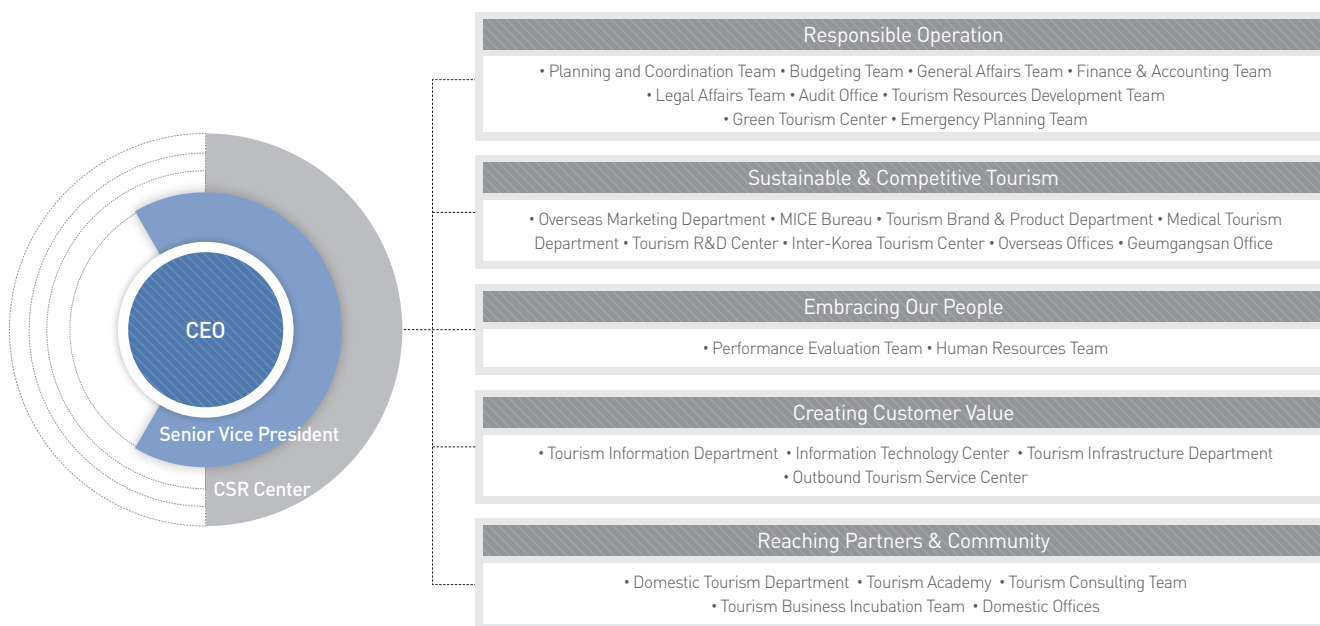
Our Sustainability Management Action Framework

Sustainability Management Strategy and Tasks

Vision and Framework

We gathered feedback from wide-ranging internal/external stakeholders to perform the materiality test. Those major issues identified through this process were aligned with our Vision 2020 and four overarching strategies based on our core value in order to define sustainability management vision, strategic directions, strategic tasks and implementation tasks. This was further complimented by the action roadmap developed to undertake systemic follow-up measures. While we initiated our endeavors to lay the foundation for sustainability management in 2012, we will consistently drive and expand our commitment towards sustainability management in 2013 and undertake market-leading sustainability management initiatives in the tourism industry to evolve into a globally-competitive industry leader.

Organizational Structure for Sustainability Management



KTO SI

We are the first Korean public enterprise to have developed our own sustainability index (KTO Sustainability Index), as a sustainability management performance management system. KTO SI assists in the operation of our self-initiated evaluation program that covers ethics management and the social contribution of our employees. Evaluation outcomes are calculated through the KEDEX (KTO Ethics Index) system and disclosed to our employees. Index scores are available on an individual, departmental and company-wide level.

KTO SI (KTO Sustainability Index)

Category	Evaluation Details	2010	2011	2012
General Status of KEDEX		218	224	227
Commitment to Ethics Management	Status of the establishment of ethics management	70	75	71
Business Ethics	Status of the operation of ethics management	68	69	76
Awareness of Ethics Management	Outcomes of ethics management	80	80	80

Sustainability Management Action Framework

Corporate Vision | A Global Public Enterprise that Makes Korea an Attractive Tourist Destination

Sustainability Management Vision | Global Leader (No. 1) of a Sustainable Tourism Industry(No.1)

Strategic Direction	Strategic Task	Implementation Task	
A. Responsible Operation	Sustainable growth	<ul style="list-style-type: none"> • Create a CSR Committee • Launch incentive programs concerning the implementation of CSR strategies and implementation tasks 	A-1 A-2
	Institutionalization of ethical culture	<ul style="list-style-type: none"> • Clarify job definitions of employees in charge of ethics management • Reinforce training in each phase of KTO's life cycle 	A-3 A-4
	Creation of eco-friendly value	<ul style="list-style-type: none"> • Devise ways to monitor energy consumption of overseas office • Strengthen ecosystem protection initiatives including the One Company One Mountain campaign 	A-5 A-6
B. Sustainable & Competitive Tourism	Sustainable tourism	<ul style="list-style-type: none"> • Develop an action framework and roadmap to promote tourism for the less privileged • Undertake public programs to promote sustainable tourism 	B-1 B-2
	Competitive tourism	<ul style="list-style-type: none"> • Facilitate domestic / overseas promotional support for SMEs and local governments • Assist less-developed countries in establishing tourism infrastructure 	B-3 B-4
C. Embracing Our People	Creation of equal opportunities and an open culture	<ul style="list-style-type: none"> • Identify programs to respect human rights and diversity • Devise ways to minimize discrimination against non-regular workers 	C-1 C-2
	Creation of a human-centered and content workplace	<ul style="list-style-type: none"> • Operate a self-diagnosis program to help employees' stress management • Reinforce global tourism expert training programs 	C-3 C-4
D. Creating Customer Value	Customer value management	<ul style="list-style-type: none"> • Develop tourist health and safety management systems and manuals • Strengthen the tourism industry monitoring system • Obtain external information protection system certification 	D-1 D-2 D-3
E. Reaching Partners & Community	Establishment of a mutually-beneficial cooperation framework	<ul style="list-style-type: none"> • Clarify communication channels with business partners • Strengthen CSR support for business partners and suppliers • Facilitate talent promotion programs for business partners, suppliers and local communities 	E-1 E-2 E-3
	Management for shared hopes and happiness	<ul style="list-style-type: none"> • Define global social contribution strategies • Undertake education and health promotion programs for local communities 	E-4 E-5

Sustainability Management Action Roadmap

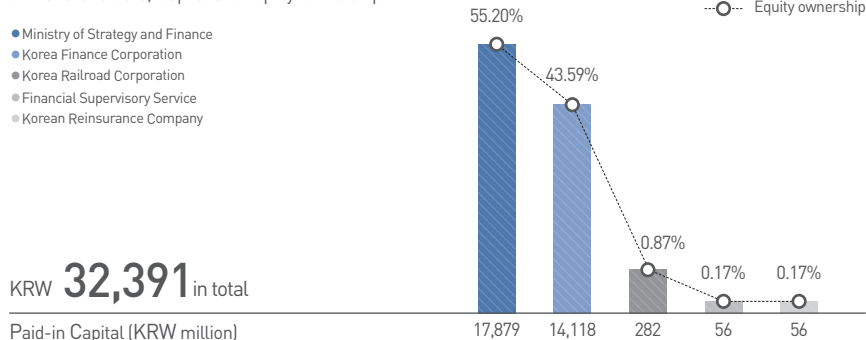
Step 1. Lay the foundation for sustainability management	Step 2. Develop and expand sustainability management	Step 3. Establish and elevate the level of sustainability management
A-2 / A-3 / A-4 / B-3 / C-1 / D-2 / E-1	A-6 / B-1 / B-2 / B-4 / C-2 / C-4 / D-1 E-2 / E-3 / E-5	A-1 / A-5 / C-3 / D-3 / E-4
2012	2013	2014
		2015

Corporate Governance

Our Shareholders

Our equity ownership remained unchanged from 2011 and our major shareholders include the Ministry of Strategy and Finance, the Korea Finance Corporation, the Korea Railroad Corporation, the Financial Supervisory Service and the Korean Reinsurance Company. The Korean government (Ministry of Strategy and Finance) owns 55.2% or more than half of the total shares, and the following shows the ratio of paid-in capital and equity ownership of respective shareholders.

Our Shareholders, Capital and Equity Ownership

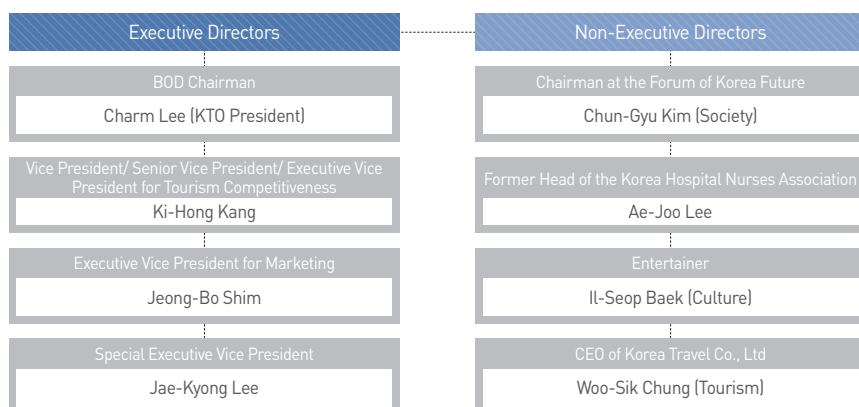


Our Board of Directors (BOD)

We are committed to establishing a BOD-centered management system and advancing corporate governance, while improving the transparency of our business operations. As our top decision-making body in business conduct, our BOD is chaired by the company CEO and consists of nine members in total: four executive directors and five non-executive directors, including one female director. (One non-executive director position remains vacant) Our CEO serves three years, while directors serve two years and their tenure may be extended on a yearly basis. We comply with relevant laws, the KTO article of incorporation and the Regulation on the Operation of the BOD concerning the BOD composition and tenure of office.

BOD Members

As of December 2012



Major Agenda Items Addressed by the BOD

Category	Agenda	Note
15 Deliberations	<ul style="list-style-type: none"> Revision of office regulations 2011 settlement Revision of HR regulations Development of management goals 	Conditional approval concerning the development of mid / long-term management goals
26 Reportings	<ul style="list-style-type: none"> Outcomes of the 2011 audit Completion of the disposal of Kyongbuk Tourism Development Corporation Status of the marketing initiatives for the 2012 Yeosu Expo 	Out of the 23 business-related suggestions, 22 were integrated into operations

BOD Operation

Our board of directors (BOD) deliberates and decides on major management issues and met 13 times in total in 2012. The BOD meeting minutes are disclosed on our website and on ALIO (www.alio.go.kr, a management information disclosure system for public institutions). Our non-executive directors are highly-qualified professionals with abundant expertise and experience in their respective specialty areas covering: culture, media, society and tourism. Their expert advice enables us to improve management efficiency and provides checks and balances to the top management.

BOD Operational System

Supplement Systems and Institutions

- Define BOD operational plans
- Operate the dedicated BOD team
- Review BOD-related regulations

Offer Feedback

- Analyze evaluation outcomes
- Reflect feedback
- Reflect the outcomes of performance evaluation

Strengthen the Role of the BOD

Provide Managerial Checks and Assistance

- Strengthen preliminary consultations
- Increase physical visits to operational sites
- Integrate more management advice into operations

Evaluate Performance

- Governmental management evaluation
- Internal management evaluation
- Self-initiated evaluation made by the dedicated BOD team

Outcomes of the BOD Operation

Category	2010	2011	2012
BOD Meetings (No. of meetings)	13	14	13
Agenda Items Deliberated on (No. of items)	19	15	15
Preliminary Deliberation (%)	69.23	85.71	76.9
Modified Agenda Items Approved (No. of items/%)	4/21.05	1/6.67	1/6.67
Agenda Items Reported (No. of items)	23	27	26
BOD Attendance (%)	92.52	88.98	87.07
Attendance of Non-executive Directors (%)	92.08	89.29	82.81
Ratio of Comments Made by Non-executive Directors (%)	63.89	63.62	69.98

Executive Recommendation Committee

Our CEO, auditors and non-executive directors are appointed through the Executive Recommendation Committee. To improve the transparency and fairness of the committee operations, each member is obliged to recommend more than three candidates. In addition, standing directors are excluded from the committee, while two external committee members are appointed to further strengthen the independence of the committee operation. In 2012, the committee met once and contributed to laying the foundation to facilitate our internal corporate governance through the recommendation and appointment of the non-executive director specialized in medical tourism.

Compensation and Evaluation

The performance pay of our CEO is determined by the results of the annual governmental management evaluations conducted by the Ministry of Strategy and Finance. Furthermore, all our executives are subject to internal management assessments made in their respective divisions, governmental management evaluations and top-down assessments made by the CEO in order to enhance their management accountability. While individual performance assessments are made of managers in class 2 and above, the performance-based annual salary program is in operation in order to differentiate base annual salary and bonus pay in accordance with individual performance levels.

Risk Management

Risk Management Process

We clearly define the financial and non-financial risks that affect our organization and are building on our risk management capabilities on a strategic level. We specifically categorize non-financial risks into business management risks and tourism industry risks while establishing our own integrated risk management system (RMS) to ensure the systematized management of such risks. It is based on this framework that each and every KTO employee is building capabilities to systematically respond to any possible risk.

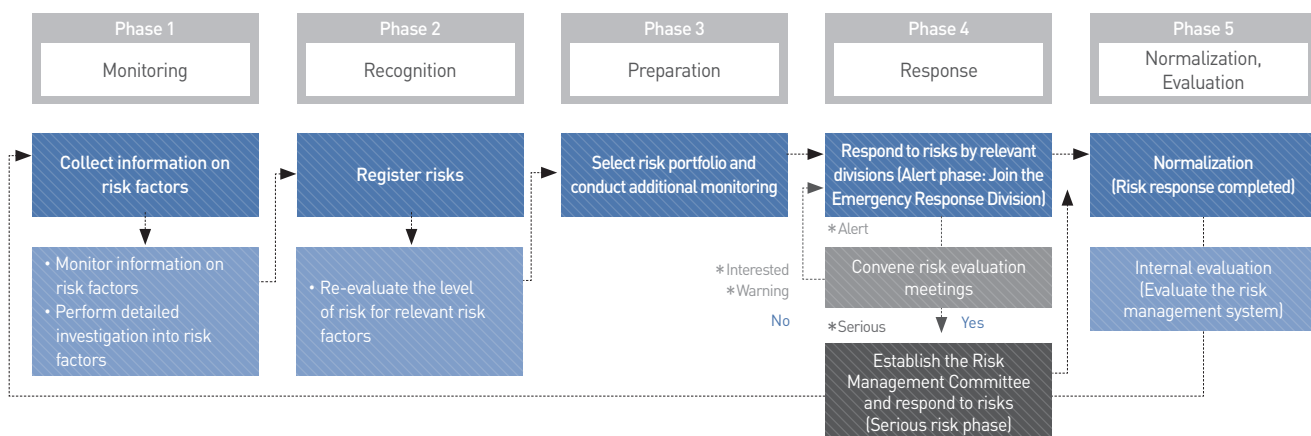
Types of Risks



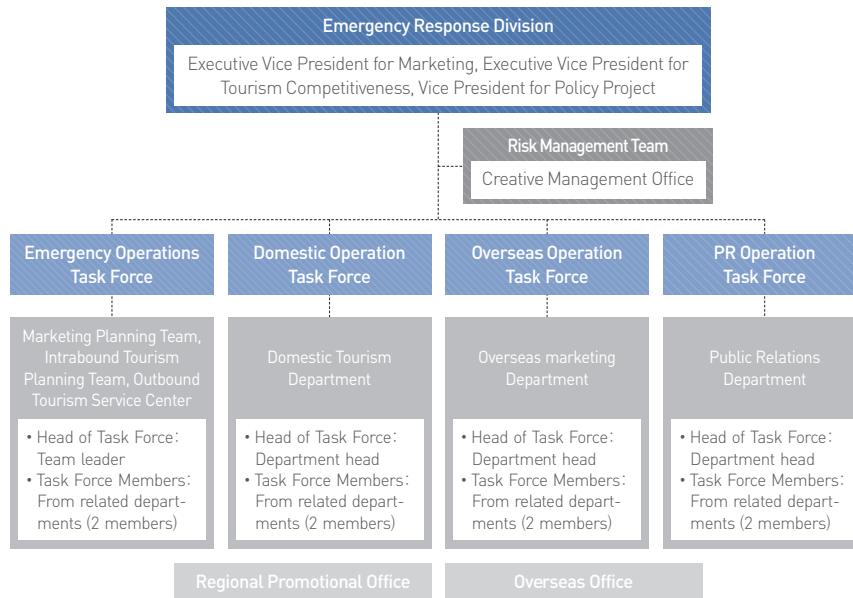
Tourism Industry Risk Management

Risks in the tourism industry may start small but they can gradually spread to hit the entire industry with grave consequences due to diverse international political conditions and environments. Furthermore, these risks have the potential to inflict severe damages and loss of property. Thus, our Creative Management Office is responsible for managing the entire risk management process: it chose 25 risk factors in four tourism sectors and designated responsible units in each phase of the risk development. The office also assists us in making decisions promptly and addressing risks with immediate responses.

Risk Management Process



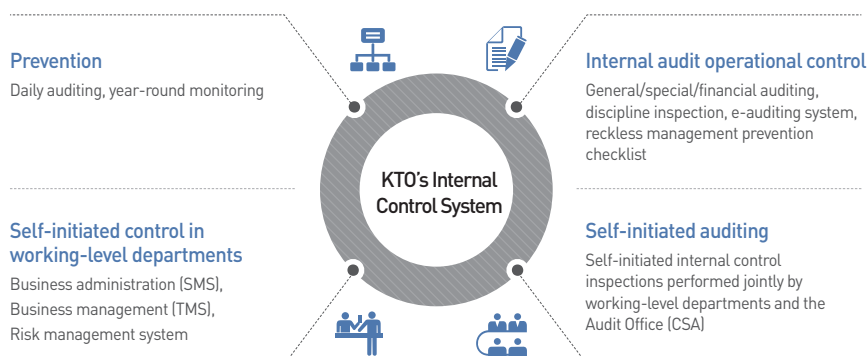
Risk Management Organizational Chart



Internal Audit

A highly stringent internal control system and risk assessment-based auditing allow us to maintain a year-round monitoring system for risk diagnosis and prevention. In 2012 specifically, the scope of auditing was extended to cover both 'financial risks' and 'non-financial risks' that encompass 'operational processes' and 'organization' in order to enhance the effectiveness of our risk prevention operations, while a real-time risk evaluation system was created to enable risk variation management. Furthermore, the scope of IT auditing was extended to utilize information technology-not just for constant monitoring-but also for regular, comprehensive and specific auditing engagements. Our CSA (Control Self Assessment) operation also led to such tangible outcomes as a decreased number in the audit comments made and an improved standardization, through the expansion of inspection fields, computerization of processes and other management system improvements.

Operational Framework for the Internal Control System



Main page of the risk management system



Risk Management Case Study

Monitoring

- Growing security concerns across the Korean Peninsula due to the launching of a long-range missile by North Korea (April, December)
- Rapid decline in Japanese tourists due to diplomatic disputes between Korea and Japan (down by 20.7% and 24.8% in October and November respectively from the previous year)

Status Analysis

- Interested alert issued in relation to the security crisis on the Korean Peninsula (April, December)
- Interested alert issued in relation to the declining number of Japanese tourists (August ~)

Risk Response

- Response through the risk management system (RMS)
 - Preparation: A marketing roadmap was drawn up to address the risk
 - Response: Risk response measures were undertaken (including additional marketing efforts)
 - Normalization Analysis: Conducted through the briefing of risk response measure outcomes
 - Budget reallocation: KRW 800 million was allocated to special projects to attract Japanese inbound tourists

Response Outcomes

- The 10 million mark was reached in the number of inbound tourists for the first time in nation's history (November 2012)

Materiality Test Process

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

1. Recognition of Social Responsibility

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

Media Analysis

To understand how major issues concerning our sustainability management were covered by media outlets, we analyzed a total of 44,127 media articles spanning three years between January 2009 and December 2012. In so doing, we were able to identify relevant issues.

Industry Peer Analysis

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

Trend & Impact Analysis

Our employees were surveyed regarding major trending sustainability issues on trend, impact and internal capacity levels, in order to identify issues where we impact others or are impacted. They were also surveyed on internal capacity issues. Specifically, internal capacity issues were utilized in identifying the sustainability management action framework that appears on page 25 of this report.

Diagnosis of Our Compliance with ISO 26000

The level of our performance in fulfilling our social responsibility was diagnosed in accordance with the ISO 26000 diagnostic tool that was developed under the supervision of the Ministry of Knowledge and Economy. This led to the identification of relevant issues with an emphasis on our vulnerabilities.

2. Stakeholder Engagement

We gather feedback from our stakeholders so as to join forces with them in fulfilling our economic, social and environmental responsibilities. Our key stakeholder groups are defined in accordance with their legal, financial and operational responsibilities concerning our business conduct, as well as their level of influence. This is followed by qualitative surveys on those stakeholders who represent each stakeholder group, which include governments, academia, business partners, tourism-related industries, overseas NTOs, and social contribution organizations. Online surveys were also conducted in determining final issues to be addressed through this report.

In-depth Stakeholder Interview

To identify detailed sustainability issues that concern our business operations, we performed in-depth interviews with seven key stakeholders between May 31 and June 10 of 2013.

