keep dreaming together

kt Integrated Report 2013

KT Integrated Report 2013 is the eighth report about our efforts to create a sustainable society. This provides a comprehensive report on KT's main business status, mid-to long-term strategies, financial profitability, social responsibility, and environmental health. It is our hope to share our sustainable business activities with our stakeholders.

Summary

Fact sheet

kt

2013
keep dreaming
together Summary

kt

keep dreaming together

KT Integrated Report 2013 is the eighth report about our efforts to create a sustainable society. This provides a comprehensive report on KT's main business status, mid-to long-term strategies, financial profitability, social responsibility, and environmental health. It is our hope to share our sustainable business activities with our stakeholders. KT will continue to work alongside its stakeholders to create new value and carry out its sustainable business activities with greater fervor.

Composition of the Report

This document reports on KT's sustainability in the performance of each stakeholder group. Written in the form of an integrated report, this document contains KT's effort to create shared value, in the categories of shareholders, the local community, customers, suppliers, employees, and the environment. The second Stage of olleh Management is also included. The report was written by the employees from the relevant departments and under the supervision of CSV.

Guidelines and Verification

Written in accordance with G3.1 by the Global Reporting Initiative(GRI), this report offers information on ISO 26000 which was published in November of 2010. The contents of this document were verified by a third party, and the verification information is available in the unabridged version of this report.

Reporting Period and Scope

This document reports the activities and performances of our domestic business sector from January 1 to December 31 of the year 2012. Certain items include data from the year 2013. KT plans to publish an Integrated report every year.

CONTENTS

BOD Chairman

Chairman of the Board of Directors
Eung Han Kim

KT has gotten where it is thus far through many challenges and achievements. It has been four years since KT began its olleh management system, and one year since KT began its second round of the system. Having led the smart convergence revolution since 2009, KT experienced a fall in operating profits last year due to declining wired network profits, bold investments in LTE business, and expanded marketing efforts.

Nevertheless, it was a year in which we witnessed remarkable, sustained growth in non-tele-communication-related subsidiaries such as BC Card, KT Skylife, and KT Rental. Our sales also reached 23.8 trillion won, a 10% increase from the year before. In the shortest period of time, we reached 4 million LTE subscribers, and group media subscribers surpassed 6 million. All-IP subscribers reached 26.11 million, an increase of 20%.

KT is now changing the past practices and fixed notions we've latently developed. KT is transforming into a corporation that distributes virtual goods as a global media group rather than a company employing a wired and wireless communications business model. Virtual goods refers to all digital goods produced, distributed, and consumed on a network, including E-books, music files, VOD, and Apps. In a global market without borders, custom duties, or trade barriers, virtual goods provide challenging and creative work opportunities to young people and, on a national level, will become the greatest engine of growth in a knowledge- and creativity-based society.

In regards to corporate social responsibility, KT has been working towards creating shared value(CSV) in the belief that KT's primary activity should also contribute to solving social problems. KT has been creating a new model of win-win partnership through its "Three Don'ts, Three Do's Declaration" made to its suppliers. Determined to create more jobs in Korea, it was the fourth largest employ coefficient over the last decade. KT has also consistently promoted "family-friendly management", seeking to boost productivity while harmonizing work with life through innovations in work methods, such as becoming the first Korean firm to set maternity leave at 2 years and encouraging "smart working." As you well know, the result has been KT's selection as the world's most sustainable wired and wireless communications company in the Dow Jones Sustainability Index(DJSI) for two years running.

We have published the 2013 Integrated Report, which shows this pursuit of change and efforts for our customers and society. It includes not only our outstanding results, but also what was slightly wanted. What is clear, however, is that KT is transforming. Please watch us closely and send your encouragement and reproaches. Thank you.

CEO Message

CEO
Suk-Chae Lee

Like the fog comes on little cat feet, innovations in the ICT industry come on multitude of small ripples that turn into gigantic waves, sweeping across the whole industry in a short span of time. Only those who are bold, prudent and prepared can ride the waves and not get swept away.

2012 was one of the most dynamic years for KT and the telecommunications industry as the next generation data-centric LTE service accelerated the true broadband era. The Smart Revolution in fixed and mobile broadband and smart devices are disrupting the industry with new opportunities and challenges abound.

Propelled by the Smart Revolution, now anyone on the planet can access the Virtual Goods through the unified global market which transcends time, space and location. Virtual Goods play an important role in the growth of the global economy as it contributes to the creation of new businesses and job opportunities. While continuing to demonstrate the leadership on providing the state-of-the-art fixed and mobile broadband networks in the industry, KT seeks to be a value creator and a distributor in this Virtual Goods market. Based on its experience and expertise of serving Virtual Goods market(olleh market) in Korea, KT has been the catalyst in the establishment of One Asia Super Inter-Store(OASIS) among China Mobile, NTT DoCoMo and KT through close partnerships. Building on the foundation of broadband network excellence, KT is delivering innovative products & services and are transforming into an IT-based business, which is underpinned by all internet protocol based (All-IP) technology. From 2009, KT has acquired

BC Card, KT Skylife, and KT Rental among others. These acquisitions have helped in the in-organic growth in non-telecommunications businesses as well as the enablement of convergence services, such as mobile payment, hybrid satellite TV, and car-sharing services. As a result of the transformation, we were able to increase annual revenue by 21.5% compared to 2008, despite substantial decrease in revenue from the traditional telecommunications businesses. The All-IP based customers have increased from 7.8 million(2008) to 26.1 million(2012) to the foundation for the growth while the revenue from non-telecommunications businesses has increased from USD 1.1 billion(2008) to USD 6.8 billion(2012).

KT has led Korea's telecommunications industry for the past 100 years while being closely integrated in the people's lives. KT realizes its future is inseparable from Korea's healthy future, and dedicates its efforts in creating shared values for all the stakeholders. Serving customers with the best possible products and services are at the heart of our business. This year, we have started our drive to enhance the quality of service drastically by transforming all of our business processes and the fundamental network quality. As technology developments accelerate and services converge with other fields, no single company can deliver what customers want and need without having right partners. At KT, partnerships are a fundamental part of our growth strategy. KT defined a new nomenclature "Shared Growth" which became a de facto slogan for creating shared value with small and medium businesses in Korea.

KT has a dream that the world will become a better place than the one we are living in now and we believe that this is the responsibility of a company in the 21st century and the essence of corporate social responsibility. KT aspires to contribute to every aspect of society through "Sharing KT" program. It aims to alleviate inequality in IT accessibility, bridge the educational gap powered by IP-based technology, support the multi-cultural families, and offer affordable entertainment while giving opportunities to young artists. In recognition of its achievements including corporate social responsibility, KT was selected as the Global Supersector Leader in telecommunications in the Dow Jones Sustainability Indexes(DJSI) for two years, consecutively in 2011, 2012. These accomplishments have only been made possible with the concerted efforts of all stakeholders, especially the dedication of our employees.

The Forbes Magazine proclaimed Korea as the Broadband Wonderland in 2004. And after nearly 10 years today, Korea is still making the wonders by leading the world with the Smart Revolution. We are proud to be spearheading this revolution with a strong commitment to creating shared value and enabling people everywhere to grow and thrive.

KT at a Glance

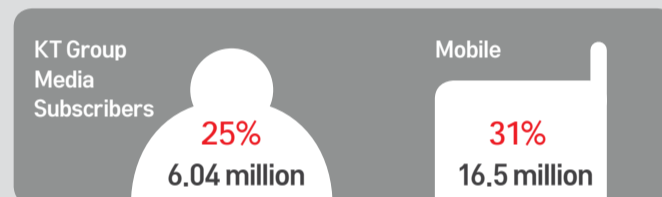## KT VISION
Global ICT Convergence Leader

Olleh Management 1.0

Securing growth potential through change and innovation

KT Transformation & Innovation

■ Main Performance   *As of the end of 2012

KT Group Media Subscribers	Mobile
25% 6.04 million	31% 16.5 million

■ Revenue | Unit : KRW 100 billion |

2008	2009	2010	2011	2012
117	189	202	213	238

Revenue
23,790.3 billion won

No. of Employees
32,186
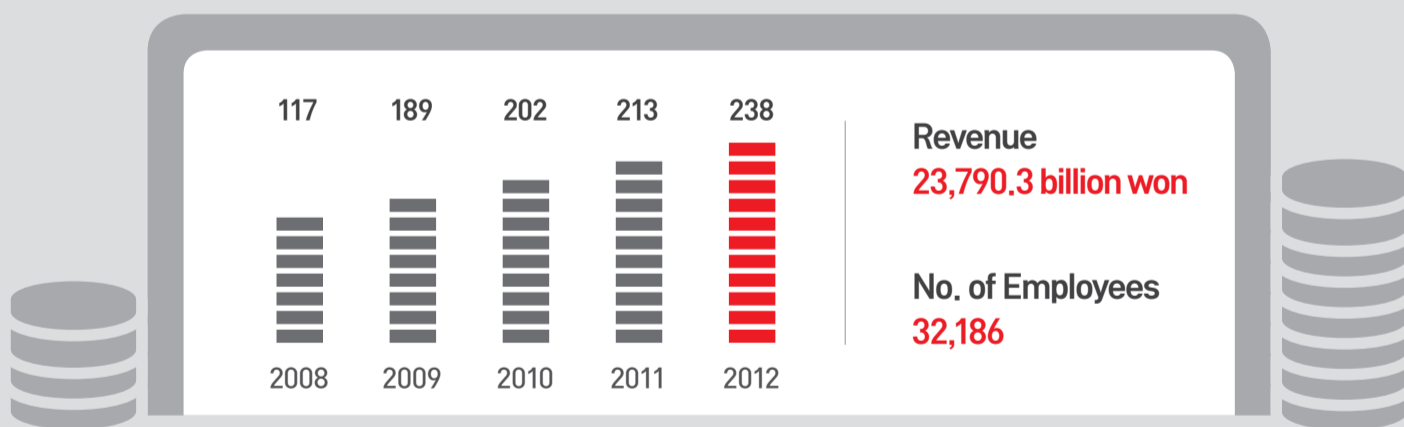
■ Wireless Data Revenue Increase | Unit : KRW trillion |

2009	2010	2011	2012.09
1.18	1.47	1.69	1.73
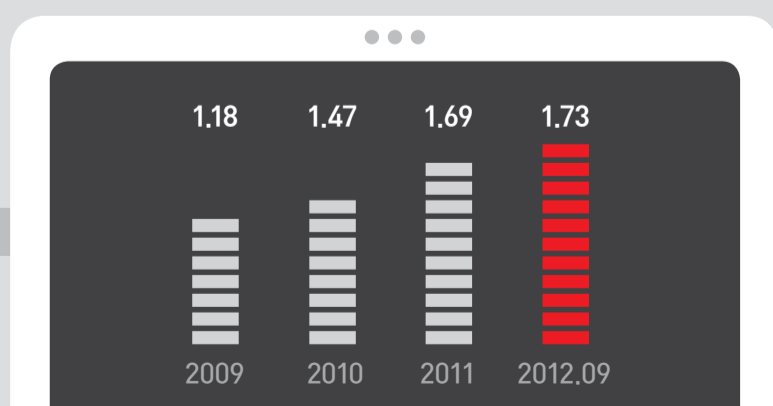
■ Smartphone Subscribers
| Unit : KRW thousand |

LTE Subscribers
– 1 million subscribers in world-record time (5 months)

– World's Top LTE Service Provider at 2012 LTE AWARDS

36.6 times Increase

2009.12	2011.12	2012.12
28	765	1,025

KT at a Glance

Olleh Management 2.0

Global Virtual Goods Distribution Group

KT, Global Virtual Goods Distribution Group

Strategies

01 All IP (Telecommunications Network)
· Maintain No.1 status
  in the telecommunications market
· Secure the position
  in the world's top network

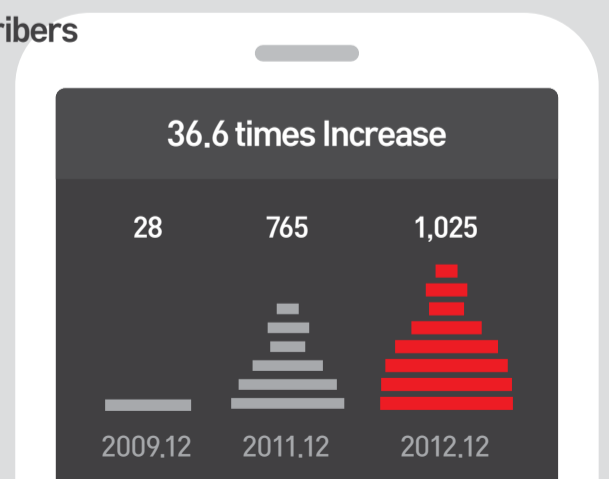**02 Global · In-organic**
· Advance into global markets
  with core competency
· In-Organic growth
  and global partnership

03 Virtual Goods
· Develop distribution business
  in IPTV-based virtual goods
· Strengthen IT smart solution
  competitiveness

04 Focusing on making specialized companies
· Focus on spin-off growing businesses
  as specialized companies
· Make companies No.1 or 2 in the market

■ Creating Environmental and Social Value

* **Scope3 :** Indirect sources of greenhouse gas excluding the indirect sources in Scope2

Job Creation
· Hired 13,362 new employees
  over 4 years since 2009

Pursuit of Ethical Management
· In-house Clean Zone designated
·

Smart Working
· 20,000 annual participants
· Satisfaction rate at 81.5%

IT Supporters
· 23 teams, 200 permanent employees
· Beneficiaries : 324,038

Sustainability Assessment
· DJSI Supersector Leader
  in Telecommunications
  two years in a row

Olleh Green Phone Service
· Green Phone sales 2%
· Lease supply 16%
· Compliance rate to Resource

KT scope 3 Greenhouse
| Unit : tCO_2e |

37,390
Emission from
KT supply chain

43,897
Other Scope 3
emission control

404,134
Other Scope 3
emission control

1,002,617
Social emission
reduction effect
from KT

Future Outlook

ITC Today

### Overview of Major Mobile Messenger Services

* As of January 2013

Category	KakaoTalk	Line	WeChat	Viber	WhatsApp
Users	80 million	100 million	300 million	160 million	100+ million
Developer	Kakao	NHN	Tencent(China)	Viber(Israel)	WhatsApp(USA)
Release Date	2010.3	2011.6	2011.1	2010.11	2009.5
Features	mVoIP	PC sync	PC sync	mVoIP	Paid app($0.99)

ITC Future

Global Broadband Connection

* Source: ITU, Ericsson Estimate: Digieco
| Unit : million |

- Wired
- Wireless
- Smartphone

	2010	2011	2012	2015	2018

6,000
4,000
2,000
0
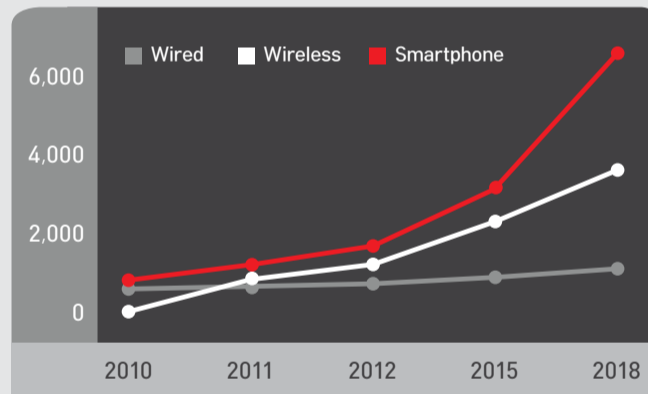
Global Population

* Source: IMF World Economic Outlook Database(2012)
| Unit : million |

6,807	6,858	6,938	7,183	7,440
2010	2011	2012	2015	2018
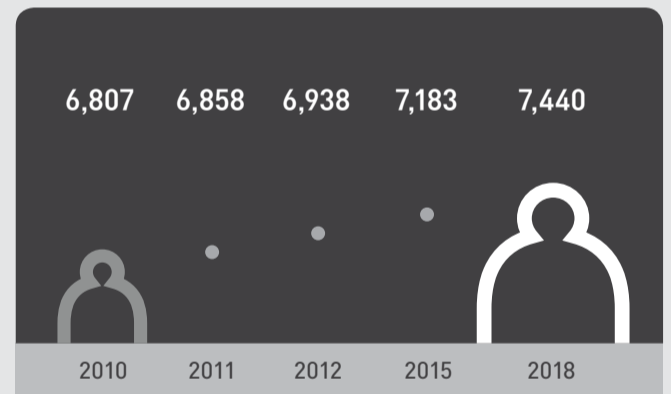
2015 Global Virtual Goods Market

* Ect: comics, animation, character...
* Source: PWC, IT&M, NPD, Gartner, Forrest Research reconstitution

Overall Market Size	USD 160 billion+a
Digital Contents	USD 105 billion
App Market	USD 55 billion

USD 7.8 billion

New virtual goods market

+ a

Digital Contents

App Market

Ect USD 25 billion
Video USD 20 billion
Press USD 22 billion
Game USD 32 billion
Music USD 7 billion
App USD 55 billion

USD 160 billion

2010 2011 2012 2013 2014 2015
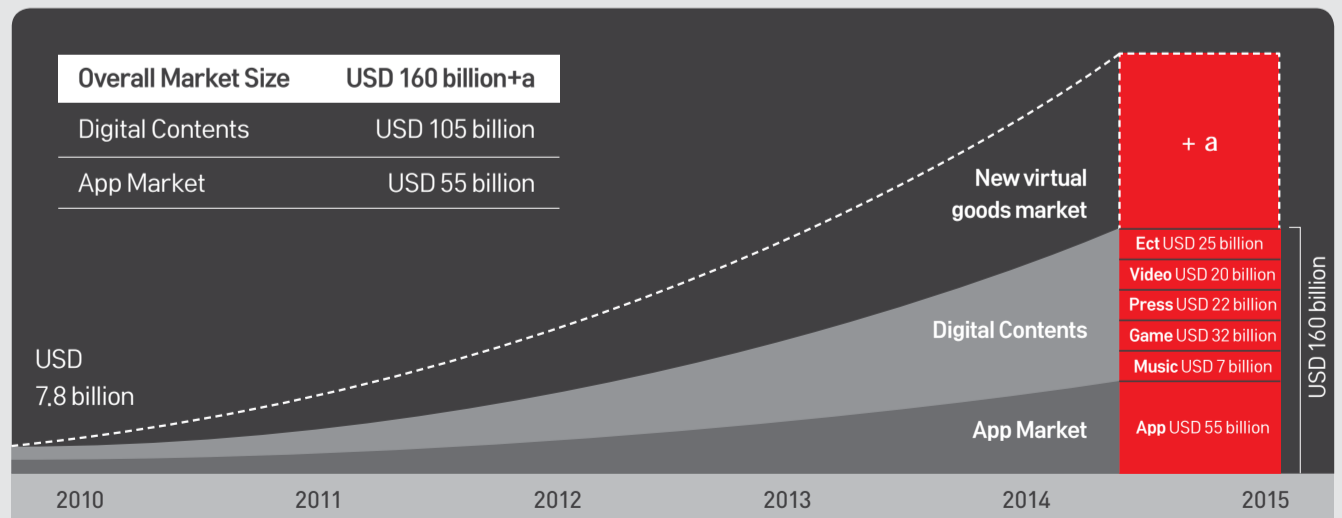
Future Outlook

Monthly KT Wireless Voice and SMS Usage Projection

| Unit : SMS (million messages)
Voice (million minutes) |

3,391

2,725

2,559

2,787

1,817

1,019

● Voice Call
● SMS

2010.12   2011.06   2011.12   2012.06   2012.12

kt Today

kt Future
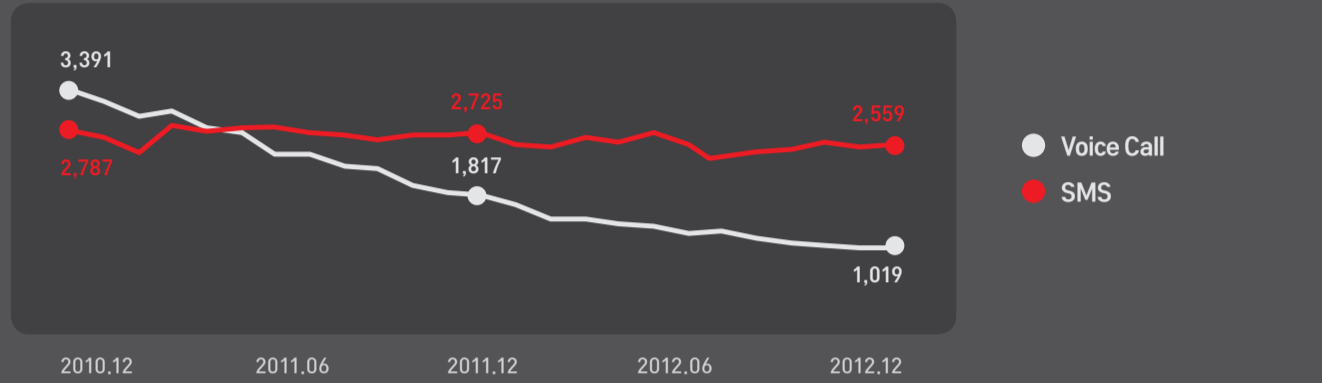
World Best LTE

For the first time in the world, KT created a network that brings 3G and LTE together. We will develop this network into 'LTE WARP Advanced'. This network will be based on our virtual CCC technology which has 79% faster download speed and takes only 1/3 of the time it takes our competitors to build.

Convergence Business

KT has advanced into the hospital digitization business with the establishment of 'H∞H Healthcare', a joint venture with Yonsei University Health System. Through the collaboration with KT telecop, we are also leading the next-generation video security market with Cloud IP CCTVs. Moreover, we are leading the mobile payment market in the financial sector through BC Card.

Virtual Goods Ecosystem   * Virtual goods : Goods distributed online in digital form

With All-IP, KT is concentrating on developing olleh Market into a comprehensive distribution platform for virtual goods.* We are seeking to innovate in the virtual goods distribution BM with strategic apps like olleh navi, Genie, and olleh AppFree, and strengthen our global distribution performance of virtual goods through Genie K-POP, OASIS, etc.

Smart Home & Home media

Released in January 2013, Smart Home Phone HD is capable of HD-class voice and video calls via home phones. It comes equipped with KT's service apps and security solutions like Home Guard, expanding utility and value of the Smart Home service for our customers.

Total Cloud Service

Since the launch of the Cloud service in 2010, KT has been leading the Cloud market with Korea's only Multi Data Center and the in-house Cloud conversion know-how. We have achieved product diversification and sophistication by releasing advanced services for big data processing(such as MapReduce, VPC, Cloud NAS, Cloud HPC, and SSD Servers)and a variety of additional services, not to mention basic services like servers, DBs, storage, and CDN.
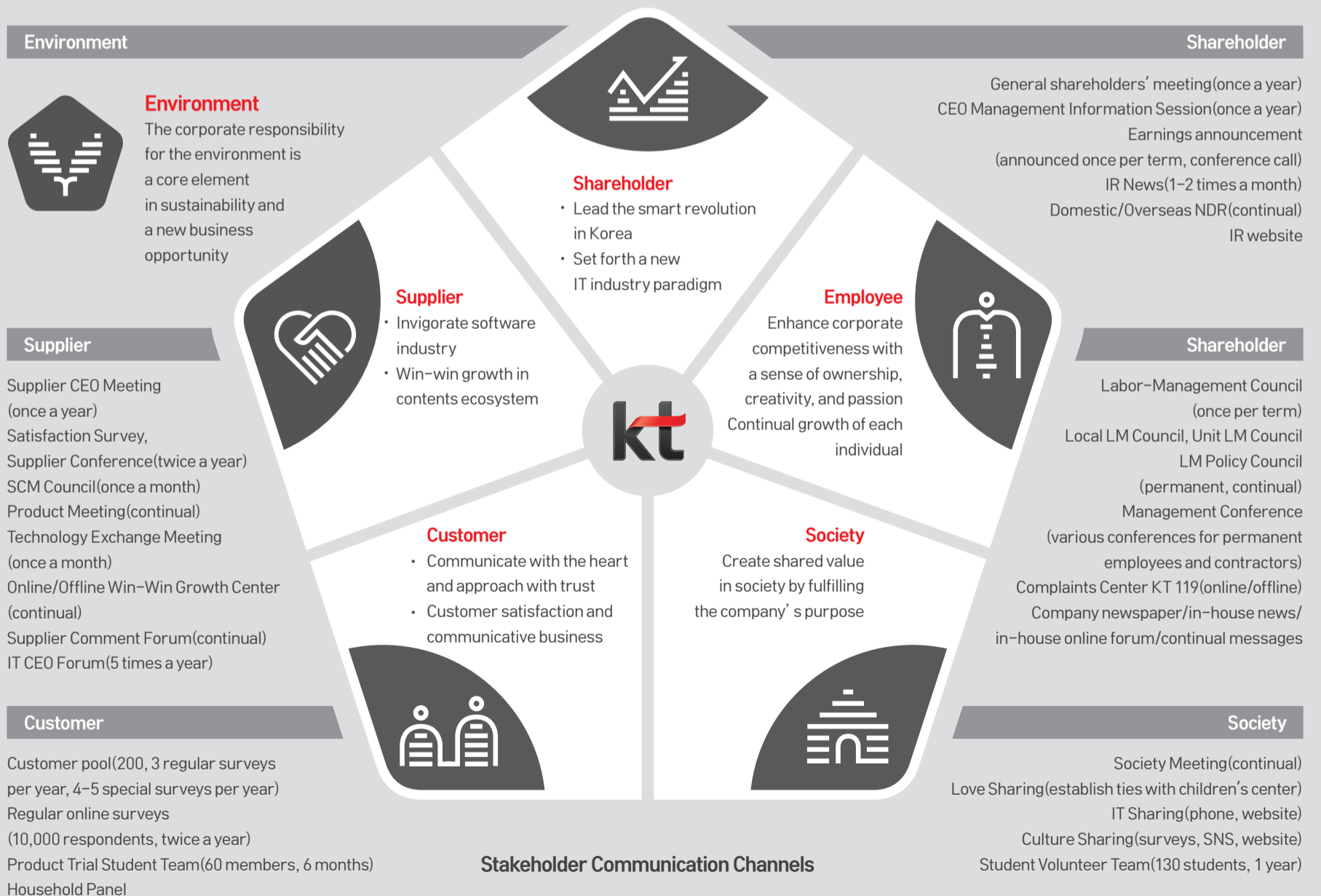
KT's Sustainability

KT is engaged in sustainable management practices under the policy of becoming a company respected by the society at large by removing information gap and improving the standard of living in the local communities. It is our desire to alleviate conflict in society by including in the information-driven smart society children from low-income families, disabled persons, and multicultural families. It is our goal at KT to transform into an IT giant that takes charge of the distribution of the Korean Wave and find a new growth engine, while pursuing value-creating social contribution activities by utilizing the network and IT technology we have developed thus far. Furthermore, we will develop plans to actualize Millennium Development Goals(MDGs) and the Sustainable Development Goals(SDGs) which are to be implemented by the year 2015. We will also adhere to the ten principles laid out by UN Global COMPACT so as to fulfill our role as a global Corporate Social Responsibility(CSR) leader.

Communication with Stakeholders

KT identifies its main stakeholder groups as customers and shareholders who have an economic relationship with KT, employees and suppliers who are the backbone of innovation and growth, and the society which is the basis for our business operation. Through meetings with the CEO and our suppliers, labor-management council meetings, and local community meetings, we provide a channel where we can regularly communicate with each stakeholder

Environment

Environment
The corporate responsibility for the environment is a core element in sustainability and a new business opportunity

Shareholder
General shareholders' meeting(once a year)
CEO Management Information Session(once a year)
Earnings announcement
(announced once per term, conference call)
IR News(1-2 times a month)
Domestic/Overseas NDR(continual)
IR website

Shareholder
· Lead the smart revolution in Korea
· Set forth a new IT industry paradigm

Supplier
· Invigorate software industry
· Win-win growth in contents ecosystem

Employee
Enhance corporate competitiveness with a sense of ownership, creativity, and passion Continual growth of each individual

Supplier
Supplier CEO Meeting (once a year)
Satisfaction Survey, Supplier Conference(twice a year)
SCM Council(once a month)
Product Meeting(continual)
Technology Exchange Meeting (once a month)
Online/Offline Win-Win Growth Center (continual)
Supplier Comment Forum(continual)
IT CEO Forum(5 times a year)

Shareholder
Labor-Management Council (once per term)
Local LM Council, Unit LM Council
LM Policy Council (permanent, continual)
Management Conference (various conferences for permanent employees and contractors)
Complaints Center KT 119(online/offline)
Company newspaper/in-house news/in-house online forum/continual messages

Customer
· Communicate with the heart and approach with trust
· Customer satisfaction and communicative business

Society
Create shared value in society by fulfilling the company's purpose

Customer
Customer pool(200, 3 regular surveys per year, 4-5 special surveys per year)
Regular online surveys (10,000 respondents, twice a year)
Product Trial Student Team(60 members, 6 months)
Household Panel

Society
Society Meeting(continual)
Love Sharing(establish ties with children's center)
IT Sharing(phone, website)
Culture Sharing(surveys, SNS, website)
Student Volunteer Team(130 students, 1 year)

Stakeholder Communication Channels

Materiality Assessment

KT performs the "Materiality Analysis" to identify and continually manage main issues that impact the business and are of interest to our stakeholders. Through media analysis, competitor benchmarking, and international standards, we have reflected the interest of our stakeholders, and we have also considered the impact on KT through diverse internal data including various in-house documentation and key performance indicators. These elements were analyzed comprehensively, the result of which formed the basis for this report.

Media Analysis KT analyzed news items reported in the Korean media outlets in 2011 to identify stakeholder interests and social expectations. Items from major newspapers and negatives issues have been given extra weight.
Industry Benchmarking We have analyzed CSR activities of our global competitors and identified issues in the telecommunications and mobile industry.
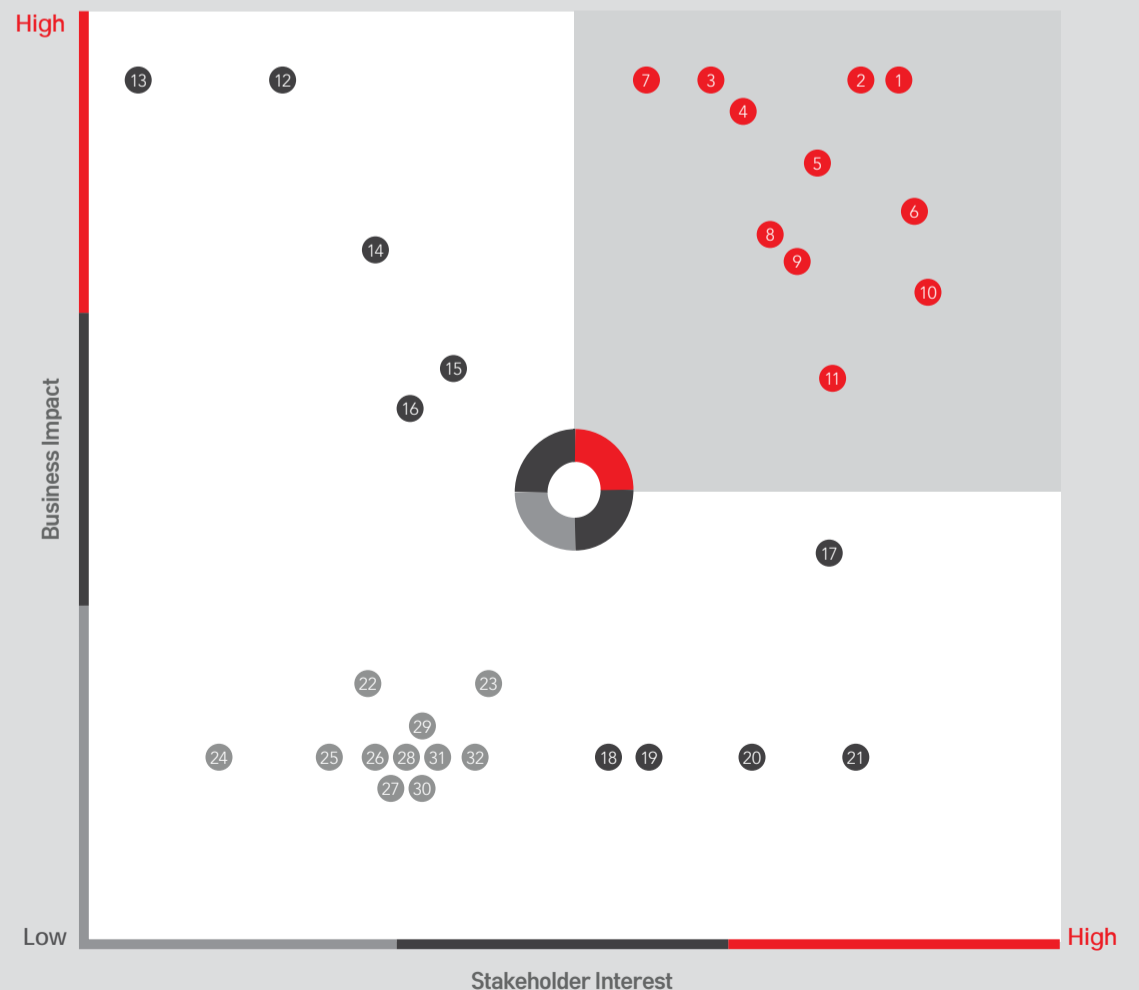**International Standards** KT took ISO 26000, GRI G4, UNGC principles, and DJSI survey as guidelines. We reflected newly proposed issues of GRI G4 – to be announced in May 2013 – in the Materiality Analysis.
Business Impact We have analyzed key performance indicators, and other internal data including business plans from the Sustainability Committee and documentation from the Sustainability Working Committee. Items for the
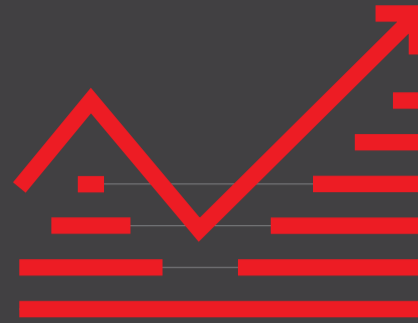
Materiality Assessment Results

Win-win growth and product development, among other things, have been deduced as major issues. Governance has become more important compared to the previous year.

High Issue | **Medium Issue** | **Low Issue**

1 Win-Win Partnership
3 Environmental Management (Carbon Management)
5 Stakeholder Engagement
7 Employee Health and Safety
9 Diversity and Equal Opportunities
11 Consumer Communication
13 R&D(Technology Development)
15 Ethical Management (Business Ethics)
17 Respecting Human Rights
19 Performance (Business Results)
21 Risk Management
23 General Management
25 Abolishing Human Rights Abuses
27 Responsible Political Engagement
29 Community Impact
31 Labor Relations

2 Product Development
4 Social Responsibility
6 Governance
8 Sustainable use of
10 Climate Change Response
12 Reputation
14 Training and Education
16 Improving Working Conditions
18 Product Responsibility
20 Consumer Privacy
22 Pollution Prevention
24 Ecosystem Conservation
26 Business Environment
28 Consumer Health and Safety
30 Marketing
32 Fair Competition

Shareholders

Business Profit

□ 2011   ■ 2012   ■ Increase

| Unit : KRW billion |

	Wireless	Wired	Media Contents	Rentals	Products	Other
2011	6,969.4	6,950.7	803.0	996.6	4,325.1	1,227.2
2012	6,913.4	6,392.3	1,067.9	3,574.3	4,600.9	1,241.5
Increase	−0.8%	−8.0%	33.0%	258.7%	6.4%	1.2%
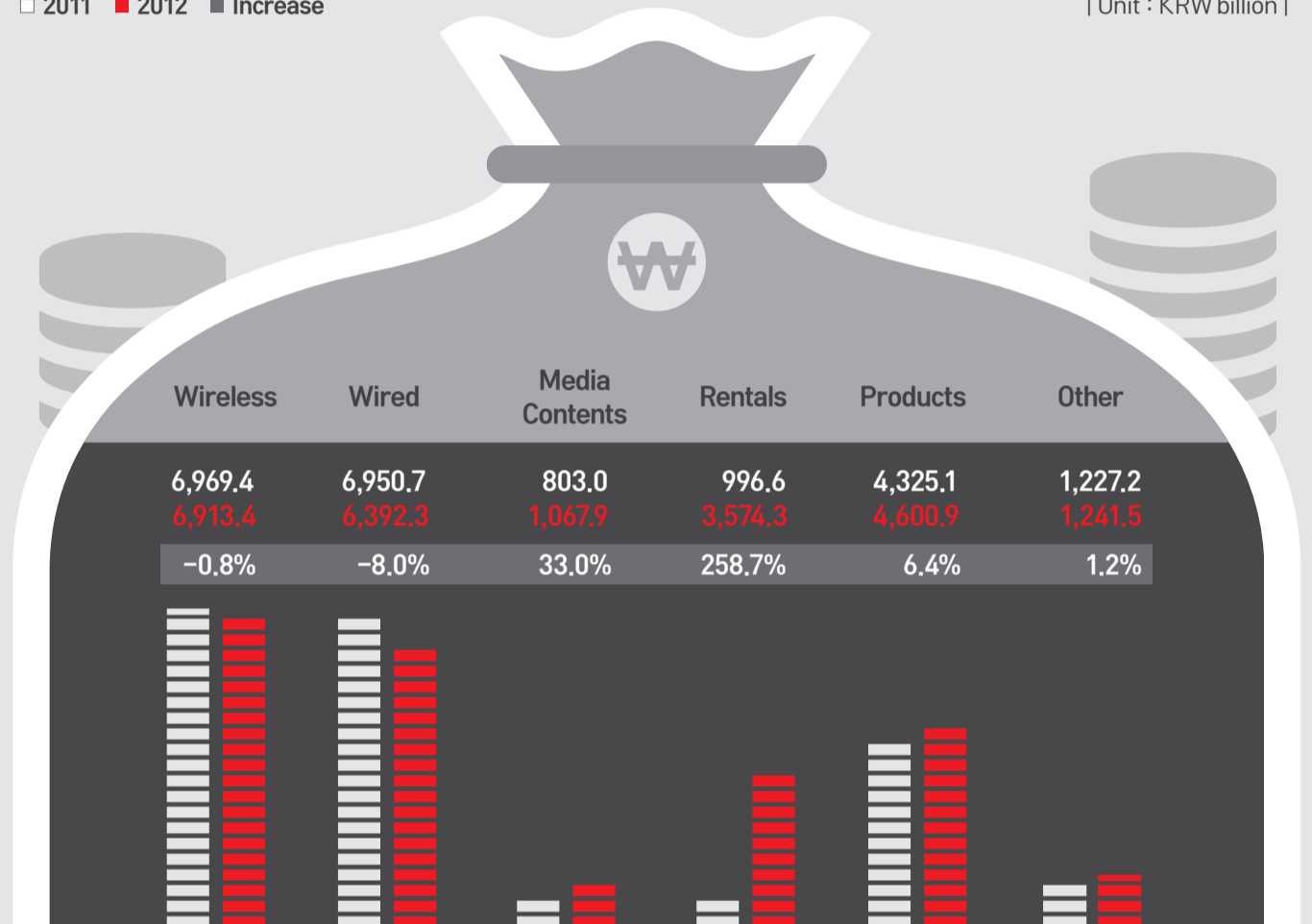
R&D Project Performance

KT has successfully developed some technologies such as Super WiFi backhaul solution, FTTH−based Dishless OTS, Mobile IPTV, etc. KT is making significant contributions to the group's revenue increase through the commercialization of multiple new services like IPTV, Internet phone, fixed−mobile convergence (FMC), etc.

