

KOREA  
TOURISM  
ORGANIZATION

Korea  
**Sparkling**

offers a **Global Window**  
into **Korea**



KOREA  
TOURISM  
ORGANIZATION



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The cover of this report features a wind vane design of the traditional Korean shield based on the Korea Sparkling brand motif along with curved lines of a traditional Korean dress. The emblem symbolizes Korea's window into the world.

# KTO's 2008 Sustainable Management Report

## Report Overview

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

## Criteria for Drafting of the Report

- This report was drafted on the basis of the GRI (Global Reporting Initiative) G3 guidelines and the GRI Tour Operator's Sector Supplement.

## Period and Scope of the Report

- Covering the period from January 2005 to December 2008, the report examined KTO's quantitative and qualitative achievements. As of the report date, explanation was given for those data that were being collected or were impossible to gather. Also, the report is based on significant achievements and activities of 2007 / 2008.
- The scope of the report covers KTO's headquarters and domestic and overseas branches, excluding those firms in which KTO has invested. The currencies used herein are the Korean won (₩) and the US dollar (\$).

## For Further Information and Contacts

- For further information on KTO's management results, financial statements, and so forth, please visit KTO's website and/or contact the following.



Website <http://kto.visitkorea.or.kr>

Relevant department Customer Satisfaction Management Team

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## > CEO MESSAGE

The KTO contributes to Korea's tourist development and, consequently, its national economy.

The KTO is creating a 'low-carbon, green growth'  
eco-friendly tourism culture, earning the recognition  
and respect of its various business partners.





We are committed to the development of Korea's tourism industry and thus to national economic development. We also promise to take corporate responsibility for social and environmental improvement to become a sustainable global corporation that is respected by all the associated parties.

## Dear customers, shareholders, and partners,

Since its establishment in 1962, KTO has pursued a corporate philosophy of developing tourism into a national growth engine in this global age, in order to contribute to national economic development and improve the quality of life of Korean nationals. KTO is also committed to a corporate vision of becoming a global corporation that is dedicated to transforming Korea into an attractive tourist destination in a bid to become a sustainable corporation that is loved by Korean nationals and foreign customers alike.

In September 2007, KTO joined the UN Global Compact, a strategic policy initiative which requires businesses to comply with and practice universally accepted ethical principles, thereby enabling KTO to strengthen and practice its transparent ethics system to the maximum. These efforts contributed to KTO's winning the 2008 Korea Ethics Management Award in the category of public corporations.

Furthermore, our employee social volunteer groups participate in activities aimed at helping needy people in our society, and we have developed and practiced our own corporate social responsibility programs.

Despite the expected slowdown in the economy this year, we at KTO will channel all our efforts into attracting more than 7 million foreign tourists into Korea. Given the fact that the number of Korean overseas tourists currently stands at around 13 million, we feel tremendously responsible for balancing the inbound-outbound tourist ratio.

We recently carried out corporate restructuring to ensure efficiency and redirect our capabilities into key business areas. In particular,

we established the Green Tourism Team, whose goal is to drive ahead with the current paradigm of low-carbon and green growth in an effort to create an eco-friendly tourism culture. We also integrated our marketing and planning functions and strengthened our MICE (Meetings, Incentives, Conventions, Events & Exhibitions) functions, thereby laying the groundwork for enhanced competitiveness.

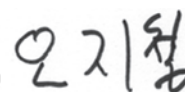
No less important than our campaigns to attract foreign tourists are our efforts to develop eco-friendly tourist products based on a fine balance between development and environmental conservation. We will continue to develop eco-friendly tourist products, especially in association with the Demilitarized Zone (DMZ), a world-class home to eco-friendly tourism resources, thus taking corporate responsibility for environmental conservation.

We are committed to the development of Korea's tourism industry and thus to national economic development. We also promise to take corporate responsibility for social and environmental improvement to become a sustainable global corporation that is respected by all the associated parties.

We hope to receive your continued support and assistance.

Thank you very much.

Jee-chul Oh / CEO of KTO



# A Public Corporation at the Forefront of Innovation



The tourism industry is a key growth engine that is expected to revitalize Korea's economy throughout the 21<sup>st</sup> century. We at the KTO are striving to develop a sustainable brand of tourism by fulfilling our economic, social and environmental responsibilities and by transforming various challenges into opportunities. We are committed to developing a new paradigm in Korean tourism.



# Corporate Overview

## KTO is Opening Up the Future of Korea's Tourism

### KTO Overview

Established in 1962 pursuant to the Act on International Tourism Corporation, the Korea Tourism Organization ("KTO") is dedicated to fostering and developing the nation's tourism industry. To that end, KTO conducts campaigns to promote international and national tourism and develops the nation's tourism resources, carries out R&D projects, and fosters and trains tourism personnel. In 2007, 6.89 million foreign tourists visited Korea, while 400 million Korean nationals toured within the country. As of the end of 2008, KTO's 760 staff members are working at home and in 15 overseas countries.

### + KTO Overview (As of the end of December 2008)

Category	Description
President	Jee-chul Oh
Headquarters	40, Cheonggyecheonno, Jung-gu, Seoul
Date of Establishment	June 26, 1962
Objective	Fostering and developing the national tourism industry
Workforce	760
Capital	32,391 million won
Total Assets	791,077 million won
Sales	300,414 million won
Net Profits	33,152 million won

## Overview of KTO's Business

### Organization of KTO

At present, the KTO headquarters operates 4 divisions, 13 departments and 36 teams. In addition, KTO operates 5 domestic branches (i.e. the duty-free business unit, Jeju branch, Seonam branch, Jeonbuk branch, and Geumgangsan branch), 3 regional promotion offices (Yeongnam, Chungnam and Honam), and 27 overseas branches.

In December 2008, we formulated a middle and long-term strategy in a bid to restructure our organization. We integrated our domestic and overseas online/offline marketing functions and placed them under the control of the global marketing division, thereby boosting overall efficiency. We also strengthened our role in developing high value-added products and ensuring regional cooperation. Furthermore, we expanded the function of the Korea convention bureau to promote the MICE (Meetings, Incentives, Conventions, Events and Exhibitions) industries. In particular, we established the Tourism Service Improvement Team, and are striving to improve Korea's readiness for serving domestic and foreign tourists and to enhance tourist satisfaction.

### + Overseas branches (27 cities in 15 countries)





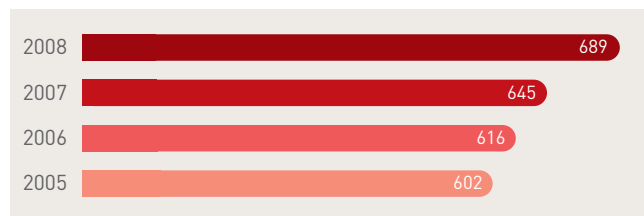
## Business Overview

### ● Promotion of Overseas Tourism

Backed by our distinctive strategy for overseas tourism marketing, we conduct activities to attract foreign tourists through our overseas branches. We also explore potential overseas tourism markets and publicize Korean tourist attractions to them. We help attract high value-added international conferences, participate in exhibitions specializing in conventions, hold event attraction sessions and produce / distribute publicity materials.

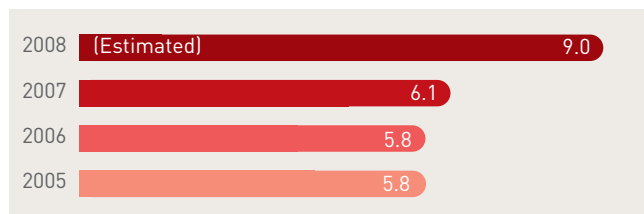
#### + Inbound tourist trend

(unit: 10,000 people)



#### + Inbound tourism revenue trend

(unit: billion US\$)



### ● Promotion of Domestic Tourism

To revitalize the domestic tourism industry, we explore and publicize tourist destinations, support regional festivals and superior tourism programs, and conduct campaigns aimed at enhancing public awareness of tourism. In association with local municipalities and related agencies, we have created a common network through which we support tourism publicity marketing and improvement of the nation's tourism infrastructure. To foster the tourism industry and improve Korea's readiness for tourism, we conduct support programs for consultation on tourism development and the education of tourism experts.

### ● South and North Korea Tourism Exchange

To achieve balanced national land development via the development of North Korean tourism, as well as to contribute to the maintenance of peace on the Korean Peninsula, we are pushing ahead with a number of South-North Korea tourism exchange projects. With regard to our major projects, we aim to reform the relevant laws and systems to facilitate

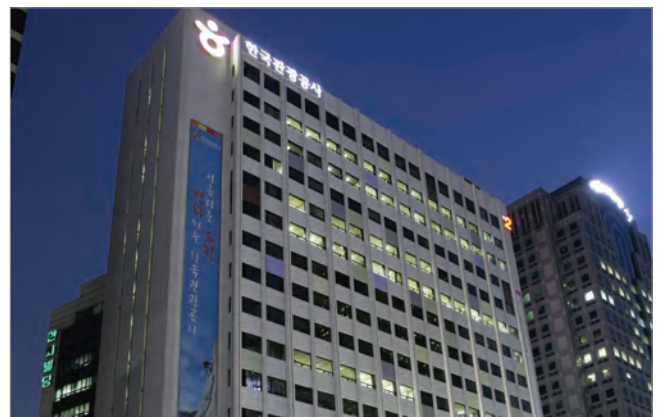
South-North tourism exchange, to expand the range of North Korean tourism destinations and thereby promote mutual tourism business, to conduct a South-North joint survey on tourist resources, and to develop South-North joint tourism products. Despite the current difficulties surrounding South-North exchange, we will continue our efforts to expand South-North tourism exchange in accordance with our long-term vision and goals.

### ● Development of Tourism Resources

Since it is necessary to pursue a long-term, eco-friendly vision and to secure continued investment in developing and utilizing the nation's tourism resources, KTO's role is crucial. As such, we conduct consulting on tourism development to plan for and develop tourism resources across the nation. We are currently creating the Jeju Jungmun Complex, the Haenam Hwawon Tourist Complex, and the Naejangsan Tourist Resort, as well as participating in a state project to develop a leisure town in the southwestern coastal region.

### ● Profitable Businesses

In addition to public projects aimed at attracting foreign tourists and bolstering the competitive edge of the Korean tourism industry, we are working to promote Korea's tourism industry and the related finances. As part of our more profitable business lines, we operate duty-free shops and golf courses. However, in line with the government's plan to privatize public corporations, we are planning to gradually privatize our most profitable businesses.



## The Future Role of KTO

The KTO is striving to achieve its mission of developing tourism into a national growth engine, thereby contributing to national economic development and improving the quality of life of Korea's citizens, as well as realizing its vision of becoming a global corporation that is committed to transforming Korea into an attractive tourist destination. To that end, we have set ourselves the goal of attracting 11 million foreign tourists and hosting 1,000 international conferences in 2013.

