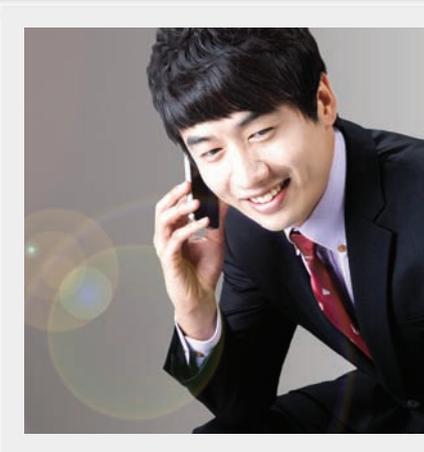# Dream Big

Report Outline

Objective

This is the sixth issue of kt's Sustainability Report which is intended to provide information on our efforts and activities toward a sustainable world. This report aims at helping our stakeholders understand our sustainability management by viewing economic profitability, social responsibility, and environmental soundness in an integrated manner. We plan to reflect the voices of our stakeholders to create new values and implement sustainability management more actively.

Report Framework

This report is largely comprised of four sections such as sustainability management, economy, society, and environment. To enhance stakeholders' understandability, the triple bottom line section is classified into six parts; investors, customers, employees, suppliers, society, and environment. Our sixth sustainability report was prepared by CSR Team with the cooperation of the working-level staff from the pertinent teams.

Guidelines and Assurance

This report has been created in reference to the G3.1 standards of Global Reporting Initiative. It also contains information related to ISO 26000 which was disclosed in November 2010. To secure inclusiveness, materiality, and responsiveness, this report received third party assurance. The assurance statement is on page 94.

Period and Scope

This report covers the period from January 1 to December 31, 2010. It also contains activities and plans for 2011 when deemed necessary. The reporting scope is the activities and performances carried out by the business sites in Korea. We plan to publish the report annually.

kt

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2011 kt Sustainability Report

BOD Chairman Message

The thing that we all sincerely desire is to create a world full of happiness

kt has continued to generate values based on coexistence in various areas by achieving mutual growth with small & medium enterprises, establishing a new labor-management culture, and adopting a "Smart Working" environment. This is inevitable in order to satisfy everyone, including stakeholders, so as to become a sustainable corporate. Corporate's wealth is naturally generated through customer satisfaction by enhancing the productivity of employees. The benefits from this wealth are distributed amongst all stakeholders. Based on this business philosophy, kt will double its effort to expand its sustainability management values. The thing that we all sincerely desire, which is the hope of the future, is to create a world full of happiness.

kt is doing everything possible to enable hope to grow in all areas of the workplace. As part of its on-going effort, kt allowed the youth to achieve their dreams through a new recruiting policy for customer service job group, which provides equal opportunities to all without considering educational background. The company will continue to provide a platform for outstanding individuals to work without limits. Efforts will also be taken to jointly enhance performance. kt will continue to search for concrete ways to achieve mutual growth that enables it to share the fruits of success.

The most important component in the continuous development of a corporate is customer satisfaction. kt not only enhances customer satisfaction through products & services and process innovation, it also places its effort in providing products & services demanded by customers by reflecting the thoughts of customers into its business. Especially by making various devices 'smart' through the utilization of its wired and wireless network, which is kt's strength, the company is focused on providing services that can simultaneously enhance productive activities, learning and leisure anytime and anywhere. kt will never cease its challenge to achieving its vision as a 'Global ICT Convergence Leader.' This goes beyond just simply becoming a leader from an external perspective such as revenues. Rather, it means establishing itself as a truly global corporate by sincerely fulfilling its social obligations. By having various stakeholders such as shareholders, customers, employees, suppliers, and local communities join in this journey to achieve its vision, kt promises to bring the journey closer to a world overflowing with hope.

With the stipulation of the BOD's role in the company's sustainability management in 2011, kt is able to perceive risks, which appear in uncertain business environments, in advance, while searching for new opportunities. Through this, kt will actively pursue the road to becoming a sustainable company.

Eung-Han Kim
Chairman of the BOD

Joseph A. Schumpeter, an economist in early 20th century, stressed that 'economic development is a process of creative destruction,' and the rise and fall of companies depends on whether there have been changes in the way of thinking. In the past, kt had once experienced stagnant growth for long periods of time due to the structural changes in the telecommunications industry and fierce competition. To overcome these matters and search for new growth opportunities, as stressed by Schumpeter, creative destruction and change in the way of thinking was necessary.

As a result, we started to change. A merger with ktf was successfully achieved in a short-period of time, something that no one expected, while establishing a new management-labor culture with the adoption of job competition and annual salaries. kt expanded its Internet phone business and became a leader of change and innovation through a shift in the way it thinks, as a result of the paradigm shift in the telecommunications market due to the smart phone. Its boldness to push forward also played a crucial role in becoming a leader of change and innovation. In addition, we have become the leading Korean telecommunications company, providing the most efficient wired/wireless convergence service in the world. Moving a step forward, we were able to create a 'Great Work Place' that enables our employees to grow hand-in-hand with the company, while instilling the dream of mutual growth in partner firms. From the shareholders' perspective, we moved forward as a company poised for growth. Being selected as a DJSI World company in 2010, along-side prominent global companies, was a recognition of kt's efforts.

In 2011, kt's business priority is customer service innovation to help maximize customer satisfaction. To enable customers' to feel that 'It was the best choice to become kt's customer,' we will make new changes in all of our processes starting from product introduction to after sales services. In addition, to actively engage in overcoming various social issues such as climate change, low birth rate and job creation, we will expand our smart working and cloud computing services. We will also place greater emphasis on creating a Great Work Place to pave the way for mutual growth with small & medium enterprises and success for the general public.

Believing that the various activities benefitting the world will also benefit the company, kt will take the lead in expanding its "New Humanitarianism (Shin Hongik Ingan)" spirit.

Suk-Chae Lee
Chairman & CEO

CEO Message

kt will take the lead in expanding its "New Humanitarianism" spirit

| Stakeholder Engagement |

To be a sustainable company, it is vital to stay on top of all the issues raised or considered during communications with stakeholders. Stakeholder communication is the best way for both the company and its stakeholders to prosper together and the most influential factor to the company's sustainability. kt runs the Sustainability Management Committee, consisting of related executive directors, to maintain effective communication with stakeholders and to reflect key issues in actual operations. The Committee supports the activities of departments and divisions under its supervision, which are tasked with performing sustainability management activities.

Framework for Stakeholder Communication

The change in business environment has given rise to new stakeholders while incumbent stakeholders are exerting greater influence on corporate policy. Our major stakeholders include customers and investors, which have an economic relationship with the company; employees and business partners, who are invaluable for driving innovation and growth; and local communities where we operate. We pursue diverse forms of communication with them by identifying a representative of each group. Dialogue may take place through a regular consultation body or through surveys.

Stakeholder Communication Channels

Shareholders
General shareholders' meeting (annual)
CEO conference (annual)
Earnings conference
(quarterly, disclosures, conference calls)
IR news (1-2 times a month)
Domestic/overseas NDR events
(year-round)
IR homepage

Customers
Customer pools
(200 persons, and 3 regular surveys and
4-5 special surveys a year)
Customers regular online surveys
(10,000 respondents, twice a year)
College student product review
(60 persons, 6 months)
Household panel

Government and Environment
Meeting between the CEO and the head of
the Korea Communications Commission
(3 or 4 times a year)
Meeting with regulatory agencies such as
the Korea Communications Commission,
Fair Trade Commission, and Ministry of
Knowledge Economy (year-round)
KTOA members meeting
(three times a year)

kt
Sustainability Report
(published annually since 2006)
kt website (www.kt.com) /
'DigiEco,' the homepage of the kt Research
Institute of Economics and Management

Employees
Joint Labour-Management conference (twice a quarter)
Labour-Management conference at regional level
Labour-Management conference at group level
Labor-Management policy conference (regular, year-round)
Employees management conferences (regular, year-round)
kt119 (Grievance resolution center, online and offline)
Newsletter/Company news/Intranet debate forum

Society
Meetings with local
communities (year-round)
Love Sharing (twinning with local children's centers)
IT Sharing (telephone and website)
Culture Sharing (survey, SNS, website)

Suppliers
Partner firm CEO meeting (annual)
Partner firm satisfaction survey (biannual)
Partner firm conference (biannual)
SCM consultative group conference (monthly)
Product meeting (year-round)
Technology exchange forum (monthly)
Online and offline mutual prosperity center (year-round)
Website for receiving partner firm suggestions
Communities in various fields
(under preparation)
Forums for IT company CEOs
(bi-monthly)

| Materiality Test |

Overview

We carried out a materiality test to find key issues and to reflect them in our management. It has been conducted through five steps: checking stakeholders' interests and concerns, reviewing company's policies, benchmarking of peer companies, media research, and investigating relevant norms and laws both in Korea and abroad. Among 58 issues derived through these steps, this report focuses on 21 core issues that are highly material to internal and external stakeholders.

Particularly, our responses to highly challenging issues are shown at the "special issue section." Going forward, we will identify issues through stakeholder communication while disclosing them transparently in our sustainability reports.

Materiality Test Results

Special Issue: Six Major Issues

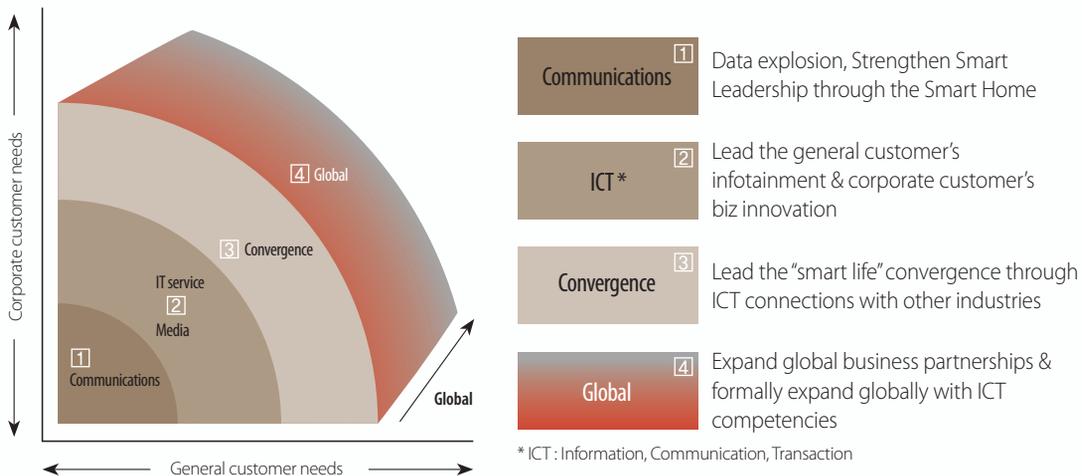|				
Shareholders	Mid-term Growth Strategy		**Suppliers**	Partnering for Growth
Customers	Improving Rate Structure		**Society**	Local Community-Focused Social Contribution
Employees	Work & Life Balance		**Environment**	Promoting Environment-Friendly Management

Materiality Matrix

High

Sustainability management at kt
Sustainability management
Ethical Management
Risk Management

Shareholders
Innovative Management
Global Sustainability Management
Shareholder Communication

Customers
Solving the Side Effects of Informatization
IT Security and Customer Protection

Employees
Labor-Management Cooperation
Safety and Health

Society
IT Sharing / Love Sharing / Culture Sharing / Green Sharing
Community Communication

Environment
Environment-Friendly Products and Services
Participating in Green Growth Projects
Environmental Communication

Sustainability management at kt
Stakeholder Engagement
Corporate Governance

Shareholders
Creation of New Growth Engine
Economic Performance
Brand Value

Customers
CS Management System
VOC as Strategic Asset
Differentiated Service
Stable Telecommunication Service

Employees
Great Work Place
Fair Human Management System
Human Resource Development

Suppliers
Partnering for Growth
Infrastructure and Financial Support

Society
Social Contribution System

Environment
Environmental Management System
Response to Climate Change
Energy Efficiency and Resource Recycling
Realizing Green Office

Suppliers
Promoting Mutual Growth
Building Green Ecosystem
Innovation of Purchasing System
Fair Trade
Supplier Communication

Customers
Customer Communication

Employees
Human Rights
Employee Communication

Society
Addressing Digital Divide

Environment
Environmental Regulations and Certifications

External stakeholders

Low — Internal stakeholders — **High**

Mid-term Growth Strategy

The market leadership shown in smartphones will be extended into convergence services

Status Quo

Currently the communications market is becoming more and more competitive with players competing fiercely against each other. At the same time, the number of companies entering the communications domain is increasing. Communications services have become even more diverse with wired phones, Internet, IPTV and wireless phones, and are evolving, enabling customers to communicate whenever and wherever. However, as technologies develop such as the Long Term Evolution (LTE), heavy investments are required, making the communications industry ever more uncertain. At the same time, as the demands of stakeholders are becoming greater in relation to climate change, one of the largest current issues, there is a need to pursue green industries using IT to overcome global warming and energy crisis, and to secure new growth engines.

Communications [1]	Data explosion, Strengthen Smart Leadership through the Smart Home
ICT * [2]	Lead the general customer's infotainment & corporate customer's biz innovation
Convergence [3]	Lead the "smart life" convergence through ICT connections with other industries
Global [4]	Expand global business partnerships & formally expand globally with ICT competencies

* ICT : Information, Communication, Transaction

Chosun Daily

KT's CEO, Suk-Chae Lee announced that KT will achieve KRW30 trillion in revenues by 2015. To achieve this, he pointed out two core business, the 'Smart Home Strategy', and the 'Expansion of Cloud Computing Services'. In addition, KT plans to introduce 7~8 tablet PC models this year and sell over one million units. As for smartphones, KT plans to roll out 25 ~ 30 models and secure 6.5 million subscribers.

(January 21, 2011)

kt's Response

To aggressively take measures to overcome the above crisis, kt's objective is to leap forward as a 'Global ICT Convergence Leader' through a continuous growth strategy taking into consideration market trends, evolving customer needs and global energy issues. The leadership shown in smartphones will extend to emerging devices, while overcoming the stagnation of the wired market through the smart home strategy. In addition, kt will concentrate on fostering the Global/ICT/Convergence sector and use it to lead growth. The company will secure market competitiveness by expanding its corporate customer-base. Video conferencing, smart working and Energy Management System (EMS) will be internalized across the company, while the green industry, including new and renewable energies, will be used as a new growth engine, creating a firm platform for sustainable growth.

Improving Rate Structure

Doing everything possible to foster a rational communications consumption culture & protect consumer rights

Status Quo

As communications services have diversified with wired phones, Internet, IPTV & wireless phones, customers are able to conveniently communicate anytime & anywhere. However, communications expenses are taking up a larger portion of the household budget. With the increase in smartphone distribution, wireless data usage by customers has also increased. At the same time, issues are being raised related to communications expenses which include home phone flat sum rates and the non-refunded payments.

Non-refunding policy improvement method

Diversify refundable routes	Inquiry & application for payment of non-refunded payments through olleh.com (www.olleh.com)
Automatic inquiry of non-refunded details when subscribing to a service	Provide pop-up services for non-refunded detail status when inquiring on the citizen's registration number
Prevent excessive duplicate payments by shortening the payment period	Initiate real-time account services. Establish a real-time payment system at convenience stores & credit card payments
Minimize customer inconveniences by expediently processing refunds	Register a refund account when paying through a Giro or credit card. Initiate automatic next day refund for erroneous payments
Automatic sending of next month refund notice after termination of service to advertise non-refunded amounts	

kt's Response

kt is searching for diverse ways to enable customers to make rational communications consumptions. Customers can dial 100 or visit www.olleh.com to confirm the user's communications status and to find the most economical way of using communications services. In 2010, kt enabled the user to make adjustments according to the actual usage pattern of voice-text-data. A customized rate policy was introduced where unused wireless data could be carried over to the following month for use. In addition, by introducing diverse combined rate policies such as reducing data roaming rates and paying per MMS, kt is trying to lessen the communications expense burden on the customer. As for the home phone flat sum rate which has become a communications expense issue, subscribers are notified of their subscription and are provided information to compare rates. If the customer desires to terminate the service, every measure is taken to ensure that the consumer rights are protected through notification. For customers who have not received refunds, services are provided so that the customer can confirm by visiting www.olleh.com. kt will continue to foster a rational communications consumption culture and do everything possible to protect consumer rights.

Seoul Economic Daily

KT introduced a smartphone rate plan that allows the user to freely adjust the user amount for voice, data and text messages. With 5 different rate policies, users can control the use of voice, data and text message within a limit established by each policy. The customized adjustable rate plan was a huge welcome for those on the iRate Plan that did not use wireless Internet that much.
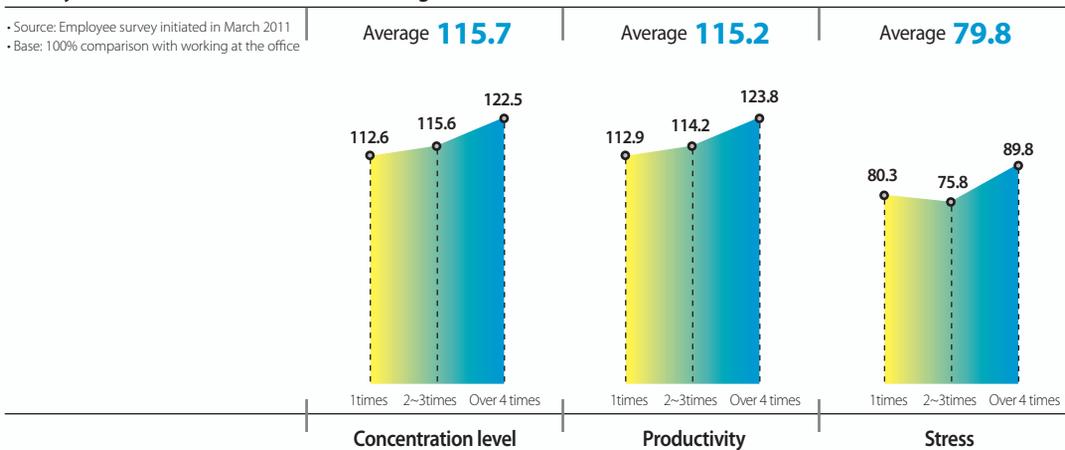
(August 2, 2010)

Work & Life Balance

By promoting Smart Working, kt is creating a Great Work Place

Survey results of the effects of smart working (%)

• Source: Employee survey initiated in March 2011
• Base: 100% comparison with working at the office

Average **115.7**

112.6	115.6	122.5
1times	2~3times	Over 4 times

Concentration level

Average **115.2**

112.9	114.2	123.8
1times	2~3times	Over 4 times

Productivity

Average **79.8**

80.3	75.8	89.8
1times	2~3times	Over 4 times

Stress

Status Quo

As women are becoming more economically active, the importance of family-friendly management is gaining in importance. Although having women enter the work force plays a positive role on the economy, the rigid work methods of domestic corporations are causing social issues. Having the world's lowest birthrate, many are continuously pointing out that this could place a great burden on future generations. There is a need to enhance the quality of life by balancing work & life.

Hankuk Economic Daily

KT announced that it will formally initiate Smart working starting this month for its 20,000 employees. Smart working was actually initiated as a trial service in June of last year for pregnant employees and employees on maternity leave. Based on analysis, smart working not only enhanced concentration and productivity, it also created a balance between family, society and company. Because of the positive results, KT decided to expand the implementation of smart working.

(April 3, 2011)

kt's Response

By creating a Great Work Place that aims to establish the best work place for competent employees, kt is pursuing a balance in work & life, and is doing everything possible to allow employees have a happy life. To help mitigate low birthrate problems, which has become a social issue, kt is providing diverse family-friendly programs such as the children's nursery in the workplace and maternity leave. kt has initiated a Smart Work policy to innovate the way one works and to help balance work & life. Mostly pregnant employees and employees with 13 or younger children utilize the smart working policy the most. They can either work at home or at smart working centers nearby. Smart Working is also being implemented for male employees. To enable them to work in offices close to home, smart working centers are open. From research, Smart Working not only enhances employee satisfaction, it also enhances productivity.

Partnering for Growth

**Through the '3 Don't Policy,' mutual growth,
a new paradigm, will be implemented**

3 Don't Policy

- We will not misappropriate SME's ideas of technology development
- We will not waste SME's resources
- We will not create an environment of competing with SMEs

Expanding Sustainability Management

Based on the supply chain
Environment and labor management standard

Executing guidelines
Internal audit
External audit

Managing violations of standards
Violation processing policy & regulations, violation criteria & treatment procedures, organized learning, etc.

Status Quo

A company's competitiveness is decided on its supply chain. Since companies cannot internalize all the required competencies, trustworthy relations with outstanding suppliers is becoming more important to sustainability management. Since the perception that small & medium suppliers that contributed to the growth of large corporations are not appropriately compensated is spreading, there is a need to adopt a policy for mutual growth on a government level and for large corporations to voluntarily pursue mutual growth.

Kyunghyang Daily

In July 12, 2010, Suk-Chae Lee, Chairman of KT announced its '3 Don't policy" and mentioned that moving toward mutual growth rather than just coexistence with SMEs is eventually creating a platform for maximizing customer value. He went on to say that KT would achieve meaningful growth with SMEs through a sustainable open policy. The Chairman also announced that the coexistent cooperation with SMEs will be expanded through the '3 Don't Policy'.

(July 12, 2010)

kt's Response

kt has continuously placed its effort on coexistence through diverse measures which include preventing abuse stemming from bids, expanding payment for maintenance & repairs, strengthening self-support platforms for competitive SMEs, and initiating cash settlements & expanding financial support. By declaring the '3 Don't Policy" in July 2010, kt has taken a step forward from the existing coexistent policy. Not only is kt executing its mutual growth policy towards its suppliers, it is also inducing the suppliers to disseminate sustainability management policies towards other suppliers. To achieve this, kt is inducing 1st suppliers towards a cash settlement structure with the 2nd suppliers. At the same time, kt is managing transactions between 1st and 2nd suppliers to ensure that any price increases by the 1st supplier on goods delivered to kt is also disseminated down to the 2nd supplier. Also, starting in October 2010, diverse mutual growth programs are being applied to the 2nd suppliers.
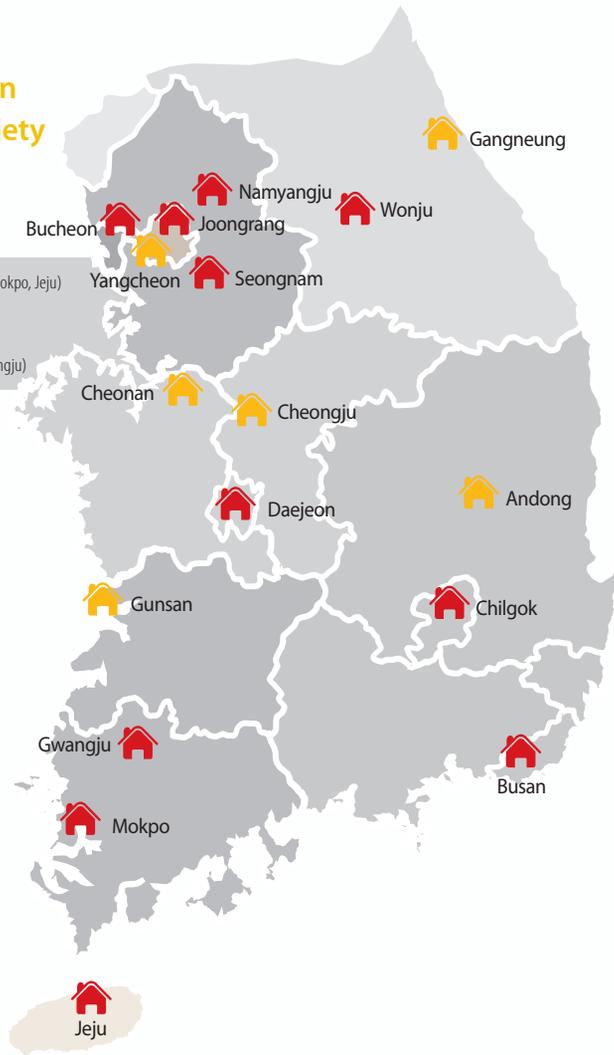
Local Community-Focused Social Contribution

Rather than a one-time activity, kt is pursuing long-term social contribution activities by linking with the local society

olleh Dream Center Status

🏠 **Completed Centers:** 2010 (Joongrang, Seongnam, Daejeon, Wonju, Chilgok, Mokpo, Jeju)
2011 (Namyangju, Busan, Gwangju, Bucheon)

🏠 **Planned Openings:** 2nd Half 2011
(Cheonan, Gangneung, Yangcheon, Gunsan, Andong, Cheongju)

Map of South Korea with locations: Gangneung, Namyangju, Wonju, Bucheon, Joongrang, Yangcheon, Seongnam, Cheonan, Cheongju, Andong, Daejeon, Gunsan, Chilgok, Gwangju, Busan, Mokpo, Jeju

Status Quo

As the awareness of social responsibilities is increasing, companies are initiating diverse social activities. However, rather than one-time activities, there is a need to systematically initiate social contribution activities from a long-term perspective that connects with local societies. When government or large customers place a project order, there are some that require social responsibility performance results. This phenomenon is steadily increasing.

Choong-Ang Daily

The olleh Dream Center is as its name suggests a place where children can embrace their dreams. It is a social contribution model using the company's assets. By reallocating space in KT buildings across the county, space was made available for the Dream Center children. Currently there are 10 Dream Centers some of which are located in Seongnam, Chilgok, Mokpo, Wonju and Daejeon. By the end of this year 10 more Dream Centers will be added to cities such as Bucheon, Cheonan and Gangneung.

(June 23, 2011)

kt's Response

Starting in 2010, to enable children from low income families realize their dreams and hopes, kt connected with local children's centers located in major regions of the country to provide children with access to 'olleh Dream Centers.' Space equipped with diverse IT devices including IPTVs, beam projectors, smart pads, and eBooks, have been made available in branch buildings across the country for various classes such as English, music, etc. As of the end of 2010, there are 7 centers located in major sectors of the country. In the second half of 2011, new Dream Centers will be opened in the Namyangju, Busan, Gwangju areas. In order for local employee volunteer groups to systematically support the local children's centers, forming relations with these children centers is encouraged. By the end of the 1st half of 2011, relations with 600 children's centers will have been formed, and by the end of the 2001, the total number will have been expanded to 1,000 children centers.

Promoting Environment-Friendly Management

Leading global environment preservation by enhancing energy efficiencies, and developing eco-friendly products & services

Promoting utilization of new & renewable energy

Solar Power Generation
- In 2008, utilizing the rooftop of the Shinae Branch building and property at Hwaseong Transmission Station, a 50Kw solar power generation equipment was installed for each location.
- In December 2010, a 423Kw large capacity solar power generator equipment was installed at the Gangneung Receiving Station.

Fuel Cell
- As part of the Ministry of Knowledge Economy's new and renewable energy trial distribution project, kt installed five 1Kw fuel cells on the rooftop of its Songdo building.

Geo-thermal Energy
- Heating/cooling and hot/cold water supply was installed at the Daeduk Research Complex and Gongju Branch as a trial.
- Dust, vibration and noise that can occur while using geo-thermal energy from 100~150 meters underground has been solved by an eco-friendly green technology developed by kt.

Smart Grid Jeju Test Project
- For 42 months between May 2009 and May 2013, the Smart Grid project was implemented in Goojwa-eub, Jeju Island to cover approximately 6,000 households.

Status Quo

The effects from global warming are spreading. In terms of adapting to climate change and energy independence, Korea was ranked very low amongst OECD nations. Although ICT companies do not directly emit greenhouse gases, they use a lot of energy, in effect, indirectly contributing to greenhouse gas emissions. Since ICT companies can provide services such as energy solutions and remote monitoring, they can also contribute to the reduction of carbon dioxide, which provides both opportunities and threats. As such, it is important for companies to commit to increasing the portion of new and renewable energy supplies from a corporate level, and to help reduce energy consumption and enhance energy efficiencies.

Kookmin Daily

As part of KT's Green Management, KT opened a smart grid operating center in Jeju Islands' Smart Grid Test Complex last April. KT also finalized its low carbon green growth plans by converging electric power with IT. The Smart Grid, which is a smart power network, applies IT technology to existing power production & transport and consumption processes, helping optimize energy efficiencies. The Smart Grid is a next generation intellectual power network system that creates value for both supplier and consumer.

(June 29, 2010)

kt's Response

To help reduce carbon dioxide, kt is improving energy efficiencies within the workplace, developing eco-friendly products and services, and expanding the use of new and renewable energy. kt is trying to enhance energy efficiencies at work through video conferencing and smart working. By developing services such as the Energy Management System (EMS) to efficiently manage energy within buildings and Green PCs, kt is providing support so that customers can create a highly efficient IT environment. Moving a step forward, to expand the use of new and renewable energies, solar power generators were installed on the rooftop of the Shinnae Branch and on the premises of the Hwaseong transmission station and Gangneung receiving station. Using geo-thermal energy, cooling, heating and hot/cold water are being supplied at the Daeduk Research Complex and Gongju Branch. In addition, kt is participating in the smart grid Jeju Test Project to help expand green technologies.

Sustainability at kt

At a Glance
kt's Value System
Corporate Governance
Sustainability Management
Ethical Management
Risk Management

| At a Glance |

Corporate Overview

Standing at the forefront of the digital era, kt has been spearheading advances in information technology in Korea since its inception in 1981. We are moving towards a vision of becoming a Global ICT* leader equipped with wired/wireless convergence technologies attained after the merger with ktf. Based on our digital communication devices that can be connected anywhere and anytime, we provide advanced wired/wireless services to customers and promote our corporate philosophy of "partnership for growth" by pursuing green growth and contributing to job creation. kt will continue to provide families, individuals and companies with advanced IT services, including voice & data, wired & wireless networks, and broadcasting & telecommunications services, in order to grow as a sustainable enterprise that fulfills environmental, social and economic responsibilities.

* ICT: Information, Communication, Transaction

kt Profile

Company name	kt
Date of establishment	December 10, 1981
CEO	Suk-Chae Lee
Location of head office	90 Buljeong-ro, Bundang-gu, Seongnam-city, Gyeonggi-do
No. of employees	31,155 persons (as of the end of 2010)
Total assets	KRW24.1 trillion (as of the end of 2010)
Operating revenue	KRW20.2 trillion (as of the end of 2010)
Stock listing	Korean, New York and London stock exchanges
Credit rating	Moody's A3 (Mar. 4, 2009), S&P A (Nov. 26, 2010) Fitch Ratings A (Jul. 15, 2010)

Affiliates

Company name	Main business	Ownership (%)	Book value (KRW million)
kth	Internet/contents business	65.94	119,129
ktp	Trunked Radio Service(TRS)	44.85	43,515
ktn	Special category telecommunications/ NI business	100.00	51,210
ktsm	Construction and maintenance of submarine cable	36.92	25,497
ktt	Security services (security systems, facilities, etc.)	88.82	30,374
ktm&s	Sales of terminals	100.00	21,095
kt Capital	Lease/installment financing, investment banking	73.74	147,438
ktr	IT solution rental (equipment/auto lease, etc.)	58.00	165,724
ktds	SM/SI	95.31	27,810
kt Music	Sound source distribution	48.69	16,008
Nasmedia	Display advertisement	50.00	22,504
ktcs	Call center operation and establishment	17.80	19,613
ktis	Call center operation and establishment	17.80	19,432
kt Skylife	Satellite broadcasting, media	32.12	29,089
kt Wibro Infra	Sales of high-speed wireless telecommunication devices and equipment	26.22	65,502

Note) Includes only affiliates with book value of minimum KRW10 billion. (as of the end of 2010)

Major Businesses

At the end of 2009, kt was the first in Korea to introduce iPhone (Apple), successfully changing the market landscape with a data-oriented smartphone. At the same time, by successfully introducing diverse smartphone terminals in 2010 such as iPhone4 (Apple), Nexus-One (HTC), Optimus-One (LGE), Desire HD (HTC) and Streak (DELL), kt was able to further its competitiveness. In addition, to maintain existing wired service subscribers and simultaneously strengthen its business platform, kt introduced various integrated rate policies such as the 'ollehtoong,' Unlimited Family and the Family Sponsor rates. At the same time, the company aggressively marketed its 'olleh tv skylife' product by linking up with Korea Digital Satellite Broadcasting's (Affiliate of kt) satellite channel broadcasting services to lead the communications & broadcasting convergence market. This further strengthened the company's competitiveness in the media sector.
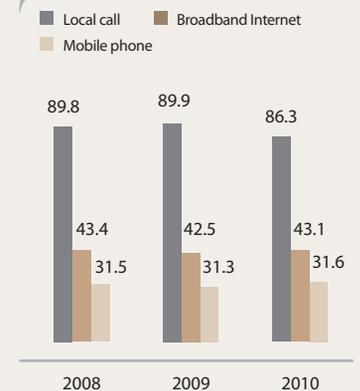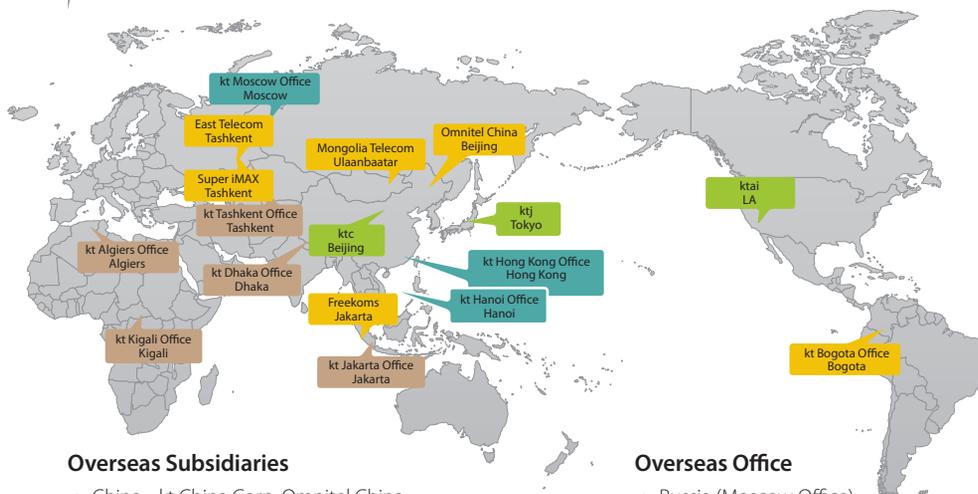
No. of Subscribers

(Unit: 1,000 persons)

Category	2008	2009	2010
Local call	22,132	20,090	19,273
Broadband Internet	15,475	16,349	17,224
Mobile phone	45,607	47,944	50,767

Market Share
(based on no. of subscribers)　(Unit: %)

- ■ Local call
- ■ Broadband Internet
- ■ Mobile phone

	2008	2009	2010
Local call	89.8	89.9	86.3
Broadband Internet	43.4	42.5	43.1
Mobile phone	31.5	31.3	31.6

Global Network

Overseas Subsidiaries
- China - kt China Corp. Omnitel China
- Japan - kt Japan Co., Ltd.
- USA - kt America Inc.
- Mongol - Mongolian Telecom
- Uzbekistan - East Telecom, Super-iMax
- Indonesia - Freekoms

Overseas Office
- Russia (Moscow Office)
- Vietnam (Hanoi Office)
- Columbia (Bogota Office)
- China (Hong Kong Office)
- Bangladesh (Dacca Office)
- Rwanda (Kigali Office)
- Algeria (Algiers Office)
- Indonesia (Jakarta Office)
- Uzbekistan (Tashkent Office)

■ Overseas Subsidiary　■ Overseas Independent Company　■ Overseas Representative Office　■ Overseas Temporary Office

| KT's Value System |

kt has implemented its olleh management, reflecting its commitment to thinking outside the box and drawing on the synergies produced by the merger with ktf to enhance customer value. This is the operational direction kt needs to follow to transform itself into a global ICT convergence leader. The program requires the company. The program requires the company to grow through mutual benefit to customers and all other stakeholders through future-oriented, innovative thinking. By thinking innovatively, we intend to provide future-oriented services that are welcomed by shareholders, the nation, employees, society, customers and other stakeholders.

kt Value Pyramid

Management philosophy — Always Connected*

Management direction — olleh Management

Vision — Global ICT Convergence Leader

Core value — A.C.T.I.O.N.**=New kt Way

* **Always Connected**
Updated interpretation of our former management philosophy of "convergence of information, telecommunications and people"

** **ACTION**
All for Customer, Collaboration, Trust, Innovation, Ownership, Now

Aim of "olleh" Management

Management of reverse ideas	kt is a company that reverses customer's ideas
Future management	kt is a company that realizes customers' dreams
Communication management	kt is a company that reads the heart of customers
Customer satisfaction management	kt is a company welcomed by customers

olleh Management Direction

Shareholders	
Outstanding Performance	Company maximizing corporate value

Country	
Leading IT	Company leading the IT Industry

Employees	
Liberal Culture	Company creating free communication culture

Society	
Esteemed Company	Company respected by the society

Customers	
Happy Customer	Company making customers happy

Management Philosophy and Direction

olleh management represents kt's new management direction under which we aim to make customers happy by creating new customer value through continued innovation by changing the way we think and pursuing constant communication. By thinking outside the box, we intend to provide innovative services of the future. Our goal is to become a company that rethinks ideas (management of reverse ideas), realizes customers' dreams (future management), reads the heart of customers (communication management), and is welcomed by customers (customer satisfaction management).