Core Biz Renewal

Biz Domain Expansion

New Biz Enabler
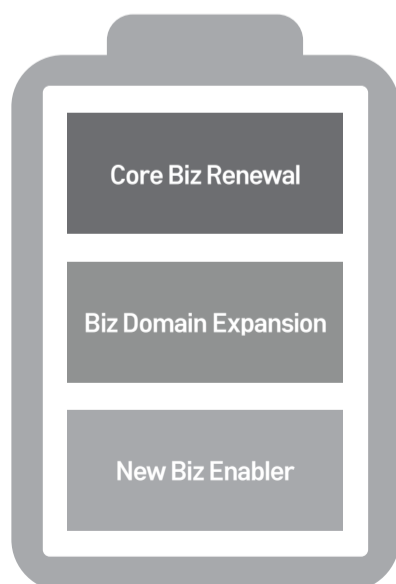
Secure telecommunications network competitiveness :
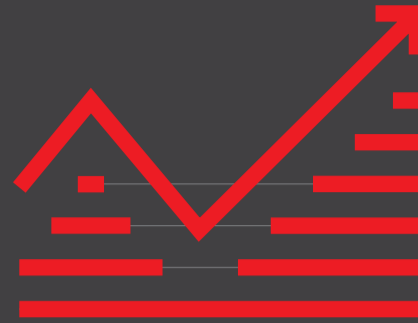Pre−emptive commercialization of LTE, Smart network technology
Improve olleh broadcast competitiveness : Dishless OTS, Mini STB

Boost Smart Energy projects : Commercialize core solutions,
Enter global market
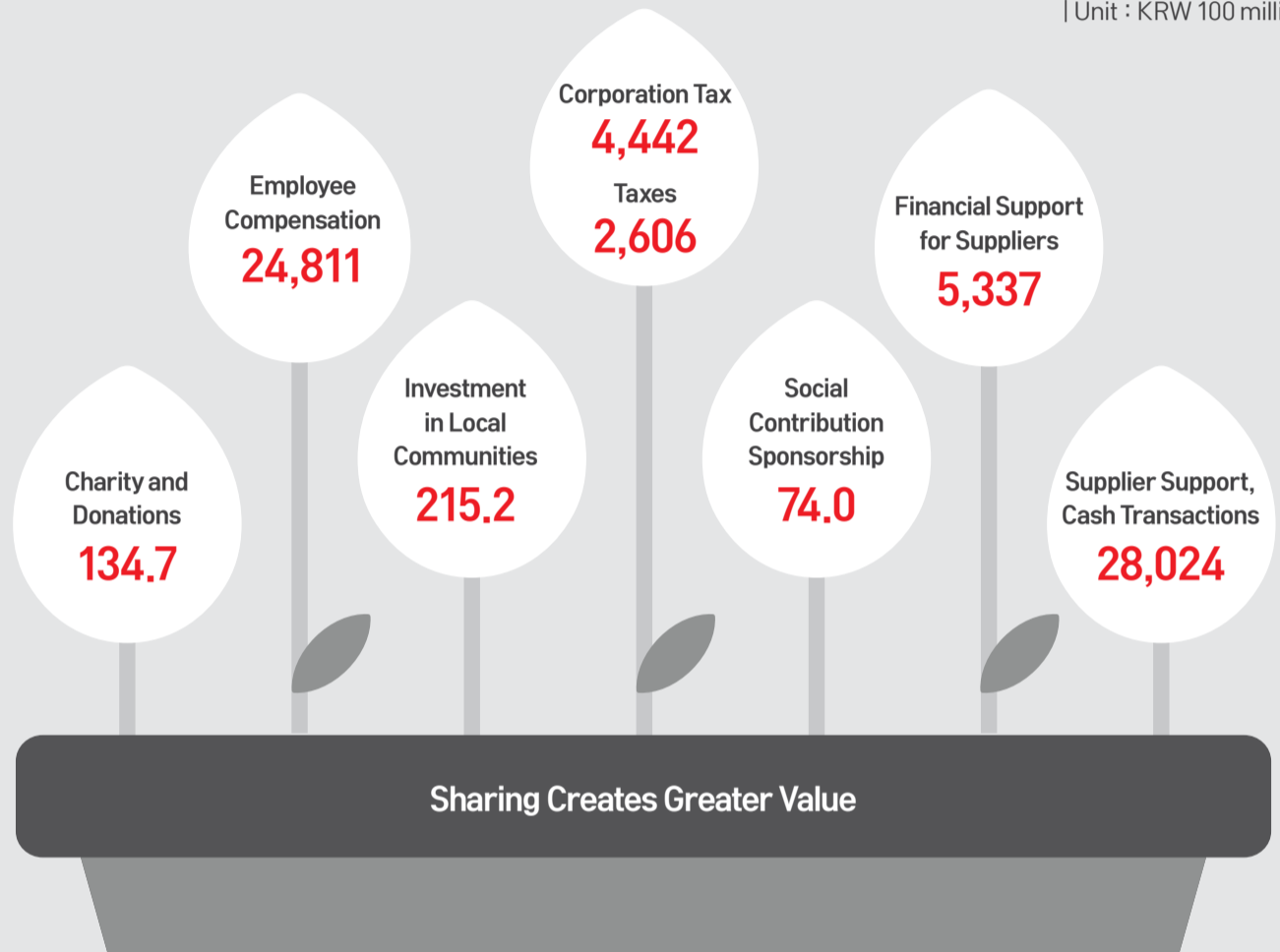
New M2M Enabler : DIY M2M
Service Innovation Enabler : Web−enabler IPTV,
Video conference over different devices

Shareholders

Sharing Value with Stakeholders

| Unit : KRW 100 million |

Corporation Tax
4,442
Taxes
2,606

Employee Compensation
24,811

Financial Support for Suppliers
5,337

Investment in Local Communities
215.2

Social Contribution Sponsorship
74.0

Charity and Donations
134.7

Supplier Support, Cash Transactions
28,024

**Sharing Creates Greater Value**

Open Collaboration

KT had been operating "KT Lab@Place" in an effort to further its technological competency through industry–university collaborations. This system was remodeled into "KT Lab@Place 2.0" and KT has been expanding its R&D efforts from the perspective of target institutions, research areas, and collaboration methodologies.

Lab@ Place 2.0		
Target Institutions	Companies	Research Institutions	Universities
Research Area	Basic Research	Core Tech	Convergence
Collaboration Methodology	Joint R&D	Information Exchange	Personnel Exchange

Direction of KT Lab@Place 2.0

KT sends young engineers to universities to run "Convergence Lab@university", a program that researches future prospects in various fields of convergence including nano technology, bio energy and environment.

Society
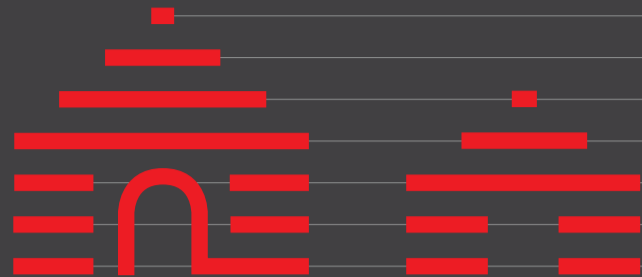
Establishment of CSV Team

* Creating Shared Value(CSV) :
The principle by which economic value and social value are created simultaneously by paying attention to the demands of the society and resolving social issues.

For the first time in Korea in December 2012, KT established the CSV Branch composed of 199 employees, a group dedicated to creating shared value. KT is connecting social contribution to creating jobs with retiree's knowledge-sharing.

DJSI Global Supersector Leader for two straight years

CSV

Global CSV

KT ran the Global Finding Sound Project in Indonesia in 2012. We arranged cochlea implant surgeries for two deaf children and supplied 50 digital hearing aids in cooperation with the social venture, Delight. KT's goal in 2013 is to create shared value in greater scope starting with countries with which KT has connections. As an extension of this effort, we plan to build an IT elearning center in Indonesia in July 2013.
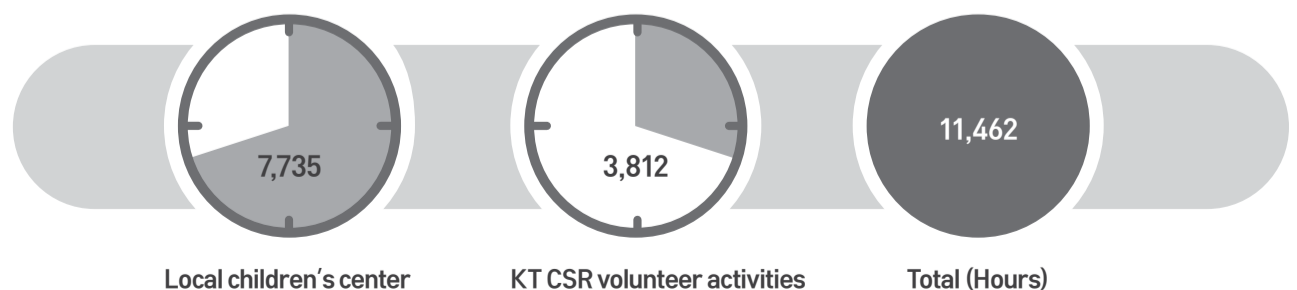
Dream Together

A social contribution project through the company network, Dream Together currently has twenty-four companies and institutions participating. In May of 2012, Dream Together opened Korea's first Children's-Center-exclusive camping grounds in Yangpyeong called Building Dream House, which is used by 1,200 children. A second site is in the planning stages in Jangseong.

olleh Student Volunteers | Since 2013, Student Volunteers 2.0 has been in the works. Through this program, a separate CSV team puts on distinguished social contribution projects by planning and executing social enterprise and social innovation training & founding programs.
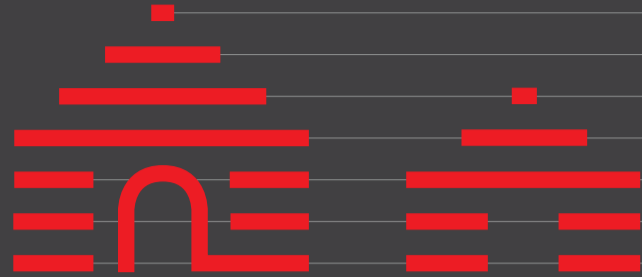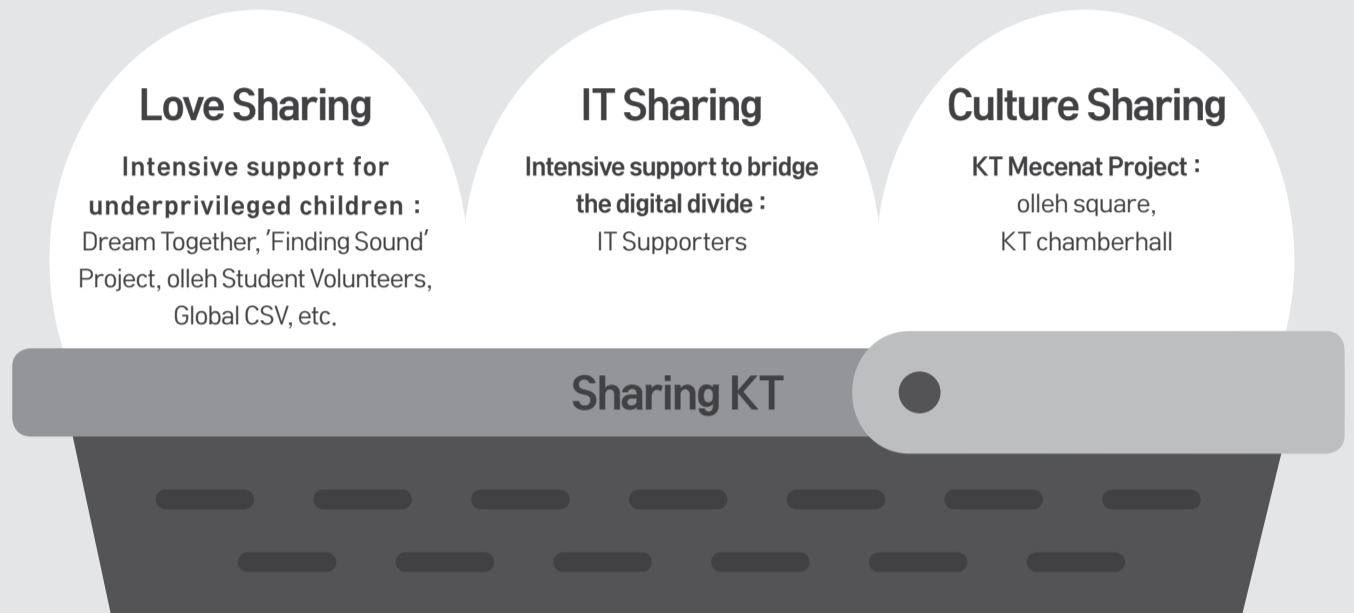
* olleh Student Volunteers Overseas Aid :
2012. 1 Hanoi in Vietnam
2013. 1 Yogyakarta in Indonesia

■ **olleh Student Volunteer Activities in 2012** | Unit : hours |

7,735	3,812	11,462
Local children's center	KT CSR volunteer activities	Total (Hours)

Society

KT Social Contribution 3.0

Love Sharing

Intensive support for underprivileged children :
Dream Together, 'Finding Sound' Project, olleh Student Volunteers, Global CSV, etc.

IT Sharing

Intensive support to bridge the digital divide :
IT Supporters

Culture Sharing

KT Mecenat Project :
olleh square, KT chamberhall

Sharing KT

'Finding Sound' Project

Since 2003, KT has been running a program that restores sound to deaf children from low-income families. As of the end of the year 2012, KT has supported cochlea implant surgeries and rehabilitation treatment for 136 children, and supplied digital hearing aids to 248 children with potential surgical complications. We have also opened the KT-Severance Aural Rehabilitation Center with the "KT Dream Class" in it, which provides speech therapy, music therapy, confidence class, art therapy, etc.

olleh square

IT complex cultural space
600 performances(100,000 patrons), 3 million visitors

KT chamberhall

Professional classical music hall
(Spread classical music to more people)
35,000 patrons, 24 performances per year

IT Supporters | KT's full-time employee volunteer group dedicated to sharing IT

| Unit : people |

325,771

324,038

461,757

Total 1,111,566

2010

2011

2012
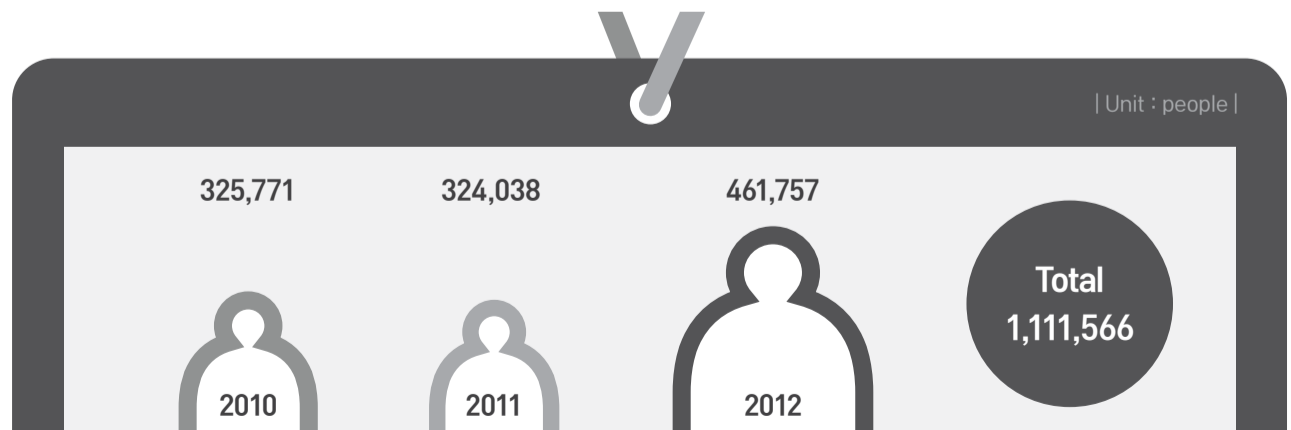
Customers

olleh Green Phone

KT has established a distribution channel for second-hand phones where KT purchases unused mobile phones, refurbishes them, and resells them to its customers at an affordable price. We created a stable distribution channel for user-to-user trading of used phones in relative safety. We also launched discounted services for second-hand phone users, and the "olleh Green Phone Clinic" service to clean the used phone's exterior and check for its functionality. KT's olleh Green Phone service was later recognized for its eco-friendly efforts and received the LOHAS certification.

■ olleh Green Phone's Sales, Supply, and Resource Circulation Compliance

Sales	Lease	Resource Circulation Compliance
2%	16%	82%
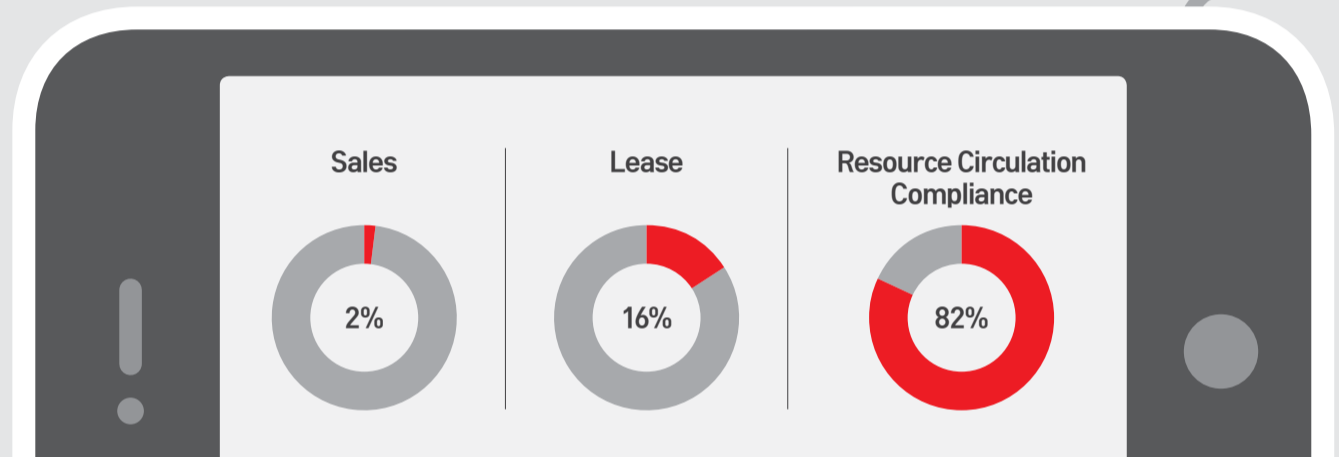
Emergency Response Training

In preparation for cases in which our services are interrupted due to natural disasters, we run in-house drills and joint drills with the government every year. Thanks to these efforts, we were able to demonstrate an outstanding emergency response last year with the concentrated rain in the Capital Region and through the power outage caused by Typhoon Bolaven. With the organic cooperation between KT and government institutions such as Korea Communications Commission, we were able to take action immediately following the national communications disaster. In the "2012 Disaster Control Assessment for National Infrastructure" hosted by the Ministry of Security and Public Administration, KT was recognized as the top institution for its outstanding emergency response capacity and the distinguished prevention activities.

Improved Convenience

In order to prevent the conventional spam text messages, KT registered and controlled spam phrases and URL in real-time. We also updated a number of features, such as the address book synchronization in the olleh Spam Blocker which prevents the filtering of text messages sent by a phone number saved on the phone, and the phrase exception feature which allows text messages containing a phrase allowed by the user.

Customers

Social Networking Service

In 2012, with such campaigns as "I Am a Photographer", and a participatory diary campaign "2013 Social Digital Diary", KT has been consistently leading the social-media-based PR and marketing. Also, in customer service, KT expanded its social network customer service channel to Facebook, handling a thousand cases daily on average through the "olleh 24/7" campaign.

IT Security / Privacy Protection

In 2012, KT brought in a large number of security experts to establish a dedicated group that can perform digital forensic analyses, preventing accidents and providing technical support for the analyses. As part of our effort, we provide our affiliates with information protection consulting and system security analyses so as to prevent the leaking of personal information and respond to security breaches. In 2013, we are in the process of achieving the Information Security Management System(ISMS) certification, a government-recognized information protection system for Internet service providers(ISPs).

■ Improvement of Customer Information Protection

Gender	2010	2011	2012
Security Training Rate for Employees	91%	91%	93%

Creating Various Channels

In an effort to include deaf and mute customers in the telecommunications service, KT opened the "Video Sign Language Customer Care Center"(070-8880-8088) for the fixed-line products in October 2012. Moreover, for our 65+ customers who may have trouble using the ARS, we provide 1:1 consultation services.

Suppliers

3 Do's & 3 Don'ts

KT has already put into practice the 3 Don'ts for its suppliers and contractors, as well as the 3 Do's for developing small companies and venture companies. Now, KT is working toward the "establishment of the software value innovation ecosystem" to create stand-alone products, connect with diverse software markets, and cooperate with the society at large.

3 Don'ts | **kt** | **3 Do's**

01 Don't waste SMEs' resources
02 Don't steal SMEs' technology and ideas
03 Don't compete with SMEs'

01 Do purchase 'value', not 'labor'
02 Do support for software companies' competitiveness
03 Do offer support for software

Supplier Satisfaction

Since 2005, KT has been performing a multi-faceted assessment twice a year in the areas of fair trading, cooperation, and win-win growth framework with our suppliers. As a result of the consistent pursuit of improvement, we scored 86.9 in the first half of 2012, and 89.0 in the second half, an improvement by more than 4 points compared to the previous year.

Shared Growth Meetings on the Road

In 2012, KT began to send out our purchase managers to visit our suppliers, examine the quality and material management sites, and register their complaints and suggestions to tackle win-win growth issues. We visited 55 suppliers in 2012 and resolved 26 issues. As a result, we changed the optical cable and the size of the drums. This reduced the warehousing costs for our suppliers and increased our revenue by KRW 320 million. Our goal in 2013 is to visit more than 140 suppliers and create a CPO Suggestion channel on the supplier portal website.

Suppliers

Management System for Sustainable Supply Chain Management (SCM)

KT developed a sustainability guideline and an assessment standard for our suppliers for the first time in the telecommunications industry in 2012. The guideline and the standard reflect the global standard as well as the benchmarking of advanced European telecommunications companies such as Portugal Telecom, Telefonica, and BT. This provides KT's suppliers with a framework in which they can fulfill their social responsibility, prevent risks that can arise on the supply chain, and growth together in a mutually sustainable manner. From 2013 onward, KT will internalize the sustainable SCM system by requiring our suppliers to comply with the sustainability and sustainability assessment in the areas of environment, society, product, and business operations.

■ **Sustainable Supply Chain Management**

SCM

Category	Material suppliers	ITC construction partners
Number of Partners	170	276
Sustainability Indices	ESG+Product 48 indices	ESG+Construction 36 indices
Remarks	Graded assessment (5 points)	Re-selection assessment (1 point)

* ESG :
Environment Social
(labor, human rights, social contriution)
Governance
(ethics, risk management)

External Ideas / Suggestions & Rewards

In order to commercialize smartphone ideas, we are putting together a 4-billion-won fund for app development. There will be a 60-billion-won investment in virtual goods like videos, music, and new media to actively support small companies in their R&D.

## Supplier Expansion Support such as Overseas Business Support

KT is creating more opportunities for outstanding domestic suppliers to enter the overseas market through joint ventures with KT. We worked on 15 projects with 12 companies worth KRW 26.4 billion in 2009, 13 projects with 23 companies worth KRW 79 billion, and nine projects with nine companies worth KRW 16.8 billion.

Business Support and Productivity Improvement Support

In collaboration with the Ministry of Trade, Industry and Energy, KT has been running the productivity innovation partnership project with ten suppliers since 2012. We also introduced the Business Doctor system, whereby an experienced consultant visits the management of our suppliers to resolve issues and support their innovation activities.

Employees
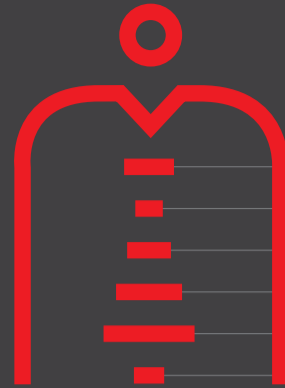
Employee Overview

* These figures are current as of the end of 2012. Includes directors and specialized contractors.

Gender	Permanent	Contract	Other	Total	Average Turnover
Male	26,579	417	165	27,161	19.4
Female	4,757	263	5	5,025	17.5
Total	31,336	680	170	32,186	19.1

| Unit : people | | Unit : years |

Open Compensation

To reward our employees fairly and address the silo effect in different departments, we adopted the open compensation system. We have been operating an open reward website since 2012 where our employees can directly nominate and vote for their colleagues. We have also established a reward system which celebrates and encourages socially outstanding employees who do charitable deeds in secret.

Employee Immersion

Employee immersion was first measured in 2010. Analysis reports are shared between departments, and bi-directional communication for internal improvement is also taking place on an ongoing basis. As a result, employee immersion is improving by the year. In particular, the immersion rate for our female employees is showing greater improvement through policies that care for women, such as Smart Working, maternity leave, daycare, etc.

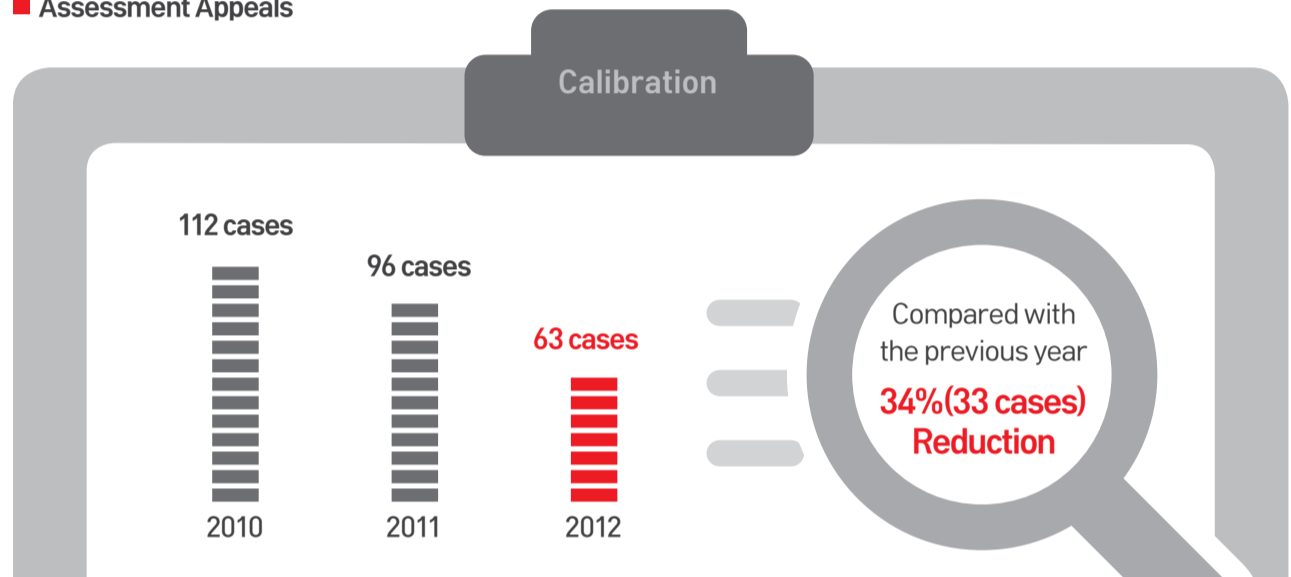■ KT Employee Immersion Level   ■ KT Female Employee Immersion Level

71%
69%
68%

2010   2011   2012

3% UP

7.1% UP

65.6%
58.5%

2011   2012
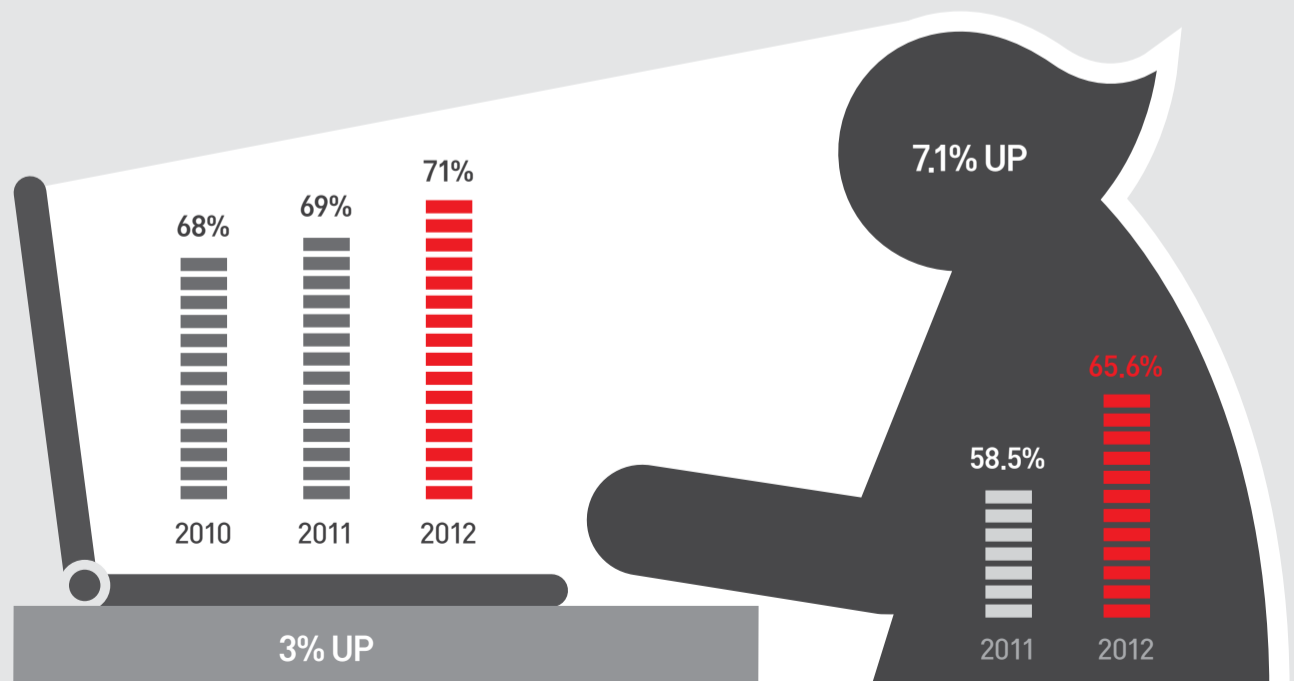
Employees
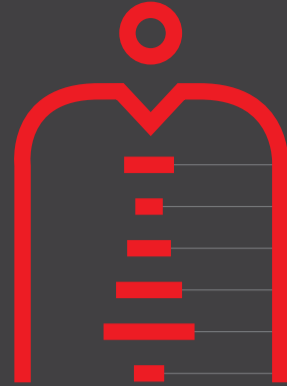
Fair Assessment

In 2012, KT introduced the calibration system, by which multiple evaluators review their findings in an open discussion. This helps prevent biased assessment and improves fairness in assessment. As a result of introducing this system, assessment appeals have decreased by 34%(33 cases).
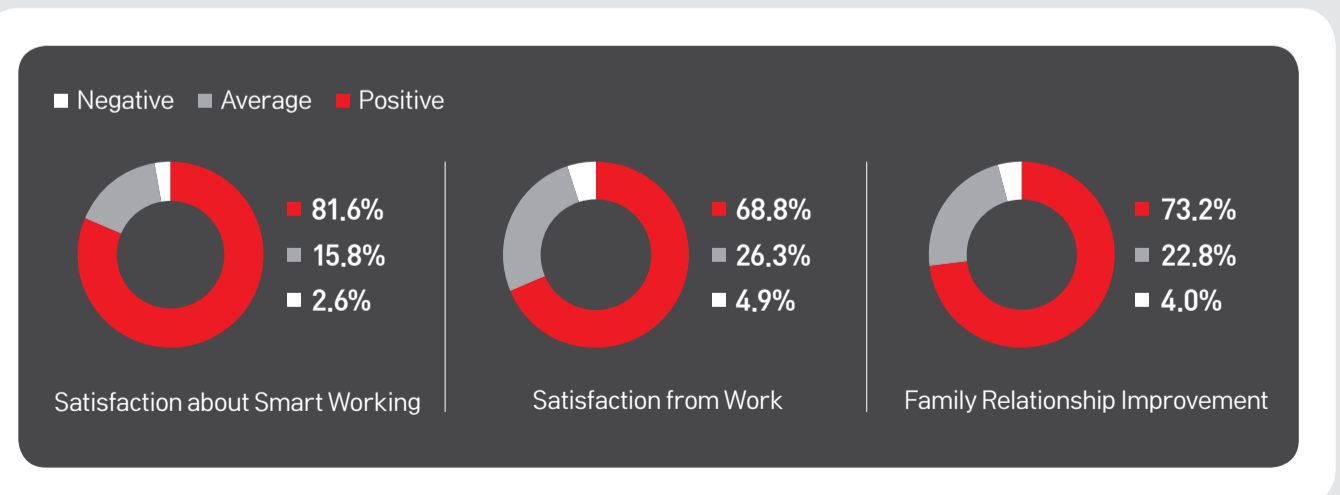
■ Assessment Appeals

Calibration

112 cases

96 cases

63 cases

2010　2011　2012

Compared with the previous year

34%(33 cases) Reduction
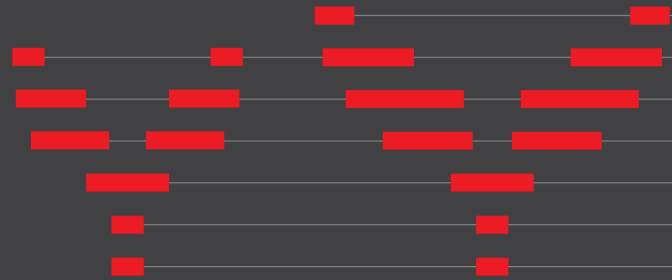
Smart Working

* Smart Working :
Smart Working is KT's innovative IT work system by which its employees can freely choose their workplace such as home and the Smart Working Center.

For the "innovation of the working environment and the balance between work and family", KT introduced the Smart Working program for all employees in April 2011. After two years, Smart Working has now become a crucial element of KT's company culture. We are offering diverse forms of work. The "Telework" program, for example, allows the employee to work either at home or at a nearby office(Smart Working Center) as desired. Our employees also enjoy the benefit of the "flexible working time" program where they can choose the start/end time and the number of work hours. The "Smart Family" program is particularly popular among our employees. Through this program, employees with children at the age of thirteen or under are encouraged to work from home three days of the week. Furthermore, the "On-the-spot commute" program eliminates unnecessary commuting for our employees and instead has them go directly to our customers to maintain real-time contact.

■ Smart Working Satisfaction Survey

■ Negative　■ Average　■ Positive

■ 81.6%
■ 15.8%
■ 2.6%

Satisfaction about Smart Working

■ 68.8%
■ 26.3%
■ 4.9%

Satisfaction from Work

■ 73.2%
■ 22.8%
■ 4.0%

Family Relationship Improvement

The Environment

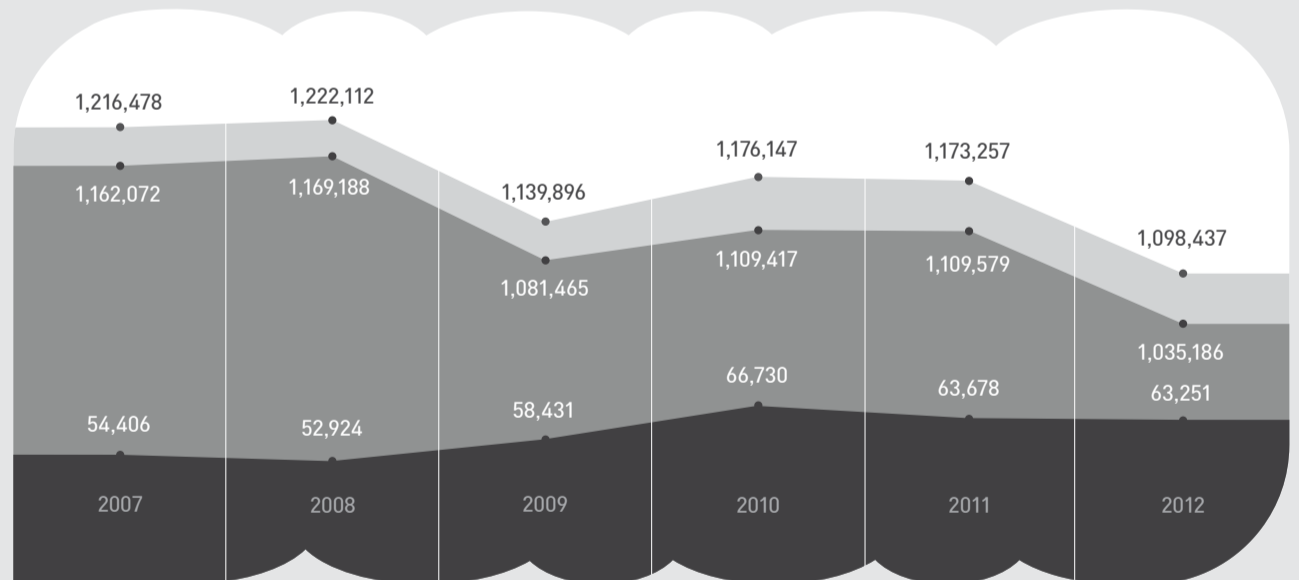## Smart Green Building Service

KT offers the Building Energy Management Solution(BEMS) to its customers, which reduces operating costs with smart energy management. This system predicts, indicates, and tracks energy use in real-time. KT has received the "Green Technology Certification" for the first time in the communications industry. We plan to open up an Energy Service Company(ESCO), which deals with diagnostic consulting and construction & maintenance, and internalize the energy FM solution.

Reduction of Greenhouse Gas Emissions

KT has adopted company-wide QA/QC(quality assurance/quality control) guidelines to monitor energy use and reduce waste for every place of business. KT succeeded in cutting tCO2e by 74,820 compared to 2012 through cutting-edge technology including a new CCC(cloud computing center), network simplification redesigns, and an All-IP network.

■ **Greenhouse Gas Emission by Year**   ■ Scope I(Direct emission)   ■ Scope II(Indirection emission)   □ Total
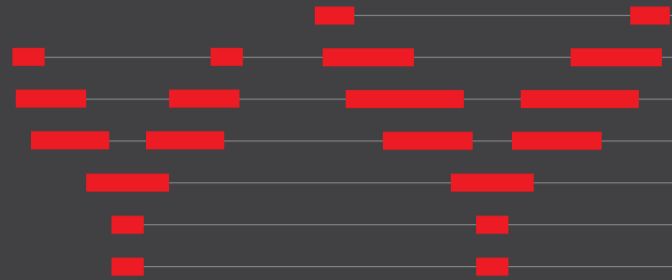
Year	2007	2008	2009	2010	2011	2012
Total	1,216,478	1,222,112	1,139,896	1,176,147	1,173,257	1,098,437
Scope II	1,162,072	1,169,188	1,081,465	1,109,417	1,109,579	1,035,186
Scope I	54,406	52,924	58,431	66,730	63,678	63,251

Reduced by 74,820 tCO₂e

* 2007~2010 emission verified by the British Standards Institution(BSI)
** 2011~2012 emission verified by Korea Quality Assurance(KQA)

| Unit : tCO$_2$e |

| Categories		*2007	*2008	*2009	*2010	**2011	**2012
Scope I (Direct emission)	Fixed combustion	41,063	40,828	40,221	49,073	44,332	39,387
	Mobile combustion	13,343	12,097	18,210	17,657	19,346	23,864
	Subtotal	54,406	52,924	58,431	66,730	63,678	63,251
Scope II (Indirect emission)	Powerpurchased	1,157,496	1,165,567	1,077,073	1,104,758	1,105,986	1,032,586
	Steam	4,576	3,621	4,391	4,659	3,594	2,628
	Subtotal	1,162,072	1,169,188	1,081,465	1,109,417	1,109,579	1,035,186
Total		1,216,478	1,222,112	1,139,896	1,176,147	1,173,257	1,098,437

The Environment

Spreading the Low-Carbon Education Culture through Green Class

KT is currently working on smart campus projects with "Green Class", a bi-directional lecture system that uses tablet PCs and smartphones. They can share notes and take questions, keeping the class paperless and allowing two-way communication. Teachers can record and save their lectures on their tablet. Class contents created in this way can be uploaded to the cloud server for the students to download. The "low-capacity contents production" can compress the lecture material at a 1:400 ratio, reducing the download and buffering time.