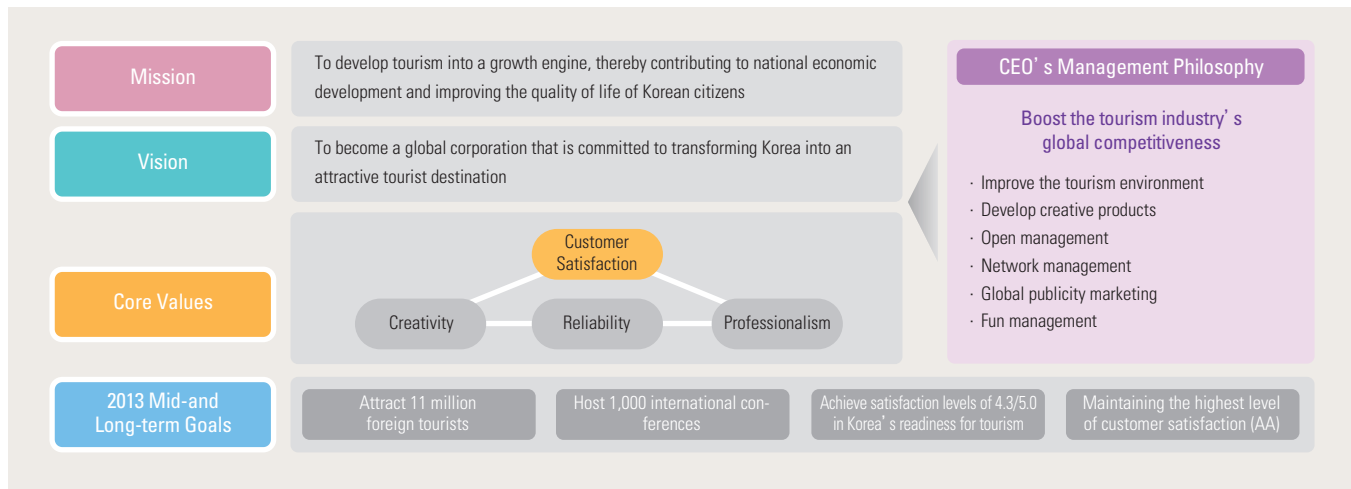
### KTO's Efforts

Since launching a new Korean tourism brand <Korea, Sparkling> aimed at attracting foreign tourists in 2007, we have been strengthening our marketing activities. We are also expanding our range of convergence-

tourism products (medical tourism, sports tourism, etc.) and further exploring new overseas markets.

We have developed the unique concept of "neo-tourism" – which is geared towards win-win sustainable development together with local communities, municipalities and NGOs - on the basis of which we are pushing ahead with development projects. We have also developed a tourism technology concept based not only on tourism but also on diverse sciences such as humanities, sociology, business administration, and statistics, as well as on new technologies. Furthermore, in line with the new national strategy of realizing a low carbon and green growth society, we will concentrate on promoting and developing green tourism.

## + The Future Role of KTO



# Inventor of Tourism Solutions for a Sustainable Future



The KTO is pursuing its goal of turning tourism into a key growth engine for Korea, thereby helping to revitalize the national economy and enhance the public's quality of life. To that end, we are committed to strengthening the global competitiveness of Korean tourism based on a spirit of sharing, green growth, and sustainability. We also practice ethics management and fulfill our corporate social responsibilities with great dedication.





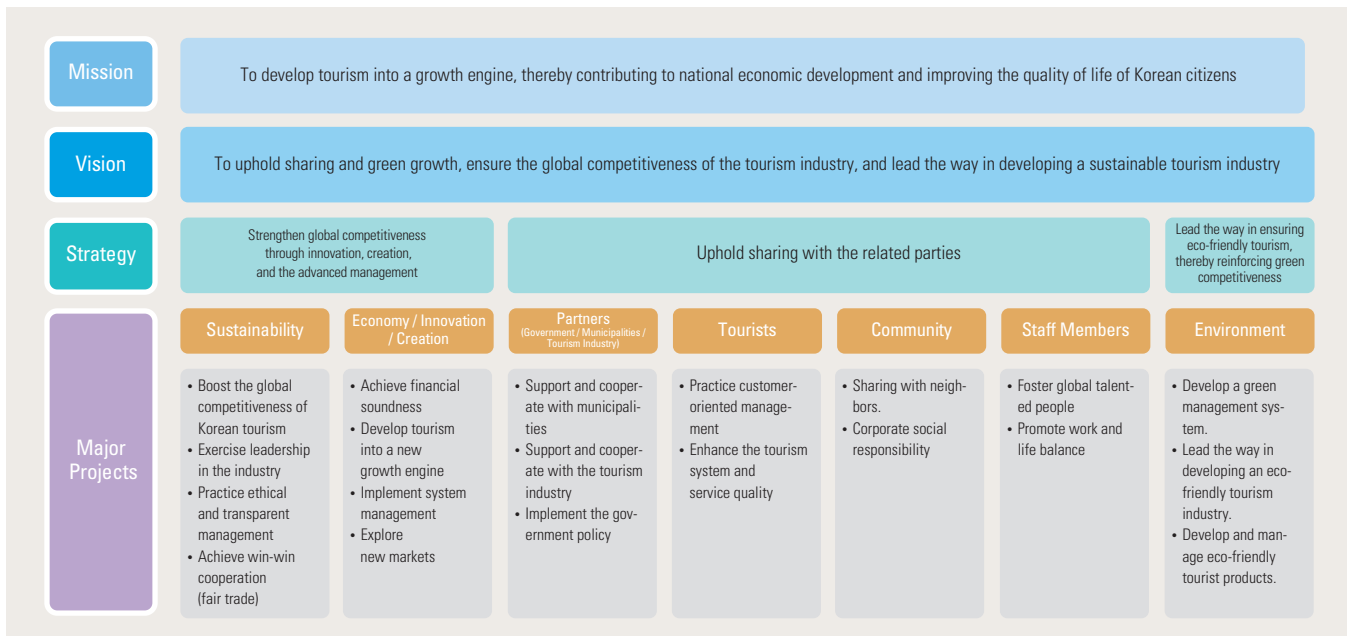
# Sustainability

## Efforts for a Sustainable Future

### Sustainability System

We regard sustainable management as our future growth engine, and have selected sustainable management strategies and key projects to more effectively pursue our concept of sustainable management.

#### + Sustainability System



## Working Together with the Related Parties

### Definition of the Related Parties

Our related parties are those groups which significantly influence our management activities from the economic, social and environmental perspectives. They can be divided into six categories: the government, partners (tourism circles and municipalities), tourists, partnered firms, communities, and staff members.



### Communication with Our Related Parties

We have established our key responsibilities and prepared communication channels with our related parties to build up mutually sustainable trust.

#### + Communication with Our Related Parties

Category	KTO's Responsibility (Major Issues)	Communication Channels
Government	<ul style="list-style-type: none"> <li>• Implement tourism policy</li> <li>• Enhance the profile of Korean tourism</li> <li>• Bolster the competitiveness of the tourism industry</li> <li>• Practice transparent management</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings to bolster competitiveness</li> <li>• Friendship meetings</li> <li>• Consultative meetings</li> <li>• Workshops</li> </ul>
Tourism circles	<ul style="list-style-type: none"> <li>• Support marketing publicity</li> <li>• Support the easing of regulations and tax services</li> <li>• Transfer our expertise</li> <li>• Activate domestic and overseas tourism to create revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Friendship meetings</li> <li>• Consultative meetings</li> <li>• Workshops</li> <li>• Presentation sessions for customers</li> </ul>
Municipalities	<ul style="list-style-type: none"> <li>• Activate (develop, publicize and support) regional tourism</li> <li>• Support business and transfer expertise</li> <li>• Cooperate with municipalities</li> </ul>	
Tourists	<ul style="list-style-type: none"> <li>• Provide tourism information</li> <li>• Improve the tourism environment</li> <li>• Enhance convenience of tourism services</li> <li>• Improve the quality of tourist products</li> </ul>	<ul style="list-style-type: none"> <li>• Run customer participatory programs</li> <li>• Gather customers' opinions through special invitations for suggestions, etc.</li> <li>• Survey Koreans' tour activities</li> <li>• Survey foreign tourists' tour activities</li> <li>• Survey tourists' satisfaction over tour information sites</li> <li>• Survey levels of customer satisfaction</li> </ul>
Partnered firms	<ul style="list-style-type: none"> <li>• Practice ethical management</li> <li>• Forge fair trade relationships</li> <li>• Support SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct integrity surveys</li> <li>• Survey the satisfaction of contracted customers</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Promote regional economic development</li> <li>• Develop eco-friendly tourism</li> <li>• Protect regional environments</li> <li>• Fulfill corporate social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage friendship meetings between branches and communities</li> </ul>
Staff members	<ul style="list-style-type: none"> <li>• Implement fair remuneration and HR management</li> <li>• Promote work and life balance (welfare services)</li> </ul>	<ul style="list-style-type: none"> <li>• Survey awareness of ethical management</li> <li>• Survey levels of employee satisfaction</li> <li>• Conduct labor-management consultant meetings</li> </ul>



## Determining the Agenda through Materiality Testing

### Outline of the Materiality Test

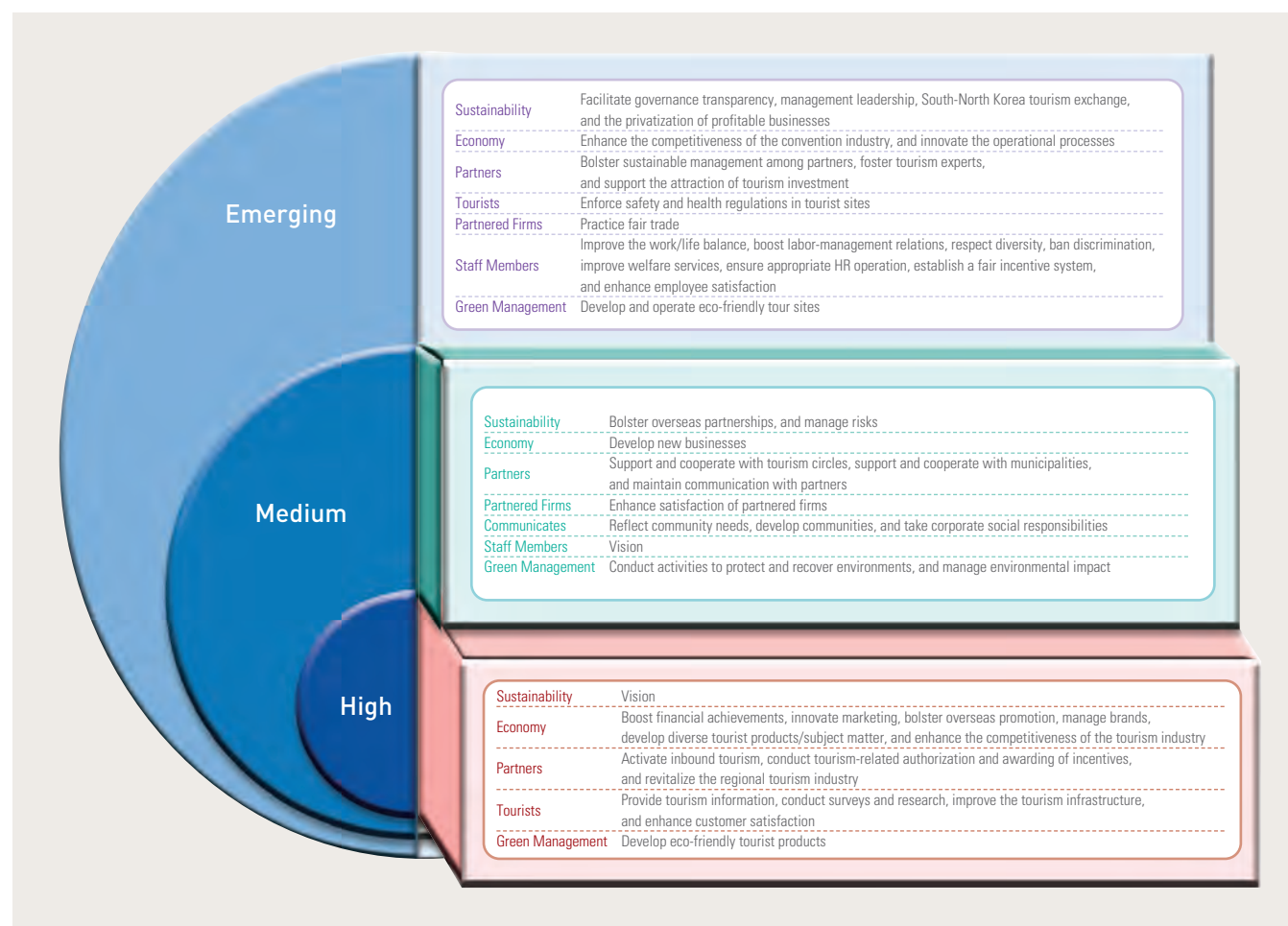
We determined the major agenda of sustainable management using the IPS Materiality Test Model™. These agenda were divided into three priority groups-high, medium, and emerging categories. Specifically, we surveyed the related parties, analyzed internal policies, benchmarked overseas advanced companies, and conducted a media analysis.