Core Value - A.C.T.I.O.N.=New kt Way

Under the belief that action-oriented change is imperative to driving growth, kt adopted the "New kt Way" which represents six principles for ACTION: All for customer, Collaboration, Trust, Innovation, Ownership and Now. The 'New kt Way' will serve as the underlying principle for all business activities carried out by kt.

All for Customer	Collaboration	Trust	Innovation	Ownership	Now

Process	Organizational system	Support
Speedy and action-oriented changes	Goal-oriented and accountability management	Professionalism and productivity

| Corporate Governance |

Since its privatization in 2002, kt has been committed to ensuring corporate transparency, adopting almost all of the recommended global standards for corporate governance. We have professional managers and an independent Board of Directors (BOD). The role of the BOD and CEO are separate and clearly stated. We have also adopted the "kt Corporate Governance Charter" and established the Corporate Governance Committee in order to improve our corporate structure. These efforts were externally recognized through the "Grand Prize" at the 2010 Corporate Governance Awards by the Corporate Governance Service of Korea. We have also been listed in the CGS Hall of Fame (2007 and 2008).

BOD Composition and Operation

The Board of Directors (BOD) is comprised of 11 members (three executive directors and eight outside directors, as of March 2011). Outside directors, equipped with expertise in certain areas and with management skills, serve three years or less. They are appointed by the Outside Director Recommendation Committee. The BOD chair serves a one-year term and is chosen from among the independent directors. We have five permanent committees under the BOD. In addition, two provisional committees are under operation. When necessary, special committees are established by the resolution of the BOD. To effectively operate the BOD and enhance the responsibilities of directors, kt has evaluated its performances and directors' performances annually. Resolutions are passed when the majority of the board members are present and the majority of those attending the meeting give their approval.

Committees under the BOD

	Committees	Composition	Roles and responsibilities
Permanent Committee	**Corporate Governance Committee**	4 outside directors 1 executive director	Deals with issues related to corporate governance
	Audit Committee	4 outside directors	Performs audits on accounting and company operations
	Evaluation and Remuneration Committee	4 outside directors	Oversees matters related to the CEO's contract and evaluation
	Management Committee	3 executive directors	Deliberates on general management issues mandated by the BOD
	Related Transactions Committee	4 outside directors	Deliberates on major internal transactions and transactions with related parties, which are prescribed in the Monopoly Committee Regulation and Fair Trade Act and the Commercial Act
Provisional Committee	**CEO Recommendation Committee**	All outside directors 1 executive director	Nominates CEO candidates, deliberates on and approves necessary matters
	Outside Director Candidate Recommendation Committee	All outside directors 1 executive director	Nominates outside director candidates, deliberates on and approves necessary matters

Responsibility Management by Professionals and Compensation System

The CEO signs a management contract with the BOD to ensure responsibility. The CEO's performance bonus is linked to kt's overall performance, which is assessed by the Evaluation and Remuneration Committee's quantitative and qualitative analysis of various indicators, including non-financial performance. Equally, the performance bonus for executive directors is based on the same corporate performance evaluation and the respective business units.

BOD Activities

Category	2008	2009	2010
No. of BOD meetings	17	14	10
Rate of participation	96%	93%	93%
Evaluation results (scale of five)	4.61	4.41	4.38

Note) In 2010, the BOD deliberated on and approved 46 agenda items including the plans for establishment of Hot-line, mid-term strategies for 2015, and business plan for 2011.

Compensation for Directors
(Including outside directors as of the end of Dec. 2010)   (Unit: KRW 100 million)

Category	Total amount	Amount approved at the general shareholders meeting	Individual average
Executive directors (3)	45.4		15.1
		65	
Outside directors (8)	4.8		0.6

Note1) Compensation paid in 2010 was excluded since it was recorded in financial statements of fiscal year 2009.

Note2) Detailed information on the BOD is available on the kt homepage (www.kt.com; IR > BOD)

kt demonstrated its commitment to CSR to the international community in May 2008 by joining the UN Global Compact.

| Sustainability Management |

kt built an organizational structure that allows it to implement corporate sustainability management goals more systematically and effectively, while it continues to seek ways to grow along with its stakeholders. We have raised the value of society through diverse achievements in the areas of ethical management, customer management, environmental management, win-win management, economic growth, and employee satisfaction while enhancing customer value by providing advanced IT services. Going forward, we will create growth engines by stepping up sustainability management and transparent management that meet global standards.

Sustainability Management Direction

The goal of kt's drive for sustainability management is to continue to advance as a major world player. To this end, we maintain effective communication with customers and other stakeholders. Moreover, five sustainability priorities (ethical management, customer management, environmental management, win-win management, and social contribution) have been established to enable us to effectively incorporate major issues to our business activities.

Sustainability Management Direction

Five priorities	Initiative	Roles and responsibilities
Ethical management	Gain recognition as a clean organization	Ethical management activities, corporate governance, risk management
Customer management	Respect customer value, promote customer satisfaction, increase customer benefits and provide distinctive services	Service development, product liability, information protection, CRM, innovative management (product, social innovation), brand management
Environmental management	Realize "Green kt, Green Korea"	Environmental policy, environment management system, climate change response strategy, innovative management and efficiency, energy saving
Win-win management	Foster a productive corporate ecosystem to create value with our partners	Fair HR management (HRD, hiring and fostering), recruiting, labor union (labor practices indicators, occupational health & safety), fair trade
Social contribution	Narrow the digital divide and enhance quality of life	Social contribution activities, public services (addressing digital divide), social cooperation (regional investment, cooperation)

Sustainability Management Leadership

The Sustainability Management Committee, chaired by a vice president is under obligation to implement sustainability management more effectively. We were obligated to provide regular sustainability management performance reports and plans to the Board of Directors in 2011. Composed of the heads of 16 offices and divisions, the committee handles company-wide sustainability management and, through the olleh initiative, supports the operation of subcommittees. It also discusses annual plans for sustainability management and evaluates results. The Sustainability Management Working Committee, composed of executives and chaired by the head of the Public Relations Office, manages and supervises the activities of each division, and ensures compliance to global standards.

Sustainability Management Committee

Implementation Structure

Five priorities	Major issues	Relevant organizations	Stakeholders
Ethical management	Ethical management activities, corporate governance, transparent management, growth & innovation	Ethical Management Office, Value Management Office	Shareholders
Customer management	Service innovation, prevention of communication disruption, customer protection, VOC management, product impact analysis	CS Implementation Division, Personal Customer Division, Home Customer Strategy Division, Synergy Management Office, DigiEco, Technology Strategy Office	Customers
Environmental management	Green IT, energy saving, response to climate change, development of eco-friendly BM	Smart Green Development Office, Network Strategy Division, Real Assets Management Office	Environment (Future generations)
Win-win management	HR management, compensation, fair trade, mutual growth	HR Management Office, Business Support Office, GMC Strategy Office, Purchasing Strategy Office	Employees and suppliers
Social contribution	Volunteer activities, public service, addressing digital divide, social cooperation	Public Relations Office	Local communities (Government)

Sustainability Management Performances

Sustainability Management Recognition

Award	Sponsor organization	Award date
Presidential Award in the category of SME support	Small & Medium Business Administration Federation of Small and Medium Business	May 14, 2010
Grand Prize at the 2010 Corporate Governance Awards	Korea Corporate Governance Service (KCGS)	Jun. 30, 2010
Audit Award	Korea Listed Company Association	Sep. 29, 2010
No. 1 in four categories* by Korea Customer Satisfaction Index (KCSI)	KMAC	Mar. 31, 2010
Carbon Management 2010 (Leader in telecommunications industry)	CDP Korea	Oct. 21, 2010
Labor-Management Culture Grand Prize (Presidential Award)	Ministry of Employment and Labor	Nov. 2, 2010
Family-Friendly Company	Ministry of Gender Equality & Family	Nov. 20, 2010

* International call, city local call / long distance call, broadband Internet, Internet call

kt Listed on DJSI World

kt was included in the Dow Jones Sustainability Korea Index and the DJSI Asia Pacific in 2009, and on the Dow Jones Sustainability World Index in September 2010. The DJSI World comprises of 318 companies, which were selected by Dow Jones and SAM. The DJSI assesses more than 2,500 companies on their level of sustainability management. DJSI World members are recommended as preferred investment targets for socially responsible investment funds.

Decision-making System

Board of Directors	Corporate Governance Committee
CEO	olleh Management Committee
Sustainability Management Committee	Secretariat (Public Relations Dept.)
Sustainability Management Working Committee	

| Ethical Management |

kt has made ethics a part of its corporate culture, and is continuously implementing its Clean kt project to establish itself as an honest and transparent corporation. The company has taken every effort to enable employees to naturally come into contact with ethical management through ethical management practice programs. Through education and informal meetings, ethical management is being spread company-wide and group-wide. In October 2010, an ethical management help-line was set-up to help employees correctly present solutions to ethical dilemmas faced on a daily basis during work. As a result, the 2010 kt ethical level evaluation carried out on employees, senior management and partnership companies showed that kt's employees received 91 points for their ethical practices, which was an increase of 19% from the previous year. As for its suppliers, 97% replied that they had never experienced providing money or entertainment when transacting with kt. These figures are an overall improvement in ethical standards.

**Results of Follow-up Measures
to Non-compliances**

Category	2009	2010
Dismissed	16	11
Disciplined	148	80

Clean kt

Hotline to Audit Committee Chair
Employees can use e-mail or voice-mail to report irregularities by executives directly to the Audit Committee Chair.

"Clean kt" campaign for holidays
It is designed to promote an ethical culture across the company and prevent corruption and irregularity in advance.

Self-assessment and ethics pledge
Everyone at kt has conducted an ethics self-assessment and signed a pledge of ethics online.

Ethics monitoring activities
Monitoring activities are carried out to expose unethical conduct.

Clean 365 Center
The Clean 365 Center is under operation to protect employees and preserve corporate integrity.

Ethics training by heads of business units (executives)
Heads of business units learn ethical management and then give lectures to their subordinates to raise employee awareness of ethical issues and promote their ethical conduct.

Reinforced communication channels (Cyber Reporting Center)
Cyber Reporting Center was improved and became more vitalized.

Reviewing progress in ethical management
Reviews are conducted to gauge how employees, business partners and customers perceive ethical management at kt. Findings from the reviews are used to make necessary improvements. They are also used as reference when determining the future direction of ethical management.

Ethical management help-line
It has been set up to help employees deal with ethical dilemmas they face on a daily basis.

Unethical Behavior Reporting Channel

kt operates a Cyber Sinmungo (Open Hot-line), which is a channel for reporting unethical behaviors. For reporting unethical monetary transactions by employees, and irregular behaviors that result in irregular increases in profits or decrease in losses, the informant is entitled to receive KRW50 million as compensation. To protect the identity of the informant, steps are taken not to expose the identity of the informant during compensation payment. The informant can decide the method of payment for identity protection.

Ethical Management Training

Since April 2010, heads of business units, including executives, have held monthly training sessions to raise employee awareness of ethical issues and promote their ethical conduct. The unit chiefs (over 500 in total) at the kt Head Office and worksites are familiarized in advance with the training materials, prepared by the Ethical Management Office, and then give lectures to their subordinates. This way, the unit chiefs serve as a model and help to instill an ethical mindset in their people. The materials contain various case studies that make the training content more realistic, encouraging greater participation by all employees and maximizing the training effectiveness. In 2010, ethical management training was implemented eight times.

Ethical Management Slogan Proclamation

In January 2011, kt announced its ethical management slogan, "JUMP," with justice, uprightness, morality and pureness as its underlying spirit. The slogan was created to help employees internalize ethical values and naturally practice ethical management at work. By proclaiming the ethical management slogan to establish a global standard ethical management culture, kt's intention is not just to take appropriate measures for past irregularities and corruption, but to also establish a foundation where ethical management can actively be practiced.

Ethical Management Slogan

jump
Justice • Uprightness • Morality • Pureness

"Leaping forward to Meet Global Standards, kt is Escaping from
Past Habitual Work Processes and Methods of Thinking"

Justice **U**prightness **M**orality **P**ureness

Reporting Channel

Cyber Reporting Center
(www.kt.com; About kt →
Ethical Management →
Cyber Reporting Center)
e-mail: ethics@kt.com
Counseling Center (080-713-6262)

2010 Ethical Management Training

Subject	Date
Ethical Management Meaning & Introduction to kt's Ethical Management Infrastructure	April
Importance of Practicing Ethical Management	June
Ethical Awareness & Judgment	July
Importance of Small Actions	August
Chuseok Holiday Gifts & Bribes	September
Improper Acquisition of Shares	October
Eliminating the Attitude of Ignoring Small & Medium Partnership Companies	November
2010 Review of Core Details of Division Head's Ethical Actions	December

Sustainability at kt

At a Glance
kt's Value System
Corporate Governance
Sustainability Management
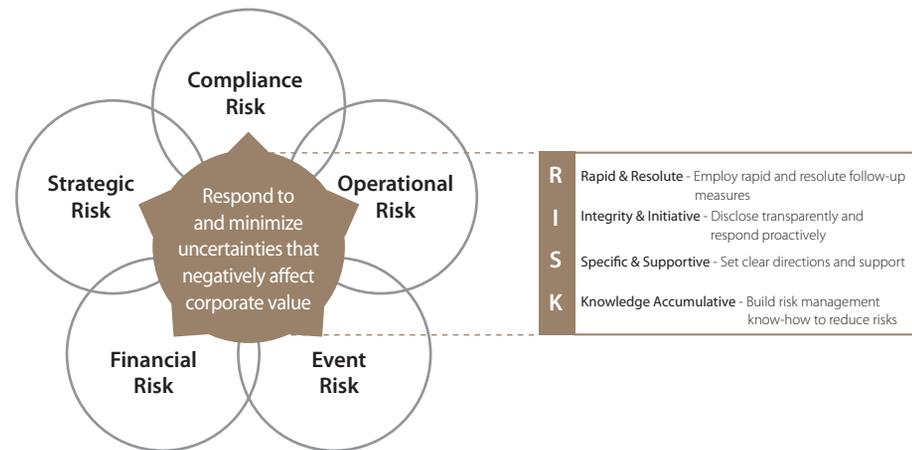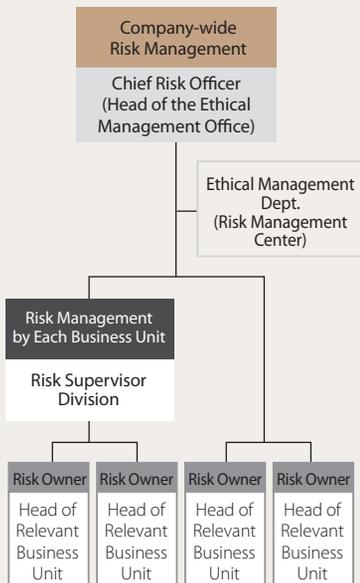Ethical Management
Risk Management

| Risk Management |

Market saturation, fierce competition and growing uncertainties in the market have heightened the risk of doing business. kt has set up a company-wide risk management system that allows it to respond to financial, strategic, operational, and compliance risks. These efforts will help us prevent risks, maintain close ties with stakeholders, and pave the way toward sustainable growth in an uncertain environment.

Risk Management System
Risk Management Scope and Principles

Risk Management Organization Chart

Company-wide Risk Management

Chief Risk Officer (Head of the Ethical Management Office)

Ethical Management Dept. (Risk Management Center)

Risk Management by Each Business Unit

Risk Supervisor Division

Risk Owner — Head of Relevant Business Unit
Risk Owner — Head of Relevant Business Unit
Risk Owner — Head of Relevant Business Unit
Risk Owner — Head of Relevant Business Unit

Compliance Risk / Strategic Risk / Operational Risk / Financial Risk / Event Risk

Respond to and minimize uncertainties that negatively affect corporate value

R Rapid & Resolute - Employ rapid and resolute follow-up measures

I Integrity & Initiative - Disclose transparently and respond proactively

S Specific & Supportive - Set clear directions and support

K Knowledge Accumulative - Build risk management know-how to reduce risks

Company-wide ERM System

kt integrated division-based risk management activities into the company-wide Enterprise Risk Management (ERM) system in 2004. In 2010, we established the Risk Management Center under the Ethical Management Office as an organization dealing exclusively with ERM. The Center supervises all activities relating to risk management, sets risk management plans, examines risks related to new services, and runs the Risk Management Committee. All organizations in the company are now using the "Enterprise Risk Response Handbook" to respond to actual problems strategically and practically as well as to conduct risk-prevention activities.

Risk Management Process
Management on Key Risks

We have reinforced our preventive activities by identifying key risk factors related to our operations and then established strategies for managing risks. Operational and strategic risks are pooled and evaluated to identify the greatest threats. The casual relations of these risks are analyzed to come up with a set of "key risk indicators," which are used in monitoring risks and improving weak areas, thereby minimizing the chance of reoccurrence.

Crisis Response

A company-wide crisis response system is in place, allowing the Risk Management Center to initiate appropriate action in case any risk becomes an actual problem. In such cases, the Center induces swift action to prevent escalation and minimize the actual damage. In addition, to make sure the crisis does not reoccur after having solved the issue, measures are being taken to prevent the reoccurrence and to improve the root cause.
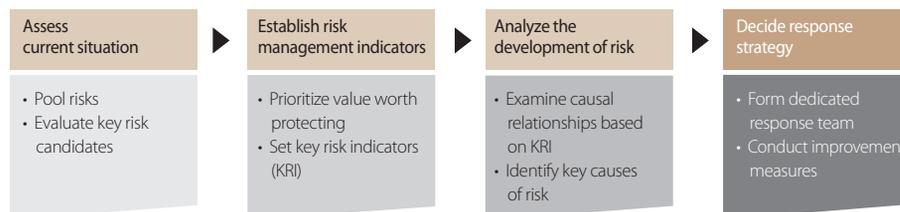
Risk Examination Related to New Services

Provision of perfect service that meets customers' expectation is vital to customer satisfaction. kt introduced the "Risk Examination System for New Services" in August 2010. Under the system, in-depth examination is carried out in the four scopes – customers, privacy protection, legal stipulation, and fair competition. A total of 417 service-related risks were examined to offer differentiated value to our customers.
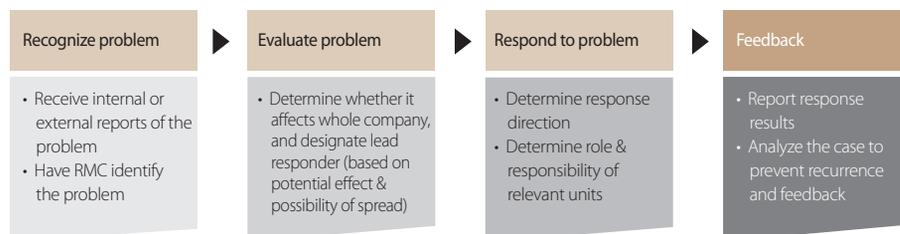
Raising Risk Awareness

Successful risk management requires a scientific and efficient risk management system while employees' awareness of risks is equally critical to responding risks. We have adopted an in-house risk evaluation framework to assess risk factors and "risk owners" and categorize risks according to potential impact and possibility of occurrence. In the process, we have improved our capability to respond to crises and prevent risks from turning into real problems. Our employees are more aware of the need to consider risk factors when carrying out their assigned duties. Our risk evaluation in 2010 identified a total of 227 risk factors. They have been prioritized, response strategies have been formulated, and risk prevention measures are now being implemented.

Preventive Management Process of Core Risks

Assess current situation	Establish risk management indicators	Analyze the development of risk	Decide response strategy
• Pool risks • Evaluate key risk candidates	• Prioritize value worth protecting • Set key risk indicators (KRI)	• Examine causal relationships based on KRI • Identify key causes of risk	• Form dedicated response team • Conduct improvement measures

Risk Response Process

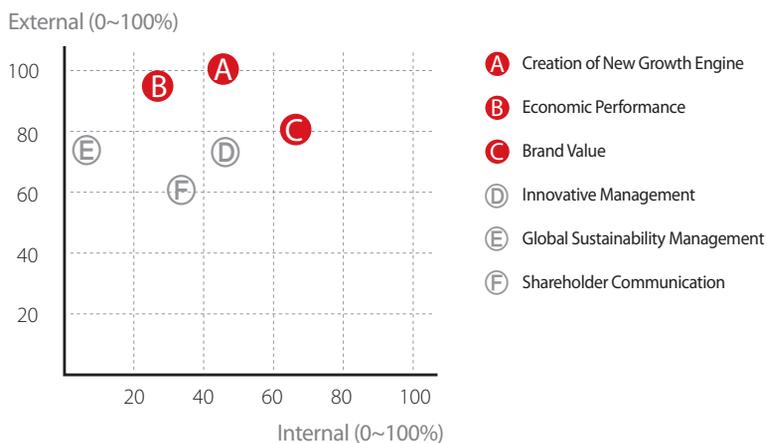| Recognize problem	Evaluate problem	Respond to problem	Feedback
• Receive internal or external reports of the problem • Have RMC identify the problem	• Determine whether it affects whole company, and designate lead responder (based on potential effect & possibility of spread)	• Determine response direction • Determine role & responsibility of relevant units	• Report response results • Analyze the case to prevent recurrence and feedback

Dream with Shareholders

Vision and Strategic Direction

Through convergence-based innovation, in order for kt to leap forward as a global IT leader, kt is reorganizing its portfolio focused on sustainable growth businesses. kt is leading management innovations and is pursuing a search for new business opportunities and products through its creative management program. To grow into a leading global company, it is strengthening partnerships with Chinese and Japanese companies.

Material Test Results

External (0~100%)

A	Creation of New Growth Engine
B	Economic Performance
C	Brand Value
D	Innovative Management
E	Global Sustainability Management
F	Shareholder Communication

Internal (0~100%)

Major Performance

Category		2008	2009	2010
Economic Performance	Total Assets (KRW 100 million)	186,849	234,424	241,010
	Revenue (KRW 100 million)	117,848	159,062	202,335
	Net Income (KRW 100 million)	4,498	5,165	11,719
Innovation	No. of Patents (Registration)	772	583	710
	Capital Expenditure (KRW 100 million)	31,503	29,587	30,572
Global IT Business	Amount of Orders Receviced (KRW million)	74,799	75,996	107,762

Awards and Recognition in 2010

- Embedded mobile best prize (Mobile World Congress)
- Grand Prize at the 2010 Corporate Governance Awards (Korea Corporate Governance Service)
- Inclusion in DJSI World Index (Dow Jones / SAM)
- Audit Award (Korea Listed Company Association)

Revenue in 2010
(KRW 100 million)

202,335

Net Income in 2010
(KRW 100 million)

11,719

INTERVIEW

Although kt has been leading the change in the domestic communications industry by creating a smartphone craze, in order for it to secure future growth engines and firmly establish itself as a Global ICT leader, kt needs to make daring investments in new areas.

Sang-Hyun Cho
IR Department, Value Management Office

Dream with Shareholders

Creation of New Growth Engine

Economic Performance

Brand Value

Innovative Management

Global Sustainability Management

Shareholder Communication

Creation of
New Growth Engine

17.1%
Rate of smartphone users out of total subscribers at kt

To overcome the uncertain business environment stemming from stalled growth and vehement competition in the telecommunications industry, kt formulated various plans such as business diversification into non-telecommunication sectors, patent development, facility investment, and launching of new services.

New Business through Acquisition

On June 1, 2010, kt acquired Kumho Rent-a-Car, the largest domestic rent-a-car company of which the annual revenue stood at around KRW500 billion. This business diversification into a non-telecommunication sector enabled us to restructure kt Group's business portfolio and helped us establish a solid foundation for convergence services by integrating two different services (telecommunication and automobile). From the group's perspective, the acquisition enabled kt to maximize asset efficiencies by eliminating waste factors. By utilizing kt's communications infrastructure, development of integrated products is possible. Group synergies can also be expected through internal cross-selling and joint marketing. kt believes the acquisition will create synergies by enhancing efficiencies through economies of scale, reducing interest expenses through refinancing, and jointly utilizing the distribution network & garages.

Patent Registration

kt is actively searching for new patents. In 2010, the number of reported inventions increased by 35% compared to that of 2009 as a result of the human management mileage allowance and invention compensation. While patent registrations reflecting the new trend, such as the N-Screen convergence service technology patent, have increased, patents related to traditional communications technology have decreased. By focusing on high quality patent searches, including standard patents, the number of A-class patents increased by 171% over the previous year.

Capital Expenditure

In 2010, we invested KRW3.06 trillion, a 3.3% increase from a year earlier. The main reasons behind the increase were surging investment in the Internet and mobile phone businesses. Facility investment in the Internet business jumped 39.0% year-on-year due to expansion of WiBro and IPTV equipment while investment in the mobile phone business rose 11.9%. In 2011, we mapped out a plan to increase facility investment in the mobile phone business to enhance network quality.

Synergy Effect

Group synergy	Asset
	Business
	Customer
Synergy from	Economy of scale
	Decrease in interest expenses
merger	Common use of assets

Patent Registration

■ Domestic   ■ Overseas

	2008	2009	2010
Domestic	729	526	634
Overseas	43	57	76
Total	772	583	710

Investment Details (Unit: KRW 100 million)

Category	2008	2009	2010
Internet	8,836	6,033	8,388
Fixed phone	1,213	1,427	1,425
Mobile phone	9,635	7,295	8,164
Data	2,565	4,185	4,051
Telecommunication infrastructure	8,080	6,752	5,012
Others	1,174	3,895	3,532
Total	31,503	29,587	30,572

New Service Launch

Leading the Smartphone/Pad Markets

Through the distribution of smartphones and pads, kt is not only leading the mobile market, but is also leading the 'smart revolution' economically and socially. The iPhone that caused the global smartphone craze was first launched in Korea in November 2009. Since its launch, kt sold over 2.4 million sets. With the introduction of iPhone4 in September 2010 and sales of over 1 million sets in just a 4 months period, kt has become the leader in the smart era. The explosive demand for the iPhone4 can be attributed to the high satisfaction of previous iPhone3GS users, over 300,000 applications (Apps), iPhone's exclusive expansion capabilities through continuous upgrades, our competitive rate policy such as the 3G + WiFi limitless data usage, and positive appraisal of the close to 50,000 olleh WiFi zones across the country. In addition, by introducing the iPad in November 2010, kt accelerated large scale consumption of contents as a media device, and led the expansion of the pad market that is innovatively changing the digital lifestyle.

Smart Home Service

In the first half of 2011, by introducing the 'smart homepad,' an advanced version of the existing video terminals or style phones, and the 'Kibot,' an edutainment terminal for children, kt started to provide contents-oriented SoIP services rather than just voice services.

uCloud Service

In June 2010, kt launched uCould services where users can utilize diverse IT resources (infrastructure, platform, software) as much as the user needs and wants, while paying for the amount used. As a wired/wireless combined storage service, users can use mobile devices such as tablet PCs and notebook PCs to access large amounts of data even without being in an office environment. Cloud service refers to the overall service name, while the u in front refers to 'your,' in effect meaning existing anywhere and anytime (ubiquitous).

uCloud Service

Classification		Special advantages
Storage	**Home**	Automatic backup of personal data, up & download from diverse terminals
	Pro	Automatic backup of corporate data, up & download from diverse terminals, usage of common folders
Computing	**CS***	Virtual server service allowing users to easily organize (construct) systems
	SS*	Storage of large amounts of data & limitless online search service
	BS*	Backup of large amounts of data & recovery service
	DS*	No initial investments required & convenient database service
Service	**CDN***	Service helping transmit contents to many users
	VDI*	Outstanding virtual desktop service that provides high security and flexibility
	PasS(IDE)*	Open platform service enabling application development & test environment

Mobile TV

kt is expanding its screen so that media services that can only be enjoyed on existing TV screens can be viewed anytime and anywhere through diverse devices. As a result, kt introduced the mobile TV App. that allows users to enjoy existing real time IPTV and VOD contents on smartphones and pads. kt will create a new N-Screen media consumption culture by expanding from mobile TVs to PCs and 3rd party devices, and by linking with diverse contents such as e-books and games.