Ministry of Culture, Sports, and Tourism / Lee Jin-sik / Director, Tourism Policy Division | Hanyang University / Kim Nam-Jo / Dean, Graduate School of International Tourism, Div. of Tourism | Visit Korea Committee / Han Kyung-Ah / Executive Director, Marketing Division | Asiana Airlines / Kim Hyung-Soo / Vice President, Corporate Support | Bosuk Tours LTD. / Lichard Suh / president | Japan National Tourism Organization / Chung Yeun-Bom / Executive Director | The Korea Association for Sustainable Tourism / Pyun Hyung-Seok / Executive Director

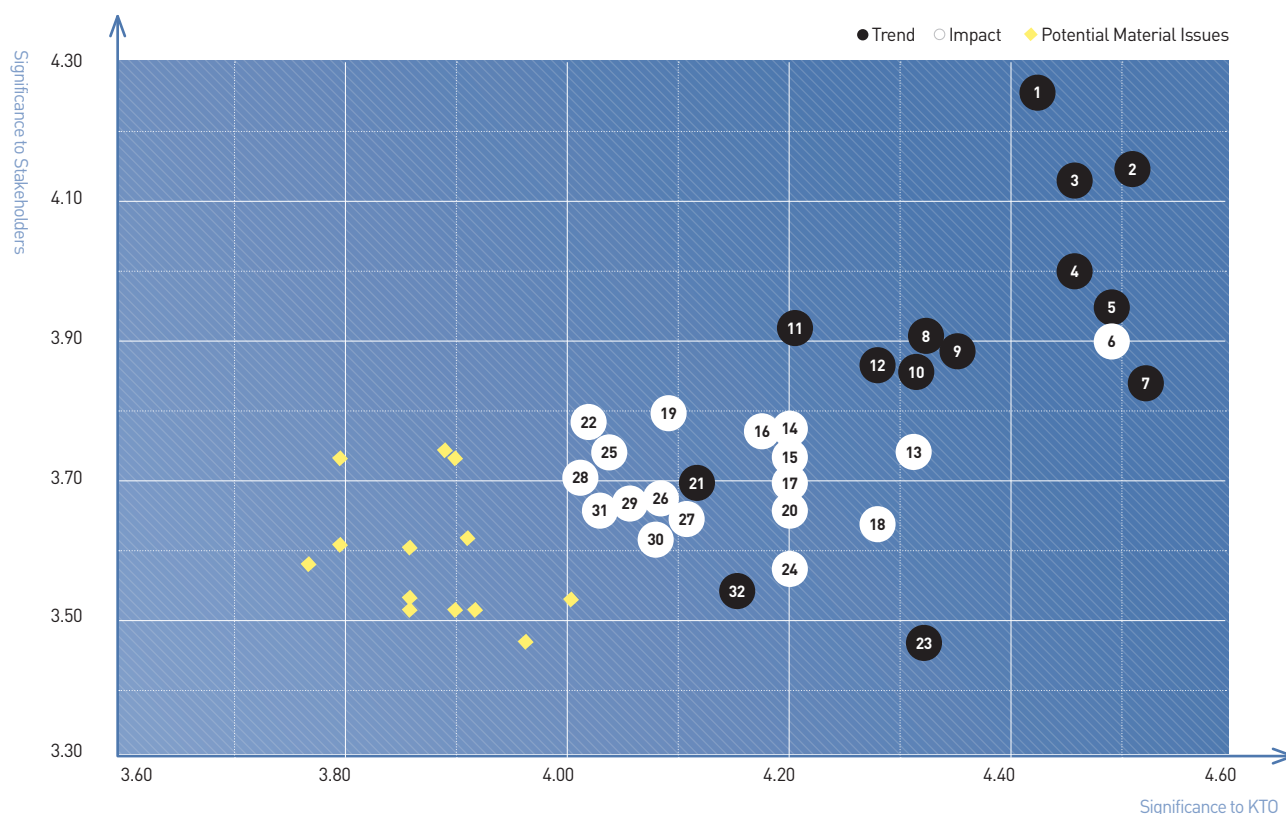
Online Stakeholder Survey

As a way to gather diverse feedback regarding our sustainability management, our key stakeholder groups that represent our employees, government, domestic and overseas tourists, the tourism industry and local communities were surveyed online for seven days between June 20 and June 26 of 2013. This online survey was attended by 798 domestic and overseas stakeholders and their responses were carefully analyzed and integrated into our pool of material sustainability issues.

3. Identification of Material Issues

Our materiality test was conducted in two phases of relevant testing and significance testing as suggested by ISO 26000. Out of the initial 102 sustainability issues, 55 were chosen as relevant issues, as they were considered to have satisfied the relevance testing criteria proposed by

ISO 26000. This was followed by the significance test, which produced 32 key issues, whose average significance score was 3.85 points or above (14 Trend issues and 18 Impact issues) and these issues were included in this sustainability report.



1	Extension of product/service responsibility (Improvement of readiness, improvement of tourism infrastructure and culture, etc.)	4.34
2	Increase in diversified and stronger customer demand (Spread of the five-day workweek system, growth in the number of FIT[Free Individual Traveler]s and interest in and needs for domestic tourism, etc.)	4.33
3	Increasing number of consumers who value the environment and society [Sustainable tourism]	4.29
4	Growing demand for transparency	4.23
5	Facilitation of the inbound tourism market	4.21
6	Enhancement of the national image/brand	4.20
7	Growing importance of shared growth with suppliers	4.18
8	Intensifying competition in the tourism industry	4.12
9	Stronger demand for fair competition and shared growth	4.12
10	Growing needs for welfare tourism for the socially-underprivileged	4.08

11	Globalization of market, competition and supply chain	4.07
12	Contribution to local community education and culture	4.07
13	Provision of opportunities for human resources development and education & training at work	4.03
14	Endeavors to create wealth and income in local community (Promotion of domestic tourism)	3.98
15	Prevention of corruption	3.97
16	Involvement in local community development	3.97
17	Labor conditions and responsibility for social protection	3.96
18	Strategy to respond to external environments	3.95
19	Contribution to local community education and culture	3.95
20	Guarantee of fair employment and employment relationships (Recruitment, wage, etc.)	3.94
21	Deepening regional conflicts and development gaps	3.92
22	Sustainable use of resources	3.91

23	Growing importance of employees' rights and roles	3.90
24	Promotion of corporate social responsibility within its sphere of influence	3.90
25	Service support for customers and resolution of consumer complaints and conflicts	3.89
26	Development of expert knowledge, functionalities and skills and contribution to local communities through their application	3.88
27	Endeavors to support social investment in local communities	3.88
28	Protection of consumers' data and privacy	3.87
29	Guarantee of workplace health and safety	3.87
30	Fair marketing	3.86
31	Guarantee of social dialogue with employees	3.85
32	Growing interest in corporate governance and responsible management	3.85

Our Sustainability at KTO

Material Issue	Major Stakeholder	Strategic Direction	Strategic Task	Performance Indicator
<ul style="list-style-type: none"> Intensifying governmental evaluation concerning social responsibility 	Governments, employees		Sustainable Growth	Operation of the BOD
				Tourism revenues
				UN Global Compact
				Introduction of the CSR mileage scheme
<ul style="list-style-type: none"> Growing demand for transparency Prevention of corruption 		Responsible Operation	Institutionalization of ethical culture	Initiative to establish a CSR Committee (Expand the operation of the Ethics Management Committee)
				KTO phase-specific life cycle education
<ul style="list-style-type: none"> Environmental protection and restoration of natural habitats Sustainable use of resources 	Employees		Creation of eco-friendly value	Integrity evaluation
				Reduction in energy consumption
				Energy conservation practices
				Ratio of green purchasing
<ul style="list-style-type: none"> Growing need for welfare tourism for the socially-underprivileged Increasing number of consumers who value the environment and society (Sustainable tourism) Sustainable consumption (Green tourism, etc.) 	Tourists, General public		Sustainable tourism	Environmental impact assessment (Tourism complexes)
				Number of domestic travel days per person
				Beneficiaries of tourism vouchers
				Development of materials for green tourism products
<ul style="list-style-type: none"> Enhancement of the national brand/image Globalization of market, competition and supply chain Intensifying competition in the tourism industry 	Tourism industry, Related tourism organizations	Sustainable & Competitive Tourism	Competitive tourism	Sales of green tourism products
				Number of in-bound tourists
				Development of materials and products through convergence
				Support for planning in-bound travel products and results in attracting in-bound tourists
<ul style="list-style-type: none"> Guarantee of basic labor rights Guarantee of fair employment and employment relationships Guarantee of social dialogue with employees 	Employees	Embracing Our People	Creation of equal opportunities and an open culture	Results in attracting in-bound tourists attending MICE events
				Number of inbound medical tourists
				Ratio of female employees
				Ratio of physically-challenged employees
<ul style="list-style-type: none"> Growing importance of the rights and roles of employees Labor conditions and responsibility for social protection Guarantee of workplace health and safety (Stress management, etc.) Provision of opportunities for human resources development and education & training at work 	Employees		Creation of a human-centered and content workplace	Labor disputes
				Grievance resolution
				Education and training
				Satisfaction with education programs
<ul style="list-style-type: none"> Increase in diversified and strengthened customer demand Extension of product/service responsibility Fair marketing Service support for customers and resolution of consumer complaints and conflicts Protection of consumers' data privacy 	Tourists, Tourism industry	Creating Customer Value	Customer value management	Job satisfaction
				Employees who take long-term leave
				Customer satisfaction
				In-bound tourist satisfaction with KTO's readiness
<ul style="list-style-type: none"> Growing importance of shared growth with suppliers Stronger demand for fair competition and shared growth Deepening regional conflicts and development gaps Development of expert knowledge, functionalities and skills and contribution to local communities through their application Endeavors to create wealth and income in local communities (Promotion of domestic tourism) 	Local governments, Suppliers, Local tourism corporations, Local communities	Reaching Our Partners & Community	Establishment of a mutually-beneficial cooperation framework	Daily use of online tourism information (in Korea and overseas)
				External certification of KTO's information protection systems
				Brand awareness of Korea as a tourist destination
				No. of Korea tourism supporters
<ul style="list-style-type: none"> Involvement in local community development Contribution to local community education and culture Endeavors to support social investment in local communities 	Local communities		Management for shared hopes and happiness	Consultation with local governments in developing the tourism industry
				Satisfaction with professional tourism training programs
				Ratio of purchasing SME products
				Ratio of purchasing products from female-owned or social enterprises
				Sales of SME products at duty-free shops
				Employee volunteerism
				Local community support project expenditure
				Education and health promotion programs
				Global social contribution initiatives

※ 2010 achievement and 2011 goal data may differ from our previous year's report due to the modification of data since the publication of the 2010 sustainability report.

Unit	2011 Achievement	2012 Goal	2012 Achievemen	Relevant Page
Number of meetings	14	More than one meeting per month	13	12~13
\$ 100 million	123	117	142	24
–	CoP submitted	Submission of CoP	Submission of CoP	75
–	–	Integration of the existing mileage schemes	Under review	27
–	–	Review of the revised Ethics Management Committee regulations	Under review	–
–	–	Analysis of demand for education programs and development of educational systems	Development of educational systems completed	27
Level	Excellent	Highest level	Excellent (No. 1 in the public enterprise segment)	27
%	3.44	3	10.82	28~30
Number of cases	5	7	3	30
%	73.0	94.0	94.6	32
–	Legal threshold satisfied	Legal threshold satisfied	Legal threshold satisfied	32
Number of days	6.69	7	7.5	–
Number of beneficiaries	29,975	35,000	51,276	36
Number of cases	18	25	26	38
Number of beneficiaries	5,700	10,000	14,730	38
10,000 people	980	1,100	1,114	40
건	57	60	63	42
10,000 people	63	69	72	–
Number of beneficiaries	202,313	218,000	230,030	43~44
Number of beneficiaries	55,354	60,000	67,919	44~45
%	35.2	36	36.4	48~49
%	1.7	3	1.7	48~49
Number of cases	0	0	0	50
%	90.3	90% 이상	98	51
Number of hours	18,131	20,000	14,809	52~53
Point on a scale of one to five	3.85	3.90	3.92	52~53
Points	3.6	3.7	3.72	–
Number of beneficiaries	79	150	274	54~55
Level	A(Highest level)	A(Highest level)	A(Highest level)	58
Point on a scale of one to five	3.98	4.12	4.14	–
Number of page views (1,000 views)	1,713	1,888	1,518	–
–	–	Analysis of the operational status of information protection systems	Information protection system consulting project undertaken	59
%	37	37.5	38.4	–
Number of beneficiaries	4,599	5,060	5,133	64
Number of cases	17	25	35	66
Point on a scale of one to five	4.3	4.5	4.55	–
%	93.8	93.8	99.7	67
%	4.8	6	8.2	–
KRW 100 million	340.6	360	385.1	67
%	157	250	314	68
KRW million	47.1	100	285	–
Level	–	Selection of professional educational and health service providers	EAP (Employee Assistance Program) initiated	69
Level	–	Development of global social contribution plans	Social contribution programs were undertaken in the Philippines and Japan	69

INTERVIEW

Stakeholder Interview

Jin-Sik Lee | Director, Tourism Policy Division / Ministry of Culture, Sports, and Tourism



For KTO to identify reasons and solutions for relatively sluggish domestic tourism, it is recommended that the company accurately understand the needs and trends of actual customers and take the initiative in changing its course of action. The top priority here is to initiate internal organizational innovation. Such commitment to change will enable KTO to build mutually-beneficial, trust-based relationships with local communities while contributing to stimulating domestic tourism and the local economy, thus creating shared value with its stakeholders.

Nam-Jo Kim | Dean, Graduate School of International Tourism, Div. of Tourism / Hanyang University



KTO is the most essential organization in representing and promoting Korea as a tourist destination. Internally, KTO needs to provide sustained education and training to help its employees build stronger expertise while externally expanding promotional efforts in combination with advanced technology such as website, application, and closer networking with overseas offices. In so doing, KTO will be able to evolve into a company fully supported by its consumers.

Yeun-Bom Chung | Executive Director / Japan National Tourism Organization



Among the three nations of Korea, China and Japan, Korea is definitely a leader in the tourism industry. This is why it is critical that KTO secure a sufficient budget and personnel to maintain its current size of operations. Furthermore, it needs to consistently receive support from the general public in order to grow into an organization that promotes public interest through tourism.

Hyung-Soo Kim | Vice President, Corporate Support / Asiana Airlines

KTO is required to be the first in leading the market through the use of big data on the basis of its outstanding marketing capabilities, experiences and accumulated knowledge.

Furthermore, it needs to proactively share its strategies with stakeholders to maximize synergistic effects.

Hyung Seok Pyun | Executive Director / The Korea Association for Sustainable Tourism

The most critical factor in sustainability management is to establish an organization's role and function in consideration of its numerous stakeholders. Thus, KTO needs to offer venues to gather feedback from diverse stakeholders as a main agent in establishing its own governance. It also needs to create more opportunities to engage with even more stakeholders, in addition to local governments and large travel companies.

Richard Suh | President / Bosuk Tours LTD.

I believe that KTO needs to secure a sufficient budget to expand its overseas office operations, while forming a closer alliance between KTO employees and the tourism industry during the off-season to further explore new market segments. Moreover, its overseas roadshows may extend their scope into Africa and other new markets, in addition to conventional big markets. KTO would benefit from taking a long-term perspective in making investments to approach new markets.

Kyung-Ah Han | Executive Director, Marketing Division / Visit Korea Committee

Korea reached a milestone in attracting 10 million inbound tourists. However, in addition to ensuring the quantitative growth of our tourism industry, we need to likewise focus on qualitative growth. We need to take the level of the Korean tourism industry a notch higher and pursue convergence as a way to ensure diversity in developing tourism content and products, while joining forces to improve the satisfaction of each and every tourist who comes to Korea.

RESPONSIBLE OPERATION

CHAPTER 01

SUSTAINABLE GROWTH

024 | Efficient Operation of Resources

INSTITUTIONALIZATION OF ETHICS CULTURE

026 | Ethics Management

CREATION OF ECO-FRIENDLY VALUE

028 | Green Operation and Energy Management

031 | Commitment to Minimizing Environmental Impact

032 | Eco-friendly Tourism Resource Management

01 RESPONSIBLE OPERATION

Management Principle

As a Total Service Provider who assists the balanced growth of the national economy and the tourism industry, we are committed to attracting more inbound tourists and facilitating domestic tourism, while reinforcing our endeavors to manage financial and non-financial risks as a way to build a stronger competitive edge in the Korean tourism industry. Furthermore, we develop green tourism products to establish a culture of tourism that cares for the environment, people and Mother Nature, while creating a dedicated energy management organization to enhance the eco-friendliness of our competitive edge.

Performance

Category	Performance Indicator	2010	2011	2012	Department in Charge
Economy	Attraction of inbound tourists (10,000 people)	880	980	1,114	Finance & Accounting Team, Marketing Planning Team
	Tourism revenues (\$)	\$9.7 billion	\$12.3 billion	\$14.2 billion	
	Labor productivity (KRW million)	461	249	454	
	Credit rating (Financial stability)	AAA	AAA	AAA	
Environment	Conservation of energy (%)	1.23	3.44	10.82	General Affairs Team
	Purchasing of eco-friendly products (%)	78.1	73.0	94.6	
	GHG emissions (tCO ₂ eq)	1,893	1,944	1,783	

Progress

- Development and implementation of future-centered mid/long-term strategies and multi-faceted endeavors to improve the financial structure
- Management and advancement of companies that KTO invests in
- Development of high value-added and business-aligned tourism products, along with the attraction of more FITs to increase the contribution of the tourism industry to the national GDP to reach the 10% level
- Attraction of more than 20 million inbound tourists and a posting of \$30 billion in tourism revenue by 2020
- Construction of green buildings and the advancement of green culture through the expansion of GHG inventory
- Expansion of green management in the tourism industry and institutional support for green tourism including, carbon labeling

Issues

- Increasing number of consumers who value the environment and society (Sustainable tourism)
- Intensifying competition in the tourism industry
- Sustainable use of resources

Sustainable Growth

Efficient Operation of Resources

Value Creation and Distribution

Sustained Increase in the Number of Inbound Tourists

In 2012, our endeavors to increase tourism revenues and contribute to the national economy through the attraction of more inbound tourists allowed us to exceed our initial target of 11 million to reach 11.14 million in the number of inbound tourists. This is up by 13.7% from the previous year and we have been marking two-digit growth rates for four consecutive years, outperforming our competitors in Singapore, Hong Kong, China and Japan. This makes Korea the only country among the top 50 tourism destinations to make such a feat. Furthermore, our tourism revenue set a new record in national history with \$14.2 billion, which laid the foundation to pursue sustained development to reach 20 million in inbound tourists by 2020.

Trajectory and Increase Rates in the Number of Ex

Category	2010	2011	2012
Number of inbound tourists	8.8 million	9.8 million	11.14 million
Increase (%)	12.6	11.6	13.7
Tourism revenue (\$)	\$10.3 billion	\$12.4 billion	\$14.2 billion
Increase (%)	5.5	20.1	15.4

Diagnosis of Our Financial Status

To assess the stability of our financial structure, we diagnosed the financial risks caused by our decision to withdraw from our core profit-making business. To transform our business structure that has been centered on tourism promotion, we have been closing duty-free shops at the Mokpo and Sokcho Harbors and the Muan International Airport and Cheongju Airport consecutively since 2008. The decision whether to continue operations at the remaining shops at the Incheon International Airport as well as Incheon, Busan, Pyeongtaek and Gunsan Ports will be determined through consultation with the Korean government. Meanwhile, we identified detailed environmental changes that deeply affect our financial budget: declining profits from the partial withdrawal from the duty-free shop business, tourism complex lots that remain unsold due to the sluggish real estate market and difficulties in undertaking new business ventures caused by insufficient resources. This urged us to undertake our RE-START strategy to reinforce our financial structure, including organizational reshuffling & renewed take-off, soft landing & financial structure improvement, efficient asset management, risk management and budget savings.

RE-START Strategy and Accomplishment

Strategic Direction	Renewed Take-off	REstructuring (Establish a foothold for a renewed take-off through business restructuring)			
	Soft Landing	Soft-Landing (Maintain and solidify the foundation to conduct core business through soft landing)			
Response Measure	Strategy	Target Earning	Asset Allocation	Risk Management	Target Costing
	Goal	Systemic increase of profits	Optimal asset management	Preemptive risk management	Highly intense cost innovation
	Indicator	Net income	ROI	Credit rating	Cost savings
Profit Increase	<ul style="list-style-type: none"> Growing operating income of the duty-free shop business (10.3%) KRW 8.9 billion increase in the Tourism Promotion Fund budget Enhanced visibility of conducting new profit-making business (Hallyu tourism MICE complex) 				
Asset Management	<ul style="list-style-type: none"> Disposal of subsidiaries (KRW 212 billion (including interest payments), divided repayment over ten years) Maximization of asset value (KRW 7.5 billion) and land sales (KRW 600 million) 				
Risk Management	<ul style="list-style-type: none"> Maintain 150% in quick asset ratio as well as the current level of net income 				
Cost Innovation	<ul style="list-style-type: none"> Assign more personnel to core functions (23 employees) KRW 11 billion in expense budget saving (123% of the savings target) 				

Reinforcement of the Financial Structure

Advancement of Public Enterprises

As a way to privatize subsidiaries under the Korean government's policy to advance public enterprises, the disposal of the Kyongbuk Tourism Development Corporation was completed in June 2012 and the KRW 177 billion that we earned through the sales will be invested in managing funds and undertaking new business for a specific period of time in the upcoming years.

Furthermore, we commissioned the Korean Asset Management Corporation to sell our International Convention Center Jeju (ICC Jeju, 17.42%) shares in August 2011 while Samil Pricewaterhouse Coopers is working as an underwriter on the on-going project to sell the Jungmun Resort Complex (including the Jungmun Beach Golf Course).

Such endeavors demonstrate our full commitment to improving the health of our assets and securing liquid assets to initiate new emerging ventures through the disposal of non-core assets. In so doing, we share our success stories of selling companies-that public enterprises invest in-to local governments.

Improvement of the Executorial Efficiency and Transparency of the Tourism Promotion Fund

We are supported by the Tourism Promotion Fund as a public enterprise under the leadership of the Ministry of Culture, Sports and Tourism. To ensure the efficiency in managing financial resources we receive from the fund, internal management assessment outcomes are reflected in making spending decisions, performance has been improved in managing these financial resources and the Clean Card Program was initiated. As a way to enhance transparency, a real time corporate card use inspection system was developed in March 2012 and those who violated its relevant guidelines were restrained from using their corporate credit card for the next two occasions. These endeavors to introduce more stringent standards led to the reduction of KRW 1.5 billion in the fund amount that is carried over to the following year from the previous year.

Value Distribution

We generated KRW 857.7 billion in sales and KRW 158.3 billion in net income through our product sales and support business. The economic value that we create is equally distributed to our major stakeholders as contributions to local communities, support for tourism industry partners and through other formats.