### Results of the Materiality Test

The agenda items determined on the basis of the materiality test were divided into three priority groups-high, medium, and emerging categories.



### + Results of the Materiality Test





### Sustainability Performance Indices and Goals

+ UNGC 'We Support' Logo

To effectively implement sustainable management, we manage sustainability indices derived from the results of the materiality test and internal KPI.

Since joining the UN Global Compact in October 2007, the KTO has observed 10 key principles in the four categories of human rights, labor, environment, and anti-corruption.



### + UN Global Compact

Category		Performance Indices	2007 Achievements	2008		2009 Goals	
				Goals	Achievements		
Sustain- -ability	Sustainability	Implement sustainable management	Join the UN Global Compact	Spread a sustainable management culture	Establish a sustainable management system	Publish a sustainable management report	
	Ethical Management	Establish a culture of corporate ethics	Ranked 3rd in corporate integrity (9.4) among public corporations	Became a superior ethics management company	Won the Ethics Management Award	Upgrade integrity to the highest level	
		Activate board of directors	15 times	Over once a month	13 times	Over once a month	
Economy	Economy	Cost cut ratio (%)	-	10	10	10	
		Credibility	AAA	AAA	AAA	Targeting AAA	
		Foreign tourists (1,000)	6,448	7,000	6,891	7,500	
		Domestic tourists(million)	484	500	400 (estimate)	530	
		Tourism revenue (USD 10 million)	61	62	90	85	
		Enhance Korea’s tourism brand awareness (%)	20.2	22.0	22.1	24.0	
	Innovation, Creation	Develop convergence products (no. of)	18	20	24	35	
		Support for attracting and hosting international conferences (no. of)	154	170	185	204	
	Society	Customers	Customer satisfaction (PCSI, %)	Highest level	Highest level	Highest level	Highest level
		Partners	Provide consultation on tourism development to municipalities (no. of)	18	10	10	11
Help attract foreign tourists with Korean tourist products (10,000)			34	38	41	42	
Tourists		Foreign tourist satisfaction (full score: 5 points)	4.07	4.05	4.09	Better than the previous year	
		Daily no. of users of online tourism information (view of pages)	998	1,091	1,143	1,257	
		Satisfaction with tourism information contents (%)	-	60.0	68.5	65.0	
Partnered Firms (PF)		PF satisfaction (%)	-	90	98	90	
		SMEs’ purchase ratio (%)	95.5	90.0	92.3	90.0	
		Electronic agreement procurement ratio (%)	12.6	13.9	14.2	14.0	
		Communities	Corporate social responsibility mileage (point)	10,394	12,000	13,182	15,000
Staff Members		Per person education/training (hour)	23,040	24,883	25,344	26,611	
		Employee satisfaction (%)	91.7	91.8	91.8	92.0	
		Female employment ratio (%)	42.9	50	42.7	50	
		Disabled persons ratio (%)	2	2	2	2	
		Environ-ment	Green Management	Energy cutting cases (no. of)	4	5	8
		Eco-friendly purchase ratio (%)	65.1	65.0	96.7	80.0	

Category	Principle	Related Regulations and Policies
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	Collective Agreement - Article 34(Responsibility for Verification of Punishment), and Employment Rule - Article 55 (Guarantee of Status)
	2. Businesses should make sure that they are not complicit in human rights abuses.	Employment Rule 55 (Guarantee of Status)
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Collective Agreement - Article 12 (Single Only Negotiation Body), and Article 10 (Guarantee of Union Activities)
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Collective Agreement - Article 11 (Ban on Improper Labor Acts), and Employment Rule - Section 2 (Working Time and Break Time)
	5. Businesses should uphold the effective abolition of child labor	Regulations on the Management of Employees in Special Jobs - Article 27 (Requirements of Using Short-Term Workers)
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Collective Agreement - Chapter 6 (Gender Equality and Maternal Protection)
Environment	7. Businesses should support a precautionary approach to environmental challenges.	Guidelines on "neo-tourism"
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	Guidelines on "neo-tourism"
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Foreword of Employees' Code of Conduct
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Employees' Code of Conduct Chapter 2 Employees' Moral Attitude Chapter 5 Ban on Accepting and Giving Illegal Profits



## Global Ethics Management

### Ethics Management System

To achieve its corporate vision, KTO has established and is implementing an ethics management goal of establishing a corporate ethics culture and the grounds for sustainable management.

### Establishment of the Basis for Ethics Management

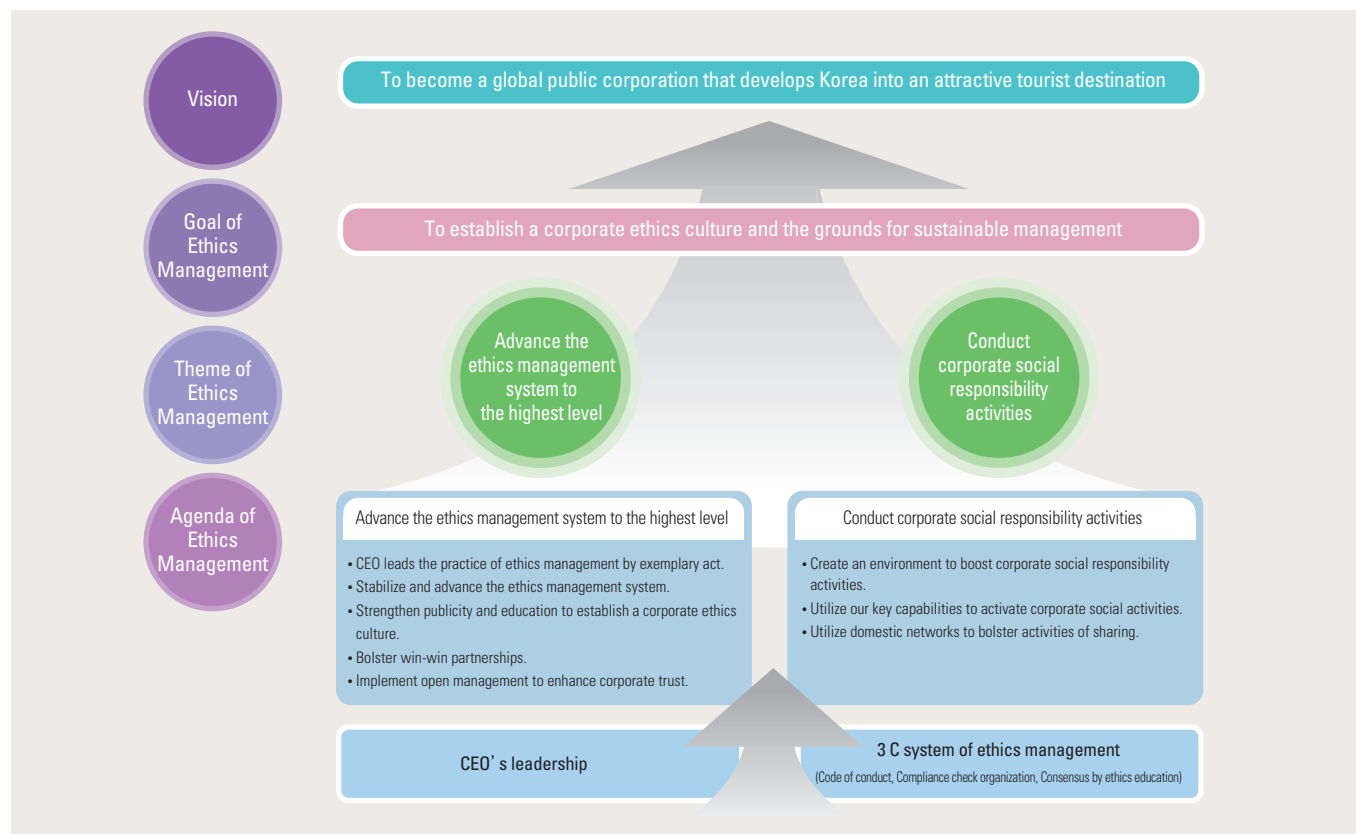
#### Management System for Ethics Management Achievements

We implement KEDEX (KTO Ethics Index), the first program of its kind among public corporations. KEDEX is a long-term comprehensive self-inspection program designed to input KTO's ethics management efforts and employees' corporate social activities, and thus to assess indices by category and a comprehensive index. Indices are shown on the intranet, enabling individuals to check their scores. This has improved the ethics action of KTO and its employees.

#### Regular Monitoring of Ethics Management and the E-Inspection System

To implement proactive management by regularly monitoring achievements and other aspects of our overall work, we have been operating the E-Inspection system since April 2008. The E-Audit system features the Ethics Inspection menu by which designated areas that are vulnerable to corruption (Clean Zone) are intensively monitored and managed, and databases on consultation about code of conduct are created.

### + Ethics Management System





## Monitoring of Ethics Management Activities

### Self-Diagnosis of Ethics Management

For the regular inspection of ethics, we produced self-diagnosis cards for ethics management. All employees carry this card along with their pass to verify and enhance their awareness of ethics.

### Integrity Assessment and Improvement Measures

Every year we conduct not only a survey of the integrity of government-initiated public agencies, but also our own internal survey of integrity. We also survey employees' awareness of ethics and determine an agenda for improvement measures on an annual basis. In the results of the 2007 survey of agencies' integrity, the KTO was ranked 11th among 333 public agencies, and 3rd among public corporations. The receipt of bribes and entertainment was found to be 0%. Over the last three years, our employees have steadily improved their level of integrity thanks to ethics education and the enhanced practice of ethical behavior.

## Transparent Governance Structure

### Composition of the Board of Directors

The KTO's board of directors, its top decision-making organization, consists of four standing directors including the president, and five non-standing directors, for a total of nine members. The board observes the KTO's articles of association, and its operation regulations, and since non-standing directors account for over half of the membership, this functions as a system of check and balance for our internal management.