'Kibot,' an edutainment terminal for children

Introduction of uCould services

* CS : Compute Service / * SS : Storage Service
* BS : Backup Service / * DS : Database Service
* CDN : Content Delivery Network
* VDI : Virtual Desktop Infrastructure
* IDE : Integrated Development Environment

'olleh TV Now' in your hands

Dream with Shareholders

Creation of New Growth Engine
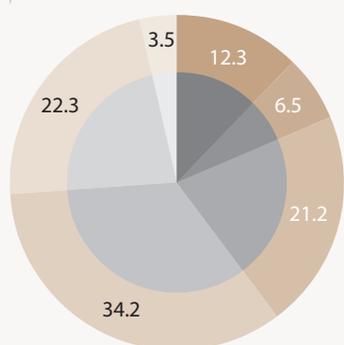
Economic Performance

Brand Value

Innovative Management

Global Sustainability Management

Shareholder Communication

Operating Revenue Breakdown (Unit: %)

Internet	12.3	●
Data	6.5	●
Phone	21.2	●
Wireless	34.2	●
Goods	22.3	●
Others	3.5	●

Economic Performance

KRW **586.1** billion
Dividends

Economic Performance Overview

Operating Revenue by Business
(Unit: KRW 100 million)

Category	2008		2009		2010		YoY Change
	Revenue	As % of total	Revenue	As % of total	Revenue	As % of total	
Internet	24,186	20.5%	23,865	15.0%	24,923	12.3%	4.4%
Data	16,501	14.0%	14,502	9.1%	13,160	6.5%	-9.3%
Phone	53,323	45.2%	47,606	29.9%	42,864	21.2%	-10.0%
Wireless	10,066	8.5%	42,607	26.8%	69,145	34.2%	62.3%
Goods	8,551	7.3%	25,012	15.7%	45,029	22.3%	80.0%
Others	5,221	4.4%	5,470	3.4%	7,214	3.5%	31.9%
Total	117,848	100%	159,062	100%	202,335	100%	27.2%

Summary Statement of Financial Position
(Unit: KRW 100 million)

Classification	2008	2009	2010	YoY Change
Current assets	37,781	64,746	61,118	-5.6%
Non-current assets	149,068	178,679	179,892	0.7%
Total assets	186,849	243,425	241,010	-1.0%
Current liabilities	25,859	56,843	61,128	7.5%
Non-current liabilities	72,672	82,599	69,473	-15.9%
Total liabilities	98,531	139,442	130,601	-6.3%
Capital stock	15,610	15,645	15,645	0.0%
Capital surplus	14,406	14,486	14,498	0.1%
Capital adjustment	-39,947	-21,657	-12,625	-41.7%
Accumulated other comprehensive income	108	-445	-826	86.5%
Retained earnings	98,141	95,955	93,718	-2.3%
Total stockholders' equity	88,318	103,983	110,409	6.2%
Total liabilities and stockholders' equity	186,849	243,425	241,010	-1.0%

Summary Income Statement
(Unit: KRW 100 million)

Classification	2008	2009	2010	YoY Change
Operating revenue	117,848	159,062	202,335	27.2%
Operating expenses	106,714	152,946	181,802	18.9%
Operating income	11,134	6,116	20,533	235.8%
Non-operating income	8,553	8,843	5,731	-35.2%
Non-operating expenses	14,086	9,397	11,094	18.1%
Income before income taxes	5,600	5,562	15,170	172.8%
Income tax expense	1,102	396	3,451	770.8%
Net income	4,498	5,165	11,719	126.9%

Financial Ratios

(Unit: %)

Classification		2008	2009	2010
Stability	**Current ratio**	146.1	113.9	100.0
	Debt-to-equity ratio	111.6	134.1	118.3
	Dependence on borrowings ratio	33.5	33.4	31.8
	Interest coverage	3.4 times	1.4 times	4.1 times
Profitability	**Operating income margin**	9.4	3.8	10.1
	Net income margin	3.8	3.2	5.8
	ROA (Return on assets)	2.4	2.1	4.9
	ROE (Return on equity)	5.1	5.0	10.6
	Operating cash flow to total assets	12.8	12.8	13.5
Growth	**Operating revenue growth**	-1.3	35.0	27.2
	Operating income growth	-22.3	-45.1	235.8
	Net income growth	-54.2	14.8	126.9
	Total assets growth	4.3	30.3	-1.0

Distribution of Economic Value by Stakeholder

Dividends
(Unit: KRW 100 million)

	2008	2009	2010
Dividends	2,263	4,864	5,862

Contribution to Local Communities
(Unit: KRW 100 million)

	2008	2009	2010
Social contribution spending	348	352	370

Employee Compensation
(Unit: KRW 100 million)

	2008	2009	2010
Wage	18,101	18,412	18,405
Reserves for retirement allowances	3,222	10,717	2,076
Welfare expenses and employee benefits	4,826	5,092	3,038
Total	26,149	34,221	23,519

Taxes
(Unit: KRW 100 million)

	2008	2009	2010
Income tax expenses	1,102	396	3,451
Taxes and dues	1,590	1,595	2,267
Total	2,692	1,991	5,718

Financial Support for Suppliers
(Unit: KRW 100 million)

	2008	2009	2010
Amount of cash settlements	21,186	17,562	29,665
Amount of financial assistance	2,298	2,961	3,103

Distribution of Economic Value by Stakeholder
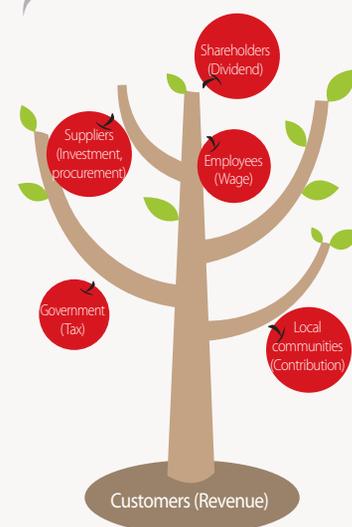
Shareholders (Dividend)
Suppliers (Investment, procurement)
Employees (Wage)
Government (Tax)
Local communities (Contribution)
Customers (Revenue)

Brand Value

Brands are now valued as intangible assets that create corporate values. According to surveys on the brand value of major global players, the brand value of kt has steadily increased since 2005. Starting in 2009, we introduced "olleh" as a key component of the new company name, "olleh kt." olleh provides new impetus to the company's brand strategy while functioning as familiar brand to customers.

Especially in 2011, we combined various brands into one, olleh. The representative brand olleh embraces all areas from fixed, wireless services as well as convergence services, enabling us to create synergies and enhance efficiency in brand management. We operate the Group Brand Management Committee, Group Brand Working Committee, and CIC (Company in Company) Brand Working Committee to bolster our brand management system as well as to ensure all related activities are aligned systematically.

Connection between Sustainability Management and Brand

kt spares no effort to establish corporate image as a sustainable company. To this end, we have assessed the images of corporate brand and product brand, covering a range of assessment indicators such as fair price policy, misleading advertisement prevention, environmental preservation, social responsibility activities, etc.

Up to 2009, only customers participated in surveys. However, we expanded the target to stakeholders at the government level and NGOs, and investors from 2010. The assessment results are reported to the Integrated Marketing Communication (IMC) units of each CIC, and relevant business divisions to be reflected in marketing strategies and sustainability management. We continue to monitor external recognitions on our sustainability activities while integrating sustainability management and brand management within the Sustainability Management Committee.
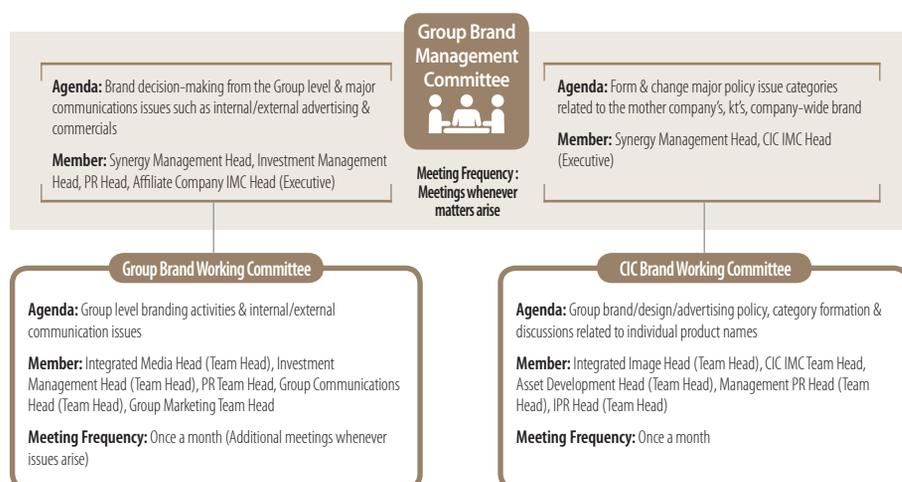
olleh's Evolution Process

	July 2009 **1st Stage**	July 2010 **2nd Stage**	January 2011 **3rd Stage**
	olleh kt	QOOK & SHOW ▼ olleh	olleh
Role by Stage	Management Slogan	Convergence Product / Service Brand	kt's Representative Brand / Service Brand
Target by Stage	Establishing an Innovative Image as a Merged Corporation	Securing Convergence Leadership	Securing Wired/Wireless Representative Brand Leadership

Group Brand Management System

At the kt Group level, we operate a Group Brand Management Committee, where executives of kt and its affiliates participate to deliberate on and decide major issues on brand as well as internal and external communications. In addition, the Group Brand Working Committee which is comprised of team heads has a responsibility to submit proposals to the Group Brand Management Committee and deal with issues on brands, public relations, and internal communication among group companies. The CIC Brand Working Committee attended by kt's team heads, discusses issues on brand, public relations, and communication among the company's CICs.

The Group Brand Management Committee determines strategies for brand policy & design and advertising while setting the overall branding direction of the kt Group and affiliates to secure consistency and enhance execution power. In addition, it deals with changes of Group brand policy, deliberates on Group brand violence cases, and provides guidelines for Group brand design and affiliates' brand advertising. It is convened when necessary while Group Brand Working Committee and CIC Brand Working Committee are held once a month.

Group Brand Management Committee

Agenda: Brand decision-making from the Group level & major communications issues such as internal/external advertising & commercials

Member: Synergy Management Head, Investment Management Head, PR Head, Affiliate Company IMC Head (Executive)

Meeting Frequency : Meetings whenever matters arise

Agenda: Form & change major policy issue categories related to the mother company's, kt's, company-wide brand

Member: Synergy Management Head, CIC IMC Head (Executive)

Group Brand Working Committee

Agenda: Group level branding activities & internal/external communication issues

Member: Integrated Media Head (Team Head), Investment Management Head (Team Head), PR Team Head, Group Communications Head (Team Head), Group Marketing Team Head

Meeting Frequency: Once a month (Additional meetings whenever issues arise)

CIC Brand Working Committee

Agenda: Group brand/design/advertising policy, category formation & discussions related to individual product names

Member: Integrated Image Head (Team Head), CIC IMC Team Head, Asset Development Head (Team Head), Management PR Head (Team Head), IPR Head (Team Head)

Meeting Frequency: Once a month

Brand Efficiency Assessment

Assessment on brand value and efficiency is conducted biannually by using the Brand Performance Index (BPI). Consisting of brand awareness, brand attitude and brand behavior, the BPI is designed for enhancing brand value and implementing brand management. The index helps us decide marketing policies through brand performance results and relationship analysis between marketing activities and brand index.

We also use Advertising Performance Index (API) to analyze how much our advertisements affect our brand image. The API provides us with a wide range of useful information on message power, image power, and creative power of our advertisements as well as those of peer companies, helping us establish brand and advertizing strategies. Additionally, we carry out Brand Concept Map surveys to incorporate customers' initial impression on to our brands. Also, we hold seminars where brand experts from academia and the industry participate to strengthen our brand management capabilities while conducting brand surveys when brand issues occur.

Dream with Shareholders

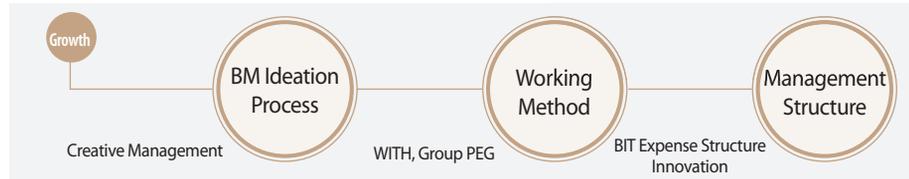Creation of New Growth Engine
Economic Performance
Brand Value
Innovative Management
Global Sustainability Management
Shareholder Communication

Innovative Management

KRW 381.8 billion
Cost reduction

kt Innovation Area

Growth

Creative Management — BM Ideation Process

WITH, Group PEG — Working Method

BIT Expense Structure Innovation — Management Structure

Creative Management Program

kt initiated a creative management program in August 2010 led by the CC (Corporate Center) and 32 members from the corporate customer sector to create new business opportunities by searching for new ideas on-site. The program aims at searching for opportunity areas, establishing future-oriented targets, strengthening senior management's innovative competencies, improving management systems, and vitalizing internal communities. To increase creative management awareness, KPI was established and reflected in the performance evaluation, while the dissemination of creative management is promoted through training. In the future, efforts will be further complemented to make sure that the endeavors taken to strengthen employee creative management competencies are put into practice.

Project Expert Group (PEG)

kt established an internal consulting organization, Group PEG to provide solutions to special issues affecting the company. To create a platform for project oriented work methods, kt focused on establishing a PEG personnel pool, fostering competent employees, providing clear personnel compensation, and securing a PEG operations management system in 2010. In 2011, kt will enhance the performance of special target projects by upgrading project quality through interim appraisals, adjusting roles between projects, and rearranging redundancies.

WITH (Way of Innovative Task management for High performance)

WITH is a work system to help realize the CEO's philosophies on 'way of working.' It is also an HR policy. It is a work tool organically linking work management & performance management with knowledge management by carrying out work orders & reporting, and the evaluation process within the system. Through WITH, a systematic and thorough work management, and cooperative culture is possible. With fair and objective appraisals, it will be possible to foster and secure competent employees, and firmly establish smart working.

WITH Process

Responsible Executive/Team Head Input | Input by the Person in Charge

Project Registration (Voluntary)

Interim Report | Daily Recording | Final Report

Orders → Prepare Implementation Plan → Review/Approve Implementation Plan → Prepare Report → Review/Approve Report → Appraisal

Skip Implementation Plan

Request for Cooperation → Cooperation Order → Implement Cooperation

BIT Project Implementation

kt is implementing the BIT (Business & Information system Transformation) project to continue improving its IT system. The BIT project is being implemented in 5 sections: management, sales support, operational support, service, and data analysis. In 2010, through the BIT project, process and IT integration was achieved for tasks related to "Integrated Customer Analysis Mart Establishment," "Campaign Planning Integration," "Wired/Wireless Response-type Integration," and "Wireless Terminal SCM Optimization." Since orders and line opening for wire is done at the ICIS (Wired Sales System) and wireless was done separately at the N-STEP (Wireless Sales System), inconveniences were incurred. To eliminate these inconveniences, kt plans to integrate the process from responding to customer, taking orders and opening the line into one system.

ERP Establishment Project & 'Power User Group*' Formation

Between August 2010 and February 2011, a six months ERP TD (Transformation Design) project was initiated to finalize the design for change in business management, investments/assets, demand/supply, purchase, revenues, finance and human management areas. Based on the 'innovation task' which was generated at the ERP TD stage starting in April 2011, and the already designed 'To-Be Process,' the ERP establishment project was implemented. By forming the 'Power User Group,' to establish the BIT Cooperation System inside the main headquarters and divisions, kt will enhance the awareness of the BIT project and strengthen internal cooperation in areas such as sales support, operational support and data analysis.

Expense Structure Innovation

kt is focused on innovative activities to improve the expense structure by improving basic problems in kt's activities and processes, and expense inefficiencies. To achieve this, various measures are being taken. They include structure & systems innovation, voluntary (and not controlled) innovation, immediate compensation and company-wide implementation structure innovation under the 3 principles of dispensing justice, and voluntary innovation on an organizational level.

Innovative Activities Performance

As for the expense structure innovation, focused on productivity enhancement, cost competitiveness improvement, and market expense efficiency, kt implemented a total of 107 tasks including 10 company-wide innovation tasks, resulting in KRW381.8 billion in expense reduction. From the total reduction amount, KRW197.4 billion was reinvested in growth-based business areas, thus completing the circle of growth.

Expense Reduction Performance: KRW381.8 billion (Unit: KRW 100 million)

Performance	Amount
Productivity improvement through direct management & materialization of merger synergies	1,275
Cost reduction through asset cleansing & investment efficiencies	671
Elimination of inefficiencies through improvement in managing sales expense	474
Voluntary implementation tasks on a departmental level	1,398
Total	3,818

Future Direction

kt will strengthen voluntary innovative activities by organization, induce internalization of innovative activities by reflecting performance appraisals from the innovative activities and expanding compensations, and focus on implementing improvements on a root level for chronic problems company-wide.


BIT Project

Management	Platform supporting business planning, finance, asset, distribution & human management
Sales Support	Platform supporting marketing, sales, service & billing
Data Analysis	Company-wide strategic planning, analysis required for monitory, providing information to the user real-time
Operational Support	Platform supporting order processing, network & line opening
Service	Infrastructure to enable merger of services by establishing a joint platform by service

* Power User Group: Comprised of 213 employees, the roles include change expansion from the establishment stage, integrated testing, final user training, preparation for data transfer, and stabilization support

Annual Performance of Innovation Task (Unit: KRW 100 million)

- 2008: 719
- 2009: 2,188
- 2010: 3,818
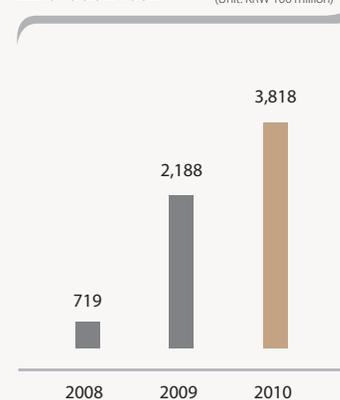
Global Sustainability Management

KRW **107.7** billion
Orders from global IT business

Sustainability Management at Overseas Subsidiaries

To extend sustainability management into our operations abroad, kt established and provided Code of Conduct and Global Sustainability Management Guidelines to our overseas joint ventures in their local languages. The Guidelines provide guidance on ethical management, social contribution, information protection, and compliance with International labor standards. We are strengthening sustainability management globally by monitoring and providing education to our overseas joint ventures.

Creation of Smart Belt

kt is endeavoring to create a global smart ecosystem encompassing Korea, China and Japan by entering into cooperative relations with China Mobile and NTT Docomo, leading operators in China and Japan. The proposed areas of cooperation include creation of "OASIS," a super app store where 650 million people in Northeast Asia can use, Free Roaming Area (FRA) in which customers are able to use WiFi free, and joint research on Long-term Evolution (LTE), a next-generation mobile Internet technology. The cooperation will provide customers with greater convenience while kt and two partners have the opportunity to secure future technologies.

Strategic Alliance with China Mobile and NTT Docomo (Jan. 2011)

Global Competitiveness

Utilizing the accumulated success in Korea, kt is making inroads into the global market. The company strengthened its competitive edge through M&A and joint ventures while providing services for establishing telecommunication infrastructures, public infrastructures, and ICT services (U-City) to governments and companies overseas. In addition, high-end satellite services are provided through our satellite olleh 1.

Global IT Business

On the back of extensive expertise in building and operating various kinds of ICT infrastructure, including PSTN*, broadband Internet network, WiBro network, BCN**, IPTV, CDMA and WCDMA, kt is expanding its business overseas by targeting governments and telecom operators in emerging markets. Additionally, we are actively venturing into overseas markets by providing customers with world-class solution platforms and consulting services. We leverage our global network that connects major countries around the world to provide end-to-end data lines and IP services as well as fixed and mobile satellite telecommunication solutions globally.

*PSTN : Public Switch Telephone Network / **BCN : Broadband Convergence Network

Global ICT Business Model

Wired/wireless Network

Nationwide backbone network, broadband Internet, WiBro

Public Infrastructure Service

Security network, education network, ICT center, Internet Data Center (IDC)

Convergence

U-City, mobile control(CCTV), Intelligent Transportation System (ITS), Managed service

ICT Solutions

CellTREK (Wireless network design), New Operation Support System (NeOSS)

Orders from Global IT Business
(Unit: KRW million)

Category	2002	2003	2004	2005	2006	2007	2008	2009	2010
Solution	1,920	5,541	4,414	5,200	3,315	8,406	1,626	2,122	1,800
Consulting	-	748	-	70	-	-	1,327	101	46
Telecommunication network	-	-	33,609	350	138	22,258	71,846	73,717	99,716
Others	-	-	-	-	-	-	-	56	6,200
Total	1,920	6,289	38,023	5,620	3,453	30,664	74,799	75,996	107,762

Shareholder Communication

Share Ownership

(Unit: shares, %)

Shareholder	No. of shares owned	Ownership
Foreign investors	126,681,567	48.52
Domestic investors	90,907,180	34.82
National Pension Service	21,557,950	8.26
Treasury shares	17,895,964	6.85
ESOP	4,069,147	1.56
Total	261,111,808	100%

IR Activities

Category	Details	Remark
IR conference	Performance and overall business situation	Year-round
Business result presentation	Quarterly results	Once a quarter
Reports	Business report (quarterly, half-yearly, annual)	Once a quarter
	Audit report	Once a quarter
	Annual report	Once a year
	Sustainability report	Once a year

Share Ownership
(as of the end of 2010)   (Unit: %)
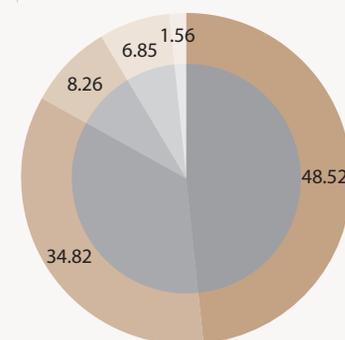
Foreign investors	48.52	●
Domestic investors	34.82	●
National pension service	8.26	●
Treasury shares	6.85	●
ESOP	1.56	●

Shareholder Return

kt adopted the cumulative voting and written ballot system to protect the rights of minority shareholders. Moreover, in principle, a return of at least 50% of the previous year's net profit is provided to shareholders as dividend. At the March 2011 General Shareholders' Meeting, a resolution was passed to distribute KRW586.2 billion in dividends for the FY 2010.

Dividends

Category	2008	2009	2010
Par value (KRW)	5,000	5,000	5,000
Net income (KRW million)	449,810	516,533	1,171,866
Total dividends (KRW million)	226,280	486,393	586,150
Dividend payout ratio (Dividend/net income)	50.3%	94.2%	50.0%
Dividend yield ratio (Dividend per share/share price)	2.9%	4.9%	5.0%

Dream with Customers

Vision and Strategic Direction

All management processes and activities have been redesigned to be customer-oriented for implementing a differentiated customer value management. To be number 1 in all CS categories, kt is initiating various tasks such as zero-defect, 3 major contact point innovation, smart kt realization, customer sensation company-wide innovation and CS infrastructure enhancement. Activities such as communications with customers and customer information protection have also been strengthened.

Material Test Results

External (0~100%)

Internal (0~100%)
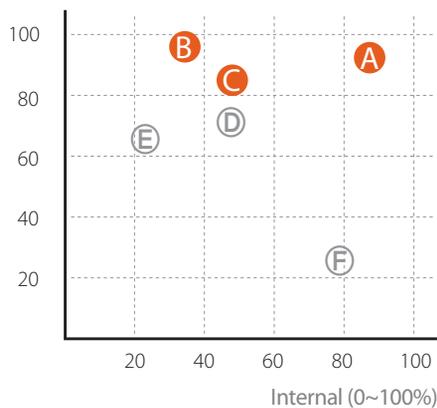
- (A) CS Management System / VOC as Strategic Asset
- (B) Differentiated Service
- (C) Stable Telecommunication Service
- (D) IT Security and Customer Protection
- (E) Solving the Side Effects of Informatization
- (F) Customer Communication

Major Performance

Category		2008	2009	2010
Customer Satisfaction Index	Mobile Phone	66	69	72
	Broadband Internet	67	70	70
	Wired Phone	71	72	73
CVA	Mobile Phone	0.96	0.96	0.97
	Broadband Internet	1.02	1.00	1.03
	Wired Phone	1.03	1.00	1.04

Awards and Recognition in 2010

- Advertisement of the year - Internet category (Korea Association of Advertising Agencies)
- 18th Good advertisement award chosen by consumers, Minister of Culture, Sports & Tourism award (Korea Advertisers Association)
- No. 1 in four categories (Broadband Internet, Internet call, city local call, long-distance call, international call) by Korea Customer Satisfaction Index (KMAC)

INTERVIEW

In the customer satisfaction survey held for major communications service companies, kt received the appraisal. However, in some categories the results did not meet expectations. Efforts need to be made with an attitude that customer satisfaction is the priority in the entire process from designing services, providing services to after-sale services to be a company chosen by customers.

Se-Hee Kim
CS Innovation Department,
Customer Satisfaction Bureau

Customer Satisfaction Index (Mobile Phone)
72

CVA (Wired Phone)
1.04

Customer Satisfaction Index (Broadband Internet)
70

CS Management System

We at kt pursue customer value-oriented management by re-aligning our vision, principles and core values to meet the needs of our customers, and by displaying differentiated customer satisfaction (CS) activities. All of our CS activities and procedures are to be carried out consistently in accordance with our five strategic directions.

Slogan

Customer Satisfaction, Jumping and Jumping More

5 Major CS Strategic Decisions

- Customer-oriented products through participation & verification of customers & field
- Complete restructuring & slimming abstruse & difficult products

- Strengthen smartphone A/S & foster smartphone experts
- Establish & expand experience-oriented smart stores
- Operate Smart Supporters for smart terminal training & experience

- Strengthen strategic utilization of VOC when initiating management/business/ marketing

Zero Defect Product Innovation

3 Major Point of Contact Innovation

5 Major CS Strategic Decisions

Smart = kt

Customer Sensing Company-wide Innovation

Strengthening CS Infrastructure

- Strengthen customer center self-regulated competencies & establishing operating system
- Withdraw business site (Work-Out) if the call opening & A/S quality appraisals continue to be low
- Improve CS influent on branches by revising the rate structure

- Strengthen customized products by customer segments & rate plan
- Search & improve customer complaints through active communications with field

- Establish & operate a performance management structure for all departments related to CS
- Integrate into one the wired/wireless CS operating system

CS Implementation Process

CS improvement activities are implemented gradually depending on the organization such as customer point-of-contact, division, or headquarters. The target task is enhancing customer value that customers can directly feel such as rates, quality, brand, service and benefits. To effectively manage this, kt uses an internal management system, Kate. Outstanding tasks are rewarded. In addition, to establish and operate performance management systems organically for customer satisfaction, starting in February 2011, CS KPI was reflected in all departments related to CS activities.

To unify the CS operating structure, 20 items were selected in 4 categories and integrated. First, for the point-of-contact category, the call center number/consultation system and billing were integrated. In the product category, product introduction process, categorizing system, subscriber applications were improved. Unifying the CS operating structure and all tasks excluding related IT system establishments are planned for integration during the 2nd half of 2011..

CS Activity Related CS KPI

Classification	AS-IS	TO-BE
Strengthening index management	PRB* index without weighted-average	Provided a KPI weighted-average of 20 points
Expand applicable departments	Limited operations in only certain fields	Organically connected "Division-HQ-Field"
Fixate VOC responsibilities	Non-operations of VOC responsibility policy	Adopt VOC responsibility policy

*PRB: Performance Review Board

VOC as Strategic Asset

Converting VOC into an Asset

The strategic conversion of VOC into assets is to divert from the point-of-contact being the central department for treating VOCs. It is rather an effort to utilize VOCs for real improvement activities on a company-wide level. To achieve this, efforts are being made to integrate and unify into one VOC category system the already divided wired and wireless, with the collection·response system and analysis system by customer unit. In addition, through the olleh management meetings, the VOC impact review must be mandatorily carried out for major business plans.

Voice of Customer (VOC) System

kt operates a VOC system to identify customers' needs, explain their needs company-wide, and solve problems immediately. We also offer service packages that include "pre-inspections of services," "improvement of business processes," and "boosting customer loyalty by heeding the advice of key customers." The VOC system empowers employees at the point of contact with customers to address the problem immediately. When impossible, the customer request is sent to the person in charge and the complaint is resolved within nine hours from the time it was received. To carry out VOC improvements company-wide, the VOC control tower, VOC council and MOT meetings are utilized internally. Measures are also taken to meet VOCs related to WiBro, call quality and Nespot. Continuous efforts are placed on early VOC analysis and improvements measures related to the iPhone4 and iPad.

Dealing with VOCs Real Time Using Twitter

kt is able to deal with VOCs on a real time basis by establishing a twitter based CS system and two-way VOC processing system. With this, the company is hoping to convert from the existing call center focused VOC processing system to a text-based SNS VOC processing system. In addition, by converging the twitter VOC processing duties into one window, field work efficiencies have improved. A 24 hour monitoring and real time improvement response system has also been established.

Processes for Handling User Complaints

Twitter VOC Implementation System

Communications Network Management Team	Field (ENG Team/Access Network Team)	Customer Center
Observation / improvements required	Twitter VOC improvements / notification	Twitter VOC customer response 24 hour response system review
Processed by concerned department Results notified	After SNS(Yammer) registration notify through MMS	
Pattern analysis / establish response method	CEO: immediate General: within a Day	

We introduced the Consumer Complaints Management System (CCMS) in May 2007. Key executives responsible for customer service manage the CCMS. Customer opinions are also collected, classified and analyzed by the Customer Relationship Management (CRM) system.

Differentiated Service

Lowest in Korea KRW **3.5**
Data roaming rate

Introduced "Unite, olleh," a family combined product

"Public Egg" that allows customers to use wireless Internet in high speed vehicles

kt olleh Square at Gwanghwamun Office Building

e-Billing Trend (Unit: 1,000 cases)

■ Fixed ■ Mobile

	2008	2009	2010
Mobile			53,816
Total			86,247 *
Fixed	35,711	36,850	32,431
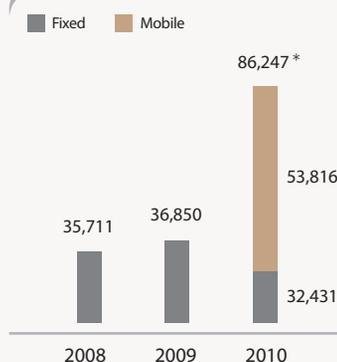
* Mobile service billing was added due to merger with ktf

Efforts to Actively Provide Customer Benefits

Alleviation of Customer Rate Burden through Combined Products

To alleviate the burden on the customer, a 'Customized Rate Plan' was launched where the user can make adjustments based on user pattern of 'voice-text-data.' Wireless data not used that month can be carried over to the following month. To encourage data roaming, starting in August 2010, the global data roaming rate was lowered to the lowest domestic rate at KRW3.5 per packet, while MMS rates were applied per message, resulting in an average 90% rate reduction. In May 2011, kt introduced a new combined product, the 'Unite, olleh,' which provides discounts to new smartphone subscribers, subscribers changing smartphones and to existing mobile phones.

Data Communications Expense Reduction by Expanding WiFi

As WiFi is expanding, WiFi Zones that were once installed in Seoul & metropolitan areas and indoor areas are now being installed in diverse areas. To enable the use of WiFi while travelling on public transportations, the 'Public Egg,' which is used for public transportation, has already been installed on Seoul's Metro 9 line, all Incheon subway lines, Busan's line 4, airport rail line, Bundang line, Ilsan line, Chungang line, Gyongeui line, Gwacheon line and major city bus lines. In 2011, installation of the 'Public Egg' will be expanded to cover all subway lines in the Seoul and metropolitan areas. In addition, through olleh WiFi roaming, data roaming costs are now more than 99% cheaper than that of the general data roaming cost in 100 major countries.

Enhance Customer Benefits through Partnerships

'olleh Club' was launched in June 2010, enabling customers to use their accumulated points when purchasing wired/wireless terminals or settling phone bills. To allow customers to experience the latest IT trend and to utilize IT to enhance life's values, a 'Membership Lounge' was opened at the KTX train terminal, allowing customers to freely experience smartphones and tablet PCs. Through 'olleh Square' and 'olleh Avenue,' customers cannot only experience hi-tech IT devices, they can also use it as a relaxation and cultural venue.

Boosting Customer Convenience & Benefit

Integrated Fixed-Mobile Services and Integrated Online Channel

Upon starting as an integrated fixed-mobile services provider in 2009, kt integrated its previously separate fixed and mobile customer centers into a full-service, one-stop "100 Call Center" to enhance user convenience. The integration allows all fixed and mobile customers to easily access the help they need in one single step. Moreover, a comprehensive corporate portal (www.olleh. com) that covers products and services for fixed and mobile customers, also offers information on service charges and user terms. Users can visit this site to apply for or cancel subscriptions, check bills, change service plans and handle other matters.

Expansion of "One Billing" and "e-Billing"

kt is expanding the number of e-billing subscribers, who receive their bills by mobile phone or email, in order to reduce costs and resource usage from sending bills in the mail. We also plan to provide an integrated billing ("One Billing") service to customers who use multiple kt services. This will allow them to more easily track household telecom expenditures. Moreover, customers who apply for the service will be able to receive one-stop consultations for greater convenience.

Customer Quality Warranty System

We operate a customer quality warranty system which involves a customer satisfaction evaluation immediately after customers receive services such as service initiation and after-service. The registering of customer requests on-site allows us to use the information to improve services. IT engineers who provided the relevant service present customers with a service quality warranty to boost customer trust.

Expansion of Before Service (B/S)

kt adopted a preventative before-service system in addition to its existing after-service system to minimize inconveniences and maximize customer value. The B/S system assesses and addresses facilities which have a high likelihood of malfunctioning.

Differentiated Service for Customer Delight

As an extra consideration for customers, kt technicians visiting homes to initiate services or provide after-service wear overshoes and place their tools and equipment on a special work pad. We have also recruited more female technicians in consideration of the fact that most of the customers who come in contact with installation or after-service technicians are housewives.

Customer Point-of-Contact CS Quality Innovation

Unifying Customer Point-of-Contact Response Knowledge

As IT related consultations are becoming more complicated, it is necessary to have the consultants provide unified information and responses. As such, kt opened the 'olleh Ji (Knowledge) zone,' an integrated wired/wireless consultation knowledge system. Through this, it provides a platform for the consultants to easily search for information that the customer requested. Q&As were held for consultants from the headquarters level to prevent misinformation, while the consultants were constantly monitored for wrong call forwardings. To make sure the person in charge does not disseminate wrong information, internal extensions of those responsible for services were shared. A short study video was made on newly introduced smartphones to enhance expertise in providing consultations. New employees assigned as consultants are required to thoroughly read the training manual before entering the field.

Reduce Standby Time for Consultation

To be able to expediently respond to customer's enquiries new customer centers were opened in Wonju, Cheongju and Dangsan, with 600 new consultants hired. By allowing consultants to work from their home, experienced & skilled employees can flexibly chose their work environment. By making improvement to the bill so that the customers can easily understand the information on the bill, inbound calls have been reduced, while standby time has also been reduced.

Reduction in Customer Point-of-Contact Inbound Calls*

In March 2011, the self-regulated target management method by the CIC was changed into a company-wide target management method to innovatively enhance the quality of the consultations as inbound calls have been reduced. In addition, from the top 10 negative VOCs that were selected, efforts were made to eliminate the root cause and implement improvement measures. To evenly distribute inbound and outbound calls various measures were taken. Some included improving the before and after process of launching a product, improving two-way email / SMS, and improving the bill.

Establish a Call Center Self-regulatory Responsible Management System

To help affiliate call centers establish a responsible management system and enable them to take full responsibility of their own performance, we transferred various duties to affiliate companies, excluding the SLA (Service Level Agreement).