Summary Consolidated Income Statement (KTO's unique business-In accordance with IFRS standards)			Unit: KRW million
Item	2010	2011	2012
Profit (Sales)	918,386	863,317	857,742
Cost of sales	655,259	602,957	579,795
Selling and administrative expenses	156,064	159,654	169,348
Operating profit	107,063	100,706	108,599
Other revenues	1,084	817	21
Other expenses	7,244	9,423	6,319
Other gains (losses)	-3,475	1,626	-7,133
Financial profit	12,884	16,025	22,040
Financial cost	9,540	6,306	6,502
Income related to companies subject to equity method	-679	-624	-264
Income before income taxes	100,093	102,821	110,442
Income tax expenses	74,540	70,079	25,709
Operating profit from discontinued operations	0	45	73,603
Net income	25,553	32,787	158,336

Tourism Promotion Fund			Unit: KRW million
Category	2010	2011	2012
Budget(Regular)	125,639	124,870	133,084
Settlement	133,047	131,918	138,215

Economic Value We Created in 2012			Unit: KRW million
Gross Profit			884,326
Distributed Value	Stakeholder	Details	
	Partners (Local governments, tourism industry)	Support project ex- penses	138,215
	Shareholders	Dividends	-
	Governments	Income taxes	25,709
	Suppliers	Cost of sales	441,580
	Local Communities	Donations	5,457
	Employees	General management expenses	130,462
		Others	38,886
	Non-operating expenses and others		104,017

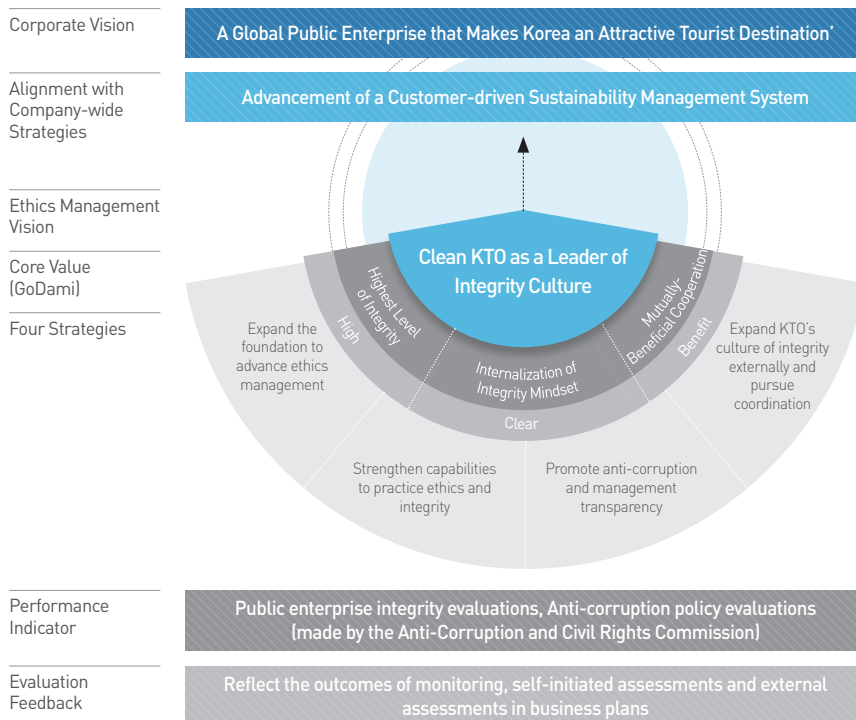
Institutionalization of Ethics Culture

Ethics Management

Ethics Management Action Framework

Under our ethics management vision of becoming 'Clean KTO as a Leader of Integrity Culture', we defined our ethics management mid/long-term strategies and strategic framework aligned with our corporate vision and strategies, in order to establish a culture of ethics and integrity.

Ethics Management Strategic Action Framework



Mid/long-term Ethics Management Strategy

2015

Dissemination of ethics management led by the tourism industry

Lead the dissemination of ethics management in the Korean tourism industry through cooperation within the industry

2014

Establish ethics management that creates shared value

Create shared social value and build external competitive edge in ethics management

2012-2013

Institutionalize ethics management

Establish a corporate culture of Clean KTO through the advancement of KTO's ethics and integrity mindset

Re-establishment of Ethics Management Organizations

We created a dual structure that consists of the Audit Office and the CSR Center as dedicated ethics management organizations to boost their mutual check and supplementary functions. Specifically, the Ethics Management Committee, composed of 11 internal/external members, was upgraded from a mere consultation body into a decision-making body with stronger authority. In addition, 55 EMOs (Ethics Management Officers) were appointed as middle managers in charge of ethics management to complete a three-level structure consisting of general managers, middle managers and working-level staff.

Ethics Management Initiatives

Development of the Code of Ethics Framework

Our ethics disciplinary measures became stricter; previous measures defined embezzlement as the sole issue that could be reported to the prosecution while the effectiveness of our Code of Conduct was improved through the designation of the head of the Audit Office as the supervisor. This aimed to compensate for its low substantial effectiveness which is attributed to its creation as a mere designation from the company CEO. Meanwhile, a cap was set on the lecture fees that our employees take as external lectures and the company-wide Code of Ethics was developed to prevent corruption. Our executive members take five hours of mandatory integrity training and high-ranking officials in Class 1 and 2 should also take mandatory cyber ethics training courses, while integrity indicators are used for multi-dimensional assessment schemes so as to reinforce our top-level integrity enhancement system.

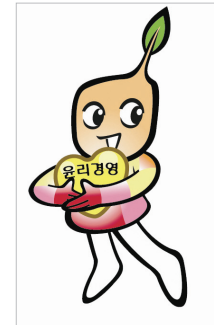
Improvement of the Integrity Mileage Program

To further advance ethics management, we increased the total integrity mileage from 28 miles to 50 miles and this is reflected in our incentive schemes. This led to a closer alignment between multi-faceted ethics and integrity initiatives and incentive schemes. We also awarded top performers at each ethics training session to improve employee engagement.

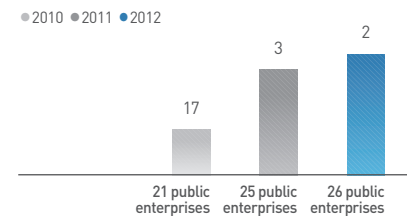
Enhancement of Ethics and Integrity Capability

To assist our employees in building a stronger integrity mindset, we developed educational programs for each phase of our organizational life cycle and provided training accordingly. These programs aimed to reach all our employees and were categorized into common training, training customized for different situations and ethical blind spot training. Meanwhile, the 'GoDami Integrity Campaign' was launched to improve a culture of ethics and integrity: 'Integrity Style', KTO's own integrity-themed song, was composed, the 'GoDami' brand was more actively used, 'Clean Thoughts' (as a webtoon that concerns ethics and integrity) was published and integrity news was broadcast. These endeavors also earned us a No. 2 ranking in integrity among public enterprises and a No. 1 ranking in improvement of competitive edge in anti-corruption among public enterprises in 2012. Furthermore, we ranked No. 1 in the public enterprise segment at the Global Ethics Management Awards and the Korea Sustainability Index (KSI), which strengthened our position as a leader in the culture of integrity.

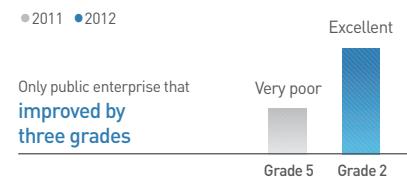
Ethics Management Brand 'GoDami'



No. 2 in Integrity among Public Enterprises



No. 1 in Improvement of Competitive Edge in Anti-Corruption



Outcomes of Training Customized for Different Situations and Ethical Blind Spot Training

Category	Training Outcomes		Trainees (Number)
Training Customized for Different Situations	Executives	Attendance in external ethics management forums (3 times)	3
	Newly promoted employees	Advanced integrity mindset training (twice)	24
	Middle managers	Common ethics training for all employees (3 times)	584
	New hires	Ethics and integrity training, integrity pledge (6 and 4 times)	31
	Contract workers	Corporate ethics training (3 times)	123
Ethical Blind Spot Training	Each working-level department	Ethics and integrity workshops (57 departments)	307
	Expatriate workers	Basic ethics mindset training (twice)	52
	Domestic offices, regional promotional offices	'Visiting Ethics and Integrity Training' (6 times)	72

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

Category	2010	2011	2012
Total Integrity	8.70 (Substandard)	9.05 (Excellent)	9.02 (Excellent)
External Integrity	8.91	9.25	9.13
Internal Integrity	8.11	8.72	8.71

Creation of Eco-friendly Value

Green Operation and Energy Management

Green Management Organization

Energy-Saving Committee

Our Energy-Saving Committee is in operation year-round and is responsible for deliberating and deciding on matters that concern reasonable operations, management and the execution of energy resources in accordance with the Korean government's energy use rationalization regulations. In addition, the committee analyzes energy-saving outcomes quarterly and reports them to responsible department heads, while setting total energy consumption targets in the respective areas of gas, electricity and others, as a way to undertake energy-saving initiatives.

Energy Keepers

We assign energy facility management staff at our headquarters and on our rented office floors and designate them as energy keepers, while encouraging other affiliated organizations to follow suit. Energy keepers are responsible for inspecting the status of energy consumption at the office and making recommendations for improvements: they perform constant inspections on the state of electric heaters, the power supply and lighting. Subsequently, they report the outcomes of their activities to the General Affairs Team in order to improve their operational effectiveness. The scope of their activities also includes keeping office temperatures at appropriate levels, maintaining and suspending the operation of elevators to save electricity and installing water-saving water supply devices in the restrooms. Another way we encourage the conservation of energy in one's daily routine is to undertake the 'No Driving Day' program and increase the ratio of compact and hybrid cars used for business.

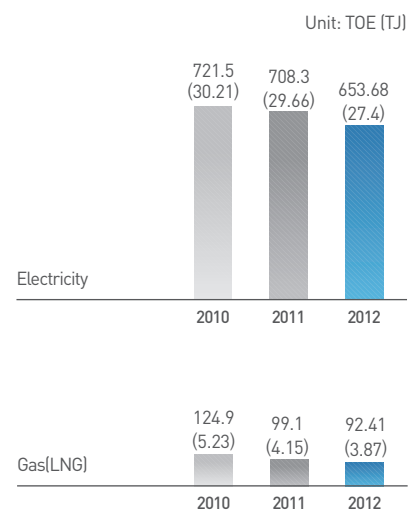
Energy and Resource Management

We focus on the Jungmun Resort Complex and the Jungmun Beach Golf Course that consume energy in large quantities, as well as the main office that is occupied by a large number of employees, in reporting our environmental performance through this 2013 Sustainability Report.

Energy Consumption

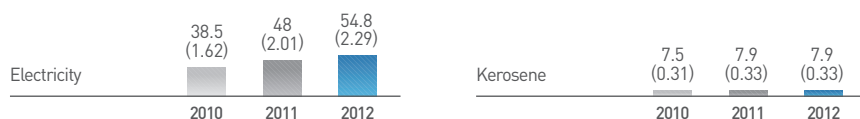
We have successfully reduced our energy consumption for the past three years. Our main office uses city gas (LNG) and electricity only as energy sources while the Jungmun Resort Complex uses electricity and kerosene as LNG is not supplied to the complex area.

Energy Consumption at the Main Office



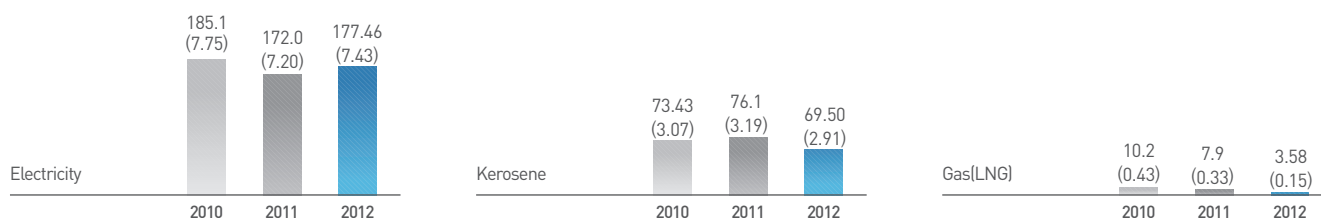
Energy Consumption at the Jungmun Resort Complex

Unit: TOE (TJ)



Energy Consumption at the Jungmun Beach Golf Course

Unit: TOE (TJ)



Achievements against the Energy Consumption Targets

In 2012, we achieved additional an 10% savings against the set goals in reducing electricity and gas consumption, which enhanced our target attainment level to 111%.

Achievements against the Energy Consumption Targets

Unit: TOE

Category	2010			2011			2012		
	Target	Achievement	Attainment (%)	Target	Achievement	Attainment (%)	Target	Achievement	Attainment (%)
Electricity	729.7	721.5	101	709.8	708.3	100	714.90	653.68	109
Gas	127.3	124.9	102	126.3	99.1	127	112.00	92.41	121
Total	857.0	846.4	101.3	836.1	807.4	103.6	826.90	746.09	111

Intensity Analysis of Energy Consumption at the Jungmun Resort Complex

Category		2010		2011		2012	
		Achievement	Against the Previous Year(%)	Achievement	Against the Previous Year(%)	Achievement	Against the Previous Year(%)
Resort Center	Kerosene	1.846	110.96	1.990	107.83	2.326	116.9
	Electricity	9.456	169.84	4.146	5.82	5.775	139.3
	Tap Water	1.092	106.97	0.914	83.73	0.916	100.2
	Total	12.393	150.19	7.05	27.87	9.017	127.9

Note 1) Fuel intensity (Kgoe/m².year) = Annual fuel consumption (kgoe/m²/year) ÷ cooling and heating areas (4,059.81m²)

Note 2) Electricity intensity (Kwh/m².year) = Annual electricity consumption (Kwh/year ÷ total floor area [4,059.81m²/areas of Building Na])

Note 3) Energy intensity (Kgoe/m².year) = Fuel intensity (Kgoe/m²/year) ÷ electricity intensity (KWh/m².year) × 0.25

Energy Diet

An energy-saving campaign is underway at our main office to maintain the heating and cooling temperature limits at 18°C and 28°C respectively, to increase the efficiency of energy-saving initiatives. A built-in energy-saving system was introduced to the whole building to undertake such daily energy-saving initiatives as: cutting down on the power supply needed for bidets, suspending elevator services, turning off neon signboards and the turning lights off on all floors during lunchtime. In addition, 22 facility managers received 12 sessions of energy manager training for a year as part of our sustained energy-saving initiatives and educational training.

Accomplishments of the Main Office's Energy Diet Campaign (2012)

Category	Reduced Electricity Consumption (kWh/year)	Reduced CO ₂ Emissions (TOE/year)	Monetary Savings (KRW/year)
Cutting down on the bidet power supply	3,201	0.7	400,120
Suspending elevator services	79,751	17.1	9,968,875
Turning off neon signboards	4,161	0.9	520,125
Replacement into LED lamps	41,444	8.91	5,387,720

Climate Change Adaptation Strategy

We are advancing green management in a phased manner in order to respond to the 'GHG Emissions and Energy Target Management System' that is in operation in accordance with the Korean governmental 'Framework Act on Low Carbon Green Growth and to the 'GHG Emissions Trading Scheme' to be launched in 2015.

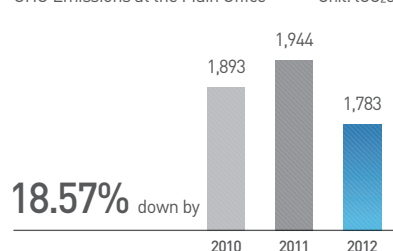
We are committed to building our own GHG inventory in conformity with governmental policy and to reducing our GHG emissions by 20% by 2015. This commitment led to an 18.57% reduction in GHG emissions at our main office in 2012 from the previous year.

Low Carbon Green Culture Initiatives

Participation in the Low Carbon Green Growth Expo 2012

To drive the tourism industry's commitment to low carbon green growth and facilitate green tourism, we have participated in the Low Carbon Green Growth Expo since 2010. In 2012, we attended the expo to establish our green tourism promotion booth with the theme of walking tours, slow/eco tourism and waterside tourism (biking and camping). We used the event as an opportunity to provide useful green tourism information on riverside walks, cultural & eco trails, the top 10 Slow Cities, the top 10 eco tourism destinations, and the top 10 tourist attractions along Korea's four largest rivers. We also launched a multitude of events for expo guests to help them develop an understanding of, and interest in, green tourism.

GHG Emissions at the Main Office Unit: tCO₂eq



※ The 2011 GHG emissions data was modified from the previous year's report to correct its calculation errors.

Low Carbon Green Growth Expo



Commitment to Minimizing Environmental Impact

Water and Waste Management

Water Consumption

Our main office and the Jungmun Resort Complex consume tap water and are not involved in any water-collecting activities that impact their surrounding environment. The Jungmun Beach Golf Club uses tap water and a portion of underground water, in addition to some recycled rainwater through the installation of a rain water collection system within the premise.

Reduction of Water Consumption

As we are fully aware of the importance of water resources as an emerging environmental issue along with climate change-we are launching sustained water saving campaigns on a company-wide level. The Jungmun Beach Golf Club installed drain pipes and water-retaining tanks to recycle rainwater and has been recycling rainwater since July 2011. This led to an approximate 15% reduction in tap water consumption from the previous year. This is further complemented by the sustained initiatives to improve water quality, such as self-circulation in each water-retaining tank and the enhancement of water quality that has been degraded by algae generation.

Sewage Treatment

The sewage generated from the Jungmun Beach Golf Club is processed by the West Sewage Treatment Plant before its final discharge, in accordance with relevant regulations. Sediments created within the sewage collecting tanks installed at the clubhouse, are collected and treated more than once a year to minimize odors. In addition, older drainage pipes and transport pumps are replaced with new ones to prevent soil and water contamination and minimize environmental impact.

Waste Management

All waste generated at the main office and the Jungmun Beach Golf Club is consigned to professional companies for safe treatment. Furthermore, the Jungmun Beach Golf Club is monitored and evaluated for its use of highly toxic materials and banned agricultural chemicals (more than twice a year), by the Environmental Resource Research Institute in the Jeju Special Self-Governing Province. At the Mt. Naejang Resort Complex construction work, the on-site replacement of equipment oil is strictly banned to properly store and treat waste oil at the site and waste oil containers are stored at the dedicated storage units installed near the on-site office for integrated consigned treatment. Mobile crushers are used for the on-site recycling of construction waste (concrete and asphalt waste), and all of these waste materials are consigned to professional treatment companies to prevent the generation of additional air pollutants, noise or vibration. This is all in addition to the full recycling of generated waste to reduce waste generation in the first place. Such a company-wide commitment enabled us to report zero violations of environmental regulations during the reporting period.

Water Consumption			Unit: m ³
Category	2010	2011	2012
Main Office	20,882	24,487	22,345
Jungmun Resort Complex	8,345	6,987	7,004
Jungmun Beach Golf Club	178,186	250,499	213,801

※ The 2011 water consumption data was modified from the previous report, due to the misidentification of the responsible working-level staff.

Generation of Major Waste at the Main Office				
Category	Treatment Method	2010	2011	2012
Waste Paper (Ton)	Disposal	72	72	65
Waste (Ton)	Consignment (Environmental service providers)	5.4	12	3.5
General Waste (Based on the 100L standard plastic garbage bag)	Collection (by Seoul City)	2,278	2,040	2,432
Paper Towel (10,000 pieces)	Collection (by Seoul City)	300	311	314

Generation of Major Waste at the Jungmun Beach Golf Club			
Category	2010	2011	2012
Clippings (Ton)	55	32	30.8
Waste oil (l)	220	320	280
Oil cloths (kg)	42	52	34
Used batteries (kg)	1,765	1,129	1,636
Waste sand (kg)	43	122	18

Eco-friendly Office

Green Purchasing

We give precedence to eco-friendly products in making purchasing decisions in accordance with the 'Act on the Promotion of Purchase of Eco-friendly Products' of the Ministry of Environment. Through our purchase of office devices, construction materials, recycled paper and other green products with environmental marks that verify their eco-friendliness, we join forces with others in preventing the waste of resources and environmental degradation. In 2012, the ratio of green purchasing amounted to KRW 739.27 million or 94.6% of the total purchases. We will continue to expand the number of eco-friendly items and ratio of green purchasing.

Status of Green Purchasing		Unit: KRW 10,000/%	
Category	2010	2011	2012
Total purchasing	86,880	39,729	78,140
Green purchasing	67,870	28,985	73,927
Ratio of green purchasing(%)	78.1	73.0	94.6

Eco-friendly Tourism Resource Management

Environmental Impact Assessment

Our development project sites are categorized into underground water preservation areas, ecosystem preservation areas and landscape preservation areas by their environmental characteristics, which are taken into consideration to enable their eco-friendly development. While we do not produce a large amount of pollutants, given the inherent features of our operation, we manage indirect pollutants that are generated within the sphere of our operational influence. In relation to this, we are subject to annual evaluations conducted by environmental monitoring organizations that are aligned with local governments. Furthermore, quarterly environmental impact assessments are performed in accordance with the 'Environmental Impact Assessment Act' of the Ministry of Environment and all substances discharged from our sites satisfy criteria that are even stricter than legally permissible levels.

Preservation of Biodiversity

Phase 2 Area of the Jeju Jungmun Resort Complex

The phase 2 area of the Jeju Jungmun Resort Complex includes such cultural heritage protection areas as the Cheongjeyeon Warm-Temperate Forest Area, a community of big cone pines along the coastline, and the Columnar Joint Area. We ensure that the indigenous species-including the camellia, the Ilex rotunda and the silver magnolia-were planted in harmony with the surrounding vegetation in order to preserve the biodiversity near the development areas, while still enabling tourists to enjoy the hands-on experience of seeing and feeling a variety of vegetation.

Mt. Naejang Resort in Jeongeup

The project site to be developed into Mt. Naejang Resort in Jeongeup is known for its well-maintained ecosystem of diverse microorganisms. Specifically, Seodanggolcheon, the habitat for a variety of aquatic plants, amphibians and fish, and the natural green areas in the south of the complex are well preserved to maintain their pristine condition. These endeavors to preserve the environment earned us the title of 'Outstanding Eco-friendly Site in 2012' awarded by the Jeonju Regional Environmental Office for our excellent performance in protecting water quality, natural ecosystems and landscape.

Haenam Oceano Resort Complex

The project site to be developed into the Haenam Oceano Resort Complex boasts an aesthetically-pleasing landscape. It is for this reason that we do our very best to minimize any environmental impact from our development work. Such endeavors include the preservation of the big cone pines in the project area. We doing everything to ensure they maintain their pristine condition and list the transplanted trees for the appropriate management for trees damaged due to the development of the golf course in the complex. The ex-post environmental impact assessment conducted that the site did not suffer any environmental damage to its marine ecosystem due to the development project.

Southwestern Coast Tourism and Leisure City

In February 2013, groundwork was initiated at the project site for the Southwestern Coast Tourism and Leisure City. The city was designed to maintain ecological stability through a multi-layered structure and an adherence to a diverse array of species. Moreover, it enabled the natural permeation of rainwater and the creation of water-retaining areas within the complex in order to establish an eco-friendly water circulation system and thus to enhance its ecological value.