### Enhanced Role of the Board

To activate the board of directors, we have increased the frequency of its meeting and broadened the scope of its agenda, and positively reflected the suggestions of the non-standing directors, thereby strengthening the check and balance function of the board. Between 2005 and 2007, we held board meetings 100% as planned; the frequency of the meetings and the agenda rose by 25% and 23% respectively in 2007, compared with 2006.



# Highly Value-added Tourism



The KTO channels a considerable part of its energies into the key business of generating new tourism revenues and attracting foreign tourists. As such, we are striving to improve the nation's preparedness for tourism and to expand its tourist infrastructures. We practice innovation management and are running the "Guseok Guseok of Korea" innovation campaign. To develop blue ocean tourism, we have launched a new tourism brand and a fresh concept known as neo-tourism. Part of our remit also involves coping with external threats such as exchange rate risks.



# Economic Achievements



## Responsibility and Efforts towards the Development of Tourism Economy

- Disclosure on Management Approach

### Vision and Goals

We direct our capabilities towards bolstering our operational efficiency and key businesses in a bid to strengthen the competitiveness of the tourism industry. In particular, by intensively fostering the MICE industries (Meetings, Incentives, Conventions, Events & Exhibitions), we are striving to boost tourism revenues and attract a greater number of foreign tourists.

### Policy

Since we established the Tourism Competitiveness Division in December 2008, we have endeavored to improve Korean's readiness for serving domestic and foreign tourists, and to bolster the country's tourism infrastructure. We are keen to manage financial and non-financial risks in association with foreign exchange risks, profitable businesses, and other changing business environments.

### Achievements of and Planning for Major Items of Agenda

We intensively manage the following items, which were determined using the IPS Materiality Test model™.

#### + UN Global Compact

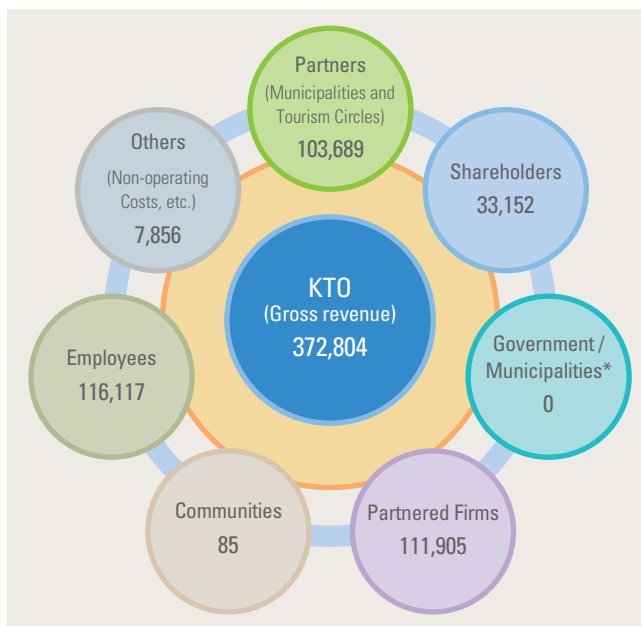
	Agenda	Details	Achievements		2009 Goal
			2007	2008	
High Priority	Financial Management	Innovate Financial Management	Development of the financial management system	Development of an integrated crisis management system	Upgrade the integrated management system
	Innovate Marketing	No. of Foreign Tourists	6,448,000	6,891,000	7,500,000
	Bolster Overseas Promotion	Support the Attraction and Hosting of International Conferences (No. of)	154	185	204
	Develop Diverse Tourist Products and Subject Matters	Develop Ideas for Convergence Products (No. of)	18	24	35
	Brand Management	Enhance Brand Awareness	20.2%	22.1%	24.0%
	Develop New Businesses	No. of Branches (in No. of Nations) Operated by KTO	27 branches in 15 nations	27 branches in 15 nations	Strengthen operation of branches

## Creation of Economic Value and Risk Management

### Creation of Economic Value

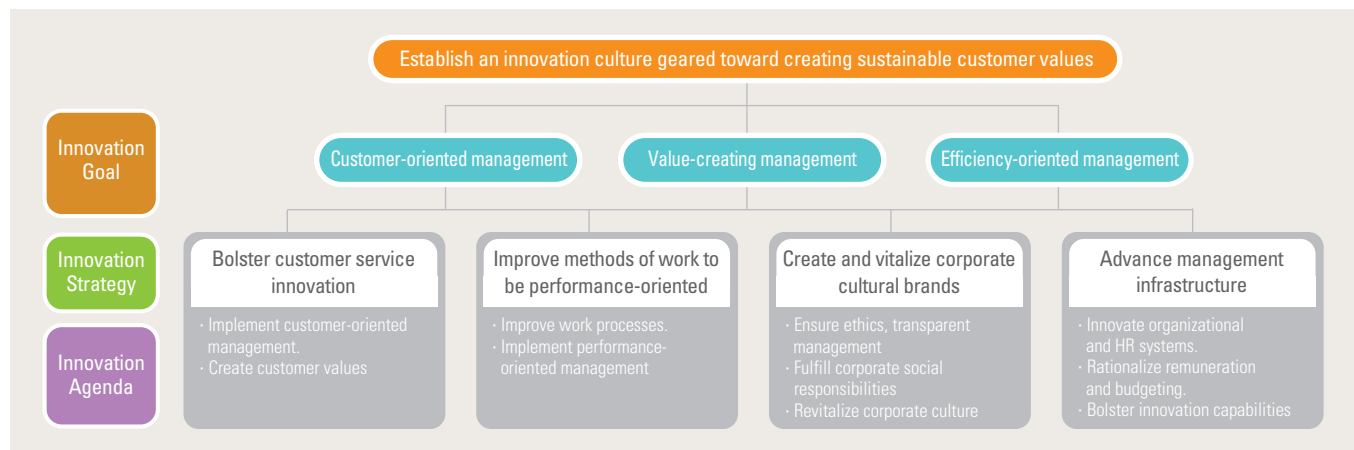
In 2008, we generated total earnings of KRW 372.8 billion. We shared our yield with partners' shareholders, the government and the municipalities, partnered firms, communities, and employees. To promote our key business area - the promotion of domestic and overseas tourism -, we will make more efforts to support our partners and contribute to the communities concerned.

#### + 2008 Economic Value Results and Shared Value (Unit: million won)



\*The KTO posted a minus non-operating income in 2008, thus exempting it from payment of taxes to the government and the municipalities. The net profit allocated to shareholders is a gain assessed by the equity method, which is part of its non-operating income.

#### + Innovation System



#### + Summary of 3 Years of Income Statement

(Unit: million won)

	2006	2007	2008
Sales	396,987	457,808	303,414
Costs	241,924	285,301	209,486
Gross sales	155,063	172,507	90,928
General and sales administrative costs	136,690	153,273	122,225
Operating profit	18,373	19,234	-31,296
Non-operating income	10,855	49,589	72,390
Non-operating costs	6,399	8,796	9,681
Net profit	18,956	54,776	33,152

### Risk Management

We manage financial and non-financial risks in line with our management activities. We operate the ERM (Enterprise Risk Management) system to manage and cope with risks. Financial risks are managed by our Financial Risk Management Committee and the related departments. Non-financial risks are managed by the marketing and other related divisions. The ERM, which is currently functioning on only a partial basis, will be fully developed by the end of the first half of 2009.

### Internalization of Innovation Culture

#### Innovation System

Under the vision of becoming a global public corporation that develops Korea into an attractive tourist destination, we are striving to conduct diverse and innovative initiatives.



## System of Monitoring and Evaluating Innovation Efforts

We operate a system to monitor the progress of our innovation goals and activities to ensure continued innovation management. We conduct online/offline and internal/ external monitoring of innovation activities by sector, theme, and project. We also hold external advisory committee meetings to boost the objectivity of our innovation management. In line with our internal systems of evaluating the results of innovation mileage and the results of innovation projects, we assess our innovation efforts, provide regular feedback on the results, and clear any obstacles to innovation activities.

## Activating the Exploration of Innovative Ideas

To encourage employees to explore innovative ideas and make suggestions, we systematically manage these efforts using a developed process.

### + Achievement of Innovative Ideas

Category	2006	2007	2008 (1H of 2008)
Communities of practice (no. of )	58	68	68
Suggestion of innovative ideas (no. of adopted cases)	526 (213)	541 (193)	239 (97)
Knowledge-based management (no. of)	407	604	200

## Achievements of Innovation Management

### Integrated Tourism Information System

We integrated various Korean and eight foreign-language tourism information sites into one site, and opened an integrated tourism information system, the visitkorea site ([www.visitkorea.or.kr](http://www.visitkorea.or.kr)), in March 2008.

### Tourism Marketing System

We innovated work processes and conducted key tourism marketing activities. We are now further developing this system to innovate the marketing processes to enable all employees to handle, share and analyze work through the system.

We started the development of the TMS (Tourism Marketing System) in 2008 with the goal of completing it in the 1st half of 2009.

## Exploration of Blue Ocean Tourism

### Korea, Sparkling

To develop a brand that is suitable for Korea's tourism attractions in the global village, we researched this project thoroughly, targeting 8,000 tourists in 17 nations, in an attempt to establish the identity of Korean tourism. We created "Korea, Sparkling", the first Korean tourism brand. Sparkling means 'shiny' and 'clean', as well as 'vital' and 'dynamic'. The "Korea, Sparkling" brand has been designed to project an affirmative image of Korea to foreigners, and to deliver Korean tourism's unique vitality to tourists.



### Neo-Tourism

We developed our own next-generation tourism paradigm, namely a concept of neo-tourism geared towards ensuring sustainability and shedding the existing limitations of the tourism industry. Using the neo-tourism concept, we resolved the conflicts arising from the development of the Jeju Jungmun Tourist Complex, the Haenam Hwawon Tourist Resort Complex, and a tourist leisure city in Korea's southern coastal areas. We overcame such problems as the destruction of natural environments and ecosystems and the non-participation by residents' participation in the process of development. We also developed sustainable, interactive channels of communication with the related parties.



### Tourism Technology

We have coined the term “tourism technology”(TT or T2), which refers to the technology and expertise essential for fostering the tourism industry into an economic growth engine. To develop the future tourism industry, we need not only to develop tourism itself, but also to secure the knowledge and technologies of diverse sciences such as humanities, sociology, business administration, and statistics. To promote TT, we held TT-related workshops and meetings, and began operating an associated online community at the T2 Knowledge Corner of our website.

### Guseok Guseok (literally meaning from corner to corner of Korea campaign)

We launched our unique Guseok Guseok of Korea campaign to help Koreans abandon their established concept of tourism in a bid to promote tourism. This concept aims to inform people that there are numerous hidden jewels of tourism in Guseok Guseok of Korea. This advertisement earned us the 2008 Korea Advertisement Award and another eight ad awards. We spent 2.7 billion won in 2008 on advertising, which compares with the huge advertising expenditure – sometimes as much as several tens of billion won-of the country’s leading private companies.

### Guseok Guseok Innovation Campaign

We expanded the concept of the Guseok Guseok of Korea campaign to the KTO’s representative corporate culture. As such, the concept constitutes a type of corporate brand. In November 2007, we launched the Guseok Guseok Innovation Campaign. Extending this concept into our work, corporate culture and human resources, we are striving to create a fun workplace and a happy home.



### Development of Convergence Tourist Products

The term “convergence tourist products” refers to high value-added tourist products that are combined with medical services, sports, education, and so forth.