* Inbound Call
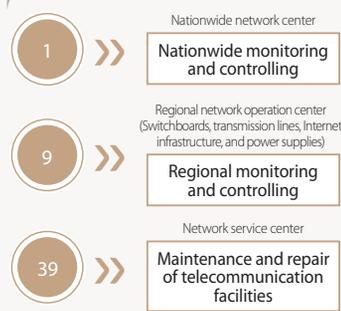Calls from customers for purposes of consultation

Dual Network Monitoring System

1	»	Nationwide network center **Nationwide monitoring and controlling**
9	»	Regional network operation center (Switchboards, transmission lines, Internet infrastructure, and power supplies) **Regional monitoring and controlling**
39	»	Network service center **Maintenance and repair of telecommunication facilities**

Picture of the Equipment Rack Base Isolation System Undergoing Earthquake Resistant Tests

WiFi Investment by Region (Unit: %)

8.7
10.8
11.3
57.4
11.9

Metropolitan area	57.4	●
Gyeongnam	11.9	●
Honam	11.3	●
Chungcheong	10.8	●
Gyeongbuk	8.7	●

Stable Telecommunication Service

50,000areas
WiFi areas

Dual Network Monitoring System

As Korea's largest IT network operator, kt employs various measures to prevent disruptions and ensure stable and reliable telecom services at all times. We currently run regional network operation centers in Seoul, Busan and seven other regions to monitor local service quality, while a nationwide network center in Gwacheon features a real-time monitoring function, completing a dual network monitoring system. We carry out year-round preventive measures for all facilities that could cause service disruptions, including switchboards, transmission lines, Internet, and power supplies.

Emergency Recovery Drill

To be ready for occasions when services are disrupted by natural disasters or accidents, kt engages in annual emergency drills with other telecom operators led by the Korea Communications Commission. kt has also equipped itself with 7,800 units of 208 types of different emergency recovery equipment such as switchboards, Internet devices, transmission devices, engine-generators, and Satellite News Gathering (SNG) by the Mugunghwa Satellite and regularly performs emergency recovery drills. Additionally, the fourth day of every month is designated "safety day." On this day, each business site undertakes safety training and checks key facilities to ensure speedy and effective response to natural disasters or accidents.

Earthquake Preparation Plans & Earthquake Resistant Solutions

To provide stable communications services during earthquakes, kt developed a double floor layer system that satisfies appropriate earthquake resistance performance standards as posted by the government. This system has already been applied to the required facilities. Earthquake measures for communications equipment are being implemented by installing equipment racks that have been proven for their earthquake resistant performance. In addition, the equipment racks do not have to be fixated to the floor. To enable existing equipment racks to be earthquake resistant, kt developed an equipment rack base isolation system. In the future, this will be used in locations where equipment rack cannot be anchored to concrete floors.

Establish a Mobile Wonderland

kt is leading the new changes occurring in the communications environment, such as the expansion in smartphones & wireless data explosion, expansion in diverse applications, and the formation of ecosystems. Utilizing kt's superior wired/wireless network infrastructure, kt created a 'Mobile Wonderland' by providing the world's best standard 3W network (WCDMA, WiBro, WiFi) services. As of March 2011, there were 50,000 WiFi stations. However, by the end of the year there is expected to be more than 100,000 WiFi stations installed. As of April 1, 2011, WiBro boasts the world's best nation-wide coverage network in comparison to the population.

As the leading WiFi company, kt is actively developing new relevant technologies to enhance WiFi quality. Unlike the existing WiFi AP (Access Point) that supports a 2.4GHz bandwidths, the premium WiFi developed from domestic technology, supports a 5GHz bandwidths in addition to the 2.4GHz bandwidths, eliminating any frequency interferences. The access capacity and speed is 3 times and 8 times, faster than the WiFi AP, respectively.
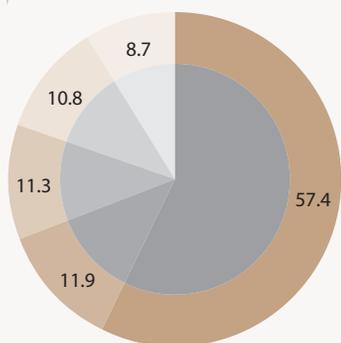
IT Security and Customer Protection

91%
Rate of employees who received customer information protection education

Expansion of Customer Information Protection Infrastructure

kt strengthened its technical and operational capabilities by improving encryption systems, establishing new DB access controlling systems, adopting access log forgery/falsification prevention systems, and installing systems for checking multiple hits of customer information to prevent hackers' unauthorized and illegal use of customer information. We introduced the Digital Right Management (DRM) solution in 2007 and the Data Loss Prevention (DLP) solution in the first half 2011, to monitor data flows on personal computers, thus blocking customer information leaks and misuse. We routinely check for potential weak spots in all of our systems, including personal data storage. Simulated training sessions are conducted in cooperation with other public sector organizations to prevent and respond to relevant risks.

Enhancing Customer Information Protection Efficiency

kt's personal information protection policy is in compliance with Korea's Act on Promotion of Information and Communications Network Utilization and Information Protection, Personal Information Protection Law (effective from Sep. 2011) as well as other related regulations. We run a dedicated webpage (http://privacy.kt.com) to respond to customer's inquiries. Beyond implementing the basic policy, we continue to expand our data security infrastructure given that most information leaks result from hacking and careless data management, while requiring security checks on all new services. All employees are now required to sign a pledge every year to protect customer information. In addition, we routinely check the personal information protection activities of our sales agents and partner firms to ensure compliance is upheld. kt also visits branches and partner companies to instill greater awareness about the importance of protecting customer information. In 2010, 91% of our employees attended the customized on-site education programs targeting personnel in charge of customer information protection. We built an e-learning system to conduct related online training for all employees twice a year while utilizing office e-mails and electronic bulletin boards to raise employee awareness on customer information protection.

Customer information protection website

Information Safety Inspection

Every year, kt conducts the information protection safety inspections in accordance with the law and obtains external safety certification on services and key ICT facilities. Our branches, call centers, partner firms, and webpage are subject to our customer information security certification to heighten privacy protection. Our subsidiaries also adhere to the protection policy practiced by kt.

Complying with Legal Standard on Electromagnetic Radiation

We conduct tests on all handsets to measure their specific absorption rate (SAR). All devices are registered and sold only after they meet the government's SAR limit of 1.6 W/kg. To make sure there are no customer complaints from installing wireless base stations, we build base stations in an eco-friendly way. For base stations with strong signals, electromagnetic radiation measuring is compulsory. They are also classified as measurement targets. Output signals from these stations are maintained at a minimum. In addition, to make sure there are no principal damages due to electromagnetic radiation, environment request documents for telecommunications equipment are required so that the supplier can help prevent tolerances or disorders and protect the human body. For the past five years internal studies have been carried out on the potential affects from electromagnetic radiation. As such, kt is placing substantial emphasis on protecting consumers.

"Clean-I Mobile," an application blocking access to harmful websites on smartphone

Solving the Side Effects of Informatization

1,100 sites
Preventing access to harmful overseas sites

e-Clean Activities

We developed the "Clean-i," "TimeCodi," "iAlimi," and "NOLeTEO" services for our olleh Internet service users. The "Clean-i" application blocks pornographic materials distributed through P2P programs and various harmful websites, while the "TimeCodi" application prevents Internet addiction by cutting off access after a preset usage time is over. These two services have been in place since 2002, and are now used by more than 300,000 customers. In March 2009, we introduced an application called "iAllimi," which allows parents to easily understand the harmful level of the internet environment which their children are exposed to. This program is available free of charge to all users, including non-kt customers. In November 2010, we also began the "NOLeTEO" service. This service was designed to offer a clean Internet environment to children by blocking access to harmful websites and limiting usage time for Internet and online games.

In addition, we are partnered with the Korea Internet Safety Commission (KISCOM) to prevent access to over 1,100 harmful overseas sites, and we developed a system to prevent indirect access to these sites. We continue to monitor websites for harmful factors, while providing customers with content 'grade level.' Website pages are required to post viewer age limits.

Cleaning of Our Portal Site

Paran.com, which is run by our subsidiary ktH, regularly monitors contents on its open message board, blogs and photo community (pudding). As user-participation services and user-created content (UCC) becomes popular, the number of harmful postings increased gradually. In 2010, a total of 19 million postings were registered on Paran.com, with 3.9% of them being harmful postings. Recognizing the problems, we require users to verify their age through personal ID numbers in order to obtain access to any Paran.com web page that contains adult contents. The portal site employs an AI technology-applied screening program and IP-blocking system to monitor UCC and other interactive services. By blocking the services that violate the rules of the site and taking preventive measures, we are cleaning our portal site. In addition, kt runs a reporting center and hotline for stamping out online pornography and illegally distributed contents. To facilitate these activities, we share relevant information with many external agencies.

Prevention of Internet Security Threats

"olleh Internet Doctor" was launched in August 2007 in order to protect customers from the increasing number of cyber threats such as cracking, spam emails and phishing. This free-of-charge application features a personal firewall, automatic PC diagnosis, application fix management, overall system optimization, and anti-virus function. An anti-phishing feature was additionally offered to prevent damage from e-mail fraud, a growing problem.

e-Clean Services Status

Service	Details
olleh Internet Clean-i	Blocks access to harmful websites, such as those that provide lewd or violent material
olleh Internet TimeCodi	Arranges and manages Internet usage by time period and day
olleh Internet Doctor	Blocks and cures viruses and malicious code attacks
Encryption of information entered through the keyboard	Ensures protection from hacking by encrypting information entered through the keyboard
iAllimi	Internet clean index reporting service (records of visits to harmful sites, etc)
NOLeTEO	Blocks access to harmful websites and limit time for Internet and online games

Customer Communication

Establishing Diverse Channels

By opening the 'olleh.com' in January 2011, various wired and wireless websites have converged into one. As a result, kt was able to gather the previously dispersed online customers into one website. In addition, to take care of its customers 24-hours a day, a 24 hour branch service was opened starting February 2010, the first in the communications industry. This service caters to the needs of customers whenever and wherever. As the use of the smartphone environment is expanding, we opened 'olleh Avenue' to reflect customer suggestions and experiences onto various terminals and services. Customers can also request network quality improvements through the smartphone application, 'olleh Cok Cok.'

Operating an SNS for Customer Communications

Since the SNS is fast becoming a core channel for customer communication, kt is actively pursuing SNS. Customer suggestions are being heard real time through 'olle Mobile', Twitter and Blogs. These suggestions are then expediently processed and resolved. By having the exclusive internal SNS 'Yammer' connected real time, customer suggestions can be delivered real time to all employees at kt. Starting in October 2010, a 'Twit Genius' group was formed to provide quick responses to enquiries made through various SNS related to smartphones. Customer improvement request items and suggestions are immediately relayed to the relevant department, which is then solved as quickly as possible. At the same time, by having the 'Twit Genius' disseminate smartphone and tablet PC information related to their usage through Twitter and Blogs, customer complaints have dropped.

Six experts selected as "Twit Genius"

Top in CS Surveys

kt won the grand slam in three major CS surveys. The National Customer Satisfaction Index (NCSI) survey by the Korea Productivity Center (KPC) has designated kt as the No. 1 service provider of broadband Internet service and city local call service for seven consecutive years, long-distance call service for 13 consecutive years, and Internet call service for two consecutive years. In addition, the Korea Customer Satisfaction Index (KCSI) survey and the Korea Service Quality Index (KS-SQI) survey recognized kt as No. 1 in several service areas such as broadband Internet, IPTV and Internet phone. These recognitions are due to our continued innovation by changing the way of thinking and communication, which enabled us to provide future services to customers in advance.
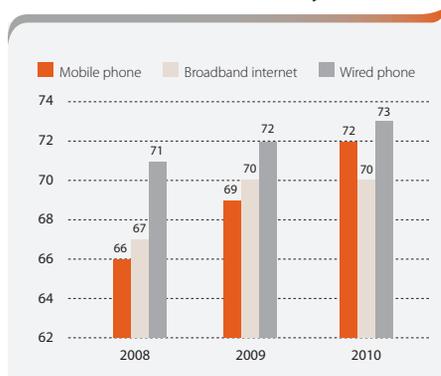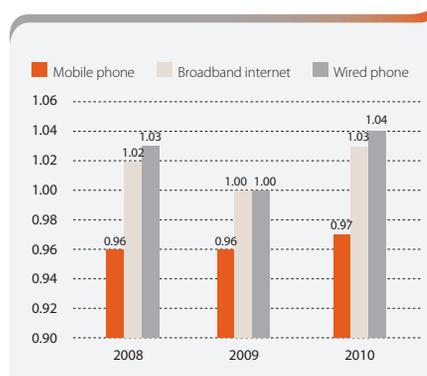
CS Survey Results in 2010

Survey	Result	Date
National Customer Satisfaction Index (NCSI)	Broadband Internet, Internet call, city local call, long-distance call, international call	Mar. 24, 2010
Korea Customer Satisfaction Index (KCSI)	Broadband Internet, Internet call, city local call, long-distance call, international call	Sep. 30, 2010
Korea Service Quality Index (KS-SQI)	No.1 in broadband Internet and IPTV	Oct. 20, 2010

Customer Satisfaction Index by NCSI

Legend: Mobile phone · Broadband internet · Wired phone

Year	Mobile phone	Broadband internet	Wired phone
2008	66	67	71
2009	69	70	72
2010	72	70	73

CVA* Scores

Legend: Mobile phone · Broadband internet · Wired phone

Year	Mobile phone	Broadband internet	Wired phone
2008	0.96	1.02	1.03
2009	0.96	1.00	1.00
2010	0.97	1.03	1.04

* **CVA**
kt's score / No. 1 competitor's score in customer satisfaction
Classification according to the CVA score range:
Top-level competitiveness (1.1 or more),
Outstanding competitiveness (1.03 or more and less than 1.1)
Average-level competitiveness (0.97 or more and less than 1.03)
Low-level competitiveness (lower than 0.97)

Dream with Employees

Vision and Strategic Direction

To achieve a Great Work Place where trust, passion and fun are in abundance and where there is a balance in work and life, fair human management policies and diverse welfare programs have been put in place to help attract competent employees and enable them to grow. Through an HR policy that fosters the best experts, kt is securing IT competencies. In addition, continuous efforts are being placed on securing human rights and safety & health for employees, while fostering a transparent communications environment.

Material Test Results

External (0~100%)

Internal (0~100%)

- (A) Great Work Place
- (B) Fair Human Management System
- (C) Employee Welfare and Benefits
- (D) Human Resource Development
- (E) Labor-Management Cooperation / Safety and Health
- (F) Human Rights
- (G) Employee Communication

Major Performance

Category		2008	2009	2010
Welfare and Benefits	Wage (KRW 100 million)	18,101	18,412	18,405
	Welfare Spending (KRW 100 million)	4,826	5,092	3,038
HR Development	Participants of Classroom Education (persons)	41,567	24,072	35,286
	Language Academy (persons)	8,614	8,903	6,524
Grievance	No. of Grievances Received	19	12	11
	No. of Grievances Handled	18	12	11

Awards and Recognition in 2010

- Family-Friendly Company (Ministry of Gender Equality & Family)
- Labor-Management Culture Grand Prize - Presidential Award (Ministry of Employment and Labor)

Wage in 2010
(KRW 100 million)

18,405

Participants of Classroom Education
(persons)

35,286

No. of Grievances Received

11

INTERVIEW

I believe kt's HR management, up to now, was well managed, creating a balance between the individual's competitiveness and the company's productivity. Going forward, to diversify into non-telecom areas and to expand into the global market, it will be necessary to foster competent employees early on that are appropriate to a future business structure.

Eun-Bee Kim
HR Planning Department,
Human Resources Office

Great Work Place

18.7 years
Average length of employment

Employees are both the generative source of corporate competitiveness and the key competitive edge of the company. kt pursues "partnership in growth," whereby labor and management advance in tandem to foster a "win-win" corporate culture. This approach is designed to bring together company productivity with individual employee competitiveness. Our goal is to increase the value of our people by maintaining trust, passion and fun in the workplace, as well as a harmonious work-life balance.

Employment Status

As of December 2010, a total of 31,155 employees worked at kt, with the average length of employment being 18.7 years. Employment rate of disabled workers was 2.43%, meeting the government-mandated minimum of 2%. Number of female workers totaled 4,621, representing 14.83% of total workforce. Employees are hired either on permanent or temporary status to meet our requirements for specific job skills and work competencies. The portion of temporary workers has increased during for the last couple of years and reached 1.35% as of the end of December 2010. We strictly adhere to the Temporary Employee Protection Law and provide our temporary employees with fair compensation. In addition to our domestic employees, we employ more than 2,000 people at subsidiaries in Mongolia and Russia.

Strategy and Direction

A workplace where work and life are balanced
• Strengthening family-friendly management
• Expanding employee welfare
• Encouraging productive, efficient meetings

• Work-centered employee career management
• Unearthing and nurturing talent
• Helping employees to grow into experts

• Invigorating internal communication
• Expanding zero-accident safety activitiese

A workplace full of trust, passion and fun, where work and life are balanced

A workplace that guarantees personal growth and opportunities

A workplace full of trust

New kt Way : Action

By creating a GWP (Great Work Place), employees are voluntarily focusing on their work with an ownership attitude, creative mind-set and passion. This not only enhances corporate competitiveness, it provides for continuous growth for all employees. In the past, kt's corporate culture was mainly focused on improving work processes. Now, the emphasis has changed towards providing basic needs focused on satisfying employees, which will then lead to customer satisfaction. Customer satisfaction will then lead to securing market competitiveness. Through this, kt is trying to create a cyclical structure where each factor leads to another in a continuous process, further enhancing competitiveness.

Major GWP Implementation Tasks

Classification	Major Tasks
Fostering Competent Employees	1. Equitable compensation based on performance & capability
	2. Growth opportunity expansion & powerful training course
Providing Enjoyment for Competent Employees	3. Free environment allowing creative ideas & acknowledging diversity
	4. Right working environment enabling employees to focus on their work
	5. Work & Life Balance
Gathering Competent Employees	6. Strengthen pride as an employee of kt that is leading the wired/wireless convergence
	7. Strengthen the leadership position in the hiring market
	8. Create an image as a citizen's company

To create kt's own GWP that allows for competent employees to grow, competent employees to enjoy work, and competent employees to gather, a survey was carried out on all employees in February 2011 to confirm how the employees view the company and to prioritize required improvements. Out of the total employee pool, 51% responded. Based on the response, kt initiated a company-wide effort by holding a workshop by CIC to complement certain areas considered deficient, forming a GWP Implementation Group, and selecting Champion departments by implementation task. Considering the needs that are diverse as the size of the company, kt plans to create a GWP that takes into consideration characteristics of each individual, and that is focused on bottom-up voluntary actions rather than top-down.

GWP Programs Taking into Consideration the Employees

kt holds an olleh Family Day, which is a program that not only takes into consideration the employees, but also their families. The olleh Family Day is held by organization and region. Diverse programs are provided allowing family members to select based on their preference. Programs include cake baking, movie viewing, cultural lectures and sports viewing.

At times, each division head will make irregular visits with a stress reduction kit to departments that are quite at work. The kit is a present box comprised of vitamins, board games, herb tea, and chocolate. The present boxes significantly help in relieving the employee's fatigue and stress. It also improves employee-management relations.

GWP Model

olleh Family Day event

Stress reduction kit

Mouth/Ear/Heart-Opened Communication

Creativity/ Focus

Consideration/ Credibility

Growth Opportunity

Pride

Challenge & Growth

Competent Employee Growing

Competent Employee Enjoying Work

Competent Employee Gathering at the Workplace

Social Environment

Great Work Place
"Warm Worksite where Everyone Can Walk Together & Dream Together"

GWP Slogan   3 Major Directives 6 Major Drivers Communication Principle

Fair Human Management System

7,008

No. of employees selected from Talent Market program

Fair Human Management

kt made innovations to its HR policy focused on roles & responsibilities to foster a competitive culture based on good intentions, and equitable HR policies. Detailed principles are stipulated in kt's human management regulations to guarantee equitable opportunities and challenges for workers and to execute justifiable compensations. kt holds an open selection process when hiring employees and does not in any way discriminate in terms of sex & educational background. In addition, fairness and transparency are being secured in human management policies as it relates to hiring, assigning, transferring, promoting, evaluating and compensating.

Human Management Direction

Classification	Stipulated context
Fairness in Hiring, Assigning, Transferring	• Fair competitive hiring principle, open selection process • Hiring rights have been entrusted to each sector • Select & manage an personnel evaluation company for fair hiring • Adopt a talent market system in accordance the 2009 competitive principles • Guarantee fairness & transparency in assigning employees
Fairness in Promoting	• Promotion system abolished by agreement between labor & management in 2010 • Adopt an 'Employee Growth Mileage System' to provide employees incentive for growth
Fairness in Evaluating, Compensating	• Transparently disclose evaluation standards, processes and results • Operate a multi-faceted evaluation, competency evaluation and post-audit system • Compensation based on sex & educational background abolished: fair compensation based on performance

Employee Growth Mileage System

With the abolishment of the promotion & rank system, kt adopted the Employee Growth Mileage System starting in 2010 to secure fairness in evaluation based on performance. This system takes into consideration the individual's performance and expertise as a priority. However, factors such as level of cooperation, creativity, contribution to the organization and leadership are also reflected in the evaluation. This contributes to the spread of a competitive culture based on goodwill. Whatever the title, once a set mileage is satisfied, the employee can be granted a position. Performance and competency accumulated points (mileage) are used as standards to assigning positions. In addition, when selecting a managerial level position, someone with onsite experience is given priority.

Compensation Based on Performance

Starting in January 2010, the human management system based on salary class and seniority rank was abolished and a system focused on performance was adopted. The evaluation criteria is divided into A, B, C+, C, D & F grade levels. The number of employees at C+/C grade level (average salary level) is maintained at a 50% level. The performance compensation gap for employees was generally at 60% in the past. However, this has changed to 100%. For employees with a position, the gap could range up to 210%. All employees and executives hand in their annual target plans every January for performance management review. Employees are evaluated 1 to 2 times a year on an interim basis, whereas executive are evaluated once a year. The final performance evaluation is concluded at the end of the year based on the individual's original targets and plans. The results are reflected in the competency development principles and compensation.

Talent Market System Process

Required Department — Individual — HR

Need for Personnel

Notice for Personnel Selection (Hiring)

Decision on whether to participate in the public selection process

NO

Pre-registration for Desired Department

Select from Application Pool — YES

Selection Completed, Personnel Assigned
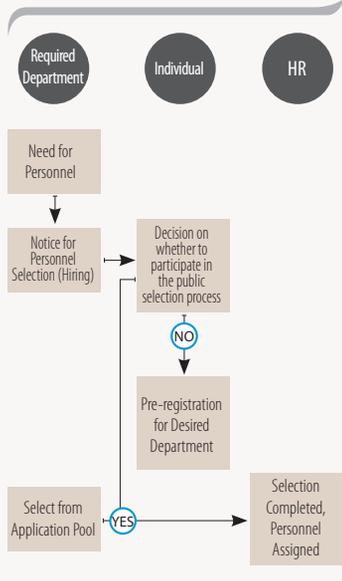
Talent Market System

Category	Public Selection (cases)	Application (cases)	No. of Applicants	No. of Selected Employees
Irregu-lar T/M	2,441	10,026	2,884	1,207
Regular T/M	5,433	15,094	5,689	5,801
Total	7,874	25,120	8,573	7,008

Note) Based on figures from July 2009 to June 2010

Employee Welfare and Benefits

Employee Welfare and Benefits

kt carries out diverse employee welfare and benefit programs. The company has adopted a welfare policy where individuals can freely select based on their needs. Some of the benefits include tuition support for children from childhood to college, loan support to help stabilize living conditions, and operations of recreational facilities. Medical examinations, corporate group insurance, medical expenses and family event expenses have been expanded to cover the employees' direct family and wife's direct family member depending on the event. We have operated the web-based cyber welfare center (b4u.kt.co.kr) to serve employees' needs since 2002.

Family Friendly Programs

kt has initiated the Smart Working Program where employees can perform their work when and wherever possible. In addition, to encourage child birth, diverse programs are being initiated. They include providing congratulatory financial gifts to families with many children to encourage birth, allowing pre- and post birth vacations, maternity leaves, infertility birth leaves and wife birth leaves. Upbringing centers and nurse feeding facilities are also part of the initiatives.

Outplacement Program

kt operates a program to help employees transfer to other occupations. Annually, 550 employees are beneficiaries to this program. The program offers diverse opportunities such as workshops comprised of lectures covering change management & financial design (2 days), 1:1 financial consulting for start-ups (5 days), and reemployment training (4 days). Start-up and reemployment consulting services are regularly provided. In addition, through a partnership agreement with the SMBA, Gyeonggi Small & Medium Business Center, Labor-Management Joint Reemployment Support Center, Graduate School of Industrial & Entrepreneurial Management at Chung-Ang University, Large & Small Industries Cooperation Foundation, and Korea Franchise Association, kt provides support. Through its kt Life Plan System (www.ktlifeplan.com), kt helps arrange employment to affiliate companies or distribution networks. Other programs include the entrepreneur implementation project program (2 weeks), entrepreneurship instruction presentation, opportunities to experience entrepreneurship through partnership franchise companies, books detailing the 100 successful entrepreneurs and support to help acquire certificates.

Smart Working

To enable employees to be flexible in selecting their work location, kt became the first domestic company that adopted 'Smart Working.' In September 2010, it opened Smart Working Center in Bundang, equipped with high-definition video conferencing facilities and individual work space. Currently, ten centers are in operation and more centers will be established after analyzing employees' residential locations and by collecting their opinions.

Refresh Temporary Rest Policy

This policy is provided to excellently performing employees to help them self-develop and re-charge. As a new policy adopted in 2009, it was implemented after basic operational directions were established in 2010. 350 employees are selected company-wide to benefit from this policy. Selections are made in March and September.

Selected as Family-friendly Company by the Ministry of Gender Equality & Family (Outstanding Family Friendly Certificate Award Ceremony)

Career Design System

Smart Working Center in Bundang

Dream with Employees

Great Work Place
Fair Human Management System
Employee Welfare and Benefits
Human Resource Development
Labor-Management Cooperation
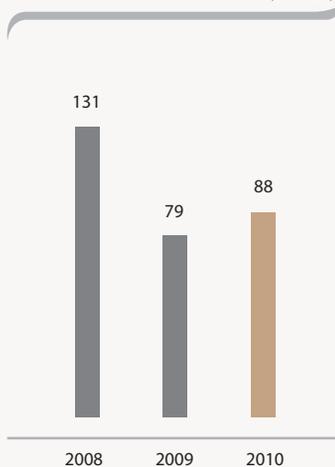Safety and Health
Human Rights
Employee Communication

"ACTION" education for employees

olleh innovation school

**Training Hours
per Employee** (Unit: hours)

	131	79	88
	2008	2009	2010

Human Resource Development

88 hours
Training hours per employee

Ideal Employee

kt's vision of an ideal employee can be summarized as "Top Talent in ACTION." We promote professionals who have passion and executive energy to accomplish challenging goals based on mutual cooperation, trustworthiness, and innovative thinking from a customer's perspective. Thus our HR system aims to support our employees to internalize the three core values - customer-oriented, trustworthiness and passion.

Top Talent in ACTION

Ideal Employee	**Top Talent in ACTION** Passionate and results-oriented professionals, the top in their respective fields, think innovatively from the customer's perspective and work on the basis of cooperation and trust to achieve challenging targets without fail.
Competencies	Customer Orienta-tion / Trustworthiness / Passion

Customer Orientation	Trustworthiness	Passion
Employees should approach problems with flexibility and new perceptions to create customer value.	Employees should adhere to ethical principles, respect others' positions and take the leading role in fostering organizational harmony and mutual consideration.	Employees should act responsibly, as owners, and accept the corporate vision and values wholeheartedly, thus generating excellent results for the company.

Development of Employee Competencies

We have established a mid- to long-term HRD master plan to foster experts who can achieve sustainable growth and generate value for customers. In addition, we have established a competency-based HRD system. The system allows employees to assess their competency levels and improve step-by-step, thereby helping them to realize their full potential. A regular learning system is in place that accommodates individual skill levels, and a multi-channel learning environment (m-Learning through smartphone) is also in place. All employees are required to take part in certain training programs, while leadership training, job-related training and online training courses are also offered, MBA programs or other master and doctorate programs at domestic or foreign universities are provided.

Training System

Program	Course	Self-development
Core Values	"ACTION," olleh innovation school	"Self-development notes"? is an annual plan, made by each employee to improve his or her competencies. Employees use an online HR system to submit competency levels (overall as well as job-specific) with respect to their current position. They verify how they are improving. Regarding individual growth targets and self-cultivation activities, coaching and feedback are provided. Annually 60 hours are given to each employees.
Leadership	Training for executives and team leaders, courses for people newly hired or newly promoted	
Commonly-required Training	Basic training for the newly hired, courses for key work skills: 12 courses covering 5 different areas	
Specialized Job Skills / External Training	Basic intermediate and expert level courses for specific work areas, External training programs for executives and team leaders, Time-based domestic training scheme, Day-based domestic training scheme, overseas MBA courses	
Online & Other Programs	e-Learning: Kate, an HRD Center Outside link: ktedu.kt.com Language Academy: cyber.yhmsisa.com/edukt (open to employees' family members)	
Training for Group Companies	Leadership course for managers, Competency course for hand-on workers	

Education Overview (Cumulative Total for Participants)

Category	2008		2009		2010	
	Courses	Participants	Courses	Participants	Courses	Participants
Classroom education	575	41,567	456	24,072	502	35,286
e-Learning	253	177,998	223	116,758	161	86,010
Aptitude	52	148,680	99	179,550	196	344,306
Book reading	100	4,246	90	2,877	47	5,946
Language	364	8,614	525	8,903	330	6,524

Fostering Competent Employees

To foster future leaders, kt classifies the pool into three groups - manager group consisting of competent employees above team manager level, olleh class core competent group with high expectations to develop into managers, and the domestic/overseas degree group dispatched to educational institutions. kt provides support to competent employees to study and train in domestic & overseas masters, doctorate or MBA programs to foster core talent. This is an excellent opportunity for individuals to enhance competency and provide incentives for growth.

Securing Future IT Competencies

Training & education on new business models (BM) are implemented to secure future competencies in the IT sector. Training is held for new businesses that kt is initiating. As of April 2011, 478 employees participated in 14 new business planning competency enhancement courses. Going forward, kt will develop customized training programs and redesign existing programs, while creating a human resource pool for development and fostering.

Knowledge Management

kt operates an advanced knowledge management system (KMS) using the latest information technologies, thereby boosting work efficiency and promoting a more creative organizational culture. Collected information is classified and registered in the KMS database. The information registered in the system must be assessed and inspected by designated "Knowledge Masters" before it can be qualified for use. Also, 'kt idea wiki' was launched to search for ideas. It is acting as a year-round idea suggestion window. Some of the events of 'kt idea wiki' are the 'Big Question,' where a major question asked once every month by senior management can be answered freely by any employee or executive, the 'wiki Contest,' where kt's best ideas are selected, and the 'wiki Contest Exhibit,' which acts as a doorway to diverse idea contests are held daily.

Knowledge Management Bulletin Board

Category	Details	Activities and performances in 2010
"Tell Me, Please" bulletin board	All employees can ask their questions freely, using the same format as the "Naver Knowledge In" website	2,867 questions and 1,637,779 hits
Treasure Chest	A participatory knowledge-sharing bulletin board similar to Wikipedia	502 postings
Knowledge Sharing Place	Experts in the related area assess posted ideas and knowledge and make necessary corrections.	4,333 postings
Idea Wiki	New ideas or suggestions regarding work for practical use	74,641 postings
kt Cafe	Knowledge and materials shared to revitalize cafés by job category	522 cafes under operation
kt Blog	Knowhow shared at individual blogs	6,066 postings

Leadership training course for managers

Labor-Management Cooperation

78.70%
Ratio of employees joining labor union

Labor Union

kt employees are free to organize their own labor union and other representative bodies. The collective agreement stipulates that new hires are automatically members of the labor union. As of January 2011, 78.70% of the kt employees were registered union members.
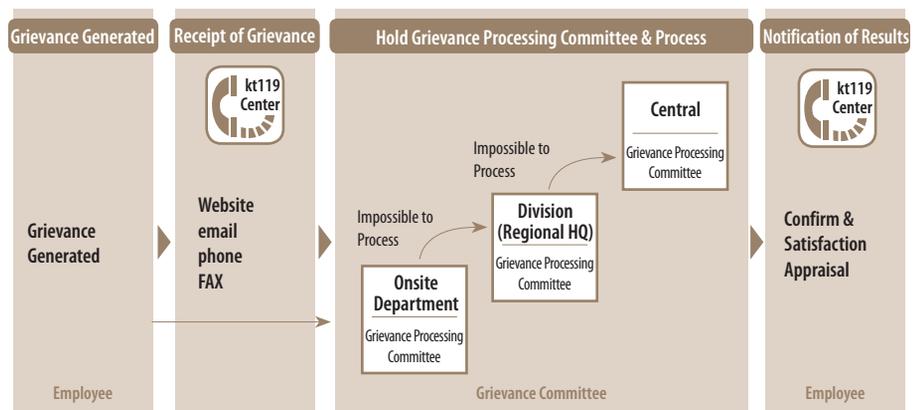
New and Creative Labor-Management Culture

kt seeks "win-win" labor-management relations. kt announced the "olleh kt Constructive New Labor-Management Culture Joint Declaration" in March 2010 to gain mutual benefits - generating sustained corporate value, maintaining amicable labor relations, providing a satisfying work environment, fulfilling all corporate social responsibilities, and creating new work opportunities. To expand the creative new labor-management culture, diverse activities are carried out. The activities include HOST, the labor unions Share Movement for employees and alienated classes, e-Learning programs for employee's children, joint labor-management YOUTH scholarship programs, and free education for middle-school students from alienated classes. Having overcome the economic crisis through 11 years of successful negotiations with no disputes since 2001 and two years (2008 / 2009) of negotiations based on concessions, kt's efforts were recognized through the Presidential Labor-Management Culture Grand Prize.