Bird's Eye view of Mt. Naejang Resort in Jeongeup



Bird's Eye View of Haenam Oceano Resort Complex



Bird's Eye View of Southwestern Coast Tourism and Leisure City



Results of the Ex-post Environmental Impact Assessment

Air Quality					
Category	Assessment Item	Environmental Regulatory Threshold	2010	2011	2012
Jungmun Resort Complex	PM-10	60	28	41	46
	NO2	1.027	0.002	0.006	0.006
Haenam Oceano Resort Complex	PM-10	100	24.9	25.9	27.4
	NO2	0.06	0.01	0.01	0.011
Mt. Naejang Resort	PM-10	100	44.4	46.0	33.7
	NO2	0.06	0.01	0.015	0.013

Ocean Water Quality					
Category	Assessment Item	Environmental Regulatory Threshold	2010	2011	2012
Jungmun Resort Complex	PH	7.8-8.3	8.3	8.1	8.2
	COD	Under 1.0	0.8	0.9	1.1
	T-N	Under 0.3	0.22	0.4	0.25
	T-P	Under 0.03	0.03	0.07	0.015
	Colicount	Under 1,000	Not detected	Not detected	Not detected
Haenam Oceano Resort Complex	PH	6.5-8.5	7.9	7.9	8.0
	DO	Above 5.0	9.8	8.5	8.9
	COD	Under 2.0	1.4	1.6	1.3
	T-N	Under 0.6	0.659	0.2	0.420
	T-P	Under 0.05	0.043	0.01	0.025
	Colicount	Under 1,000	Not detected	155	118

SUSTAINABLE & COMPETITIVE TOURISM

CHAPTER

02

SUSTAINABLE TOURISM

- 036 | Leading a New Culture of Tourism
- 037 | Facilitation of Green Tourism

COMPETITIVE TOURISM

- 039 | Advancement into Emerging Markets
- 040 | Attraction of More Inbound Tourists
- 041 | Facilitation of Domestic Tourism
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02 SUSTAINABLE TOURISM

Management Principle

The tourism industry landscape is constantly changing and the importance of 'corporate social responsibility' based on communication with stakeholders is emerging consistently. Thus, we at KTO, as a Total Service Provider who assists the balanced growth of the national economy and the tourism industry, are fully aware of our economic, social and environmental responsibility and are committed to fulfilling our social responsibility as a corporate citizen.

Performance

Category	Performance Indicator	2010	2011	2012	Department in Charge
Labor	Tourism voucher beneficiaries	-	29,975	51,276	Tourism Culture Team
	Development of materials for green tourism products (No. of cases)	14	18	26	Green Tourism Center
	Results in supporting planning for inbound trip products and attracting inbound tourists (10,000 persons)	54	63	72	Marketing Planning Team

Progress

- Sustained improvement of the nation's preparedness to attract 20 million inbound travelers
- Promotion of the qualitative growth of the inbound tourism market and the establishment of Korea's brand image as a premium tourist destination
- Stimulation of demand for domestic tourism and the creation of shared value through the facilitation of the local economy

Issues

- Increasing number of consumers who value the environment and society
- Facilitation of the inbound tourism market
- Intensifying competition in the tourism industry
- Increasing FITs and interest in and needs for domestic inbound tourism

Sustainable Tourism

Leading a New Culture of Tourism

Spread of a Culture of Sustainable Tourism

It is with our vision of becoming "A Global Public Enterprise that Makes Korea an Attractive Tourist Destination" that we defined three strategies of stimulating demand for domestic tourism, facilitating the local economy and expanding the foundation of joyful tourism for the general public, as a way to facilitate inbound tourism. This is further complemented by the establishment of ten implementation tasks and constant monitoring.

Strategies and Tasks to Promote Domestic Tourism

Indicator Management Goal	Facilitate the inbound tourism market through the expansion of participation in domestic tourism		
Strategy	Ensure the stability of domestic tourism promotion campaigns	Facilitating the local economy	Expanding the foundation of joyful tourism for the general public
Implementation Task	<ul style="list-style-type: none"> Ensure the stability of domestic tourism promotion campaigns Undertake demand promotion projects on the basis of public engagement Expand the development of materials for domestic tourism Expand smart tourism information service 	<ul style="list-style-type: none"> Undertake the 'Travel One More Day' campaign for companies Promote Traditional Markets' in alignment with domestic tourism Stimulate domestic demand through the support for large scale local events 	<ul style="list-style-type: none"> Develop infrastructure of domestic tourism information for handicapped individuals Expand the participation of less-privileged travelers in domestic tourism Disseminate an advanced vacation culture

Public Engagement for Sustainable Tourism

Endeavors to Expand Travel Vouchers

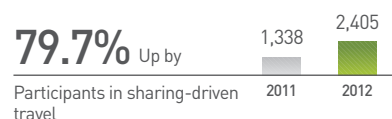
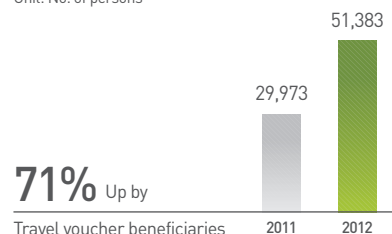
Our 'Travel Voucher' program aims to support a certain percentage of domestic tourism expenses for those who receive governmental basic livelihood support, the working poor and other less-fortunate groups who cannot afford to travel. While this program has not been fully utilized due to users' low awareness and limited acceptance, we expanded its acceptance and initiated multifaceted PR efforts through media and public organizations. This drove the number of voucher recipients from 3,000 travel agencies in 2011 to 45,000 travel agencies, transport companies, accommodation facilities and theme parks in 2012. Furthermore, the voucher promotion contest was attended by 566 candidates, up by a whopping 221% from the previous year. Also, we issued an in-depth evaluation report of this program to verify its effectiveness, which led to a 71% increase in the number of voucher beneficiaries from the previous year.

Expansion of Sharing-Driven Tourism Products for the Less-Privileged

To expand 'sharing-driven travel' that offers warm-hearted tourism support to the less-privileged, we created a welfare tourism council in conjunction with six public and private organizations. In addition, private donations for 'sharing-driven travel' increased from KRW 10 million to 30 million and donation events were aligned with national TV networks to stimulate the interest of the general public. Sharing-driven travel was expanded through the invitation of handicapped individuals, multicultural families, seniors living alone and other less-fortunate individuals.

Trajectory of Travel Voucher Beneficiaries and Participants in Sharing-driven Travel

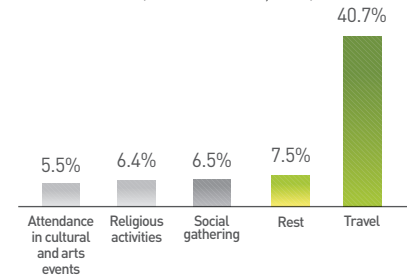
Unit: No. of persons



Development of Travel Information Infrastructure for Handicapped Individuals

A mere 7% of the 2.6 million people with disabilities in Korea enjoy travel today. This prompted us to develop Korea's first travel information infrastructure for handicapped individuals to meet their strong needs for tourism, which was identified through the leisure preference survey conducted by Statistics Korea in 2011 of people with disabilities, as well as a growing social interest in 'accessible tourism'. Such information services were initiated in 2012 and we further facilitated their sharing through the alignment with social network services. To reach our 2014 strategic goal to make these services available in foreign languages, we developed the 'Barrier Free travel website (<http://access.visitkorea.or.kr>)' and smartphone applications and conducted on-site inspections of nation-wide amenities for travelers with disabilities and their accessibility, in addition to designing of on/offline and mobile information access systems.

Leisure Preference Survey of People with Disabilities (Statistics Korea, 2011)



Barrier Free travel website



Facilitation of Green Tourism

Enhancement of Awareness of Green Tourism

Significance of Green Tourism

Green tourism was initiated to reduce 1.37 billion tons of CO₂ emissions generated through tourism across the globe and combines the conventional 'eco-friendly tourism' that aims to minimize environmental impact with 'low carbon green growth' as a strategy to proactively address climate change caused by global warming. In a nutshell, green tourism constitutes a voluntary program to attain such goals as 'reducing CO₂ emissions to zero through hiking tours and bike tours, enjoying fresh local food and saving energy resources at tourist destinations' as a specific type of travel that engages the entire public to ease environmental degradation and serve educational purposes.

Promotion of Green Tourism

We have built a green tourism network to improve the public awareness and FIT's access to green tourism and are using this network to develop green tourism resources and support promotional projects. Composed of 31 sector-specific experts from central/local governments, KTO and the tourism industry, this network follows such systematic processes as the establishment of policies by the central government, the proposition of tourism models by KTO and their integration into projects by local governments. An advisory board is in operation to prevent overlapping among local projects, terminate unnecessary projects and present operational directions. In 2012, the board held 10 meetings, 5 workshops and forums and conducted on-site monitoring five times.

Improvement of Readiness for Green Tourism

To facilitate green tourism through the use of bikes as a representative green travel product, we established 13 biketels across the nation and rest areas to expand green tourism infrastructure. Furthermore, a two-part special episode that covered eco tourism in Korea and abroad was developed and broadcast twice through the 'Environment Special', the representative environmental documentary program of KBS, while our green tourism website and a smartphone application 'Dubalo' were operated as on/offline green tourism campaigns.

Development of Green Tourism Products

Development of Green Tourism Products

'Tour Around Korea's Beautiful Rivers' represents our riverside tour program that aims to further familiarize Korea's beautiful rivers: the River Han, the River Geum, the River Youngsan and the River Nakdong, to travelers. Our Camping Academy was also launched to take advantage of the emerging trend of enjoying camping trips in Korea while riverside cultural courses were provided. In addition, our bike and auto camping festivals held along riversides were attended by 600 people. Other green tourism products included 'green bike train trip' products aligned with such festivals, mega events for green tourism and the 'Two Wheel Concerts', in addition to the continued operation of Tour Around Korea's Beautiful Rivers.

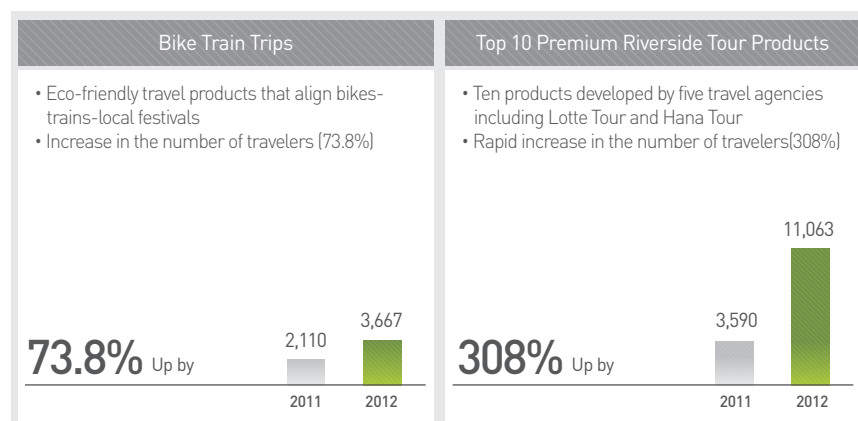
Outcomes of Green Tourism Products

Product	No. of Occasion	No. of Attendees
Camping Academy	16	649
Two Wheel Concert	2	11,950
Bike and Auto Camping Festivals	2	600
Green Bike Train Trip	16	3,667
Tour Around Korea's Beautiful Rivers	10 products	11,063

Outcomes of Waterside Travel Products

2012 Bike Camping Festival (June)	300 attendees Expansion of a new leisure model that aligns bikes and camping trips
Riverside Auto Camping Festival (August)	300 attendees from 85 families 'Together with Family' camping courses
Camping Academy (October)	649 attendees on 16 occasions Camping courses and camping-related experience programs

Improved Usability of Waterside Tourism Resources



Competitive Tourism

Advancement into Emerging Markets

Improvement of Our Inbound Tourism Marketing Capabilities

To achieve 20 million in inbound tourists and \$30 billion in tourism revenue by 2020, we are developing effective inbound tourism marketing systems, advancing into new markets to diversify the make-up of traveler-sending nations and improving our preparedness to accommodate tourists.

Development of Inbound Tourism Marketing Systems

The rapid growth of the Korean tourism industry urged us to shift our paradigm in undertaking inbound tourism marketing activities. Thus, we newly defined five strategic directions and 12 strategic tasks for inbound tourism and improved the operation of our overseas network for stronger overseas marketing capabilities. Specifically, our overseas network gained enhanced localized expertise: more local marketing professionals were hired, specialized/hub offices were operated and the foundation was laid for a regional headquarters system. Furthermore, we briefed governmental ministries of the economic benefits and new tourism business and successfully convinced them of the need for budget increases, which raised our inbound tourism marketing budget by KRW 15.1 billion from KRW 107.5 billion in 2012 to KRW 122.6 billion in 2013.

Advancement into New Markets

To diversify the inbound travelers' origin of country and attract new inbound travelers, we opened new offices in the Philippines, Turkey and Chengdu in China in 2012, in addition to Vietnam and Indonesia in 2011, to further tap into these high growth potential markets, while working to open new offices in Wuhan and Xian by 2015. Charter plane routes targeting small and medium inland cities in China were also expanded from 15 in 2011 to 24 in 2012, leading to an 85% year-on-year increase to 24,000 Chinese inbound travelers and a 62.9% increase in visa issuance in Chengdu, Xian and Wuhan.

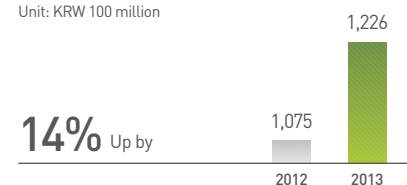
Improvement of Our Readiness to Accommodate Inbound Travelers

To improve our visa process for tourists from China and South East/West Asia, we examined the status of the visa operation in these regions, gathered feedback from the industry and constantly monitor the implementation of improved measures. Specifically, multiple visas were expanded and the visa procedures were streamlined, in addition to the designation of more travel agencies that accept visa applications for Chinese tourists while increasing the hours of non-visa stays for Chinese transit travelers to 72 hours. The non-visa agreement between Korea and Russia will also take effect in 2013.

We improved the infrastructure for inbound travelers (accommodations, food, shopping and travel guides): 23,582 rooms were additionally secured at Benikea hotels and Good Stay lodgings, the first-ever restaurant guide to help inbound travelers enjoy more than 300 excellent restaurants was published, the 1st Premium Shopping Certification and China Union Pay affiliates were expanded and the operation of KTO Information Centers across the nation was standardized.

Increase in Inbound Tourism Marketing Budget

Unit: KRW 100 million

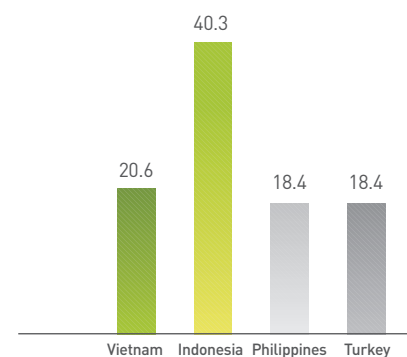


12 Mid/Long-term Inbound Tourism Marketing Strategic Tasks

- Expand the development of high value-added products
- Facilitate local tourism
- Facilitate off-season tourism
- Develop customized products for FITs
- Diversify SIT products
- Develop brand strategies and improve on brand management systems
- Reinforce brand communication
- Build a stronger competitive edge in online PR channels
- Enhance the expertise and operational efficiency of overseas offices
- Strengthen the promotional network with local governments and the tourism industry
- Reinforce R&D examination functionality
- Strengthen the role of strategic planning and adjustment

Increase in In-bound Tourists in Areas with Newly-Established Offices between 2011 and 2012

2012 Achievement against 2011, Unit: %



Attraction of More Inbound Tourists

Response to Crises in the Tourism Market

Risk Management Marketing

To effectively respond to crises that hit our two major markets of Japan and China in the second half of 2012, our CEO took on a central role in launching company-wide risk management marketing initiatives. When the bilateral conflict deepened in September, the number of Japanese tourists declined by 3.8% and the situation worsened as their number plummeted by more than 20% (on a monthly basis), in October. This prompted us to define a three-step marketing roadmap that consisted of safety promotion, mandatory promotion campaigns and CEO top sales and special campaigns, in order to turn the situation around. Meanwhile, the territorial dispute between China and Japan in September caused Chinese tourists to refrain from visiting Japan. Thus, we launched sales calls and invitational fam tour programs for Chinese travel agencies that had previously focused on Japanese tourist destinations, while we attracted more than 100,000 Chinese travelers during National Day golden week holiday. In so doing, we were able to raise the number of Japanese tourists by 7% and posted a whopping 27.8% growth in the number of Chinese tourists on an annual basis.

Achievement Analysis by Major Market

Market	2011 Achievement	2012 Target	2012 Achievement	Attainment against the Set Target (%)	Increase from the Previous Year (%)
Japan	3.29 million	3.65 million	3.52 million	96.4	7.0
Great China	2.99 million	3.43 million	3.83 million	111.6	28.1
Asia/Middle East	1.54 million	1.74 million	1.72 million	98.7	11.5
Europe/Others	1.97 million	2.18 million	2.07 million	94.9	5.1
Total	9.79 million	11.00 million	11.14 million	101.3	13.7

Development and Sales of Inbound Tourism Products

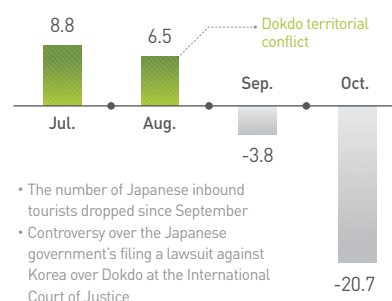
FIT Marketing

Our efforts to attract FIT[Foreign Independent Traveler]s were based on the recognition of environmental changes driven by these FITs: their number is rapidly increasing and their average expenditures (US\$1,743~2,343) surpass those of group tourists (US\$1,617). In Japan, we launched the 'Smart Korean Tour Campaign' in conjunction with three major local travel agencies, which resulted in 11,497 Japanese tourists coming to Korea, while a large-scale inbound tourism campaign, drove the number of Japanese tourists visiting Korea by 4.7% from the previous year to 152,711.

We also became the first national tourism organization to develop an independent brand dedicated to Chinese FITs 'Visit Korea' and held a brand launching event in Beijing, which was followed by the promotion of UCC creations, social network service-based reporters. These endeavors allowed us to attract a total of 65,521 Chinese FITs and the nation of Korea was honored with the Best FIT Destination Award by the Chinese Global Times in 2012.

Crises in Japan and Trajectory of Japanese Inbound Tourists

Unit: %



Increased Competitive Edge of Local Tourism Products

Development of Local Tourism Products through Mega Events

We utilized Yeosu Expo 2012 to fully develop south coast tour products as a way to encourage inbound tourists to visit the local regions of Korea, revitalize the local economy and induce these tourists to revisit Korea. While we undertook such initial-stage marketing activities as the promotion of the regular operation of high-speed vessels between Japan and Yeosu, presentations and farm tours provided by Korean inbound tour agencies in 2011, we examined the readiness of Yeosu Expo to accommodate inbound travelers and launched commercialization and promotional marketing programs in 2012. During the expo period, 11 cruise trips and 32 high-speed ship trips were provided to improve accessibility to the event. Our joint endeavors with travel agencies in Japan and China to develop and market expo-related products resulted in 65,000 travelers visiting Yeosu Expo through KTO (16% of the total foreign attendees) and their consumption expenditures amounted to as much as KRW 108.7 billion.

Hi-Speed Ship 'Beetle' Shuttling between Yeosu and Fukuoka



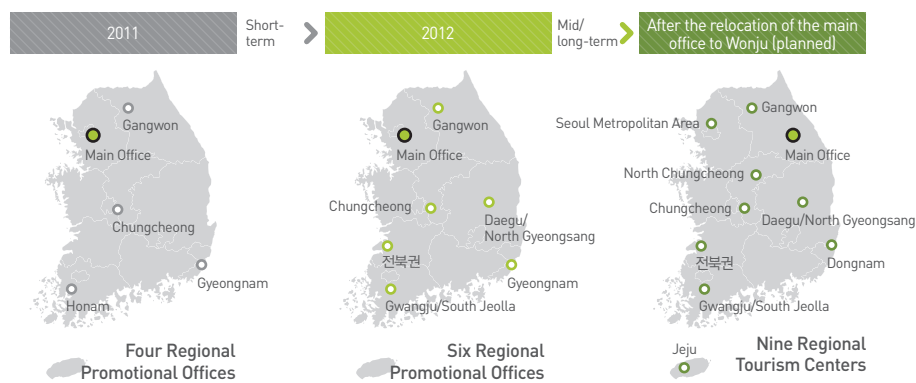
Facilitation of Domestic Tourism

Discovery and Promotion of Local Tourism Materials

Transition into a Locally-Based Organization

We aim to promote the quantitative growth and qualitative competitive edge of Korean tourism and to facilitate local tourism as an ultimate goal through the reinforcement of our regional cooperation network. As such, we surveyed public officials from 11 metropolitan city governments and 59 local governments regarding the awareness of our expertise at KTO and the necessity for cooperation in January 2012 while identifying local governmental needs to reflect them in reshuffling our organization as a way to develop cooperation projects and offer locally-based public services. Meanwhile, the number of our regional promotional offices rose from four in 2011 to six in 2012 and this will be further expanded into nine regional tourism centers after the relocation of our main office to Wonju. We chose nine local SMEs as our partners to produce 45 joint tour products, which attracted 23,000 tourists.

Expansion of Affiliated Organization



Increased Commitment to Developing Tourism Materials

As 'Recommendation for Must-See Places', initiated in 1996 to promote tourist destinations across the nation, gained awareness with powerful rippling effects, we undertook even stronger and sustained PR campaigns to expand this program and launched an additional mobile application service to provide multiple service channels. As a result, 14 new themes were identified and tourists in recommended areas rose by 36% in 2012. As a response to the increasing leisure time of teenagers, we developed experience-based daily educational tour programs for teenagers through open idea contests and launched a pilot project for elementary school students, attended by 12,334 students from 185 schools. We also initiated stronger PR efforts for tourist destinations that appear in school textbooks, which enabled us to identify 48 cases of tour content and provide detailed tour information.

Smart Tourism Information Service

As smartphone users exceeded the 3.3 million mark in Korea, we define annual plans for smart tourism information service and created a new mobile web service (m.visitkorea.or.kr) while offering diverse and detailed tour tips through an enhanced GPS-based information service. Meanwhile, our mobile application 'Guseok Guseok Korea' was ranked No. 1 in the number of downloads in the tourism segment (2.2 million downloads) and rated as "recommendable" to CEOs. These endeavors earned our mobile web service the Grand Prize at the 'Web Awards Korea' and our 'Guseok Guseok Korea' application the Grand Prix in the smart & open government segment at the '24th Government Culture Awards'.

Revitalization of the Local Economy

'Travel One More Day' Campaign

Our 'Travel One More Day' campaign for companies (one night stay communication camp) aimed to boost the sluggish domestic market amidst the global economic slowdown. It encouraged corporate employees to tour the nation to establish a culture of communication and stimulate the local economy. We signed MOUs with five leading economic organizations and encourage their member companies to join the initiative. This program was presented as a success story for stimulating domestic demand at the public-private discussion held under the supervision of the president to facilitate domestic demand. It was attended by 14,000 employees from 50 companies to generate KRW 3.7 billion in direct contributions to the local economy.

Saving Our Traditional Markets

We launched the 'Saving Our Traditional Markets' program as a way to attract tourists to these markets and stimulate the local economy. Specifically, 32 tour products were developed to attract 30,349 tourists while overseas offices developed similar programs for inbound tourists, which attracted 22,698 travelers from five countries. On/offline PR events were also held: feature articles on traditional markets, 121 media articles, websites, blogs and social network services. This was complemented by the One Organization One Market matching program and a PR event for large companies to purchase traditional market gift certificates. Such endeavors resulted in 53,047 tourists visiting traditional markets, KRW 13.9 billion (estimated) in contributions to the local economy, and a 152.8% increase in large companies' purchasing of traditional market gift certificates.