KT Scope 3 Greenhouse Gas Control
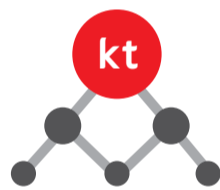
| Unit : tCO$_2$e |

SCM(Supply Chain Management) Emission		Total
Network Equipment	30,925	37,390
Wireless Devices	3,935	
Wired Devices	2,430	

Emmission Reduction through the Usage		Total
Home Devices (Internet phone, Kibot, Smart Home Pad, etc.)	44,873	404,134
Mobile Devices	89,117	
Internet Devices	270,143	

Social Emission Reduction through KT's Services		Total
Wireless Communications	1,167	1,002,617
IT Solution	85,687	
Media & Contents	911,838	
New Growth	3,925	

Other Scope 3 Emission Control

Category	Item	Value	Category	Item	Value	Total
Waste Management	Household	294	Water Use		996	43,897
	Recyclables	11,703	Employee Commute	Bus(in-town, rural)	801	
	Construction	186		Metro	68	
Business Trips	In-town	319		Car	25,048	
	Rural	880		Train	72	
	Abroad	2,931		Combined	599	

* The estimation methodology used to calculate the emission in each of the four areas of Scope 3, and the emission values thereof, were verified by a third-party for reliability.

KT Integrated report 2013

2013
keep dreaming
together Fact sheet

kt

KT's Sustainability Management
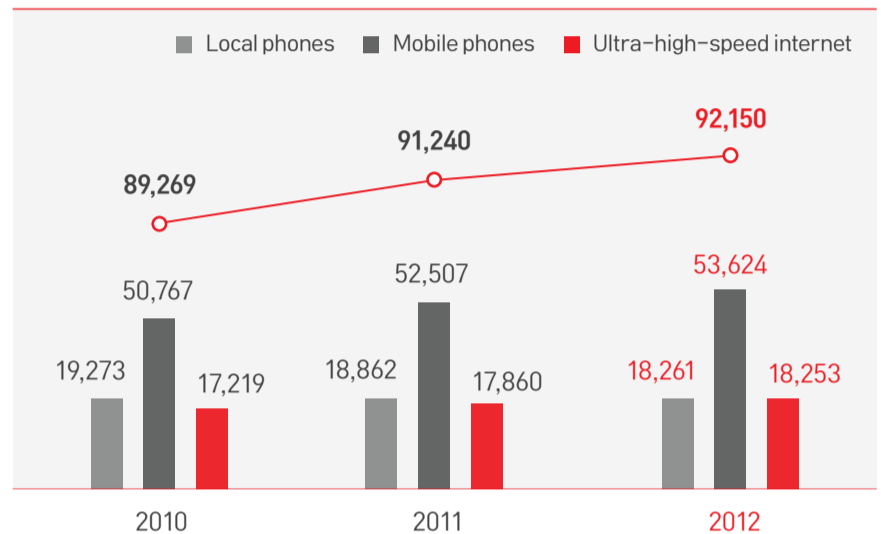
KT's Sustainability Management

KT at a Glance

The birth of kt can be traced to 1981 with the founding of the Korea Electrical Communication Corporation. In 2009 the company merged with KTF, its mobile communication subsidiary, and introduced the first smartphone in Korea to become one of the country's leaders in the new era of "smart" communication. Today, KT is a global ICT*convergence leader that offers the vision of a "Smart Life" of the future that brings together people and people, and people and objects through a wide range of convergence services integrating communications, IT, media and contents. Under Olleh 2.0, KT is transforming itself into a "global virtual goods provider" through smart networks and cloud infrastructure that can produce, distribute and consume virtual goods anywhere, anytime. The company is also committed to fulfilling its social and environmental responsibilities.

* ICT : Information, Communication, Transaction

Users, 2010–2012   (unit: thousands of people)

■ Local phones   ■ Mobile phones   ■ Ultra-high-speed internet

	2010	2011	2012
Line total	89,269	91,240	92,150
Local phones	19,273	18,862	18,261
Mobile phones	50,767	52,507	53,624
Ultra-high-speed internet	17,219	17,860	18,253

Company name KT

Founding date December 10, 1981

President & CEO Lee Seok-chae

Head office 206, Jeongja-dong, Bundang-gu, Seongnam-si, Gyeonggi-do

Communication

KT sat – Broadcastingcommunication
KT m&s – Sale and rental of telecommunications devices
KT linkus – Communication
KT powertel – Electrical communication
KT Submarin – Construction services by specialty
KTis – Call center operations
KTcs – Call center operations

Media/Contents

KT skylife – Satellite broadcasting, media industry
KT media hub – new media, digital contents
KT music – Online music service, digital content development, production, and distribution
KT mhows – professional, scientific and technology services
KT innoedu – educational services
nasmedia – online advertisement
Korea HD Broadcasting – video and audio production and distribution

IT Service

KT networks – Electrical communications, special-category and additional communications
KT telecop – Facility and machinery security services
KTh – Electrical communication, information service (Internet)
KT ds – IT services installation and maintenance

Convergence

BC Card – Banking services
KT rental – Total rental services
KT capital – Financial services
KT estate – Real estate services
KT commerce – e-commerce
H&C Network – Business support services
Initech – Publishing
VP – Financial and insurance services
Smartro – Financial and insurance services

KT's Sustainability Management

KT Value System

KT created "olleh Management" to direct the synergy generated from mergers towards enhancing customer value through new and innovative perspectives. Designed to promote win-win partnerships with customers and stakeholders, 'olleh Management' represents KT's determination to become a global ICT convergence leader through a future-oriented, innovative way of thinking. KT is striving to become a "global virtual goods provider" as the natural extension of these efforts.

KT Value System Pyramid

Management Philosophy — Always Connected[1]

Management Approach — olleh management

Vision — Global ICT Convergence Leader

Core Value — A.C.T.I.O.N.[2] = New kt Way

1) Always Connected : Another interpretation of the existing corporate principles, 'the convergence of information, communication, and human beings'.
2) ACTION : All for Customer, Collaboration, Trust, Innovation, Ownership, Now

Management Philosophy and Approach

'olleh Management' is KT's new management approach to delivering customer satisfaction that aims for continuing innovation and creating new value through new approaches and continuous communication. It also represents the company's resolve to make customers shout "olleh!" by thinking outside the box and providing future-oriented services. KT aims to become a company that thinks outside the box(Radical Thinking), a company that makes customers' dreams come true(Future Oriented), a company that can read customers' minds(Communication), and a company that customers can cheer for(Customer Satisfaction).

Core Values

With an action-based transformation as a top priority, KT carries out all its business activities based on the code of 6 actions, "A.C.T.I.O.N = New KT Way", which refers to All for Customer, Collaboration, Trust, Innovation, Ownership, and Now.

A.C.T.I.O.N. = New kt Way

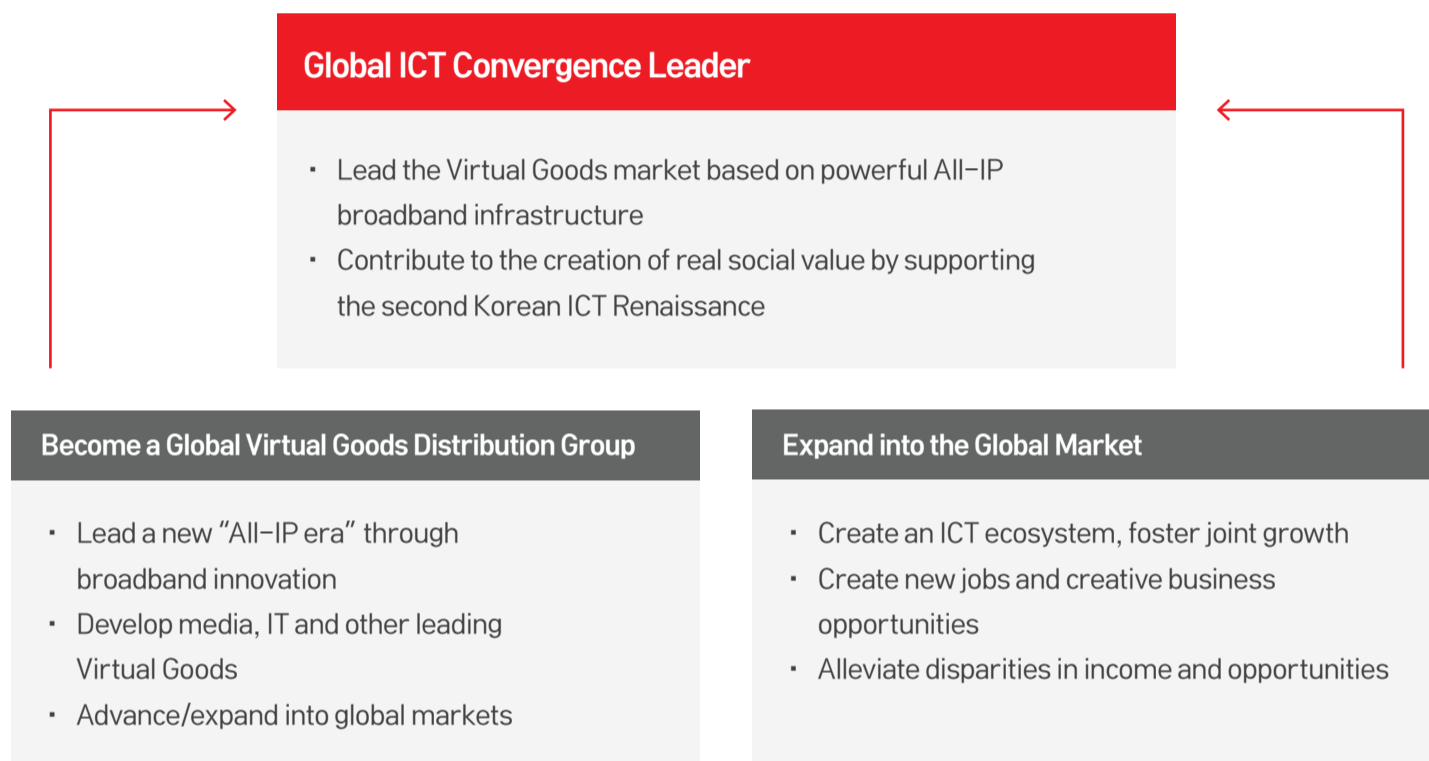All for Customer | Collaboration | Trust

Innovation | Ownership | Now
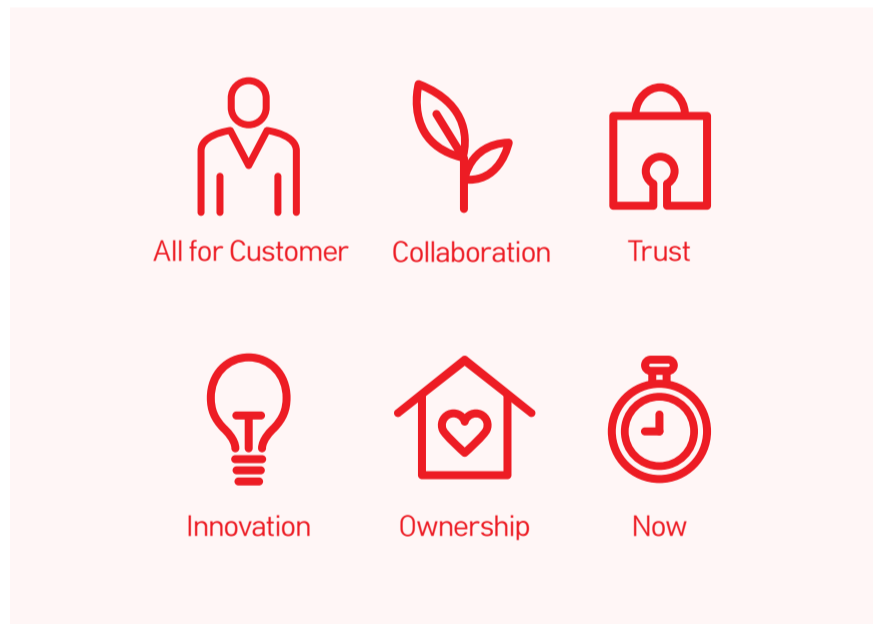
Process	Organization	Support
Take quick action and produce change	Create a goal-oriented accountability system	Retain professionalism and high productivity

KT's Sustainability Management

Medium-term Strategy

"Creating a New World of Virtual Goods as a Global ICT Convergence Leader and the Spearhead of Korea's creative economy"

Global ICT Convergence Leader

- Lead the Virtual Goods market based on powerful All-IP broadband infrastructure
- Contribute to the creation of real social value by supporting the second Korean ICT Renaissance

Become a Global Virtual Goods Distribution Group

- Lead a new "All-IP era" through broadband innovation
- Develop media, IT and other leading Virtual Goods
- Advance/expand into global markets

Expand into the Global Market

- Create an ICT ecosystem, foster joint growth
- Create new jobs and creative business opportunities
- Alleviate disparities in income and opportunities

KT is ready to transform itself from a traditional communication provider into an ICT company that can lead the global "virtual goods" market. The company has focused on improving corporate soundness, creating a transparent and open corporate culture, expanding its non-communication convergence business, and nurturing young and dynamic talent. These efforts have made KT the company to watch for in both the Korean market as well as the global market.

Now KT is poised to create a new world of virtual goods where a wide variety of contents, apps and solutions and flow effortlessly through the global market based on KT's powerful wired- and wireless broadband and cloud infrastructure. As a part of these efforts KT declared the start of the Olleh 2.0 management regime in 2012 and the transformation into a "global virtual goods distribution group." First, KT will work to create an All-IP era where network convergence based on the innovative network engineering will link all devices seamlessly. Virtual goods will be discovered and developed in all convergence fields including media, contents and IT services for global distribution. In addition to existing business areas in finance, security and rentals, KT will expand

investment in advertising, education, healthcare and energy industries to develop new ICT convergence businesses. Strategic partnerships with global companies will allow KT to export successful business models and its core capabilities to markets around the world.

The scope of KT's management strategy is not only limited to the company's own growth but will include the development of new growth drivers for the national economy, enabling Korea to start its second ICT Renaissance. The company is carrying out a number of programs to reach this goal including its New Deal, Three Don't-Do's of Joint Growth, Three Do's of Software Development, and Open Eco-novation. These efforts and investments will revitalize related industries and expand business opportunities as well as create new high-quality jobs that will provide today's young leaders the global stage upon which they can utilize their full capabilities for growth. In addition, the company will continue to fulfill its social responsibilities by using its ICT capabilities to support e-learning and e-healthcare for disadvantaged groups and work to bridge the gaps in our society.

KT's Sustainability Management

KT at a Glance | KT Value System | Medium-term Strategy | Transparent Corporate Governance | Sustainability | Business Ethics | Risk Management   Summary

Transparent Corporate Governance

Since its privatization in 2002, KT has observed the core principles of corporate governance in accordance with the global standards, with its management consisting of management specialists and an independent Board of Directors. By splitting the roles of the CEO and the chair of the Board of Directors, the company established an objective, independent governance system, and has worked hard to enhance good governance by establishing the "KT Governance Charter" and creating the Corporate Governance Committee. As a result, the company received the Best Award in the 2011 Corporate Governance Review conducted by the Korean Corporate Governance and Sustainability Center. In the same year(2011), the company received the highest rating(A+) in the EGS(Environmental Social Governance) evaluation.

Board of Directors

KT's Board of Directors consists of three non-independent directors and eight outside ones for a total of 11 directors(as of March 2013). Outside directors are selected by the Outside Director Nominating Committee based on their expertise and business leadership, and hold office for less than three years. The Board's chair is appointed among outside directors for a one-year term. Under the Board, there are five sub-committees(the Corporate Governance Committee, Audit Committee, Evaluation and Compensation Committee, Executive Committee, and Related-Party Transactions Committee) and two temporary sub-committees(the CEO Nominating Committee and Outside Director Candidate Nominating Committee). Additional committees may be formed according to need. To ensure the efficient operation of the Board and directors' responsibility, directors' self-evaluations are conducted each year with the results included in the annual report. Decisions are made by a majority vote of those present at a meeting where a quorum is present unless otherwise provided in the Commercial Code or the Articles of Incorporation.

Management Accountability and Compensation Structure

To establish an accountability system for management specialists, the Board of Directors enters into a management contract with the CEO, with the chief executive's compensation package determined by business performance, which combines the results of quantitative and qualitative reviews conducted by the Evaluation and Compensation Committee. Compensation of other directors and executive managers is determined by the Board of Directors and the Evaluation and Compensation Committee.

Board of Directors Activities

Category	2010	2011	2012
No. of Board meetings held	10	12	11
Average attendance	93%	98%	97%
Evaluation results (out of 5 points)	4.3	4.6	4.5

※ The 2012 Board of Directors reviewed and voted on a total of 68 proposals including the '2012 Sustainability Plan (proposed)' and the 'Group Development Strategy and 2013 Group Management Plan (proposed)'

Directors' Compensation(Outside directors Included)
(as of Mar. 31st, 2013) (unit: hundreds of millions of won)

Category	Amount approved by shareholders	Total compensation paid	Average paid per director
Non-independent directors (3)		41.1	13.3
Outside directors who are members of Audit Committee (4)	65	2.7	0.7
Outside directors who are NOT members of Audit Committee (4)		2.7	0.7

※ Outside directors includes Director Jeong Hae-bang, who resigned in April 20th, 2012
※ Long term performance-based benefits are estimates
※ Refer to www.kt.com (Investment information-Board of Directors) for further information

Committees under the Board (as of March 31st, 2013)

Category	Members	Purpose & Responsibility
Governance Committee	4 outside directors, 1 non-independent director	Responsible for enhancing governance
Audit Committee	4 outside directors	Responsible for overseeing the accounting and financial reporting processes
Evaluation and Compensation Committee	4 outside directors	Responsible for supervising management contracts and evaluations
Executive Committee	3 non-independent directors	Responsible for overseeing general business matters delegated from the Board
Insider Trading Committee	4 outside directors	Responsible for transactions between stakeholders as approved by the Board under the Monopoly Regulation and Fair Trade Act and the Commercial Code
CEO Nominating Committee	All outside directors, 1 non-independent director	Responsible for the investigation, review, and nomination of a CEO candidate at a share holders' meeting
Outside director Nominating Committee	All outside directors, 1 non-independent director	Responsible for the investigation, review, and nomination of an outside director candidate at a shareholders' meeting

KT's Sustainability Management

Summary

Sustainability

Approach to Sustainability

KT was selected as a Global Supersector Leader in 2012 for two years in a row, and with the launch of olleh Management 2.0, KT's sustainability has now entered a new phase. KT will become an IT company responsible for the spread of the 'Korean Wave' to find new growth engines and implement social responsibility(SR) activities using its network and IT technologies. The company will focus on ensuring that children in low-income families, people with disabilities, and multicultural families do not feel alienated, and also focus on alleviating social tensions. KT will act as a global CSR leader by planning activities to achieve the Millennium Development Goals(MDGs) and by complying with the ten principles of the United Nations Global Compact(UNGC).

Sustainability Committee

KT has selected "sustainable growth as a global leader" as its main sustainability target and is working to boost channels of communication with customers and stakeholders. The company has also established its top five priority goals(i.e. Business Ethics, Customer Satisfaction, Environmental Management, Win-Win Partnerships, and Social Responsibility) to ensure that major issues are reflected in business decisions. The company has created the Sustainability Committee to accomplish the goals efficiently, of which the head of Public Relations Office was appointed as the chair and the responsible officers are members. In 2011, the provision that requires Sustainability results and plans to be reported regularly to the Board of Directors was formally incorporated in the company's applicable rules/regulations. At the Board of Directors meeting held in May 2012, the 2012 Sustainability Plan (draft) was put to a vote. The Corporate Governance Committee under the Board is responsible for receiving a report on the progress of sustainability and ensuring that senior management supervises the company's sustainability in connection with the Sustainability Committee's operational process.

Dow Jones Sustainability Index – Global Supersector Leader Award

In 2009, KT joined DJSI* Asia-Pacific and DJSI Korea and, in September 2010 was listed in the Dow Jones Sustainability Index(DJSI) along with 318 other companies. In 2012, the company succeeded in remaining a constituent of the DJSI World Index in the wired telecommunications area for three consecutive years, and was selected as a Global Super sector Leader in wired- and wireless communication for two years in a row after beating out competition from some of the world's top companies.

* Created jointly by Dow Jones, the world's largest financial information provider, and SAM, a Swiss sustainability assessment agency, the DJSI is a measure of sustainability applicable to about 2,500 companies around the world and used to select top-performing companies. The stocks of the companies listed in the DJSI are recommended for preferred investment in the Socially Responsible Investment Fund, helping secure long-term, reliable investors.

Board of Directors	Corporate Governance
CEO	olleh Management Conference
Office of Communication	
Sustainability Committee	Chairman: Director of Officeof Communication
Steering Committee on Sustainability	**Five Key Issues**

Business Ethics	Office of Ethics Management, Office of Value Management
Customer Satisfaction	T&C, CustomerRelations, G&E, P&R, Economics and Management Research Laboratory Tech, KT Advanced Institute of Technology
Environmental Management	KT Advanced Institute of Technology, Networks
Win-win Partnerships	Human Resources, General Affairs, Synergy Management, Procurement Strategy, Communication
Social Responsibility	Communication

5 Key Issues	Key Roles	Organizations	Stakeholders
Business Ethics	Business Ethics activities, Enhancing corporate governance, Risk management	Office of Ethics Management, Office of Value Management	Shareholders
Customer Satisfaction	Service development, Product responsibility, Privacy activities, Customer relationship management, Innovative management (products, community innovation), Brand management	T&C, CustomerRelations, G&E, P&R, Economics and Management Research Laboratory Tech, KT Advanced Institute of Technology	Customers
Environmental Management	Environmental Policy and Management System, Climate Change Strategy, Environmental Innovation and Efficiency, Saving Energy	KT Advanced Institute of Technology, Networks	Environment (our next generation)
Win-win Partnerships	Fair Human Resources Management(HR development, talent management), Hiring and labor relations(Labor Practices indicators, safety and health at work), Fair trade	Human Resources, General Affairs, Synergy Management, Procurement Strategy, Communication	Employees/ Suppliers
Social Responsibility	Social Responsibility(CSR) activities, Public services(narrowing the digital divide), Community involvement(community investment and cooperation)	Communication	Communities (government)

| KT's Sustainability Management | Dreaming with **Shareholders** | Dreaming with **Society** | Dreaming with **Customers** | Dreaming with **Suppliers** | Dreaming with **Employees** | Dreaming with **Environment** | Appendix |

KT's Sustainability Management

KT at a Glance | KT Value System | Medium–term Strategy | Transparent Corporate Governance | Sustainability | Business Ethics | Risk Management   Summary

Business Ethics

KT has worked hard to establish an ethical corporate culture by expanding its Business Ethics infrastructure. The company implements a project to enforce Personal Professional Ethics so that employees perform their duties based on business ethics. Personal Professional Ethics(or Ethical Business Practices) are applied to all types of work performed at KT, as guidelines for best work practices. While also working with suppliers to establish Business Ethics, the company selected and awarded those employees who represented the best examples of business ethics through the Business Ethics Contest. Following the success of the event in 2011, the 2012 contest allowed employees to participate and familiarize themselves with business ethics. The company presented two gold awards, three silver awards, five bronze awards and ten participation awards. The company also operated other business ethics infrastructure including the Clean kt Campaign and the company's Help–line in order to allow KT's ethical management practices to develop further.

to include employees of partner companies as well. A total of 171 cases were received, resulting in 20 awards included two gold awards(one KT employee and one partner company employee) and three silver awards. The company will continue to hold the contest each year to show recognition of KT and partner company employees who adhere to best ethics practices.

Personal Ethics Standards

Personal Ethics Standards are ethics standards that allow each individual employee and staff member to carry out his or her tasks without being influenced by lax or unethical business practices. These standards, tailored to each individual business position, were created based on previous ethics case studies and provide actual solutions and evaluations standards that can help avoid the recurrence of previous problems. KT will continue to strengthen its personal ethics to raise its business practices to global standards.
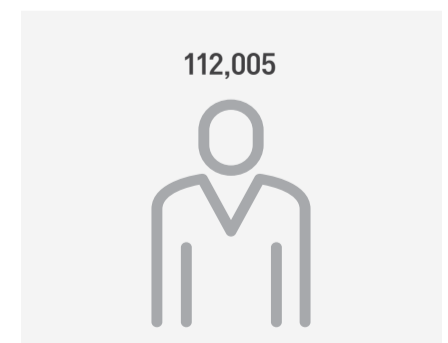
Business Ethics Initiatives

Hotline to the Audit Committee Chairman

Implementing "Clean kt" campaign during holidays

Increase ethical awareness by conducting self–tests and enforcing the ethics pledge

Regular and special ethics monitoring activities

Clean 365 Center that encourages spontaneous participation

Ethics training for employees conducted by the Center's director (e.g., Executive Officers)

Reinforcing the communication channel (Cyber Whistleblower Hotline)

Launching the Ethics Help–Line

Actions taken against ethics violations

Category	2010	2011	2012
Dismissals	7	1	0
Disciplinary actions	121	184	255

※ The number of disciplinary actions rose in 2012 as the result of stronger oversight on work processes to identify past inefficiency and wrong work processes, enhance responsibility and demand greater accountability; disciplinary actions due to corruption decreased compared to the previous period

Business Ethics Contest

 was held in 2012 in order to share success stories in ethical management and select examples of ethics that could be emulated as part of the company-wide ethics initiative. This year's contest accepted recommendations from employees, managers, partner companies and their representatives with award eligibility expanded

[2012 The Business Ethics Contest]

Lecture topics in ethics management by month, 2012

Month	Topic
March	KT work–specific ethics
April	Outside cases of work ethics
June	The need for work–specific ethics standards
September	Company–wide work–specific ethics
December	Work–specific ethics for each job category

Total cumulative number of employees receiving ethics lectures

112,005

Each employee receives and average of three to four lectures

KT's Sustainability Management

KT at a Glance | KT Value System | Medium-term Strategy | Transparent Corporate Governance | Sustainability | Business Ethics | Risk Management   Summary

Risk Management

Growing uncertainty in the business environment, including market saturation, intensifying competition, and business diversification, has increased business risks. KT created a company-wide risk management system for strategic, operational, regulatory and financial risks that can enhance both customer and corporate value.

Scope and Principles of Risk Management

Scope

Compliance Risk	Operational Risk	Strategic Risk	Financial Risk	Event Risk

Respond to and minimizeuncertainty whichmay adversely affectcorporate values

Principles of Risk Management

Rapid & Resolute

Integrity & Initiative

Specific & Supportive

Knowledge Accumulative

ERM System

Since 2004, kt has implemented integrated risk management activities, instead of unit-by-unit risk management activities, and has operated an ERM(Enterprise Risk Management) Team. In 2010, the company opened the RM Center as a sole ERM organization in the Ethics Office, which not only acts as a "control tower", but is also responsible for creating risk management plans, managing key risks, assessing service-related risks, and promoting a risk-management culture as part of risk prevention. Each business division and facility also operates its own risk-management organization to create an organic structure for dealing with risk factors.

Risk-Prevention Process

Key Risk Management | KT reinforces preventive actions by identifying risks in the key businesses closely related to the company's business direction and annual goals, and by creating a management strategy. The company selects key risk candidates(risk-pooling), evaluates them, and finally selects the key risks. The selected risks are used to identify Key Risk Indicators(KRI) through a cause-effect analysis, and actions such as monitoring and improvement are taken to reduce them.

Service Risk Assessment | Since August 2010, kt has operated the "Service Risk Assessment" process. Through this process, the company conducts an in-depth review of risks in the four areas of Customers/Privacy/Legal/Fair competition to provide customers with flawless services and distinctive value. kt reviewed 417 risks in 2010, 602 risks in 2011 and 362 in 2012 and is working to provide competitive services as well as enhance employee awareness of risk factors by through the company's risk management processes.

Raising Risk Awareness | By operating the self-assessment framework, KT has the Risk Owner responsible for identifying and assessing the potential causes of risks, allowing prioritized risk management and prevention.

In addition, specialized training is provided to improve employees' risk management capabilities. The company also conducts specialized risk training for the head office and departments, and online and offline training for risk management specialists in the field in order to improve employees' awareness of risk management.

Risk Prevention Process

01	Risk pooling	Identify possible risk factors based on management targets
02	Risk assessment	Evaluate relative importance of risk factors
03	Risk diagnosis	Analyze links and diagnose problems
04	Determine solutions	Carry out risk prevention measures

Dreaming with Shareholders

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Summary
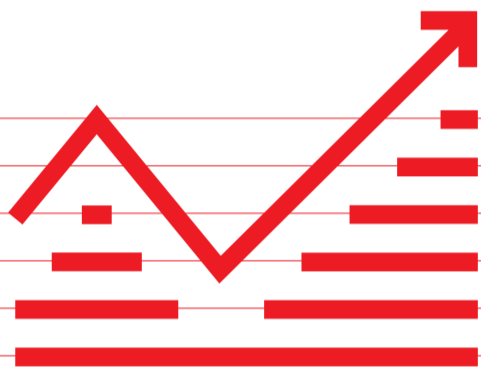
Dreaming with Shareholders

Vision & Strategy

KT declared the start of the Olleh 2.0 management regime in 2012 and the transformation into a "global virtual goods distribution group." First, KT will work to create an All-IP era where network convergence based on innovative network engineering will link all devices seamlessly. Virtual goods will be discovered and developed in all convergence fields including media, contents and IT services for global distribution.

Main Team

Value Management Office, Communications Office, Group Corporate Center, KT Advanced Institute of Technology

Dreaming with Shareholders

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Summary

New Growth Engines

Increasing Affiliates

On December 3, 2013, KT media hub, joined the KT family as its newest member becoming part of the future domestic and international leader in media contents. With over four million olleh tv subscribers the company is laying the foundations for providing unparalleled service in media and contents. KT and KT media hub will combine their core capabilities in media contents to provide unique benefits and new experiences to their customers, helping the group in its efforts to expand its media contents to the global market through virtual goods distribution.

As was the case with media hub, the company's internal satellite business was spun off to form KT sat on December 4, 2012. The new affiliate will utilize KT's key satellite assets to expand from its current domestic market services to reach into high growth-potential markets in Southeast Asia, Africa and the Middle East. With the global satellite service market expanding at an annual average rate of 7% in the past five years, KT sat is poised for rapid growth.

In December, 2012 KT made a payment in kind of two trillion won to kt estate to create the foundations for making KT Group's real estate business one of the company's new growth engines. The company's real estate assets are being redistributed and reorganized to create new rental capacity that can enhance asset value and boost revenue. Careful management of properties will enhance real estate value to not only create the foundations for stable growth but allow KT to use its management experience to provide services to external properties. These efforts are part of KT's plans to create a leading general real estate and property management company.

New Services

Smart Home Service | KT's dream 'Smart Home' is a new type of space where domestic robots and smart home pads connected to the wireless Internet provide personalized content and a variety of home services, allow the entire family to relax, learn and have fun, and work stress-free. As the wired telecommunications market becomes saturated('home phone-Internet-Internet phone-TV'), KT had a hard time attracting new customers. Whereas the launch of 'Kibot' and 'Smart Home Pad' allowed the company to transform the wired market into a new growth engine in 2011, 2012 allowed KT to further solidify the service value using these new businesses. Kibot 2's stature in both the market and among customers was further enhanced when the system received the R-learning certification* from the Korean government's

Center for R-Learning Development Promotion & Support. Along with the Smart Home Pad the services have expanded its Smart Home subscription by six-fold compared to the previous year.

In January, 2013, the company released the 'Smart Home Phone HD'*, a home phone that includes not only HD-class voice and video phone service but home security as part of the company's efforts to make inroads into the challenge home phone(PSTN/VoIP) market. The company will work to release the Smart Home Phone HD 2 as well as Kibot 3 in 2013 to maintain its leadership in the smart home market and prepare the foundations for global expansion in this field.

* Kibot 2 R-learning certification : R-learning, overseen by the Ministry of Education's Center for R-Learning Development, Promotion & Support is a program for certification based on a rigorous set of standards on the age-appropriateness, safety and reliability of robot-based technology and contents. Kibot 2 received the certification in October 2012.
* Smart Home Phone HD : "Protect in HD, Enjoy in HD" is the catchphrase of this new system that allows HD-class voice and video communication as well as the use of KT's full range of apps in addition to providing a home security solution.

[R-Learning certificate]

H∞H Healthcare | kt created H∞H Healthcare through a joint project with the Yonsei University Health System to create a healthcare-ICT convergence business that can create new value for enhancing quality-of-life through medical and IC technology. The name of the new company was inspired by the idea of providing infinite (∞) value to humankind through health as a "Global Total Healthcare Company" that can create new value through the convergence of medial and IC technology. ICT is used to provide customized health management services that can prevent illnesses and allow patients suffering from chronic conditions

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Summary

New Growth Engines

to receive care anywhere, anytime as part of a total "cradle to the grave" healthcare package. The company's next-generation hospital information system not only includes existing solutions such as electronic patients records and management of medical imagery but also cloud service, big data analysis and other healthcare services that utilize new technology. These services will provide a new level of care to Korea's citizens as well as alleviate pressure on the national health insurance system, while in the long-term providing the nation with a new growth engine by allowing Korea to export advanced healthcare systems abroad.

olleh Saas Market | Korea's corporate IT service market has been dominated by system integration(SI) providers, with numerous public agencies and large corporates building its IT services through SI projects. Small and medium-sized software companies either became SI partners or operated in smaller markets untouched by SI companies. However, new laws governing the development of the software industry that went into effect in November 2012, expanded opportunities for small and medium-sized companies to enhance their independent business competitiveness by directly participating in markets.
The 'olleh SaaS' market is a business software open market for software as a service(SaaS) distribution using KT's uCloud, the first to receive the cloud service certification in Korea. olleh SaaS was released in December 2012 following the launch of the Olleh Market targeting the corporate IT service market. A variety of products are on display including the "olleh Office 365" that was created through a syndication agreement with Microsoft. A total of ten services including groupware, CRM(customer relations management) and ERP(enterprise resource planning) solutions were registered as of late 2012, with many more on the way.
Unlike traditional business models in which large companies used the technology from partner companies to increase revenue, olleh SaaS provides not only a market but also the certification, accounting and transaction services that small and medium companies can use to sell their product directly to the customer. These companies register their products directly through the seller's market center, and charge for the payments generated. A cloud-based infrastructure and platform cuts costs while enhancing service flexibility, creating a symbiotic ecosystem with low rates and great convenience.
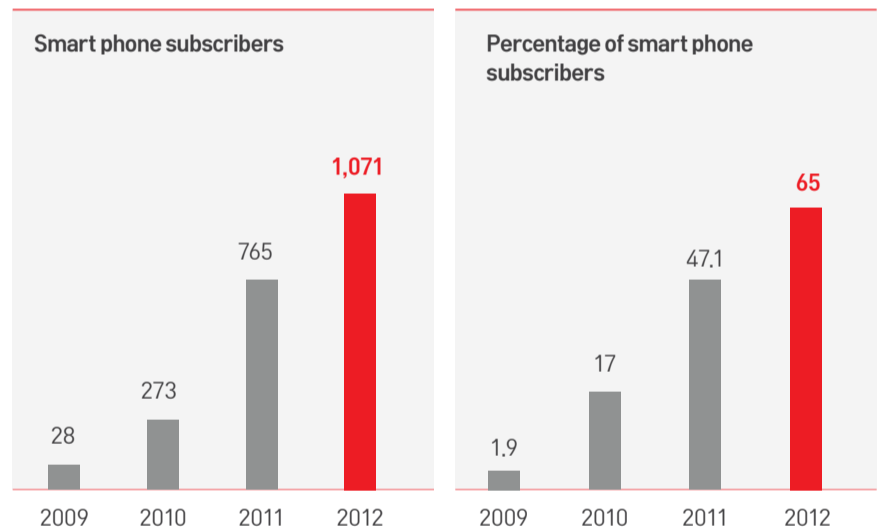
🔗 olleh SaaS Market   🔗 olleh SaaS Market Authorized Dealer Center

Facility Investment (unit: hundreds of millions of won)

Category	2010	2011	2012
Internet	8,388	4,486	3,612
Landline phone	1,425	1,046	1,187
Mobile phone	8,164	15,519	20,884
Data	4,051	3,401	1,672
Communication Infrastructure	5,012	4,358	4,759
Support Facilities	3,532	4,375	4,992
Total	30,572	33,185	37,106

Smart Phone Subscribers by service provider among total subscribers

(unit: tens of thousands of people)

Smart phone subscribers

2009	2010	2011	2012
28	273	765	1,071

(unit: %)

Percentage of smart phone subscribers

2009	2010	2011	2012
1.9	17	47.1	65

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
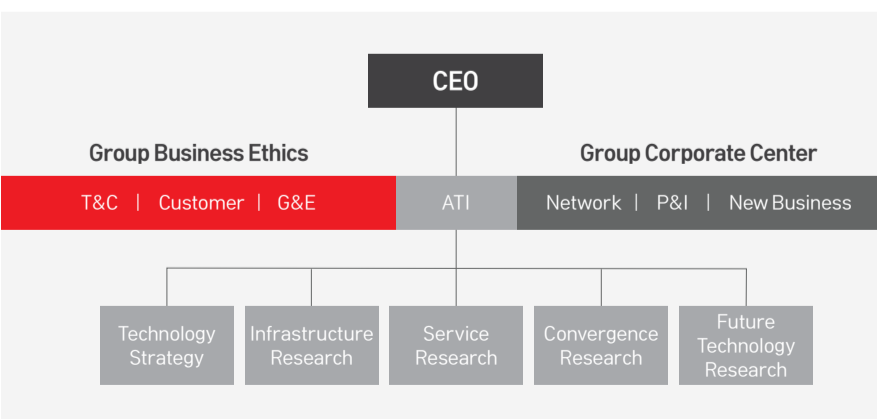Sharing Value with Stakeholders | Management performance

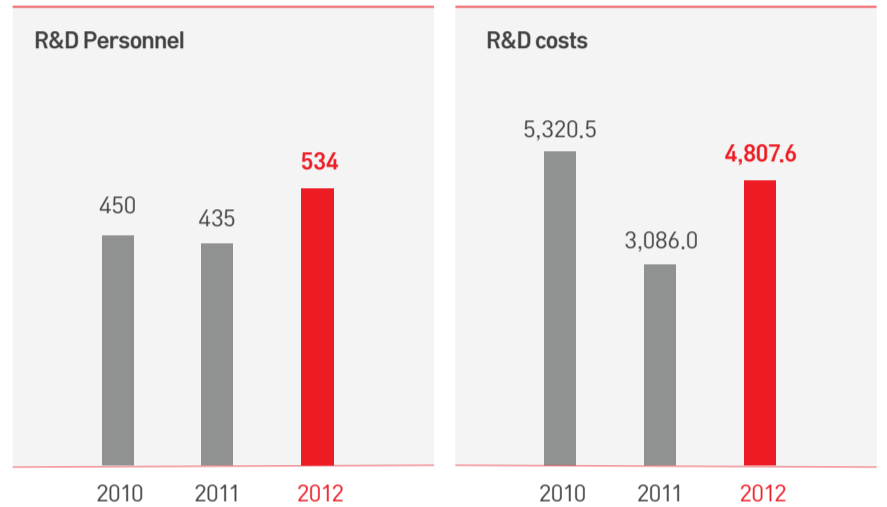Summary

R&D Successes and Strategies

The KT R&D center is working hard to create new value and a new world through technological and industrial convergence, all aimed at reaching the goal of "developing and enhancing future key technologies and services that can drive KT Group's medium−term growth strategy." In addition to securing the competitive edge in existing markets, the company is working to create new growth engines based on virtual goods such as media and contents. KT is moving into new markets and new industries through infrastructure innovation. The company is researching new technologies and services that can be combined with ICT to keep in step with global trends toward convergence, working with major universities, industries and other companies in Korea and abroad through open collaboration to maximize results. In addition, continuous technology management innovation allows the company to help boost the effectiveness and efficiency of its R&D to meet and exceed global standards.

R&D Investment (unit: no. of people) (unit: hundreds of millions of won)

R&D Personnel

2010	2011	2012
450	435	534

R&D costs

2010	2011	2012
5,320.5	3,086.0	4,807.6

Developing future core technologies/services and enhancing key capabilities to drive KT Group's medium−term growth strategy

R&D Project	R&D Management
Core Biz Renewal Secure differentiated capabilities in existing business areas	**R&D Human Resource Renovation** Strengthen internal R&D human resources
New Biz Enabler Discover new business models in IT service	**Innovation Wheel** Boost independent/dynamic R&D
Biz Domain Expansion Discover new business models for convergence with other industries based on ICT	**R&D Infrastructure** Strengthen R&D result/technology information sharing and partnership environments

kt R&D Organization

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                    CEO
  Group Business Ethics        Group Corporate Center
  T&C | Customer | G&E    ATI    Network | P&I | New Business
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Technology Strategy	Infrastructure Research	Service Research	Convergence Research	Future Technology Research

R&D Products Successes

KT has successfully developed a slew of technologies previously unseen in Korea or the world, including the WiFi backhaul solution, FTTH−based dish−less OTS, mobile IPTV, the "Egg" terminal for Wifi−to−Wibro connection, and ClearSkin, a bidirectional IPTV. The company has also commercialized new services as a result including IPTV, Internet telephony and FMC(fixed−mobile convergence) that greatly boosts the company's revenue capacity.