#### Medical Tourism

As medical tourism has recently been emerging as a blue-ocean business category in the tourism industry, we are conducting total marketing to activate the country’s medical tourism. To that end, we launched the Council for the Overseas Promotion of Korean Medicine and developed publicity networks linking with the related agencies, thereby creating synergies from our efforts.

#### Sports Tourism

In conjunction with the Ministry of Culture, Sports and Tourism, the Korea Sports Council, and municipalities, we are striving to attract groups of pre-Olympic athletes in training. In the run-up to the 2008 Beijing Olympics, we helped the sports federations of various nations to visit Korea and survey the training sites. We also produced the country’s first guidebook on pre-Olympic training programs.

#### Education Tourism

In conjunction with agencies involved in the activation of educational tourism, we continue to conduct educational tourism projects to promote the attraction of students from abroad. To that end, we signed an MOU with the National Institute for International Education, and established networks with various domestic university language training schools. We also produced guidebooks on language training programs. In 2007, we co-hosted overseas study fairs in Uzbekistan, Vladivostok, Fukuoka, Nanjing, Shanghai, and Hanoi among others.



### Writers' Imagination: Sparkling Tour of Literature

We launched a Tour of Literature in a bid to revitalize domestic tourism, by combining storytelling with the existing literature and art works, and thereby bringing new values to some of our tourist sites. We explored writers, readers, publishers and municipalities that were looking for opportunities for communication and exchange, and established a cooperate network to that end, successfully accomplishing the goals of our project.

### **Fostering the MICE Industries**

As the Asian convention market has undergone continuous growth in recent years, various Asian nations have begun bolstering their marketing efforts to attract conventions, triggering fierce competition for investment. In particular, not only the existing international conference sector, but also the MICE industries (Meetings, Incentives, Conventions, Events & Exhibitions) - which include corporate meetings, corporate incentive trips, and events - have rapidly emerged as a competitive sector.

### MICE Strategy

We formulated the 2008 strategy for activating the MICE industries. To that end, we conducted research into changes in the external environmental, focused expertise on attracting conventions, and used our 27 overseas branches to that end. Until 2007, we focused our efforts on attracting conventions hosted by international organizations, associations and academic societies; however, in 2008, we expanded our work into the MICE category, and are now pouring all our efforts into attracting MICE conventions in which over 1,000 foreign nationals participate.

### Support for MICE and Achievements

In coordination with our 27 overseas branches, we have stepped up our efforts to attract MICE conventions. To that end, we have given marketing guidelines to our branches, along with the relevant budgets. In the first half of 2008, our overseas branches attracted nine MICE conventions: To promote these efforts on the part of our branches, we will evaluate their achievements in attracting business. In this way, we have attracted year-on-year an increasing number of large-scale MICE conventions and improved the related services.





# Share and Cooperate with Our Partners



We endeavor to boost customer value. We support the publicity marketing efforts of tourism circles and local municipalities, and develop joint projects, thereby helping to attract tourists into Korea. We also try to provide the best possible services in order to publicize Korea as an attractive tourist destination. Together with our partnered firms, we practice a fair, transparent, win-win model. On behalf of our communities, KTO enhances its corporate social activities; on behalf of our employees, we endeavor to foster global talented people and to create a fun workplace.





# Social Achievements

## Customer Satisfaction Management

### Our Customer Management Initiatives

#### Introduction of KTO CS 1004 Mileage

In 2007, we launched our new customer service brand, KTO CS 1004 Mileage, which was conceived as a means of delivering kind and considerate, customer-friendly services promptly, and of establishing an internal customer service culture for the purpose of reinforcing our external competitiveness. The KTO CS 1004 Mileage brand integrated individual service management and evaluation systems in order to appraise company-wide customer satisfaction activities.

#### + CS 1004 Mileage Achievements

Category	2006	2007	2008
KTO's customer satisfaction index (point)	84.2	88.9	AA
Speed of handling VOC (Voice of Customer) (minute)	119	82	62
Customers under CRM (10,000)	145	164	189

\*AA : Highest level of PCSI

#### Customer Satisfaction Survey

Every year, we survey the PCSI (Public Service Customer Satisfaction Index) and our own customer satisfaction index (KTO-CSI). In 2006, KTO was ranked second in a customer satisfaction survey of public corporations and government agencies conducted by the Ministry of Strategy and Finance. In 2007, KTO was rated in the highest category (AA) of PCSI.

#### + Achievements of and Plan for Major Agenda

Major Agenda		Details	Major Achievements		2009 Goal
			2007	2008	
High	Revitalize inbound tourism	No. of tourists attracted under Korea-destined tourist product initiatives	340,000	410,000	420,000
	Activate the regional tourism industry	No. of consultations provided	18	10	11
Medium priority	Support for and cooperation with tourism circles	No. of domestic tour agencies within the country/No. of products	34/46	22/45	Jointly promote and support tourist products
	Support for and cooperation with municipalities	Improve the regional tourism infrastructure	Expanded examination of municipalities' readiness for tourism	Conducted an evaluation of municipalities' readiness for tourism	Conduct an expanded evaluation of municipalities' readiness for tourism
Emerging	Enhance the competitiveness of the tourism workforce	Educated 5,386 people about tourism	No. of employees in tourism and tourism experts in municipalities	3,792 and 2,576, respectively	Continue to expand exchanges among the tourism workforce

### Responsibilities and Efforts towards Our Partners

#### - Disclosure on Management Approach

#### Vision and Goals

We have established close networks with tourism circles and municipalities, and are striving to bolster mutual strategic partnerships. We are also endeavoring to diversify our channels of communication, to support publicity marketing, and to expand joint projects.

#### Policy

Tourism circles and municipalities are our most important customers and partners for fostering Korea's tourism industry. We participate in the tourism projects initiated by the Ministry of Culture, Sports and Tourism and other central ministries. To help further development of Korea's tourism circles and municipalities, we encourage the exploration of new ideas about tourism, and strive to bolster the competitiveness of tourist products and expand the nation's tourism infrastructures as part of an effective tourism promotion policy.

#### Achievements of and Plan for Major Agenda

We manage and implement the following items determined from our evaluation using the IPS Materiality Test model™.

## Establishment of Partnerships

### Cooperation with Tourism Circles

By supporting overseas marketing activities such as business presentations, fairs and exhibitions, and the invitation of journalists and tour operators, we help inbound tour operators. We endeavor to develop processes to effectively explore fresh ideas about tourism and to boost the competitive development of new domestic tourist products. We are also striving to promote cooperation with tourism and non-tourism circles for the purpose of overcoming Korea's lack of tourism resources, and to work together by networking with them to stage road shows, exhibitions and fairs, and to organize advertising, publicity and other marketing initiatives.

### Revitalization of Tourism through Partnerships

#### Support for the Development and Fostering of Domestic Tourist Products

Since 2005, we have been carrying out the project of selecting and supporting superior tour programs in a bid to offer an array of tourist products, with the aim of revitalizing domestic tourism and helping the tourism industry to develop target-customized tourist products. Furthermore, with regard to tourist products selected through competitions, we support, in consultation with travel agencies, customized publicity campaigns.

#### Support for and Cooperation with Tour Operators

We have developed win-win convergence products in association with domestic tourism and performance circles; and have supported gigantic international tour fairs, including Berlin ITB and China CITM, as well as diverse overseas fairs and exhibitions. Such activities have enabled us

to publicize Korea's tourism industry and enhance the competitiveness of small- and medium-sized tour operators. Also, in a bid to promote tourist products in Japan, China, Southeast Asia, Europe and the United States, we hold sessions for the development of tourist products, targeting inbound travel agencies.

#### Revitalization of the Convention Industry

In conjunction with domestic businesses, every year we send tourist promotion team to international convention fairs to operate Korea pavilions, and consult overseas buyers. In association with the Convention Council, which is composed of representatives of the domestic convention businesses, we hold across-the-board convention networks in a bid to effectively fine-tune these projects.

### Global Tour Exchanges

#### Cooperation with International Organizations

We have joined diverse international organizations such as the UNWTO, PATA, WYSETC, and ASTA in order to identify and proactively respond to the world's tourism trends. We are pushing ahead with various projects in conjunction with these organizations, and are boosting cooperation with them to attract their conferences to Korea.

#### Hosting of the Korea, China and Japan Meeting of Tourism Ministers

In addition to various meetings in Japan and China, we held the third Korea, China and Japan Meeting of Tourism Ministers in June 2008 in Busan and Cheongju, further consolidating ties and partnerships between the governments and private sectors of the three nations.



## Bolstering the Competitiveness of Inbound Tourism

In conjunction with the municipalities, we are striving to revitalize inbound tourism in association with regional tourism resources as part of a wider effort to activate regional tourism. To that end, since July 2005, we have operated five promotion offices in the Seoul Metropolitan area, as well as in the Chuncheong, Honam, Yeongnam and Jeju regions. We have also operated tourism promotion councils with municipalities in a bid to bolster cooperation. Furthermore, in partnerships with regional tourism organizations, the KTO operates consultative councils and conducts tourism projects.

## Revitalization of Regional Tourism

### Campaigns to Revitalize Domestic Tourism

We conducted the Guseok Guseok of Korea campaign, which was conceived as a means of exploring and promoting tourist sites. This enabled us to discover some of Korea's most attractive 'hidden' tourist sites and promote them, thereby facilitating the revitalization of domestic tourism. In 2006, we coordinated a public advertising campaign, and thereafter established the domestic tourism revitalization committee in order to conduct the campaign together with the municipalities.

### Revitalization of City Tours

After recognizing the need to develop tour programs for individual tourists wishing to use their own cars (a group accounting for over 70% of the total number of tourists), we carried out a project to revitalize city tours in 2008. To that end, we operate an exclusive page on our website, post media and online advertisements, and provide consultation about city tours.



## Reinvigorating the Regional Economy through Tourism

### Support for the Regional Visit Year Campaign

In a bid to revitalize regional tourism, we have lent support to the municipalities' gigantic annual Regional Visit Year campaign. In 2007, we launched the Gyeongbuk Region Visit Year campaign, through which we helped to attract more domestic and foreign tourists to the region. Specifically, in cooperation with the municipality, we launched the Gold Pig campaign, helping the region to attract 160,000 domestic and foreign tourists, the largest figure at the national level.

### Support for Development of Regional Speciality Products for Tourists

We conduct for the culture tourism festivals - familiarization tours – to which we invite overseas journalists and tour operators, and implement online publicity marketing on our website in this regard. In particular, we support commercialization of cultural tourism festivals of the overseas tour operators and jointly participate in major overseas tourism fairs. As such, we have bolstered the overseas publicizing and marketing of cultural tour festivals, gradually increasing tourists from abroad.

### Consulting Support for the Development of Tourism

We provide consultation to municipalities regarding the development of tourism resources and tourism businesses, and launched proposal-oriented consultation in 2006. The following year, we strengthened our consultation on tourism resources and established the criteria for investment attraction. We offer diverse education programs aimed at strengthening our consultant capability for the development of tourism resources, and have developed a manual of tourism development guidelines for distribution to the related officials of the municipalities.



## Improvement of the Regional Tourism Infrastructure

### Evaluation of Municipal Readiness for Tourism

In 2008, we developed a tourism readiness index consisting of six categories (accommodation, food, amenities, information services, transportation, and shopping) to evaluate municipalities' preparedness for tourism in six categories. Using this index, we conducted a pilot evaluation of 50 municipalities' preparedness for tourism, shared the results with them, and helped them to improve their preparedness.