Grievance Handling

Grievances are received through various means such as phones, letters, emails and website. By focusing on preventive measures to solve grievances, the company has seen the number of grievances decrease in the past 3 years. kt set up the grievance processing kt119 center starting in January 2011 where an exclusive employee will process the grievances in real time. This makes grievance requests and consultations more convenient. For those not wanting to expose their identity, an anonymous bulletin board was established. In addition, a grievance consultation center has been established at kt's headquarters and at 354 of its business sites. Grievances that cannot be solved easily can be referred to the Grievance Processing Committee comprised of labor-management representatives.

olleh kt Constructive New
Labor-Management Culture Joint Declaration

Grievances Received and Handled (Unit: cases, %)

Received — Rate of responses
Handled

	2008	2009	2010
Rate of responses	95	100	100
Received	19	12	11
Handled	18	12	11

Grievance Handling Process

Grievance Generated	Receipt of Grievance	Hold Grievance Processing Committee & Process	Notification of Results
Grievance Generated	kt119 Center / Website email phone FAX	Onsite Department (Grievance Processing Committee) → Impossible to Process → Division (Regional HQ) Grievance Processing Committee → Impossible to Process → Central Grievance Processing Committee	kt119 Center / Confirm & Satisfaction Appraisal
Employee		Grievance Committee	Employee

Safety and Health

0.22%
Accident rate

To promote a corporate safety culture, each business site establishes and implements an industrial safety & health plan and actively takes measures to prevent accidents. Representatives from both labor and management, as well as headquarters and other worksites are working in concert for successful implementation of these activities.

Safety-first Corporate Culture

kt is conducting a wide range of activities to make safety an integral part of the corporate culture. Regular safety and health training courses are provided online (two hours per month, at least 20 hours for staff in charge) "Safety message" alerts are texted to employees on the job in advance of inclement weather. In addition to three-minute safety meetings held just before onsite duties, theme events are held on the fourth day (Safety Inspection Day) of every month, promoting safety at work as well as helping to instill the "safety-first" mindset. Excellent departments and accident-free workplaces are awarded at the Safety Leader Seminar held in the second quarter.

Joint Labor-Management Disaster Prevention Activities

Through a joint effort between labor and management, a nationwide tour is carried out to provide special safety training (regulations, cases, etc.) to onsite team leaders and honorary supervisors. A 2 day seminar is held for about 300 safety related employees during the second quarter every year. To establish a safe corporate culture and eliminate disasters, special safety training is held for major disasters. Through indirect experience of disaster cases, employees are made aware of the dangers and consequences of disasters.

Promoting Employee Health & Well-being

Through an anonymous grievance system, employees are able to manage their stress. Prominent outside lecturers are invited once every quarter to lecture on health management. In addition, a general medical examination is held for employees and their spouse once every year. A differentiated well-being temporary leave system has been adopted. At the same time, a welfare beneficiary management system (work nursery facilities, stable living fund support, etc.) has been established to create a welfare life. To enable employees to enjoy family life, every Wednesday has been designated as Family Day. Through a professional institution in 2011, stress measurement of all the employees was taken. The results will be used to establish a customized stress management policy.

Fostering a Healthy & Safe Work Environment

To improve the work environment, for any new or expanded building, a cultural space, book café, meditation room and physical exercise room is built. In addition, hazardous factor (closed space, manhole) measurements are taken on all sites every year by a professional institution.

Industrial Safety Support for Group Companies

kt is trying to create a group safety corporate culture and establish a safe workplace. By implementing diverse measures and activities such as enhancing work competencies for employees at group companies, initiating industrial disaster preventive activities in group companies, and providing continuous and systematic diverse disaster preventive contents, kt is contributing to the maintenance of group companies' employee's safety and health.

Industrial Accident Rate for Past Three Years

Legend: kt | Telecom industry | Korea

Year	kt	Telecom industry	Korea
2008	0.16	0.56	0.71
2009	0.19	0.45	0.7
2010	0.22	0.51	0.69
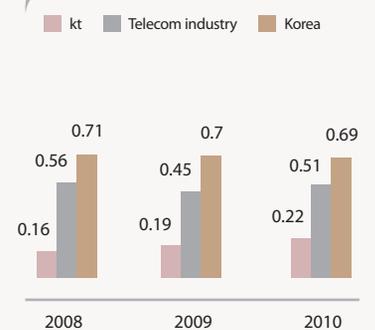
Annual Accident Rate at kt

Legend: Injuries | Fatalities

Year	Injuries	Fatalities
2008	56	2
2009	75	0
2010	72	1
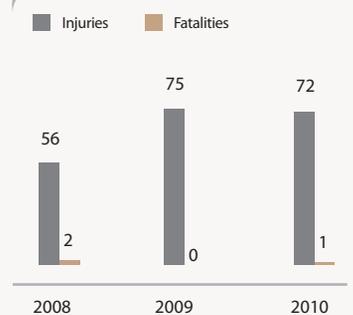
Outstanding Safety Photograph Contest Exhibition Tour

Human Rights

14.83%
Proportion of female employees

kt forbids discrimination by reason of regionalism, educational background, gender, religion, and physical impairments. By changing the customer service hiring criteria to above high school level in 2010, kt is providing competent people with opportunities to realize their dreams. While respecting the principle of equal opportunities for both sexes and work-life balance, kt also guarantees protection of minors and motherhood. We provide support to female employees so that they can work in a comfortable work environment by prohibiting pregnant employees from working overtime and being assigned to physically-challenging work; allowing one day special leave per month for women (without pay); and giving a 90-day vacation before and after giving birth.

In addition, we forbid child labor and forced labor. Furthermore, we have in place systematic support to prevent sexual harassment, including online training, awareness training, and preventive guidelines. In recruiting, compensation, and promotion, kt does not discriminate employees and applicants by their gender. To enable women employees to fully display their potential, kt has established 3 policy directions. They include the policy allowing work and family to coexist, the policy eliminating discrimination in hiring, promotions and compensation, and finally, the policy to foster women leadership.

As such, women are provided childbirth congratulatory monetary gifts and pre-school education tuition support. In case of maternity leave, measures are taken so that women can easily return to work by enabling them to complete e-Learning course during their leave period. A women leadership program is managed to help foster middle-management women leaders. As of the end of 2010, there were 109 women managers, comprising 2.4% of the total female workforce.

Sexual Harassment Related Grievance

Year	No. of participants	Remark
2008	35,843	
2009	35,855	No grievance during the last three years
2010	30,762	

Employees by Gender

Male Female

Management Briefing Session

2008	2009	2010
30,245 / 5,281 (14.86%)	26,802 / 4,603 (14.66%)	26,534 / 4,621 (14.83%)
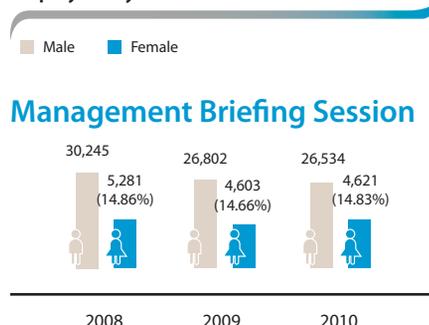
Status of Female Employees

Total female employees
No. of female employees with a managerial post or higher

2008	2009	2010
5,281 / 306	4,603 / 115	4,621 / 109

Employee Communication

75 points
Employee satisfaction index
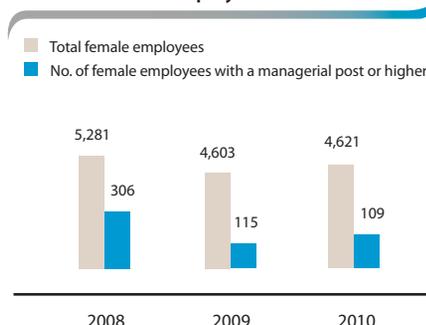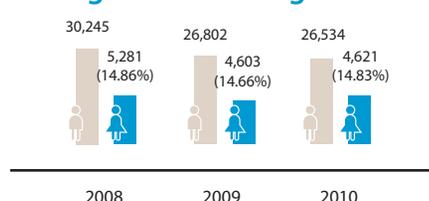
Companywide management briefing sessions are provided in two forms. The first is the quarterly central management briefing session where labor-management committee members attend. The second is the semi-annual briefing for all employees provided through internal broadcasting. In addition, a joint labor-management sponsored division management briefing is held annually or semi-annually for all division employees. In case of major management issues, management briefings are held regularly by inviting division heads. Major corporate issues are decided through a thorough discussion process between labor and management. Discussion sessions include the quarterly Labor-Management Council (Starting in 2011, council holds sessions twice every quarter) and the Labor-Management Discussion Roundtable, which is held once annually. Overall management issues are discussed through a permanent organization, the Labor-Management Coexistent Council, the results of which are reflected in decision making.

olleh Meeting

The objective of the olleh meeting is to share and communicate important messages from the CEO and company-wide issues. The meeting is held once a month at the department level, and issues relating to the company and department are discussed. To help vitalize the olleh meeting, departments are encouraged to voluntarily submit implementation details of the meeting. Awards are provided to outstanding department meetings once a month.

Employee Survey to Improve Labor-Management Relations

kt collects employee needs and suggestions to help improve labor-management relations through surveys targeted towards the diverse pool of employees. The results of the survey are reflected in policy decisions after thorough discussions between labor and management.

Employee Satisfaction Level

After the merger with ktf, kt has been pursuing the GWP policy to enhance employee satisfaction and improve efficiencies. As part of its effort, employ surveys, unlike in the past, are now carried out by outside professional organizations based on global standards. As such, the 2010 employee satisfaction survey results cannot be directly compared to that of previous years. The new surveys are comprised of 58 items that include work conditions, employees' health & safety, compensation & welfare, and corporate identity. Based on the 2010 survey results, kt's employee satisfaction level was higher than the average satisfaction level of other Asian or global companies in the industry.

Two-way Communications with Management

kt also places a great effort in establishing and managing a two-way communications channel, enabling kt's management to have direct access to the opinions and difficulties faced by employees, and if required, to have the CEO's management philosophy and corporate vision accurately communicated. In June 2011, senior managers voluntarily manage an online discussion room, 'I Want to Know' where opinions on major issues are gathered, and issues of curiosity, baseless rumors and dissatisfied issues are dealt with. Besides, all senior managers are required to make site-tours quarterly to provide a management brief, and experience first-hand VOCs, the opening of an account and A/S on a semi-annual basis. Through these activities, kt is promoting understanding and communications between senior management and employees.
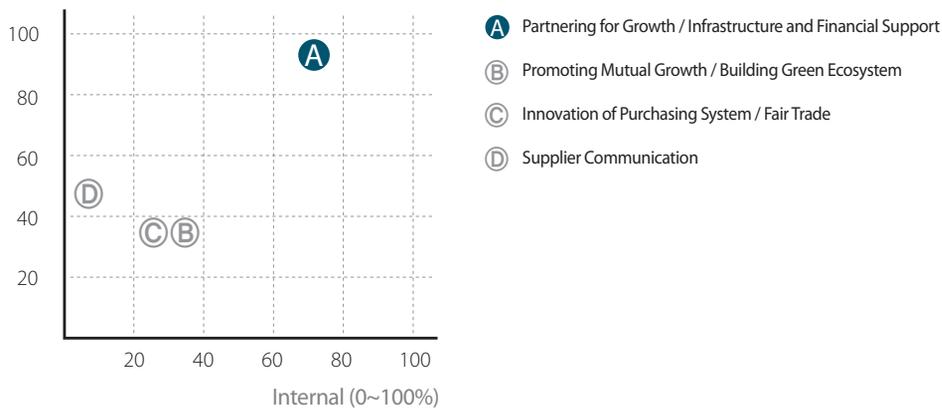
Employee Satisfaction Index (Unit: points, %)

■ Index ● Participation rate

	2008	2009	2010
Participation rate	42	28	52
Index	79	79	75
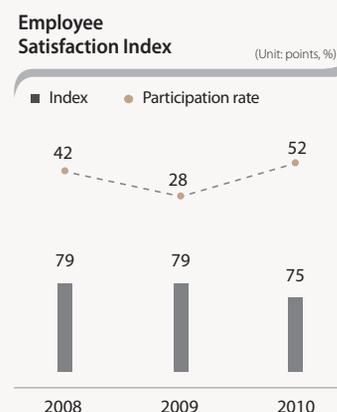
Dream with Suppliers

Vision and Strategic Direction

In 2010, rather than just the coexistent concept, kt proposed an aggressive new mutual growth paradigm where kt and its suppliers grow together. To eliminate the root cause of complaints by small & medium enterprises, a '3 Don't Policy' was announced. The Mutual Growth Center, IT CEO Forum and Information Sharing Consultative Groups brought vitality to communications with suppliers. kt is also securing transparency through purchase policy innovations and fair trade that is self-regulated. The company also provides support for supply companies to establish sustainability management system.

Material Test Results

External (0~100%)

Internal (0~100%)

- (A) Partnering for Growth / Infrastructure and Financial Support
- (B) Promoting Mutual Growth / Building Green Ecosystem
- (C) Innovation of Purchasing System / Fair Trade
- (D) Supplier Communication

Major Performance

Category	2008	2009	2010
Amount of Cash Settlements (KRW 100 million)	21,186	17,562	29,665
Amount of Financial Assistance (KRW 100 million)	2,298	2,961	3,103
Free Training for Employees of Suppliers (persons)	15,389	11,520	12,688

Awards and Recognition in 2010

- Presidential Award in the category of SME support (Small & Medium Business Administration / Korea Federation of Small and Medium Business)

INTERVIEW

The industrial eco-system is affecting corporate competitiveness more and more. Through actual and unprecedented support to suppliers, kt has achieved significant results with its mutual growth policy. In the future, to make sure one supplier continues to disseminate sustainability management to other suppliers, a cooperative system must be established.

Sun-Kil Kim
Strategic Purchasing Department,
Purchasing Strategy Office

Violation of Fair
Trade Practice

0

Amount of
Cash Settlements
(KRW 100 million)

29,665

Free Training for
Employees of Suppliers
(persons)

12,688

The Declaration of Three Don't Policy to Promote Partnership for Growth

kt's Declaration of Three Don't Policy
We will not waste SME's resources
We will not misappropriate SME's ideas of technology development
We will not create an environment of competing with SMEs

IT CEO Forum Homepage (www.itceo.org) where demand forecast is disclosed

Partnering for Growth

ThreeDon't
Declaration of "Partnering for Growth"

Three Don't Policy

Since June 2009, kt has strengthened win-win ties with its partner companies. For example, the company has implemented measures to prevent the abuse of the lowest bidding scheme, while strengthening the basis for SME self-sufficiency, paying in cash, and expanding financial support for the SMEs. In addition, we have supported software application and content developers through the "Open-Eco" policy. On July 12, 2010, kt proposed a new paradigm for mutual growth with suppliers by declaring the "Three Don't Policy" which aims at alleviating SMEs' concerns when they cooperate with big companies.

Demand Forecast

Our SME partners previously had trouble managing their production and inventories because they were unable to accurately predict kt's future demand. Additional resources of our suppliers may be wasted when we do not commercialize newly developed products. However, our new demand forecast program helps us improve our joint development scheme. Our new program calls for us to announce, at the beginning of each year, our projected annual procurement requirement based on current market and technology trends, as well as our short- to mid-term business forecasts. We began the program by disclosing our first round of demand forecasts in July 2010, followed by periodic updates as the business situation changed. Under this program, we will disclose our development plans in advance and give appropriate compensation to partner firms in case the projects they are involved in are not commercialized, thus addressing problems mentioned above.

Non-Disclosure Agreement

We conclude non-disclosure agreements (NDAs) with our partner firms. The NDA helps improve the transparency of our cooperative arrangements with suppliers while preventing sensitive information from being leaked to third parties. We will severely punish employees who violate the agreement.

NDA (Non-Disclosure Agreement)

SME's suggestions	Quick Review Single channel	In-depth review by a third party	Business development / Research & development / Equipment procurement	Follow-up processes customized for each project

Compulsory pre-registration	NDA conclusion with SMEs	Objective and transparent review	Quick review to prevent ideas from being discarded
Compulsory registration of SME's proposals and develop-ment cooperation before project starts	Protection of SME's ideas / Pun-ishment of employees who leak relevant information of suppliers (including existing partners) to competitors	Operation of Review Board by a third party / prevention of undue influence by established interest	Review and adoption of ideas within two months / custom-ized follow-up processes for adopted proposals

Infrastructure and Financial Support

KRW 2,966.5 billion
Cash settlement amount

Benefit-sharing Arrangement

In 2006, kt adopted the benefit-sharing arrangement where both kt and partner firms jointly develop equipment and services. Six projects were carried out in 2008, seven in 2009 and three in 2010. kt provides suppliers with training and consulting (for Master Black Belt) on Six Sigma. We also provide environmental testing and measuring devices to help them develop equipment. Starting in September 2009, improvements were made to the benefit-sharing arrangement. Based on the improvements, if successful in completing the specification optimizing task for equipment cost reductions, 50% of the cost reduction amount will be reflected in the purchase price. In addition, benefit-sharing quantity will increase from the previous 20% maximum to 30% maximum while the benefit-sharing term will be extended from a year to 2 years.

Support for Telecom Infrastructure and Testing Facilities

In order to alleviate R&D burdens on our suppliers and nurture SMEs and venture companies, we have established an independent network infrastructure such as the Comprehensive Model Center and Econovation Center, and provided an environment of developing and testing wired/wireless telecommunication service and Internet service to our suppliers. In 2010, a total of 400 partners (206 partners in 2009) were benefited under this support scheme; 55 times for servers, 151,444 for terminals, and 62 times for measuring devices.

Free Training to Partner Companies

kt provides free training programs to employees of SME partners. In 2010, a total of 12,688 trainees (11,520 in 2009) participated in 73 courses (94 in 2009), covering equipment and service operation, customer relations, resource management, and IT construction. Classroom courses are provided at the kt HRD Center and each regional field-training center, and textbooks, accommodations and meals are all provided free. These programs have earned favorable responses from our partner firms.

Financial Support for Partner Companies

In order to help SMEs secure liquidity and operating capital and to enhance management stability, kt operates diverse financial assistance programs. We raise a fund worth KRW300 billion under kt Capital to provide credit loans to SMEs. Moreover, we have stopped settling payments in promissory notes and have been providing cash settlements for deliveries by SME partners since 2006, regardless of the contract amount. We also concluded agreements with financial institutions so that partner companies can receive loans at lower interest rates according to their performance.

Support for Overseas Expansion of Exemplary Suppliers

We help top-performing partner companies to make inroads into overseas countries through joint development of new businesses. In 2009, we pursued 15 global IT projects with twelve exemplary suppliers, generating KRW26.4 billion in sales. In 2010, we cooperated with 23 companies for 13 joint projects of KRW79.0 billion. We will continue to strengthen relationships with suppliers by carrying out joint business development and increase orders from overseas countries.

Transfer of Patent Usage Rights

We grant SMEs the rights to use our key patents and R&D findings at lower rates. We will also continue to sell our rights to unused patents to SMEs.

Financial Support (Unit: KRW 100 million)

Category	2009	2010
Cash settlement amount	17,562 (45,232 contracts)	29,665 (54,263 contracts)
Financial support for suppliers	2,961 (553 companies)	3,103(528 companies)

Signing an MOU between kt and KOTRA to help SMEs make inroads into overseas countries

Points Added in Case of Cash Settlement

Over 30%	Over 50%	Over 70%	Over 90%
0.3 points	0.5 points	1.0 points	2.0 points

Major Results of the Mutual Growth Program in 2010

	2010
New product development under condition to purchase	6 tasks KRW1,680 million
Support infrastructure facilities	Measuring equipment / Test-bed: 41 times 1st Econovation: 4,128 times (individual) / terminals 2,350 times 2nd Econovation: 6,223 times (359 companies) / terminals 63,340 times / server 55 times
Benefit-sharing performance management	Received 23 tasks in 1st and 2nd round 3 development tasks, KRW2,690 million in delivered goods
Support with quality/ environment consulting & in acquiring certificates	17 companies KRW58,200,000
Vendor Coaching	Completed coaching of nine 2nd suppliers
Patent usage approval & technology transfer	Technology transfer: 6 cases 10 companies Technology utilization contract: 5 cases Technology 8 cases 7 companies Licensing: 2 cases 6 companies
On/offline free training support	73 courses 12,688 employees

Promoting Mutual Growth

12,688 persons
Free training for employees of our suppliers

Efforts to Expand Mutual Growth

Induce Cash Settlement with 2nd Suppliers

Starting in 2011, kt is inducing 1st suppliers to cash settle with 2nd suppliers. When carrying out annual evaluations for 1st suppliers, depending on the ratio of cash settlements, a maximum of 1.5 points can be added to the evaluation. 1.5 points can actually affect the ranking within a similar S/G. To verify whether cash settlements have been made, kt requires 2nd suppliers to submit cash settlement confirmation document. As such, kt verifies cash settlements directly with the 2nd suppliers.

Management of Cost Delivered Goods

As of October 2010, kt is managing delivery goods costs so that any increases in unit cost of the delivered goods to kt is also reflected in the 2nd vendor supplier's unit cost to the 1st vendor supplier. When a request is made by the 1st vendor supplier to adjust unit cost, the 1st vendor supplier must submit transaction related documents with the 2nd vendor supplier. Initially, 1st suppliers were only required to submit adjustment details (confirmation documents detailing reasons for the increase) to the contract amount. However, now 1st suppliers are required to submit transaction details with 2nd suppliers in the bid notice and goods (construction, services) contract. The results of cost adjustments with 2nd suppliers should also be submitted to kt.

Providing Financial Support to 2nd Suppliers

Starting in October 2010, kt provides financial support to 2nd suppliers through kt Capital. Utilizing the kt Capital Network Loan of KRW300 billion, credit loans are being provided to the 2nd suppliers. The loans are provided through a recommendation of the 1st supplier. Right after initiating this policy, approximately KRW800 million was provided in loans to two 2nd suppliers.

Applying the Mutual Growth Program to 2nd Suppliers

Starting in October 2010, the mutual growth program is also being applied to 2nd suppliers. The support amount is 50% of the required amount with a limit of KRW4 million per company. Currently, kt is providing financial support to five 2nd suppliers by subsidizing quality, environment consulting & certification expenses. Free training is also provided through the human resource development center and the wireless network headquarters. 2nd suppliers are also able to use various facilities including test-beds, measuring equipment, integrated model rooms, econovation center, etc. In 2010, three more 2nd suppliers were added to the Vendor Coaching Program, which was initiated in 2008, bringing the total number of companies to nine. Starting in November 2010, kt is encouraging 1st and 2nd suppliers to conclude an agreement for mutual growth. The contents of the agreement include fair subcontracting transactions, cash settlement with 2nd suppliers, and competency enhancement support. The agreement is based on the agreement that kt has concluded with 454 1st suppliers on July 8, 2010.

Econovation

kt is actively implementing its 'Econovation' activities to achieve mutual growth with smart application developers. The company provided to developers its 'olleh SDK (Software Development Kit)' which is an application development solution that the developer can use to develop operating system applications with one execution code. kt also provides support high quality applications through application development contests. In addition, a developer's camp is held where developers can receive technological support and consulting to help in developing applications. Seminars are also held every month to provide developers with the opportunity to share and discuss information. kt is providing support to mobile application developers to help expand into the overseas market to enable the developers to expand profit generation opportunities through kt's 'Global Frontier Project.' Actual support in entering the global market is provided, which includes specialized application development training, translations, commercialization test-beds, and marketing. kt, NTT Docomo and China Mobile concluded a strategic agreement to establish an application store, OASIS (One Asia Super Inter-Store) through which a total of 650 million people in Asia can use applications.

Mutual Growth Expansion Plans

In 2011, kt plans to increase the loan support size to KRW340 billion to help provide financial support to small & medium enterprises. In addition, the cash settlement policy towards SMEs will be maintained going forward. In the future, kt plans to transfer 'kt Naratgeul' patent to 4 companies and 16 other patents to 24 companies. In addition, to provide support to the technological environment of suppliers, kt will provide measuring equipment and test-beds to help in the development of IT terminals & equipment. For wireless suppliers, network/PC/terminal test space will be provided. For the 'new product development under the condition to purchase project' targeted towards potential companies, kt and the Small & Medium Business Association plans to jointly provide KRW1,680 million in support for six tasks to be completed by these high potential companies. To continuously provide free training & consulting support so that SMEs can enhance their business competencies, kt plans to provide training and quality management consulting for 1st and 2nd suppliers. The company opened a mutual growth community within its 'Human Resource Development Center' in November 2010 to provide training support. In 2011, a cooperative council will be initiated to expand the scope of on/offline training and to provide training support.

kt will continuously provide support to the suppliers through diverse purchasing policies. Continuous improvements will be made to kt's purchasing policy. Policies such as the implementation of the demand forecast policy and the policy to reflect inflation factors in the purchase price will be maintained along with the multiple price policy, bid price limitations, overall evaluation bid policy, and benefit-sharing policies. In 2011, kt will focus its effort on stably executing its improved purchase policy and expand its mutual growth performance. At the same time, the company will encourage 2nd suppliers to join in mutual growth and will further expand mutual growth to other areas.

2011 Target & KPI

Implementation tasks	Task KPI	2010	2011 Target					
			1Q	2Q	3Q	4Q	Total
Mutual growth with suppliers	Supplier satisfaction level	77.4 points	-	82points	-	82points	82points
Strengthen mutual cooperation with 2nd suppliers	2nd supplier coexistent program implementation	6 companies	-	10 companies	-	10 companies	20 companies

Application development contest "Econovation Second Fair"

Supplier-kt Cooperative Council

Green Growth Green IT Forum

Building Green Ecosystem

16 companies
No. of suppliers that received kt's support for ISO 14001

Development of Green Technologies

kt is initiating diverse cooperative activities with suppliers such as encouraging the development of green technologies by suppliers. To this end, kt established various guidelines related to green IT and applied it to its purchase process.

Major Guidelines to Vitalizing the Development Green Technologies

Classification	Details	Introduction
Environment request for telecommunications equipment	Establish technical standards for temperature, humidity, surge, drop shock, vibration (internal), electronic wave (tolerance, trouble prevention, physical protection), hazardous material, standby power, energy efficiency, noise, & surface temperature, and apply it to kt purchase items.	Aug. 2007
Green IT implementation plan	As a result of kt's green implementation to all sectors, CO_2 emissions to be reduced 20% by 2013 compared to that of 2005.	Apr. 2009
Green purchase plan	Priority is to be given to low carbon equipment when purchasing new equipment. Selection of 4 core green technologies is to be initiated which will be applied steadily by 2013. Improve energy efficiency of the communications infrastructure by replacing with low carbon, eco-friendly equipment (2009: 5,000 tons, 2010: 6,000 tons)	Jun. 2009
Green network implementation strategy	By achieving a green network, electric energy will be reduced by 18% compared to that of 2008 in 2013	Oct. 2009

Support for Past Two Years

Category	2009	2010
No. of suppliers that kt supported	Four companies including Dae Han Polymer	16 companies including FRTEK
Support amount	KRW11.97 million	KRW54.25 million

Support for Suppliers' ISO 14001 Certification

To strengthen kt's overall supply eco-system through continuous enhancement of environmental management competencies of suppliers, kt provides environment management system (ISO 14001) consulting and systematic certification acquisition support to 1st and 2nd suppliers. In order to ensure a proper environmental and quality management system for our partner companies, kt encourages them to be certified with TL9000 (quality management system) / ISO 14001 (environmental management system) by providing them financial assistance – kt covers 50% of the certificate related expenses. During the past three years from 2008 to 2010, a total of 46 partner companies (20 companies in 2008, nine in 2009, and 17 in 2010) were beneficiaries. This support promotes the standardization of their quality management processes, raises their employees' awareness of environmental issues, and improves their overall productivity. At the same time, preference will be given to suppliers that have established the environmental management system (ISO 14001) when selecting the vendor and evaluating quality. Through strict post-management activities after providing cost support, kt will at the end continuously enhance its overall sustainability management standards.

Support for Suppliers' ISO 14001 Certification

No. of kt's suppliers (A)	426 (147 for materials and equipment, 279 for construction)
No. of suppliers that kt supported in 2010 (B)	16
B/A	3.8%
Program	ISO 14001 Certification

Innovation of Purchasing System

KRW 176.3 billion
Performance of multiple price policy
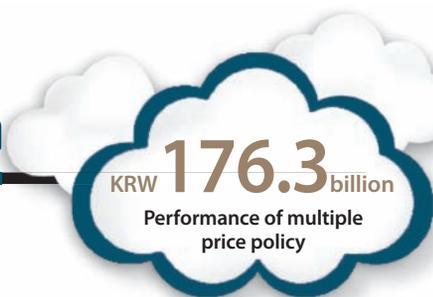
Reflection of Unit Cost Change Factors

In August 2009, kt institutionalized the reflection of unit cost change factors. Factors such as the previous year's inflation rate, foreign exchange rate, and material cost change have been standardized and reflected in the initial target price, which is decided every year. In case unit cost change factors increase by over 3% during the contract period, the supplier can request price adjustment.

Adopting the Multiple Pricing Policy

kt adopted the multiple pricing policy in August 2009. In this policy, the lowest bidder wins the contract quantity. However, if the lowest bidder's bid price is more than 5% lower than the 2nd lowest bidder, the 2nd lower bidder's price is set as the contract price for the original lowest bidder.

Improving the Overall Evaluation Bid Policy

In August 2009, kt improved the evaluation bid policy. To prevent unfortunate circumstances of purchasing low quality goods when focused on price, improvements were made to the bid policy so that the final bidder is decided after evaluating both quality and price. When newly purchasing equipment that has gone through the BMT (Equipment Evaluation) and when making repetitive purchases on equipment, the overall evaluation bid policy serves as the general rule. However, the reflection ratio of quality points will be over 50/100 as stipulated by regulations.

Allocating Quantities to all SGs

Starting in August 2009, kt initiated a policy to allocate quantities to all the SGs (Items). Based on operational quality, after selecting a few SG suppliers, a minimum quantity is allocated to all SG suppliers. This policy is applied to items when the number of items exceeds the number of suppliers in comparison to the annual consumption amount or when there is a need to decrease the number of suppliers on an item due to reduction in demand.

Adopting the Bid Price Limitation Competitive Bidding Policy

In October 2009, the policy was adopted. It is a policy excluding successful bidders if the tender offer is below the bid limitation base price which is calculated as 'the average price multiplied by the limitation ratio of the tenders offered below the target price.' The limitation ratio is generally set at 80%, but can be changed by the characteristics of the bid.

Minimizing the Discord in the Contract / Delivery Ratio

As part of the company's effort to minimize the discord in the contract / deliver ratio, measures were initiated in May 2010. The measures include demand forecasts by product based on a real name policy, standardization focused on outstanding preferred items, invigoration of price contracts without quantity, and systematic management of quantity allocation ratio.

Eliminating Volume D/C Policy

The Volume D/C policy was eliminated in June 2010. Initially, when items are delivered in excess of 110% compared to the original contract amount, a Volume D/C policy was applied by changing the contract. However, considering the difficulty in accurately projecting demand, there were suggestions that improvements had to be made from a mutual growth perspective.

Purchase Policy Innovation Performance

Category	Number of cases	Amount (KRW100 millions)
Multiple Pricing	191	1,763
Overall Evaluation	82	1,384
Target Price Adjustment	101	1,343
N:N Contract	287	3,712
Long-term Supplier	14	382
Bid Price Limitations	215	515

Purchase Support System

Ceremony for win-win cooperation
and fair trade

Items for Pre-audit

- Companywide marketing plans, ad campaigns, PR materials
- Marketing agreement among service providers
- Internal transactions among affiliates such as finance, assets, and human resources
- Contracts with suppliers/outside distributors/subcontractors

No. of Pre-audited Deliberations

Category	2008	2009	2010
No. of cases	348	418	651

No. of Trainees by Year

Category	2008	2009	2010
Working-level education	96	57	41
Cyber program	1,447	1,260	1,387

Self-regulated Allocation of Field Preferred Equipment

Because of the differences in product configuration or structure of each supplier's product, there exist differences in work and operational conveniences. As such is the case, in case preferred items are supplied in excess of the contract quantity, the excess amount can be freely allocated based on preference. This rule applies to all item provided by all suppliers and to those items preferred. This is also to eliminate problems caused by inefficiencies of the suppliers manufacturing facilities as a result of being supplied too early because of the item's preference.

Fair Trade

0
Violation of fair trade practice

Fair Trade Compliance

kt operates the fair trade compliance program (CP) to prevent economic losses for society and the company while voluntarily complying with regulations and preventing unfair activities. During the 2009 CP rating evaluation conducted by the Fair Trade Commission (FTC), we acquired the top rating of "AA." The recognition served as an external recognition of our commitment to fair competition and secured incentives such as the reduction of fines and exemption from official FTC investigations for the subsequent two years. In addition, in 2010, kt and three of its affiliate companies concluded an agreement with 520 SMEs, promising mutual cooperation and fair trade. Through the agreement, kt proclaimed externally that it would abide by regulations and principles to guarantee transparent subcontracting transactions.

Fair Competition Deliberation Center

As part of our fair trade compliance program, kt opened the Fair Competition Deliberation Center in 2005 comprising of fair trade lawyers. By conducting reviews on anti-trust issues for business plans of all divisions, we are effectively preventing violations of competition laws. Additionally, we have designated on-site fair trade representatives to prevent unfair business activities.

Fair Competition Education and Promotion

kt provides training on fair trade three or four times a year. Online training programs are for the employees. In addition, experts from regulatory organizations are invited to share information on recent trends in laws and systems on fair trade while special lectures on key fair trade issues are being held. Visiting lectures are organized for departments where fair trade is of particular importance. To establish a culture of fair competition and promote continued interest and dedication, kt has incorporated an evaluation system.