Core Biz Renewal	**Secure wired− and wireless NW business competitiveness −** early commercialization of LTE technology, Smart NW technology **Enhance competitiveness of olleh Broadcasting −** dishless OTS, mini STB **Provide a unique sensibility−based UI/UX −** Life Navigator
New Biz Enabler	**New M2M business enabler −** DIY M2M **Service innovation enabler −** Web−enabled IPTV, video conferencing between different formats **NFC−based business enabler −** Network−controlled NFC
Biz Domain Expansion	**Transform smart energy into a business growth engine −** commercialize key solutions, expand into global markets **Develop new businesses though ICT convergence −** group R&D, open R&D

New successes in R&D are quickly established as the company's intellectual property through patents in Korea and abroad in order to create stable business foundations through key technologies. In 2012 the company developed key patents in LTE CCC, LTE femtocell, M2M, mobile commerce and other areas that either lie within kt's business scope or

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R&D Successes and Strategies

are some of today's hottest fields. In 2011 the number of KT's overseas patent applications rose by 66%, the result of focusing on identifying key patents for technologies.

Domestic and International Patent Applications

Categories	2012	Cumulative (~2012 Dec. 31)
Domestic Patent Registrations	305	5,399
International Patent Registrations	93	749

R&D Management Successes

R&D Management Innovation | KT is striving to become a world-leading R&D center through continuous technology management innovation. From R&D project planning to selection, review, evaluation and follow-up, KT's R&D is in close synch with corporate-wide business strategies. Quantitative project evaluation systems link research success with performance evaluation for additional incentive for performance. Education programs for enhancing the individual capabilities of research experts help boost R&D capabilities while cost innovation measures keep an eye on efficiency.

Open Collaboration | KT is carrying out 'Distinguished Seminars' to create a global R&D network that will make it a world-class research institute. A total of 25 seminars and meetings with global IT experts and leaders provided opportunities for researchers and kt Group executives to upgrade their capabilities.
The 'KT Lab@Place' program brings leading companies, universities and research institutes together to secure new technologies for KT. In 2012 the program was reorganized as 'KT Lab@Place 2.0' to expand both the scope of the program, research areas and collaboration methodology to better connect research achievements with business success.

The company dispatches young employees to Korea's top universities as part of the 'Convergence Lab@univeresity' program aimed at developing new future convergence fields in nano-, bio- and energy/environmental technologies.

[Convergence Lab@POSTECH]

Global R&D | KT has been working with NTT Corporation's R&D center since 2010 as part of the kt-NTT R&D Group Executive Meeting hosted by the CTO's of both companies to share new technologies in IPTV, smart networks and green ICT. Working groups have been formed to internalize results.
In addition, an agreement with MIT Media Lab, a world-leading research center, is helping kt develop businesses through cutting-edge technology and research achievements.

[kt-NTT R&D Group Executive Meeting]

The Future of ktLab@Place 2.0

Lab@ Place 2.0

Targets | Companies, research labs, universities

Research | Basic Research, Core Tech, Convergence

Collaboration Methods | Joint research, information exchange, personnel exchange

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R&D Successes and Strategies

R&D Publication | The KT R&D center's 'Tech Insight' is a company technology information portal that acts as a 'technology signpost' that makes possible preemptive R&D by acquiring global technology information and predicting market technology changes. In 2012 KT focused on selecting strategy technologies that the company must focus on, analyzing these technologies to determine KT's future business goals. A wide variety of media including Web portals and smartphone apps are used to share the latest information and trends in global technology with the entire company and boost understanding of the newest in tech developments among all employees.

[Tech Insight (Web Site)]

In addition, R&D road shows have been held twice a year since 2010 in order to create new business opportunities by introducing the company's R&D achievements and enhancing the completeness of R&D results. A total of 77 R&D products were displayed through these road shows in 2012.

[2012 R&D Road Show]

Group R&D | KT's R&D center operates group R&D projects through a KT Group R&D Steering Committee, tasked with forming group-wide R&D management strategies in order to create synergy between family companies engaged in ICT and convergences businesses. KT's technology information portal has been expanded to include the entire KT Group in order to make available hot technologies issues, trends and the entire range of technology information available to kt as part of efforts to enhance the entire group's total R&D capabilities.

Key Research Projects, 2012 AIT TECHINSIGHT

Category	Research Results
3W (WCDMA, WiBro, WiFi) /LTE	In-building solution development(completed)
	Android joyn(RCS) commercialization
	Global frequency monitoring system development
	WiFi LTE synchronized transfer solution development
	AP coverage dynamic control technology development
SoIP/FMC	Smart home -VoLTE All-IP video calling service development
	Smart home phone(5.8" UMC) commercialization
Media	IPTV Web app virtualization service development
	olleh tv personalized recommendations service development
	olleh tv advanced smart search development and commercialization
	olleh tv poster recognition solution development(completed)
	olleh tv English pronunciation search feature commercialized
	olleh tv channel-VOD linked recommendation commercialization
	olleh tv advanced guide development(completed) and commercialization
	olleh.com semantic search feature commercialization
Platform/ Infrastructure	Mobile Premium CDN Pilot solution development
	Certification platform for LTE-WiFi mobility development
	CILOC system for LBS through wired- and wireless network development and commercialization
	K-MEG integrated management center installation and operation
Convergence Service	Satellite/TRS-based real-time shipboard position system development
	Test project for hypertension and diabetes self-management service(2nd year)
	Test project for health management system in conjunction with the Seoul National University Bundang Hospital
	Kibot 2 multi-language(English, Chinese, Japanese) support remote control development
	Wellness solution development
	olleh tvseniors' service development
Network Management Solution	Wired- and wireless network management system integration

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Brand Value

Since 2011, after launching 'olleh', the company's wired- and wireless communication integration brand, KT has been using a full-fledged brand management system to make olleh as a corporate brand and KT's top service brand. Systematic and strategy brand management creates new product and service synergies while enhancing marketing communication efficiency, leading change and innovation for providing customer-centric service. These changes and innovation have made olleh one of Korea's top brands since 2005, with the brand continuing to expand and grow in 2012.

The foundation of KT's brand management lies in providing products and services tailored to the customer's needs through sustained "change and innovation." With the company beginning to offer high-quality All-IP service starting in 2012, olleh is poised to become a brand that can greatly enhance the quality-of-life for its customers through innovative products and services.

2012. 9

· Total brand value estimated at $3.6 billion according to Brand Finance Korea (one of the world's top three brand value evaluation agencies)
· Awarded "Most Notable Brand of the Year, 2012"

2012.11

· Total brand value estimated at 14 trillion won according to the Ministry of Trade, Industry and Energy's "Institute for Policy Studies" brand report; ranked 5th highest in Korea

2013. 2

· Brand value estimated at two trillion won by Interbrand Korea (one of the world's top three brand value evaluation agencies); 12th highest in Korea

2013. 3

· Brand value estimated at $4.9 billion by Brand Finance Global (one of the world's top three brand value evaluation agencies); $1.3 billion increase over 2012

olleh Evolution

Stage 1

2009~2010
Create an innovative image as a corporation

"olleh", KT's management slogan launched when KT and KTFmerged, revitalized the KT brandand helped customers perceivekt as an innovative company

Stage 2

2009~2010
Build a wired- and wireless convergence brand image

As olleh became a product/service brand that replaced QOOK&SHOW, a wired/wireless convergence brand, KT createda brand image for wired/wireless convergence productsand services.

Stage 3

2009~2010
New 'olleh' label launched and boosted as a integrated wired- and wireless brand

olleh became KT'score servicebrand that encompasses all KT's wired, wireless, wired/wirelessconvergence products andservices, with the company focusing on enhancing customer awareness of the brand

Stage 4

2009~2010
Further strengthening the customer preference of the 'olleh' brand

olleh will enhance the 'olleh'brand preference by reinforcingthe IMC based on customersatisfactionand 'substance', and strengthen the group-widebrand management system byincreasing synergy between the group companies, centeringon the KT brand

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Brand Value

Group-wide Brand Management System

A group-wide brand management initiative was declared in 2011, with the Group Brand Committee created to boost organic cooperation between internal and external communication efforts throughout the KT Group.

The committee discusses strategies and goals for the group's brands to create a uniform brand strategy, design and advertising activities as well as boost overall brand management capabilities. The committee is tasked with planning, implementing and evaluating various activities including internal communication, external communication and social contribution efforts that can influence the group's brand image. The committee also deals with misuse and misappropriation of group brands, carries out partnership promotions for strengthening group brands, and conducts joint marketing projects. The committee's major projects in 2012 included the overhaul of each company's CI/BI as well as symbols to enhance group brand integration, a campaign to root out brand infringement, and co-promotion projects using products and services between family companies within the group.

Strategic Brand Management

Systematic Brand Performance Index Management | KT created an organized, scientific performance index model to manage brand performance indicators. Based on scientific data, the company identifies an efficient brand strategy and action plan to increase brand value.

Systematic Brand Education | KT carries out education and training programs for employees and executives to enhance brand awareness and reinforce the importance of brand management. In 2012 a total of 10 training sessions were held for major employee and executive groups to enhance brand understanding, and separate brand education for executives and team leaders has allowed kt to promote awareness of the importance of brand management throughout the company.

Innovative Brand Communication

LTE WARP Campaign | KT created a new brand called "LTE WARP" in January 2012, to highlight the element of KT that makes it stand out from the rest of the market: speed. The "Fast, fast, fast!" advertisement jingle took the entire nation by storm and brand awareness and affinity was significantly boosted through not only the popular television commercial but through Shout WARP, the WARP game, and the LTE WARP Running Man event.

olleh tv Campaign | KT launched the "Totally Biased Baseball Commentary Service" campaign in April 2012, to further cement olleh tv's competitiveness, combining the TV commercials with the "I'm a Biased Commentator Too" event, and the "Lots to See" offline snack event. The number of olleh tv subscribers reached four million thanks to these integrated marketing communication efforts.

*홈페이지(http://www.kt.com) 내 IR 자료실
→ IR data(2013년 1월 factsheets)기준

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Brand Value

[TVCM with the 'best show in Korea' on olleh tv, the highlight of olleh tv's Sky life channel]

Brand Identity Design | Brand identity is the foundation of a total identity. The curvature of one end of the brand mark is the "Wave of Innovation" that visualizes the boundless innovation of the brand. The imagery is uniformly applied to the corporate brand(KT), service brands(olleh, LTE WARP, etc.) and other group companies to express KT's unique identity.

All-IP Campaign | kt began the All-IP campaign in January, 2013, to promote the IP-based communication service. The campaign, designed to create a friendlier and more recognizable brand image and create contents that can appeal to customers, is being carried out through TV commercials, the free distribution of the All-IP song, and online events.

Visual Identity Design | The 'olleh signal', a graphical representative of a communications signal, and the 'olleh' typeface are used in a wide variety of brand materials to strength the company's brand identity.

[olleh signal]

Integrated Brand Design

Total Identity Design | As part of the company's core strategies for brand value enhancement KT has created and continues to strengthen its Total Identity. A uniform image is transmitted through the integration of all areas including the brand mark, corporate typeface, space, product, and user interface.
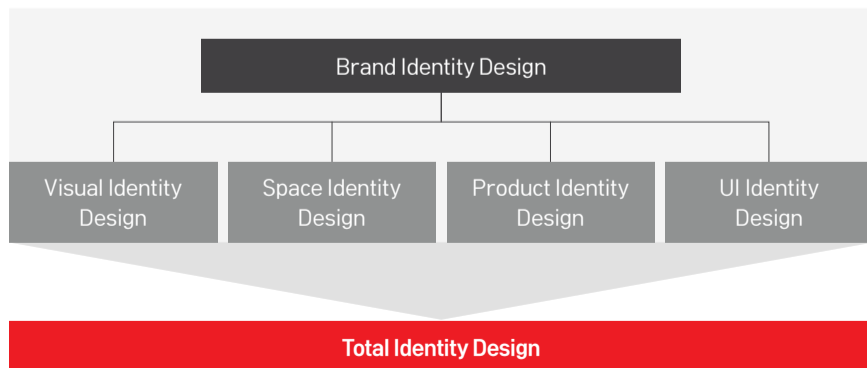
[Company typeface – the 'olleh' font]

Dreaming with Shareholders

Summary

Brand Value

Space Identity Design | KT's unique identities are expressed in the olleh Square, olleh Avenue, olleh Campus and other spaces to strengthen the company's unique brand image.

UI Identity Design | All KT mobile app icons have been redesigned to incorporate the red brand color and the 'olleh signal' to provide customers with a uniform experience when using online services.

[olleh Square] [olleh Campus]

[Mobile App Icon]

[olleh Avenue] [Smart /Working Center]

Brand Efficiency Evaluation

Total Identity Design Achievements | KT's total identity has received accolades from design awards around the world. The company's product identity became the first communication company in the world and the first company of any industry in Korea to receive the 'Best of the Best' designation in the 'Red Dot Awards', winning an additional ten global design awards in the past three years as a clear affirmation of its global brand.

Product Identity Design | KT has created a product identity that uses a uniform look and feel to over 350 products in 56 categories in wired– and wireless communication. Starting with the release of an Internet modem that uses the product identity in 2012, the company will expand the use of its product identity to its entire product range.

'Red Dot Award' three years running (2010–2012)

	Product Identity	Promotional Brochure	Communication design category
2012	Product Identity	Home terminal (three types)	Design concept category
	Product Identity	Home terminal package	Design concept category "Best of the Best"

'iF Design Award' three years running (2010–2012)

	Product Identity	Concept	Communication design category
2012	Product Identity	Home terminal (3 types)	Production design category

Good Design (Japan') Award (2012)

2012	Product Identity	Set top box remote controller	Home design category

[Product Identity Design]

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
Sharing Value with Stakeholders | Management performance

Summary

Innovative Management

Innovative Management

KT's corporate culture is based on each manager discovering new challenges and creating new opportunities. The company has adopted innovation management since 2010 as a part of its management development strategy. Innovative management aims at creating a 'customer-centric idea factory' where every employee can freely suggest new ideas and develop them through research and in-company startups that can ultimately create new businesses. The Idea Pipeline was created as an innovation process so that employees can transform their 'small ideas' into 'big ideas'. In addition, an 'innovation management school' targeting all employees provide education and training while innovation management projects that work to solve the challenges faced by the entire business division creates new innovation leaders and improves the way business is done. The experiences from these programs are transformed into assets as part of KT's unique innovation management tool kit that is then distributed to the entire company for application. A separate 'anti-innovation campaign' seeks to eradicate practices that present a barrier to the creation of a culture of innovation.

PEG(Project Expert Group)

The PEG, an internal consulting organization, carried out a total of 75 in-house consulting projects by strengthening its consulting capabilities and carrying out project-type work. The group formed a BM for bio-informatics linked to the company's management strategies and carried out innovation projects for enhancing group synergy in media as well as for cutting costs. In addition, the PRINCE2, a global project methodology standard, was adopted not just by the PEG but by the entire company. A total of 130 employees went through foundation training, the most basic skill set, while an additional 40 passed the practitioner level. In addition kt shared PEG's systematic project capabilities by taking part in the Korean Society for Project Management, supporting partnerships in the industry in project management. In 2013 the company plans to focus on addressing key issues and strengthening project results to boost company-wide achievements, and assetize various project results into a knowledge bank to share with the company the best way to work on projects.

* PRINCE2(PRoject IN a Controlled Environment version2) : A project management methodology created by the U.K. OGC(Office of Government Commerce)

Management Based on BIT-ERP

KT formed the foundations for business management infrastructure innovation by launching the BIT-ERP system in July 2012, and continues to carry out innovation programs to meet its initial targets and achieve management efficiency.

The foundations for data-based management were created by overhauling management information systems. This system will create an internal transaction system that will allow profit management for 32 BM business divisions as well as cost-effectiveness management for 23 functional groups. Analysis of such system data will achieve real cost savings by enhancing cost structures and boosting productivity, ultimate creating a highly-competitive business management system.

Key Changes in Management Innovation and BIT System Application

Category	Major Changes	As of Late 2013	Notes
Business information innovation	Increased direct ratio	56.2% → 88%	Detailed profit assessment allows better cost analysis and business viability evaluation
	Increased BM profitability ratio	67 ea → 210 ea	
	Increased number of standard activities	189 ea → 7,003 ea	
	More detailed intra-corporate business	4 areas → 32 BMO*,23 PMO*	Implemented in the 2nd half of 2013
Efficient SCM	Increased compliance with ERP procurement process	19% → 76%	
	Reduced inventory turnover	33 days → 29 days	
	Better S&OP compliance rate	nonapply → 100%	Terminal supply and demand planning process
Simple, Speedy	Reduced EPR systems	10 ea → 1 ea	
	Integrated BIDW information system	5 ea → 1 ea	
	Reduced account subjects	Less than 1,600	
	Reduced BID information index	10,000 ea → 1,600 ea	
	Reduced number of systems requiring BIDW information	63 ea → 32 ea	Reduced overlap, increased security

* BMO (Business Model Owner) : Business division in charge of product category
* PMO (Program Management Owner) : Functional support division
(network, call center, IT, etc.)

| KT's Sustainability Management | Dreaming with **Shareholders** | Dreaming with **Society** | Dreaming with **Customers** | Dreaming with **Suppliers** | Dreaming with **Employees** | Dreaming with **Environment** | Appendix |

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
Sharing Value with Stakeholders | Management performance

Summary

Innovative Management

Cost Structure Innovation

Since its consolidation in 2009 KT has saved hundreds of billions of won through cost efficiency due to sustained cost structure innovation. Emergency management was declared in 2012 to secure funding for new growth engines, during which 175 separate initiatives resulted in 488.6 billion won in cost savings and leakage prevention.

Reduced marketing costs by enhancing collection cost efficiency	161 billion	23 tasks
Expanded subscription of MVNO and other subscriptions not requiring recruiting costs	58.6 billion	
Reduced new acquisition costs by increasing wireless customer retention	24.2billion	
Expanded sales CAPA of low-cost intra-company wired channels	5.7billion, etc.	
Reduced various cost including service purchases	40.1billion	15 tasks
Reduced product cost through cost assessment for each corporate solution service	19.5billion	
Reduced service purchasing prices by improving international line lease procedure	3.6 billion	
Reduced USIM purchasing price through source diversity and bulk buying	38billion, etc.	
Reduced business costs through improved work procedures	210.2billion	107 tasks
Improved wired product signup and warranty service productivity by expanding direct retail	23.5billion	
Reduced incoming calls to the wired network call center	11.1billion	
Reduced fees for outside contract work including putting wired- and wireless product accountmanagement under direct control	12billion, etc.	
Increased sales and prevented profit leakage	77.3billion	30 tasks
Expanded TV home shopping channel transmission income by altering contract procedure	8.8billion	
Minimized profit leakage by improving cost adjustment process	22.8billion	
Removed overlapping discounts for re-subscription and other discounts	6.6billion, etc.	

Product Innovation

In the past, KT has focused on technology and business model-oriented product development and thus struggled with creating customer-oriented products and coming up with a uniform product management system. Focusing on line-based product management also hindered increases in the number of products offered as well as overall customer communication. The company has been reorganizing its product management system since 2011 through company-wide product-innovation that seeks to develop new market-oriented products. The company's goals in 2012 included product optimization, product system innovation, and customer-oriented product life management processes that led to significant results such as 54% product optimization compared to the previous period (number of products reduced from 828 to 381) and 29% reduction in product VOC(7.56 million cases/17.4 billion won in cost savings). This has allowed the company to better satisfy all of its customers and provide the right product for the communication usage pattern and environment. In addition, innovative products based on All-IP data have enabled easier selection of data-based products, and communication usage was made easier through better device compatibility. Structured product design and design elements within the BIT framework is creating the right environment for bringing new products to the market.

Following the CEO's suggestion to adopt a zero-defect product release system in 2001, the company has adopted a process where evaluation groups composed of customers, employees and experts experience and review products from the planning to development and marketing stages. Focus group discussions(FGDs) were expanded in 2012(from 23 in 2011 to 36 in 2012) as part of PLM innovation processes that can better determine product development and release timing as well as refinement after a product is brought to market. These results will allow the company to continue its product innovation activities by creating a new 'company-wide home network terminal evaluation processes and the integration of 'innovation management methodology' into product-testing processes.

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
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Summary

Smart Working

Smart Working

Two years after Smart Working was adopted in April 2011, which was aimed to 'innovate how we work and balance work with life', the concept has become a key part of KT's corporate culture. KT has started 'remote office programs' where employees can work where they want including their homes or nearby offices(smart working centers), and a 'flexible hours' system allows the employees to schedule his or her hours based on individual circumstances. A 'Smart Family' program that encourages employees with children below the age of 13 to work at home three days a week has been received with great enthusiasm. 'Direct commute' programs allow employees to save time by commuting directly to the job site without having to waste time on non-essential commutes, while a 'mobile office' program allows sales, line and warranty service employees to take care of business while on the move.
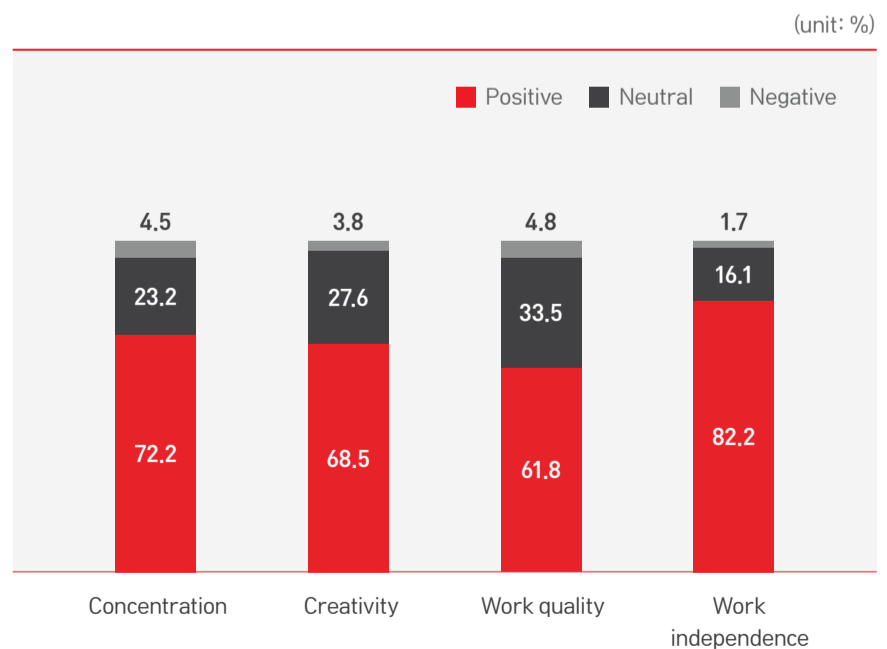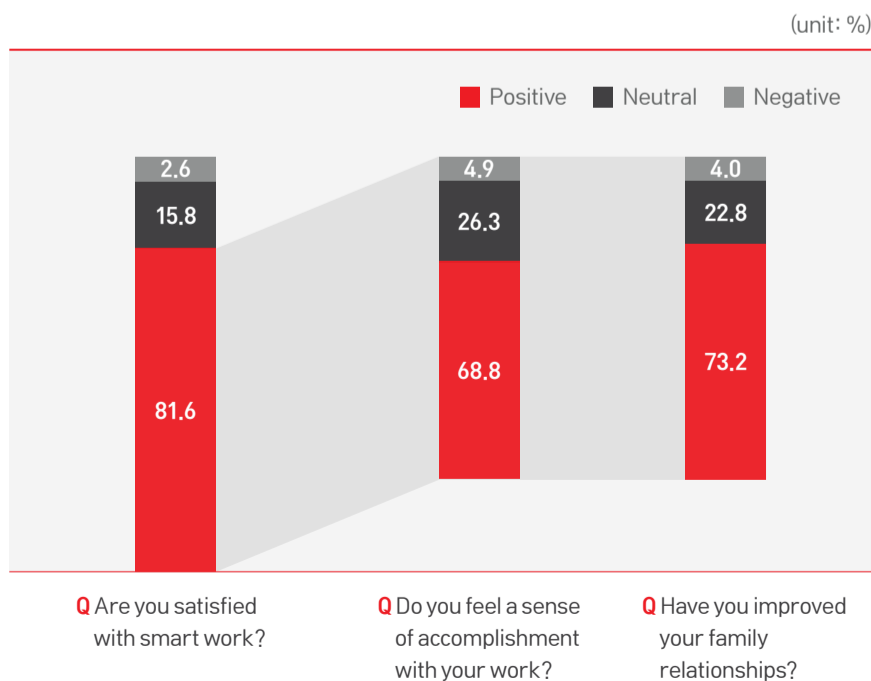
Since 2002 KT has been setting up a company-wide e-office system to create the best working environment. Messenger-based e-office systems, and electronic business authorization system, and a work digitalization process called the 'e-cabinet' has removed human and material resource wastage and ultimately succeeded in reducing the environmental impact. The system also allows for easy exchange of knowledge and information, boosting productivity while enhancing work capabilities and process and making the office a generally better place to work in. Evaluation of the e-office program as well as responses to inquiries and feedback has allowed the experience gained from this process to be applied to new businesses.

Other innovative programs such as the 'work diet' that cuts down on unnecessary work, 'basic rules' and 'process establishment' programs further enhance the company's smart working system. These initiatives allow employees to balance their family life with their professional life, which in turn boosts their loyalty to the company.
By offering more choices for employees in designing their work, KT's Smart Work system provides employees with opportunities for self-development and creativity. The system also enhances work concentration and has been credited with a number of positive changes.

* Surveyed group : 4,796 employees eligible for remote work
  (available for work at home or via Smart Working Centers)
  ※ Excluding 14,000 mobile office workers
Sample employees : 1,722 (with / without smart work experience)
Survey period/methodology : April, 2012 / visitations
Survey agency : Soongsil University Corporate Partnership Center
  (Supervisor: Professor Lee Sang-ho)

kt will further expand the distribution of VDIs as well as smart working infrastructures, and conduct conferences and support benchmarking efforts in order to make Smart Working the core of KT's corporate culture that allows everyone to successfully balance their professional work with their personal lives.

(unit: %)

Positive ■ Neutral ■ Negative

	2.6	4.9	4.0
	15.8	26.3	22.8
	81.6	68.8	73.2

Q Are you satisfied with smart work?   **Q** Do you feel a sense of accomplishment with your work?   **Q** Have you improved your family relationships?

(unit: %)

Positive ■ Neutral ■ Negative

	Concentration	Creativity	Work quality	Work independence
Negative	4.5	3.8	4.8	1.7
Neutral	23.2	27.6	33.5	16.1
Positive	72.2	68.5	61.8	82.2

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
Sharing Value with Stakeholders | Management performance

Summary

Global Business

Pursuing Global Sustainability

In June 2010, to extend sustainability to its global business, KT created and distributed the Code of Ethics written in the language of the specific country where KT's overseas affiliate or subsidiary is located, and the Sustainability Guidelines, which address business ethics, social responsibility, privacy policy, and compliance with the international labor standards. During the period of olleh 1.0, the company transformed its corporate behavior and brought itself up to the 'Global Best Practice' level by enforcing ethics and improving work practices, and has led corporate social responsibility by forming partnerships with small/medium enterprises(SMEs) and creating jobs. KT also provides its overseas subsidiaries with continuous training on business performance, through which the company strengthens its global sustainability capabilities.

Forming 'Smart Belt' among Korea, China, and Japan

KT has worked with China Mobile and NTT DoCoMo to create a "Smart Ecosystem" in Northeast Asia across the three countries, Korea, China, and Japan. These three countries are actively engaged in collaborative projects, including "OASIS", a super app store available for 650 million Northeast Asian subscribers, GSM*/WCDMA* networks, and free roaming services between Korea, China, and Japan, allowing customers to use WiFi networks across national boundaries, and joint research on 4G LTE(Long-Term Evolution). Through this collaboration, customers will be able to enjoy more benefits and the telecommunications industry will lead next-generation mobile technologies and strengthen its competitive advantages in the global market.

* GSM : Global System for Mobile Communications
** WCDMA : Wideband Code Division Multiple Access

Global Competitiveness

KT is using its experience and success in wired- and wireless communication to expand into global markets. The company is focusing on new and emerging markets by combining KT's experience and capabilities with investment and IT contents projects through global alliances(Cisco, SoftBank, etc.), global partnerships(Vodafone, CONEXUS, etc.) and global go-to-market strategies. The company is providing ICT services worldwide to governments and companies seeking to create communication infrastructure, public service and U-City projects. In addition KT provides world-class Internet connections, international calling, roaming services, and satellite communication services through the olleh 1 satellite.

Global ICT Business

KT created and has successfully operated a variety of ICT infrastructure components, such as PSTN*, an ultra high-speed Internet network, WiBro network**, BCN***, IPTV, WCDMA network, and LTE network****. The company shares its successful experience in the Korean market with emerging markets where ICT infrastructure improvements need to be made, and also provides global ICT services to government bodies and international companies around the world, including telecommunications infrastructure, public infrastructure services, U-City, and Managed Service. To offer high-quality Internet and international calls at reasonable prices, KT built a global network connecting developed countries around the world and has provided global services, including end-to-end data line and IP services and traffic wholesale.

* PSTN : Public Switch Telephone Network
** Wibro : Wireless Broadband Internet
*** BCN : Broadband Convergence Network
**** LTE : Long Term Evolution

Global ICT Sales (unit: hundreds of millions of won)

Category	2010	2011	2012
Global IT	936	705	208
Global data	644	658	618
Traffic wholesale	2,055	2,130	2,203
International calls	1,487	1,702	1,275
*Inorganic	915	1,044	1,127
Total	6,037	6,239	5,431

* Inorganic: Sales generated through overseas customers or joint ventures in which KT holds ownership through new investment, with sales calculated using the percentage of KT's ownership multiplied by total sales

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
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Sharing Value with Stakeholders

Shareholder Return

KT adopted the cumulative voting and paper voting processes to protect the rights of minority shareholders, and makes it a rule to return 2,000 in dividends per share for a minimum of three years(fiscal years 2012–2014). As for the results of the fiscal period of 2012, the company paid 487.4 billion won in dividends as determined at the annual shareholders' meeting held in March 2013.

※ Every employee (who entered into employment prior to 2007) are provided 50,000 won in pension deposits.

Taxes
(unit: hundreds of millions of won)

Category	2010	2011	2012
Corporate income tax	3,913	3,692	4,442
Taxes and public imposts	–	2,084	2,606
Total	3,913	5,776	7,048

IR activity

Type	Major activities	Notes
Business presentation	Revenue and management overview	Periodic
Sales announcement	Quarterly sales and revenues	Quarterly
Reports	Business report	Quarterly
	Audit report	Quarterly
	Annual report	Annual
	Sustainability report	Annual

Shareholders
(unit: share, %)

Category	number of shares	percentage
Treasury stock	17,389,417	6.7%
Foreigners	124,170,306	47.6%
National Pension	17,786,652	6.8%
Employee stock ownership	3,124,611	1.2%
Domestic institutions (excluding pension)	41,722,482	16.0%
Other corporations	4,469,013	1.7%
Individuals	52,449,327	20.1%
Total number of outstanding shares	261,111,808	100.00%

Dividends

Category	2010	2011	2012
Par value per share (won)	5,000	5,000	5,000
Net profit (millions of won)	1,248,846	1,289,055	719,351
Total dividends (millions of won)	586,150	486,602	487,445
Dividend payout ratio (dividend/ net profit, %)	46.9	37.7	67.8
Dividend yield (dividend per share / price, %)	5.0	5.3	5.2

※ Separate standards were used for the above dividend information

Employee compensation
(unit: millions of won)

Category	2010	2011	2012
Pay	18,405	18,695	19,603
Retirement allowance	2,076	1,984	1,825
Benefits	3,038	3,122	3,383
Total	23,519	23,801	24,811

(unit: %)

Shareholder composition

20.1 / 47.6 / 16.0 / 6.8 / 6.7 / 1.2 / 1.7

- Foreigners
- Employee owned
- Other corporations
- Treasury stock
- National Pension
- Domestic institutions (excl. pension)
- Individuals

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
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Management performance

Sales by Business Division
(unit: millions of won)

Category	2010	2011	2012
Services provided	15,732,600	16,832,349	19,200,444
Goods sold	4,500,900	4,439,684	4,589,915
Total	20,233,500	21,272,033	23,790,359

※ Includes real estate construction contracts that are recognized as revenue by K-IFRS

(unit: millions of won)

■ Services ■ Goods

15,732,600 | 16,832,349 | 19,200,444
4,500,900 | 4,439,684 | 4,589,915
2010 | 2011 | 2012
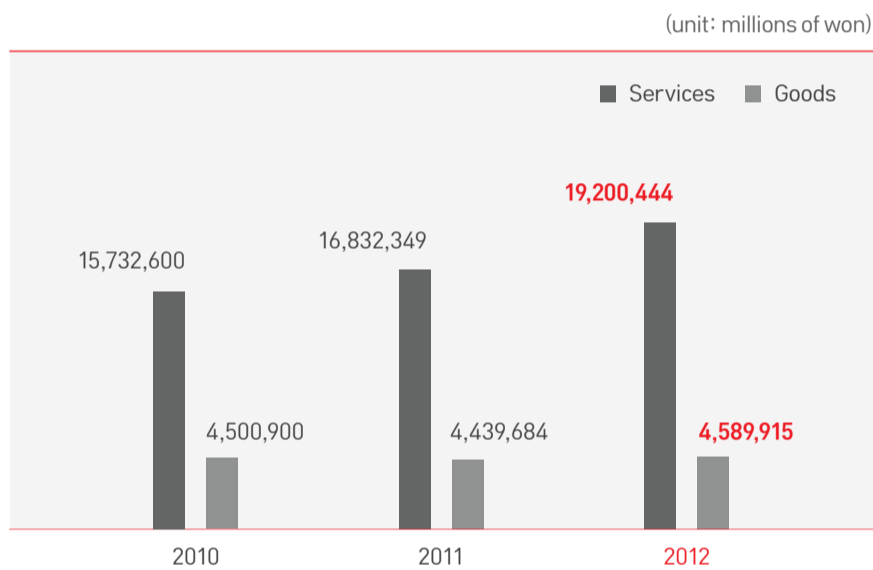
Operating revenue
(unit: billions of won)

Category	2010	2011	2012
Wireless	11,084.5	6,969.4	6,913.4
Wired	4,388.6	6,950.7	6,392.3
Media/contents		803.0	1,067.9
Finance/rental		996.6	3,574.3
Other revenue	313.4	1,227.2	1,241.5
Product revenue		4,325.1	4,600.9
Operating revenue	20,233.5	21,272.0	23,790.3

Credit rating

Category	2010	2011	2012
S&P	A	A	A
Moody's	A3	A3	A3
Fitch's	A	A	A

Share prices
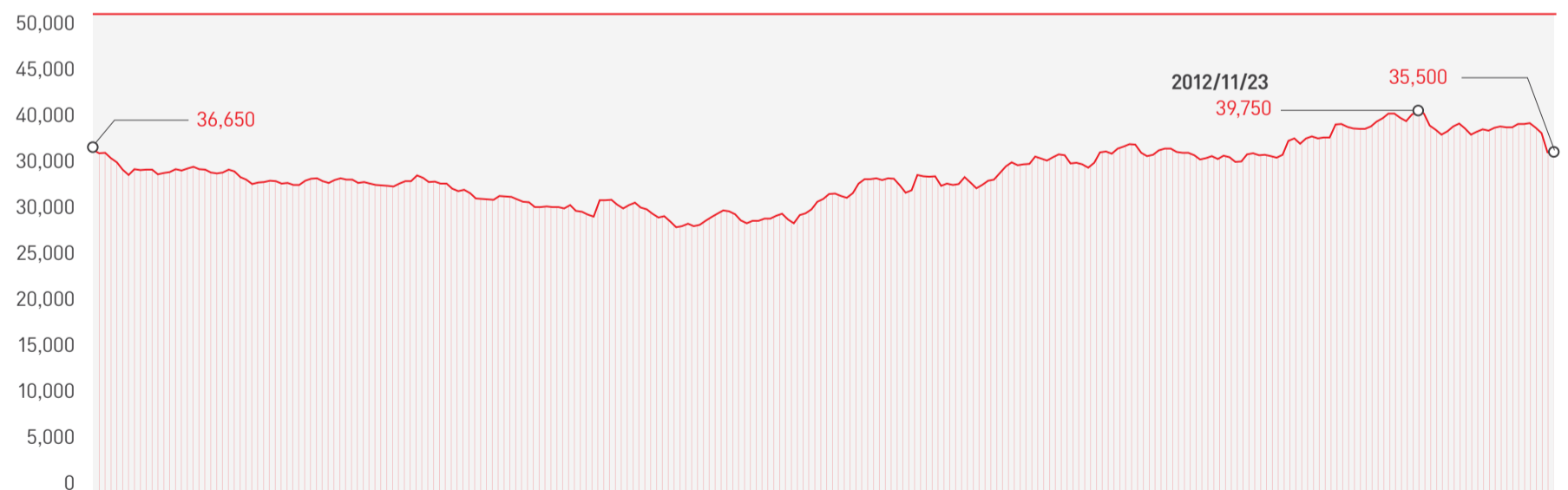
36,650 ... 2012/11/23 39,750 ... 35,500

Dreaming with Shareholders

New Growth Engines | R&D Successes and Strategies | Brand Value | Innovative Management | Smart Working | Global Business
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Summary

Management performance

Consolidated financial statement

(unit: millions of won)

Category	30th term (late Dec., 2011)	31st term (late Dec, 2012)	Change
Current assets	9,790,659	10,482,845	7.1%
Noncurrent assets	22,294,750	23,996,654	7.6%
Total assets	32,085,409	34,479,499	7.5%
Current liabilities	8,745,125	11,247,314	28.6%
Noncurrent liabilities	10,802,475	10,067,673	−6.8%
Total liabilities	19,547,600	21,314,987	9.0%
Equity	1,564,499	1,564,499	0.0%
Paid in capital in excess of par value	1,440,258	1,440,258	0.0%
Earned surplus	10,219,633	10,646,383	4.2%
Other accumulated comprehensive income	(22,865)	1,325	−105.8%
Other equity components	(1,497,289)	(1,343,286)	−10.3%
Non-voting ownership stock	833,573	855,333	2.6%
Total equity	12,537,809	13,164,512	5.0%
Total liability and equity	32,085,409	34,479,499	7.5%

※ Financial statements for 29th and 30th terms were created using the standards established by K-IFRS

Consolidated income statement

(unit: millions of won)

Category	30th term	31st term	Change
Operating revenue	21,272,033	23,790,359	11.8%
Operating expenses	19,523,624	22,576,479	15.6%
Operating profit	1,748,409	1,213,880	−30.6%
Family company and joint venture net profit and loss ownership	−3,038	21,015	−791.7%
Pretax income	1,603,371	1,422,502	−11.3%
Tax	315,946	279,518	−11.5%
Continuous operating net profit during term	1,287,425	1,142,984	−11.2%
Suspended operating profit (loss)	164,594	−31,534	−119.2%
Net profit during term	1,452,019	1,111,450	−23.5%

Key financial ratios

Category	Ratio	2011	2012
Liquidity ratios	Current ratio	112.0%	93.2%
	Liability ratio	137.3%	162.0%
Profitability ratios Revenue	operating profit margin	8.2%	5.1%
	Net return on sales	6.8%	4.7%
	Return on total assets	4.5%	3.2%
	Return on equity	11.6%	8.4%
Growth and activity ratios	Sales growth	8.1%	11.8%
	Operating profi growth	−1.7%	−30.6%
	Net income growth	10.4%	−23.5%
	Total asset growth	19.1%	7.5%

Dreaming with Society

Vision & Strategy

Corporate social responsibility is a company s commitment to establishing a proper relationship with society and to sharing its capabilities and achieving mutual growth and prosperity with society. In December 2012, KT formed a CSV team composed of 199 employees tasked with creating shared value. Retiree knowledge sharing programs bring social responsibility together with new job creation, and the program will be expanded into a global CSV to allow kt to create even greater shared value in overseas countries where kt maintains a presence.