### KTO's and Municipalities' Joint Examination of Tourism Preparedness

In conjunction with the municipalities, each year we examine regional tourism preparedness to boost the satisfaction of domestic and foreign tourists and to revitalize regional tourism. We have also held preparedness improvement committee meetings to examine each category of preparedness, discuss future improvement measures, and encourage municipalities to implement improvement initiatives.

## Responsibility and Efforts towards Tourists

### - Disclosure on Management Approach

### Vision and Goals

We are striving to provide the best tourist services in order to bolster the attractiveness of the country's tourist sites, and thereby recapture domestic and foreign tourists. Amid the increasingly competitive world of global tourism, we have set ourselves the goal of attracting 11 million foreign tourists in 2013.

### Policy

We conduct campaigns aimed at boosting tourists' awareness of tourism in line with the changing tourism paradigms, and offer services oriented towards tourists' needs. To ensure the safety of domestic and overseas tourists, we operate a tourist-oriented system designed to manage crises and to provide tourism information. We survey tourists, identify their problems, and improve the services.

### Achievements of and Plan for Major Agenda

We intensively manage the following items which were determined using the IPS Materiality Test model™ of evaluation.

### + Achievements of and Plan for Major Agenda

Major Agenda		Details	Major Achievements		2009 Goal
			2007	2008	
High	Offer Tourism Information	The amount of average daily online tourism information as provided (domestic/overseas) (total page views)	998 (number)	1,143	Expand the number of channels providing tourism information
		The amount of annual mobile tourism information as provided (total page views)	484 (number)	1,205	
	Enhance Customer Satisfaction	Customer satisfaction in the category of public corporations (re: the provision of TIC tourism information)	97.8 (points)	Highest level	Maintain the highest level of customer satisfaction
	Improve the Tourism Infrastructure	The number of phone calls received for tourism information (1330)	87,077 (number)	100,706	102,000



## Ensuring Tourists' Convenience

### Korea Plaza

Between 2006 and 2007, we launched the Korea Publicity Center, Korea Plaza, which has the integrated functions of exhibiting, publicizing and offering a taste of Korean culture, at our seven overseas branches (Fukuoka, Sendai, Nagoya, Guangzhou, Bangkok, Singapore, and Hong Kong). Through Korea Plaza, we offer diverse programs such as Korean alphabet courses and Korean culture experiences, and such events as fan meetings with famous Hallyu (Korean wave) stars, enhancing the profile of Korean culture and Korea's tourism brand.

### Support for Tourist Safety

We operate the security phone number 1330, along with interpretation services in connection with 119, to help foreign tourists caught in emergency situations in Korea. We have established a Safe Travel System and provide an Overseas Travel Safety Guide for Korean tourists abroad, which we produced in conjunction with the Ministry of Foreign Affairs and Trade and the Ministry of Culture, Sports and Tourism.

### Online Tourism Information

In March 2008, we revamped our tourism publicity site - tour2korea.com - and integrated it into visitkorea.or.kr, strengthening our information services for tourists to Asia and individual tourists. We also operate a three-language (English, Japanese and Chinese) blog to better serve our customers and to provide useful Korean tourism information. We also feature information on the Dokdo Islets and Ulleungdo Island on the global online travel guide - wikitravel-, Korean tourism photos on Google Earth, and Korean tourist videos on YouTube. In addition, together with



VANK(Voluntary Agency Network of Korea), we conduct online and offline campaigns to promote Korean tourism.

### Improvement of Tourism Information Services

#### Standardization of Information Booths

In 2007, we developed and produced standard manuals for installing and operating tourism information booths and for conducting tourism services throughout Korea, and distributed these manuals to tourism information agencies and information helpers. In 2008, we installed a number of exemplary information booths throughout the country.

### Enhancement of Tourism Preparedness

#### Improvement of the Tourist Accommodation Environment

In order to expand tourist accommodation facilities and improve services, we organized the Good Stay authorization program and the BENIKEA chain business.

\*BENIKEA : Best Night in Korea

#### ◎ Good Stay Authorization Program

In 2006, we launched the Good Stay authorization system, which serves to strictly evaluate diverse amenities and hotels by examining the state of their services and level of hygiene. The system is ultimately intended as a means of increasing the number of low and medium-price clean tourist accommodation facilities. After authorizing 43 facilities in 2006, we increased the number of authorized facilities to 165 nationwide as of December 2008.

#### ◎ Low and Medium-Price BENIKEA Hotel Chain Business

In 2007, we launched the BENIKEA authorization business - a low and medium - price tourist hotel chain - in line with the growing trend of foreign tourists using low - and medium-priced hotels instead of luxury hotels. Up to December 2008, we authorized 36 hotels, all of which are now managed by our chain operation division, under this program. These chain hotels share operation manuals, and jointly conduct education on services and management.

+ Good Stay Logotype



+ Certification Plaque of BENIKEA



Improvement of Food Services

In a 2006 survey of foreign tourists, respondents cited “wanting to eat Korean food” as the primary purpose of their visit to Korea. However, Chinese and Muslim food services were found to be the worst. As such, we are now carrying out projects to designate restaurants specializing in serving foreign customers, and building up comprehensive information on representative foods, restaurants, and nearby tourist sites in 170 municipalities nationwide. This project involves the selection of representative foods in municipalities nationwide and the development of storytelling contents.

Improvement of Language and Signboard Services

④ **1330 Tourism Information Services**

We conduct 24-hour-a-day 1330 tourism information phone services for domestic and foreign tourists in Korea. We also provide English, Japanese and Chinese language services in connection with the phone number 119.

④ **Strengthening Foreign-Language Tourism Information Services**

Since 2003 we have operated the foreign-language tourism information improvement center to ensure the correct printing of information for the convenience of foreign tourists. We provide free translation and proof-reading of tourist information in four languages, including English, Japanese and Chinese. Launched in 2008, we offer web dictionary search services over our website aimed at the correct printing of foreign-language tourism information

**Responsibility and Efforts towards****Our Partnered Firms**

- Disclosure on Management Approach

**Vision and Goals**

We have set the goal of enhancing small and medium-sized enterprises' viability and maintaining sustainable growth in support of SMEs. Our goal is to lay the foundations for the growth of SMEs and to bolster the competitiveness of small and medium-sized tourism operators. To that end, we are striving to develop a win-win model with our partnered firms through fair and transparent trade.

**Policy**

We have implemented an open bidding system, a transparent service contracting system, and a bidding details disclosure system, thereby ensuring the transparency and fairness of business deals. In line with the government's policy of support for SMEs, we have established our goals concerning purchases from them pursuant to our policy of accord- ing top priority to the purchase of SMEs' products.

**Achievements of and Plan for Major Agenda**

We intensively manage the following items, which were determined using the IPS Materiality Test model™.

**+ Achievements of and Plan for Major Agenda**

Major Agenda		Details	Major Achievements		2009 Goal
			2007	2008	
Medium	Enhance Partnered Firms'	Purchase of SMEs' products	85/95.5%	90/84.3%	90%
		Goal / results (ratio)			
	Level of Satisfaction	Level of partnered firms' satisfaction	-	98%	90%
	Fair Trade	Procurement ratio by electronic agreements	12.6%	14.2%	14.0%

\*SME: Small and medium sized enterprise

## Win-Win Management with Partners

### Win-Win Cooperation Model

#### KTO's Win-Win Cooperation

We conduct the business of promoting Korean tourism and the related subsidiary businesses with travel agencies, duty-free shop operators, tourist site developers, product suppliers, and so on. In November 2007, we conducted a KTO win-win cooperation event with our partnered firms to develop a win-win cooperation model under the slogan of "Win-win cooperation is our competitiveness."

#### Promotion of Ethics Management for Partnered Firms

We promoted ethics and transparent management, targeting our partnered firms. In 2007, we educated 100 employees in duty-free shops and partnered firms about ethics management. We also developed and distributed a guidebook on ethics management, and continued to publicize ethics management and to send letters to our partnered firms in this regard. In this way we positively publicized our determination to implement ethics management, and encouraged them to join the campaign. Thanks to these efforts, no bribes including offers of entertainment were made during this period.

#### Transparent Contract System

In 2008, we launched a management disclosure system regarding bidding and the contracting of products, projects and services in an effort to ensure enhanced transparency and integrity and to eradicate corruption. Under this system, we announce our annual bidding plans in advance, and disclose electronic procurement (purchase) results and bidding details to ensure the fairness and transparency of purchase contracts. We implement a clean contract system which enables us to separate the business department and the contracting department, thereby boosting the transparency and reliability of contracting affairs.

### Responsibility and Efforts towards Communities

#### - Disclosure on Management Approach

### Vision and Goals

We at KTO, as corporate citizens, are fulfilling our corporate social responsibilities to create a happy world together with our neighbors. We are committed to further promoting corporate social activities under the Guseok Guseok of Korea campaign.

### Policy

We set every third Wednesday of the month as a sharing day, on which we encourage our employees to positively participate in volunteer community services. We also implement the green mileage system, which was designed to evaluate individuals' social service activities and encourage them.

### Achievements of and Plan for Major Agenda

We intensively manage the following items which were determined using the IPS Materiality Test model™.

### + Achievements of and Plan for Major Agenda

Major Agenda	Details	Major Achievements		2009 Goal
		2007	2008	
Medium	Communicate to Reflect the Needs of Communities	Implement the T2 Plaza Mecenat program	Expand the Mecenat program	Activate the Mecenat program
	Develop communities	Designate sister villages	Provide consultation about tourism development for sister villages	Substantiate sister village activities
	Corporate social responsibility	Corporate social responsibility mileage (score)	10,394	13,182
				15,000

## Sharing Love with the Community

### Key Activities

#### Guseok Guseok of Korea Travel-Sharing

To create a cultural environment in which we can live together harmoniously with our neighbors, we have carried out the Guseok Guseok of Korea Travel-Sharing campaign in the following four categories.

#### ① Sharing Travel with Marginalized Children

Together with the Korea Welfare Foundation, we have been conducting the Guseok Guseok of Korea Travel-Sharing campaign, which offers marginalized children an opportunity to travel and publicizes the country's hidden tourism resources.

#### ② Jeju Travel Experience for Child Cancer Patients

Since 2006, in conjunction with the Korea Childhood Leukemia Foundation, we have staged special events to relieve the physical and mental stress sustained by patients' family members, and to inspire them with hope. These events include a coastal course golf tour, golf experience, and a variety of other programs. Also since 2006, we have conducted a number of blood donation campaigns, successfully delivering 128 blood donation certificates and raising funds of 5.5 million won by the first half of 2008.

#### ③ Korean Culture Tour Experience for Multicultural Families

To promote multicultural families' understanding of Korean culture, we conducted Korean culture experience tours. In addition to the Wonju event held in 2007, we provided 80 members of multicultural families residing in the Chungcheong region with an opportunity to experience and learn about Korean culture and history in May 2008.

#### ④ Weekend Travel Experience Campaign for Children of Two-Income Families

We run a program consisting of experience tours for children from two-income families who cannot spend weekends with their parents. Under this program, we support 50% of the travel expenses, and take the children on tours where they are able to observe flatland ecosystems, experience agricultural villages, and enjoy various maritime experiences. In this way they receive opportunities to enjoy our beautiful land.