Corrective Measures for Unfair Trade Practices

Type	Cartel		General unfair trade		Unfair internal transaction		Others *		Total	
	Correction (case)	Fines	Correction (case)	Fines	Correction (case)	Fines	Correction (case)	Fines	Correction (case)	Fines
2008	-	-	-	-	-	-	-	-	-	-
2009	-	-	1	0	-	-	-	-	1	0
2010	-	-	-	-	-	-	-	-	-	-

* Related to Contract Terms Regulation Act, Labeling & Advertising Act, Door-to-Door Sales Act, e-commerce Consumer Protection Act

Supplier Communication

77.4points
Supplier satisfaction index

Operating Mutual Growth Center

kt operates the Mutual Growth Center, providing conveniences such as conference rooms, OA equipment, etc. Supplier suggestions (VOS: Voice of Supplier) is also heard at the center. An exclusive window is open within the center to provide mutual cooperation one-stop work support.

Ideas, Proposals & Rewards

We reorganized our site for submitting suggestions and proposals (ktidea.olleh.com) in order to create a single reception window. We have also streamlined our processes so that all ideas or proposals are reviewed and decided within two months of receipt. We have also introduced an idea purchasing scheme for technology, business models or other ideas that contribute to our operations. If an idea can be commercialized, the proposer will be guaranteed up to 50% of the total procurement volume for the item in question. For ideas that require further development, purchase orders are assured for a pre-set period if the development is completed successfully. Our commitment to supporting the R&D activities of SMEs is underlined by a KRW45 billion fund for commercializing ideas and technologies related to mobile applications and content. An additional fund worth KRW55 billion is planned to support projects for key IT solutions. These funds lower the R&D costs of SMEs and revenues earned from projects will be shared.

Operating "IT CEO Forum"

The core leaders of the small & medium IT companies are the main bodies of the IT CEO Forum. The Forum is operated from three different directions: holding open forums, encouraging coexistent partnerships and linking on/offline. The open forum is open to all companies, mainly to small & medium IT company CEOs, guests from large corporations, associations, academic institutions and related R&D centers participating to search for ways to achieve mutual growth. From a coexistent partnership perspective various results were obtained. They include increasing the number projects shared (MVNO, App. Store, etc.) through mutual cooperation which is being pursued by kt and other large corporations, expanding free discussions and networking exchange gatherings related to specific business and R&D ('ollehting'), and attracting special loan programs from IBK for forum member companies. To hook up on/offline, 6 regular seminars were held annually and the 4 major regional conferences were made into a regular event. Guests were invited to the information exchange seminar to hold around 20 seminars including the DigiEco Open Seminar. Information on these seminars can be found on the forum's exclusive portal (www.itceo.org).

Operate Information Sharing Consultative Group

kt established an 'Information Sharing Consultative Group' to help support suppliers when promoting their products or when emergency demand occurs. The 1st consultative group meeting was held on October 28, 2008 with Kisan Telecom and 11 other companies participating. Issues on the emergency demand timing and inventory carried by suppliers were discussed.

Supplier Satisfaction Level

Since 2005, kt has performed multi-dimensional evaluations on its suppliers every year to assess the company's general purchasing process make improvements accordingly. The survey conducted in 2010 showed a satisfaction score of 77.4 points, up 2.2%p from the previous year's result.

Operation of Mutual Growth Center

- Center size: 200m²
- Available facilities: Conference room, Consultation room (5), Business room

2009	2010
• Usage results	• Usage results
2,911 suppliers	1,830 suppliers
5,932 visitors	7,044 visitors
1,784 times used	1,136 times used

Idea proposal site (ktidea.olleh.com)

The 9th IT CEO Breakfast Seminar

Supplier Satisfaction Level
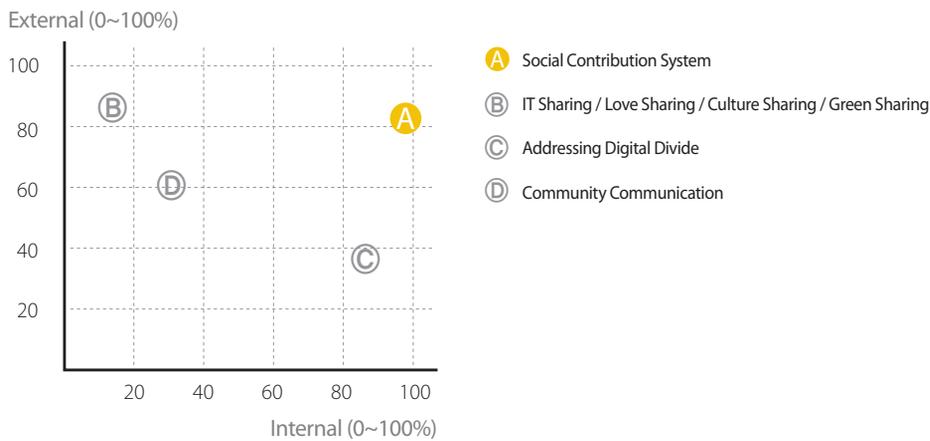
Category	2008	2009	2010
Points	80.2	75.2	77.4

Dream with Society

Vision and Strategic Direction

kt is implementing its social contribution activities focused on 4 areas: IT Sharing, Love Sharing, Culture Sharing & Green Sharing. As such, on a company level, through the kt Volunteer Corps of Love and IT Supporters, greater efforts are being placed on communications and sharing with local societies.

Material Test Results

External (0~100%)

Internal (0~100%)

- Ⓐ Social Contribution System
- Ⓑ IT Sharing / Love Sharing / Culture Sharing / Green Sharing
- Ⓒ Addressing Digital Divide
- Ⓓ Community Communication

Major Performance

Category		2008	2009	2010
Beneficiaries of IT Supporters (persons)		453,084	515,286	325,771
kt Volunteer Corps of Love	Volunteer Hours (hours)	255,219	89,621	114,657
	No. of Participants (persons)	39,878	15,723	30,383
IT Master Scholarship	No. of Beneficiaries (persons)	225	256	263

Awards and Recognition in 2010

- Social Contribution Outstanding Award – Human Network Association (Ministry of Health & Welfare, KBS)
- Social Contribution Outstanding Leadership Award – Korea Productivity Center

INTERVIEW

kt has placed a great effort into eliminating the information divide that low income families face. Social Contribution activities targeted towards children have continued in order to make sure that children from alienated classes do not lose their dreams and hope. Greater interest should be placed on these children so that they don't fall back in this information age.

Jee-Mahn Shin
Public Relations Department,
Public Relations Office

Beneficiaries of IT Supporters
(persons)
325,771

No. of Beneficiaries of IT Master Scholarship
(persons)
263

No. of Employees Participating in kt Volunteer Corps of Love
(persons)
30,383

Social Contribution System

114,657 hours
Volunteer hours

Social Contribution Strategies

Corporate social activities are a means to form a sound relationship between a company and society by sharing corporate resources with local communities, contributing to mutual growth and progress. kt has introduced diverse initiatives to address the problem of the digital divide and enhance quality of life in local communities. Our management directive calls for us to be a respected company under the slogan of "Together, Come, olleh." kt's social contribution slogan incorporates the determination to change the way of thinking, which is the direction that 'olleh management' is pursuing, and the practice of sharing on a global basis. It also embodies three meanings: Together, Come and olleh. Together refers to coexistence, while Come alludes to action and participation oriented towards the world. Last, olleh refers to a happy world of sharing together.

Mission and Direction

Mission	Create a brighter world through 'olleh' sharing activities Serve all of society through continuous social contributions Support the marginalized by sharing core strengths
Vision	Create a more pleasant world by sharing
Slogan	Together, Come, olleh

Key area	Multicultural families		Children	
Approach	IT sharing	Love sharing	Culture sharing	Green sharing

Organization for Social Contribution

kt Volunteer Corps of Love

kt Volunteer Corps of Love was founded in 2001 to promote greater efficiency by integrating kt employees' volunteer activities, which had been conducted individually, into a systematic, company-wide movement. Currently, the Corps consists of more than 700 teams with around 31,000 employees donating their time to various causes such as supporting local children's centers, helping the underprivileged, providing disaster relief assistance, and extending a helping hand to farming and fishing communities. In addition, the Corps provides programs for children such as education and scholarships for gifted students. In 2010, a volunteer activity guideline was announced company-wide to ensure effectiveness of the company's volunteer activities.
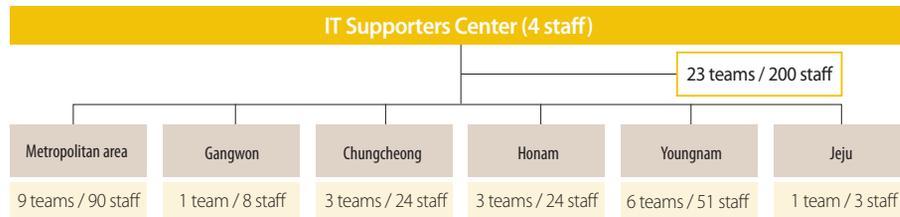
Activities of kt Volunteer Corps of Love

	2008	2009	2010
Volunteer hours	255,219	89,621	114,657
No. of participants	39,878	15,723	30,383

Organizational Chart of kt Volunteer Corps of Love

Head (CEO)

Secretariat (PR Office)

Headquarters and other departments (88)	Personal Customer Division (76)	Home Customer Division (28)	Corporate Customer Division (189)	Network Division (73)
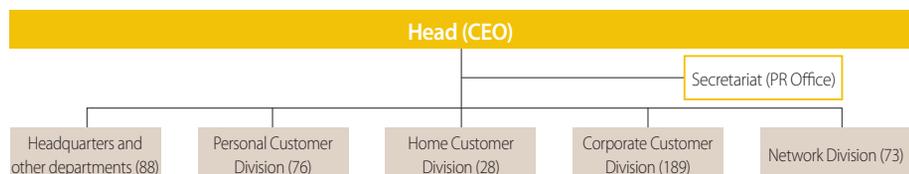
IT Supporters

Launched in 2007, IT Supporters is kt's employee volunteer group that donates IT knowledge to enable anyone to freely utilize IT. This pro bono contribution is focused on donating the talents of the IT Supporters and is considered to be a representative example that changes social contribution. A total of 200 full-time employees from 23 teams across the country are focused on narrowing the information divide and improving life through IT. Anyone can request the support of the IT Supporters by calling (1577-0080) or by connecting to the Internet (www.itsupporters.com).

Organizational Chart of IT Supporters

IT Supporters Center (4 staff)					
				23 teams / 200 staff	
Metropolitan area	Gangwon	Chungcheong	Honam	Youngnam	Jeju
9 teams / 90 staff	1 team / 8 staff	3 teams / 24 staff	3 teams / 24 staff	6 teams / 51 staff	1 team / 3 staff

Finance for Social Contribution

To promote social contribution activities, kt has managed the Love Sharing Fund since 2003, which is led by employees' voluntary donations and the company's matching grant scheme. The company matches the donations raised by employees to support social contribution activities of each volunteer team and mid- to long-term social contribution initiatives for hearing-impaired children and local children's centers. In 2010, 73% of our employees made donations, raising a total of KRW1,740 million.

Operation of the Love Sharing Fund is stipulated by the Love Sharing Fund Operation Committee, which is comprised of representatives from both labor union and management. To ensure transparency, each volunteer team is required to post on the Internet site details and related evidence of the uses of the allocated funds.

Donations to Love Sharing Fund

Category	2008	2009	2010
Fund raised (KRW 100 million)	21.2	20.3	17.4
Employees' participation rate (%)	78	78	73

Evaluation & Compensation System

Results of all volunteer activities are required to be registered on the website (www.volunteer.kt.co.kr). This is to evaluate and compensate the volunteer activities carried out by kt employees & executives. After evaluating the Volunteer Corps of Love and the activities towards local children's centers across the country in 2010, five volunteer teams were selected for their outstanding social contributions. These teams were awarded a commendation and monetary reward by the CEO. In addition to this, ten outstanding volunteer teams are selected every month and provided incentives. Starting in 2011, social contribution awards will be upgraded in status to the kt grand prize.

Launch of fifth group of IT Supporters

Social Contribution Spending by Category
(Unit: KRW 100 million)

Category	2008	2009	2010
Love Sharing Fund	42	40	40
Education and scholarship	8	8	12
Sponsorship	19	21.3	70*
Support for hearing-impaired children	1.4	1.5	2
IT support for local communities	250	250	130**
Culture, art, and sports	28	31	116***
Total	348.4	351.8	370

* Donations in kind added
** Decrease in number of IT Supporters (400 -> 200)
*** Cultural and sports activities added

Supporting multi-cultural family
(Multi-cultural Center in Songpa-gu)

IT Knowledge Sharing (Sweet Academy)

IT Sharing

325,771persons
Beneficiaries of IT Sharing

Supporting Multi-cultural Families

Starting in 2010, in connection with the Ministry of Health & Welfare's Nationwide Multi-cultural Family Support Division and Multi-cultural Center, kt has been providing greater support to multi-cultural families. Some of the support includes opening kt multi-cultural classes to provide IT lessons and opportunities for wives from abroad to experience Korean culture. In addition to providing MS Office program lessons such as Word and PowerPoint, kt actively provides support to help multi-cultural families settle down and educate their children through Korean language & cultural classes and lecture skill training.

IT Knowledge Sharing

kt is taking the lead in creating a "warm smart world" through its 'Smart Academy' and 'Smart Sharing,' which provides support in narrowing the new types of information divide in the wake of the advent of hi-tech IT devices. As part of our effort, new IT device experience & usage training and information accessibility opportunities are provided to the four alienated social groups. If requested by outside institutions or organizations to help train on the use of smart devices, kt provides customized lectures. In addition, the 'Smart Academy' lectures are publicly held in major metropolitan cities such as Seoul, Busan, Daejeon, Daegu, Gwangju, Ulsan and Jeonju. 'Smart Sharing' activities are also held for local children's centers to help eliminate the Smart Divide.

IT Knowledge Training Activities

Category	Open lecture	On-site lecture	Group lecture	Total
No. of trainings	91	630	197	918
Participants (persons)	1,283	14,099	399	15,781

Supporting Alienated Social Groups
(Health Town for Senior Citizens in Gwangju)

Supporting the 4 Information Alienated Social Groups

For the 4 information alienated social groups, the disabled, farmers/fisherman, old/senior citizens and low income groups, kt held basic computer and Internet application training. IT training for practical everyday usage and classes for various qualification tests were also held. Through this training, kt is narrowing the information divide and enhancing the quality of life.

IT Supporters Experience Training for Stakeholders

As part of IT Supporters' experience-oriented activities for stakeholders, intern IT Supporters activities were implemented. During the first half of 2010, 362 interns participated, while 113 joined during the second half. 20 overseas students also participated as interns. Besides this, the IT Supporters University Student Volunteer Group, comprised of 200 college students(22 teams), carried out diverse activities across the country from July 12th to 23rd.

Supporting Small & Medium Entrepreneurs & Independent Enterprises

Targeted towards merchants in traditional markets such as Seoul PoongMool Market, Gwangjang Market and Bangshin Market, and local small entrepreneurs including the Yangsan multi-cultural restaurant, Busan Beauty Artists Association and Daejeon City Music Education Institutes, kt provides support that can help create real economic value through homepage & blog construction and practical OA training.

Training to Prevent Negative Effects of the Internet

In concert with kt's Culture Foundation, continuous training is provided to the general public and children to help counter the negative effects of using the Internet. The major contents of the training include Internet addiction prevention, cyber crime prevention, and personal information protection. To help prevent these side effects, kt trained expert lecturers. In 2008, 2009 and 2010, a total of 80, 330 and 131 lecturers were trained, respectively.

Global IT Sharing

Volunteer activities of IT Supporters became a target for benchmarking by the Ministry of Internal Affairs and Communications of Japan. It was also acknowledged overseas as a representative example of social contribution activities. In October 2008 and November 2009, IT Supporters visited Sri Lanka's Ministry of Education to provide training on utilizing the Sri Lankan language virtual keyboard and construction of audio/video contents. This was followed by IT training courses held at the Goryo People's Cultural Center in Russia's Maritime Province. This was the first overseas training opportunity which is an excellent representation of global IT sharing.

Results of the IT Supporters Activities (Beneficiaries)

(Unit: persons)

Category	Total	Information alienated social groups	General public	Children	Multi-cultural families	Companies and other organizations
2008	453,084	216,502	115,792	81,043	21,022	18,725
2009	515,286	202,371	185,747	80,688	25,991	20,489
2010	325,771	120,778	86,793	20,166	80,393	17,641
Total	1,294,141	539,651	388,332	181,897	127,406	56,855

Outside Evaluation of the IT Supporters Contribution Activities

Nov. 21, 2007	Awarded the Korea Volunteer Service Grand Prize in 2007 (Korea Social Welfare Association)
Dec. 17, 2007	Selected among the 100 to have lightened the world in 2007 (Korea Green Foundation)
Aug. 12, 2008	Selected as the most memorable university student social contribution program (Yonhap News)
Oct. 17, 2008 Nov. 09, 2009	Visited the Sri Lankan Ministry of Education and provided training on the use of the Sri Lankan language virtual keyboard and construction of audio/video contents.
Jun. 03, 2009	Awarded the "Prime Minister's Award" on the Information Culture Day
Jul. 12, 2009 ~	Jointly executed measures with the government to counter DDoS attacks: Carried out Zombie PC clean-up activities
Nov. 25, 2009	The Ministry of Internal Affairs and Communications of Japan visited kt to benchmark the IT Supporters activities
Nov. 04, 2009 ~Nov. 13, 2009	Held the first overseas IT training classes at the Goryo People's Cultural Center in Russia's Maritime Province
Jan. 05, 2010	Selected as the most recognized amongst the CSR activities of the 30 large groups (Economist)
Nov. 24, 2010	Awarded the Grand Prize at the 2nd Korea Human Awards (Ministry of Health & Welfare / KBS)

Junk shop (PoongMool Market in Seoul)

Education to prevent negative effects of Internet

IT Supporters' Program

Supporting Multi-cultural Families
- Support multi-cultural lecturers on using the Powerpoint
- Support multi-cultural families in converting to a Korean citizen through Korean language & culture training utilizing IT
- Support in providing everyday practical convenience through traffic information and shopping mall search

Supporting Small Entrepreneurs & Independent Merchants
- Help create a marketing platform through the construction of a homepage and Blog
- Enhance productivity through practical O/A & various S/W training

Customized IT Training
- Method of using computers & printers
- Internet information search
- Construction of UCC & digital albums
- Method of utilizing Hangeul, Excel, PowerPoint
- Homepage & Blog construction
- Method of using digital cameras, MP3s & mobile phones

IT Utilization for Practical Everyday Living
- Internet (banking, shopping, reservation)
- Issuance of electronic civil documents
- Issuance of public certification
- Using emails and messengers

Using Hi-tech IT Devices
- Method of using smartphones
- SNS service using smartphones
- Method of using tablet PCs

Preventing Negative Effects of IT
- Special lecture on self-evaluation of Internet addiction & prevention
- Cyber crime prevention, voice phishing prevention & personal information protection
- Method of utilizing programs to help block hazardous sites and PC usage time
- IT classroom with both parents and children participating

Mini- Library in 'Delightful School
Local Children's Center'

olleh Dream Bus

Hearing Recovery Project for the Hearing
Impaired Children

Love Sharing

400
No. of sisterhood children's centers

Love Sharing for Children

Support for Local Children's Centers

kt is carrying out diverse support activities targeted towards local children's centers to enable alienated children to grow into future leaders. Various activities were held for 400 local children's centers in 2010 which included tree planting, book donations, educational environment improvements, etc. In 2011, the number of children's centers receiving this support is expected to expand to 1,000, targeting 30,000 alienated children.

olleh Dream Center

Starting in 2010, in connection with local children's centers located in major areas, kt began operations of its 'olleh Dream Center.' Utilizing available space in kt branches across the country, the olleh Dream Centers were equipped with diverse IT devices which included IPTVs, beam projectors, smart pads, etc. Through the olleh Dream Center, various educational courses were held to help enhance scholastic achievements. Courses include English, constellation education and music. As of the end of 2010, including the olleh Center located at kt headquarters in Seongnam city, seven centers were under operation in major areas of the country. During the 1st half of 2011, three centers were added, bringing the total to ten nationwide. In order to enable children to conveniently use the olleh Dream Center, buses to and from each center was provided.

Support for Hearing-impaired Children

We have helped children and teenagers from low-income families to restore their hearing since 2003. As of the end of 2010, kt has funded artificial cochlea implants and rehabilitation treatment for 126 children, while 172 more have been given digital hearing aids. Starting in 2010, the scope of support was expanded to cover brainstem transplant surgeries from just hearing disabilities. To provide more systematic support kt and Yonsei Medical Center concluded an MOU for the "Find the Voice for the Hearing Disability Children Project." With the support of the kt Cultural Foundation in 2010, through the 'Find the Voice' project, 21 children with hearing disabilities were selected and provided treatment cost and hearing aids.

Number of Children Receiving Hearing Restoration Support (Unit: Persons)

Category	2010	Cumulative
Brainstem transplant	3	3
Artificial cochlea implants	7	126
Digital hearing aids	11	172
Total	21	301

In commemoration of 'Ear Day' on September 9, kt and the Yonsei Medical Center jointly held campaigns. With the theme 'Noise, Communications & Important People,' the event included various programs that helped everyone realize the importance of sound. Some of the events included hearing examinations, photo exhibits and a mini concert.

'Ear Day' Commemoration Mini Concert

Love Sharing for the Alienated Social Group

Scholarship Programs

kt Labor-Management Youth Scholarship Project

To foster future leaders through support for the alienated social class, kt's labor union & management initiated a Youth Scholarship project by providing tuition fee to selected outstanding high school students of low income families. In 2010 a total of KRW280 million were provided as support to 210 high school students. The beneficiary students were further encouraged through Youth Camps. In 2011, KRW300 million has been allocated for 217 high school students.

IT Master Scholarship

Initiated in 1988, the 'IT Master Scholarship' is a scholarship program providing scholarships to academically outstanding university students that have been recommended by each school. The students have to be majoring in any IT related department, including electronics, computer, electricity, telecommunications, media, etc. In addition to providing scholarships, network establishment programs are also implemented to continuously maintain a close relationship with scholarship beneficiaries. Programs include seminars and informal discussion tables. The beneficiaries are also provided the opportunity to participate in local IT Supporters and supporters of kt's exhibitions. The size of the scholarship in 2011 was at the same level as that of 2010 at KRW820 million. Scholarships are to be provided to a total of 263 students in 141 universities.

Hope Sharing Fund for Youth

For those customers wanting to participate in kt's youth scholarship project, the telecommunication rates on their bill are increased in units of KRW thousand at the request of the customer. This increased amount is reserved as scholarship funds. The funds are managed under the 'Hope Sharing Fund for Youth' to help youth in low income families that have talent in culture & arts and athletics. In 2010, KRW20 million were provided as scholarship to 4 students.

Disaster Recovery

When stricken by unexpected disasters, kt works hard to repair telecommunications facilities and restore services as quickly as possible. We also provide public phone services to the victims without charge, as well as telecommunication services at reduced or exempted rates in order to ease their hardship. In addition, kt Volunteers are dispatched to the scene to deliver relief supplies and donated funds as well as to help out with the recovery effort. In the aftermaths of the sinking of the Cheonanham naval ship and the bombing of Yeonpyeong Island, contributions of KRW227 million were evenly made through the Community Chest of Korea and the Korean Red Cross in 2010.

Global Love Sharing

In cooperation with KOICA, a government grant aid agency, kt completed construction of Wimana elementary school in Rwanda's Kamonyi City on March 2011 as part of the Korean government's public-private partnership project. As a result of the project, about 600 students, who had to travel long distances to school before, now have the benefit of having a school close by. KOICA and kt provided the school with various study material, uniforms and soccer balls. In addition, kt implemented the Information of Education project in Uzbekistan by donating a computer class in September 2010. This has become a model to computer classes to come. The donated class included PCs, scanners, printers, a beam projector and a screen. Other items donated included soccer balls, basketball balls and volleyballs. In addition, kt opened a kt multi-cultural class at the Mapo Multi-cultural Family Support Center to provide support to domestic multi-cultural families in April 2010. This was in conjunction with The Central Office for Multicultural Family Support Center. Twice in 2010 (January / September), newly hired employees carried out clean-up activities for multi-cultural families as part of their volunteering initiative.

Labor-Management Youth Scholarship

olleh IT Master Scholarship

Year of scholarship granted	2008	2009	2010
No. of recipients (Persons)	225	256	263
Supported amount (KRW 100 million)	8	8	8.2

Note) Total no. of recipients 5,662 / Accumulative amount KRW14.8 billion

Telecommunications Rate Reduction for Special Disaster Areas

Relief Funds for Affected Citizens in Yeonpyeong Island

Culture Sharing

527,333persons
Visitiors to olleh square

olleh Square

kt Chamber Hall

Winner of the 2010-2011 Basketball Regular League

Basketball Class with the Alienated Children

Mecenat Activities

olleh Square

The olleh Square, located on the 1st floor of kt's Gwanghwamun building, is an integrated cultural space (3,300m^2) for experiencing IT. The 'kt Art Hall' was renovated and changed in May 2010 to the olleh Square, housing up-to-date IT devices and services that everyone can experience unlimitedly. By operating a café and holding olleh Square Talk Concerts, the olleh Square has become one of the leading integrated cultural spaces where culture and relaxation is offered.

The olleh Square is also used for outside events such as the 62nd Army Day Commemoration and the launching of Apple's iPhone4 and iPad. It has also become a popular tour course for experiencing the hi-tech IT environment. Since its opening on May 24, 2010 and as of the end of 2010 there were a total of 527,333 visitors.

kt Chamber Hall

The kt Chamber Hall was opened inside the Mokdong IDC in Seoul in May 2009 as part of a remodeling project. As the name suggests, the venue is designed to stage chamber music performances. The Hall can accommodate an audience of 410, while parking is available for 600 vehicles. Prominent chamber music artists are invited to perform, and the recorded performance is broadcast on our Chamber Hall concert channels - olleh TV classical music and concerts.

The 'Saturday Afternoon Chamber Music with kt' which was held 24 times since the hall was first open had a total of 9,262 audiences, whereas the '2010 Jazz and the City' performance, which was held 12 times, had a total of 3,266 audiences. By providing seats at extraordinary rates and donating seats to the alienated class, and inviting VIPs to special events, the kt Chamber Hall is fully being utilized for purposes of social contribution and customer satisfaction.

Sports Sharing Activities

Sonic Boom Basketball Team Activities

kt Sonic Boom, kt's professional basketball team with connections to Busan, held diverse social contribution activities. Through the Love Seat Sharing event, free professional basketball game seats were provided to alienated children and misfortunate neighbor support groups in Busan. kt's Sonic Boom and Busan's Fruit of Love initiated a surgery cost support program to help children with hearing impairment to hear again.

In addition, through Sonic Boom's 2nd Frontiers, a sports onsite experience group, an onsite sports experience program was initiated for university students living in the Busan area with interest to sports marketing. Also, by holding intern programs for university students and soon to be graduating students in the Busan area, kt is helping to create jobs and to foster sports leaders. In July 2010, the Sonic Boom Children Basketball Club was launched for children in the Busan area. Summer camps were also held. To create a healthy sports culture among the young, the '2010 olleh 3 on 3 Basketball Contest' was held. As a new concept sports cheer group for the alienated, the 'olleh Gun' was created, helping the alienated participate in sports cheering.

Pro-gamers Activities

Through the co-sponsorship of kt's pro-gamers and the Korea Make a Wish Foundation a charity game event was held. KRW20 million was collected and delivered to children with incurable diseases.

Supporting Amateur Sports

kt fosters future sports potentials. To expand non-popular sports, kt started managing a women's hockey team and a shooting team in 1984 and 1985, respectively. In 2010 alone, including Jin, Jong Oh's World Shooting Championship and Asian Games gold medals, kt's shooting team won 56 medals in 13 domestic and overseas championships. The women's hockey team won the silver medal at the Asian Games and became two time champions in domestic competition. kt also provided support to Baduk competition, contributing to the growth of young Baduk players.

Supporting Children Soccer Competitions

In addition to sponsoring the Korean National Soccer Team, kt also helps foster young soccer players and provides support to children sports competition (Little K-League). By enabling children alienated from elite soccer the opportunity to participate in soccer competitions, kt helped to instill dreams of becoming national soccer players and foster a healthy children's culture.

Green Sharing

Preservation of the Dong River

kt has been protecting the Dong River, which boasts stunning scenery, and sponsoring projects such as the restoration of a traditional house in Jejang Village, Jeongseon-gun, Gangwon Province. We have also participated in raising funds to purchase 17,190cm^2 of since 2003. We then carried out volunteer activities to complete the construction of a traditional house, "Loving Dong River" in August 2005. The house has become a symbol of Dong River preservation activities and is used as a site for teaching youths about the importance of protecting nature.

Protecting Ranunculus Kazusensis Makino Colonies in Ganghwa Island

Since 2003, kt has been leading the movement to protect colonies of ranunculus kazusensis makino, an herbaceous water plant belonging to the buttercup family. This species grows only in Ganghwa Island and has become threatened with extinction due to habitat loss. The National Trust of Korea designated this wild plant as the country's first Citizen's Natural Heritage. We created mountain paths near the colonies to prevent their being damaged, and we sponsor trips to view the flowers in bloom every May. (On May 15, 2010, we invited 40 children from local children's centers.) Meanwhile, since 2009, kt has been supporting local residents' efforts to prevent damage to the olleh hiking trails on Jeju Island and to promote them as a tourist attraction.

H₂O Green Protection Event

As part of the labor-management coexistence program, kt initiated the 'H₂O (Host to olleh) Green Protection Event.' Held simultaneously in 460 locations, a total of 21,000 labor union members, employees and executives participated in clean-up activities. Surrounding streams, roadsides, cultural heritage facilities, bus stops, and ravines were part of the clean-up targets. In the future, the green protection movement will be expanded from environment clean-up activities to protecting cultural heritage sites and providing twice annually cultural performances for local citizens.

Charity Game Event held by kt Pro-gamers

olleh kt Baduk Competitions

Children Soccer Competitions (Little K-League)

Local Children's Center Ranunculus Kazusensis Makino Observation Activities

Green Protection Activities

* Landline rates based on small / medium usage are
the second lowest among OECD nations
(OECD Communications Outlook 2009)

Rate Reduction for the Underprivileged (Unit: KRW 100 million)

		2,353
	2,103	
1,747		
2008	2009	2010

** International Convention for the Safety of Life
At Sea enacted by the International Maritime
Organizations
*** Global Maritime Distress and Safety System

Addressing Digital Divide

KRW **235.3** billion
Fee reduction for the underprivileged

Providing Universal Service

Universal service refers to basic telecommunications services that are provided to everyone at an appropriate rate when and wherever. In other words, it allows users to conveniently use communications services at a rate that can generally be paid by most of the public, no matter which social class the user is in or where the user lives. Universal services generally include wired phone services, emergency communication phones services, and discount rates for the disabled & low income groups. kt maintains low rates* for all citizens using services designated as universal services. No discrimination is placed on usage conditions such as rates or quality for reasons of geographical location, income level and whether disabled or not. Usage conditions are applied equally. Unlike most other domestic telecommunications service providers limiting service membership areas due to service area coverage issues, kt provides the same service to users in cities and users living in high cost areas such as agricultural / farmland & island areas.

2010 Universal Service Status

		Service definition	Service status
Wired Phone Services	City Call Service	Phone service connecting communications between subscribed phones	• Service provided to 16,258,000 subscriber users as of the end of 2010 (Market Share: 86%) • Replacing worn-out switchboards: 264,000 lines • Facilities provided due to demand from new city development: 275,000 lines
	Island Communications Service	Phone service connecting communications between land & island and island to land	• Providing inner city phone & broadband Internet service to 65,000 subscribers in 422 island areas across the country
	Inner City Public Phone Service	Phone service connecting communications using public phones	• Operates 88,000 public phones nationwide • Regular disinfection/sanitary management, convenient booths for the disabled
Emergency Communications Phone Service	Special Number Phone Service for Emergency Communications	Among the backbone communications service, services that the Korea Communications Service has designated as a special number phone service	• Emergency Numbers: National Security Reporting / Consultation (111), Crime Reporting (112), Spy Reporting (113), Cyber Terror Reporting / Consultation (118), Fire / Disaster Reporting (119), Maritime Accident & Crime Reporting (122), Smuggling Reporting (125), Drug Crime Reporting (127) • Calls are diverted to the nearest representative authority; calls are free
	Ship Wireless Phone Service	Phone service connecting communications between land to ship and ship to ship	• Provide telegraph, phone and telegram services to 4 thousand subscribed ships • When a GMDSS*** disaster signal is received, the signals are automatically relayed real-time to related organizations such as the maritime police in accordance to the SOLAS** Convention
Phone Services at Discount Rate		Communications service at discount rates for those requiring social protection such as the disabled and low income class	• Discount rate services; city/long distance phone calls, phone information, mobile phones, broadband Internet • Set amount discounted from base rate and usage rate • 5,239 thousand subscribers by service in 2010; total of KRW235.4 billion discounted

Information Village

In 2010, kt participated in the farming & fishing village broadband project to provide public good such as enhancing the quality of life for these villages and vitalizing the local economy. The project entailed the installation of a broadband network with a capacity of 50 or less subscribers, providing specialized services for the village occupants, which include providing broadcasting, and convenience and safety related services. In addition, by advertising and providing educational support to vitalize the usage of the broadband network, kt's objective is to achieve balanced growth between the city and village, while contributing to the information expansion of the country. With the start of the smart infrastructure establishment working group committee on June 20, 2010, agreements with ten local governments from Chungbuk to Gyeonggi were concluded between July and October. By pre-planning and designing to be able to provide services within the predetermined period, kt was able to complete the broadband subscriber network at the end of November 2010. To successfully complete the project, existing copper-based ADSL, FTTC, and FTTP networks were replaced with FTTH networks, creating a farming & fishing village IT infrastructure from a long-term perspective. In 2010, kt exceeded its target of providing 658 administrative districts with broadband subscriber networks by 26, enabling a total of 25,000 households access to the broadband network infrastructure. Many benefits can be expected from this kind of Information Village. Among the benefits include the alleviation of the information divide between regions, enhanced regional competitiveness, increased income for local citizens and vitalization of the local community.