Main Team

Sustainability Committee | Communication Office, Legal & Ethics Office, Value Management Office, Economics & Management Research Office, Network Office, Human Resource Management Office, Business Support Office, Procurement Strategy Office, Public Relations Office and various business divisions

Social Responsibility | Communication Office

Social Responsibility Strategy

A company's social responsibility activities establish a proper relationship between the company and society, allowing the company to share its capabilities and seek mutual growth and development. With a long history as a public company, KT has made considerable contributions to enhancing social equality and the wider distribution of communication services to everyone, and continues to strive to fulfill its social responsibilities. KT has reviewed its entire social contribution activities, and has formulated a company-wide social responsibility strategy based on four key areas—KT's core capabilities, vision and strategy(a strategic review of corporate strategy and social responsibility activities), KT's technology and the core strengths of its employees, and the needs of individuals and society. As a communications company, KT's expertise lies in its cutting-edge technology and the knowledge and

expertise of its employees. As long as there is a group of people who are disadvantaged in their access to the Internet, wireless communication and other communication technology there will be a role KT can play in carrying out its social responsibility. To take social responsibility projects to the next level KT formed the PEG(consulting task force team) in 2011 to operate a team dedicated to carrying out social responsibility activities for five months, reorganizing KT and KT Group's social responsibility system. Since 2009, KT has achieved notable results in three major categories through social responsibility activities. The company's efforts are now being recreated into CSV(Creating Shared Value) efforts that aim to create both corporate and community value. As part of these efforts KT was the first company to form the CSV Group and is now working to create KT CSR 3.0.

Effect

Where we are today

CSV – Creating Shared Value

2012 · Leading shared value through the new CSV team
2012 · kt-Severance Hospital hearing rehabilitation center opened

Strategic social responsibility

2009 · kt chamber hall opened
2010 · Dream Center opened
· olleh square opened
2011 · Dream Together formed
· olleh student volunteer, olleh children volunteers' formed

Social responsibility of scale

2006 · Support for socially underprivileged groups
· KT study room project
2007 · IT Supporters(ITS) launched

Social contribution

2002 · CSR Team formed
· Love Volunteer Corps launched
2003 · Search for Sound project launched

2006　　　　2009　　　　2012

Shared kt			
Sharing Love	**Sharing IT**	**Sharing Culture**	**Strategic social contribution projects**
Love for everyone through sharing	**IT for everyone through sharing**	**Culture for everyone through sharing**	
· Intensive support for underprivileged children · Love Volunteer Corps(700 teams, 31,061 people) · KT Dream Centers(21) · olleh student volunteer(145 people) · Love for Children network – Dream Together(Vision Center, etc.) · KT Search for Sound project (10 years and continuing) · KT labo-management youth scholarship project · Global CSV · KT-Severance Hospital partnership project	· Intensive support to relieve IT disparity · IT Supporters (23 teams, 200 people) · Smart Academy · IT education for underprivileged groups · IPTV support for underprivileged groups · SW expert training	· KT's Mecenat project · olleh square · KT chamber hall · KT sports teams · iDream, an arts education program · for underprivileged youth	· 21 Dream Centers all over Korea to serve local children · Love for Children network(24 member companies, Yangpyeong Dream Center) · Global CSV : creating foundations for local social contribution efforts (e-learning center)

Dreaming with Society

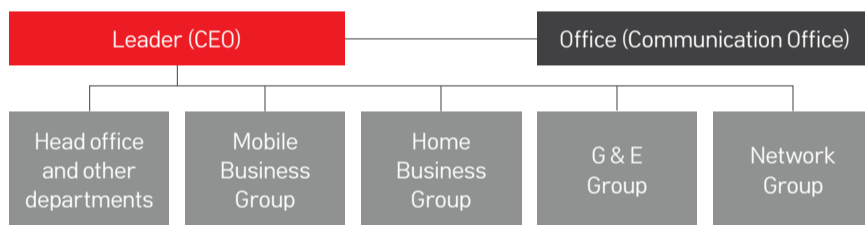Social Responsibility Strategy | Sharing Love | Sharing IT | Sharing Culture | Universal Service

Summary

Social Responsibility Strategy

Social Responsibility Organization

Love Volunteer Corps | In 2001, KT created the Love Volunteer Corps for employees to ensure more organized operation of their volunteer activities. The Corps consists of about 700 teams and 31,336 employees, and has carried out activities ranging from local childcare support, to helping underprivileged children in local communities, disaster relief and recovery assistance, '1 Company 1 Village assistance' in farms and fishing villages, facility checks including the welfare centers, and experiential training in kt facilities.

Love Volunteer Corps Organization Chart

| Leader (CEO) | Office (Communication Office) |

| Head office and other departments | Mobile Business Group | Home Business Group | G & E Group | Network Group |

Volunteer activities

Classification	2009	2010	2011	2012
Service performed(hours)	89,621	114,657	140,777	145,779
Participants(number of people)	15,273	30,383	35,637	36,600

IT Supporters

Launched in 2007, IT Supporters is KT's employee volunteer corps that provides IT access for everyone by donating IT knowledge. IT Supporters' talent-donating pro bono contribution activities are widely recognized as the best example of a paradigm shift in corporate social responsibility.

[IT Supports 6th Class lecturing competition]

Financing Social Responsibility

In 2003, KT created the Love Sharing Fund to encourage employees and the company to work together and lead social responsibility activities, which consists of employees' donations and the company's matching grants. KT contributes the same amount of money as employees donate, which is used for a variety of social responsibility activities. In 2012, 71% of all employees voluntarily participated in raising 1.64 billion won for the activities of volunteer teams nationwide. The matching grants contributed by the company are used to support children with hearing impairments and local child care centers, which are part of KT's medium- to long-term CSR activities. The Love Sharing Fund Committee, which consists of labor and management members, enforces the operating rules for the Love Sharing Fund and ensures transparency management by requiring a breakdown of expenses and its evidence to be uploaded on the website of Love Volunteer Corps.

Employee contributions

(unit: hundreds of millions of won)   (unit: %)

Contributions

2009	2010	2011	2012
20.3	17.4	17.2	16.4

Participation

2009	2010	2011	2012
78	73	72	71
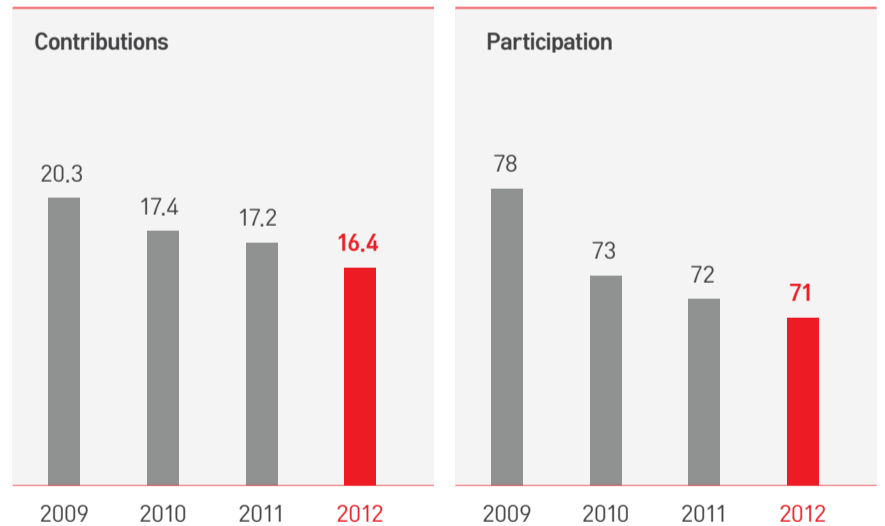
Assessment and compensation framework

KT requires the results of employees' volunteer activities to be uploaded on the website of the Love Volunteer Corps (volunteer.kt.co.kr) to assess and provide compensation for the activities. In 2012, the quantitative and qualitative reviews of the activities of the Corps and local child care centers were conducted, and the CEO Awards and monetary rewards were presented to five top-performing volunteer teams. In 2013, KT plans on awarding the top-performing team the KT Grand Prize for Social Responsibility.

Dreaming with Society

Social Responsibility Strategy | Sharing Love | Sharing IT | Sharing Culture | Universal Service

Summary

Sharing Love

Sharing love for children

Support for Local Child Care Centers | KT provides a wide range of support for local child care centers so that children can become leaders in the future. In 2011, the company conducted activities like planting trees, donating books, and improving the educational environment in 800 local childcare centers, and in 2012, will extend the activities to 1,000 centers to support about 70,000 underprivileged children. In 2013 the program is expected to reach 80,000 children in 1,200 centers around Korea.

kt olleh Dream Center | KT considers corporate social responsibility a top priority and is committed to bridging the digital divide and improving the quality of life for the underprivileged. KT in particular focuses on supporting over 100,000 children who receive help at local child care centers. Using its resources and capabilities, KT opened the KT olleh Dream Center in 2010, in connection with local child care centers in major regions, leading the creation of safety nets for local childcare centers. Creatinged using unused spaces in KT's branches, the Dream centers are equipped with IT devices like IPTVs, beam projectors, smartpads, and e-books, and provides a variety of programs to improve academic achievements, such as English, music and art classes. By early 2013, a total of 21 centers were opened in major areas including Seongnam, Gyeonggi-do, where KT's head office is located. In addition, KT provides KT Dream shuttle buses so that children can commute from local childcare centers to the KT Dream centers.

In 2012 KT with support from the Ministry of Culture, Sports and Tourism signed an MOU with the Korea Arts & Culture Education Service to launch the 'iDream' program for children in local children's centers around Korea, allowing children to realize their full artistic potential. A total of 38 instructors provided 75 hours of instruction to 215 children in art, dance, music, film and theater, helping children find and nurture their inner artist.

※ Since 2011 KT has adopted a social responsibility cost calculation methodology(LBG model) recognized as an internal standard, with specific categories adjusted to reflect conditions in Korea.

※ Data for 2009 and 2010 were reclassified according to the standards established for 2011

※ 2011 contributions and donations include social contributions made from unclaimed refunds whose legal obligations have expired.

Dream Centers

2010	Jungrang-gu, Seongnam, Daejeon, Wonju, Waegwan, Mokpo, Jeju
2011	Namyangju, Busan, Gwangju, Bucheon, Cheonan, Gangneung, Yangcheon-gu, Gunsan, Andong, Cheongju, Daeguz
2012	Chuncheon, Jeonju, Ulsan

Centers opened

A Breakdown of Social Responsibility Expenses

(Unit: hundreds of millions of won)

Category		2010	2011	2012
Charity & donations	Scholarships	8.0	11.1	11.7
	Donations & sponsorships	91.0	200.3	123
	Subtotal	99.0	211.4	134.7
Community investment	Community IT sharing	130.4	126.6	121.7
	Love Sharing Fund	17.4	17.2	17.2
	Support for children and	6.5	21.4	24.3
	Culture, arts & sports	52.0	51.7	52
	Subtotal	206.3	216.9	215.2
Community sponsorship & support		65.0	82.7	74.0
Total		370.3	511.0	421.9

Dreaming with Society

Summary

Sharing Love

Child Love Network 'Dream Together' | KT is engaged in the "Child Love Network 'Dream Together'" project, a corporate network created to support underprivileged children using corporate capabilities. Dream together is a 3rd-generation corporate talent sharing program in which 24 major Korean companies, including KT, KBS, Hana Tour, and Biryongso, are currently taking part. One of the program's major projects is the 'Seeds of Dreams' project, through which the first campsite in Korea serving children's centers opened in May 2012. Over 1,200 children used the campsite in 2012. In addition, the '100 Days of Christmas Miracles' helped 10,000 citizens come together to help 100 children realize their dreams. The Dream Together program will open a second campsite in Jangseong, Jeollanam-do to further expand social safety net programs that can help support the dreams of our children.

🔗 Dream Together   🔗 Dream Together facebook

olleh student Volunteers, olleh Children Volunteers | KT has begun social responsibility efforts involving our customers aimed at providing systematic 'opportunities for sharing' to our future generations and expand the scope of social contribution activities. The 'olleh student Volunteers' was launched in May, 2011, composed of 100 college students from around Korea. In September of that same year Korea's first 'olleh Children Volunteers' was formed with 100 children from local children's centers. The organizations carried out a total of 472 hours of service in 2011.

Throughout the year olleh student Volunteers visits local children's centers once per week as part of regular service activities as well as carries out regular 'CSR' activities including hands-on ecology lessons, visits to cultural performances and many others. Global CSR activities involving ability sharing and cultural exchange with underprivileged children were also carried out in Hanoi, Vietnam in January, 2012, and Yogyakarta, Indonesia, in January, 2013. The mission to Indonesia in 2013 worked together with Mahamentor, an education social service company that operates a network with local college students, to provide CSV activities tailored to local conditions including AP-Boxes that allow people living in regions without stable Internet access to take advantage of high-quality online contents.

2013 saw the launch of 'ver. 2.0' of our student volunteers to form a separate CSV team that carries out social innovation training and entrepreneurship training programs that help our young people develop themselves. This group also plans its own activities, studies and social

responsibility efforts as part of a new approach to social service.

A total of 11,462 hours of service were performed for 6,200 children in 2012, and two teams composed of 135 college students carried out a variety of activities in 2012, followed by three teams composed of 132 student service corps members in 2013.

olleh student Volunteers activities, 2012 (unit: hours)

Service activities for local children's centers	KT CSR service activities	Total
7735	3812	11462

🔗 olleh Student Volunteers

Finding Sound Project for Children with Hearing Impairments | Since 2003, using its mobile resources, KT has implemented the Finding Sound project for children with hearing impairments who have difficulty communicating with others. By the end of 2012, the company funded artificial cochlea implants and rehabilitation treatment for 136 children, while providing digital hearing aids to 248 children who cannot have operations for a total of 431 children who received help through the program. Starting in 2010, KT signed the Finding Sound for Children with Hearing Impairments MOU with Yonsei Medical Center and began funding brainstem transplant surgeries.

KT and the Yonsei Medical Center go beyond merely providing funds for surgical procedures but help with rehabilitation efforts and socialization education that allow children with hearing impairment grow up as valuable members of society. The KT-Severance Hearing Rehabilitation Center was founded as a part of the Yonsei ENT Hospital. The 'KT Dream Center', dedicated to providing rehabilitation and speech therapy to children, was created within the center to provide small-group speech therapy, music therapy, confidence training, and art and play programs aimed at enhancing the social capabilities of children.

Dreaming with Society

Sharing Love

Sharing Love with our Underprivileged Neighbors

KT IT–Master Scholarship Program | Since 1988, KT has provided scholarships to top–performing IT students at 141 colleges to support human resources development in the IT industry and reinforce national competitiveness.

Scholarships

Category	2010	2011	2012	Cumulative (1988~)
Number of recipients	263	286	288	6,236
Scholarship amount (hundreds of millions of won)	8.2	8.2	7.9	164

Free e–Learning for the Underprivileged | KT provides underprivileged middle and high school students with free Internet lecture services. 347 students received free Internet classes in 2010, 390 in 2011 and 430 in 2012. The trade union selects eligible students in conjunction with municipal and provincial education offices.

Labor–Management YOUTH Scholarship Program | KT's labor and management make joint contributions to support underprivileged students. The review committees of both parties work with municipal and provincial education offices to select eligible high school students and awarded 210 students scholarships in 2010, 217 students in 2011. A total of 316 million won was awarded to 227 students in 2012. The selected students are guaranteed tuition fees until they graduate.

Support for Youth IT Camp | KT's labor and management hold IT camps for underprivileged youths during summer breaks. YOUTH scholarship recipients and child heads of household(110in 2010; 110 in 2011) were invited to the kt HRD Center in Daejeon to visit KT's IT facilities, make friends through experiential learning and recreation activities, and experience information technologies. At the summer camp, students are provided with participation fees as well as transport services.

Sharing love globally

As a DJSI global super sector leader and one of the world's foremost wired– and wireless communication providers, KT has been working around the world in a variety of social responsibility projects.

In 2012 KT began the 'Search for Sound' project in Indonesia to provide two children with artificial cochlea implants and 50 children with digital hearing aids to help people overcome hearing disabilities in developing nations. A joint project with 'Delight', a leading social startup created by young entrepreneurs, the project was expanded to provide hearing aids as well as medical and rehabilitation programs to children with hearing disabilities through a joint program with the Severance Hospital. KT's global sharing programs are different in that they involve Korean volunteers and partners living in host countries. The 'Search for Sound' program involved Korean expatriates from the planning to the execution stage, boosting the stature of the Korean community and helping establish social responsibility projects in the community. In addition to the hearing aid project, the 'Sumbaco' project, named after the term used in Indonesia to refer to ten basic goods, provided help to 350 refugees after determining the kind of assistance most needed by local people.

In 2013 KT aims to strengthen its global CSV projects to create even more shared value in the countries where KT maintains a business presence. In the first half of 2013, KT founded an e-learning center in Indonesia, and has create IT education spaces through a partnership with Mahamentor, a local company, which will be utilized as an IT education as well as a 'Hallyu' center for promoting both Korean technology and culture. The 'One for Two' program will be a CSV program which, combined with KT's Green Class and other solutions, will provide free education to two underprivileged children. The company also plans to expand its partnership program with Severance Hospital to carry out medical service programs around the world.

Sharing IT

Developing SW experts among high school graduates

KT signed a partnership agreement with the Mirim Meister High School in order to take part in the Korean government policy for boosting the software ecosystem as well as help develop qualified high school graduates enter the workforce. KT provides an education program and a IT training environment for cutting-edge software technology once a week to help develop high-quality software experts. Mentoring programs and meetings with students help them deal with both academic and life issues. A total of 33 students entered ktds as the result of the 2012 training program.

Advanced IT Knowledge Sharing

To bridge the digital divide caused by the advent of advanced IT devices, KT created the Smart Academy and Smart Sharing, and has led in building a 'Warm, Smart World.' Among its activities, four types of the underprivileged are provided with new IT device experience/practice training and the opportunity to access information, and external agencies and organizations offer customized courses to teach how to use smart devices. In the Seoul metropolitan area, Busan, Daejeon, Daeju, Gwangju, Ulsan, and Jeonju, free classes are available at the respective Smart Academy locations, and 'Smart Sharing' activities are carried out to bridge the digital gap for children in local childcare centers.

IT knowledge training activities (Smart Academy)

Classification		2010	2011	2012
Open lectures	Number of lectures	288	407	431
	Number of participants	1,682	1,535	1,471
Class-on-the-go	Number of lectures	630	6,612	11,162
	Number of participants	14,099	103,030	295,398
Total	Number of lectures	918	7,019	11,593
	Number of participants	15,781	104,565	296,869

IT Supporters Experiential Activities for Stakeholders

In 2010, IT Supporters consisting of interns(362 interns in the 1st half, 113 in the 2nd half, and 20 foreign interns) carried out experiential activities targeting stakeholders. Each year, KT selects college students for the College Student Volunteer Corps. In 2012, 200 college student IT supporters provided a variety of social services for two weeks starting on July 9, including IT Rural Community Service.
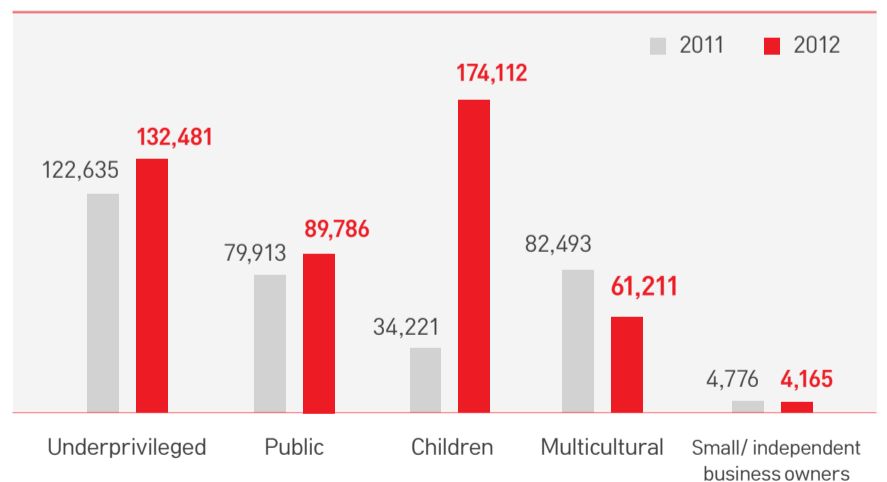
Results of IT support activities (Unit: people)

Category	2010	2011	2012	Total
Underprivileged	120,778	122,635	132,481	375,894
Public	86,793	79,913	89,786	256,492
Children	20,166	34,221	174,114	228,501
Multicultural	80,393	82,493	61,211	224,097
Small/independent business owners	17,641	4,776	4,165	26,582
Total	325,771	324,038	461,757	1,111,566

(Unit: people)

■ 2011 ■ 2012

	Underprivileged	Public	Children	Multicultural	Small/ independent business owners
2011	122,635	79,913	34,221	82,493	4,776
2012	132,481	89,786	174,112	61,211	4,165

Total number of training sessions, 2012

Underprivileged	Public	Children	Multicultural	Small/independent business owners	Total
12,049	6,898	2,982	7,417	387	29,733

Sharing IT

Recognition of IT Supporters SR Activities   IT Supporters

2007.11.21	Awarded the Korea Volunteer Service Grand Prize in 2007 (Korea Social Welfare Association)
2007.12.17	Selected among the 100 Trailblazers in 2007 (Korea Green Foundation)
2008.8.12	Selected as the most memorable college student social responsibility program (Yonhap News)
2008.10.17, 2009.11.9	Visited the Sri Lankan Ministry of Education and provided training on how to use the Sri Lankan language on a virtual keyboard and create audio/video content.
2009.6.3	Awarded the Prime Minister's Award on the Information Culture Day
2009.7.12~	Joint action against DDoS attacks with the government : Zombie PC
2009.11.25	The Ministry of Internal Affairs and Communications of Japan visited KT to benchmark IT Supporters activities
2009.11.4~13	Provided the first overseas IT training at the Korean Cultural Center in Primorskiy Province, Russia
2010.1.5	Ranked 1st in Awareness among the 30 Groups' CSR activities (Economist)
2010.11.24	Awarded the Grand Prize at the 2nd Korea Human Awards (Ministry of Health & Welfare / KBS)
2011.7.21	Awarded the Grand Prize – Enterprise Sharing at the 18th National Volunteers Festival(Korea Volunteers Association, JoongAng Ilbo)
2011.11.22	Awarded the Prime Minister's Award at the 3rd Korea Human Awards
2012.8.23	Awarded 1st Prize – Special/General Category at the 19th National Volunteers Festival (Korean Volunteers Association, JoongAng Ilbo)

'Dream Teacher' and 'See-saw'

In an increasingly aging society KT is helping retirees find a new life by providing IT training to 100,000 retirees over the next three years and 10,000 people with the opportunity to share their abilities. One thousand retirees will be trained as 'Dream Teachers' as part of efforts to create 1,000 'social responsibility jobs' over the next three years. The 'See-saw' program a talent-sharing program, will provide support for this project. 'See-saw' will provide the OA capabilities and IT training that retirees will need for their talent sharing and job searching efforts, as well as serve as a bridge that can connect people with positions that need their help. This year KT will begin by providing IT training to 20,000 retirees and 2,000 people with opportunities to share their talent and knowledge, and will begin training 1,000 retirees over the next three years including 200 as dedicated instructors to provide them with 'social responsibility jobs.' The company will also support the creation of a social cooperative for retirees as a long-term project.

* 'Social responsibility jobs' are service-oriented jobs that emphasize personal satisfaction and accomplishment over monetary compensation, attracting dormant labor forces back into the labor market by providing flexible hours and financial support and long-term assistance to maintain such jobs.

Dreaming with Society

Social Responsibility Strategy | Sharing Love | Sharing IT | Sharing Culture | Universal Service

Summary

Sharing Culture

Our cultural sharing activities related to music are very closely linked to KT's identity as a company. As a business provider that delivers voice through electronic signals, our goal is to spread 'sound' all over the world. As a part of these efforts, all proceeds from 'olleh squares' and the 'kt chamber hall' go to the 'KT Search for Sound' project that helps children with hearing impairments.

olleh square | olleh square is a cultural space covering 3,300㎡ located on the first floor of the Gwanghwamun building. Opened in May 2010, the square provides free state-of-the-art IT devices and services, a cultural/resting space for citizens, including a cafe and olleh square Tok concert, becoming the best complex cultural space in Korea. From Thursday to Saturday tickets for sharing events are sold for just 1,000 won, with over 600 events providing over 100,000 people with a chance to participate in cultural events inexpensively. The proceeds from these events are used to provide hearing aids to children. Olleh square is also used for international events, such as iPhone and iPad launches and popular as a tourist attraction providing experience in the advanced IT environment. It has also become a popular tour course for experiencing the hi-tech IT environment. To date over three million tourists have visited the square.

🔗 olleh square   🔗 olleh square facebook

KT chamber hall | As part of the culture sharing project to communicate with customers, the KT chamber hall dedicated to classical performances was opened inside the Mokdong IDC in Seoul in May 2009. The chamber has 420 seats and about 600 parking spots, contributes to improving the quality of life for local residents through renowned performers' concerts, and takes the lead in popularizing classical music through olleh TV Classical Music/Concert – chamber hall Concert Menu. The 'Saturday Afternoon Chamber Music with KT', a special performance at the kt chamber hall, is held 24 times all year round, where about 20,000 people attended the concert performed by over 300 professional performers. The KT chamber hall also hosts the 'class experience program' every third Saturday for students, including educational programs about classical music, open rehearsals, a chance to play rare instruments, and open discussions with musicians. These programs raise awareness of classical music among members of the general public. Other programs include special concerts on Children's Day, concerts dedicated to women audiences, and other programs that help popularize classical music.

🔗 KT chamber hall   🔗 KT chamber hall facebook   🔗 KT chamber hall promotional video
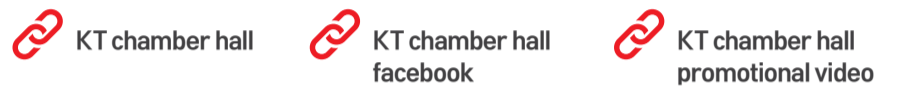
[olleh square]   [KT chamber hall]

Sports Teams

Professional Basketball | KT's professional basketball team always allows underprivileged children and young people to attend games and watch the team in action through 'Sharing Seats' programs and sports assistance programs to multicultural families. The team is dedicated to helping children be more actively involved with fitness and sports. The team also takes part in helping young people find careers in sports and fitness through partnership training programs for graduate students in San Francisco University's sports management program and the projects that help young students find their true aptitude as athletes, managers or fitness instructors.

Sharing Culture

Professional Baseball Team | In January, 2013 KT successfully took part in the competition to create the 10th team in the Korean Baseball Organization, Korea's most popular sports league. KT is preparing for its team to enter the minor league in 2014 and the major league in 2015, and will work with the city of Suwon as well as Gyeonggi-do to utilize its baseball team as a platform for providing support for youth baseball teams, community teams and baseball fans all over Korea in order to help boost the local community as well as Korea's sports industry.

Professional gaming team | KT founded Korea's first professional gaming team in 1999 to promote a healthy gaming culture among Korea's teens and young adults. The team was awarded a special award during the 2011 Korea Communication Awards for its efforts in enhancing communication with fans. In November, 2012, the team signed autographs and joined a kimchi-making event at the Good Samaritan Center in Yongin with underprivileged children and young adults. In February, 2013, the team was featured in the "Loving Family" TV program broadcasted by KBS that invited a 13 year-old teen with a disability but dreaming of a career as a professional gamer to the teams' quarters and practice facility. These and other programs are helping young people in Korea achieve their dreams.

[Chairman Lee Seok-jae of kt, Mayor Eom Tae-yeong of Suwon, kt employees and Gyeonggi-do public servants in a ceremony to deliver 'Love letters for the 10th KBO baseball team' as part of the company's campaign to form the 10th professional baseball team in Korea]

Support for Amateur Sports | To develop amateur sports and foster promising players in order to provide a much-needed boost to sports that are often left outside the public spotlight, kt created the Women's Hockey Team in 1984 and the Shooting Team in 1985 which have since become top amateur sports teams after attending national and international competitions with KT's support.

As a result of these efforts the KT shooting team produced several world-class athletes including Jin Jong-oh, the two-time gold medalist in the 2012 London Olympics and has become Korea's undisputed leading shooting team. The women's hockey team has also become one of Korea's leading teams in the sport, taking top places in severalinternal competitions including the London Olympics. KT also held a children's baduk (go) contest in conjunction with the olleh Baduk Open Championship to enhance communication and exchange with young participants of the sport and help develop tomorrow's leading baduk champions.

[Athletes from various KT-sponsored professional teams sign autographs to support KT's efforts to host the 10th KBO team]

[KT athletes and citizens of Suwon in a balloon-flying ceremony to promote the city's efforts to host the 10th KBO team]

Dreaming with Society

Social Responsibility Strategy | Sharing Love | Sharing IT | Sharing Culture | **Universal Service**

Summary

Universal Service

Providing Universal Service

Universal service is a basic electrical and communication service that any user can access at anytime, anywhere, at a reasonable price. It is a telecommunications service that most people can enjoy at an affordable rate, regardless of their income or where they live. Currently, KT's universal services include wired phone and emergency call services, and discounts for people with disabilities and low incomes. In 2012, the company began providing discounts for Internet calls for underprivileged people, as demand for Internet calls increases. KT maintains low rates* so that all citizens can use the services designated as universal, and prohibits discrimination in rates/service quality for geographical, income, or disability reasons. In other words, residents in farms, fishing villages, and island areas are able to access the same quality of service as those in urban areas, unlike most other carriers that limit the scope of service.

* Wired call rates in Korea are the second lowest among OECD countries when used in small/large amounts

2012 Universal Services Provided

Category		Definition of Service	Availability
Wired phone service	Local calls	Call service through subscriber phones	・ Service provided to 16,019,000 subscribers by the end of 2012 ・ **Replaced aging phones**：1,370,000 lines ・ **Facility demanded due to new urban development**：143,000 lines

	Island area service	Call service through wireless communications between land and island, or between island and island	・ Local calls and ultra-high-speed Internet service available to 65,000 subscribers
			  in 422 island areas
			  (there are 3,170 islands in Korea, among which 491 islands are inhabited)

	Local public calls	Call service through public phones	・ 80,000 unmanned public phones nationwide ・ Periodic disinfection/hygiene control, phone booths for people with disabilities

Emergency call service	Special numbers for emergency calls	Among the backbone communications service, services that the Korea Communications Service has designated as a special number phone service	・ **Applicable numbers**：National security hotline(111), crime report(112),
			  spy report(113), cyber terrorism report(118), fire/disaster report(119),
			  maritime accident and crime report(122), smuggling report(125),
			  drug crime report(127)
			・ 119 reports can be made using video calls on mobile phones(limited to Seoul)

	Marine wireless service	Call service through wireless telecommunications between land and ship, or between ships	・ Telegraphs, phones, and telegrams available on 4,000 subscribed ships
			・ When a GMDSS disaster signal is received, the signal is automatically relayed
			  in real time to related organizations such as the maritime police, pursuant to
			  the SOLAS Convention

Call discount service		Service discounts for people with disabilities or low incomes, who need social protection	・ **Services eligible for discounts**：Local/long-distance calls, information calls(114),
			  mobile calls, and ultra-high-speed Internet
			・ Fixed-price discounts for base and call rates
			・ Discounts worth 228 billion won provided for different services to
			  a total of 4,955,000 subscribers in 2012

Dreaming with Customers

CS Management System | Innovative Service | Constantly improving service | Providing Reliable Service
IT Security and Privacy Protection | Communication with Customers

Summary
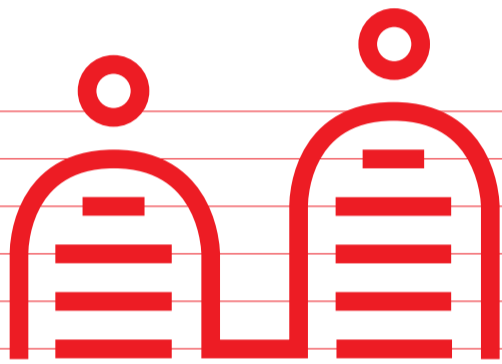
Dreaming with Customers

Vision & Strategy

Under olleh 2.0, KT is committed to a customer satisfaction that sets it apart from other companies and emphasizes KT's stature as a world-class CS company that 'communicates from the heart and builds relationships with trust.' In 2012 KT established its CS Vision, the CS Image, the Customer Satisfaction Charter and the rules & guidelines for customer service as part of its total customer service system. KT's CS vision provides long-term goals and the future direction of the company's CS; the CS image provides the value and significance of the service that KT aims to convey to both internal and external customers; and the CS charter shows to the world the commitment of every KT employee to providing the highest level of customer service based on the company's core value of 'All for the Customer.'

Main Team

T&C, Customer, G&E, P&I, Network

Dreaming with Customers

CS Management System | Innovative Service | Constantly improving service | Providing Reliable Service
IT Security and Privacy Protection | Communication with Customers

Summary

CS Management System

Establishing a CS Management System

In 2012 KT established its CS vision, the CS image, the customer satisfaction charter and the rules & guidelines for customer service as part of its total customer service system.

KT's CS vision provides long-term goals and the future direction of the company's CS; the CS House provides the value and significance of the service that KT aims to convey to both internal and external customers; and the CS charter shows to the world the commitment of every KT employee to providing the highest level of customer service based on the company's core value of 'All for the Customer.'

To create KT's CS image a set of CS rules, which all employees are required to follow, were created along with CS guidelines that set forth who does what and in what fashion to achieve the highest level of customer service.

The vision, image, charter and the rule &guidelines were distributed to all business division through company-wide CS innovation leader training as well as on-site presentations that outline the specific goals and plans for each customer contact point, business division or team, or organization.

The management system and customer contact quality of kt Telecop, a subsidiary company, was evaluated to come up with specific action items that were then distributed to the entire Group as part of its CS management system. Such evaluations will be performed for BC Card, KT Rental and other family companies to develop new key CS guidelines and boost the Group's CS management system as a whole.

🔗 CS Management System

CS Rule & Guide Line

Rule 1

Promises with customers will be kept, and the customer is **always right**

Guide Line

- Identify yourself when you make contact with a customer, no matter what your position is, and listen carefully to the customer and carry out his or her wishes within your responsibility to their completion and resolution.
- Remember that anyone other than yourself is a customer; never lie, never argue with a customer.
- Think and judge always from the perspective of the customer. If the customer says "No", reconsider once more from the perspective of the customer.

Rule 2

First priority is always "the customer and the job site"

Guide Line

- Every supervising employee must check the daily VOC and immediately deal with any problems that arise.
- The product must be planned with the customer's needs in mind, released only after the approval of the product planning review/product release review board. One release must be followed by one removal from the market("one-in, one-out").
- Headquarters/business division must respond to a request on site within 24 hours, and take measures to improve procedures within seven days.

Rule 3

When making contact with a customer, the customer's needs must be resolved "at once, with perfection."

Guide Line

- A sales representative must have expert knowledge of the product and meet a customer with confidence.
- A sales store/plaza must process customer service courteously, quickly and precisely.
- On-site visits must be punctual, and the work must be explained to the customer at is completion so that the customer can verify the work himself or herself.

Dreaming with Customers

CS Management System | Innovative Service | Constantly improving service | Providing Reliable Service
IT Security and Privacy Protection | Communication with Customers
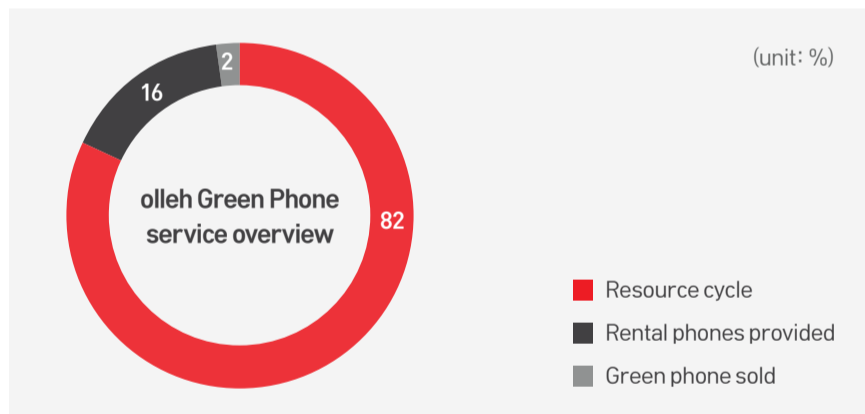
Summary

Innovative Service

olleh Green Phone service

Ever since the iPhone was released the number of smartphone users in Korea has been climbing steadily to reach over 70% of all subscribers today. Smartphones allow people to use a variety of services, and the spread of LTE service has led to the release of advanced mobile phones from every manufacturer. Coupled with this trend is the rising number of used phones("closet phones") that lie dormant at home. KT has established a distribution cycle that takes these used phones, revamps them and releases them to the public at a much discounted price. KT has also secured a stable retail network that allows customers to trade used phones among themselves, and released a low-fee plan that users can sign up for with a used phone. The 'olleh Green Phone clinic' service cleans and checks used phones to better service customers who use them. The service has received the 'LOHAS' certification for environmental protection for helping revitalize the use of secondhand phones and protect the environment.

(unit: %)

olleh Green Phone service overview

2
16
82

■ Resource cycle
■ Rental phones provided
■ Green phone sold

KT also operates the olleh phone reassurance program that allows customers to prepare for the breakage or loss of an expensive smartphone. The program is part of KT's customer retention program that provides assistance for replacing or repairing a phone within a set limit. In 2012, 48% of all customers who purchased a phone also purchased the insurance plan, and a total of 4.5 million subscribers who chose the plan.
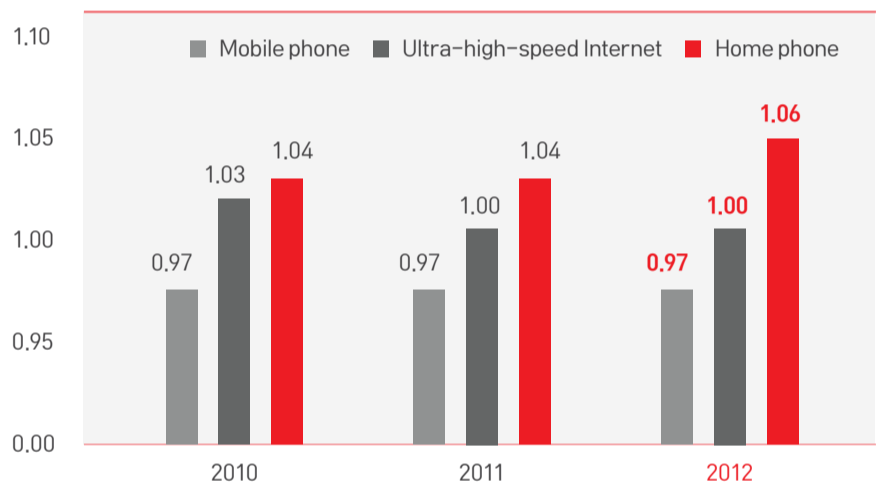

[KT-Korea Standardization Association certification ceremony]
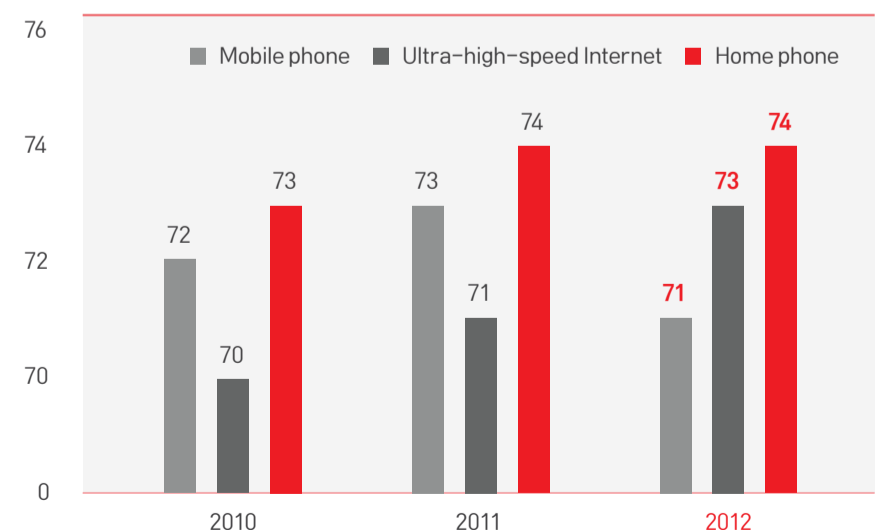
1st place in customer satisfaction

KT took first place in high-speed internet/IPTV/international calls, first place two years in a row in Internet telephony, first place seven years in a row in local calls and first place in long distance calls for 13 straight years in the National Customer Satisfaction Index(NCSI) survey conducted by the Korean Productivity Center(KPC). This remarkable achievement is the result of KT's full commitment to "customer satisfaction management" that is at the center of the company's olleh management process that strives to create a company that can be trusted and loved by every customer.