#### The Most Beautiful Lunch in the World: Wednesday Jumeokbap(Rice Ball) Concert

Since March 2007, in conjunction with the Korea Food Bank of Anglican Church, we have held the Wednesday Jumeokbap(Rice Ball) Concert at the T2 playground of our headquarters at lunchtime every Wednesday. At the event, employee volunteers make rice balls and offer them to participants in the concert, who in return donate the price of a meal to needy neighbors. In 2007, our Wednesday Jumeokbap(Rice Ball) Concert was selected as the Superior Corporate Social Activity of August by the Ministry of Strategy and Finance; since then, it has been established as a representative corporate social activity for assisting people in need.





## Sharing Activities with Communities

### Support for Low-Income Households and Elderly People Living Alone

In 2007, we made kimchi and offered it to 120 low-income households. Dressed in Santa Clause costumes, we visited children's homes and gave presents to them, in a bid to inspire them with hope and courage. We also invited children to a Hallyu (Korean wave) performance event staged by us.

### Culture Experience Sharing with Disabled Children

We also provide opportunities for culturally alienated, disabled children to experience cultural tours. Twice a year, our employees get involved in culture experience activities with disabled children on a one-to-one basis to inspire them with hope.

## Protection of Tourism Environments

### Voluntourism Activity

To help with the aftermath of the oil spill at the Taean Peninsula, we worked out special measures to help revitalize the region's tourism industry. Immediately after the oil spill in early 2007, 300 of our executives and employees participated in the clean-up activities on seven occasions. We also visited nearby tourist sites, and conducted media publicity activities to revitalize tourism in the Taean area. We also conducted the Guseok Guseok of Korea visit Online Event - West Sea Recovery Campaign, in which 1,600 volunteers participated. Furthermore, we organized the Taean volunteer service and theme tour with the domestic tourism revitalization committee, which consisted of famous figures from various social sectors.

### Sister Village Activity

Since October 2004, through a sister village fraternity with Baeduduk Village, Pyeongchang, Gangwon-do, we have purchased the village's native products, as well as supported schooling expenses and computers for students, and developed a village publicity website. Each year, during the busiest farming period, we lend a helping hand to the village. In 2008, our 44 volunteer employees visited the village and helped with the harvesting of chilies and corns, and the dismantling of greenhouses.

### Culture Keeper Activities

Since 2004, under an agreement with the Cultural Heritage Administration of Korea, we have joined "the company, one cultural property preservation campaign." Employees and their family members conduct clean-up activities together at Gyeongbokgung Palace in spring and at other royal palaces in autumn. This campaign helps employees' children to develop a proper awareness of the nation's cultural properties.

### Monitoring of Tourist Site Environments

We require our employees to monitor and report on tourism preparedness during their business trips. These activities are reflected in the score of individual employees' social activities, i.e. green mileage. These efforts have helped us to gradually improve toilets, facilities for disabled people, and other amenities at tourist sites.



### Overseas Support for Sharing Activities

#### Support for Finding the Family Members of Overseas Adoptees

Through our overseas branches, we conduct a program designed to identify and locate the biological parents of overseas Korean adoptees, whom we invite to visit Korea. We have also implemented a program enabling elderly Korean people living overseas to visit their motherland. In particular, in February 2007, we helped a bronze medalist of the Torino Winter Olympics, Toby Dawson, to have a touching reunion with his biological father. He was appointed as a honorary publicity ambassador for tourism Korea.

#### Sending Books to Overseas Koreans

Every year we run a campaign which consists of sending books to overseas Koreans to help them understand their motherland and foster their sense of pride about Korea. In 2007, we gathered from our employees 1,586 books and DVDs on Korean publicity, and donated them to the Overseas Korean Foundation's Korean language schools through our overseas branches.





## Responsibility and Efforts towards Employees

### - Disclosure on Management Approach

#### Vision and Goals

We foster talented people with the aim of instilling them with a challenging, innovative spirit and shaping them into determined global experts with a sense of spontaneous responsibility. We also endeavor to create a family-friendly corporate culture and a fun workplace, thereby leading the way in creating a work/life balance for our employees.

#### Policy

We do not discriminate against employees by gender, age, religion, education, physical condition (disability, etc.), or region. We observe the Labor Standards Act, and the ILO's regulation on banning forced labor. In line with the government's policy, we employ a certain number of disabled people, hire the children of national meritorious citizens according to certain priorities, and uphold an open recruitment policy. We also comply with the regulations on human rights and labor conditions.

#### Achievements of and Plan for Major Agenda

We intensively manage the following items, which were determined using the IPS Materiality Test model™.

#### + Achievements of and Plan for Major Agenda

Major Agenda		Details	Major Achievements		2009 Goal
			2007	2008	
Medium	Recruit and Foster Talented People	MBO (job training) course (hour)	23,040 hours	25,344 hours	26,611 hours
		Total education/training costs	1,179 million won	1,434 million won	1,791 million won
		Female employee ratio	42.9%	No new employee recruited	50%
Emerging	Welfare	Employee satisfaction	91.7%	91.8%	92.0%

## Respecting the Value of Staff Members

### Ban on Discrimination, Respect for Human Rights

We do not discriminate against employees by gender, age, religion, education, physical condition (disability, etc.), or region. We observe the Labor Standards Act and the ILO's regulation on the abolition of child labor and forced labor. We enforce labor standards according to the ten principles of the UN Global Compact.

### Observing the Equal Employment Principle

As part of our effort to uphold an equal employment policy, we employ a sufficient number of disabled people in order to satisfy a specific legal

percentage (2%) of our workforce. We have also maintained a female recruitment ratio of over 40% for seven consecutive years.

### Vision of Fostering Talented People

We serve our customers with sincerity. We foster competitive, expert talented people armed with a challenging and innovative spirit to respond to the ever-changing climate in this endlessly competitive age of the 21st century.

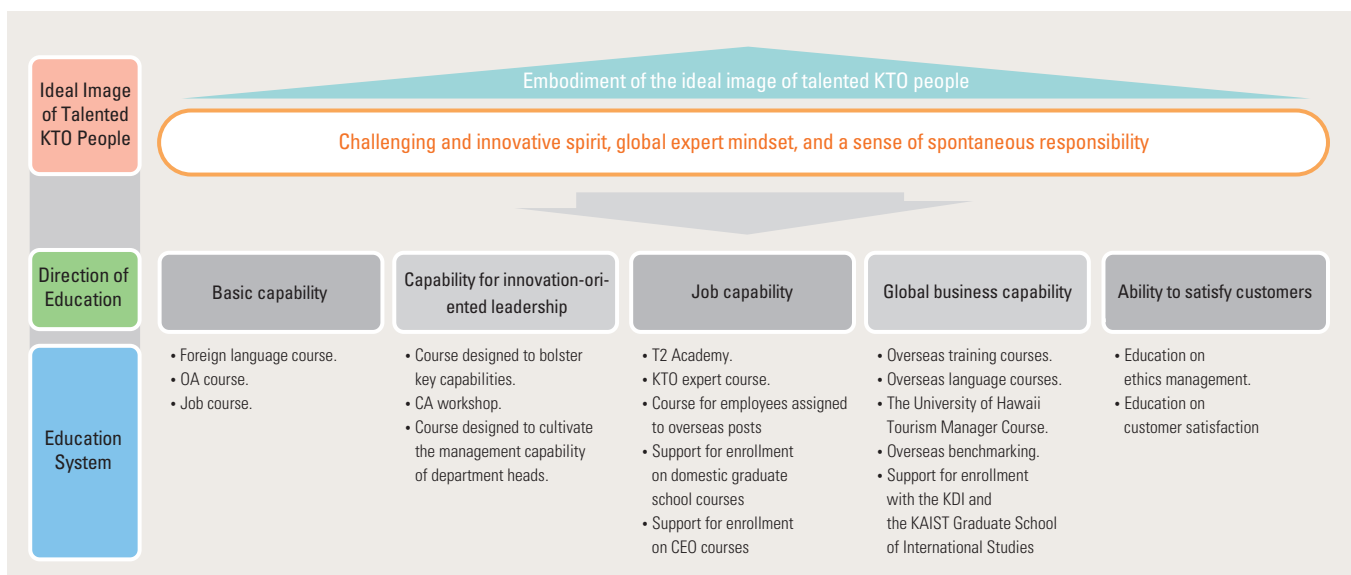
### Fostering Key Talented People

We implement a career development program designed to foster key experts who are capable of responding effectively to the rapidly changing business environment and of implementing our 2013 mid- and long-term strategy. We recruit talented people, and allow them to follow special career development paths as well as prescribed education and training. We also give special education to talented managerial-level employees and to people in each job who will perform duties in the global business arena.

#### + Ban on Discrimination, Respect for Human Rights

Category	2005	2006	2007	2008
No. of employees	766	786	778	760
Executives	4	5	4	5
By Rank (people)				
Employees (1st - 5th rank)	488	494	509	499
Other jobs	274	271	265	256
Headquarters	380	387	388	375
By Region (people)				
Domestic branches	319	323	315	309
Overseas branches	67	76	75	76
Average No. of Years Served	12.31	12.59	13.55	14.52
Job Quitting Rate (%)	0.25	0.07	0.10	0.18
Employees Recruited	33	35	7	1

#### + Vision of Fostering Talented People





## Life-long Learning

### Activation of Learning Efforts

We operate a unique community of practice (CoP) to foster competitive knowledge-based workers. The CoP tackles common goals as it studies job-related agenda, builds up knowledge, and makes proposals for innovation.

### Human Resources Management Geared towards

#### Jobs and Capability

We implement human resources management geared towards jobs and capabilities from the time of recruitment onwards. We enable employees to develop their career and hence their ability to respond effectively to the changing business environment. We select personnel for key posts through open competition in order to attract talented experts.

## Health and Safety Initiatives

### Disease Prevention and Health Promotion

Every year we arrange for employees and their spouses to undergo a free medical checkup to detect and prevent diseases early on. We also implement an expanded collective injury insurance scheme to cover not only our employees and their spouses but their children as well. Under this scheme, we have arranged for myocardial infarction and cerebral hemorrhage to be covered under health insurance.

## Reconciliation of Labor and Management

In a bid to bolster the professionalism of both labor and management, we have implemented a labor-management development program. In 2007, the union and the management successfully negotiated wages without resorting to striking, for the first time in KTO's 45-year history. During this report period, we further promoted labor-management relations without creating labor unrest or breaching the Labor Act.



# Competitive, Eco-friendly, Green Tourism



We uphold a tourism policy of protecting the environment and minimizing environmental degradation. To that end, we aim to surpass our green tourism management goals. Since 2005, our energy management team has campaigned vigorously on energy saving, and we have remained committed to the development of ecological tourist products such as Peace Life Zone (PLZ) and Slow City.



# Green Management



## Responsibility and Efforts towards the Environment

### - Disclosure on Management Approach

#### Vision and Goals

In an effort to develop an eco-friendly tourism industry, we cooperate with the government, municipalities, and tourism circles and engage in joint efforts to reduce greenhouse gas emissions and environmental pollution.

#### Policy

We run an energy saving committee whose remit is to boost energy efficiency. We have implemented guidelines on the management of eco-friendly tourist sites and facilities to respond to the climate changes, and are striving to develop eco-friendly tourist sites to create a green tourism era geared towards low-carbon green growth.