Building broadband networks in farming and fishing villages

Broadband Networks Built in 2010

Region	No. of cities	No. of counties	No. of households
Ulsan	1	10	393
Gyeonggi	2	10	385
Gangwon	9	71	2,737
Chungbuk	11	71	2,835
Chungnam	15	81	3,335
Jeonbuk	10	145	5,221
Jeonnam	20	103	3,900
Gyeongbuk	4	86	3,280
Gyeongnam	12	78	3,044
Jeju	1	3	121
Total	85	658	25,251

Community Communication

To ensure that genuine and effective social contribution programs are initiated, kt holds diverse communications with related members in each social contribution area, including 'IT Sharing,' 'Love Sharing,' 'Culture Sharing,' and 'Green Sharing.'

In case of 'IT Sharing,' communications with IT Supporters are possible through the phone (1577-0080) and Internet homepage (www.itsupporters.com). Through this, anyone has the opportunity to receive IT and IT related training and consulting. For 'Love Sharing,' communications are held with related parties and beneficiaries in the 4 major areas that include alienated children support programs, activities of kt Volunteer Corps of Love volunteer programs, hearing impaired support programs, and scholarship programs. By communicating with the beneficiaries of these programs, kt is able to initiate social contribution programs that meet their needs.

To actively implement 'Culture Sharing,' questionnaires are provided to olleh Square and kt Chamber Hall visitors. Requests by the visitors are reflected in on-going activities. In addition, by using SNS type mediums such as Facebook, information on various performances and Mecenat activities are advertised, while opinions and suggestions are collected. Last, to expand 'Green Sharing,' in cooperation with various environment-related NGOs such as the National Trust, kt holds environmental protection experience activities throughout the year. Diverse programs are being prepared to enable children to understand the importance of the environment.

Lover Sharing Communications

| Area	Communications
Alienated Children Support Programs	Plan program jointly with local children's center associations Provide transport support through the Dream 'Poom' Bus to the local children's center associations
kt Volunteer Corps of Love Volunteer Programs	Carry out theme-based volunteer activities by forming relations with local children's centers
Hearing Impairment Support Programs	Select beneficiary targets through hospital networks, including famous otolaryngologists across the country
Scholarship Programs	Maintain close cooperation with middle & high schools and universities across the country

Dream with Environment

Vision and Strategic Direction

Under the slogan "Green kt, Green Korea," kt established an environmental vision, "Green Convergence Leader" that leads the construction of a green advanced country." By converting the work environment into a green ecosystem, leading the national economy into a green innovation, and searching for green growth engines, kt was able to establish a greenhouse gas reduction target of 20%. Meanwhile, Green IT working group committee was formed to implement green strategies.

Material Test Results

External (0~100%)
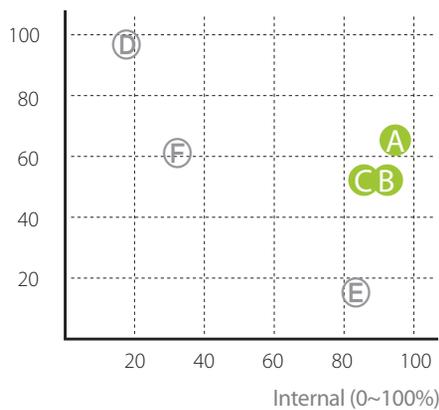
- (A) Environmental Management System
- (B) Response to Climate Change
- (C) Energy Efficiency and Resource Recycling / Realizing Green Office
- (D) Environment-Friendly Products and Services / Participating in Green Growth Projects
- (E) Environmental Regulations and Certifications
- (F) Environmental Communication

Internal (0~100%)

Major Performance

Category		2008	2009	2010
Greenhouse Gas Emissions	Scope 1 (tonCO$_2$)	52,936	58,432	66,736
	Scope 2 (tonCO$_2$)	1,147,116	1,057,743	1,061,357
	Total	1,200,052	1,116,175	1,128,093
Water Use	Water Use (tons)	2,721,622	2,775,565	3,014,704
	Water Use Per Person (tons)	85.64	88.78	83.01
Environmental Investment	Green Procurement (KRW million)	7,834	1,777	4,876
	Green Investment (KRW million)	48,800	113,700	651,200

Awards and Recognition in 2010

- Green Technology Certification (3): Home Network Technology using Zigbee/PLC / kt Building Energy Management Solution / RF/CT based Energy Remote Measurement
- Green Business Certification (4): 3G, IPTV, VoIP linked Video Conferencing Business / Station broadening to establish Green Communications Infrastructure / Eco-friendly Address Change business / Green IDC Establishment Business Utilizing DC Power Technology
- Leader in telecommunications industry in Carbon Management 2010 (CDP Korea)

INTERVIEW

ICT is a new communications service not requiring vehicle mobility, and which helps reduce carbon dioxide. Going forward, from a green growth perspective that will provide greater new opportunities, it is inevitable to actively pursue this business.

Jin-Myung Lee
Smart Green Division,
Smart Green Development Center

Green Procurement
(KRW million)
4,876

**Water Use
Per Person** (tons)
83.01

**Greenhouse
Gas Emissions**
($tonCO_2$)

1,128,093

The Meaning of Green kt, Green Korea

Green kt

Cost reduction and accumulation of related experiences / technologies by leading the green initiative at the highest level

A new leap ahead by searching for green growth engines

Enhancing group competitiveness by establishing the number one green image

Green Korea

Lead the country's green growth through Green kt capabilities

Enhance quality of living for citizens through a green revolution

Improve national competitiveness by enhancing the green country image

Environmental Management System

Environmental Management Vision

As the use of IT devices are expanding globally, the portion that IT takes up in terms of energy usage and greenhouse gas emissions are rising. The environment is not only core to sustainability management, but also provides new business opportunities. Acknowledging the importance of this, to create new growth engines in the green technology business, kt established 'Green kt, Green Korea' as its vision. In order to achieve this, there is a need to convert the high energy consuming social infrastructure to one of zero carbon. At the same time, kt is striving to achieve green growth by developing IT solutions that encourage IT infrastructure energy savings technologies and customers to go green. kt will also actively participate in government sponsored green projects to help effectively counter climate change.

Vision

GREEN kt, GREEN KOREA

Promote green ecosystems
• Purchase eco-friendly products
• Strengthen partner companies' green capabilities
• Green IT Supporters activities

Seeking new growth engines
• Secure new growth momentum by uncovering sectors for convergence with IT
• Home, office, building, infrastructure, energy

Drive green revolution in Korea
• Promote green telecom infrastructure and green workplace
• Encourage consumers' green lifestyles with green services

Organization and Systems

To drive green growth and efficiently advance green IT-related capabilities, we established the "Green IT Committee." Chaired by the CEO, the committee sets annual green IT action plans every first quarter and passes on relevant information to each subcommittee. It also checks whether or not the company meets GHG emission reduction targets and generates target revenue from green products. The "War Room," a central database center from where the progress of the Green IT management is monitored in real time, consists of six divisions. The system allows all business units of the company to share the status of green achievements.

Organizational Chart of the Green IT Working Committee (2011)

Green IT Working Committee

Champion: Head of Research Center

Green Individual Subcommittee	Green Home Subcommittee	Green Office Subcommittee	Green Virtualization Subcommittee	Green Infrastructure Subcommittee	Green Environment Subcommittee
Green wireless environment / BM	Green home environment / BM	Green IDC and Office / BM	Virtualization technology	Green network	Green property

Note) kt Networks and kt Telecop started to participate in subsidiary subcommittee in 2011.

Response to Climate Change

1,128 thousand tonCO₂

GHG Emissions

GHG Emission Reduction Plan

GHG Emission Reduction Targets

We plan to reduce our GHG emissions by 20% by 2013 (from 2007 levels) by conserving energy, using alternative energy sources, upgrading telecom and IT infrastructure, and promoting a green workplace.

GHG Emission Reduction

kt became the first in the Korean telecom industry to build a company-wide GHG inventory system. In 2010, we examined the energy consumption of our buildings and increased the energy efficiency of our facilities. In 2010, GHG emissions totaled 1,128,093tonCO₂, about the same level as that in the previous year. We manage greenhouse gases that are related to logistics such as vehicles for business use under the category of mobile combustion of SCOPE 1. Going forward, we plan to increase the portion of environment-friendly vehicles.

GHG Emissions*

(Unit: tonCO₂)

	Type	2008	2009	2010
SCOPE1	**Fixed combustion**	40,839	40,222	49,079
	Mobile combustion	12,097	18,210	17,657
	Total	52,936	58,432	66,736
SCOPE 2	**Electricity**	1,143,495	1,053,352	1,056,698
	Steam	3,621	4,391	4,659
	Total	1,147,116	1,057,743	1,061,357
	Total	1,200,052	1,116,175	1,128,093

Management of GHG emissions

* According to Article 44 of the Basic Act on Low Carbon Green Growth enacted on Jan. 13, 2010, we recalculated greenhouse gas emissions generated from rental areas and telecommunication facilities. (Additional emitting sources: repeaters both inside and outside buildings, base stations)

Investment in New & Renewable Energy Equipment

A 50Kw solar power generator was installed at Shinnae Branch and on the premises of the Hwaseong transmitting station in 2008. And in December 2010, at Gangneung receiving station, the construction of a large capacity 423Kw solar power generator was completed. In the future, kt will utilize idle land and building rooftops to install or expand solar power generation equipment. In addition, kt adopted as a trial project, a heating/cooling and hot water supply system within buildings using geo thermal energy. The systems were installed both at the Daeduk Research Complex and Gongju Branch. To eliminate dust, vibration and noise in the process of utilizing heat from 100~150 meters underground, an eco-friendly drilling technology was developed. At the same time, as part of the Ministry of Knowledge Economy sponsored new and renewable energy trial distribution project, kt installed five 1Kw fuel cells at Songdo building. Through these initiatives, kt was able to conclude strategic partnerships with energy companies. This paved the way to help kt develop communications and energy combined services.

Solar Power Generator established in Gangneung Receiving Station

Support for Customers to Reduce GHG Emissions

kt provides customers with services for measuring and reducing energy consumption. We apply our technical knowhow to develop smart-grid telemeasuring, telemetering and remote control solutions that conserve energy. In addition, we provide green home, green office, green building and green energy services to our customers.

Energy Efficiency and Resource Recycling

3,014 thousand tons
Water use

Smart Grid Project Implementation Plan

Target	Details
May 2010	Monitoring of 200 homes
May 2011	Monitoring & control of 1,000 homes
May 2012	Provide KEPCO power trade services
May 2013	Provide services linked to U-city

Energy Efficiency

Real-time Monitoring of Energy Use

We carried out a government-initiated product development project and developed a device that measures the energy use and carbon emissions of various facilities on a real-time basis. The device also helps us carry out various activities such as target management, reporting, and assurance. Additionally, we applied this device to several kt office buildings to collect energy data for the Building Energy Management System (BEMS) more systematically.

Energy Target Management Policy

kt is participating in the Ministry of Land, Transportation and Maritime Affairs' Energy Target Management trial project in the building sector. The first of many 5-year energy conservation targets were established in concert with 12 institutions with high energy consumption levels. kt signed the 1st 5-year trial project agreement to achieve its 1st target by 2014. The building with the most energy consumption as of 2009 was selected for the project, which was Hyehwa Branch building with 8,000 TOE. Another non-branch building target was Bundang IDC with 21,000 TOE.

Investment in the Smart Grid Business

kt participates in the Ministry of Knowledge Economy's Jeju Demonstration Complex project related to Smart Grids. The project, which will approximately cover 6,000 homes in Jeju will be implemented from May 2009 to May 2013. The project aims at enhancing energy usage by utilizing new and renewable energy sources and energy storage facilities. kt is implementing this project through the kt Consortium comprising of 14 corporations and 4 consignment institutions.

Use of Highly Efficient Equipment

We are now engaged in a company-wide effort to maximize energy efficiency. As heating and cooling facilities are thought of as a major source of energy consumption and GHG emission, we are replacing the existing systems with those that have energy-saving heat pumps. We are also replacing halogen and incandescent lights, with LED lamps. In addition, we are now using thermally insulated glass, triple-component glass, double-glazed windows, higher-efficiency insulation materials, and cool thermal energy storage. Importantly, the "smart-heating" controller system has proven to be outstanding in lowering energy consumption.

Applying the Insulation Film

In August 2010, kt applied insulation film on window glasses to enhance cooling / heating efficiencies in some of its buildings that include Goyang office (2,290m²) and Changwon office (334m²). The insulation film resulted in improved heating / cooling efficiencies.

Reduced Power Consumption of IT Equipment

We have applied green ICT technology to our telecom infrastructure. In 2009, we lowered electricity consumption by 5.1% by installing Fiber To The Home communication facilities, implementing stricter thermal standards for telecom systems, and consolidating telecom centers. We plan to extend the service coverage area of our telecom centers from the current 4km radius to a 50km radius by 2015, reducing power consumption by up to 40%. We will also increase the power efficiency of our telecom network by replacing existing switches and the current wireless network with 3G systems.

Wired/Wireless Communications Infrastructure & Data Center Energy Optimization

kt trys to achieve communications infrastructure and data center energy optimization. A good example is the broadening of the station coverage project. By downsizing existing communications stations and simplifying the network structure, a more efficient network management has been made possible. The project to convert the wireless network infrastructure into a clouding environment is being initiated.

Resource Recycling

Water Usage Management

A washbasin water saving device is required to be installed in all new, extension or remodeling buildings to reduce water consumption. By replacing filters in cooling equipment and regularly cleaning pipes, water usage efficiencies have been improved. Simultaneously, to reduce water consumption, various campaigns such as reducing daily water consumption by 1.5 liters per person, decreasing the carbon footprint, and distributing mug cups were held throughout the year. As the number of people in the building increased, water consumption also increased by 8.6% in 2010. However, water consumption per person decreased by 6.5%. The water reduction management target for 2011 has been set at 120,588 tons, a 4% decrease compared to the previous year.

Recycling of Telecom Devices

To increase the collection rate of old phones, kt provides a set amount in subsidies for new phone purchases when a customer returns their old handset. Returned old handsets are reused as rental phones for those who lost their handsets. In addition, when customers subscribe to broadband Internet or ITPV services, kt rents modems and reclaims them back when customers cancels services.

Waste Disposal

kt disposes of used materials such as batteries, cables and machineries from construction sites and buildings according to pertinent laws. Designated waste materials that contain harmful substances such as waste fuel and waste acid are registered into the allbaro system (www.allbaro.or.kr). Cables and other machineries are sold to recycling firms to be reused and recycled as raw materials, while empty cable drums are sold back to cable suppliers for repurchase.

Waste Disposal Process

Logistics center	Waste handling firm (Produce raw material)	Produce finished product
Waste cables	Copper	Cable, copper products
Installations (telecom infrastructure, machinery)	Gold, silver, iron, aluminum	Precious metal
Waste batteries	Lead	Batteries
Empty drums	Cable drums	
Vehicles and generators	Reuse (for reused car sales, and for use in plants and ships)	

Designated Waste Material Treatment by Construction Contractor

For construction wastes, the projected quantity is calculated from the design stage and the treatment expenses are included in the contract. All wastes from construction are consigned to a waste disposal company for treatment by the constructor contractor. Payment is concluded after the contractor compares the waste yield amount to the actual consigned waste quantity. In case the waste quantity is too small that the disposal company refuses to collect the waste, the contractor must place the wastes in storage and must get an annually contracted disposal company to treat the wastes.

Water Use

Category	2008	2009	2010
Water Use (tons)	2,721,622	2,775,565	3,014,704
Workforce (persons)	31,780	31,264	36,318
Water use per person (tons)	85.64	88.78	83.01

Sales of Disused Materials (Unit: tons)

Category	2008	2009	2010
Waste cable	7,343	6,209	4,530
Waste equipment	3,029	2,751	2,965
Waste battery	3,656	1,797	2,414
Others	442	427	315
Total	14,470	11,184	10,224

Waste Disposal Expenses of Subcontract Construction (Unit: KRW 100 million)
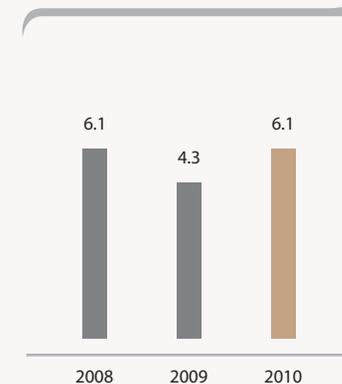
2008	2009	2010
6.1	4.3	6.1

Videoconferencing at kt headquarters

Smart Working Center

kt's Energy Saving Results

	Participating stations	Reduction results (Mwh)	Accumulated amount (KRW thousand)	Remarks
2008	220	3,024	32,400	
2009	2,442	25,380	124,000	Selected as no. 1 company
2010	3,510	8,075	40,000	1st
Total	6,172	36,479	196,400	

iPad provided to all our employees

Realizing Green Office

90
Office buildings that equip videoconferencing room

GHG Emission Reduction through Videoconferencing
Videoconferencing helps reduce carbon emissions as well as increase productivity by accelerating decision-making and cutting travel costs. The DigiEco estimates that replacing 20% of all international and domestic meetings with videoconferencing would bring an annual savings of KRW13.7 billion, as a result of reduced carbon emissions, lower travel costs and increased productivity. Conventional videoconference solutions require high initial installation costs and pose quality issues such as audio-video lag. We adopted a PC-based model to address these shortcomings. These systems have been installed in 90 offices of our office buildings to ensure all employees, even those who are working away from the office, can use their PCs to participate in meetings.

Smart Working Center
By establishing a Smart Working Center in all major buildings, employee work efficiencies have improved, while mobile combustion has been reduced. In addition, with the establishment of a network platform office environment for working at home, kt is encouraging all employees to participate in and practice 'Green IT.'

Building an e-Office Environment
To reduce the use of resources, kt has built an "e-Office" environment. e-Office refers to an optimal working environment that minimizes environmental impact by adopting information technology. We shifted a paper-based offline approval process to an electronic business approval system, and operate an e-cabinet system whereby various documents are stored and managed as electronic files rather than as paper printouts stored in file cabinets.

Minus (-) Energy, Plus (+) Love Campaign
kt is simultaneously reducing energy and actively participating in the Ministry of Knowledge Economy's 'Minus (-) Energy, Plus (+) Love' campaign. This social contribution campaign is to practice energy conservation while providing energy welfare to the lower income class. The energy amount saved at homes and office buildings during the months of July and August, when energy consumption is highest, can be converted to pay for heating cost for needy neighbors under the campaign participant's name. In 2010, 3,510 stations, including main and ancillary, participated in the campaign (an increase of 1,068 stations over the previous year), achieving a reduction of 8,095,000Kw (carbon emission of 3,800 tons) during the peak months of July and August. By reducing energy expenses by KRW800 million (in concert with company-wide energy reduction activities), kt was selected 1st for two consecutive years among the participating companies.

Paperless Campaign
We are promoting the use of AnyFax, an e-fax system, as part of an ongoing drive to achieve a truly paperless office environment. With the introduction of the e-fax system, monthly paper use per person dropped by approximately 50 sheets (based on A4 size paper).

Environment-Friendly Products and Services

Environment-Friendly Products

Green PC Solution

The Green PC Solution consists of layers of PCs. 60 independent PCs are stacked on a rack forming one single multi PC system. Unlike individual PCs, efficient energy management is possible. At the same time it is possible to eliminate fine dust and other pollutants emanating from individual PCs. In addition, maintenance is more convenient and heating/cooling energy can be reduced by using the heat energy from the clustered PCs. This helps save summer cooling expenses by 5%, while reducing CO_2 emissions by 500 tons.

Automatic Standby Power Termination PC System

This system allows the user to automatically terminate standby power when the PC is not in use. Monitor, speaker and printer power can be terminated automatically along with the desktop PC. In addition, by pressing the green button the standby power is instantly terminated and by pressing the zero button, it has the same effect as disconnecting the plug.

Environment-Friendly Services

Videoconferencing Service

kt's videoconferencing service received the Green Business certificate in October 2010. Without using expensive equipment, close distance communications and cooperation is possible with diverse devices, helping to contribute to cost reduction and reduction in environmental impact.

Wireless Based Real Time Energy Consumption Remote Monitoring Service

This is a nationally 'Green' certified service that enables users to monitor real time through a wireless device the energy consumption and greenhouse gas emissions emanating from homes, offices and buildings. Using smartphones, the energy consumption and CO_2 emissions status can be monitored, analyzed and managed without the need for installing expensive meters, helping reduce costs. When participating in the greenhouse gas target management policy and emissions trading, it can be used as a platform service enabling the user to link with various energy reduction solutions at home and at work.

Green PCs established in Honam University

Participating in meeting with various types of devices
2G, 3G phone
Fixed line phone
Telephone
PC
H/W codec
HD videoconferencing service
Executive conference room
Research center
Research center
Remote education and seminar
Multi-party real-time cooperation

Light PC Air-conditioner Temperature, humidity, CO_2
Data collection device
3G + Smartphone (e.g. iPhone)
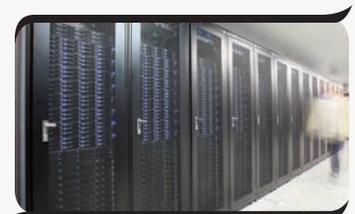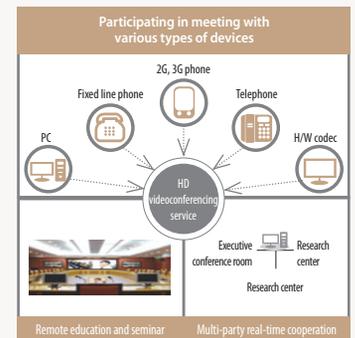Internet
Display (e.g. olleh TV)

uCloud CS(Compute Service)

uCloud CS is a cloud based virtualization server. Without having to pay for physical server purchases or rentals, users only need to pay for the amount utilized. This is an eco-friendly product that helps solve increased energy consumption as the demand for Internet usage goes up. The service can be used 5 minutes after subscribing. Diverse value added services are provided including automatic management, security, auto-scaling, etc. It also enhances convenience for individual developers, B2B related IT solution development companies and IT server environment operating companies.

Cloud server

kt Smart Green Center

kt's Green Investments
(Unit: KRW 100 million)

Category	2008	2009	2010
Service	359	849	6,035
Facility	129	288	477
Total	488	1,137	6,512

Participating in Green Growth Projects

KRW 651.2 billion
Green investment

Participating in Government Projects for Green Growth

We are participating in various projects in step with the Korean government's green growth drive. Examples are a pilot project to establish targets for building energy use in cooperation with the Ministry of Land, Transport and Maritime Affairs; a pilot carbon emissions trading project with the Ministry of Environment; and a project to set energy-use targets in the broadcasting and telecom sectors with the Korea Communications Commission. In addition, we took the initiative to form the kt Consortium in order to participate in the Jeju Island Smart Grid Test-bed project, which was launched in 2009 by the Ministry of Knowledge Economy. We established the kt Smart Green Center on the island; this Center monitors energy management systems, analyzes energy use patterns, controls energy distribution services, and sells electricity.

Fund for Green Growth

kt created a KRW30 billion kt-Gyeonggi Investment Fund for Green Growth in cooperation with the Gyeonggi Provincial Government. The fund is designed to provide financial and technical support to venture companies or startups in the region that are developing energy-saving technology.

Green Investment

kt's environmental investment continued to increase. In 2010, the amount jumped to KRW651.2 billion from KRW113.7 billion in 2009 and KRW48.8 billion in 2008. Regarding facility investments, we concentrated on establishing simple network and cloud data centers, and projects such as the green IDC pilot project, and the mico-management of energy efficiency project. Meanwhile, investments for services included the Smart Grid project on Jeju Island, visual image communications, and electricity-care service.

Green Procurement

kt participated in the Voluntary Agreement for Green Procurement for IP products. We reflect environmental aspects in our specification requirements for procuring telecommunication facilities. We help our suppliers minimize the environmental impacts of their products from the stage of product development, by providing them with guidelines on environmental friendliness of surface treatment, potential for recycling or reuse, and minimization of packaging materials. To this end, we put green labels on our consumable materials. We also update the green information on the labels twice a month, based on the data provided by the Korea Environmental Industry & Technology Institute while conducting education to promote the purchase of eco-friendly products.

Green Procurement Amount

Category		2008 No. of items	2008 Amount (KRW million)	2009 No. of items	2009 Amount (KRW million)	2010 No. of items	2010 Amount (KRW million)
Eco-products	Eco-Mark Certificate	1,009	5,899	408	1,400	645	4,308
	GR Mark Certificate	102	34	42	11	-	-
Other eco-products	Energy Saving Mark	46	566	18	43	106	568
	Reducing Hazardous Substances	33	273	16	48	-	-
	Reducing Wastes	8	15	5	6	-	-
	Others	578	1,047	317	269	-	-
	Total	1,776	7,834	806	1,777	751	4,876

Environmental Regulations and Certifications

Measures to Meet International Environmental Standards

kt was the first domestic communications company in Korea to receive the environmental management international standard ISO14001 certification in the construction and property sector in 2007. By practicing eco-management systems, kt has secured transparency and credibility in its environmental performance. To acquire ISO14001 in all sectors of the company, kt is placing its effort on securing standardization in methodologies and systems that ensure continuous environment improvements. Aggressive eco-management implementation is being carried out through environment training, internal audits and company-wide campaigns.

First in the Communications Industry to Receive the Green Technology & Business Certification

kt is continuously carrying out research & development in the eco-friendly communications sector to help develop and expand Green IT. As a result, kt was the first in the communications industry to receive 7 Green Technology & Business Certificates from the government.

Green Technology Certifications (3)	Home Network Technology Using Zigbee/PLC kt-Building Energy Management Solution RF/CT based Energy Remote Measurement Technology
Green Business Certification (4)	3G, IPTV, VoIP linked Video Conferencing Business Station broadening to establish Green Communications Infrastructure Green IDC Establishment Business Utilizing DC Power Technology Eco-friendly Address Change Business
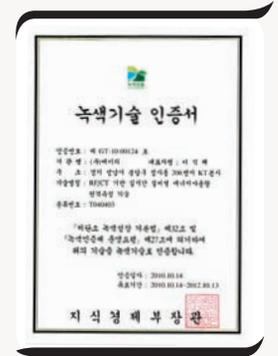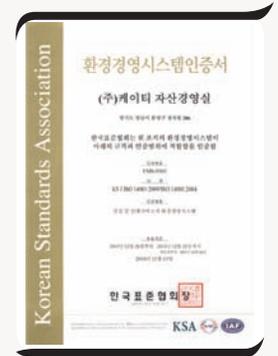
Environmental Communication

Participation in Eco-friendly Communications Consultative Groups to Expand Green IT

To help contribute to green growth on a national level, kt's CEO was designated to head the Green IT Consultative Group, a group under the Green Growth Committee, a body acting as a communications channel with the public and which reports directly to the President of Korea. The CEO is contributing to the development and promotion of Korea's eco-friendly green IT technology.

Year-Round Environmental Campaigns

Every year on Environment Day, as part of the company-wide environmental campaign, kt is spreading the Green Living Practice Guide to make energy conservation and greenhouse gas reduction an everyday practice. An environment café has been launched to post and share opinions on implemented cases.

kth
http://www.kthcorp.com/

Sales (Unit: KRW 100 million)

1,338 — 2009
1,498 — 2010
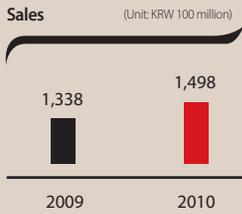
Established in 1991, kth played a major role in the telecommunications industry through Hitel during the dawn of computer communications, and was pivotal in developing the Internet environment with its portal site, 'www.paran.com.' As kth is focused on smart mobiles, content disctribution platforms, group synergies and games based on its 4Screen concept, the company is moving towards becoming a general service provider integrating wired & wireless Internet with digital contents, in addition to its platform business to secure a sound business base. As a smart mobile company, kth is aggressively moving ahead through its open platform policy and real time web to strengthen its mobile business including its SNS, LBS and UC services. Going forward, by integrating supply / demand and distribution channels for various contents and related solutions, a requirement for network operators within the kt group, the company will enhance its overall synergies within the group and simultaneously secure new growth engines in preparation for the future.

Social Contribution

Rice donation by the Greater Happiness

As part of the 2010 Lunar New Year and Chuseok festival, kth employees donated gifts received during the holidays to the Nambu Disabilities Welfare Center of Sam Yook Rehabilitation Center. In addition, through the 'Haengbok Do Ha Gi (Greater Happiness),' a voluntary group within the company, employees used the proceeds from iPhone cases sold internally and membership fees to purchase rice and donate directly to low income senior citizens in February 2011. kth also established a volunteer site, the 'erumi' (www.erumi.co.kr) to help students lacking the benefits of private educational lessons with volunteer teachers.

kt Powertel
www.ktp.co.kr

Sales (Unit: KRW 100 million)

1,260 — 2009
1,275 — 2010
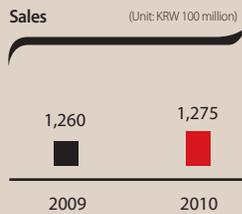
As a TRS (Trunked Radio System) provider, kt Powertel was initially lanched in 1985 as Korea Port Telephone Corp. Having launched analog TRS services in 1996 and commercialized nationwide digital TRS services, kt Powertel steadily established itself as formal TRS service provider. By expanding its service scope to cover mobile phones and wireless data in 2000, kt Powertel was able to establish itself into a general telecommunications service provider. In 2009, it launched its Dual Service, a TRS+WCDMA multi-service. This enabled the company to fully position itself as mobile telecommunications service provider for corporations. Going forward, kt Powertel will firmly position itself as a "No. 1 Group Communication Leader" by not only providing individual communications means, but also by providing information through the communications network and adopting an advanced concept towards creating value.

Social Contribution

Volunteer activities for estranged children

Starting in 2008, kt Powertel has been carrying out various social contribution activities targeted towards alienated groups through its internal volunteer group called 'Power Angels.' As of 2010, the company has been aggressively undertaking 'Love Sharing' activities, especially focused on providing support to estranged children. Financial support has been provided to help purchase books for the Children's Book Play Room and for the Development Account (Di Dim Seed Account). The company has been participating in diverse cultural 'experience' activities including attending musicals, making rice cakes, experiencing farms (rural communities), riding skates, etc. It has also put into practice its 'IT Sharing' concept by donating TRS terminals to children welfare centers. kt Powertel has also actively implemented its 'Green Sharing' activities by promoting the collection and recycling of unused repeaters, and implementing its environment improvement campaign in all branches nationwide. Every year, employees voluntarily donate to the 'Love Piggybank.' Blood donation certificates are collected through donations every year and distributed to children suffering from childhood cancer. Coal briquettes are also donated to the underprivileged neighbors every early winter to help them stay warm during the winter season.

kt Networks is a NI specialized company of the kt group, providing 'total NI (Network Integration) services' such as network consulting, installation, operations & maintenance, and 'IP-based in-building service' for corporate customers within buildings. Utilizing its internal installation and operational capabilities, kt Networks is constantly monitoring the changes in the IT convergence environment to prepare for any circumstances. By concluding exclusive sales agreements with Polycom, Alcatel Panduit and Fujitsu, the company is providing global standard network equipment to domestic and overseas customers. To prepare for the future, kt Networks is continuously focused on 'constructing solar power stations' and on 'ESCO', controlling LED green lighting. Recently, through the installation of the BcN in farming and fishing villages and the olleh tv head-end platform, the company was able to expand its capabilities and create synergies within the kt group.