CVA score trend

■ Mobile phone ■ Ultra-high-speed Internet ■ Home phone

	Mobile phone	Ultra-high-speed Internet	Home phone
2010	0.97	1.03	1.04
2011	0.97	1.00	1.04
2012	0.97	1.00	1.06

※ CVA = KT's customer satisfactions score/main competitor's score
※ Significance of the CVA scores
　　Over 1.1 : highest level of competitiveness
　　Over 1.02~below 1.1 : high level of competiveness
　　Over 0.74~below 1.03 : ordinary level of competitiveness
　　Below 0.97 : low level of competitiveness

NSCI customer satisfaction index

■ Mobile phone ■ Ultra-high-speed Internet ■ Home phone

	Mobile phone	Ultra-high-speed Internet	Home phone
2010	72	70	73
2011	73	71	74
2012	71	73	74

Dreaming with Customers

Summary

Constantly improving service

Low-cost bundles that lower fees for customers

Taking advantage of a combined wired and wireless service a total wireless carrier whose service combines wired and wireless, KT provides bundles through which a variety of KT's telecommunications services are available at the lowest price possible. In 2012 KT released the 'LTE olleh Together' a product designed for the LTE and All-IP era. LTE olleh Together provides even more discounts for customers who have larger monthly plans for olleh Internet and olleh LTE mobile. Additional discounts are available for olleh TV for the rising number of IPTV customers. LTE olleh Together provides discounts for all customers who subscribe to an LTE smartphone plan, Ultra-high-speed Internet or IPTV, helping everyone cut down on their monthly communication bills.

Premium Internet and Lower Rates by Extending WiFi Zones

In 2012, KT focused on enhancing quality through replacements with or upgrades to the Premium AP, which providestwo bandwidths of 2.4GHz and 5GHz, as well as on extending olleh WiFi Zones. Channel bonding and WIAA technology deliver a much better WiFi environment.

These efforts allowed KT to receive the 'Top WiFi innovation award' from the WBA and the 'Top Technology' award from MWC, a testament to the technology and quality of KT's WiFi service. The company continued to expand the distribution of the 'Public Egg', which allows the free use of WiFi on subways, buses and ferries on the Han River. olleh WiFi can now be used on over 1,100 buses in the Seoul Metropolitan Area. Over 200,000(as of late 2012, AP) WiFi Zones around the country provides fast Internet for low fees. In 2013 he company plans to improve its WiFi environment even further by creating Gigabit-rated WiFi Zones, which deliver WiFi that is four times faster than traditional WiFi connections.

More Wired/Wireless Integration Benefits

In January 2012, KT introduced the Wired/Wireless Integrated Customer Rating system to extend the benefits for wireless(mobile, WiBro) customers to include wired service subscribers(Internet, Internet calls, IPTV, and home phones). Whether online or offline, KT built a network of approximately 22,000 affiliates nationwide to meet customers' needs in varying areas, and now provides special customer experiences and premium benefits for cultural events and performances, water parks, coupons, and free events.

Creating Wired/Wireless Integration Service, Integrated Online Channels

In January 2011, KT opened a website dedicated to wired/wireless integration services at www.olleh.com to provide information on wired/wireless integration, KT service rate plans, and the Terms of Service, and support a wide range of customer service activities, including sign-ups, terminations, prices inquiry, and product changes. With the growing number of mobile service customers, including smartphone users, in August 2011, KT extended its mobile customer service through m.olleh. com and the Customer Service App. In 2012 the company continued to improve the service as well as the UI/IX of www.olleh.com and m.olleh.com and added a function that allows customers to access their information or search for new products. Online ordering, order tracking and other self service functions were made available, and the home/mobile customer service apps were integrated to allow customers to access information on both wired- and wireless products through their mobile phones.

Dreaming with Customers

CS Management System | Innovative Service | Constantly improving service | Providing Reliable Service
IT Security and Privacy Protection | Communication with Customers

Summary

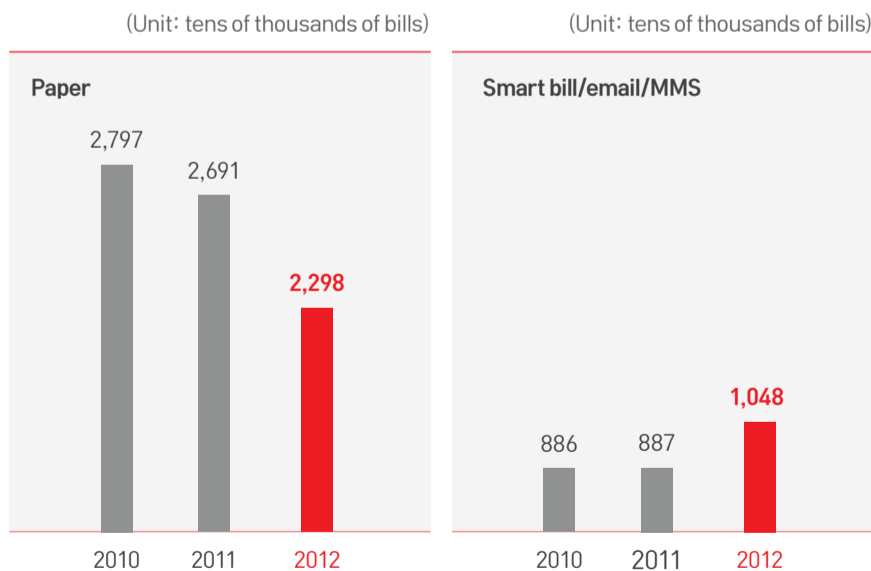# Constantly improving service

One Billing, more online billing functions

KT has been expanding its electronic billing(email/mobile) system in order to cut mailing costs and contribute to Korea's low-carbon green growth goals. In addition to existing e-billing, the smart bill app and the olleh TV bill allow customers to check their bill in any smart environment(smartphone, TV). The smart bill app is a new type of 'one billing' service that integrates the bill for KT's full range of wired- and wireless services including mobile phones, 4G Wibro, home phone, Internet, TV and Internet telephones. Unlike traditional bills, the new billing method requires the use of a personal e-certificate that protects the customer's personal information. The bill can be stored for as long as there is storage space on the mobile phone, increasing convenience for the customer. KT plans to utilize all of its smart devices to further streamline the entire process, from subscription contract to billing.

Category	Unit	2010	2011	2012
Paper	thousands of bills	2,797	2,691	2,298
	percentage	76%	75%	69%
Smart bill/ email/MMS	thousands of bills	886	887	1048
	percentage	24%	25%	31%
Subtotal	thousands of bills	3,683	3,578	3,346

* Smart bill app and TV launched in May, 2012

(Unit: tens of thousands of bills)

Paper

2,797

2,691

2,298

2010 2011 2012

(Unit: tens of thousands of bills)

Smart bill/email/MMS

886 887

1,048

2010 2011 2012

Delight Service

During home repairs, service employees at KT wear protective socks to keep customers' homes clean, use pads when working with tools/equipment, and collect whatever is left after repairs. To deliver customer satisfaction, the service employees also provide 'Plus One Service', which includes cleaning customers' computers/monitors and arranging entangled wires. KT has extended the VIP Customer Care Service (e.g., less-than-two-hour quick repairs performed by the 'Best Service' employees) to the underprivileged. In 2012, the company provided the visually impaired with Braille business cards.

Refunds

KT works to reduce the amount of refunds that are not collected through public awareness companies as well as by backing a refund system that joins all three communication providers in Korea.
The company conducted a public awareness campaign in 2012 via eight daily newspapers, subways, radio and TV channels to allow customers to easily collect their refunds. Letters were mailed using addresses for individuals and businesses gathered with the aid of the Ministry of Security and Public Administration to notify them of available refunds. Korea's three communication service providers have joined together to create a fee setoff system for transferring phone numbers for wired- and wireless service to notify subscribers with the availability of refunds. Refunds that remain unclaimed despite all of these efforts are donated to social service programs.

Working actively with other carriers to pay refunds	· Create a Rate/Refund offset program when customers applying for phone number changes · Refund Notice messaging service using the addresses of the Ministry of Security and Public Administration · Refund notices sent by using business registration information · SMS notification service to KT's and other wireless carriers' subscribers
Creating a variety of channels to get refunds	· Korea Telecommunications Operators Association(KT OA) as a website for refund inquiry and applications · Refund inquiry and applications on the olleh website(www.olleh.com)
Paying refunds as soon as possible	· Automatic refund using the customer account of wired- and wireless service subscriber · Automatic refunds to a user's account if the user signs up under the same name · Refund processed for customers without accounts through the phone
Giving back to society through donations	· Refunds to businesses that have been dissolved for five years or credited to individuals whose real and verified names do not match with records are donated to projects for building IT infrastructure for underprivileged groups

Dreaming with Customers

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Summary

Providing Reliable Service

Creating a Redundant Network Monitoring System

With the largest backbone network and subscriber base, KT conducts a wide range of activities to provide secure telecommunications services and prevent communication failures. The company also installed/operates the Local Operation Centers in six locations, including Daegu, Busan and Gwangju so that service quality can be monitored by area. The Network Control Center located in Gwacheon allows an overview of the nationwide status of telecommunications services and operates a wired/wireless integrated monitoring system. When a situation occurs a systematic response system provides responses through an around-the-clock monitoring system that makes sure service is provided in all locations without interruption.

To prepare for the rising number of DDOS and cyber terror attacks from certain groups a cyber-response center has been established as part of KT's efforts to ensure uninterrupted service.

The company also enforces preventive activities all year round, targeting telecommunications devices, such as exchange, transmission, Internet, and power supply units, which are likely to experience communication failures.

Emergency recovery training

KT has established a backup system and response procedures for national infrastructure facilities in order to minimize the danger of internal/external security incidents and physical damages. The company carries out annual training programs both independently as well as jointly with government agencies to prepare for service interruptions in the event of typhoons and other natural disasters. Such preparation paid off in the summer of 2012 in the aftermath of torrential rains in the metropolitan area following Typhoon Bolaven that created a nationwide communication crisis. KT was able to follow pre-established response systems to work together with government agencies such as the Korea Communications Commission to provide emergency power and assist in recovery efforts with manpower and material.

These activities led to the designation of kt as a top organization in the "2012 national infrastructure disaster management assessment" thanks to the company's systematic and advanced prevention activities as well as emergency response procedures.

Network monitoring and control system

Network control center	Local operation center	Network service center
Nationwide network monitoring and control	Local network monitoring and control	Network facility maintenance
1 location	**6** locations	**38** locations

Training programs
Vulnerability assessment for national infrastructure and emergency response scenarios
Identification of facilities at risk of high social consequences, and concentrated prevention
Better response system through realistic emergency repair training
Control tower and inter-agency cooperation centered on kt's disaste response center during natural disasters such as typhoons

[President's Award for Top Agency (December 28th, Seoul Government Complex)]

[Video conference with employees in Baekryeong-do, the northernmost island in the West Sea as well as major local operations centers, from the network control center in Gwacheon, Gyeonggi-do on March 16.]

Dreaming with Customers

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Summary

IT Security and Privacy Protection

To prevent personal information from getting hacked and protect customers during financial transactions, KT developed the best privacy protection process, which includes expanding privacy protection infrastructure, strengthening the ability to protect personal information, and periodic safety checks.

Expanding Privacy Protection Infrastructure

To prevent the illegal use/abuse of personal data through hacking, KT has enforced technical and administrative protection measures, such as adopting a monitoring system for early intrusion detection, updating the personal data encryption software, creating a weakness record-keeping system and an integrated access control system, and strengthening the authentication of VPNs(Virtual Private Networks). In addition, to prevent the leakage of personal data by employees or suppliers, KT is working with government and related agencies to carry out simulation training to prevent and respond to intrusions quickly. In 2012 KT improved its monitoring system for early detection of hacking attempts that enables real-time information monitoring as well as responses to new hacking methods through careful analysis. KT also allows customers to search for and verify the usage history of their personal information.

Enhancing Effectiveness of Privacy Protection

KT implements its Privacy Policy pursuant to the Act on Promoting the Use of Information Technology Networks and Information Protection and the Privacy Act, and operates a website dedicated to answering customers' questions about privacy(http://privacy.kt.com). Since most cases of data leakage are associated with hacking and poor management, KT makes sure that every service complies with the company's Security Review Procedure. To improve employee awareness of privacy, the company makes all employees' Pledge of Privacy mandatory each year and conducts management activities, such as privacy checks in stores and suppliers. To spread awareness about customer privacy, KT sends its staff to branches and suppliers to conduct on-site training. In 2012, 93% of all employees completed customized and online privacy training. The company also uses e-mails and electronic bulletin boards within the offices to increase privacy awareness. The company significantly expanded its security personnel in 2012 and formed a team capable for carrying out digital forensic analysis, helping prevent incidents and providing regular technical support. The company also provides information security consulting

and diagnostics services to other KT Group companies, helping them prevent the leakage or misuse of valuable customer information.

Privacy Safety Check

KT performs a "Privacy Safety Check" each year under law, commissions an external agency to get its key IT facilities and services certified, and in 2013 is working to obtain the Information Security Management System(ISMS) certificate that is recognized by the government for the information security activities of an Internet service provider. In addition the company protects information through a company-wide information protection diagnostics program. The Safe Customer Authentication Program helps partner companies to strengthen their personal information protection measures, and KT's subsidiaries also enforce privacy policies that guarantee levels of protection equal to KT's Privacy Policy.

Complying with Radiation Limits

KT measures the levels of radiation absorption in all cell phones and makes sure that phones are registered and sold only when they fall below the government's Specific Absorption Rate(SAR) limit of 1.6W/kg. The company establishes base stations in an environmentally friendly way to prevent public complaints regarding the construction of base stations. Base stations with high signal strength are classified as those subject to mandatory SAP monitoring and forced to maintain output to the minimum level. A separate fund was created to carry out a joint study with the Korean government(2011-2012) on the effect of electromagnetic radiation on the human body as part of the company's efforts to not only protect its customers but make sure the effect of radiation on the ecosystem is carefully studied.

Dreaming with Customers

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Summary

IT Security and Privacy Protection

e-Clean Activities

The Clean-I, TIME CODI, Personal Care, and Nol-e-Teo services provided through the 'olleh' website are designed to protect minors on the Internet. These services can be used to block malicious websites containing content related to pornography, suicide, violence, gambling and phishing. The 'Clean-I' service, which blocks the pornographic/explicit content spread through P2P programs, and 'TIME CODI', which provides remote control/monitoring of children's Internet usage from parents' smartphone apps, were launched in 2002 and have been installed and used by over 230,000 users as of February 2013.

Released in 2010, 'Personal Care' is an integrated security service that optimizes a PC in advance through an expert's remote check and restore the PC infected with viruses and malicious code spread over the Internet. In November 2010, 'Nol-e-Teo', an Internet service for children, was launched, which provides a clean Internet environment for children by blocking malicious websites completely and setting Internet and game usage.

As of February 2012, collaborating with the Korea Communications Standards Commission(KOCSC), the company blocked 80,094 malicious foreign websites on the Internet. KT also developed a system for blocking indirect access to malicious sites, and also continues to enforce an online content rating system, monitoring, and an age verification system.

Cleaning Web Portals

KTh, a subsidiary of KT, performs periodic monitoring of the content posted on the website www.paran.com and mobile services(I AM IN, PUDDING) and blocks malicious posts through the user self-regulation feature. As a result, in 2012, while the total number of posts on the services provided by KTh was 68 million, a 2.5 times increase over the previous year, the percentage of malicious posts was only 0.7%, over 3% down from the previous year. In addition, kth made it mandatory for the websites containing adult content to enforce age verification through an individual ID, and monitors interactive services like UCC through an artificial intelligence program and an IP address blocking system. By enforcing the policy on preventing malicious materials and stopping a service that violates the policy, the company has reinforced the activities to reduce malicious content and clean the Internet. Further, KT operates the Reporting Center and the Hotline to root out obscene material and illegally distributed content, and shares related information with other external agencies.

e-Clean Services

Type	Service description
Clean-I	Create a clean environment by blocking access to malicious websites and videos containing – pornographic, violent, and gambling content
Time Codi	Prevent Internet addiction by monitoring Internet usage by time and day
Personal Care	Remote check and PC recovery to protect a PC from Internet viruses and malicious code
Nol-e-Teo	Service for child use that blocks malicious websites and limits Internet/gaming usage
Keyboard Encryption	Prevent hacking through keyboard encryption when data is entered

Dreaming with Customers

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Summary

Communication with Customers

SNS

KT became the first company in the industry to form a social media team, tasked with engaging in PR, marketing and CS with customers through a wide variety of SNS outlets including Facebook, Twitter, Google+, Youtube, Pinterest and blogs.

KT has expanded from simply delivering information in the initial stages to discovering addition contents in which customers can share in and experience together, including the 'I'm a Photographer' campaign in 2012, the 'Korea's Communication History' campaign, and the '2012 Social Digital Diary' campaign in 2013. These programs are at the forefront of KT's PR and marketing efforts in social media. The company's SNS CS channel has been expanded to include Facebook through which over 1,000 customer inquiries are processed every day. KT's Facebook presence has been linked to the 'olleh 24 hours' campaign to stay better in tune with customer needs.

KT's social media campaign is part of the company's overall efforts to strengthen its ties with customers through real-time social media communication that takes advantage of the medium's efficiency and communication capabilities to integrate advertising, brand awareness and promotion.

🔗 'I'm a photographer' contest video

🔗 'History of Korean Communication' video

🔗 'olleh 24 hours' video

Diverse channels

In October, 2012, KT become the first communications company to launch a 'video sign language service center(070-8880-8088)' in Korea to make sure the hearing and speech impaired are not neglected from receiving communication services. A live customer service representative is also on hand to assist with elderly customers who may find using the ARS system challenging.

The 'Together Call Center(080-008-0100)' helps multicultural families who may have difficulties accessing service in Korea, helping not only deal with issues regarding wired- and wireless services but also with their daily lives in Korea. If needed, employees from one of KT's 236 service centers around Korea pay personal visits to make sure the customer's needs are fully met.

[Multicultural family assistance service]   [Sign language service]

Shorter waiting timest

KT has reorganized its system to allow one-stop registration of service requests automatically without going through a live representative, with over 5,000 customers using the automated service every day. A reservation system for KT's service plazas enables customers to reduce their waiting times by going directly to the reservation-priority window at their appointed time.

Preemptive spam filtering and better accessibility

Common spam messages and URLs are registered into the filtering system in real time to reduce customer inconvenience. The olleh spam filter app allows the customer to synch their phonebook on their mobile phones with their spam filter to make sure messages from people they know are not blocked and certain messages pass through the filter. Text messages that have a high likelihood of being spam is evaluated using an intelligent system that allows the user to set the filtering level for better customization and user control.

Dreaming with Suppliers

Vision & Strategy

KT's management goals are not just limited to the growth of KT, but include the creation of new national economic growth engines that will lead Korea's 2nd ICT Renaissance. The company is actively engaged in creating an ecosystem for virtual goods and ICT convergence industries and expanding open Econovation, and has established the Five Contents New Deal Promises, the Three Don'ts of shared growth, and the Three Dos of software growth. These efforts and investment are leading to the development of related industries, more business opportunities, and high-quality jobs.

Main Team

Partnership Office, Purchasing Strategy Office

Dreaming with Suppliers   KT's Shared Growth Strategy | Expanding CSR of KT's Distribution Network | Commercialization of external proposals
Purchasing and market development support | Management/Quality Consultation | Startup Company Support
Financial and Other Support | Fair Trade | Partner Company Communication

Summary

KT's Shared Growth Strategy

Since launching the business result sharing program in April 2006, KT has established programs for promoting joint growth with partner companies including financial support for technology development, joint procurement programs for cutting purchasing costs, and free training for partner company employees. Other programs that were launched starting in June, 2009 include preventive measures for lowest bidding, larger compensation for maintenance and repair service, strengthening the foundations for independent growth of competitive small and medium enterprises(SMEs), and billing and financing support. The open-eco policy provides support for software and contents developers. The "Three Don'ts" program was launched on July 12, 2010 as a new paradigm for shared growth with SMES, followed by the "Three Dos" on September 29, 2011 for revitalizing the industrial ecosystem of the software industry. On September 17, 2012, KT announced its "Five Promises" for revitalizing the contents industry ecosystem. Based on these plans KT plans to build fair business relationships with partner companies, strengthen the competitiveness of partners, help partners develop new markets, and create new value through shared growth to achieve sustained growth and prosperity via a forward-looking strategy emphasizing shared growth.

> **The Three Don'ts**
> "KT can no longer do everything on its own; without openness, cooperation and joint participation with its partners further growth is impossible."

The "Three Don'ts" policy is a new paradigm for active shared growth with SMEs, transcending mere "shared existence" to include "shared growth." They consist of: "We will not allow an SME's resource to be wasted because of kt", "We will not permit the theft of technology development ideas", and "We will not create a competitive environment against an SME". These three principles are designed to achieve true shared growth with SMEs by eliminating the inherent uncertainties that exist in the business relationship between a large corporate and an SME. In other words, the Three Don'ts policy can be summarized as carrying out fair business, support for higher competitiveness, and joint market development.

01. Avoiding resource waste | in the past partner companies could not accurately predict KT's purchasing demand and thus faced difficulties in production or inventory management, or were forced to waste resources when a product that was developed did not make it to the marketing stage.

This policy was created to avoid such situations by creating a demand forecast system and expand the company's development partnership programs to allow partners to join the development process. The company also plans to actively project and develop the sources of SMEs. The demand forecast system makes the company's demands based on market trends and short/medium term business prospects available to partners, not only providing material demand forecasts but sharing the company's short/medium term business goals with its partners. Launched for the first time by a communication company in 2010, the demand forecast system was expanded to all three Korean carriers in 2012 under the auspices of the Korea Communications Commission. Under the system, KT provides demand forecasts every quarter.

02. Preventing the theft of technology and ideas | this policy aims to make sure SMEs do not have to worry about having their ideas stolen by competitors if their development ideas are not selected for development or are bogged down in a lengthy review process. KT prevents the leakage of business proposals to third-party companies by signing non-disclosure agreements to ensure transparency in the business relationship. The company also revamped its idea proposal Web site(ktidea.kt.com) to integrate the proposal channel and requiring prior registration. The review and selection process for new ideas were streamlined to ensure completion within two months. The 'idea compensation purchasing policy' was created to provide appropriate compensation to SMEs that provide technologies or business models that can contribute to KT's business operation. Up to 50% of a total order is set aside for the partner company that produces the idea that can be directly commercialized without a product development process, and ideas that do require a separate development process are given a purchase guarantee for a set period of time if the development is successful.

03. Avoiding direct competition with SMEs | this policy reflects KT's desire to dispel concerns about a major company encroaching upon the value chain of SMEs with overwhelming capital to take over the market. The goal of this policy is to create a positive sum based on an open ecosystem that delineates the boundaries of large corporates and SMEs instead of perpetuating the zero-sum competition that used to exist in closed business areas. KT's assets will be offered to SMEs and partnerships based on open platforms will be expanded to protect the business areas of SMEs while providing even more business opportunities. SMEs will be able to create a stable business environment and sales avenues by sharing business results while strengthening their core competitiveness.

Dreaming with Suppliers   KT's Shared Growth Strategy | Expanding CSR of KT's Distribution Network | Commercialization of external proposals
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Summary

KT's Shared Growth Strategy

The Three Dos
"Without real changes in the procurement procedures, mindset and investment direction of companies, calls for the development of the software industry ring hollow. Government policy is important but corporate procurement and investments are much more vital."

The "Three Dos" policy was created to breathe new life into the Korean software industry. Whereas the Three Don'ts policy focuses on coexistence with SMEs, the Three Dos aim to create a strong software industry ecosystem by getting rid of previous software procurement practices based on labor costs or service contracts and instead using future value standards to evaluate software. The Three Do's consist of "Future Value-based not Labor-based Software Pricing", "Nurturing the Development Environment to Strengthen Software Companies' Competitiveness", and "Providing opportunities for expanding to the global software market". A dedicated organization was created to support accurate value assessment as part of KT's efforts to create new success stories through support for creating a better development environment and infrastructure and eventually for expanding into global markets.

01. Value-based, not labor-based | Last year KT became the first private company to establish the first innovative process and system for software procurement called "Paying the right price for software." A dedicated organization was created using experts in each field to form the standards and procedures for determining proper software value. A software value purchase process was also established that reflects the unique characteristics of software development. KT applied this "fair price system" to sign three contracts totaling 7.25 billion won for the integrated monitoring and control solution for the company's BIT project. KT also created a tool kit that allows the developer to verify whether its product is eligible for direct value purchase. These policies are allowing more software developers with competitive products to join hands with global vendors and expand into overseas markets.
In 2013 KT established a system for independent product commercialization that expanded the scope of value-based procurement in a diverse range of software markets, aiming to expand the company's support and create new avenues of sales for SMEs or single-owner companies by transforming the software development process and forming new links with external market channels.
※ software value procurement is followed by investment in ownership, IPR and globalization support

02. Boosting the competitiveness of software companies | through such organizations as the Econovation Center, launched in June, 2010, and the Cloud Incubation Center kt provides support for increasing the competitive capabilities of SMEs including startups and software developers. The Econovation Smart School provides online classes as well as offline training in seven locations around Korea to nurture software development experts, and three Econovation Centers(Wumyeong, Seocho, Seolleung) provide development and test environments as well as conference rooms. The Econovation Architect Program is a support program for developers and startups, providing office space, development and testing infrastructure, development and management consulting, and marketing. The Cloud Incubation Center provides vital IT assets through a cloud system that is expandable and highly usable, providing software companies with the aid they need for increasing their market share. Infrastructure support as well as direct support for marketing and promotion provides the help that companies need to achieve real growth. The u-cloud personal and business services provide an open API environment for software development, and KT will continue to strengthen the links between cloud development infrastructure, cloud API and company-wide platforms to aid in the development of high-quality software.

03. Focusing on Creating Markets, such as Open Markets and Overseas Expansion | Small/medium developers have a hard time marketing their own apps in international markets. To help excellent Korean apps sell overseas, KT launched the OASIS(One Asia Super Inter-Store).Created on January 18, 2011, the OASIS is a 'Korea-China-Japan app market trade project' launched by KT, NTT DoCoMo, and China Mobile by signing an SCFA(Strategic Cooperation Framework Agreement). The project receives strong policy support from the top carriers in Korea, China, and Japan.
For developers around the world to distribute their apps, they are forced to go through multiple development processes, from stores to operating systems. To solve their problems and provide an integrated development environment for developers, KT and other carriers around the world launched WAC (Wholesale Applications Community). Since the launch of WAC, KT and three other Korean carriers established 'K Apps' to help Korean startup companies and developers expand into overseas markets.

Dreaming with Suppliers   KT's Shared Growth Strategy | Expanding CSR of KT's Distribution Network | Commercialization of external proposals
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Summary

KT's Shared Growth Strategy

Five New Deal Promises for revitalizing the contents ecosystem
"Through these promises for the revitalization of the contents ecosystem, kt will create innovative jobs through which young people will be able to fulfill their potential on the global stage and create new business opportunities and growth engines."

This is KT's promise!
These are KT's promisesfor a new contents ecosystem

kt

Promise one,
We will create a 100 billion won fund for supporting content creation.

KT plans to establish a 100 billion won fund for supporting the development of a variety of contents including video, animation, games and music in order to create a sustainable environment for shared growth.

Promise two, **We will provide efficient development infrastructure**

The olleh Media Studio allows developments to use broadcasting, studio, editing and recording facilities at 70–80% the cost of other similar development facilities.

Promise three, **We will create transparent and risk-free business terms.**

KT plans to create a dedicated IPTV channel for new developers to show off their creative new products to customers, and a separate premium zone will be assigned to SME operators that have a large viewership.

Promise four,
We will support online content developer communities and global expansion

KT plans to operate a Web site for content developers that will bring them together with expert consultants in the field, and competitive contents will receive a boost for global distribution through KT's u-Stream and Soompi Web sites.

Promise five, **We will establish a New Deal for innovative business rules.**
kt는 PP(채널사업자)와 CP(콘텐츠 사업자)들의 창작활동에 도움이 될 수 있도록 현재의 거래 조건 관행을 개선할 계획입니다.

As recently as 2–3 years ago the contents industry was still fledgling. However, with the total number of KT's media group expected to grow to more than six million, we feel that kt's roles and responsibilities will be considerable. However, the contents media industry is still struggling. KT has already announced the Three Don'ts policy for SMEs and suppliers and the Three Dos policy for software developers. The Five Promises for boosting the contents ecosystem is a policy aimed at supporting contents media providers. This strategy for shared growth uses KT's capabilities to allow individuals or SMEs to expand into the global market armed with just their innovative new idea, while at the same time creating new business opportunities for KT as well. In March, 2012 KT announced plans to recreate itself as a global media distributor by choosing the distribution of virtual goods through the company's wired- and wireless networks and satellite infrastructure as KT's core future strategy. The company has launched a variety of contents platforms including u-Stream and Genie that formed the foundations of KT's connection to the world, and now the company is expanding into TV-based contents with high growth potential. The main goal of KT's Five Promises is to allow talented content developers to grow and enable young people armed with a bright idea but lacking the money or equipment to be able to realize their full potential and even market their products in global markets.

01. **100 billion won fund for content development |** KT plans to establish a 100 billion won fund for supporting the development of a variety of contents including video, animation, games and music in order to create a sustainable environment for shared growth. The fund will be created within the year and operate for three years, and an investment review board composed of experts from within and without the company and fund participants will be tasked with ironing out the details of the fund's operation. In addition to KT the fund will expand its investment into broadcasters, TV producers, content operators as well as Korean and international businesses interested in expanding the 'Hallyu' Korean wave. The fund will also include 2% of all media-related revenue from olleh TV, satellite broadcasting and other media-related business within the kt Group, with the investment fund growing as more subscribers boost sales and more outside investors join in.

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KT's Shared Growth Strategy

02. **Infrastructure for content creation |** on March, 2011 KT founded the olleh Media Studio, which allows talented developers as well as SMEs to use broadcasting, studio, editing and recording facilities at 70–80% the cost of other similar development facilities. The olleh Media Studio is a comprehensive rental facility that enables HD as well as 3D development. The center's smartphone movie academy and other educational programs provide support for talented young people throughout the creative process.

03. **Transparent and risk-free business terms |** KT plans to create a dedicated IPTV channel for new developers to show off their creative new products to customers, and a separate premium zone will be assigned to SME operators that have a large viewership. Whereas the previous open IPTV policy allowed businesses with competitive products to operate a channel or expose their contents to the market, the new policy will take this to the next step and allow developers to achieve actual sales results.

04. **Content developer communities and global marketing support |** KT plans to operate a Web site for content developers that will bring them together with expert consultants in the field, and competitive contents will receive a boost for global distribution through KT's u-Stream and Soompi Web sites. KT already create a dedicated Econovation Web site in May, 2010 for app developers which currently boasts over 30,000 members and provides a chance for active exchange and contact. These successes will translate over to the contents field. u-Stream, which began service in March, 2012, is a global real-time video platform that has also served as the spearhead of the Hallyu Korean wave movement with more than 10% of u-Stream contents coming from Korea. KT will also provide support for introducing high-quality contents to Soompi, the largest Hallyu community Web site in North America run by Enswers, Inc. The OASIS project, the Korea-China-Japan app market exchange project, has already been providing a channel for marketing top Korean contents, and contents that can be used in app form will also be able to use this channel to expand into global markets.

05. **New Deal, an innovative set of rules |** KT plans to revamp current business conditions in order to further help program providers(PPs) and content providers(CPs) in their creative activities. The company will first open dialogues with PPs and CPs to gather their opinions, which will be used to create a Program Selection Committee composed of industry and academic experts. The committee will allow PPs to deal with KT under fair and transparent terms that can provide win-win solutions for everyone. KT currently provides channel usage fees to PPs based on viewership, with the PP paying rental fees to KT. However, these will not be blanket terms but will instead be tailored to the characteristics of each individual PP.

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Expanding CSR of KT's Distribution Network

KT is working to make sure all of its partners understand KT's core sustainability principles to prevent risk factors that may appear in the distribution network, helping partner companies fulfill their social responsibilities and roles be a part of shared, mutual growth.

emissions has placed some KT partner companies in medium-risk groups, but kt will continue to use these high global standards in order to identify and manage risk factors in its distribution chain and make sure sustainability is kept at the highest possible level.

Sustainable distribution network management system

KT has create the 'Sustainability guidelines for partner companies' to enable every corporate partner to achieve sustainable growth. The guidelines contain basic global standards on human rights, labor, environment, safety, public health and ethics for enabling sustained shared growth between KT and partner companies, based on the ten principles of the U.N. Global Compact, the Universal Deceleration of Human Rights and the International Labor Organization's deceleration. In addition KT signs the 'Standards for social responsibility of KT partners'(signed with 445 companies as of 2012) in order to encourage partner companies to carry out sustainability activities and joint KT in shared growth.
KT has trained 47 experts in sustainability to help partners adhere to these guidelines by providing assessment of partnercompany's' sustainability activities as well as consultations visits.

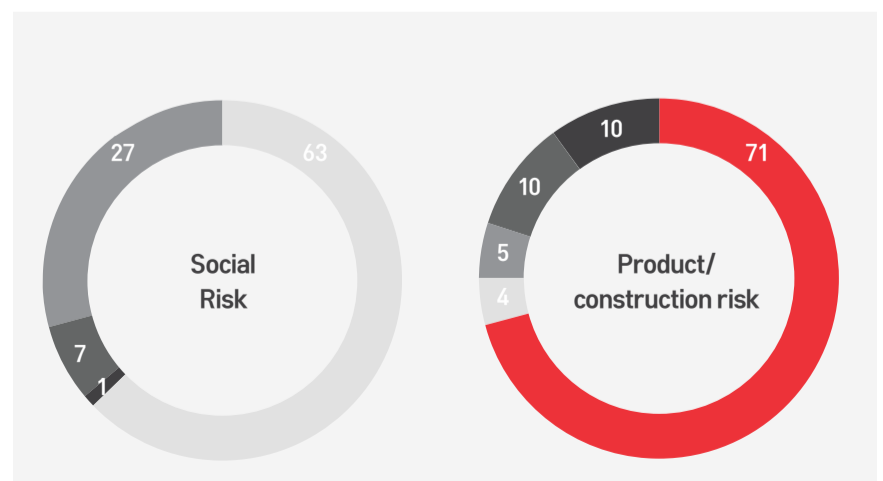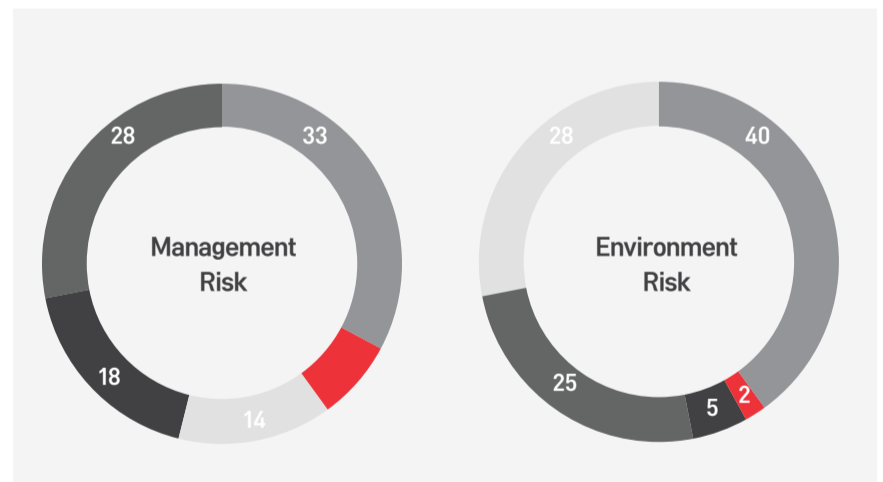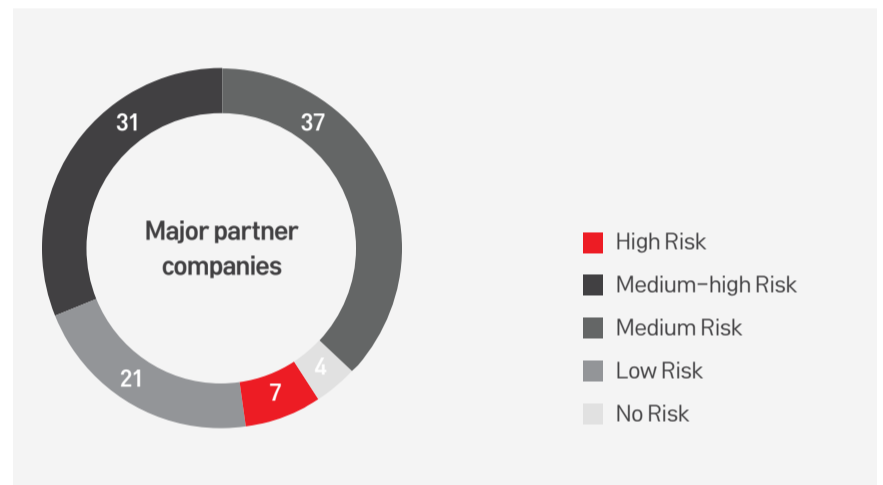| Classification	Number of partners	Sustainability index	Notes
Material partners	170	ESG + Product : 48 indexes	Ranked evaluation
ICT construction partners	276	ESG + Construction : 32 indexes	Re-selection evaluation

※ ESG : Environment, Social, Governance

Risk analysis of distribution network sustainability

KT carries out assessments of risk factors that may affect distribution network sustainability of its partner companies. The risk assessment examines management, environment, social responsibility, and product/construction sustainability factors for 451 equipment and material suppliers and information and technology construction companies to identify five risk groups. Guidance is provided to companies that are determined to be in a high-risk group to help them in their sustainability efforts. Using global evaluation standards such as greenhouse gas

Distribution network sustainability risk analysis   (unit: %)

Major partner companies
31 | 37 | 21 | 7 | 4

■ High Risk
■ Medium-high Risk
■ Medium Risk
■ Low Risk
□ No Risk

Management Risk
28 | 33 | 18 | 14

Environment Risk
28 | 40 | 25 | 5 | 2

Social Risk
27 | 63 | 7 | 1

Product/construction risk
10 | 71 | 10 | 5 | 4

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Commercialization of external proposals

Support for commercializing external proposals

KT uses a Web site dedicated to proposals from outside the company (ktidea.olleh.com) to better manage partnerships proposals and business ideas. KT and the party offering a proposal undergo a test process and a trial period if necessary for commercialization. Prior agreement of key performance indicators is made, with kt and the proposer bearing half of the development costs respectively. If the key indicators are met following the trial run, KT takes up the 50% of the budget that was borne by the original proposer in order to make sure good ideas can be brought to the market. If an SME is the initial proposer of a technology or business model that can contribute to KT's business operation, an 'idea purchase system' provides appropriate compensation. This also allows the formation of exclusive contracts with competing products. Ideas that can improve existing equipment or new ideas can result in distribution rights through a supply proposal, which may also include a profit sharing scheme. The company evaluated 342 proposals in 2012, through which nine ideas were carried to commercialization including MTI's 'RF MIMO service relay for one-cable LTE.'

KT has established a four billion won fund for bringing new ideas for smartphone apps into the market, with an additional 60 billion won invested in virtual goods such as videos, music and new media for helping SMEs with technology development efforts. Another 40 billion won was set aside as a loan fund to help high-quality small and medium content developers with their business activities.