Local Tourism Materials Jointly Developed with Local Governments

Gangwon	Mullegil in Chuncheon, Haeparang Trail in the East Sea region, wild greens in Gangwon province, DMZ-related tour products
Honam	F1 Grand Prix, Yeosu Expo, Visit North Jeolla Year, Touring around islands along the south-western coast
Chungcheong	Train-aligned rural village experience products, river tourism ('Feast on a Bridge') - aligned products
South Gyeong-sang	Rural experience villages in Gijang, fair tourism products in Busan, Jinju Namgang Yudeung Festival, industrial tourism products in Ulsan
North Gyeong-sang	Commercialization of areas honored with Korea Tourism Awards (Geundae Alley in Daegu, Sunbi Village in Youngju, fine tree forests near the Geum River in Ulsin), joint development of herbal medicine experience products

Awarding ceremony of the 9th Web Awards Korea

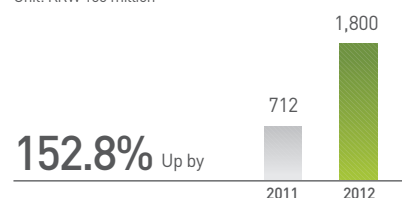


Advertising for One Night Stay Communication Camp



Purchases Made by Large Companies through Traditional Market Gift Certificates

Unit: KRW 100 million



High Value-Added Tourism Products

Development of High Value-Added Tourism Products

We develop high value-added tourism products and increase tourism revenues and consumer satisfaction in order to pursue the balanced growth of the tourism industry both qualitatively and quantitatively in consideration of governmental policies. This is why we are identifying and using tourism resources in the fields of MICE, medical tourism cruise tours, performances, winter sports and medical & industrial tourism in accordance with our corporate strategies. We successfully raised the number of cruise tourists (representative high value-added product) by 81.7% from 2012 to 278,369, which generated KRW 221.6 billion in tourist consumption. We expect to increase this number further to 600,000 through the confirmation of 371 cruise tours in 2013. In addition, the number of overseas performance audiences amounted to 1.42 million to generate KRW 134.9 billion in economic rippling effects while the increased development of tour products for the winter season (when tourism is relatively sluggish), led to a 55% growth in the number of winter season tourists to 396,399. These high value-added products enhanced Korea's brand image as a premium tourist destination.

Benefits in Developing High Value-Added Products

Category	No. of Tourists	Creation of Economic Benefits
Cruise tourists	278,000	KRW 221.6 billion
Overseas Performance Audience	1.42 million	KRW 134.9 billion

Promotion of the MICE Industry

MICE, the abbreviation of Meetings, Incentive Travel, Conventions and Exhibitions, represents an industry that generates economic profits by providing wide-ranging services in relation to holding and proceeding events. This is also a high value-added industry that is organically aligned with accommodation, transportation, tourism, trade and distribution. As the MICE tourists spend 1.8 times more than ordinary tourists and the industry is highly useful in promoting a country's brand image, it warrants a multi-faceted and sustained assistance in the upcoming years.

MICE Tourists' Consumption Expenditures

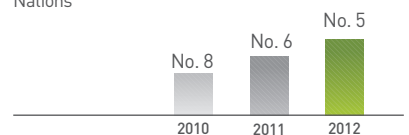
Unit: USD



Endeavors to Invite and Hold MICE Events

To reach our goal of making it into the global top 3 as a hosting nation of international conferences, we defined and implemented strategies to host MICE events, improve our service capabilities and lay the foundation for a national infrastructure. As a result, the number of international conferences held in Korea grew, as did the market shares in 2012, despite the global market slowdown. Meanwhile, we invited affiliated events through the alignment of accumulated successes in holding national-level mega events with other MICE-related segments.

Global Ranking of International Conference Hosting Nations

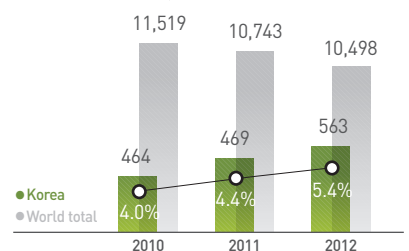


Events Held in Relation to the Successful Hosting of Global Conferences

Successfully-held Global Event	Invitation of Affiliated Events
Nuclear Security Summit 2012	<ul style="list-style-type: none"> 2020 General Meeting of the International Radiation Protection Association (3,000 attendees) Asia Pacific Nuclear Medicine Congress 2015 (1,000 attendees) International Radiation Medicine Symposium 2013 (1,000 attendees)
2012 World Conservation Congress	<ul style="list-style-type: none"> Green Climate Fund secretariat Conference of the Parties to the Convention on Biological Diversity 2013 (10,000 attendees) World Clean Air Congress 2016

Korea's Market Share in the Global International Conference Market

Unit: No. of conferences, %



2012 Achievements in Hosting MICE Events

Category	2011 Achievement	2012 Achievement	Note
Large-scale Incentive Travel (No. of cases)	5	7	Attained the target through intensive efforts to invite large-scale organizations
Invitation of Large-scale International Conferences (No. of conferences)	14	16	
Hosting of Large-scale International Conferences (No. of conferences and Korea's Ranking)	469 (No. 6)	563 (No. 5)	Korea's ranking in holding global-level international conferences
Ratio of International Conferences Held in Local Areas	77.8	82.6	Contributed to the balanced growth of the nation through spreading events into local areas
Customer Satisfaction with MICE Promotion Initiatives	94.6	99.1	Reached the highest level

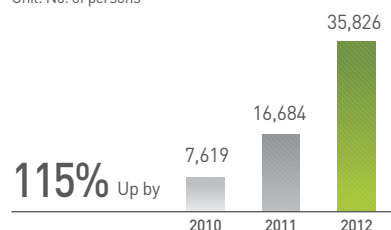
Invitation of Chinese Amway Incentive Group Tourists

The thorough analyses of our failure in inviting Amway incentive travelers between 2007 and 2009 added a strategic boost to our endeavors to succeed. Our sales pitch focused on the availability of large-scale facilities, Korea's unique and differentiated tour contents, other customized proposals for Amway and direct contact with the Vice President of Amway China who is in charge of making the final destination decision, as well as the emphasis on our previous success in inviting incentive tourists from the Baojian Group in China. Such a commitment enabled us to be chosen as a tourist destination for Amway employees, in conjunction with Japan. We went further on through multi-faceted efforts and the strategic partnership with local governments in Korea to succeed in solely attracting 25,000 Amway incentive travelers, which is the world's largest.

This achievement in inviting Amway incentive tourists is expected to generate KRW 40 billion in direct consumption expenditures and KRW 72 billion in induced production (on the basis of the consumption expenditures made by Baojian travelers in 2011) and to effectively reuse Yeosu Expo facilities and stimulate the tourism market near the south coast. While we are excessively focused on China for incentive tour business, we will continue to expand the market for large-scale incentive tours and diversify our market into Japan, the U.S. and other regions of the world.

Increased Endeavors to Invite Large-Scale Incentive Tour Groups

Unit: No. of persons



Facilitation of Medical Tourism

Extended life expectancies, growing demands for medical services and the competition and opening of the medical industry imply that the medical tourism industry is poised to show continuous growth in the upcoming years. In responding to the Korean governmental policy to promote medical tourism as a new engine of growth, we are fully committed to revitalizing the medical tourism industry, as it generates tremendous economic rippling effects.

Logo of Medical Korean Wave 4.0

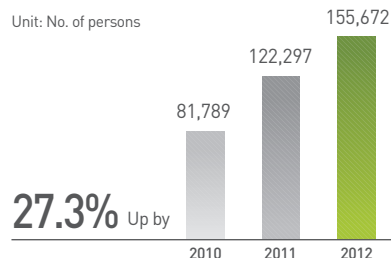


KIMTC vision declaration



Statistics of Inbound Medical Travelers (Three-year data)

Unit: No. of persons



Medical Tourism Initiatives

Vision Declaration and Strategy Development

Our 'Medical Korean Korea Wave' vision to promote Korea as a medical tourist destination was publicly declared through the Korea International Medical Tourism Convention 2012. This vision combined the sentiments of Korean Wave with medical tourism and constitutes the core of our mid/long-term marketing strategy to promote Korea as a medical tourist destination. Furthermore, the generation of demand-driven statistics in consideration of realistic market conditions and a satisfaction survey of medical tourists helped improve the efficiency of our overseas marketing programs while various statistical surveys were conducted to solidify the industrial foundation for medical tourism.

Support for the Medical Tourism Industry

As a way to build a stronger competitive edge for the Korean medical tourism industry, we undertook more intensive support programs for medical organizations and medical tourism service providers. We invited journalists from Japan, Russia, Indonesia, Vietnam and many other countries to promote the world-class medical services and infrastructure that Korea has to offer and allowed them to cover Korea's medical tourism. In addition, we assisted medical tourism service providers in inviting officials from overseas hospitals and medical associations so that they build a global network of their own.

Facilitation of Local Medical Tourism

As the majority of medical travelers are concentrated in the Seoul metropolitan area, we stimulated medical tourism in Gangwon, Daegu, Busan, Jeju and other local areas while assisting these regions in identifying their own differentiated business models and combined them with local tourism resources to develop marketable products. Furthermore, we continued to operate medical tourism information centers to introduce medical organizations and provide medical tourism experience to travelers visiting Incheon, Busan, Daegu, and other local cities.

Medical tourism information center (Incheon)



Medical tourism information center (Busan)



Medical Tourism Information Centers Nationwide



Training to Foster a Professional Medical Tourism Workforce

As demand for medical tourism professionals is expected to increase with the growth in the medical tourism industry, we offered various training courses-covering medical tourism coordination, marketing and international nursing. Specifically, specialized courses were provided to migrant women from multi-cultural families, who have cultural knowledge and language skills, to help them land quality jobs. We also launched Korea's first herbal medical tourism coordinator courses to stimulate herbal medical tourism.

EMBRACING OUR PEOPLE

CHAPTER

03

CREATION OF EQUAL OPPORTUNITIES AND AN OPEN CULTURE

- 048 | Respect for Human Rights and Diversity
- 050 | Open Corporate Culture

CREATION OF A HUMAN-CENTERED AND CONTENT WORKPLACE

- 052 | Talent Fostering
- 053 | Fair Evaluation and Compensation
- 054 | Improved Welfare and Working Conditions

03 EMBRACING OUR PEOPLE

Management Principle

We ensure fairness in recruitment, create a mutually-beneficial labor-management culture and offer differentiated benefit schemes as a way to improve employee satisfaction, while we continue to hire more talented individuals to establish a talent management system that will better equip us to effectively respond to our mid/long-term organizational growth. We assist all employees in growing into experts in their respective fields through continuous education and career development and are fully committed to creating a 'Great Work Place'.

Performance

Category	Performance Indicator	2010	2011	2012	Department in Charge
Labor	Satisfaction with labor relations (On a scale of one to five)	3.4	3.5	3.6	Human Resources Team
	Satisfaction with education (On a scale of one to five)	3.72	3.85	3.92	
Human Rights	Education budget	1,644	1,373	1,401	
	Ratio of female employees (%)	33.3	35.2	36.4	

Progress

- Improved labor-management communication and the establishment of an advanced labor-management culture
- Sustained expansion of anti-discrimination education and human rights education
- Transparent and fair HR management through multi-dimensional assessment schemes
- Establishment of the right work/life balance through the advancement of career development programs and the expansion of family-friendly management

Issues

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

Creation of Equal Opportunities and an Open Culture

Respect for Human Rights and Diversity

In 2012, we increased our employee quota by 30 persons (5.2%) to foster experts in local and national-level tourism so as to enable functional coordination of our key operations, strengthen our primary mission, and reinforce our key functionalities. Moreover, open recruitment processes and respect for human rights allow us to create a discrimination-free corporate culture. We also strictly observe labor regulations set by domestic and international labor organizations to provide a safer work environment and various welfare benefits. In so doing, we do our utmost in delivering a 'Great Work Place'.

Employee Data and Respect for Human Rights

Employee Data

Our employee quota increased by 30 persons to 574 as of December of 2012. With 30 employees newly hired in 2012 through open recruitment, the high school graduate recruitment program and the quasi-regular worker program, there are 860 employees at KTO including 520 at the main office, 260 at domestic offices and 80 at overseas offices. Regular and contract employees are 637 and 223 respectively. While unionized workers, subject to collective agreements, comprise 470 or 55% of the total, general labor conditions are applied to all employees under Article 4 of the Collective Agreement. In 2012, six employees resigned in order to retire and 11 resigned for personal reasons. Our unionized employees are entitled to undertake legitimate and free union activities according to the labor union's three primary rights stipulated in the Constitution and the Collective Agreement and our top management discusses major issues with the union through the horizontal communication channel of the Labor Management Council.

Open Recruitment and Respect for Human Rights

Our newly hires are not discriminated against on the grounds of gender, nationality, religion or social status and we ensure fairness in our open recruitment process of interviews that engage outside experts, phased-in zero-base screening and simulation interviews. Last year, the number of new hires posted a nine-year high at 30, 87.1% of whom were assigned to key departments while social equality was factored in recruiting new regular employees; two handicapped individuals, two local talents and two high school graduates were hired. The average wage level is KRW 68.07 million and employees at the same job level are treated equally in their wage level and benefits regardless of gender. Non-regular workers account for 202 or 23.5% of the total and are equally treated in welfare and benefits with their regular counterparts. We fully comply with labor regulations under the Labor Standards and prohibit our employees from any political activities or support. Moreover, we strictly ban child labor or forced labor in accordance with the UN Global Compact principles and ILO regulations. Sexual harassment prevention guidelines and non-regular worker protection guidelines assist us in preventing any type of discrimination on the basis of gender, age or employment type. In 2012, there were no human rights-related complaints raised nor were there any corrections made due to discriminatory practices.

Recruitment and Employment Data (As of the end of 2012)

Category	2010	2011	2012
Employee Quota	544	544	574
Current Number of Employees	609	614	629
Regular Retirement	10	2	6
Voluntary Retirement	107	4	0
Other Type of Retirement	8	11	11
Newly Recruited Regular Employees	Female	3	17
	Handicapped	-	-
	Local talent	1	3
	High school graduates	-	-
	Science and engineering majors	-	3
	Total	8	23
Recruitment of Non-regular Employees	Quasi-regular workers	-	-
	Youth interns	22	58
	Contract workers	200	209
Out of the Current Employees	Number of female employees (%)	203 (33.3%)	214 (35.2%)
	Number of female employees in positions of team leader and above (Ratio)	6 (7.3%)	8 (7.6%)
	No. of female employees in manager positions (Class 3 and above) (%)	32 (13.0%)	36 (14.1%)
	Ratio of handicapped employees	2.0%	1.7%

Distribution by Age Group

● 20's ● 30's ● 40's ● 50's



Gender Equality and Job Creation

Our HR system aims to strike the right gender balance by developing female recruitment targets and nurturing female leaders. As of the end of 2012, the female workforce accounted for 36.5% of the total or 229, which increased by 1.2% from 2011. This makes us one of the top-performing enterprises in recruiting and fostering a female workforce. In 2012, female employees accounted for 19 or 63% of the total new recruits. The number of female employees in team leader positions and above also continues to rise from 6 in 2010 to 8 in 2011 and to 10 in 2012.

Female Employees in High Ranking Positions
(Female expatriates: 18 including two directors at 16 overseas offices)

Unit: %

Category	2010	2011	2012
Manager Positions (Class 3 and above)	13.0	14.1	15.9
Expatriates	20.5	22.2	22.5

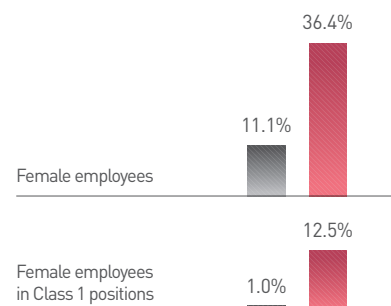
Locally-hired Employees by Region (As of the end of 2012)

Unit: No. of persons

Category	Japan	Great China	Asia and the Middle East	Europe and Oceania	Total
Expatriates	15	18	22	25	80
Locally-hired	13	32	29	22	96

Female Employees Compared against Other Public Organizations (Public Enterprise Group II)

● KTO ● Other public organizations



Open Corporate Culture

Open Communication Channels

We develop and operate communication systems that allow for real-time information sharing in multiple ways as a way to promote open communication. Specifically, our one night stay Communication Camp program in 2012 aimed to facilitate vertical and horizontal communication, across the board, while a labor conflict prevention system was developed to undertake joint measures. These are just a few of our endeavors geared towards overcoming any possible labor disputes.

Consensus Building between Labor and Management

Our top management respects the labor union as an equitable dialogue partner and maintains mutual trust. Our labor and management were engaged in a multitude of communication programs and joint campaigns to expand bilateral communication through: joint workshops, working-level roundtable meetings, Employment Security Committee meetings, social network services, mobile SMART KTO, and the Super Star KTO Contest. Labor Management Council meetings were held in a way that enabled us to focus on key issues in order to address current management issues. In addition, employee briefings, concerning such major issues as the performance-based salary scheme, organizational relocation, organizational advancement and management strategies, assisted us in gathering employee feedback and reflecting it in our operations.

Category		Communication Channel	Outcomes
Direct Communication between Labor and Management	Representatives from labor and management	• One-on-one interview	• Functional coordination and other advancement measures, dispute-free operation
	Working-level staff from labor and management	• Joint workshop • Round meeting	• Recognition of taking childcare leave as regular work hours • Introduction of the reduced work hour scheme
	Joint labor-management units to respond to crisis	• Employment Security Committee • Relocation Project Committee	• Dispute-free duty-free shop business operation • Creation of the relocation road-map
Expansion of Channels		• SNS, blog • Mobile Smart KTO	• Strengthen risk response capability through real-time information sharing
Joint Campaigns		• Super Star KTO • KTO Masters	• Enhance organizational vitality and strengthen labor-management communication

Super Star KTO



On-site Communication Programs		Unit: No. of occasions	
		2011	2012
CEO Communication Program	On-the-Spot CEO Meeting	7	11
	Meeting with New Hires	2	4
	Meeting with the Junior Board	2	3
	CEO's serving as an one-day duty-free shop manager and empathy-building discussion	-	3
Empathy-building Programs with the Labor Union Chairman	Snack Time with the Labor Union Chairman	-	12
	Empathy-building discussion with duty-free shop employees	-	5

CEO's serving as an one-day duty-free shop manager



Individual/Bottom-up Communication Programs

Category		Details	Outcomes and Achievements
Enhanced Individual Communication	Followership Meeting	• On-site grievance-handling program led by HR officers	• 70 rounds of counseling for 184 employees from 39 departments • Satisfaction with HR systems improved (by 4.3%)
	Mobile Ombudsman	• Mobile Ombudsman installed within rest areas to receive grievances year-round	• Grievances were handled through the interviews conducted based on submissions
	Regular Survey	• Identify system improvements to be made through bottom-up feedback gathering	• Outcomes were reflected in seven improvement tasks (improvement of the in-house cafeteria, addition of new health check-up items)
Strategic Sharing Activity	Employee Briefing	• Gather feedback concerning current management issues	• 24 briefings concerning relocation and other matters
	Bottom-up Decision-Making	• Generate ideas through the Future Strategy Champion, the Junior Board, etc.	• Roll-out of mid/long-term management strategies • Seven ideas were executed out of the ten identified

Grievance Handling and Labor Relations

Grievance Handling

The secretary-general of our labor union and the head of the Human Resources Team serve as members of the Grievance Committee in accordance with the grievance resolution guidelines developed on September 21, 2004. Grievances submitted through the various channels of e-mail, messenger or interviews are consulted within 24 hours of admission and the employee in concern is notified of the outcome within 10 days.

When institutional improvements are needed, they are proposed as agenda items to the Labor Management Council for further deliberation. Our grievance resolution rate was 98% on average last year.

Minimum Notification Period Regarding Important Matters

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

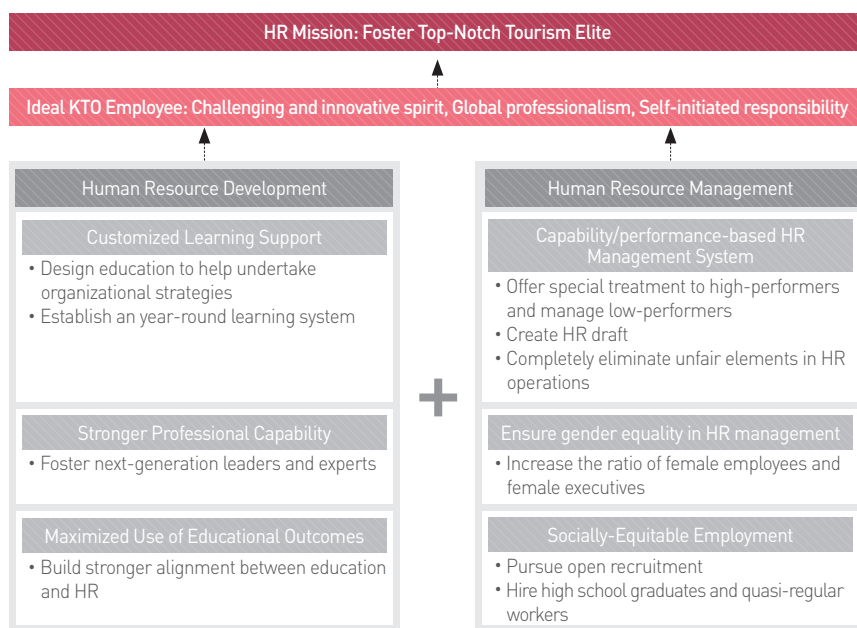
Grievance Handling Outcomes		Unit: No. of grievances handled, %	
Category	Submission	Handling	Handling Rate
HR	62	62	100%
Education	14	14	100%
Welfare Benefits	49	46	93.9%
Others	53	52	98.1%
Total	178	174	98.0%

Creation of a Human-Centered and Content Workplace

Talent Fostering

Talent Development and Management

Human Resources Development and Management Framework



Educational Program Framework



Talent Fostering Action Framework

We are committed to the sustained development and improvement of employee capacity and the fairness of HR management, including a corporate culture that enables a work/life balance. It is with this commitment that we develop and implement employee capacity building plans and human resource development plans in consideration of the capacity required at KTO.

Operation of Educational Programs

Our customized educational programs reflect our organizational and individual employees' needs. The analysis outcomes from our educational need identification system base our decision to set educational directions and finalize budget for 2012. These were reflected in improving and running courses concerning key talent fostering, management capacity and common/job capacity. In offering KTO-specialized job capacity training, practice-aligned courses and special lecture programs were developed. Employees who completed their key talent fostering courses were assigned to relevant departments to closely align education and HR operations: eight and three employees who took degree and language skill courses respectively were assigned to financial or R&D departments or to overseas offices. Leadership courses for team leaders and executive directors were extended from ex-ante diagnoses and educational assessments to include post-training leadership diagnoses, whose outcomes were factored into individual performance evaluations.