Social Contribution

Delivering rice cakes on Chuseok holiday

In 2010, by actively forming relations with local children's centers as part of the Group CSR joint project, close relationship with eight centers was formed. For the 2010 'Chuseok Love Sharing' activity, between September 1st and 17th, visits were made to local children's centers that the company had formed relations with and made donations and carried out diverse company-wide programs. In addition, through the Avata Bazaar which was held on September 8th 2010, 102 employees donated 161 items to the local children's center. The proceeds from the bazaar were used as contributions and as funds for various social contribution activities under the 'kt Networks Love Charity.'

kt Networks
www.ktn.co.kr

Sales   (Unit: KRW 100 million)

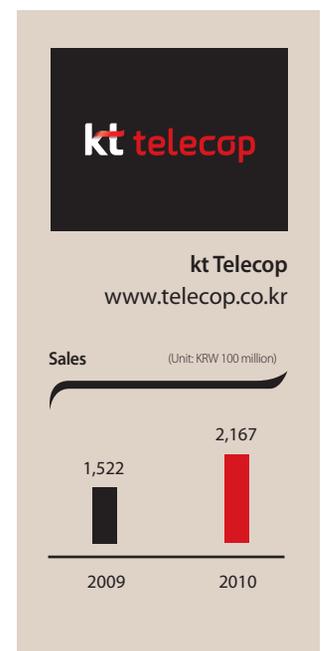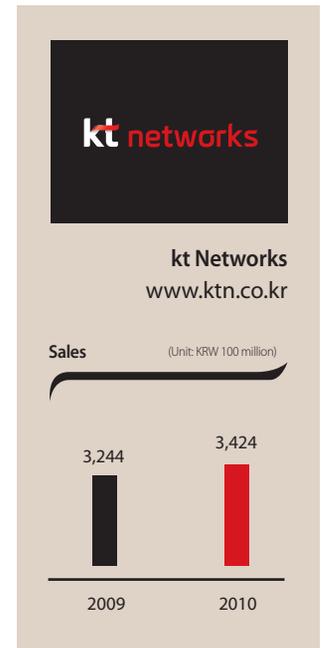3,244   3,424

2009   2010

Since establishment in 1994, kt Telecop has grown into a leading security service provider by using kt's nationwide telecommunications network and technologies developed in Korea, and led the popularization of the security service. As a leading service provider, kt Telecop will satisfy customers with more advanced security services.
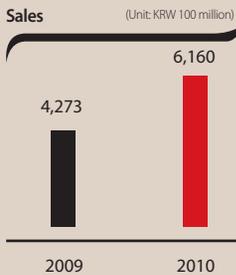
Social Contribution

Delivering rice cake soup by 'Love Volunteer' group

Through the internal 'Love Volunteer' group consisting of 840 employees, kt Telecop carried out diverse activities. Starting in October 2010, with the participation of 117 employees, a 'Volunteer Activity Fund' was established. The funds collected were then donated to the local children's center in December 2010. In addition to forming relations with local children's centers and providing volunteer support, the company actively participated in support activities for the estranged neighbors, which included participating in 'Maintaining School Safety' activities, providing free meals to solitary senior citizens, and delivering donation funds to children without meals. Utilizing kt Telecop's business characteristics, the company installed unmanned security systems for cultural heritages and implemented 'Cultural Heritage Guard' activities. As part of its effort, starting in 2011, unmanned security services were provided for free to 3 cultural heritages, including Heunginji Mun and the National Palace Museum of Korea. In addition, cultural heritage clean-up activities are being carried out twice annually across the country. Also, starting in July 2010, the company launched the 'Dokdo Support Charge Policy' in addition to implementing a 'Get to Know Dokdo the Right Way' campaign through payment bills, homepage and SNS. Currently, customers subscribing to the 'Dokdo Support Charge Policy' are charged KRW200 monthly extra, which is reserved as a 'Dokdo Safeguard Fund.' In the future, the funds will be donated to Dokdo related social organizations. kt Telecop also carries out diverse activities including mountain and river clean-up and traffic control activities.

kt Telecop
www.telecop.co.kr

Sales   (Unit: KRW 100 million)

1,522   2,167

2009   2010

kt M&S
www.ktmns.co.kr

Sales (Unit: KRW 100 million)

6,160

4,273

2009   2010

Established in 2006, kt M&S is a communications service distributor that sells wired/wireless communication services and telecommunications products through a wide range of distribution channels. The company plays a pivotal role in the next-generation communications convergence market that improves customer convenience by combining wired/wireless services with services of different industries. kt M&S will strive to become a leading player in the future communications market as a customer-oriented communications distributor that provides new and differentiated services.

Social Contribution

Sharing coal briquettes

In 2010, approximatley 100 employees participated in seven 'Love Sharing' activities which included 'Love Sharing Coal Briquettes,' 'Yangji Hesal Children's Center volunteering,' and delivering food packages to the needy senior citizens. In addition, about 60 employees and senior management participated in various activities six times a year. Activities included cleaning the environment in Gwanak Mountain and Yangjae Stream and planting trees. Also, employees stating their desire to donate a portion of their monthly salary will have the desired portion subtracted and saved as a social contributions fund. These funds will be used as part of the company's 'Salary Woosoori Policy' for needy neighbors. The funds will mostly be donated to the Yangji Hesal Local Children's Center (http://www.hesal.org/). The total accumulated funds amounted to KRW5.8 million in 2010.

kt Capital
www.ktcapital.co.kr

Sales (Unit: KRW 100 million)

1,764

1,410

2009   2010

kt capital's main businesses include industrial machinery, construction equipment, high-tech medical systems, auto and IT equipment lease, installment loans, project financing, business loans, factoring, and IT venture investment. It also develops quality financial products and services. The company will strive to provide more convenient and differentiated services to customers by delivering funds for improving kt's communication services and carrying out various new businesses.

Social Contribution

Bazaar held by Dasom Nuri volunteer group

Various social contribution activities were carried out through the company's 'Dasom Nuri' volunteer group. Major activities included educational support for children of branch schools in the metropolitan area, delivering food packages to senior citizens who live alone and low income families. As part of its effort to provide educational opportunities for children of multi-cultural families, kt Capital provided scholarship funds every month to the Mongol School, a social corporate cooperative. Also, daily financial support is provided to the L'Arche, an international cooperative that helps the disabled support themselves by having the disabled live with the non-disabled. The company donated proceeds from a charity bazaar amounting to KRW5 million. Coal briquettes were provided to the underprivileged neighbors in winter to help them stay warm during the winter season. Employees voluntarily donate to the 'Dasom Nuri Fund' while the company matches the donation raised by employees.

Ever since it was established in 1986, kt Rental has been lending PCs, servers, computational systems, and other types of IT systems for more than 20 years. The company diversified its business to include costly equipment such as medical equipment, measuring devices, office automation equipment, and construction equipment, as well as water purifiers and tablet PCs to provide a wide range of business solutions and resources as a general rental company. In June 2010, kt Rental merged with a local leading rent-a-car company, Kumho Rent-A-Car. The merger strengthened its position in the domestic rent-a-car market by enabling it to develop a variety of products and offer differentiated services.

Social Contribution

Invitation to cultural event

Along with the theatrical group, Boseot (Mushroom), kt Rental planned a play performance with a motive towards 'Respecting Life' and 'Suicide Prevention.' The disabled and neighbors in need that generally do not have the benefits of experiencing cultrual arts were invited to the performance to help foster cultural experience. As part of a campaign to help prevent suicides, which is a social issue, the importance of life is made aware for the disabled and neighbors in need. Those participating in the 'Life Telephone Counselling' are also provided the opportunity to enjoy culture. For two weeks in August 2010, with the sponsorship of the Ministry of Health & Welfare, Association of the Institutes for the Disabled and Korea Institute for Mental Health, 4,100 disabled and neighbors in need were provided the opportunity to view the 'Light the Fire in the Playground' play which was held at SsangSsang Nanum Theater in Daehakro.

kt Rental
www.ktrental.com

Sales   (Unit: KRW 100 million)

6,297

894

2009   2010
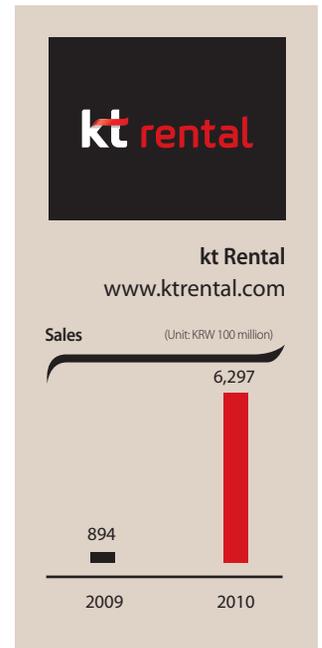
While providing IT services for the kt group companies, ktds has developed itself through the experience gained from establishing IT systems and its professional team related to new growth businesses (WiBro, VoIP, etc.), and its world-class system building technologies including ICIS (World's largest open platform & large capacity system), NeOSS (Development and installation of the world's first MS .Net based integrated operations system), and EDW (Installation of the world's 3rd largest capacity system). The company is providing global standard IT service management services based on its acknowledged and proven capabilities. The company's capabilities have been acknowledge through CMMI LEVEL 5, the world's highest level S/W quality certification, and international standard certification (ISO 20000 Certification) for its ITSM.

Social Contribution

IT Sharing volunteer group

Utilizing the expertise of the 'IT Sharing' volunteer group comprising of employees, the company initiated IT training for 4 local children's centers. One-on-one mentoring education was also held for low income family children. In September 2010, rice purchased from sister villages were donated to 271 low income families living in the Yangcheon-gu area, while in October, the company helped its sister village harvest sweet potatoes which were then purchased and donated to 400 low income families in the Yangcheon-gu area. In November, ktds donated 40 computers and computer tables to a nursery. Through the Children's Foundation, KRW500,000 are provided to 5 children family heads every months as scholarship.

ktds
www.ktds.com

Sales   (Unit: KRW 100 million)

3,555

2,562

2009   2010
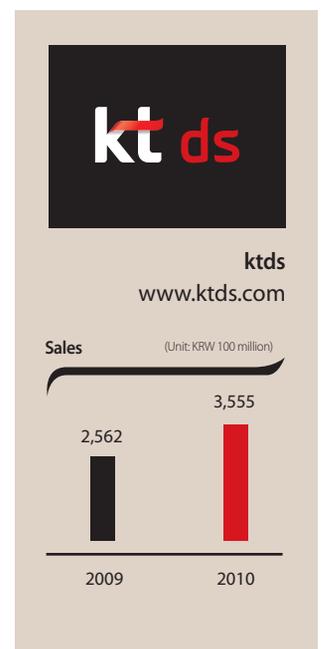
kt Music
www.ktfmusic.co.kr

Sales (Unit: KRW 100 million)

2009	2010
385	401

Since its establishment in 1991, kt Music has focused on four businesses - wired/wireless music, joint music business, store music, and music contents. Based on its wired/wireless music portal called Dosirak, kt Music plans to carry out convergence businesses by combining IPTV, IP phone, and IT technology, and become the best music company by 2012. As a subsidiary of the kt Group that specializes in providing music services, the company will propose a new and unprecedented music lifestyle while striving to become the leading music company that provides music services so that consumers can enjoy music anytime, anywhere.

Social Contribution

Sharing meal boxes

Every month on a Saturday since November 6, 2010, employees have been coming together to prepare food packages for 1,200 undernourished children and senior citizens through the 'Food Package Sharing Project.' The company also formed relations with a children's center in the Wooshin area and delivered Chuseok clothes (T-shirts), mushrooms and apples in September 2010 as part of the company's Chuseok (Korean Thanksgiving Day) gifts. In addition, to deliver dreams and love to the local children's center, in conjunction with K-Will (Korean pop singer), the company gathered funds to hold the '1st Food Package Sharing Showcase.'

kt CS
www.ktcs.co.kr

Sales (Unit: KRW 100 million)

2009	2010
3,102	3,539
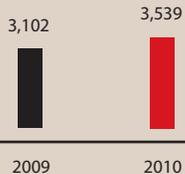
kt CS is responsible for customer service in the kt Group, providing services such as the 114 Telephone Number Directory Service, and call center outsourcing, and CS Academy. On the back of differentiated competitiveness in CS services, the company ranked top in the call center industry in terms of sales and received the Presidential Award of Korean Service Quality in 2007 for the first time among call center companies in Korea. The company's excellent operation of "120 Dasan Call Center" of Seoul City has been widely acknowledged and has become the benchmark for foreign public institutions. Under the 2015 vision of "The Best Customer Service Provider," the company will achieve customer services that exceed customer needs.

### Social Contribution

Phone etiquette program

Voice recording for the visually impaired

kt CS has been involved in various sharing activities based on four themes, Dream, Culture, Hope and Love. As part of Dream activities, employees visit nurseries to provide educational support and to help maintain nursery facilities. In July 2010, through the 'Greater Hope Day Hof' which was initiated in cooperation with Save-the-Children, the company was able to collect KRW3 million in profits. The proceeds were donated as Entrusted Children Help funds. For Culture, a 'Colorful Korea' program is held every month for wives of multi-cultural families. Financial support is provided to the wives as business support. For Hope, seven business divisions across the country and 7 farm villages formed relations with the motto, 'Beautiful Coexistence between City and Farm Village.' In 2011, the company purchased harvested crops from these villages and donated to the neighbors in need. This way, it's a 3-way win-win situation for the company, farm village and the neighbors in need. Last but least, Love brought employees in helping senior citizens living near the company. In connection with the Ministry of Health & Welfare, the company participated in the 'Solitary Senior Citizen Continuing Love Connection' project in 2011 to help prevent solitary senior citizens from committing suicide. Other pro bono activities included volunteers helping input Braille to create Braille books with the help of the local Braille library. Employees also volunteered to voice record books to help create a voice recording library.

Established in November 2009 as a marketing specialized company to enhance customer satisfaction, the company has solutions and professionals in diverse fields ranging from advertisement to distribution and customer satisfaction. Going forward, utilizing the accumulated customer satisfaction knowhow gained by providing customer service via 114 and the kt Customer Center, ktis will expand into new joint marketing business areas including advertising, distribution, customer center solutions, U-Healthcare, etc., in effect becoming the nation's largest marketing company.

Social Contribution
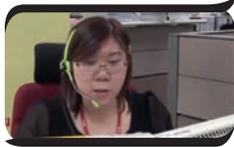
Phone calls to solitary senior citizens

ktis is carrying out diverse volunteer activities through its 'Happiness Sharing' volunteer group. Volunteer activities are implemented once every year targeted towards 12 organizations that ktis has formed relations with. Some of the activities include donating and delivering coal briquettes to solitary senior citizens and disabled families. 'Hope' booklets are also donated to prison facilities for the imprisoned. In addition, in accordance to the MOU signed with the Ministry of Health & Welfare in December 2010, 494 employees will make 12,000 salutation and information providing phone calls to solitary senior citizens every year. At the same time, the company is trying to form relations with seven local children's centers and a North Korea Escapee Children's Help Center. Voice recording volunteer activities are also being carried out by recording books for the deaf and donating the recorded contents to organizations for the disabled.

ktis
www.ktis.co.kr

Sales (Unit: KRW 100 million)

2009	2010
2,884	3,491
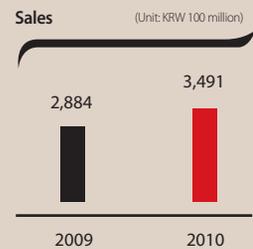
SkyLife is the only digital satellite broadcasting company in Korea. Through a high-tech digital satellite broadcasting system, the company provides high quality HD Broadcasting services. It also launched the world's first 24 hour 3D channel. SkyLife also provides the first domestic PVR Service, the countries first most recent NVOD service, two-way TV service, and EPG (Electronic Program Guide). With the conversion to digital in 2012, SkyLife will be able to secure 5 million members. Digital contents that cater to the needs of its customers will be secured. The company will grow into a leading comprehensive digital media company by providing fun and happiness to its customers.

Social Contribution

Volunteer activity at senior citizen center

Establishing receivers in poor reception area

To guarantee the rights of viewing public broadcasting, in conjunction with various government organizations such as KBS, local governments and broadcasting commission, expenses were shared to install kt satellite video receivers to 13,514 families in poor reception areas. The total financial support provided for the reception equipment, installation expenses and transmission/reception support expenses came to a few billion Korean Won. In addition, the company continued to carry out participation-focused social contribution activities by providing personnel and material support to low income families and welfare facilities through its Rainbow Volunteer Group. At the same time, to support neighbors in need, the company actively participates in diverse activities including coal briquette delivery, rice donations, food package donations for undernourished children, Kimchi support for senior citizen facilities and support for 'Happy4000,' a social enterprise.

SkyLife
www.skylife.co.kr

Sales (Unit: KRW 100 million)

2009	2010
3,975	4,310
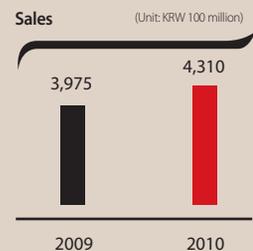
Independent Assurance Statement

Scope and objectives

kt commissioned Two Tomorrows (Asia) Limited to undertake independent assurance of its 2011 Sustainability Report.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 1 assurance, which includes evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles).
We undertook no checking of sustainability performance data and consequently offer no assurance over performance data or associated claims included in the Report.

Responsibilities of the directors of kt and of the assurance providers

The directors of kt have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of kt. However our statement represents our independent opinion and is intended to inform all of kt's stakeholders. We adopt a balanced approach towards all of kt's stakeholders.

We have no other contract with kt and this is the first year that we have provided independent assurance. We were not involved in the preparation of any part of the Report. Our team comprised MinGu Jun, project leader, Todd Cort, Principal Consultant, as well as InMog Yang and YoungJae Ryu. Further information, including individual competencies relating to the team can be found at: www.twotomorrows.com.

Basis of our opinion

We undertook the following activities.

- Review of kt's process for identifying and evaluating material issues.
- Benchmark research based on the previous year's sustainability report to compare the issues commonly seen as significant by peers with those identified through the kt materiality process.
- Interviews with 5 executive management team members and managers responsible for managing non-financial issues in Bundang, Gwanghwamun, Seocho offices. Interviewees were designated by kt.
- Sampling review of supporting evidence for key claims in the Report.

Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe kt's adherence to the Principles of the AA1000APS.

Observations

Without affecting our assurance opinion we also provide the following observations.

kt demonstrates a strong approach to sustainability governance. However further efforts could be such as designating a director responsible for the management of key sustainability issues, and reporting more explicitly on the relationships and reporting structures among the key governance bodies such as the board of directors, CSR committee, working committee and CSR task force team.

We recommend that kt clarify how the management activities described in the Highlights section of the Report are relevant to sustainability challenges, and how these activities contribute to the achievement of kt's vision of becoming a 'Global ICT Convergence Leader' in terms of managing risks and opportunities.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
- We recommend that kt document and implement a formal stakeholder engagement process that would enable the identification of stakeholders and the means to gather stakeholder feedback more systematically. We also recommend that kt more fully discuss the means by which stakeholder feedback is used in its business decision making processes.

- We recommend that kt introduce more formal and direct stakeholder communication channel to improve the inclusivity of its sustainability governance. One possible mechanism for this is to convene a stakeholder panel at the senior management level such as the board of directors.

Material issues are those which are necessary for stakeholders to make informed judgments concerning kt and its impacts.
- While the Report includes a materiality matrix, the methodology underlying the matrix as well as the assumptions and thresholds for determining what is material are not defined. We recommend that kt describe the materiality process including the criteria in future reports.
- Current material issues defined by kt include 'stakeholder engagement', 'environmental management system', 'CS management system' and 'brand value'. For many stakeholders, these are management approaches and not sustainability issues. In future materiality assessments, we recommend that kt redefine these issues to align with more clear sustainability issues such as 'climate change', 'digital divide', 'work life balance', 'supply chain CSR', etc.
- We recommend that kt expand the current discussion of operational waste recycling to include improvement of product recyclability and take-back schemes of products sold to customers.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues
- We recommend that kt establish and implement more extensive approach to assess and manage labor rights, environmental performance, health and safety and other material issues of suppliers to promote responsibility in the supply chain. A first step might be to include these requirements in the standard purchasing contract language.
- kt's performance such as growing energy use, injury rates and water usage shows that the management response to the discussed material issues in the report have not yet achieved the desired improvement in performance. In these cases, kt should provide relevant cause analysis and improvement plan for the subjects. Rather than a qualitative discussion of these challenges, we also recommend more practical reporting through the analysis and explanation of the performance challenges as well as discussion of how the company sets new targets.
- We recommend that kt improve responsiveness by providing objective information and kt's official position on the negative issues that has been raised by stakeholders including the media.

Two Tomorrows (Asia) Limited
Seoul, Korea
June 29, 2011

| Jason Perks | MinGu Jun | Todd Cort | InMog Yang | YoungJae Ryu |
| Project Director | Project Leader | Principal Consultant | Lead Associate | Lead Associate |

GRI Index (G3.1)

	No.	Indicators	Page	Remark
Profile				
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	2 ~ 3	●
	1.2	Description of key impacts, risks, and opportunities	2 ~ 3	●
Organizational Profile				
Organizational Profile	2.1	Name of the organization	12	●
	2.2	Primary brands, products, and / or services	88 ~ 93	●
	2.3	Operational structure of the organization	12 ~ 13	●
	2.4	Location of organization's headquarters	12	●
	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 reporting	13	●
	2.6	Nature of ownership and legal form	12 ~ 13	●
	2.7	Markets served(Economic Performance)	12 ~ 13, 88 ~ 93	●
	2.8	Scale of the reporting organization	12 ~ 13	●
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	Not available	◇
	2.10	Awards received in the reporting period	99	●
Report Parameters				
Report Profile	3.1	Reporting period	Cover page	●
	3.2	Date of previous report	Cover page	●
	3.3	Reporting cycle	Cover page	●
	3.4	Contact point for questions regarding the report or its contents	Cover page	●
Report Scope and Boundary	3.5	Process for defining report content	Cover page	●
	3.6	Boundary of the report	Cover page	●
	3.7	State any specific limitations on the scope or boundary of the report	Cover page	●
	3.8	Basis for reporting that can significantly affect comparability from period to period and / or between organizations	Cover page	●
	3.9	Data measurement techniques and the bases of calculations	Cover page	●
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Not available	◇
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	Not available	◇
GRI Content Index	3.12	Table identifying the location of the Standard Disclosures in the report	96 ~ 97	●
Assurance	3.13	Policy and current practice with regard to seeking external assurance for the report	96 ~ 97	●
Governance, Commitments and Engagement				
Governance	4.1	Governance structure of the organization	15	●
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	15	●
	4.3	The number of members of the highest governance body that are independent and / or nonexecutive members	15	●
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	55	◐
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	15	◐
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	15	◐
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees	15	◐
	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	14, 16 ~ 17	●
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	15, 69	◐
	4.10	Processes for evaluating the highest governance body's own performance	15, 69	◐
Commitments to External Initiatives	4.11	Explanation of whether and how the precautionary approach or principle is addressed	20 ~ 21	●
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	16, 99	●
	4.13	Memberships in associations (such as industry associations) and / or national / international advocacy organizations	99	●
Stakeholder Engagement	4.14	List of stakeholder groups engaged by the organization	4	●
	4.15	Basis for identification and selection of stakeholders with whom to engage	4	●
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder	4	◐
	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	4 ~ 5	◐

	No.	Indicators	Page	Remark
Disclosure on Management Approach				
	EC_DMA	Economy	22	●
	PR_DMA	Customer	34	●
	LA_DMA	Labor	44, 56	●
	HR_DMA	Human Rights	54	●
	SO_DMA	Society	66	●
	EN_DMA	Environment	78	●
Economy				
Economic Performance	EC1	Direct economic value generated and distributed	26 ~ 27	●
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	81	◑
	EC3	Coverage of the organization's defined benefit plan obligations	49, 54	●
	EC4	Significant financial assistance received from government	27	●
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	45, 49	●
	EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	58 ~ 65	●
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	46	◑
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	27, 60 ~ 61, 70, 74	●
	EC9	Understanding and describing significant indirect economic impacts	10, 70, 74	●
Environment				
Materials	EN1	Materials used by weight or volume	100	●
	EN2	Percentage of materials used that are recycled input materials	83	◑
Energy	EN3	Direct energy consumption by primary energy source	81	●
	EN4	Indirect energy consumption by primary source	81	●
	EN5	Energy saved due to conservation and efficiency improvements	84	●
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	82, 85	●
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	84	●
Water	EN8	Total water withdrawal by source	83	●
	EN9	Water sources significantly affected by withdrawal of water	83	●
	EN10	Percentage and total volume of water recycled and reused	83	◑
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	75	◑
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	75	◑
	EN13	Habitats protected or restored	Not available	◇
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Not available	◇
	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 available	◇
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	81	●
	EN17	Other relevant indirect greenhouse gas emissions by weight	81	●
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	81	◑
	EN19	Emissions of ozone-depleting substances by weight	81	◑
	EN20	NO, SO, and other significant air emissions by type and weight	-	○
	EN21	Total water discharge by quality and destination	-	○
	EN22	Total weight of waste by type and disposal method	83	●
	EN23	Total number and volume of significant spills	No significant spills	◇
	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 significantly related to environmental impacts caused by our operation	◇
	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	Not significantly related to environmental impacts caused by our operation	◇
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	82, 85	●
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	83	◑
Compliance	EN28	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations	-	○
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	81	◑
Overall	EN30	Total environmental protection expenditures and investments by type	86	●

	No.	Indicators	Page	Remark
Labor				
Employment	LA1	Total workforce by employment type, employment contract, and region	46, 54	●
	LA2	Total number and rate of employee turnover by age group, gender, and region	-	○
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	49	●
Labor / Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	52	●
	LA5	Minimum notice period(s) regarding operational changes	55	◐
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management worker health and safety committees	53	●
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	53	●
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	53	●
	LA9	Health and safety topics covered in formal agreements with trade unions	53	●
Training and Education	LA10	Average hours of training per year per employee by employee category	50	●
	LA11	Programs for skills management and lifelong learning and assist them Prior Report in managing career endings	50	◐
	LA12	Percentage of employees receiving regular performance and career development reviews	48	●
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	46, 54	●
Equal Remuneration	LA14	Ratio of basic salary of men to women by employee category	48	◐
Employment	LA15	Return to work and retention rates after parental leave, by gender	49, 54	◐
Human Rights				
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	63, 64	●
	HR2	Percentage of significant suppliers and contractors that have X Insufficient data undergone screening on human rights and actions taken	63, 64	●
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	19, 54, 64	●
Nondiscrimination	HR4	Total number of incidents of discrimination and actions taken	18, 64	◐
Freedom of Association	HR5	Operations identified in which the right to exercise freedom of association and Collective and collective bargaining may be at significant risk, and actions taken to support these rights	52, 55	◐
Bargaining Child Labor	HR6	Operations identified as having significant risk for incidents of child labor and measures taken to contribute to the elimination of child labor	No operation identified as having risks of child labor	◇
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	No operation identified as having risks of forced labor	◇
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	19	◐
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No relevant cases	◇
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	52	◐
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	52	●
Society				
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	68 ~ 77	●
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	-	○
	SO3	Percentage of employees trained in organization's anticorruption policies and procedures	18 ~ 19	●
	SO4	Actions taken in response to incidents of corruption	18 ~ 19	●
Public Policy Behavior	SO5	Public policy positions and participation in public policy development and lobbying	18 ~ 19	◐
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	-	○
Anti-Competitive	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	64	●
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	64	◐
Local Communities	SO9	Operations with significant potential or actual negative impacts on local communities	76	◐
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	76	◐
Product Responsibility				
Customer Health and Safety	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	43	●
	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	41	◐
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	38 ~ 39	●
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	-	○
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	37, 43	●
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	38 ~ 39	●
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	-	○
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	41	◐
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	64	●

ISO 26000

We voluntarily reflected the International Standard, ISO 26000:2010 in our sustainability report. We, as a global corporate citizen, will spare no efforts to improve our sustainability management by taking into consideration seven core subjects of ISO 26000 – organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues, and community involvement and development.

● Reported   ◐ Partly reported   ○ Not reported

	Core subjects and issues	Page	Application Level
Organizational governance	Decision-making processes and structures	2 ~ 5, 12 ~ 17, 20, 21, 69	●
Human rights	Due diligence	4, 5	◐
	Human rights risk situations	-	○
	Avoidance of complicity	63, 64	●
	Resolving grievances	52	●
	Discrimination and vulnerable groups	46, 54, 72, 73	●
	Civil and political rights	41, 52, 76	◐
	Economic, social and cultural rights	52	●
	Fundamental principles and rights at work	48, 52, 54	●
Labor practices	Employment and employment relationships	46	●
	Conditions of work and social protection	46, 54	●
	Social dialogue	52, 53, 55	●
	Health and safety at work	53	●
	Human development and training in the workplace	50, 51	●
The environment	Prevention of pollution	80 ~ 85	●
	Sustainable resource use	82, 83, 85	●
	Climate change mitigation and adaptation	81	●
	Protection of the environment, biodiversity and restoration of natural habitats	75	◐
Fair operating practice	Anti-corruption	18, 19, 64	●
	Responsible political involvement	18, 19	◐
	Fair competition	63, 64	●
	Promoting social responsibility in the value chain	60 ~ 64	●
	Respect for property rights	58, 59	◐
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	38, 39	●
	Protecting consumers' Health and safety	41, 42	●
	Sustainable consumption	83, 85	●
	Consumer service, support, and complaint and dispute resolution	37, 39, 43	●
	Consumer data protection and privacy	41	●
	Access to essential services	40, 76	●
	Education and awareness	42, 43, 83	●
Community involvement and development	Community involvement	10, 70, 74	●
	Education and culture	61, 69 ~ 75	●
	Employment creation and skills development	46, 74	●
	Technology development and access	69 ~ 72	●
	Wealth and income creation	26, 27, 49, 54	●
	Health	72	●
	Social investment	73, 76, 77	●

Membership Status

- **Korea**
  Korea Research Institute for Competitiveness, Economic Group Council, Network Security Forum, Green Investment Forum Korea, Korea Industrial Safety Association, Institute of Electronics Engineers of Korea, World Futures Forum, Korea Association of Smart Home, The Federation of Korean Industries, Korea Lasbiburte Information & Telecom, Korea Association for Telecommunications Policies, Information Technology Forum for Unification, Korea Economic Education Association, The Korean Economic Association, Fair Competition Federation, Korea Advertisers Association, Korea Digital Media Industry Association, Korean Association for Broadcasting & Telecommunication Studies, Korea Academic Society of Industrial Organization, Korea Listed Company Association, Korean Society of Consumer Studies, Korea Software Industry Association, Korea Smart Grid Association, Korean Society for Journalism & Communication Studies, Korea Ubiquitous City Association, Korea Ubiquitous-Health Association, Korea Association of Natural Disaster Reduction Industries, Korea Radio Promotion Association, Korea Institute of Information Security & Cryptology, Federation of Korea Information Industries, Telecommunications Technology Association, Korea Association of Information and Telecommunication, Korea Advanced Intelligent Robot Association, National Intelligence Communication Enterprise Association, Korea Cloud Service Association, Korea Telecommunications Operators Association, Korea Information and Communication Society, Korea Association for Chief Financial Officers, Korea IT Leaders Forum, CONsortium of CERT (CONCERT), u-KOREA Forum

- **Overseas**
  WFA(Wireless Fidelity Alliance), FMCA(Fixed-Mobile Convergence Alliance), OMA(Open Mobile Alliance), WiMAX Forum, VoiceXML Forum, DSL Forum, WBA(Wireless Broadband Alliance), TMF(Telecommunication Management Forum), APT(Asia Pacific Telecommunity), ITU(International Telecommunication Union)

Key Performance Indicators

Category	Indicator	Unit	2008	2009	2010
Economy	Operating revenue	KRW 100 million	117,848	159,062	202,335
	Net income	KRW 100 million	4,498	5,165	11,719
	Capital expenditure	KRW 100 million	31,503	29,587	30,572
	Tax payment	KRW 100 million	2,692	1,991	5,718
Society	CVA (wired phone)	points	1.03	1.00	1.04
	Proportion of female employees	%	14.86	14.66	14.83
	Proportion of the disabled	%	2.6	2.9	2.4
	Employee satisfaction index	points	79	79	75
	Welfare spending	KRW 100 million	4,826	5,092	3,038
	Accident rate	%	0.16	0.19	0.22
	Supplier satisfaction index	points	80.2	75.2	77.4
	Support for hearing-impaired children	persons	30	50	21
	Beneficiaries of IT Sharing	persons	453,084	515,286	325,771
	Volunteer hours	hours	255,219	89,621	114,657
	Social contribution spending	KRW 100 million	348	352	370
Environment	Power consumption	Mwh	2,493,538	2,302,545	2,314,190
	GHG emissions	$tonCO_2$	1,200,052	1,116,175	1,128,093
	Water use	ton	2,721,622	2,775,565	3,014,704
	Waste disposal	ton	14,470	11,184	10,224
	Green investment	KRW 100 million	488	1,137	6,512
	Green procurement	KRW 100 million	78	17	48

Major Awards in 2010

Award	Sponsor organization	Award date
Embedded mobile best prize	Mobile World Congress	Feb. 17, 2010
Advertisement of the year (Internet category)	Korea Association of Advertising Agencies	Mar. 31, 2010
18th Good advertisement award chosen by consumers, Minister of Culture, Sports & Tourism award	Korea Advertisers Association	Apr. 27, 2010
Presidential Award in the category of SME support	Small & Medium Business Administration Korea Federation of Small and Medium Business	May 14, 2010
Grand Prize at the 2010 Corporate Governance Awards	Korea Corporate Governance Service (KCGS)	Jun. 30, 2010
DJSI World	Dow Jones / SAM	Sep. 10, 2010
Audit Award	Korea Listed Company Association	Sep. 29, 2010
No. 1 in four categories (Broadband Internet, Internet call, city local call/long-distance call, international call) by Korea Customer Satisfaction Index (KCSI)	KMAC	Sep. 29, 2010
Carbon Management 2010 (Leader in telecommunications industry)	CDP Korea	Oct. 21, 2010
Labor-Management Culture Grand Prize (Presidential Award)	Ministry of Employment and Labor	Nov. 2, 2010
Family-Friendly Company	Ministry of Gender Equality & Family	Nov. 20, 2010

Reader Survey

We welcome your valuable feedback. Your opinions will be incorporated to improve future editions of our sustainability report and to enhance our sustainability management effort.

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1. Which of the following groups do you belong to?

☐ Shareholder and investment organization ☐ Customer ☐ Suppliers ☐ kt employee ☐ Civic group
☐ Government ministry and office ☐ Media ☐ Research institution / Academia ☐ NGO ☐ Others (   )

2. For what purpose do you use this report?

☐ Company evaluation ☐ Benchmarking ☐ Education ☐ Information gathering

3. Which parts are you interested in (multiple answers are possible)?

☐ kt 2010 Highlight - Special Issue ☐ Sustainability at kt ☐ Dream with Shareholders
☐ Dream with Customers ☐ Dream with Employees ☐ Dream with Suppliers
☐ Dream with Society ☐ Dream with Environment ☐ CSR activities of kt Group companies

4. Which part needs additional information?

☐ kt 2010 Highlight - Special Issue ☐ Sustainability at kt ☐ Dream with Shareholders
☐ Dream with Customers ☐ Dream with Employees ☐ Dream with Suppliers
☐ Dream with Society ☐ Dream with Environment ☐ CSR activities of kt Group companies

5. Please specify your satisfaction level on each of the following:

	Highly disagree	Disagree	Neutral	Agree	Highly agree
It provides sufficient useful information	①	②	③	④	⑤
It is easy to understand	①	②	③	④	⑤
It is trustworthy	①	②	③	④	⑤
Design is appealing	①	②	③	④	⑤
It enhances kt's image	①	②	③	④	⑤

6. Please give us your opinions on this report and make suggestions for improvement.

Contact Information

Additional information is available at kt's homepage
(www.kt.com). If you need more information on our
sustainability management, please contact us at the following.

Dream Big

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