Support for trial projects | KT provides support for evaluating the commercial viability of new ideas or proposals. Test runs are used to determine the viability of a proposal as well as ways to improve it, which can then receive company-wide commercialization. Half of the budget is provided up front, and the other half is delivered if key performance indicators are met. In 2012 KT carried out a trial run of NS Tech's integrated DU temperature control system.'*

* System for enhancing the air conditions of CCC stations

New Product development with conditional purchase

KT is part of a program that allows SME partners to develop products needed by large companies. With developing costs provided through the Small & Medium Business Administration and the large corporation offering a guarantee to purchase the project. New product development that involves localization or a new technology is given a three year contract for purchases with investment shared between the Small &

Medium Business Administration(up to 55%), KT(20% or more), and the developer(25% or more). In 2012 the company provided 55 million won for three projects including 'Giga Internet connection technology for dual copper wiring.' In 2012 the company together with the Small & Medium Business Administration plans to provide 150 million won for seven projects.

Benefit and partnership profit sharing

Since 2006 KT has been operating a benefits sharing scheme that helps reduce costs through joint development of equipment and services with partners as well as enhance overall quality. This program allows KT to share profits with its partner companies. KT provides training and consulting to its partners to help bring the project to a success, and provides a development environment as well as testing and measuring equipment free of charge.

The company has provided over 12.8 billion won to partner companies over the past five years through preferential buying schemes and other programs for successfully carrying out 12 equipment development projects. The benefit sharing program is a core agenda item for KT's shared growth activity. From 2012 the company has expanded the scope of this program from equipment and materials to include construction software development, diversifying target projects to not only include improvements of existing equipment but new development/localization, process improvement, and energy saving processes. The benefit sharing system itself was greatly expanded to include an exclusive supply contract for up to two years for new equipment development, and 100% of up to a full year's worth of saving to a partner company that provides the idea or technology for reducing production costs through optimization.

In 2013 the company will continue to expand its efforts with partner companies to further optimize its processes, including the discovery of new targets for benefit sharing in areas requiring fundamental improvements. In addition, two profit sharing programs were carried out in 2012 including the 'olleh children's phone safety service' that were developed through joint projects with partner companies.

[A visit to MTI where a benefit-sharing program is being carried out]

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Purchasing and market development support

Demand Forecasting Process

KT applies the demand forecasting process and continues to improve its development partnership programs to prevent any waste of resources resulting from the difficulties of SMEs with inventory control or with commercialization even after products have been completely developed. The demand forecasting process is a program that discloses purchase demand based on the market/technology trends and on the short- and mid-term business outlooks.

kt forecasts quantities for the whole year in the beginning of the year. In 2010, kt predicted changes in demand for 50 items from 78 partners, with quarterly demand forecasting carried out for 289 products from 216 partner companies in 2012.

Meetings with 70 partner companies in 2012 reviewed products that may face excessive demand changed allowed KT to explain the nature of the demand forecast and enhance communication with SME partners. The forecast system for construction was expanded to include two forecasts per year for partner companies in information and communication facility construction. In 2013 the frequency of some items was customized to suit their unique characteristics, helping KT provide the right purchasing information at the right time to its partners. These changes will reduce the uncertainty caused by suppliers and prevent resources from being wasted in the development processes through flexible production and inventory control.

2011	Focus on suggesting future business approaches, and extend the scope of disclosure **Forecast :** 277 Items(all items required in the technology request) **Target suppliers :** 208
2012	Enhance forecast reliability and help partner companies plan production **Forecast :** 289 items (all items required in the technology request) **Target suppliers :** 216
2013	Provide timely information tailored to each partner company for enhancing forecast utility **Forecast :** 226 Items (excluding IP products or items with no purchase history in the past two years) **Target suppliers :** 201

Demand forecasts

Category	Details
Medium-term business direction	• Major strategies and core action plans for four core business areas (communication, ICT, convergence, global)
Purchasing forecast	• Purchasing forecasts for ten items including mobile products
Changes in investments	• Changes in investment direction for each purchasing category • Potential new purchases
Demand forecast	• Demand per quarter and total yearly changes • Purchasing price changes for each item, reason for quality changes

※ Posted through: http://partner.kt.com/ as well as through individual emails

Support for overseas exhibitions

In 2013 KT joined ten top partners in participating in the Mobile World Congress(MWC), the world's largest mobile communications exhibition held in Spain in order to support the global marketing activities of partner companies. KT provided the rental and installation fees, set up booths for partners inside or near the kt exhibition area, and create a uniform exhibition theme for both kt and partner company exhibitions.

[MWC, 2013]

Joint expansion into overseas markets

KT has been working with highly capable partners to develop new international business models and expand opportunities for joint expansion into overseas markets. The company has carried out joint projects in hardware, platform and contents. In 2012 partner companies were part of KT's Wibro project in Rwanda, the U-City project in Algeria, and the Kibot 2 project for Saudi Arabia's Mobily Co.

Year	2009	2010	2011	2012
Number of partners	12	23	4	9
Projects	15	13	4	9
Value	26.4 billion won	79 billion won	1.37 billion won	16.8 billion won

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Management/Quality Consultation

Vendor coaching for partner companies

KT began a startup company coaching program in 2008 that provides quality improvement coaching to secondary partners together with quality control experts from KT and a primary partner. The program began with six companies in 2010, expanding to 15 in 2011 and 23 in 2012, providing real assistance to vendors and helping them improve their testing and inspection process by an average of 75%.

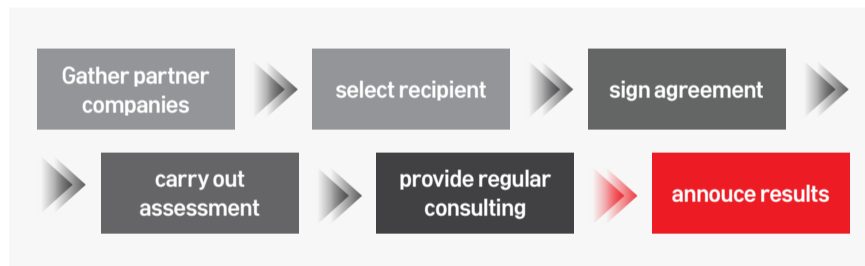

[Agreement signing ceremony for vendor coaching, 2012]

[Vendor coaching program achievement presentation, 2012]

Consultations provided

Category	Consultation details
Three-dimensional diagnosis	· Precise assessment of management system, manufacturing facility, production areas
Management support	· Tailored management process innovation support
Manufacturing site improvement	· Programs involving Korean-style 'manufacturing innovation' · Training for internalizing problems that occur on site
Production technology support	· Product technology support for alleviating issues that arise during the production process · Strategies for securing medium- to long-term production technology
Training	· Production innovation, mind-set training
Problem solving program	· Separate programs to address common and reoccurring issues that affect participating companies

Operational process

Gather partner companies → select recipient → sign agreement →
carry out assessment → provide regular consulting → annouce results

Production innovation partnership

KT carries out regular and customized quality consulting to equipment suppliers that need quality improvement. In 2012, KT carried out a joint investment(400 million won) with the Korea Productivity Center to carry out production innovation partnership projects with ten partner companies, providing support for six months up to a year to enhance the self sufficiency of partner companies and improve their management and production activities. Consulting firms were selected jointly with the Ministry of Trade, Industry and Energy to provide consultations on improving the management and production quality of partner companies. These efforts resulted in 12 production innovation tasks(totaling 590 million won), including 'production method enhancement.'

Management doctors

The management doctor program provides regular visits from a consultant who formerly served as a manager for a major corporation to help address management issues and support business innovation activities. Customized mentoring for management strategy, marketing, informationization and new business development were provided jointly with a consultant team from the Federation of Korean Industries to five of KT's primary and secondary partners including MTI, Yukyung Technology, Dasan Networks, Wibro Tech and Woorinet.

Patent technology transfer

KT transferred technologies developed through the company's R&D or the rights to their use to partner companies to help achieve shared growth. KT provides the use of key patents or research results to SMEs for free or under preferential terms. In 2012, KT transferred 24 separate key technologies to 21 companies and 23 patents including KT Naratgeul and Pyeonggamsswegi to 21 companies free of charge. Partner companies using these technologies developed and supplied 13.8 billion won worth of new equipment.

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Management/Quality Consultation

Helping Suppliers Earn ISO14001 Certification

To make KT's supply ecosystem green by strengthening suppliers' sustainable management capabilities, KT provides support for primary and secondary suppliers to earn the environmental management system (ISO14001) consulting and certificates. The company provided 50% of the cost required for the assessment/consulting and ISO14001certification of 16 companies in 2010, 175 companies in 2011 and 29 companies in 2012. KT has standardized suppliers' quality control process, improved their environmental awareness, and increased productivity with a specialized workforce. In addition, KT will begin requiring the ISO 14001 certification from material and information and communication construction partners starting in 2014 in order to further accelerate the creation of a completely eco-friendly distribution network.

ISO14001 Certification Support for Suppliers

All suppliers/ non-certified suppliers	89.7%(70% materials: 124/170, 100% ICT construction = 276/276)
Suppliers supported in 2011	29 companies(24 material companies, 5 ICT companies)
Ratio of applicants to non-certified suppliers	57%(29 companies/51 companies)
Supplier support program	Environmental Management System(ISO14001) certification support

Support provided over the past three years

| Category	2010	2011	2012
Number of companies supported	16 suppliers, including FR Tech Co., Ltd.	175 suppliers, including Kyungil Co., Ltd.	29 suppliers, including DBN.Co.
Amount provided	54.25 million won	114 million won	58.74 million won

Free use of testing facilities

KT provides testing environments that are similar to KT's communication infrastructure as well as testing equipment free of charge to primary and secondary partners in order to help them cut costs and enhance quality. Facilities and equipment such as a comprehensive test-bed, testing equipment, a comprehensive model room, and the infrastructure of the Econovation Center are provided for free as well.(2012: 25 test-bed operations, 17,225 terminal/server operations).

Non-disclosure agreement(NDA) policy

KT signed a total of 72 NDAs in 2012 to better protect the ideas and technologies of partner companies.

NDA procedure
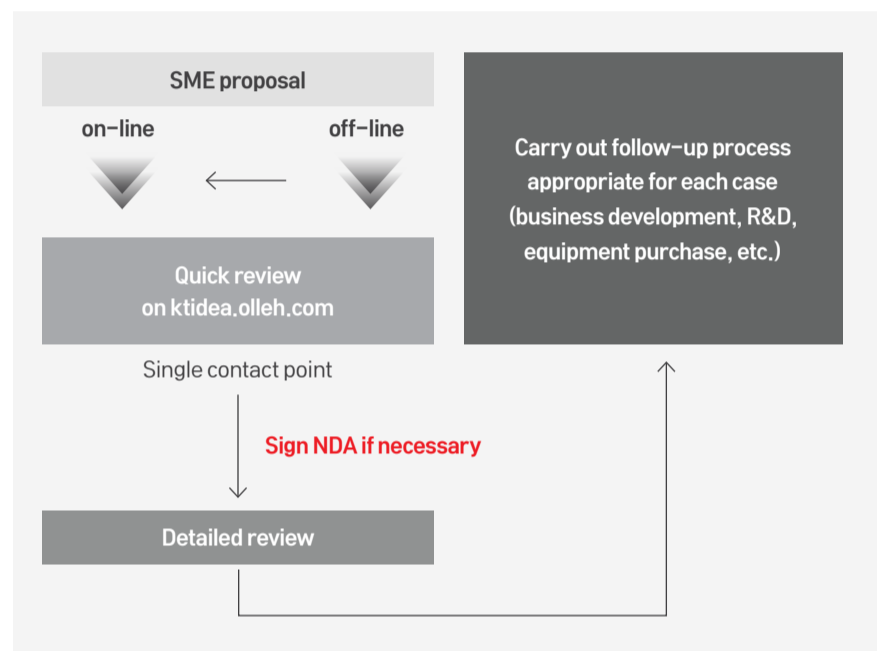
Technology deposit support

KT encourages technology deposits in order to achieve shared growth with partner companies. KT provides financial support to companies wishing to deposit Important or confidential technologies, documents and materials dealing with production and manufacturing processes, designs for facilities and products, and material on business planning and operation. In 2012 KT helped partners deport 10 separate technologies for safekeeping including 'mobile communication gateway' technology, providing three million won in financial aid.

Supporting patent applications(in ICT construction)

This program is aimed at helping partners in ICT construction to cut costs and improve quality by giving preferential points to partners with a proven record of quality improvement. The program covers inventions or new technologies in certain construction areas(OSP, transmission and power, wireless networking) with the potential to increase quality and cut costs. In 2012, KT provided financial support for patent registration to three high-quality ideas including the 'no-blackout bypass device.'

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Startup Company Support

Startup auditions

The 'olleh Startup Award' created to support startup companies, provides a variety of programs aimed at securing commercial viability and foreign market expansion to BM[bl] that has passed the primary review stage, including meetings with the CEOs of previous winners, meetings with the directors of related business divisions, and business incubation camps. KT has also held four 'Econovation Fairs' together with the Small & Medium Business Administration, with the fourth event held under the title of '2012 Go Global' and resulting in the selection of 29 apps from 179 entrants. 'Aart', the app which received the grand prize in 2012, allows artwork from new artists in Korea to be used for smart phone background images, phone cases, framed artwork and even t-shirts. Divine Interactive's 'Perfect 50/50', which shared the top prize, is a simple and fun casual game of splitting geometric shapes that was been downloaded over 50,000 times during the first month after release.

Prizes were awarded to 29 teams including two grand prizes totaling 20 million won and opportunities to visit Silicon Valley(ten awards), translation for apps for foreign markets, adding up to total cash prizes of 50 million won and 200 million won in various prizes. Every team that received an award will also be offered a chance to participate in a Global App Support Center program.

Econovation Smart School

The Smart School provides long-term education programs focusing on hands-on work and developing real capabilities, with the goal of developing globally-competitive app developers and revitalizing the mobile app ecosystem. Top teams(projects) are recommended for participation in the Econovation partnership, and developers that complete the training and register on the olleh market receive priority review and marketing support as well as a chance to be including in the Korea-China-Japan joint app market(OASIS). The center carried out 30 intensive courses including app developer training(8-10 weeks) and k-apps development cloud mobile development programs, and 88 online lectures in eight categories. These programs produced over 5,000 graduates.

Econovation Architect

The Econovation Architect program is designed to allow small and medium startup companies to form solid business plans, expand into global markets, receiveentrepreneurial consulting and increase opportunities for attracting investment and partnership projects. The program provides support for up to 40 teams each year. Not only does the program provide opportunities to present products through demo days and project announcements but offers a chance for the startup company to be recommended for receiving investments from KT, angel investors, or venture capital investment companies. A total of 124 teams in three groups were created in 2012, with 47 teams going on to found startup companies and 11 teams receiving the Korean government's startup company certification.

Awards received

Grand prize, GSMA Smarter App Challenge(A Factory, 'Flowit')
Silver/bronze prize, KOTRA Global Startup Content(2hworks, Shiconal)
Five awards in the Smart Contents Awards(42% of the 12 prizes awarded)
24 hit apps(1 million downloads or over 5 days on the market ranking top 10 list)

Econovation Center

KT provides the facility and equipment for solo ventures and startup companies to develop and test wireless Internet services in three sites in Umyeon, Seolleung and Seocho. These centers provide working space, development equipment including laptop computers and smart phones, a 3W network as well as professional training, audiovisual materials and technical materials. The center has been used by over 30,000 developers in 2012 who took advantage of the wide range of support available from the development stage to the distribution stage.

Cloud Incubation Center

KT's Cloud IncubationCenter provides the IT assets needed for app development in a cloud environment, a new program designed to help apps develop a market. Startup companies are provided with virtual services, CDNs and storage space as well as offline conference areas(up to six months), in addition to opportunities for product demonstration, promotions through olleh uCloud partner apps, and exposure in the press. The center provided support to 132 companies including Brightworks, and five companies, including Brain Garden, won the distinction of receiving prices at the 'K-Startup 2012'competition held by the Korea Communications Commission. 'Classting Service', another app, is already used by over 400,000 students in 35,000 classrooms in 13 countries around the world.

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Financial and Other Support

Cash payments

With more SMEs struggling with unfavorable exchange rates and rising raw material prices, KT has created a number of financial assistance programs aimed at helping SMEs improve their cash flow and acquire operational capital. The traditional business practice of issuing promissory notes was abolished, replaced with 100% cash payments to SMEs regardless of the amount starting from 2006(2.9665 trillion won in 54,263 payments in 2010; 1.8023 trillion won in 70,248 payments in 2011; 2.8024 trillion won in 48,637 payments in 2012).

※ kt has provided cash payments to SME partner companies in 2006 in entirety

Classification	SME	Large companies/corporations
Payment method	100% cash	Less than 200 million won : cash More than 200 million won : e-note
Payment periods	Three times a month (4th, 14th, 24th)	Cash : same as SMEs e-notes : three times a month

Network loans

A signature loan fund was created through KT Capital totally 300 billion won to provide production and operational funds that can be used before a product can be shipped(2.9665 trillion won to 528 companies in 2010, 2,233 trillion won to 235 companies in 2011, 533.7 billion won to 198 companies in 2012). KT has also joined with finance institutions that provide mutual loan programs to allow partner companies who have a history of supplying KT with preferential interest rates.

In addition, dealerships that have signed agency agreements with KT that meet certain conditions are provided with financial support for deposits and transfer costs when setting up a new store, and short- and medium-term loans are also made available.

Category	Short term financing	Long term financing	Strategic financing	Total
Support provided	353 companies 30.91 billion won	220 companies 41.97 billion won	525 companies 52.9 billion won	125.78 billion won

In addition KT will create a program for providing low-interest loans for content development starting from 2013 to provide assistance to SME partners and SPC that develop contents.

※ SPC : special purpose company

Support for job fairs(joint programs)

To help partner companies attract top talent KT has worked with the Korea Federation of Industries to hold a job fair, after initially recruiting candidate companies through the partner company portal site(partner. kt.com). Fourteen partner companies took part with 102 people applying for positions. KT also provides significant assistance for boosting the sales of SME partner companies(amounting to 80.2 billion won in 2012) by matching partner companies with global companies to form OEM supply deals.
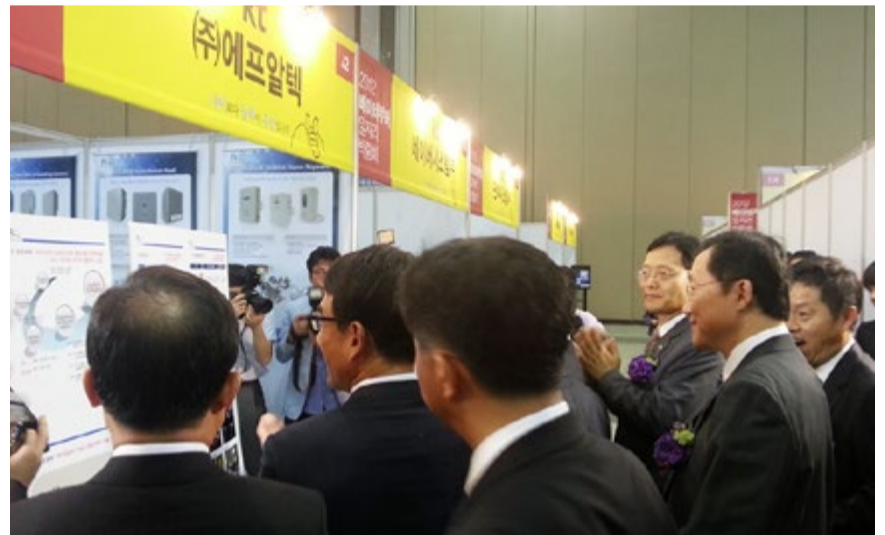
[2012 job fair]

SME partner training consortium

KT provides a human resource training program for primary and secondary partners who have limited training and HR assets. Thirty training programs in IT, quality management and technology trends as well as 120 online classes in leadership, technology processes, marketing and general curriculum topics have trained a total of 33,518 employees of partner companies over the past three years(12,688 in 72 courses in 2010; 10,729 in 97 courses in 2011; 10,101 in 100 courses in 2012). Classes are held at the KT HR Development Center and training centers around Korea. Classrooms, materials, lodging and meals are provided free of charge, and the program has been received extremely well by partner companies who benefit from the training.

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Fair Trade

Fair Trade Compliance

KT operates the Compliance Program designed to prevent losses forsociety and the company by complying with laws/regulations and abolishing unfair practices. In 2009, KT earned an "AA rating" in the 2009 CP Assessment conducted by the Fair Trade Commission,was recognized for its commitment to fair competition, and received incentives, such as penaltymitigation for two years and independent investigation exemptions. In 2012, KT signed partnership and fair trade agreements with 455 SME partner companies and pledged to complywith laws and principles to ensure transparency in contract transactions.

Operating the Fair Trade Review Center

As part of its Compliance Program, KT hired fairtrade-specialized lawyers to form the Review Center in 2005, and has assessment factors ofunfairness in all business transactions and prevented any violations. Field units(local customer relations offices) appoint fair trade officers responsiblefor preventing unfair practices in related organizations.

Fair Competition Training and Environment

KT provides officers of different organizations withjob training on fair trade three or four times each year, and all employees with regular online trainingcourses. The company invites regulatory experts to share the latest regulatory and institutionaltrends, offers special lectures on key fair trade issues, and conducts on-site training for key departments (procurement, network). KT also runs an evaluation program to establish a corporate culture offair trade and maintain the center director's ongoing interest and commitment to fair trade.

Annual reviews

All business plans, marketing plans, and promotional materials
Marketing arrangements and agreements
Supplier-external network agreements, subcontract agreements
Internal trading between affiliates(funding, assets, human resources, etc.)

Number of reviews (unit: reviews)

Categor	2009	2010	2011	2012
Reviews	418	651	820	527

Annual training (unit: people)

Category	2009	2010	2011	2012
Classroom training	57	41	41	39
Online training	1,260	1,387	362	681

Corrections Made to Unfair Practices (unit: number of cases)

Type		2009	2010	2011	2012
Common unfair behavior	Corrections	–	–	1	–
	Fines	–	–	8억 원	–
General unfair behavior	Corrections	1	–	–	1
	Fines	–	–	–	53.6억 원
Unfair internal trading	Corrections	–	–	–	–
	Fines	–	–	–	–
Others*	Corrections	–	–	–	–
	Fines	–	–	–	–
Total	Corrections	1	–	1	1
	Fines	–	–	8억 원	53.6억 원

* Violations of laws governing user's agreements, information announcement, door-to-door sales, electronic commerce, consumer protection

KT's Sustainability Management | Dreaming with Shareholders | Dreaming with Society | Dreaming with Customers | Dreaming with Suppliers | Dreaming with Employees | Dreaming with Environment | Appendix

Dreaming with Suppliers   KT's Shared Growth Strategy | Expanding CSR of KT's Distribution Network | Commercialization of external proposals
Purchasing and market development support | Management/Quality Consultation | Startup Company Support
Financial and Other Support | Fair Trade | Partner Company Communication

Summary

Partner Company Communication

The Information Sharing Council

KT holds regular Information Sharing Council meetings with suppliers in different areas to discuss future partnership activities and plans, gather opinions, and implement improvement activities. Since October 2010, the Council has dealt with when urgent demand occurs or how much inventory suppliers have to support suppliers when urgent demand is created during promotions or due to market changes. Since 2011, KT has operated the SCM Councilon phones and radio repeaters on a monthly/quarterly basis. In 2013 KT will continue to accelerate its shared growth efforts by expanding the number of eligible products including ultra high-speed networks, power, and relay stations to help partner companies enhance and optimize their production processes.

Supplier Satisfaction

Since 2005, KT has conducted a 360-degree survey to evaluate supplier satisfaction each year. Continuous efforts to improve lagging areas has resulting in KT's supplier satisfaction in the first half of 2012 reaching 86.9 points, and 89.0 in the second half, increasing over 4 points compared to the previous period.

Visiting partners to discuss shared growth

From 2012 KT has been dispatching purchasing managers to partner companies to review production quality management and material handling procedures and help address issues and hear suggestions that are of the most immediate need to partner companies. KT visited 55 companies in 2012 and addressed 26 separate issues and suggestions, including making changes to optical cable and cable drum specifications that resulted in a 320 million-won-reduction in inventory management costs of partner companies. KT plans to visit 140 companies in 2013 and create a CPO suggestion channel that will boost communication with partner companies by offering a direct channel to KT's purchasing director via the partner company portal.

"IT CEO Forum"

The IT CEO Forum is an open forum for all companies, where small/medium IT enterprises, CEOs, large conglomerates, associations, societies, and R&D experts attend to discuss mutual growth and partnerships. Key leaders of IT SMEs are responsible for holding the Open Forum, facilitating partnerships, and connecting online and offline activities. During olleh 1.0, 19 breakfast seminars and 70 small meetings were held. These meetings have allow KT and its partners to maintain leading positions in every future growth engine, including 'smart revolution' and 'open ecosystem' in 2010, 'shared growth' and 'revitalizing the Korean software industry' in 2011, and 'virtual goods' in 2012. The forum issues an online newsletter at least twice each month to share the latest information in the ICT industry, and issues 20 issue trend reports each year. KT has also created a variety of shared growth partnership projects(MVNO, app store, etc) to create Korea's largest open ICT ecosystem. In 2011, KT created a 'project collaboration meeting' where small discussions are held between officers responsible for projects, which became a communication channel where KT's senior executives and suppliers' employees can talk directly with one another. Additionally, KT also runs a forum website (www.itceo.org) a Twitter account(@itceoforum), a Facebook page(www.facebook.com/itceoforum) to provide a wide range of information in real time, and is committed to promoting open communication with opinion leaders in different fields, at different levels.

🔗 IT CEO Forum

🔗 IT CEO Forum twitter

🔗 IT CEO Forum facebook

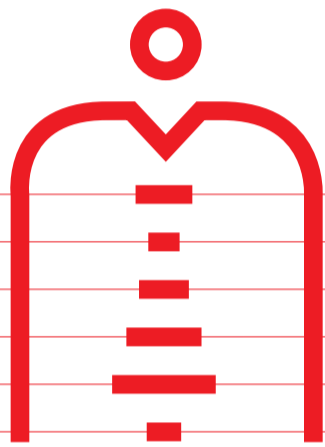[Visiting partner companies to discuss shared growth]

Dreaming with Employees

Great Workplace | Fairness in HR Policy | Creating Jobs | Human Resource Management | Human resource development
Safety and Health | Outplacement Program | Respecting Human Rights | New and Creative Labor Relations | Addressing Grievances

Summary

Dreaming with Employees

Vision & Strategy

With the launch of olleh 2.0, KT focused on reorganizing job training programs as a reflection of the company's commitment to developing top talent for future growth industries and prepare the company for its transformation into a global ICT industry leader. In order to fulfill a company's social responsibility of creating jobs the company has increased its hiring each year, and is expanding its recruitment into a variety of other businesses and social groups to boost the entire ICT industry. In 2013, KT will continue to effectively manage the human resources developed through these efforts and create a human resource management pool that can place the best personnel in the right places.

Main Team

Human Resource Management, Business Support, Communication

Dreaming with Employees

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Summary

Great Workplace

KT's Employees

As of late December 2012, a total of 31,336 employees were working at KT with an average term of employment of 19.1 years. Employees with disabilities account for 2.54%, exceeding the legally required hiring ratio of people with disabilities of 2%, and female workers numbered 4,757, which is 15.18% of the entire workforce, with 192 women in management positions. KT classifies employees into full-time and part time positions, depending on the job and competency requirements. As of late December 2012, part-time employees represent 1.03% of all employees and receive fair treatment under the Act on the Protection of Fixed-term and Part-time Employees.

Employee engagement

First measured in 2010, employee engagement is not just another number to be measured but includes efforts to improve deficient areas. Analysis reports are shared between departments and two-way communication is maintained constantly to address issues. As a result employee engagement, already high, has been rising each year. The engagement level of female workers have been rising rapidly thanks to policies aimed at assisting women, including smart working programs, family leave and on-site daycare facilities.
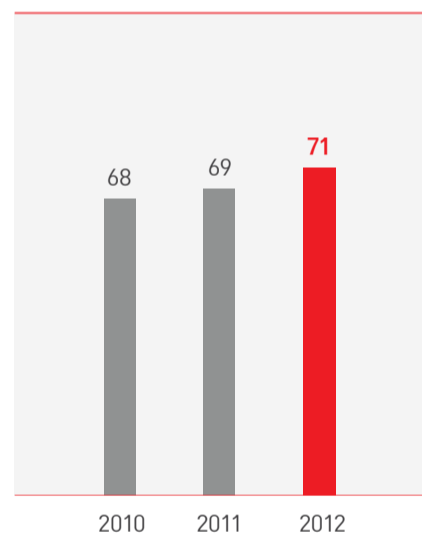
Employees
(2010–2012, unit: number of people)

2010				
Classification	Full time	Part time	Others	Total
Men	27,079	260	0	27,339
Women	4,664	311	0	4,975
Total	31,743	571	0	32,314
2011				
Classification	Full time	Part time	Others	Total
Men	26,401	455	170	27,026
Women	4,660	289	6	4,955
Total	31,061	744	176	31,981
2012				
Classification	Full time	Part time	Others	Total
Men	26,579	417	165	27,161
Women	4,757	263	5	5,025
Total	31,336	680	170	32,186

Average number of years worked
(unit: years)

Classification	2010	2011	2012
Men		19.3	19.4
Women		16.8	17.5
Total	18.7	18.9	19.1

KT employee engagement
(unit: %)

- 2010: 68
- 2011: 69
- 2012: 71

KT female employee engagement
(unit: %)
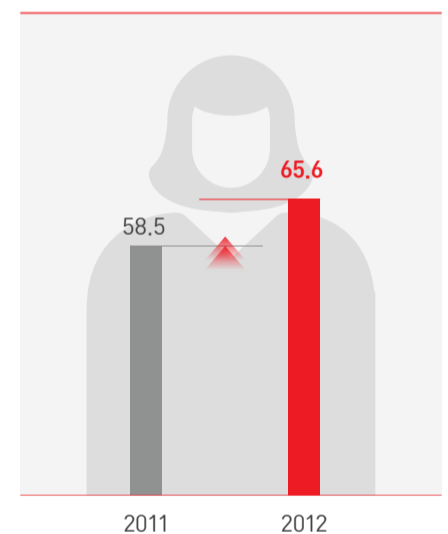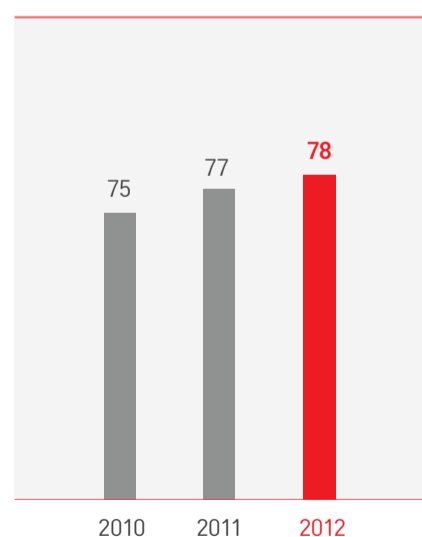
- 2011: 58.5
- 2012: 65.6

Employee satisfaction
(unit: %)

- 2010: 75
- 2011: 77
- 2012: 78

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Great Workplace

Great Workplace

By creating a GWP(Great Workplace), KT works hard to encourage employees to become spontaneously engaged with ownership, creativity, and commitment, improve its competitiveness, and assist in employees' personal development. Instead of centering on improving work processes, KT redirected its corporate culture innovation activities towards increasing customer satisfaction through fundamental solutions like achieving employee satisfaction, and towards developing a 'virtuous cycle' in which customer satisfaction strengthens the company's competitive position in the market.

KT GWP model

Communication principle	Communication with an open mouth, ears and mind
Six drivers	Challenges and growth, opportunities for success, creativity/focus, consideration/trust, pride, social environment
Three goals	A workplace where people develop, people have fun, and where the best gather
GWP slogan	"Great Workplace: A comfortable workplace where employees work and dream together"

GWP Activities

Work Diet campaign
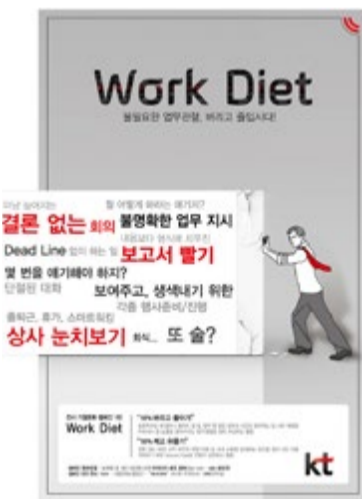
- 3S (Simple, Speed, System) policy for removing unnecessary practices and tasks to allow employees to adopt a fresh new mindset on vital work
- 20 key tasks including simpler electronic billing processes and efficient emergency nighttime/weekend service calls; efficiency and streamlining tasks for each specific business division

GWP Leader Way

- Prepare and distribute the 16 most important action items that leaders must carry out to establish a GWP
- Create and distribute the 'Lead or Leave' pamphlet that includes real KT success stories in leadership

olleh Dream Camp

- Family events that make KT's company training facilities available for use by employees and their families during the summer months
- Programs for children led by KT instructors including 'Find your dream' and 'Creativity and working together'
- Three classes with over 500 participants held as of August, 2012

GWP Leader Way

01. Helping employees grow (leadership ability : coaching)
- select clear goals and expectations
- provide regular feedback on work and work results
- delegate responsibilities appropriately to employees
- take an interest in the education and personal development activities of employees

02. Becoming a fair leader (leadership ability : fairness, effective decision making)
- make a decision in a timely manner
- provide positive acknowledgment to employees including praise and encouragement
- words must be followed by action
- create an open culture where individuality is valued

03. Make a fun and creative organization (leadership ability : creativity, enabling teamwork)
- try to create an enjoyable organizational atmosphere
- help employees balance work with personal life
- encourage new perspectives and ideas about the work and current issues
- allow employees to use their vacation time at their planned convenience

04. Open communication (leadership ability : communication)
- create an environment where opinions and emotions are respected
- allow employees to freely voice constructive criticism or suggestions
- be open and honest in communication
- inform employees with important company issues or work-related information

Awards

2012 Global GPTW grand prize (1st place) – Best Places to Work in Korea, GWP Korea

2012 Top company – Korea's Good Corporate Culture, Digital Chosun Ilbo

2012 Best company – Fun Workplace, Happy Company, Minister's Award Ministry of Culture, Sports and Tourism)

2012 Best Large Corporation – Korea's Most Family Friendly Workplaces, Seoul/Korea Management Association

2013 Korea's Best Workplace, AON Hewitt

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Fairness in HR Policy

Category	Details
Fairness in hiring	· abolishment of English level/major/GPA to get rid of hiring based on paper statistics · scientific selection/assessment criteria to create a fair hiring process · expand recruitment of candidates with special talents or award history in major contents
Fairness in job placement	· Talent Market policy based on market competition principles: ensure fair placement by making information about human resource demand and supply available to every employee
Fairness in evaluation and compensation	· transparent evaluation standards, processes and results · review challenges, monitor results · calibration system for mandating agreement among evaluators, preventing the business unit's director from being the sole evaluator and increasing fairness · operate an 'open reward' system to acknowledge employees who made positive contributions in work and partnership; 'Beautiful KT employee' program for employees who enhance the company's image within and without
Fairness in promotion	· Adoption of the Promotion by Selection and Bottom-Up TM programs targeting top-performing officers · 'Senior Manager' selection and job performance testing for promotion candidates at the Human Resources Committee · Abolition of the Position-based Promotion process in 2010 as a result of Labor-Management agreement · Adoption of the Employee Merit Program' to motivate employees' growth

Fairness in Promotion Policy

In 2011, KT enacted the 'Promotion by Selection' and 'Bottom-Up Talent Market Program' to abolish the seniority-based promotion process, provide equal opportunity for all employees, and guarantee fair compensation. Those officers whose innovative performance is acknowledged by the Human Resources Committee are entitled to promotion by selection to the Vice President(VP) level, regardless of merit requirements. The promotion policy allows young employees to help spread a dynamic corporate culture by facing challenges head-on. Any lack of experience or verified work achievements are augmented through the 'Promotion Candidate' program that runs concurrently with the 'Promotion by Selection' program. This allows employees designated for promotion to take on responsibilities of the position into which he or she will be promoted, gaining the experience to create a real leader.
If there are vacancies in key positions, they are disclosed to the Talent Market, which is the company's human resources staffing system. Qualified candidates are selected through competition, and all employees are fairly provided promotional opportunities, regardless of sex and education.
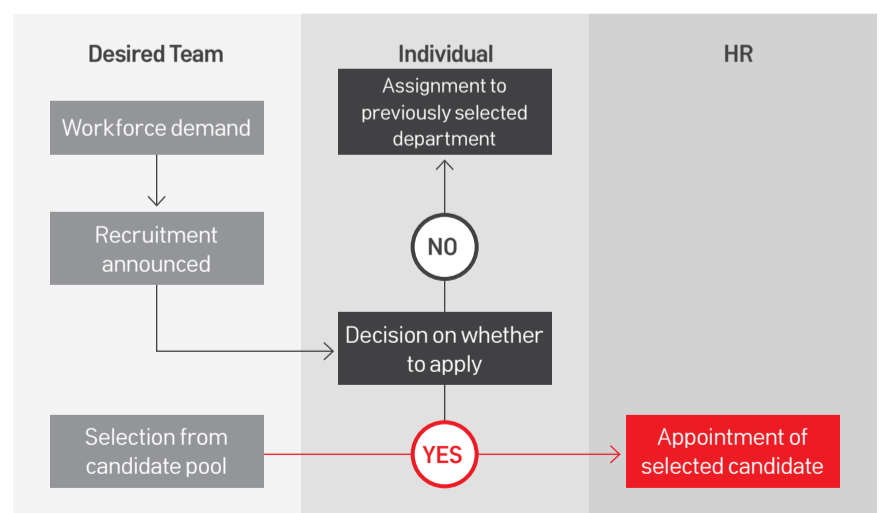
Fair Performance-based Compensation

Under its pay grade structure, KT offers graded salaries based on individual performance. Salaries are graded as A, B, C+, C, D, and F. The company keeps the ratio of C+ and C-level employees at/around 50%. To improve long-term results, KT applies performance appraisal grades for three years when calculating salary increases. All employees set annual targets for performance management at interviews with the assessment officer at the beginning of each year, and receive feedback frequently and appraisals twice a year. The appraisal criteria and process are disclosed to all employees, and fairness in appraisal and compensation is reinforced through mandatory training for appraisal officers, appraisal appeals process, and follow-up monitoring programs.

Market Mechanism-based Staffing

To secure transparency in workforce demand/supply and place human resources in the right positions, kt created the TM(Talent Market) program in 2009. TM is an IT-based open human resources market, where employees apply to their desired teams, and the teams select qualified employees among the candidates. Since internal hiring information, such as hiring teams and application requirements, is disclosed to all employees using an IT system, employees are guaranteed fair, transparent appointments to their desired teams. In 2012, KT overhauled the TM process and introduced a Tailored TM, where employees are placed based on their job competency after consulting, a Bottom-Up TM, where open recruitment is provided for positions at the Vice President level, and a Group TM, which is designed to revitalize exchange between employees within the Group.

Talent Market Process

Desired Team	Individual	HR
Workforce demand	Assignment to previously selected department	
Recruitment announced	NO	
	Decision on whether to apply	
Selection from candidate pool	YES	Appointment of selected candidate

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Summary

Fairness in HR Policy

New TM Policy

Classification	Details
Tailored TM	An employee who feels that a change in work position is required can apply for a tailored TM, who then undergoes "job goodness-of-it" evaluation for placement into the optimal position
Bottom-up TM	This policy was introduced to fill an open vice-president position by reflecting the job requirement most accurate and selecting the best personnel through an internal/external open and competitive recruitment process. Equal opportunities are given to senior managers and team leaders to provide additional incentive to employees for advancement.
Group TM	Group TM was created to boost personnel contact and exchange between employees with core capabilities within the kt Group, in order to boost overall synergy. Expanding exchange among employees in the group will help increase work focus as well as career management of the employee through various career development programs.