Satisfaction with KTO-specialized Job Capacity Education	Unit: Points
Education by In-house Lecturers (accounting)	4.56 / 5
Education by External Lecturers (media PR, marketing)	4.24 / 5
Average	4.31 / 5

- Satisfaction level is higher (up by 11%) than that of ordinary education courses
- 8% increase from the previous year (4.00 points)

Status of Educational Budget		Unit: KRW million	
Category	2010	2011	2012
Internal Education	255	298	430
External Education	1,389	1,075	971
Total	1,644	1,373	1,401

Status of Educational Operation		Unit: No. of persons, %		
Category		2010	2011	2012
By Educational Period	Within a day	658 (46.8%)	724 (46.4%)	786 (42.3%)
	1~5 days	348 (24.8%)	511 (32.7%)	431 (23.2%)
	1~4 weeks	287 (20.4%)	246 (15.8%)	401 (21.6%)
	1~6 months	61 (4.3%)	32 (2.0%)	54 (2.9%)
	7~12 months	6 (0.4%)	9 (0.6%)	138 (7.4%)
	Over a year	45 (3.2%)	39 (2.5%)	47 (2.5%)
By Job Level	Class 1	26 (2.3%)	34 (2.4%)	80 (4.9%)
	Class 2	122 (10.6%)	163 (11.6%)	269 (16.4%)
	Class 3	400 (34.8%)	489 (34.9%)	519 (31.7%)
	Class 4/5	603 (52.3%)	716 (51.1%)	771 (47.0%)

Status of Education and Training

Our job duties are categorized into 20 job classes in a total of five areas to assist in operating systematized educational courses and improving the benefits and satisfaction level of these courses. In 2012, the total education and training hours amounted to 14,809 hours or 9.04 hours per employee. We will continue to provide customized needs-based education programs that allow for wide-ranging educational opportunities.

Average Annual Education Hours by Job Level	Unit: No. of hours
Class 1	8.46
Class 2	11.08
Class 3	9.55
Class 4/5	8.04

Fair Evaluation and Compensation

Performance-driven HR System

Operation of an Integrated Performance Management System

We surveyed all our employees, interviewed representatives at each job level, held employee briefings and received advice from outside experts in order to gather feedback from wide-ranging stakeholders, while identifying implications and possible improvements in respective performance management areas. In addition, our organizational vision and strategic goals were more closely aligned with indicators at the main office/departmental and individual levels, while an integrated UI (user interface)-based performance management system was created. In so doing, diverse strategies were undertaken to advance our integrated performance management system.

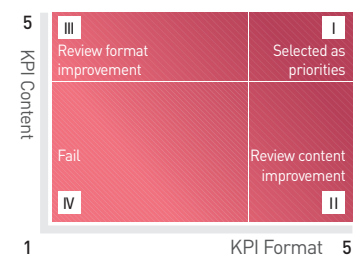
Integrated UI-based Performance Management System



Improved Appropriateness of a Performance Management Indicator System

To make our key performance indicators more appropriate, we further rationalized the indicator evaluation framework, streamlined evaluation items to prevent errors and took additional measures to improve on the KPI verification methodology. The current verification process was also complemented by a secondary verification step, which intends to coordinate the fairness among indicators in a specific evaluation category, so that the process could evolve into a more balanced one, from a macro perspective. Meanwhile, the ratio of calculation and outcome indicators increased to the level of 90% to contribute to generating outcomes while the indicator sunset review (to improve the quality of KPIs), the management indicator system (to develop potential indicators) and other new schemes were introduced to enhance the effectiveness of KPIs.

Improvement of the KPI Verification Matrix



Improved Expertise and Fairness of Performance Management

We create various measures to prevent evaluation outcomes from suffering low acceptance due to lack of communication among evaluators. Thus, additional industry experts were mobilized to increase the number of external experts from 36 to 50, the number of in-house evaluators rose from 84 to 100. Furthermore, grade adjustment meetings were held to prevent evaluation errors while the due diligence time with departments under evaluation was extended and a hotline was created to factor in on-site conditions and operational characteristics. Such endeavors enabled us to reduce the discrepancy between internal and external evaluations by 8.7% from the previous year.

Advancement of the Performance-based Salary Scheme

Presently, employees in Class 1~2 are subject to the performance-based salary scheme and those in Class 3~5 to the regular salary scheme. In addition, a separate performance-based bonus pay scheme was launched for executives in Class 1~2 positions, laying the conditions to swiftly raise the ratio of performance-based salary payment from the current 20.2% to 30%. Meanwhile, communication channels were expanded concerning the scheme and their feedback was collected through the objection system and the evaluation system was reorganized for improved credibility.

Improvement of Welfare and Working Conditions

Welfare and Benefits

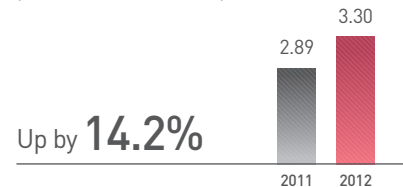
Operation of Welfare and Benefits Programs

Our In-house Labor Welfare Fund has been operated since 1992 and we provide a variety of welfare and benefit programs: loans for a stable livelihood, expenses for family events, selective welfare schemes and housing loans. A compensation system, was also established and its strategic operational directions were defined to ensure the appropriateness of our welfare and benefit programs. The operational improvement of collective accident insurance and medical check-ups enabled us to save KRW 150 million in budget expenditures. This allowed us to reduce per capita welfare and benefit expenses by 2% and improve employee satisfaction with welfare and benefits by 4.6%.

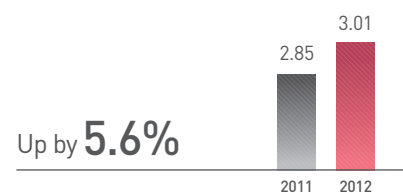
Useful Welfare Services

Our health care services assist our employees in every possible way in maintaining their physical and mental health. A health check-up items were improved and the collective accident insurance program was reinforced as physical health care initiatives, while the EAP(employee assistance program) s were launched as mental health initiatives, which were used on 56 occasions. Meanwhile, year-round 'Pick-me-up' HR letters were published, the number of employees eligible for flexible work hours rose, a two-week long-term vacation was more commonly used and family-friendly management was expanded. These endeavors resulted in increase employee job satisfaction from 3.6 points to 3.72 points (on a scale of one to five). We received the Grand Prix at the 'Great Work Place' Awards 2012 held by Hankyung Magazine for five consecutive years, starting in 2008.

Fairness in Evaluation Process
(On a scale from one to five)

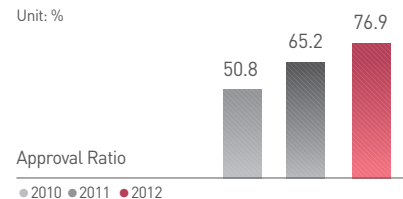


Expertise in Evaluation Process
(On a scale from one to five)



Acceptance of the Performance-based Salary Scheme

Unit: %



Pension Support

As a leader in operating retirement fund systems, we operate a reasonable pension system. Our pension payment operational system was improved in accordance with the Employee Retirement Payment Guarantee Act revised in July 2012. To this end, a competition among service providers was intensified and the representative lead manager was chosen. In addition, the external deposit of our pension funds amounted to 95%, the highest-ever posted figure by any public enterprise. As of the end of 2012, every KTO employee was a member of the retirement pension fund.

Non-Regular Worker Management

Reduction of regular workers led to a sustained increase of non-regular workers. This prompted us to create a joint task force team with a labor law firm to develop a non-regular worker management system. Compensation for these workers is on par with that of their regular counterparts. Discrimination against these workers was completely abolished concerning eight items, which made them 100% free from any type of discrimination. In so doing, we were chosen as a best practice in improving employment for non-regular workers by the Korea Labor Foundation last December.

Health and Safety Management

Health and Safety Issues

Our Industrial Safety and Health Committee, meets quarterly and is operated in accordance with Articles 76-79 of the Collective Agreement. Each year, all our employees and their spouses receive comprehensive medical check-ups and their musculoskeletal risk factors are inspected every three years in order to prevent industrial accidents or injuries. Moreover, our employees and their family members are collectively insured against accidents each year. Employees are entitled to paid sick leave (up to one month) and a paid leave of absence (up to one year) if they are in need of medical treatment, as well as free leaves of absence (up to one year) if their family members are in need of care.

No. of Industrial Injuries by Year, Region and Gender			Unit: No. of injuries
	Male	Female	Region
2010	1	0	Busan
2011	1	1	Seoul
2012	0	0	

Job Training and Life-long Learning Programs for Retirees

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

Family-Friendly Management

At KTO, Childcare leave hours are fully recognized as regular work hours, while male employees are encouraged to take childcare leave. Meanwhile, eligibility for flexible work hours was extended from those with a child 7 years old and younger to those with a child 10 years old and younger to increase their use, in addition to the introduction of reduced work hours. Any days taken off due to infertility treatment are recognized as an official leave of absence and paid leave to receive prenatal diagnoses is allowed. Such endeavors for a culture of work/life balance and female talent resulted in a female executive ratio that is overwhelmingly higher than other public enterprises.

Use of Childcare Leave			Unit: No. of persons, %
	Female	Male	Reinstatement(%)
2010	8	0	100
2011	14	0	85.7
2012	8	0	100

CREATING CUSTOMER VALUE

CHAPTER 04

CREATING CUSTOMER VALUE

058 | Customer Satisfaction Initiatives

060 | Commitment to Improved
Tourism Environments



04 CREATING CUSTOMER VALUE

Management Principle

The tourism industry is essentially driven by services that are provided at customer contact points. Thus, we consider customer satisfaction to be our top priority and our customer-centered RIO business philosophy and proactive operation helped us reach the highest customer satisfaction level among public enterprises. Furthermore, we initiate wide-ranging programs and campaigns in order to establish a customer-oriented corporate culture while developing the Customer Service Charter and customer service standards as a way to offer tourism services that are appreciated by our customers.

Performance

	Performance Indicator	2010	2011	2012	Department in Charge
Product Responsibility (Customers)	No. of VOCs submitted	2,277	2,381	1,627	
	Evaluation of customer handling performance	85.3	86.1	88.1	CSR Center
	Customer satisfaction	93.6	95.2	94.3	

Progress

- Improvement of customer satisfaction through differentiated tourism services that reflect various customer characteristics
- Operation of the 'Tourism Idea Bank' and 'KTO Monitors' as VOC channels that ensure sustained customer engagement
- Facilitation of CSO(Customer Satisfaction Officer)s and CS/Integrity Angel activities

Issues

- Extension of product/service responsibility
- Increase in diversified and strengthened customer demand
- Protection of consumers' data and privacy
- Service support for customers and resolution of consumer complaints and conflicts

Customer Value Management

Customer Satisfaction Initiatives

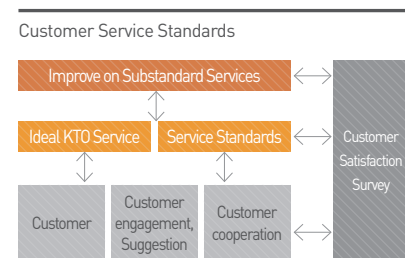
Customer Satisfaction Management Framework

Our Customers

Our customers are categorized into end customers, partners and suppliers according to their operational relationship and partnership with us, and their contact frequency. As one of the main pillars of the Korean tourism industry, we abide by our Customer Service Charter and customer service standards to grow into a company that sincerely serves its customers for the sake of earning their trust. It is with this commitment to customer service, that we create a customer-oriented corporate culture as a way to improve satisfaction for internal customers on a company-wide level.

Customer Service Charter and Standards

Our Customer Service Charter constitutes basic principles to advance customer satisfaction management and clearly defines principles and guidelines for us to create customer value and enhance customer satisfaction. The charter also presents detailed principles and methods to provide customer services. Meanwhile, our services are categorized into nine different types of services, spanning overseas marketing support, the invitation and hosting of international conferences and the facilitation of domestic tourism. This classification system bases our efforts to develop service standards in each service type category and designates relevant departments.



Customer Service Management and Improvement

Improved Customer Satisfaction

To create a customer-oriented corporate culture, we initiate systemized V-KTO campaigns as a way to build company-wide consensus regarding customer value creation initiatives, while undertaking talent donation (PRO-BONO) campaigns to identify our unique customer value creation projects and operate various customer-engaging VOC channels as a way to build empathy with our customers. In addition, we further solidified the foundation for our unique social contribution initiatives: we identified social-giving projects in Korea and abroad and provided support in alignment with our business operations including the Month of Social Contribution campaigns, "Fun Sharing, Cool Summer Camp", and overseas volunteer activities in the Philippines and Fukushima, Japan. Such multi-faceted endeavors allowed us to increase customer satisfaction to 94.3 points, reach the highest-level for six consecutive years and to post 56.0 points on a publicly-recognized customer satisfaction level, which placed us in the mid-upper range for two consecutive years.

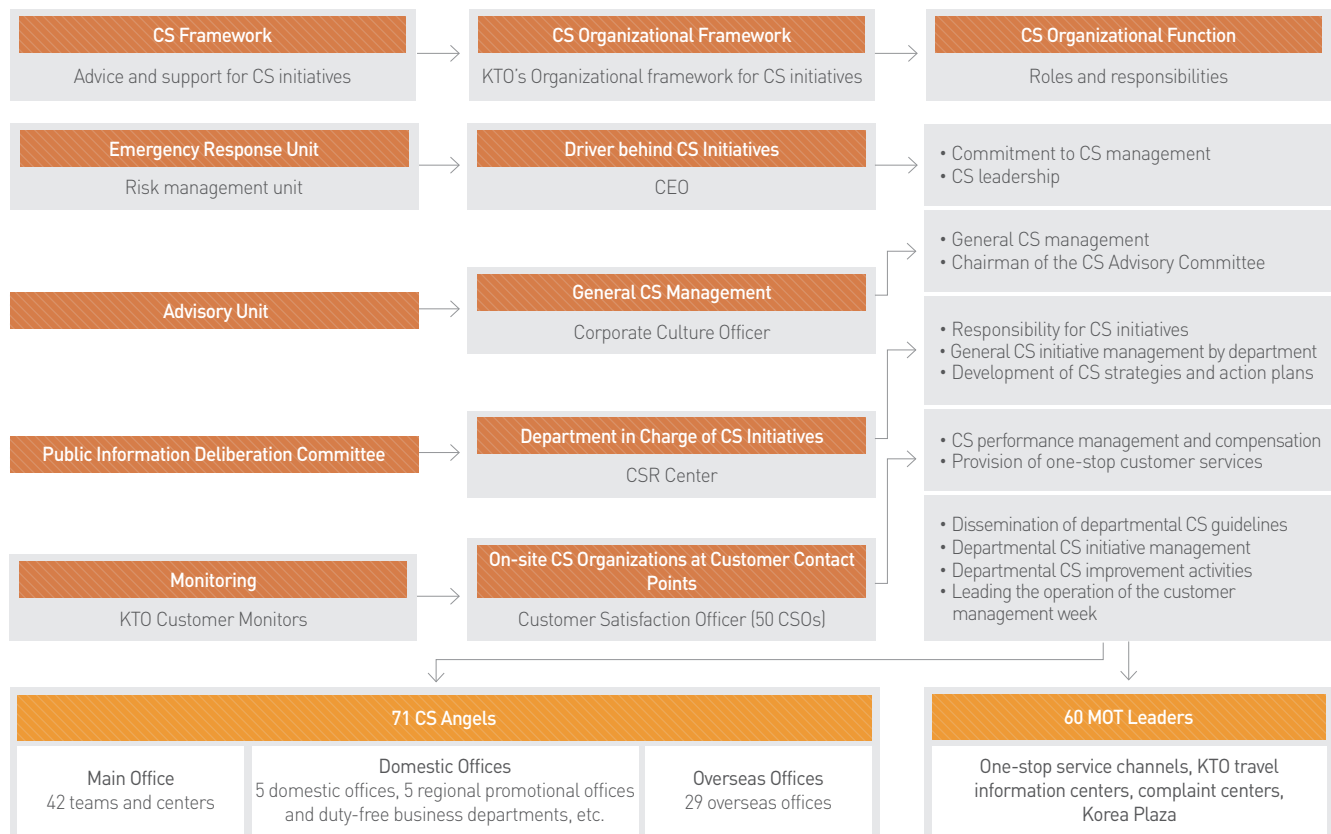
VOC Operation

To respond to the voices and complaints of customers more proactively, we operate VOC (Voice of Customer) channels that enable the integrated management of customer information and statistics. In 2012, 1,627 VOCs were submitted through the corporate website, e-mails, phone calls and visits and each and every one of these submissions was sincerely handled.

Information Disclosure

In 2012, we successfully handled all of the 145 information disclosure requests that were submitted through the information disclosure system of the Ministry of Public Administration and Security as well as those received through our corporate website. The information disclosure inquiries that were received through our website were processed within 22 hours (based on business hours) from submission to the final handling, which is exceptionally faster than the legally-permissible threshold of 10 days. In so doing, we ensure that information is disclosed to the public in a swift and accurate manner. In addition, our management information is fully disclosed through our website (www.visit-korea.or.kr) and the management information system for public organizations (www.alio.go.kr) while disclosed information is tagged with the relevant KTO employees in charge to gather direct feedback from our customers. We developed operational manuals to ensure efficiency in managing such disclosure information and abide by the Customer Data Privacy Act to protect our customer information through the CRM-based customer management system.

Customer Satisfaction Action Framework



Commitment to Improved Tourism Environments

Development of Tourism Infrastructure

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

Improvement of Lodging Infrastructure

It is estimated that approximately 2.9 million inbound travelers canceled their trip to Korea due to a shortage in lodging facilities last year. This prompted us to investigate the status of lodging reservations made by inbound tourists and to take action to improve their satisfaction with accommodation facilities through the expansion of alternative lodging options and the qualitative improvement of such facilities. We created a task force team to improve lodging regulations to realistic levels. A consulting support center was run to encourage investment in lodging facilities, holding seven IR and 105 counseling sessions with potential investors. In accommodating group tourists from Great China, special lodging zones were selected and supported to obtain the 'Good Stay' certification that is granted to outstanding medium/low-price lodging facilities. This enabled us to attract 238,000 tourists in three of these zones. The 'Korean Stay' (Korean urban B&B business system) designation criteria were eased, while the 'Hanok Stay' program, (Hanok: traditional Korean housing), was improved to create a BI (brand identity) for premium ancient housing. Forty-five new Hanok stay facilities were selected and received PR support. Service standards and operational manuals were also distributed.

Customer Satisfaction Action Framework

Good Stay	<ul style="list-style-type: none"> Increased the number of rooms by 3,831 rooms, up by 44.1% Sales growth through the use of the global reservation website (agoda): KRW 2.05 billion (2.31-fold increase)
Korean Stay	<ul style="list-style-type: none"> Increase the number of rooms by 463 rooms, up by 24.8%
Hanok Stay	<ul style="list-style-type: none"> Newly chosen 45 premium ancient housing units Increased the number of rooms by 515 rooms, up by 98.8%

Improvement of Shopping Infrastructure

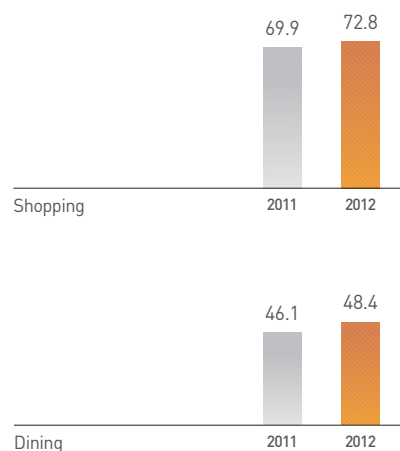
We aim to offer a trustworthy shopping experience to inbound travelers. The 1st Premium Shopping certification scheme, launched back in 2010, successfully positioned itself as a brand in its own right through domestic and overseas promotional efforts and its application was further expanded through the certification of premium shopping stores that provide tax refund services to inbound tourists. Certified stores were subject to regular monitoring and inspections to objectively analyze the efficacy of the certification scheme and to identify possible improvements in order to improve the service quality of shopping tour experiences.

Improvement of Food Tourism Infrastructure

In response to the growing need for a differentiated and sustained food tourism model, we joined forces with local governments to develop five food-themed streets into hubs of food tourism and undertake projects to specialize them according to their unique features. These projects aimed to improve their conditions to serve tourists and turn them into favored tourist destinations. In addition, 160 restaurants frequented by inbound travelers were monitored for future improvement and 100 of them were listed in the "Korean Restaurant Guidebook for Foreigners", that was distributed to travel agencies.

Major Activities Taken by Inbound Tourists during their Stay in Korea (multiple answers allowed)

Unit: %



Status of the Five Food-themed Street Projects

Selected Area	Joint Marketing	Individual Specialization Project
Tteokbokki Street in Shindang-dong	• Define specialization strategies	Provide digital menus
Loach Soup Street in Namwon	• Develop an integrated BI	Develop experience programs
Tripe Cuisine Alley in Anjirang, Daegu	• Provide PR supplies	Develop smartphone applications
Chodang Tofu Street in Gangneung	• Train restaurant owners and employees	Create flavor maps
Sashimi Street in Minrak-dong, Busan	• Develop PR materials	Develop story-to-tells
	• Offer farm tours to media and travel agencies	

Diverse Tourism Information Channels

1330 TT Call Center

To provide diverse information on Korean tourist attractions, our 1330 TT Call Center is in operation 24 hours a day. This tourist information telephone service is available in four languages: Korean, English, Japanese, and Chinese. Not only does it provide diverse information about Korean tourist attractions, it also provides interpretation services to address any language problems, as well as counseling services so that tourists can report any difficulties they face. Since October 2012, the call center extended its scope-from merely responding to information inquiries-to offering a one-stop tour information point that spans the entire nation and has been operating in an integrated manner ever since.

Smart Tour Guide

The increasing number of smartphone users has ushered in a new era of mobile environment changes. As a response to this emerging trend, we launched the 2.0 version of our Guseok Guseok mobile application and newly added a mobile web version. The mobile App 2.0 version was upgraded in a way that structures its main page through the analyses of user response and mobilizes the GPS functionality. The mobile web version allows access from any type of smart device through the use of the same management system, as the existing mobile application, and comes with an enhanced functionality through the creation and optimization of an user-friendly user interface.

Support for the Standardization of Tour Guide Services

Our service standardization initiative is based on the tour guide service certification scheme and the creation of service operational models. To this end, stringent certification criteria were set for the reliability of cultural tour guide training courses to improve, while services were standardized for each type of alternative lodging facility. In addition, standardized premium guide curriculums were developed to establish their quality, while herbal medical tourism coordinator courses are in operation to help enhance the understanding of oriental medicine. Furthermore, the Tourism Translation Support Center was created to be responsible for foreign language translations and editing, so as to establish an integrated management system for tourism information written in foreign languages. These endeavors enabled us to designate 18 cultural tour guide training institutes, foster 44 premium guides (English and Chinese) and record 4.81 points (on a scale of one to five) in satisfaction with foreign language translation services.