#### Achievements of and Plan for Major Agenda

We intensively manage the following items, which were determined using the IPS Materiality Test model™.

#### + Achievements of and Plan for Major Agenda

	Major Agenda	Details	Major Achievements		2009 Goal
			2007	2008	
High	Develop eco-friendly tourist products	Eco-friendly tourism projects	-	Established the Green Tourism Team	Strengthen green management
Medium	Conduct activities to protect and restore environments.	Take follow-up steps on environmental impact assessments.	Assessed environmental impacts	Bolstered follow-up steps on environmental impact assessment.	Bolster ex post management on environmental impact assessment
	Develop eco-friendly tourism	Bolster eco-friendly development efforts.			
	Manage environmental impact	Breaches of laws during the development of tourist sites	0	0	0

## Korean Tourism with Green Management

### Energy Management

#### Energy Consumption Amount

In view of Korea's lack of natural energy resources and the high price of petroleum, we - in conjunction with our energy saving committee - conduct activities designed to save energy and enhance energy efficiency. The following table shows a comparison of the level of energy consumption with the average over the last two years, between 2006 and the first half of 2008.

#### + Energy Consumption vs. Goal (headquarters; unit: TOE)

2008	Goal	Result	Saving ratio(%)
Electricity	353.15	376.44	-23.36
LNG	109.09	77.96	23.13
Total	454.24	454.36	-0.13

2007	Goal	Result	Saving ratio(%)
Electricity	660.84	709.09	-7.30
LNG	163.12	141.24	13.41
Total	823.96	850.33	-3.20

2006	Goal	Result	Saving ratio(%)
Electricity	767.10	690.90	9.93
LNG	357.00	187.26	47.55
Total	1,124.10	878.16	21.88

#### + Water consumption (unit: tons)



#### Energy Saving Efforts and Related Publicity

In an effort to save energy, we have assigned 13 employees to monitor the office energy consumption status on each floor of our headquarters building. We turn off lights in the office during lunchtime, check whether computers have been turned off after employees leave the office, and turn off lights in areas to which people have less frequent access. To publicize our energy saving efforts to visitors to our headquarters building and nearby citizens, we show the related publicity videos in the external porch on the first floor, and inside the elevators.

#### The Tourism Industry and Climate Change

We conduct energy saving campaigns aimed at raising tourists' awareness of the need to reduce CO<sub>2</sub> emissions, and have implemented a policy of energy saving and energy efficiency enhancement. In the case of the leisure and tourist towns now being developed in southwestern coastal areas, we are building solar energy-powered houses and introducing other types of green energy sources.

To enable Korea's tourism industry to effectively cope with climate change, we plan to develop guidelines on the management of eco-friendly tourist sites and facilities and to implement an eco-friendly authorization program in the tourism sector, which we have tentatively dubbed the "Best Eco Tourist Site and Facility". We are also striving to adhere to the Environment Ministry's guidelines on low-carbon and green events, as well as to implement a program designed to calculate and offset carbon emissions with regard to international events staged in Korea. Furthermore, we will establish a civic- governmental joint council to formulate effective and professional countermeasures to climate change. Energy consumption (electricity, LNG, LPG, and kerosene) at the KTO headquarters, Tourist Information Center, and our Jungmun Golf Club is shown below in terms of CO<sub>2</sub> emissions.



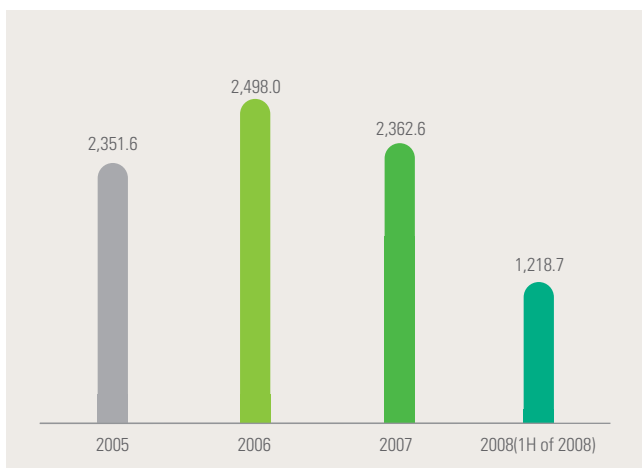


### Impact of Tourist Site Development on the Environment

We conduct energy saving campaigns aimed at raising tourists' awareness of the need to reduce CO<sub>2</sub> emissions, and have implemented a policy of energy saving and energy efficiency enhancement. In the case of the leisure and tourist towns now being developed in southwestern coastal areas, we are building solar energy-powered houses and introducing other types of green energy sources.

+ CO<sub>2</sub> Emission Graph

(unit: CO<sub>2</sub> ton)



### Preserving Biodiversity

The region of the second Jeju Jungmun Tourism Complex is home to *Pinus thunbergii* (a pine tree) woods in the coastal areas, and the Cheonjeyeon Waterfall Subtropical Forest, which has been designated as Natural Monument No. 378. These zones have been well preserved and managed. In the case of the Jeongeup Naejangsan Tourist Resort now under development, an investigation conducted in March 2008

found that the buzzard (categorized in the second class of endangered wild animals and plants) has its habitat there. This zone has preserved Seodanggolcheon Stream, home to diverse aquatic plants, amphibians, and species of fish. In the case of the Haenam Hwawon resort development zone, an ex post environmental impact assessment found that there was a difference only in the number of marine species by season, with no changes occurring during this report period.

### Environmental Changes According to Operation of Tourist Sites

In the case of the Jungmun Golf Club, which is located in a zone that is susceptible to environmental impact, all our employees strive to save water by cutting water consumption in the operation of the golf course.

At the Jungmun Golf Club, we dispose of and treat sewage at the West Sewage Treatment Station. We have also built ponds designed to serve as filtering facilities to prevent streams from being polluted by the use of fertilizers; and we dispose of waste grass - a major waste material - at the incineration site of southern Jeju. Pursuant to the Soil Environment Conservation Act, we have the degree of soil pollution examined by the authorized agencies on an annual basis. During this report period, no breaches of the said law occurred.

### Conservation of Wetlands in Tourist Sites

Initiated in Ramsar, Iran, in 1971, the Ramsar Convention on Wetlands is an international environmental treaty designed to ensure the conservation and sustainable utilization of wetlands. Since Korea joined the convention in 1997, it has registered its eight zones as Ramsar wetlands in order to protect them. In October 2008, Korea successfully hosted a Ramsar convention in Changwon, Gyeongsangnam-do.



The KTO, jointly with the Korea Culture and Tourism Institute, held a symposium on Korea's eco-friendly tourism and its development prospects, as part of the Ramsar convention. This occasion helped us to prepare to further explore the development of eco-friendly and sustainable tourism.

### **Development of Eco-Friendly Tourist Sites**

In order to ensure the eco-friendly and efficient development of natural tourism resources – particularly mountains and coastal areas, we provide consultation, develop state projects, and develop projects in conjunction with the municipalities. On the basis of these efforts, we have helped to raise Korea's profile as a center of eco-friendly tourism, activate the regional economies, and balance the regional development of the country.

#### Eco-oriented Tourism Business

Using our new tourism paradigm of “neo-tourism” and our expanded partnerships with the private sector, we are conducting eco-oriented businesses at Daegwallyeong Pass. Under this project, on a site covering 33,058,000m<sup>2</sup> in Daegwallyeong, Pyeongchang-gun, Gangwon-do, we will restore the Baekdudaegan Range and highland forests - which, in the 1970s, were damaged due to the artificial creation of grasslands - and transform them into eco-oriented tourist resources, by 2016.

#### Development of Peace Life Zones into Tourism Resources

In conjunction with the Ministry of Culture, Sports and Tourism, the KTO is working out measures to turn the demilitarized zone (DMZ) bordering South and North Korea and its adjacent areas into peace and life zones, in an effort to create novel tourist products.

#### Slow City

Slow city (or Cittaslow) is currently under the spotlight as a key concept in the green growth tourism sector which the government is pushing ahead with. In October 2008, together with the Cittaslow Korea Network, the KTO held a global forum to explore the development of slow cities. Korea's representative slow city, Cheongsando Island, was introduced at the forum. The island offers ample tourism resources such as seafood, pollution-free indigenous products, and scuba diving in the clean sea, brightening the prospects for green tourism.

#### Tourist and Leisure City in the Southwestern Coastal Area

On a stretch of tideland covering 87,920m<sup>2</sup>, a projected tourist and leisure city will be constructed by 2017 in Haenam-gun and Yeongam-gun, Jeollanam-do, based on the attraction of domestic and foreign pri-

ivate capital. A population of 500,000 people is envisaged for the city, which we will foster into a future-oriented, advanced tourist model city with an eco-friendly environment geared towards green growth.

#### 1.5th Agricultural Tourism Industry

The “1.5th Agricultural Tourism Industry” entails a concept whereby tourism is added to the primary industries involving agricultural, mountainous and fisheries areas. We are working out measures which will enable us to utilize grasslands and/or fields and paddies nationwide during agriculture's idle season to provide sightseeing attractions and diverse experiential programs. We also plan to link unique regional cultures and events with the tourism industry to increase the residential population in those areas.

#### Development of Abandoned Mining Areas into Tourist Products

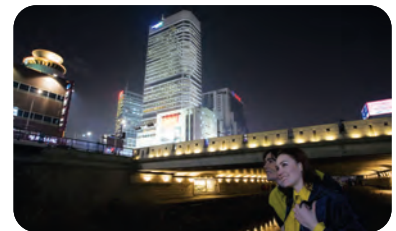
Towards the end of 2006, in a bid to develop eco-friendly and sustainable mining areas, we launched Gangwon-do's abandoned areas as tourist products associated with the themes of Hallyu (Korean wave), well-being, and experience. In particular, the tourist site offers rail bikes and a mining tunnel experience, as well as native foods such as gondeure namulbap (boiled rice topped with *Ligularia stenocephala*, a wild plant), hwanggi baeksuk (boiled chicken stuffed with rice, ginseng and herbs), and memil jeonbyeong (wheat pancake).



# Highlights

## 2008

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



## 2007

- Following the 1997-98 financial crisis, the KTO reduced its debt ratio for the first time (down by 1.2%; and from 81.2% in 2006 to 79.3% in 2007)
- Corporate integrity upgraded (from 8.95 points in 2006 to 9.40 points in 2007)
- Proclaimed the new Korean tourism brand, Korea, Sparkling
- Attracted 6.45 million foreign tourists
- Posted record-breaking sales of 457.8 billion won
- Presidential Best Agency Award
- KTO's first agreement on wage negotiation without labor disputes
- Gender Equality Superior Corporation Premier Award
- Three Korean cities ranked among the ten top Asian cities for hosting international conventions
- Grand Award for Korea's tourism publicity video, Korea, Sparkling: 2007 New York Film Festival in the film and video category
- 2007 PATA Gold Award Winner for Best Film

## KTO 2008 Sustainability Report



Publication Date	2009. 5. 12
Published by	Korea Tourism Organization 40, Cheongyecheonno, Jung-gu, Seoul 100-180
Relevant Department	Customer Satisfaction Management Team ☎02)729-9624
Planned and Produced	SAMWOO Communications ☎02)336-8377

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# Korea Sparkling

offers a **Global Window** into Korea





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