Five Food-themed Streets Nationwide

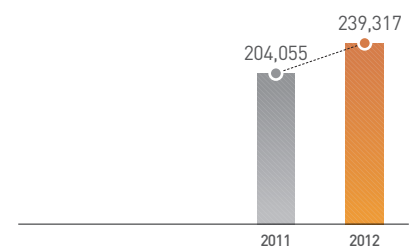


Korea Travel Hotline 1330



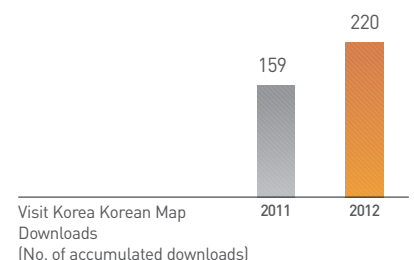
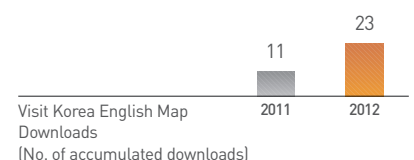
Use of 1330 Service

Unit: No. of cases



Mobile App Downloads

Unit: 10,000 downloads



REACHING OUR PARTNERS & COMMUNITY



CHAPTER

05

ESTABLISHMENT OF A MUTUALLY-BENEFICIAL COOPERATION FRAMEWORK

- 064 | Private-Public Partnership and an Enhanced Local Competitive Edge
- 066 | Leader in Forging Fair Partnerships

MANAGEMENT FOR SHARED HOPES AND HAPPINESS

- 068 | Improved Local Community Engagement
- 068 | Community-based Sharing Initiatives

05 REACHING OUR PARTNERS & COMMUNITY

Management Principle

One of our ten strategic tasks is to 'strengthen social responsibility and create a customer-oriented corporate culture.' Therefore, we fulfill our social responsibility through shared growth and sharing initiatives to reach this goal. In addition, we establish partnerships with the Korean government and the National Assembly while operating wide-ranging social-giving programs to contribute to the local and national economy. We also endeavor to realize our vision to 'create shared sustainable value through tourism'.

Performance

Category	Performance Indicator	2010	2011	2012	Department in Charge
Society	Ethics management education (hours)	6.24	8.10	5,133	General Affairs Team CSR Center
	Purchase of SME products (%)	95.3	93.8	99.7	
	Total integrity	8.70 (Substandard)	9.05 (Outstanding)	9.02	
	Korean tourism supporters (No. of persons)	2,789	4,599	5,133	Tourism Culture Team

Progress

- Development of a social contribution system and identification of relevant projects in consideration of KTO's organizational features
- Increase the purchase of SME products and facilitation of such purchasing agreements
- Expand employee engagement in social contribution programs through the development of a company-wide social contribution operational system
- Create jobs in the private sector in alignment with purpose business
- Ensure a corporate culture and fair trade to deliver a fairer society
- Improvement of unfair practices in the tourism industry and of mutually-beneficial partnerships with SME tourism businesses

Issues

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

Establishment of a Mutually-Beneficial Cooperation Framework

Public Partnership and an Enhanced Local Competitive Edge

Establishment of a Partnership Framework

Communication and Policy Sharing with the Private Sector and the Government

In 2012, we presented various policy proposals including the lodging facility expansion act, the development of traditional market tour products to stimulate domestic demand and the Future Strategy Forum for the Korean tourism industry. Our communication and partnership with businesses, the industry and local governments expanded even further, while the creativity of private sectors and the administrative capabilities of local governments were mobilized to attract investments from the outside. Korean tourism supporters also assist us in communicating with the local community.

Creation of Partnerships

Private Sector (Businesses)	<ul style="list-style-type: none"> Promotional cooperation for shopping tour in Korea in celebration of the 20th anniversary of the China-Korea diplomatic ties through the signing of 17 MOU agreements (17 occasions) CEO's lecturing a group of Samsung presidents and the implementation of the one night-stay traditional market tour program in conjunction with Samsung Life Insurance Opening a dedicated SME product store at the Incheon International Airport duty-free shop through the partnership with the Small Business Distribution Center
Tourism Industry	<ul style="list-style-type: none"> Business discussion through customer briefings, market-specific consultations and product development consultation meetings Systemic support to foster tourism ventures through the public tourism venture competition
Local Governments	<ul style="list-style-type: none"> Cooperation with the local government (Wonju City in Gangwon Province) on the construction of a new building and relocation in Wonju Innovation City Tourism informatization project in the Jiri Mountain region with seven local governments including Namwon

Supporters' Activity in 2012

Category	General Supporters	Expert Supporters
Number of Supporters	4,341	729
Composition	General public interested in the development of the tourism industry	Opinion leaders and tourism experts
Role	Monitor tour sites and promote them through the use of social network services	Monitor readiness of tourist attractions and make proposals

Creation of Local Income through Tourism

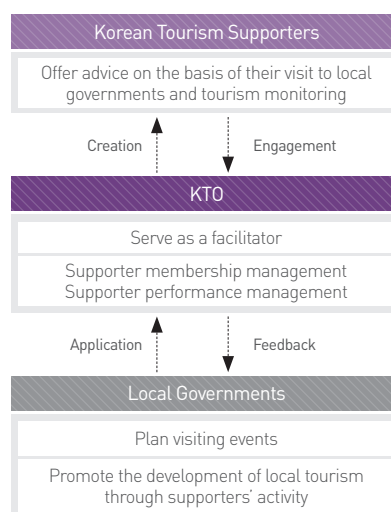
Creation of a Role Model to Facilitate Traditional Market Tour

Our multi-faceted support to revitalize traditional markets helped attract a total of 53,000 tourists. Infrastructure was improved and market vendors received basic foreign language courses. We also signed MOUs with five economic organizations* to encourage large businesses to join this initiative through the purchase of traditional market gift certificates. In so doing, we were recognized for our contribution to the increased sales of small traditional market businesses and revitalized domestic demand. This initiative was chosen as a best practice in stimulating domestic demand at a risk management meeting held by the Ministry of Strategy and Finance last October.

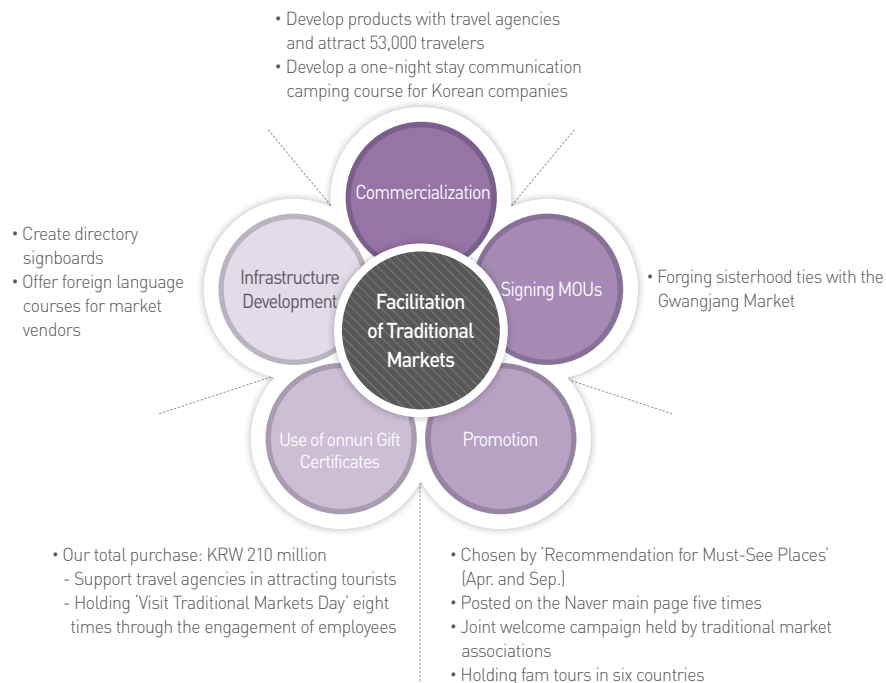
Our Contribution to Governmental Policy Making and Implementation

Enactment of the lodging facility expansion act	Easing regulations concerning floor area ratio and building-to-land ratio to build more lodging facilities in the Seoul metropolitan area
Facilitation of product development to promote domestic demand	One-night stay communication tour of traditional markets' being chosen as a consumption promotion model
Planning to foster premium tour guides	Fostering tour guides specialized in high value-added markets (premium guides) as a response to changing demand
Streamlining of the visa issuance process for medical tourists	Easing regulations concerning the online visa/multiple visa issuance process for medical tourists
Future Strategy Forum for the Korean Tourism Industry	Identification and proposal of tasks to build global competitive edge in the tourism industry

Use of the Private Network (Supporters)



Multi-faceted Support for Traditional Markets



Details of Development of Traditional Market Tour Products

Tourist Attraction Initiatives	No. of Travelers
Support for 32 products from eight travel agencies selected by KTO for regional cooperation	30,349
Commercialization of traditional cultural content in five countries	9,769
Tourist attraction jointly conducted by FIT agencies in Great China	10,848
In alignment with other events	2,081
Total	53,047

Shared Growth through Local Tourism

Various efforts are underway to create a culture of mutually-beneficial partnerships with local communities and pursue shared growth. We visited 42 local governments to identify four major challenges, including an excessive concentration in the Seoul metropolitan area and an extremely heated competition among local regions. We developed a regional cooperation system through organizational restructuring and offered tourism consulting to local governments to help build stronger tourism capabilities. Meanwhile, local specialization projects were selected to address the excessive competition among local regions and we assisted local governments in opening overseas offices to attract inbound travelers.

Outcomes of Shared Growth Initiatives



Promotion of Tourism Resources and Products

Integrated Tourism Consulting

Our integrated management consulting is intended to combine existing regional tourism consulting projects with investment attraction support and IR events for potential investors. In addition, our 'one-stop IR services' allowed us to hold 10 IR events in alignment with consulting and this successfully assisted Jindo-gun in South Jeolla (KRW 600 billion, Daemyung Group) and Sangju City in North Gyeongsang (KRW 1 billion, Purecoism) in attracting investors. Furthermore, 55 sessions of tourism consulting were provided for local governments, which led to a 10% increase from the previous year and a total of six follow-up projects in alignment with such consulting services were visualized through enhanced post-consulting management.

Alignment between Consulting Outcomes with Follow-up Projects		Unit: KRW million
North Chungcheong	Festival for Chinese Students in Korea	55
	Water leisure tourism business	1,200
Sangju City	Water reports promotion	4,600
	Canoeing school	300
	3D video content business	800
Gunsan City	Development of tour package products	55

Leader in Forging Fair Partnerships

One of our ten strategic tasks is to 'strengthen social responsibility and create a customer-oriented corporate culture' and we are committed to forging fair partnerships with suppliers and SME tourism businesses. We guarantee equal opportunities and fair competition for our suppliers, while assisting SME tourism businesses in building stronger capacities and expanding sales channels in Korea and abroad. These shared growth initiatives drive our commitment for sustainable partnerships.

Compliance with Fair Trade

Internal Fair Trade

To advance fair trade across the board, we eliminated entry barriers to SMEs and established a fair performance distribution system with subcontractors and suppliers. As a way to prevent large companies from monopolizing our in-house cafeteria operation, we improved the relevant tender system and initiated a restricted tender system for SMEs to lay the foundation for mutually-beneficial cooperation with SMEs. Furthermore, a fair trade system was introduced to improve our purchasing and contracting practices and to expand the application of the Korea On-line E-procurement System, while an ex-ante assessment program for outsourced academic services helped us improve the feasibility of the criteria in outsourcing these services. A profit-guarantee program and an ex-ante approval program for subcontractors also enable us to fundamentally eliminate the possibility of any type of unfair trade practices concerning our contractors and subcontractors.

Expansion of a Culture of Fair Trade

To improve on unfair practices in the tourism industry, we forged monitoring partnerships and chose examiners in respective business segments. In addition, guidance and inspections were conducted of overcharging practices at tourist sites to establish fair trade practices, while management groups were operated, case studies were examined and implementation tasks were identified to ensure fair competition among regional convention centers. This was further complemented by academic gatherings and discussions to improve the awareness of fair trade in academia and the industry.

Furthermore, regulatory violations were shared among relevant parties and the use of standard contract forms was promoted to eradicate unfair trade and contracting practices.

Development and Implementation of Shared Growth Strategies

To promote shared growth with partner organizations and related organizations, we developed four strategies and nine detailed implementation tasks while endeavoring to increase our purchases from SMEs and ease entry barriers to SMEs.

Shared Growth Action Framework

Vision	Create Sustainable Shared Value through Tourism			
Goal	To lay the foundation for sustainable shared growth through support for SMEs			
Strategy	Support for SMEs who cooperate (do business) with us	Pursue mutually-beneficial cooperation with SME tourism businesses	Facilitate local community tourism and domestic demand	CEO's commitment and action to advance shared growth
Detailed Implementation Task	<ul style="list-style-type: none"> Open dedicated SME product stores within the duty-free shop Increase the ratio of purchasing SME products 	<ul style="list-style-type: none"> Support capacity-building programs Assist in opening overseas sales channels Offer financing support 	<ul style="list-style-type: none"> Commitment to shared growth as a way to facilitate local tourism Pursue shared growth to facilitate demand in local communities 	<ul style="list-style-type: none"> Declare CEO's commitment internally/externally CEO's initiatives to advanced shared growth

Support for SMEs

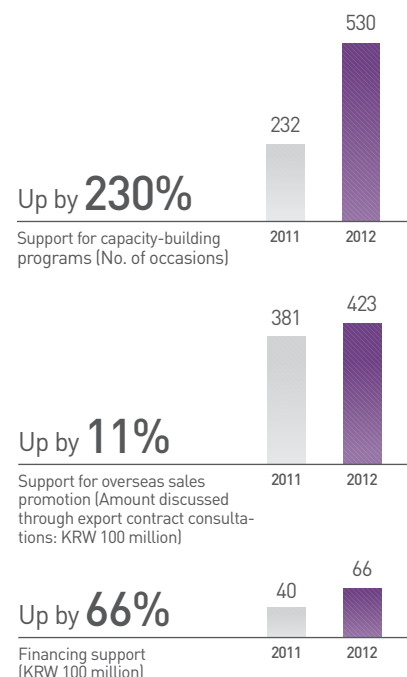
We analyzed issues that challenge Korea's duty-free shop market, which were mainly caused by an excessive focus on the brands of overseas designer goods and imported goods marketed by large domestic companies. To address such issues, we opened 'dedicated SME product stores' within the domestic duty-free shops through the signing of an MOU with the Small Business Distribution Center. This initiative enabled 90 SMEs to market 1,700 product items while creating jobs for 35 supplier employees and generating KRW 460 million in sales. In addition, we ranked No. 1 in the Public Enterprise II category in terms of purchasing from SMEs in 2012. Our systems were improved to lower entry barriers for SMEs in order to ease a competitive tender scheme and reinforce support for small businesses, while shared growth policies for SME tourism businesses were consistently undertaken to assist SMEs and relevant organizations in building a stronger capacity.

Trajectory of Purchasing from SMEs

Category	2011	2012 Note
Total Purchasing budget (KRW 100 million)	551	439
Purchasing from SMEs (KRW 100 million)	517	438
Purchasing from SMEs (%)	93.8	99.7

Average Purchasing from SMEs in the Public Enterprise II category in 2012

Outcomes of Shared Growth Initiatives with SMEs



Management for Shared Hopes and Happiness

Improved Local Community Engagement

Social Contribution System

Social Contribution Vision and Strategy

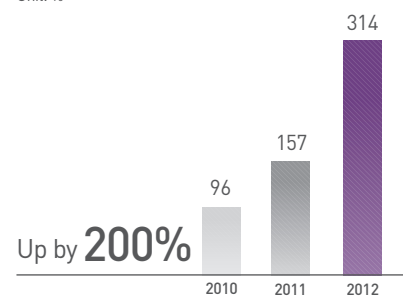
Vision	Create Sustainable Shared Value through Tourism			
	Create jobs in the tourism sector	Deliver a fair society	Expand shared growth and support for SMEs	Fulfill social responsibility through sharing
Strategy	<ul style="list-style-type: none"> Create jobs specialized in the tourism industry Outsource non-core operation Create jobs on the basis of development projects Create jobs through partnerships with the private sector 	<ul style="list-style-type: none"> Disseminate a corporate culture conducive to a fairer society Practice fair trade across the board Improve on unfair practices in the tourism industry Lay the foundation for welfare tourism through the equal provision of tourism opportunities 	<ul style="list-style-type: none"> Support SME suppliers Pursue mutually-beneficial cooperation with SME tourism businesses Support to facilitate local community tourism and domestic demand Declare and practice CEO's commitment to shared growth 	<ul style="list-style-type: none"> Lay the foundation for social contribution initiatives Expand the Guseok Guseok initiative across the nation Expand global social contribution programs Stabilize tourism prices and improve social trust
16 Strategic Tasks				

Organizational Structure and Performance Management

Our 'Social Contribution Committee' is chaired by the company CEO and we operate four working-level committees on the four themes of 'job creation, fair society, shared growth and social responsibility' in order to review our progress and examine possible improvements as a way to advance our social contribution strategies. In addition, 'social contribution' was newly added as an extra point indicator to our internal evaluation system in order to strengthen our execution capabilities, while our 'Green Mileage' targets were elevated and our own social contribution brand was launched to ensure unity in our social contribution initiatives. Such a company-wide commitment to social contribution allowed us to increase employee engagement in social-giving initiatives for three consecutive years.

Employees' Participation in Volunteering

Unit: %



Community-based Sharing Initiatives

Guseok Guseok Volunteer Program in Korea

Talent Sharing Programs

Our 'Pro Bono' knowledge sharing initiative was undertaken last year to share knowledge in the tourism segment among students working in tourism-related disciplines, as well as related organizations. This initiative generated 1,786 beneficiaries on 24 occasions. In addition, donations made through 'Super Star KTO', a corporate culture facilitation program, were given to 'Our Joyful Chambers' (an orchestra made up of intellectually-challenged individuals without families or friends). As a result of these endeavors, we were designated as an educational donor by the Ministry of Education, Science and Technology last December.

Social Contribution Brand



Partnership-based Sharing in Local Communities

We initiated a project to construct the 'Hopeful Camping Site' as a way to lay the foundation for helping marginalized regions to stand on their own. The first Hopeful Camping Site was built on the site of a closed school in Guhak-ri, Wonju City, in the Gwangwon Province last July and generated KRW 6.3 million in local income. The 2nd and 3rd such camping sites will open in Hwaseong, Gyeonggi Province and in Geumsan, in the South Chungcheong Province in 2013. Furthermore, a project was initiated to create a map of guest houses in the vicinity of Hongik University in conjunction with a travel volunteer club at Soongmoon High School, which resulted in the publication of 12,000 maps in four languages. In addition, our corporate credit cards were replaced with donation cards and all the accumulated credit points were donated to create scholarship funds, which were then granted to 13 students at tourism high schools nationwide. Other social-giving initiatives included a culture-sharing program for both foreigners staying in Korea and multicultural families. The 'Barrier Free' travel program intended to benefit socially-vulnerable individuals.

Global Social Contribution Programs

Creation of Shared Tourism Value through Global Networks

We offered tourism consulting to eight lesser-developed countries in the tourism industry including Laos and eight other Southeast Asian countries as a way to share and disseminate our expert knowledge and establish a tourism cooperation network. We also trained 16 tourism industry employees from eight ASEAN member nations to foster pro-Korean experts in potential tourist markets, shared our tourism strategies and marketing knowledge and spread our tourism development models. Meanwhile, our medical-sharing initiatives (aligned with medical tourism promotion), were improved by shifting the focus of the initiatives-from simply inviting tourists-to actually reaching out to them. This generated 391 beneficiaries in nine countries. In conjunction with our overseas offices, we extended our helping hands to disaster-stricken areas in Thailand and China and promoted cultural exchanges between Korea, the U.S. and Japan. In so doing, we were able to share our culture and hope with the various regions of the U.S., Japan, Thailand, and China.

Partnership-based Fulfillment of Global Social Responsibility

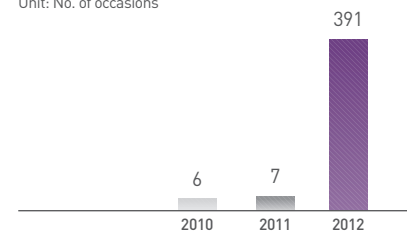
In 2012, we consistently undertook partnership-based overseas social contribution initiatives such as the 'Hopeful Project' with Baojian in China, the 'Fukushima Disaster Recovery Exchange Program' with Asiana Airlines, and the 'Joint Support Program for a Village of Hansen's Disease Patients' in Manila, the Philippines with the Sorok Uni Foundation. Such endeavors helped us enhance Korea's image as a tourist destination and generate synergistic effects in social contribution programs through consultation with partner organizations. In so doing, we served as a true leader in creating global shared value in the tourism sector.

Opening ceremony for the 1st Hopeful Camping Site



Trajectory of Medical Sharing Initiatives

Unit: No. of occasions

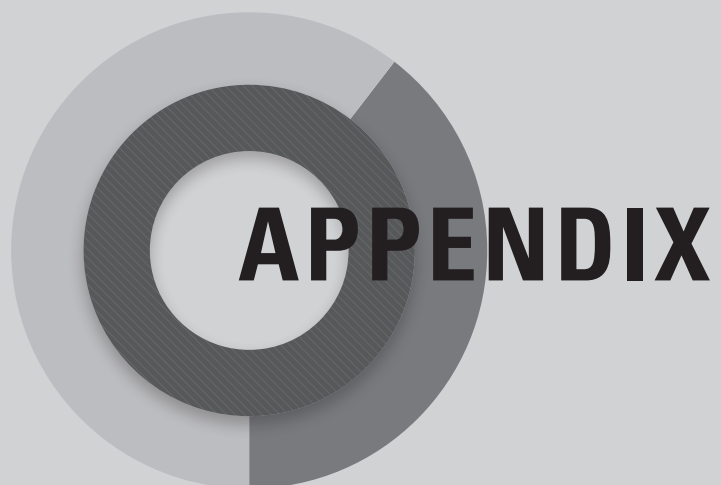


Hopeful Project undertaken with Baojian in China



Support for the disaster recovery exchange program with Asiana Airlines





GRI, ISO 26000 Index

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

Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Report- ing Level	Reason for omis- sion	Explan- ation for the reason for omission
Stakeholder Inclusiveness Principle	6.8.2	Community involvement	16	●		
Boundary Protocol	6.6.5	Promoting social responsibility in the value chain	About this Report	●		
Strategy and Analysis						
1.1 Statement from the most senior decision-maker of the organization.	6.2	Organizational Governance	2-3	●		
1.2 Description of key impacts, risks, and opportunities.	6.2		14-15	●		
Organizational Profile						
2.1 Name of the organization.			4-5	●		
2.2 Primary brands, products, and/or services.			4-7	●		
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	Organizational Governance	6	●		
2.4 Location of organization's headquarters.			4-5	●		
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.			4-5	●		
2.6 Nature of ownership and legal form.			12	●		
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			4-7	●		
2.8 Scale of the reporting organization.			4-5	●		
2.9 Significant changes during the reporting period regarding size, structure, or ownership.			About this Report	●		
2.10 Awards received in the reporting period.			75	●		
Report Parameters						
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.			About this Report	●		
3.2 Date of most recent previous report (if any).				●		
3.3 Reporting cycle (annual, biennial, etc.)				●		
3.4 Contact point for questions regarding the report or its contents.				●		
3.5 Process for defining report content.			16-17	●		
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			About this Report	●		
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).				●		
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			4-5, 7	●		
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.			28-33	●		
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).			About this Report	●		
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.				●		
3.12 Table identifying the location of the Standard Disclosures in the report.			71-74	●		
3.13 Policy and current practice with regard to seeking external assurance for the report.	7.5.3	Verification	75-76	●		
Governance, Commitments, and Engagement						
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.			12-15	●		
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.			12	●		
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.			12	●		
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.			13	●		
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	6.2	Organizational Governance	13	●		
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.			13	●		
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.			13	●		
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.			8-9, 75	●		
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.			10-11	●		

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

Governance, Commitments, and Engagement							
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	12-13	●				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	14-15	●				
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	75	●				
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization; * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	75	●				
4.14	List of stakeholder groups engaged by the organization.	16	●				
4.15	Basis for identification and selection of stakeholders with whom to engage.	16	●				
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	16	●	Does not exist			KTO is only able to report types of stakeholder groups and how to approaches to them
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	16-17	●				
Profile Disclosure	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level	Reason for omission	Explanation for the reason for omission	
Economic (Disclosure on Management Approach)			18-19, 23	●			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8/6.8.3/6.8.7/6.8.9	Community involvement and development / Community involvement / Wealth and income creation / Social investment	25	●		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	Climate change mitigation and action	28-33	●		
EC3	Coverage of the organization's defined benefit plan obligations.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	55	●		
EC4	Significant financial assistance received from government.			25	●		
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	48-49	●		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6/6.8/6.8.5/6.8.7	Promoting social responsibility in the value chain / Community involvement and development / Employment creation and skills development / Wealth and income creation	-	○	Not applicable	KTO treats all suppliers equally and all the processes are transparently open
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8/6.8.5/6.8.7	Community involvement and development / Employment creation and skills development / Wealth and income creation	-	○	Not applicable	KTO doesn't hire people locally, only dispatch from Korea
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9/6.8/6.8.3/6.8.4/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Technology development and access / Wealth and income creation / Social investment	64-65, 68-69	●		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9/6.6.6/6.6.7/6.7.8/6.8/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Social investment	25, 49, 54-55, 64-65	●		
Environmental (Disclosure on Management Approach)			18-19, 23	●			
EN1	Materials used by weight or volume.			-	○	Not applicable	It is not relevant to KTO's business
EN2	Percentage of materials used that are recycled input materials.			-	○	Not applicable	It is not relevant to KTO's business
EN3	Direct energy consumption by primary energy source.			28-29	●		
EN4	Indirect energy consumption by primary source.	6.5/6.5.4	The Environment / Sustainable resource use	28-29	●		
EN5	Energy saved due to conservation and efficiency improvements.			29-30	●		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.			30	●		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.			29-30	●		
EN8	Total water withdrawal by source.			29, 31	●		
EN9	Water sources significantly affected by withdrawal of water.			31	●		
EN10	Percentage and total volume of water recycled and reused.			31	●		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.			32-33	●		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			32-33, 37-38	●		
EN13	Habitats protected or restored.	6.5/6.5.6	The Environment / Protection of the environment & biodiversity, and restoration of natural habitat	32-33, 37-38	●		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.			32-33	●		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			-	○	Not applicable	It is not relevant to KTO's business

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

EN16	Total direct and indirect greenhouse gas emissions by weight.			30	●		
EN17	Other relevant indirect greenhouse gas emissions by weight.	6.5/6.5.5	The Environment / Climate change mitigation and action	-	○	Not available	KTO is unable to gather the data by the categories
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.			29-30	●		
Environmental (Disclosure on Management Approach)				18-19, 23	●		
EN19	Emissions of ozone-depleting substances by weight.			-	◎	Not applicable	It is not relevant to KTO's business
EN20	NOx, SOx, and other significant air emissions by type and weight.			-	◎	Not applicable	It is not relevant to KTO's business
EN21	Total water discharge by quality and destination.	6.5/6.5.3	The Environment / Prevention of pollution	31	●		
EN22	Total weight of waste by type and disposal method.			31	●		
EN23	Total number and volume of significant spills.			-	◎	Not applicable	It is not relevant to KTO's business
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			-	◎	Not applicable	It is not relevant to KTO's business
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5/6.5.4/6.5.6	The Environment / Sustainable resource use / Protection of the environment & biodiversity, and restoration of natural habitat	31-33	●		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5/6.5.4/6.6.6/6.7.5	The Environment / Sustainable resource use / Promoting social responsibility in the value chain / Sustainable consumption	32-33, 37-38	●		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	6.5/6.5.4/6.7.5	The Environment / Sustainable resource use / Sustainable consumption	-	◎	Not applicable	It is not relevant to KTO's business
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5	The Environment	31	●		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6.5/6.5.4/6.6.6	The Environment / Sustainable resource use / Promoting social responsibility in the value chain	-	◎	Not applicable	It is not relevant to KTO's business
EN30	Total environmental protection expenditures and investments by type.	6.5	The Environment	25, 30, 37-38	●		
Labour Practices and Decent Work (Disclosure on Management Approach)				18-19, 47	●		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	6.4/6.4.3		48-49	●		
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		Labour Practices / Employment and employment relationships	48-49	○	Not available	KTO is only able to gather total number of new employee data
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4/6.4.3/6.4.4	Labour Practices / Employment and employment relationships / Conditions of work and social protection	48	●		
LA4	Percentage of employees covered by collective bargaining agreements.	6.4/6.4.3/6.4.4/6.4.5/6.3.10	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue / Fundamental principles and rights at work	48	●		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4/6.4.3/6.4.4/6.4.5	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue	51	●		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4/6.4.6	Labour Practices / Health and safety at work	55	●		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.			55	●		
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4/6.4.6/6.8/6.8.3/6.8.4/6.8.8	Labour Practices / Health and safety at work / Community involvement and development / Community involvement / Education and culture / Health	54-55	●		
LA9	Health and safety topics covered in formal agreements with trade unions.	6.4/6.4.6	Labour Practices / Health and safety at work	55	●		
LA10	Average hours of training per year per employee by gender, and by employee category.	6.4/6.4.7	Labour Practices / Human development and training in the workplace	53	○	Not available	KTO is unable to gather average hours of training per year employee by gender
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4/6.4.7/6.8.5	Labour Practices / Human development and training in the workplace / Employment creation and skills development	53	●		
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	6.4/6.4.7	Labour Practices / Human development and training in the workplace	-	○	Not available	KTO is unable to gather the data by the categories
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7/6.3.10/6.4/6.4.3	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment / relationships	12, 48-49	●		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7/6.3.10/6.4/6.4.3/6.4.4	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment relationships / Conditions of work and social protection	48-49	●		
LA15	Return to work and retention rates after parental leave, by gender.		Discrimination and vulnerable groups / Economic, social and cultural rights	55	●		

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

Human Rights [Disclosure on Management Approach]			18-19, 47	●		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3/6.33/6.3.5/6.6.6	Human Rights / Due diligence / Avoidance of complicity / Promoting social responsibility in the value chain	66	●	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6.3/6.3.3/6.3.5/6.4.3/6.6.6	"Human Rights / Due diligence / Avoidance of complicity / Employment and employment	-	○	Not available KTO is not carry human rights screening out currently
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3/6.3.5	relationships / Promoting social responsibility in the value chain"	53	●	
HR4	Total number of incidents of discrimination and corrective actions taken.	6.3/6.3.6/6.3.7/6.3.10/6.4.3	Human Rights / Avoidance of complicity	48	●	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.3/6.3.3/6.3.4/6.3.5/6.3.8/6.3.10/6.4.3/6.4.5	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Fundamental principles and rights at work / Employment and employment relationships	48	●	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3/6.3.3/6.3.4/6.3.5/6.3.7/6.3.10	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Civil and political rights / Fundamental principles and rights at work / Employment and employment relationships / Social dialogue	48	●	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work	48	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3/6.3.5/6.4.3/6.6.6	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work	-	○	Not available KTO is unable to gather the data by the categories
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3/6.3.6/6.3.7/6.3.8/6.6.7	Human Rights / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain	-	◎	Not applicable It is not relevant to KTO's business
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		Human Rights / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Respect for property rights	48, 4-5	●	
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal		Due diligence / Human rights risk situations	48	●	
Society [Disclosure on Management Approach]			18-19, 63	●		
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9/6.8/6.8.5/6.8.7*/6.6.7	Economic, social and cultural rights / Community involvement and development / Employment creation and skills development / Wealth and income creation / Respect for property rights	64-65, 68	●	
S02	Percentage and total number of business units analyzed for risks related to corruption.	6.6/6.6.3		26-27	●	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.		Fair Operating Practices / Anti-corruption	27	●	
S04	Actions taken in response to incidents of corruption.			26-27	●	
S05	Public policy positions and participation in public policy development and lobbying.	6.6/6.6.4/6.8.3		48, 64	●	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		Fair Operating Practices / Responsible political involvement / Community involvement	-	◎	Not applicable It is not relevant to KTO's business
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6/6.6.5/6.6.7	Fair Operating Practices / Fair competition / Respect for property rights	27	●	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6/6.6.7/6.8.7*	Fair Operating Practices / Respect for property rights / Wealth and income creation	none	●	
S09	Operations with significant potential or actual negative impacts on local communities.		Community involvement and development	-	◎	Not applicable It is not relevant to KTO's business
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Community involvement and development	-	◎	Not applicable It is not relevant to KTO's business
Product Responsibility [Disclosure on Management Approach]			18-19, 57	●		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6.3.9/6.6.6/6.7/6.7.4/6.7.5	Economic, social and cultural rights / Promoting social responsibility in the value chain / Consumer Issues / Protecting consumers' health & safety / Sustainable consumption	58-61	●	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.			-	◎	Not applicable It is not relevant to KTO's business
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7/6.7.3/6.7.4/6.7.5/6.7.6/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Education and awareness	58-61	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			-	◎	Not applicable It is not relevant to KTO's business
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7/6.7.4/6.7.5/6.7.6/6.7.8/6.7.9	Consumer Issues / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Access to essential services / Education and awareness	58-59	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7/6.7.3/6.7.6/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Consumer service, support and complaint and dispute resolution / Education and awareness	-	○	Not available KTO is unable to gather the data by the categories
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.			-	◎	Not applicable It is not relevant to KTO's business
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7/6.7.7	Consumer Issues / Consumer data protection and privacy	59	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7/6.7.6	Consumer Issues / Consumer service, support and complaint and dispute resolution	-	◎	Not applicable It is not relevant to KTO's business

UNGC Index

Principle	Related regulations and policies	Page
Human rights		
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	Article 34 of the Collective Agreement (Burden of proof for discipline), Article 55 of the Rules of Employment (Status guarantee)	52-53
2. Make sure that they are not complicit in human rights abuses.	Article 55 of the Rules of Employment (Status guarantee)	52-53
Labor		
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Article 12 of the Collective Agreement (Exclusive bargaining representation system), Article 10 of the Collective Agreement (Guarantee of union activities)	54-55
4. the elimination of all forms of forced and compulsory labor;	Article 27 of the Privileged Government Position Employee Management Regulation (conditions for using temporary workers)	52
5. the effective abolition of child labor; and	Article 27 of the Privileged Government Position Employee Management Regulation (conditions for using temporary workers)	52
6. the elimination of discrimination in respect of employment and occupation.	Chapter 6 of the Collective Agreement (Gender equality and maternity protection)	52
Environment		
7. Businesses should support a precautionary approach to environmental challenges;	Practical guideline on neotourism	29
8. undertake initiatives to promote greater environmental responsibility; and	Practical guideline on neotourism	29-35
9. encourage the development and diffusion of environmentally friendly technologies.	Preface to the Code of Conduct for Employees	31-35, 40-41
Anti-corruption		
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter 2 of the Code of Conduct for Employees Basic attitudes of employees Chapter 5 of the Code of Conduct for Employees Prohibition of unfair enrichment	27-28

Sustainability Management Network

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

Awards

No.	Name of the Award	By	For
01	Greater Happiness through Social Contribution 2012 (Contribution to a Multicultural Society segment)	Association of Korean Journalists, Dong-A Daily	
02	Consumers' Choice for Great Advertising	Korea Advertisers Association, Ministry of Culture, Sports and Tourism	
03	Great Work Place	Hankyung Magazine	
04	Grand Prix, Korea Premium Brand Awards (Hotel Chain segment)	App Awards Korea 2011 Best 25 Apps – Chosen in the Public Service segment	
05	Month of Family	Ministry of Gender Equality and Family	Contribution to expanding a family-friendly corporate culture
06	Grand Prix, Information Culture Awards (Information Technology segment)	Ministry of Public Administration and Security	
07	Grand Prix, Smart Management CEO Awards 2012	Digital Chosun News Daily, CEO & (monthly magazine)	
08	Global Management Awards 2012, Global Ethics Management segment	Global Management Committee, Japanese Management Consulting Association	
09	Commendation	Administrator of the Small and Medium Business Administration	Contribution to the facilitating sales markets for SMEs and economic development
10	Smart & Open Government Competition, Outstanding Public Mobile Application Service segment	Ministry of Public Administration and Security, National Information Society Agency	

Outcomes of the ISO 26000 Compliance Diagnosis



Diagnostic Standards

KSA (Korean Standards Association) was commissioned by the Korean Agency for Standards and Technology under the Ministry of Knowledge and Economy to develop a checklist to diagnose an organization for its compliance with social responsibility in accordance with ISO 26000, the international social responsibility standard. This report presents outcomes of the diagnosis performed on KTO (Korea Tourism Organization)'s social responsibility process and performance in respective seven core subject areas on the basis of the checklist mentioned above.

Diagnostic Scope

KSA diagnosed KTO's process to fulfill its social responsibility and its outcomes in implementing this process. To this end, KSA examined KTO's mid/long-term strategies and social responsibility management strategies, stakeholder engagement, and social responsibility initiatives.

Diagnostic Methodology

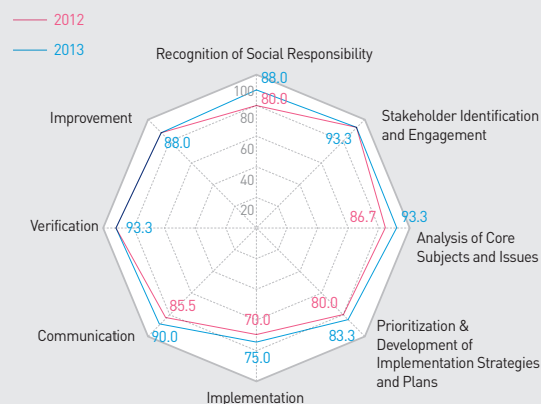
With a task force team created to publish this sustainability report playing a central role, KSA used the following methods through the gathering of relevant evidence data in accordance with objective diagnostic criteria.

- Review KTO's sustainability report and internal documents concerning its activities and achievements
- Interview KTO employees in charge of respective social responsibility management issues

Diagnostic Outcomes by ISO 26000 Social Responsibility Process

KSA verified that KTO's awareness of sustainability management as a driver behind fulfilling social responsibility and pursuing growth made consistent progress each year. We believe that this is attributed to its achievement in establishing an organization and action framework that are extremely outstanding compared to those of other public enterprises, which is demonstrated through its endeavors in defining sustainability management vision and strategic directions, creating and operating a dedicated CSR organization and publishing the sixth sustainability report. KSA also believes, however, that KTO falls short in developing an internal understanding and building of inter-departmental consensus on sustainability management. Thus, sustained improvement needs to be made to establish a system that integrates feedback and the issues of wide-ranging stakeholder groups into the top management's decision-making, as pointed out previous year. Furthermore, KTO's dedicated CSR organization needs to take on a stronger role to ensure that sustainability management is fully understood and that strategic tasks and performance indicators are undertaken on a company-wide level.

Outcomes of the Social Responsibility Process Diagnosis



Recognition of Social Responsibility	Review the organizational status on the basis of CEO's commitment
Stakeholder Identification and Engagement	Review stakeholder interest and demand and develop engagement strategies
Analysis of Core Subjects and Issues	Create a list of issues through the review of issues and the analysis of organization's internal capacity
Prioritization & Development of Implementation Strategies and Plans	Prioritize issues that require improvement and management and define action plans in consideration of organizational capacity
Implementation	Implement strategies, vision, goals and action plans and regularly monitor social responsibility performance
Communication	Create performance reports to communicate with stakeholders
Verification	Activities and reports to improve the reliability of performance
Improvement	Regularly review progress to make alignment with sustained improvement

Outcomes of Diagnoses by 7 Core Subject of ISO 26000

Organizational Governance

KTO is relatively vulnerable in organizational governance, compared to other subjects. While KTO is endeavoring to establish a BOD-driven management system and improve its transparency, it is recommended that it creates a decision-making body, as part of the board of directors, to be in charge of executing detailed social responsibility management, in addition to empowering non-executive directors to offer managerial checks and thus ensure the sustained management of its achievements concerning social responsibility targets and tasks.

Human Rights

KSA believes that KTO is rather insufficient in responding to the human rights aspect of its diverse population of stakeholders. KTO will benefit from performing social responsibility that is based on the due diligence of its stakeholders who are vulnerable to human rights risks, while developing detailed guidelines and policies to promote the protection of human rights.

Labour Practices

KTO is highly recognized for its achievement in delivering a work environment that cares for its female workforce and for socially-vulnerable individuals. Specifically, KTO's commitment to support and improve on the treatment of non-regular workers is noteworthy. KSA recommends that KTO prepare and implement concrete improvement measures to promote psychological health, in addition to employee safety and physical health.

Consumer Issues

Given the inherent characteristics of KTO's business, it is essential that KTO realize its vision to lay the 'platform for low carbon green growth' through tourism, in addition to internal environmental data management. KSA believes that KTO will benefit from consistently raising the awareness of green tourism and expanding management and investment plans to develop green business and green tourism products so as to define a boundary of environmental management activities within its own business domain.

Community Involvement and Development

KTO operates the Social Contribution Committee, as well as four working-level committees, to undertake social contribution strategies in a strategic manner while launching volunteer programs to give back to local communities. It is recommended that KTO expand the scope of its social contribution programs and reinforce relevant initiatives so as to develop and assist programs that promote the health and education of local residents in the upcoming years.

Fair Operating Practices

KTO is undertaking various initiatives that range from fair trade with its suppliers to mutually-beneficial management and the guarantee of profits for subcontractors in order to eradicate unfair trade practices. Specifically, it is notable that KTO developed four strategies and nine detailed implementation tasks to disseminate a culture of fair trade and promote shared growth. KSA recommends that KTO further reinforce its management and supervising functionalities to ensure a transparent and fair operation concerning the privatization of its subsidiaries, which is already currently underway in relation to the advancement of public enterprises.

The Environment

Given the inherent characteristics of KTO's business, it is essential that KTO realize its vision to lay the 'platform for low carbon green growth' through tourism, in addition to internal environmental data management. KSA believes that KTO will benefit from consistently raising the awareness of green tourism and expanding management and investment plans to develop green business and green tourism products so as to define a boundary of environmental management activities within its own business domain.

Outcomes of the Social Responsibility Performance Diagnosis



Organizational Governance	Respect social responsibility as a principle and integrate it into existing systems, policies and practices
Human Rights	Respect, protect, observe and practice human rights within an organization and the sphere of its influence
Labour Practices	Policies and practices that affect employees and their labor conditions concerning an organization and its suppliers
The Environment	Take an integrated approach in consideration of organization's decisions and the meaning of activities in order to reduce an organization's impact on the environment
Fair Operating Practices	Become interested in the ethical aspect of the transactions between an organization and its counterparts including partners and suppliers
Consumer Issues	Consumer rights protection initiatives such as consumer education, fair and transparent marketing information and contracts, and the promotion of sustainable consumption
Community Involvement and Development	Recognize and respect the rights of local communities while maximizing their resources and opportunities

Diagnostic Conclusions

As a result of the self-initiated diagnosis of compliance with ISO 26000, KTO scored 88 points and 90.6 points on average in process and performance respectively, on a scale of one to 100. The final weighted score amounted to 902, which placed KTO in the outstanding category of the SR IV level. KSA is aware that KTO developed a systemic awareness of stakeholder identification and engagement in terms of process while demonstrated outstanding performance concerning fair operating practices, labour practices and consumer issues in terms of performance. KSA recommends that KTO ensure systematized management and evaluation of implementation tasks concerning strategic directions for sustainability management and thus make sustained improvement in the upcoming years.



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

September 2013
Chang-Ryong Kim
Chairman and CEO, Korean Standards Association

김창룡

Third Party's Assurance Report

To the Readers of Korea Tourism Organization Sustainability Report 2012:

Foreword

The Korea Management Association Registration and Assessments (KMAR) has been requested by Korea Tourism Organization (KTO) to verify the contents of its Sustainability Report 2012 (the Report). KTO is responsible for the collection and presentation of information included in the Report. Our responsibility is to carry out assurance engagement on specific information in the assurance scope stipulated below.

Our independence

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

Assurance scope and standard

KTO describes its efforts and achievements of the sustainability activities in the Report. KMAR performed a type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. That is, the assurance team assessed whether inclusivity, materiality, and responsiveness were observed, and verified the followings to assess the reliability of the assertions and performances specified in the report.

- Assurance of the economic section:
Reviews whether the financial performance data has been extracted appropriately from KTO's 2012 financial statements and public notification data
- Assurance of the environmental and social section:
Reviews whether the environmental and social information included in the Report is presented appropriately

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

Assurance process

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, KMAR's assurance team visited the KTO's headquarter and carried out an assurance engagement as follows:

- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Conclusion

Based on the results we have obtained from material reviews, relevant department visits, and interviews, we had several discussions with KTO on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team did not find any inappropriate contents related to the compliance with the principle in the Report.

[Inclusivity]

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

KTO is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team did not find any critical stakeholder group left out during this procedure.

[Materiality]

Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

KTO is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team did not find any critical issues left out in this process.

[Responsiveness]

Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

The assurance team did not find any evidence that KTO's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

Recommendation for improvement

We hope KTO's publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Report targets and performances of long term sustainability management.
- Develop the process for the report quality
- Enhance the completeness of report by expanding the report boundary

Sept. 9, 2013

K. H. Park



AA1000
Licensed Assurance Provider
000-129





Statement GRI Application Level Check

GRI hereby states that **KTO** has presented its report "Preservation, Co-existence and Tourism in Perfect Harmony" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 15 October 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of a globe in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **KTO** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 8 October 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Reader Feedback Survey

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

01. Which of the following do you belong to?

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

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

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

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

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

06. Please rate this report in the following aspects.

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

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

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

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