Fair evaluation

KT conducts annual personnel evaluations, the results of which are used as basic information for determining raises, promotions, and rewards. The evaluator is required to carry out a face-to-face meeting with the subject in order to select clear and fair evaluation goals, and is required to provide weekly feedback as well as biannual evaluations based on the work goals/targets as defined in the BIT system. The evaluation process is made public to every employee through the system. Further fairness is ensured through company-wide evaluator training programs, a system for requesting a re-evaluation, and post-evaluation monitoring. In 2012 a new calibration policy was introduced which aims to prevent errors in evaluation and enhance fairness by requiring a consensus among evaluators. As a result the rate of employee acceptance of evaluations increased and the number of objections fell 34%(33 cases) compared to the previous year.

Requests for re-evaluation

(unit: cases)

Year	2010	2011	2012
Number of requests	112	96	63

Open rewards system

KT introduced an open reward system to secure the long term capability for ensuring fair rewards based on real results and dispelling the silo effect in a business division. Previous methods of selecting candidates through the recommendation of a division chief was altered to allow employees to directly recommend and vote on their colleagues through an open rewards Web site. The achievements of the winners of the CEO Citation and the KT Award are posted on the site to ensure transparency as well as heighten interest and participation in the program. The 'Beautiful KT Employee' program was created to commend and encourage employees who carry out social contribution efforts. The program provides recognition and rewards not only for employees but anyone who has performed with distinction outside of the company in order to encourage kt employees who actively take part in the company's social responsibility activities.

Motivating Long-term Performance

KT abolished the short-term performance-based promotion process and launched the Employee Merit Program in 2010 to motivate employees' long-term results. Each year, employees receive graded merit points based on their performance, and as they continue to save merit points and meet the required level, they will be given the opportunity to get a promotion to an officer. Merit points are given based primarily on individual performance, but also take account of innovation, creativity, collaboration, and leadership, contributing to the creation of a climate of fair, competency-based performance.

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Creating Jobs

Securing top talent

Creating new jobs is part of KT's corporate responsibility. The company has expanded its recruitment every year and has expanded recruitment into a wide variety of businesses and social groups in order to further boost Korea's ICT industry. The company removed English/major/GPA requirements, actively seeks people with unique talents or awards from industry or technical contents, top high school graduates with IT talent(over 300 per year since 2009), and has introduced measures to break free from traditional recruitment based on educational background/'numbers' to focus on getting the right people with the right abilities.

In addition the company operates a wide variety of internship programs to provide university students, potential candidates for employment with KT, with the chance to experience real work. These internships can also lead to full time employment with the company. KT's R&D internship(40 interns per year) that provides college credit through partnerships with universities; foreigner internships(10 per year) that provides opportunities to international students studying in Korea; and the global internship program(30 per year) targeting top talent with global capabilities are a few of KT's internship programs that have received wide praise for being win-win programs that both provide high-quality human resource to the company while providing real-world job experience and employment opportunities to internship participants.

In addition, KT introduced a talent fast-track program that dispatches new employees to leading overseas companies to experience global business standards and enhance their capabilities in order to develop high quality human resources that can take charge of global and future growth engines. The olleh sponsorship program is a scholarship program linked with recruitment that allows employees to focus on their studies.

KT has also been working with specialized high schools(including the Mirim Meister High School) to hire 30 new software developers each year, and has expanded recruitment of people with physical impairments in the IT and R&D fields(complying with corporate mandatory hiring) as part of efforts to support disadvantaged groups and fulfill the company's social responsibility.

Social environment	Increasing corporate social responsibility for creating jobs for young people
	Rising recruitment of high school graduates and other qualified candidates
	IT talent shortage, struggle for securing high quality human resources
Recruitment strategy	Expand recruitment to strengthen social responsibility and secure long-term growth engines
	Recruit experts and the right people for the right positions through open recruitment processes
	Secure top talent for leading global and ICT growth

Hiring by category
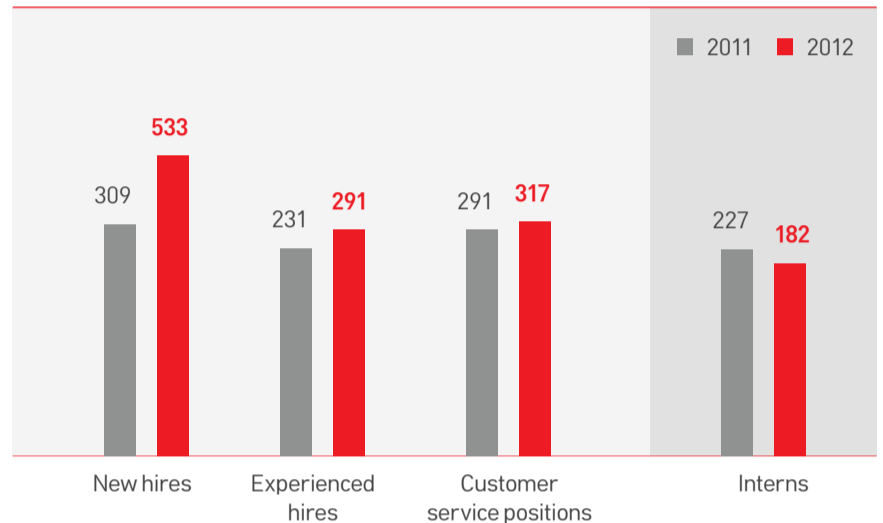
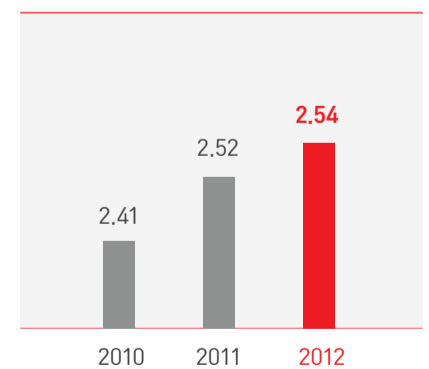### Expanding recruitment of physically disabled employees

Currently 815 employees with physical disabilities work at KT, 2.54% of total employment and exceeding the mandatory hiring quota set by Korean law(2.5% in 2012). KT's efforts become even more noteworthy when taking into account the average percentage of employees with disabilities by Korea's top 30 companies(1.84%) and the percentage of disabled public workers(2.53%).

Not only does this comply with the ILO 'Agreement on the rehabilitation and recruitment of the physically disabled' but is part of KT's commitment to provide social welfare through work. The company has continuously expanded the recruitment of the disabled in order to provide equal employment opportunity to all.

KT has also removed any discrimination or restriction on every human resource management activity including promotion and job placement. As a result 8.3% of KT's disabled employees are in team leader or senior managerial positions.

As a company that is proud to fulfill its responsibilities as a global ICT leader, KT provides equal opportunities without discrimination or restrictions to create a culture where diversity is valued and respected.

Recruiting the disabled (unit:%)

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Human Resource Management

New employee C.A.R.E. program

The C.A.R.E. program for new employees provides career and experience support(career care), helps align the individual and the organization to achieve a common goal(alignment care), fosters harmonious relationships between employees and colleagues (relationship care), and the motivation for living a creative and passionate life(energy care).

As a part of this program employees undergo orientation training, job rotation, key tasks and IT tasks for five months after hiring, and 1:1 mentoring with senior employees and key managers and OTJ training helps the employee feel welcome and adjusted into the new environment. After six months the new employee is given a chance to move to a job position that suits his preferences and abilities through a careful job satisfaction evaluation process and strategic placement. Employees with two to four years of experience are provided with membership training retreats, workshops, meetings and career building coaching.

Korea's first 1:1 career coaching program

Since September, 2009, KT has operated a company career coaching service aimed at developing the right human resources for the company's organizational goals and allows each employee to fulfill his or her professional needs. The program is a 1:1 career development service open to any KT employee. The company's career coaches, who hold degrees in psychology, provided career coaching to 3,169 employees between September 2009 to December 2012.

Systematic caring program for international employees

KT introduced separate application standards and special management policies for international employees in order to help them adjust to life in Korea and increase their job focus. KT's caring policy for international employees including 'relocation assistance' and the 'help line'. The relocation service provides assistance from the moment the employee sets foot on Korean soil for the visa and foreigner registration processes, helping the employee adjust to a new culture, language and lifestyle. The helpline is a 24-hour hotline that provides assistance for resolving emergencies or any issue regarding living and working in Korea.

KT works hard to make sure international employees can have pride in their work and grow in their careers and provides support for these employees who form a valuable part of KT's international business efforts and the company's growth into a global ICT convergence leader.

Top talent caring

KT has boosted caring programs for its top employees in order to prepare the foundation for the company's growth into a global ICT convergence leader. The company assesses the job achievements and capabilities of leading employees in virtual goods and global businesses, key personnel in R&D and holders of specialized licenses and certification to improve their working conditions and benefits and place them in positions where they can fully utilize their expertise. This policy strengthens the motivation of these employees while providing a stable inflow of talented human resources, helping boost KT's core business areas.

Career coaching by year (unit: number of employees)

Classification	2009	2010	2011	2012	total
Career building lectures	83	414	876	655	2028
Book club meetings for exploring work experience	–	11	29	97	137
Workshops for designing careers	–	37	40	54	131
1:1 career coaching	78	196	273	326	873
Total	161	658	1218	1132	3169

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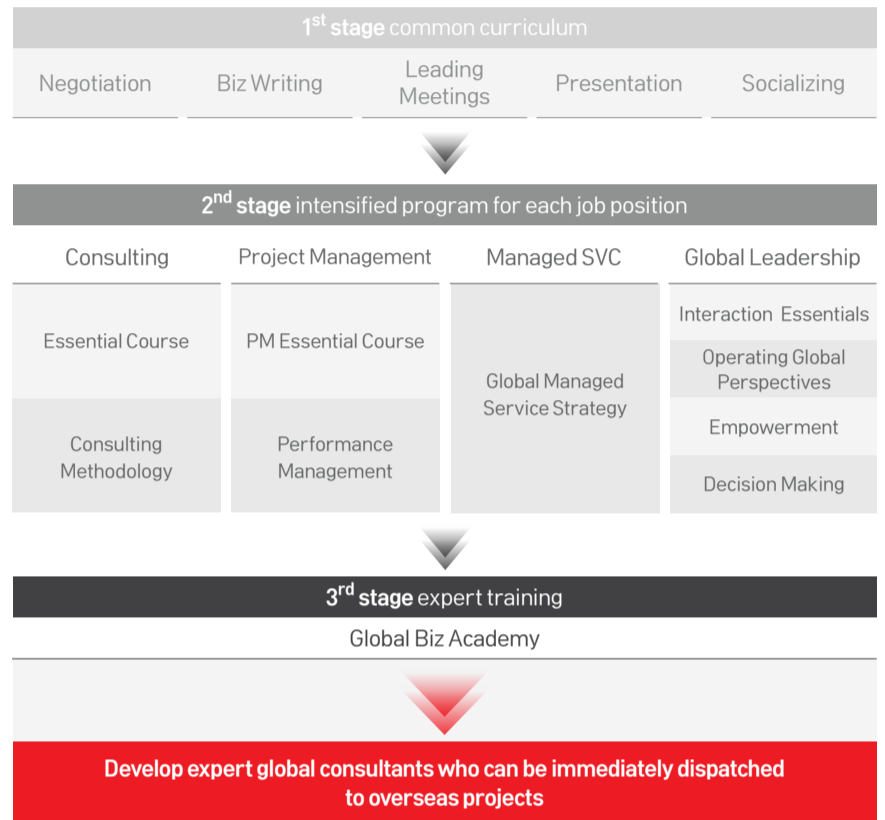
Summary

Human resource development

Training hours per employee

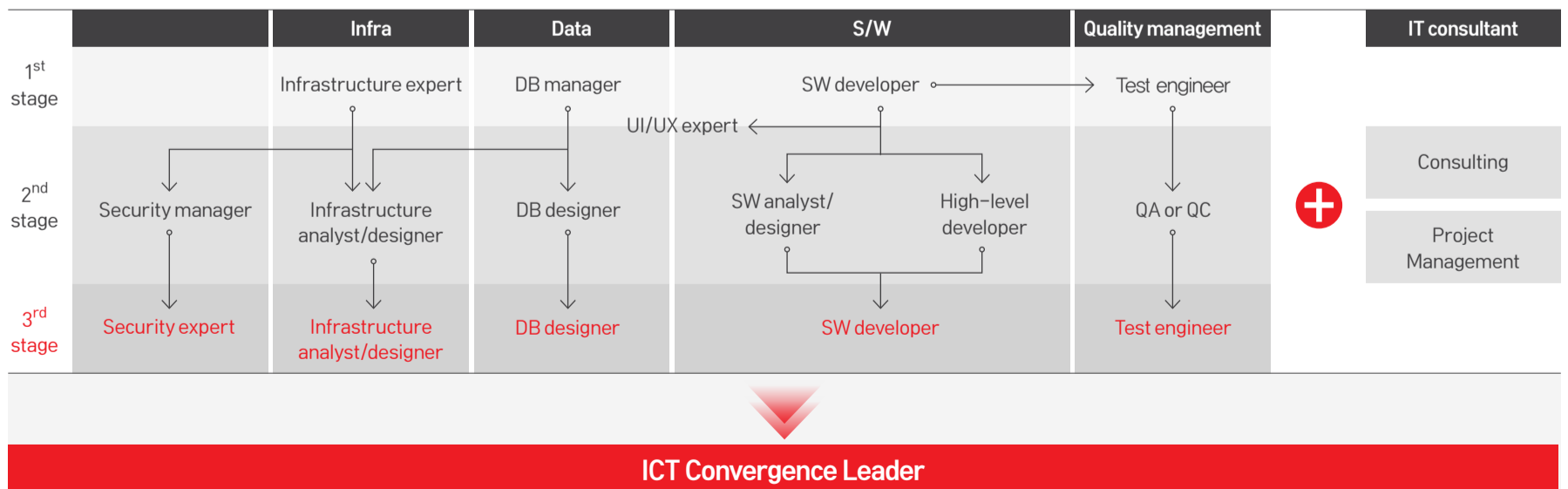| Classification	2010		2011		2012	
	Program	Number of employees	Program	Number of employees	Program	Number of employees
Group classes	502	35,286	623	45,489	804	59,023
e-learning	161	86,010	165	71,224	121	100,159
Reading classes	47	5,946	49	2,873	50	2,112
Hours per employee	88		94		91	
Training expenditure per employee	683		690		713	

Boosting HR capabilities in future growth drivers

Global training is provided in three stages(basic/intensified/expert), with the basic stage providing the fundamental skills required for business communication. Brown-bag lunches are held to allow employees to experience diverse cultures in comfortable atmospheres. The intensified phase provides global leadership training for employees slated for overseas positions, as well as specialized training for various job positions such as global managed service and other global positions. Action learning methods allow the trainee to carry out new global business development, and visits to top American ICT companies allow the employee to understand global ICT industry trends first-hand.

Training program

1st stage common curriculum				
Negotiation	Biz Writing	Leading Meetings	Presentation	Socializing

2nd stage intensified program for each job position			
Consulting	Project Management	Managed SVC	Global Leadership
Essential Course	PM Essential Course	Global Managed Service Strategy	Interaction Essentials / Operating Global Perspectives / Empowerment / Decision Making
Consulting Methodology	Performance Management		

3rd stage expert training
Global Biz Academy

Develop expert global consultants who can be immediately dispatched to overseas projects

ICT training is carried out according to a development road map based on the needs for IT-related job positions, providing multi-level training in software, data, infrastructure, IT planning strategy and project management that allows the employee to set his or her own training program and receive the necessary education. Employees who hold related positions receive mobile security training and hacking preventing training as part of efforts to develop system security experts. Finally, external consulting agencies were brought in to develop professional IT consultants as part of KT's program to develop world-class IT leaders.

ICT expert training system

		Infra	Data	S/W		Quality management	IT consultant
1st stage		Infrastructure expert	DB manager	SW developer / UI/UX expert		Test engineer	
2nd stage	Security manager	Infrastructure analyst/designer	DB designer	SW analyst/designer	High-level developer	QA or QC	Consulting / Project Management
3rd stage	Security expert	Infrastructure analyst/designer	DB designer	SW developer		Test engineer	

ICT Convergence Leader

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Human resource development

Based on these programs, kt plans to establish a human resource pool management system in 2013, with the goal of managing these valuable resources and placing them to the right positions at the right time. Global ICT capability training will actively unitize e-learning contents from Korean and international training agencies to achieve both the quantitative expansion of capabilities as well as emphasize action learning methods of projects that are underway in the company as part of KT's efforts to boost the overall quality standard of its training program.

New training programs for project management, consulting, architecture, application engineering and quality assurance will be launched to secure require core capabilities as well as prepare the human resources needed for expansion into new business areas outside the communication industry.

Leadership capability training

Where KT's training program for new employees emphasizes the understanding of the company's core values and management philosophy while helping develop creative talents, the company's management-level training focuses on enhancing work capabilities as well as allowing senior employees to achieve creative results through self-leadership. Team leader-level training involves leadership training
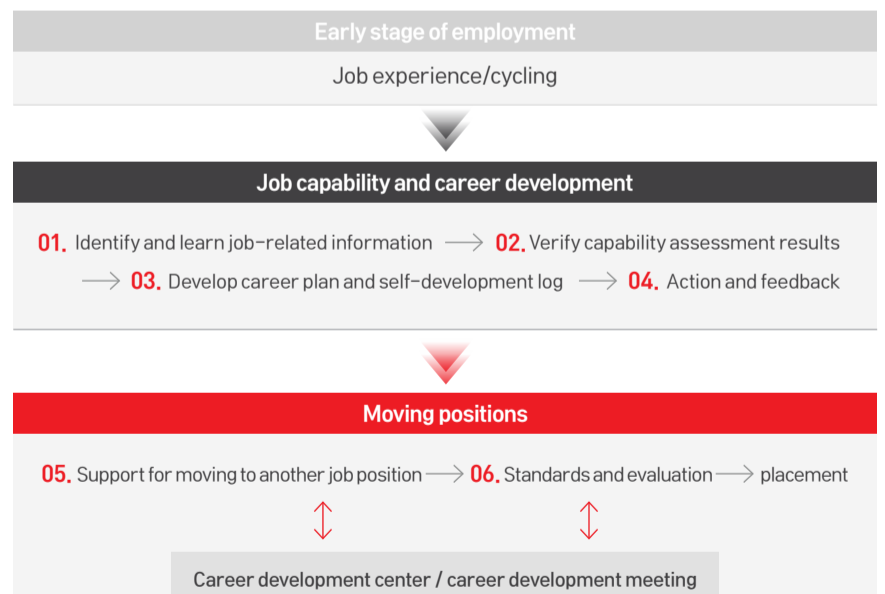
that imparts a sense of ownership and builds on the strong trust within the organization to lead changes and create synergy through inter-departmental cooperation. Site supervisor training focuses on real-world applications of best practices in order to provide the training needed to quickly and effectively address various issues that arise in the field. Senior manager training focuses on leadership capability assessment that is used to provide tailored training.

Strengthening job-specific career development

In 2012 KT developed new diagnostics tools for modeling job-specific core capabilities and development plans to establish a systematic human resource development policy, and formulated a career development program to help employees enhance their job abilities and carry out self-motivated development.

These career development programs provide KT employees with the opportunity to develop their careers and their market value. Lateral moves will be phased in to allow transfers only within similar positions or jobs. In the long term financial compensation and other incentives will motivate employees to remain in similar jobs and positions in order to help them further develop and deepen their talents and capabilities.

	Required capability	Training goals	Training program
Executives/ senior managers	Strategic mindset Create change, develop human resources Effective decision-making Predicting and dealing with future events Business acumen, positive relationships	Learn the latest management trends Enhance the leadership qualities that senior managers should have Acquire the insight for driving change	Proper behavior, roles and management for senior managers and executives PT skills, communication, change and innovation Management success and failure stories(executives) Ethics, negotiations and persuasion (senior managers)
Headquarters team leaders	Strategic mindset Goal management Work momentum	Leaders that are in tune with the company's direction Innovative leader training who can change external environments	Organization/achievement management Effective communication Self-innovation for making changes (professional job-specific training)
Field directors/ team leaders	Goal management, organization capability development Negotiation and arbitration, work momentum Local marketing environment analysis	The "merchant mindset" Develop field leaders who have communication skills and drive	Organization change management Communication/persuasion skills Sales/marketing/financial statements Understanding of company financial processes and coaching leadership (professional job-specific training)
Managers (3-7 years' experience)	Strategic planning capability Problem assessment and solution System-based thinking, awareness of profit/loss factors Effective communication Achievement oriented, global mindset	Producing creative results through self-motivated leadership	Planning/report generation, marketing case study analysis Project management Business tool analysis, Excel statistics analysis involving the decision-making process, PT, time management and negotiation skills(professional job-specific training)
New employees (immediately following entry)	Good communication skills Self-motivation, self-development 'Followship' Global mindset	Understanding the company's core values and management philosophy Developing creative and dynamic human resources	Understanding company strategy/ businesses/polices Understanding core values, developing a sense of belonging and unity Creating the right attitude Document generation, PT skills (professional job-specific training)

Early stage of employment

Job experience/cycling

Job capability and career development

01. Identify and learn job-related information ⟶ 02. Verify capability assessment results ⟶ 03. Develop career plan and self-development log ⟶ 04. Action and feedback

Moving positions

05. Support for moving to another job position ⟶ 06. Standards and evaluation ⟶ placement

Career development center / career development meeting

※ Additional processes(activities) : 3~6

Comparing the self-development log with career planning

	Self-development plan(log)	Career development plan
Goal	Enhance current work capability	Career goals, future target position
Period	1 year	2~3 years
Target	All employees	Begin with new employees and expand

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Summary

Safety and Health

To establish a safe corporate culture where employees are guaranteed safety and health, KT created Safety/Health action plans in each office, and carries out systematic accident prevention activities. Business departments with more than 100 employees are required to create and operate an Occupational Safety and Health Committee consisting of equal numbers of members from employees and management.

From 2013 KT has been taking part in the safety and health partnership program launched by the Ministry of Employment and Labor to provide support for the safety and health activities of 15 partner companies with more than 100 employees. This program is part of KT's overall goal of preventing workplace accidents through safety and health cooperation and partnerships. In addition, the criminal complaint filed in 2012 through the Ministry of Employment and Labor's special hearing for industrial safety and health was dismissed in all 29 businesses division, reaffirming KT's high standards in workplace safety and health.

Establishing Safe Corporate Culture

To establish a safe corporate culture, KT conducts a wide range of activities. By reinforcing e-Safety/Heath training, the company encourages employees to learn the Safety Rules, promote health, and cultivate basic skills. To predict/prevent accidents in the field, the company works hard to improve employees' safety awareness by sending Safety messages(heavy rain, heavy snow, and frozen roads), enforcing daily safety activities in four stages of 'Zero Accidents', and holding Safety events(cardiopulmonary resuscitation(CPR) and medical check-ups) on Safety Check day(the fourth day of each month).

The KT Industrial Safety and Health Contest is held each year(in the second quarter) to recognize accident-free and excellent business divisions as part of efforts to reward safe behavior and boost morale. MOUs signed with health care program providers allow employees to receive discounts in hundreds of sports and fitness centers around the country.
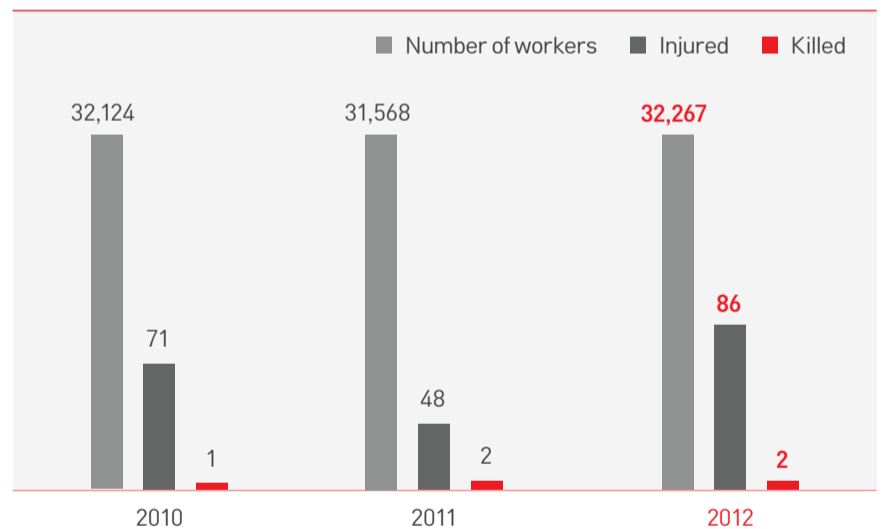

[CPR training in conjunction with local fire departments]
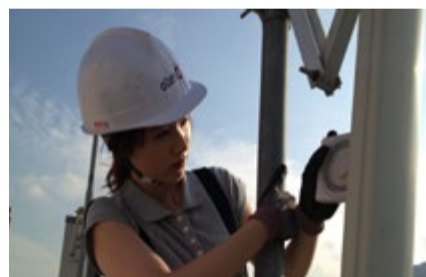
[Safety initiative contest: incentives paid to top entrants as part of efforts to prevent accidents and promote safety]
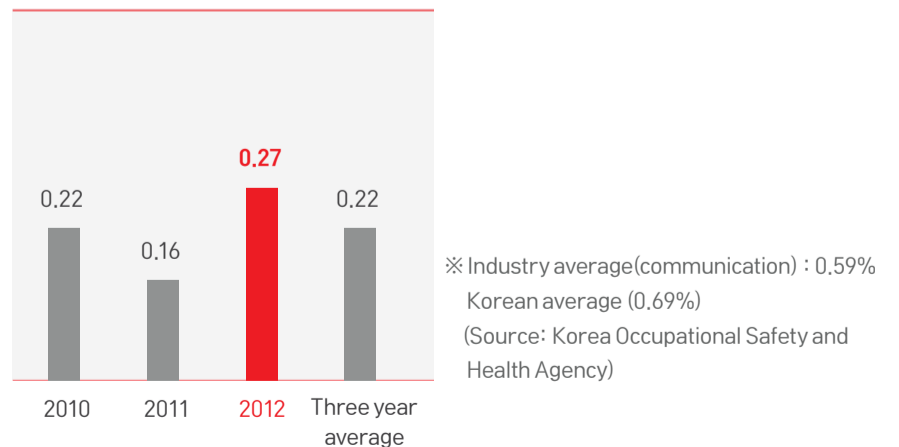
Industrial accidents   (unit: number of people, including part-time positions)

Legend: Number of workers | Injured | Killed

	2010	2011	2012
Number of workers	32,124	31,568	32,267
Injured	71	48	86
Killed	1	2	2

Accident rate   (unit: %)

2010	2011	2012	Three year average
0.22	0.16	0.27	0.22

※ Industry average(communication) : 0.59%
   Korean average (0.69%)
   (Source: Korea Occupational Safety and Health Agency)

Dreaming with Employees

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Summary

Safety and Health

Labor-Management Collaborative Accident Prevention

As part of labor-management collaborative accident prevention to ensure employee safety, KT's labor and management jointly provides honorary supervisors, as well as field team leaders, with special safety training(including amendments to laws/regulations and examples of serious accidents). At each office, KT's labor and management work together to support consolation events that take place at least twice a year, and medical bills for the families of occupational accident victims and provide 100%compensation for the time taken off, helping the victims return to work as soon as possible. In 2013 labor and management agreed to expand compensation to victims of serious occupational accidents to better look after victims and their families.

Promoting Employee Health and Well-being

Each year the company offers medical check-ups at least once for all employees(including their spouses) to prevent and control diseases in their early stages, and suggests health care plans using the statistics/analysis of employees with diseases conducted based on the checkup results. Should any illnesses be discovered through such checkups including cancer screening, KT provides financial assistance for treatment through the employee group health insurance plan. KT also introduced a distinctive Well-being Leave Program to help maintain a work-life balance and optimize employees' psychological states, and also operates a Benefits Management System(childcare facility/HR development/medical bills/tuition fees/safety net) to promote employees' work and family balance.

Creating a Safe, Clean Working Environment

KT makes sure that a cultural space, a book cafe, a meditation room, and a gym are created during the construction of a new office building or the remodeling of the existing offices. To improve the working environment, the company works with a specialized agency to monitor hazardous elements(manholes in sealed space) in all offices at least once a year. The company has also extended 'Smart Working'(work from home) and provides support for pregnant employees, married couple employees, and low birth-rate and child care needs. By adopting conference calls, KT also takes part in the government's low-carbon emissions and fuel saving policies. The company is committed to keeping its workforce healthy by providing cafeteria hygiene and budget support and healthy meals to employees, and to building a safe workplace by holding a Near Accident contest and producing/distributing an e-Book containing examples of near accidents. KT will work with healthcare agencies(hospitals, health associations) to prevent adult diseases and create a clean working environment, such as No Smoking Clinic and educational programs for preventing cardiovascular diseases.
Starting in 2013, KT will work with health management agencies to begin providing incentives business divisions that lead efforts to enhance the health of employees through regular body composition analysis and high blood pressure, diabetes and obesity management efforts.

Creating Occupational Safety Support Systems for Subsidiaries

Sharing/supporting occupational safety/health activities between subsidiaries within the KT Group helps KT create a safe corporate culture, improve its corporate image, and build a safe workplace. KT provides full support for the subsidiaries' safety/health activities by **1)** improving the job competencies of officers at the subsidiaries using safety training programs; **2)** using KT's safety activity infrastructure to prevent/promote occupational accidents; and **3)** providing continuous, systematic accident prevention content. Professional work safety managers from within the kt Group are invited to deliver workshops on safety and health during the annual KT Industrial Safety and Health Contest(Safety Leader Seminars).

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Outplacement Program

Outplacement Program

KT operates the 'KT Life Plan' to help employees develop the ability to adapt to the rapidly changing environment. For the current employees, the company operates the 'Change Management Program' in place so that they can think about and prepare for their futures on their own.

This program is aimed at providing enough time and opportunities for employees to develop their abilities, including setting goals, change management and career development, and prepare for the future.

For soon-to-be retired or retired employees, the company operates annual programs to help change their career paths successfully using their experiences and capabilities, such as workshops, start-up/reemployment training, and consulting services, which have been attended by 644 retirees since 2009. The program offers a variety of customized programs created through a careful analysis of the needs of retirees, including the acquisition of certificates, start-up experience, start-up road shows, job fairs, and job placements.

In 2011, with the mass retirement of baby boomers, KT cooperated in the government's job creation project, executed the senior start-up support project supervised by the Small and Medium Business Administration, and helped about 527 retired seniors find new jobs. As a result, the company was selected as a best practice during the performance assessment.

KT also performs systematic updates to the in-house programs, such as the Life Plan Call Center and website improvements to help retired employees successfully change careers, and continues to work with suppliers and external career change assistance agencies, such as the Korea Labor Foundation, Korea International Trade Association, and Federation of Korean Industries.

Refresh Leave Program

KT operates 'Refresh Leave Program' to provide long-term, top performing employees opportunities to invest in personal development and refresh themselves. The program was created by labor-management agreement during the 2009 collective bargaining process, and began operations in 2010, upon establishing the basic operating principles. About 200-250 employees are selected for the program every February and August.

Start-up Support Leave Program

KT's Start-up Support Leave Program offers employees who are afraid of starting their own businesses the chance to develop their abilities and experience career changes to find lifetime jobs. Created by labor-management agreement in 2009 as the first such program in Korea, candidates for the program are selected through a screening process twice each year, guaranteed a leave up to three years and six months. As of 2012 a total of 75 employees were selected to take a hand in starting their own businesses.

Change management program : for current employees

Course	Self-assessment (value enhancement)	Self-revolution (job development)	New business planning	Career making (career development and management)
Development	05.10~	05.10~	09.07~	12.04~
Methodology	e-Learning	Group class	Group class	Group class
Duration	1 month	3 days	3 days	3 days
Results (number of employees who underwent program)	22,677	5,190	1,846	286

Professional training program : for retirees

Course	Startup Business	Senior entrepreneur school	Career design and planning	New job placement and startup support
Curriculum and time	For a startup business/every quarter	Actual startup activity/year-round	Re-employment/ every quarter	–
Duration and place	5 days (training center, spouses welcome)	10 days (training center, spouses welcome)	4 days (training center, spouses welcome)	Year-round
Results (2009~)	18 sessions/ 607 people	527 people	300 people	644 people
Program details	Understanding the startup process/ selecting the right business Marketing and business planning Discussions with successful entrepreneurs	Startup strategies for each industry Professional consulting and coaching On-site inspections and hands-on training	Career experience analysis, career design Job search strategies	Matching qualified candidates with the right jobs Consultations for starting your own business

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Respecting Human Rights

Sexual harassment prevention training (unit: number of people)

2009	2010	2011	2012
35,855	30,762	31,150	31,829

Female employees above managerial level (unit: number of people)

2010	2011	2012
109	143	192

KT guarantees the right of employees to organize a trade union and other representative bodies and provides the Union Shop program through which employees immediately become union members upon joining the company under a collective bargaining agreement. As of February 2012, 76.90% of all employees at kt are union members.
KT prohibits discrimination by reason of nepotism, education, sex, religion, or disability. In 2010, the company helped skilled talent make their dreams come true by setting the education requirements for hiring customer service positions to or higher than high school. The company also complies with the principle of gender equality, actively promotes policies like work–family life balance and equal opportunity, and ensures institutional protection of minors and mothers. For instance, the company prohibits pregnant employees from working overtime, reduces their workload, provides 90 days of pregnancy/maternity leave and a day of menstruation leave for female workers, in accordance with the human rights regulations. In 2012, the company began attending the 'Company and Human Rights Seminar' co-hosted by the National Human Rights Committee, UN Global Compact Korea Network, and Korea Chamber of Commerce and Industry, as part of its commitment to spreading respect for human rights.
The company also prohibits child and compulsory labor and provides online and literacy training to prevent sexual harassment and institutional support, such as enacting the anti-sexual harassment guidelines. In hiring, compensation and promotional processes, KT ensures gender equality. The company set three approaches to creating a working environment where female employees freely showcase their abilities, such as work–family balance, equal hiring/promotion/compensation, and female leadership development programs.
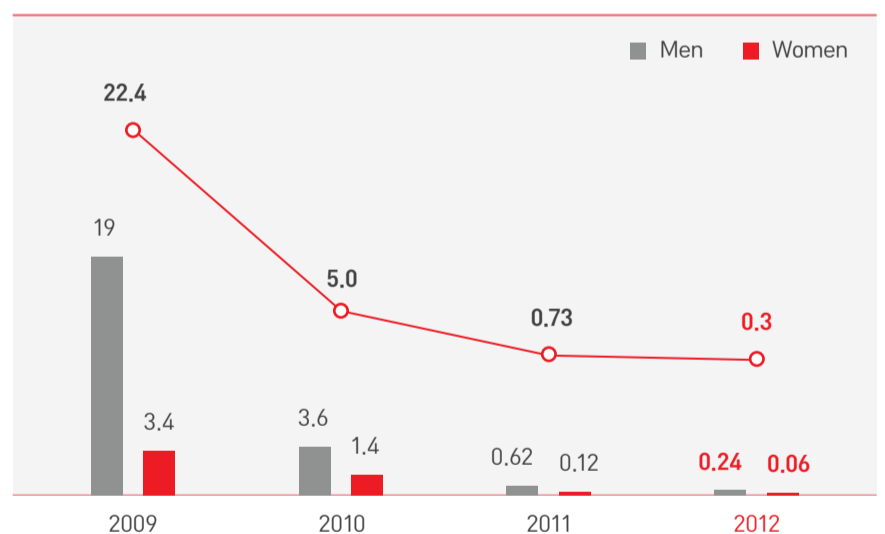Accordingly, KT has provided monetary gifts for maternity and child-care grants, operated a nursery at work, helped parent employees complete e-Learning courses during child care leave and return to work after the leave, and run 'Female Leadership Development Program' to develop female leader. As of the end of year 2012 there were 192 female managers in office, accounting for 4.1% of all female employees.

Employees using kt childcare/infertility leave since 2010 (2013. 05. 07.)

Classification	Men		Women		Total	
	Employees taking leave	Average leave duration	Employees taking leave	Average leave duration	Employees taking leave	Average leave duration
Employee	51	1.2	322	1.3	373	1.3
Retiree	7	0.9	21	1.5	28	1.4
Total	58	1.1	343	1.3	401	1.3

※ Figure may include employees taking unpaid leave for infertility since a distinction between childcare and infertility leave is not made in order to protect personal medical information

Turnover rate (unit: number of people)

Men ■ Women ■

|	2009	2010	2011	2012
Men (bar)	19	3.6	0.62	0.24
Women (bar)	3.4	1.4	0.12	0.06
Women (line)	22.4	5.0	0.73	0.3

New and Creative Labor Relations

To create sustainable value, maintain peace between labor and management, build a happy company, and fulfill social responsibility, KT declared the Union's HOST Movement and 'New Creative Labor Relations' (March 2010). To practice them, the company developed a variety of win-win labor relations programs such as H2O, launched the Union-Corporate Responsibility(U-CSR), and created jobs, working hard to extend win-win labor relations. To contribute to promoting health and benefits across society, kt operates the Union Corporate Committee(UCC). In 2013 KT began its UCC fundraising program and introduced a volunteer program requiring a minimum of eight hours of service per year for every employee as part of efforts to strengthen UCC activities. Partner companies are also introduced into the plan in order to create the right UCC program for local conditions and expand the program across the country. Existing seven UCC projects including the Green Guard program will be expanded, and six new programs will be added including support for braille books, retail stores selling recycled products, and housing improvement projects for single-member senior households and underprivileged groups. The company also plans to begin a joint program with the UNGC and other global organizations in order to expand its UCC programs around the world.

UCC Organization
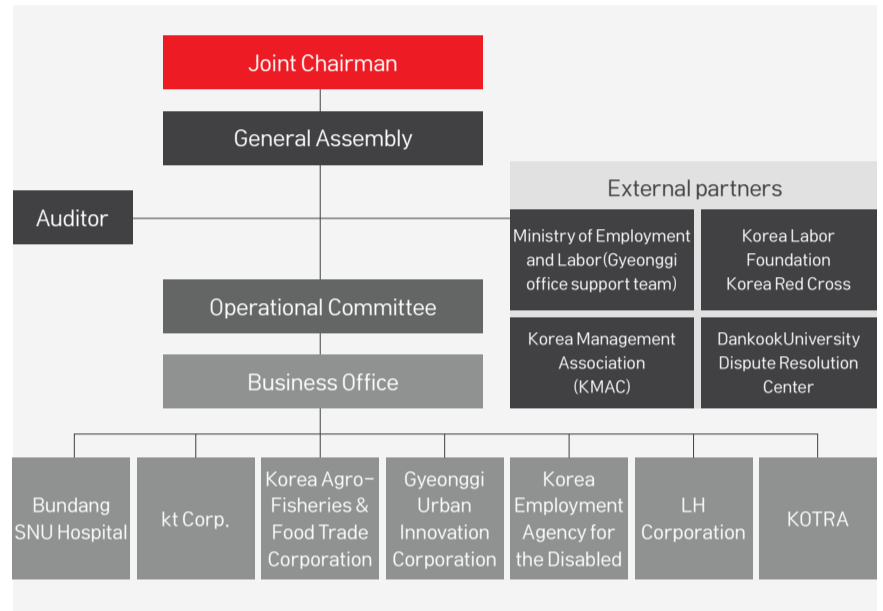
UCC joint labor-management scholarship program	2012.4.19
UCC selected as a leading CSR workplace by the Ministry of Employment and Labor	2012.5.10
UCC UNMDGs campaign(Green Guards)	2012.6.29
UCC CSR agreement signed with the Korea Red Cross	2012.7.25
UCC MOU signed with the Korea Labor Foundation for adopting advanced labor practices	2012. 7.25
UCC video calls for Vietnamese multicultural families, medical assistance projects	2012.9.2
KT labor and management organization awarded the UN IDP award	2012.12.12
UCC membership expanded(seven companies)	2012.12.27
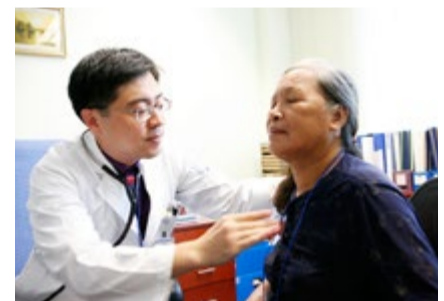
[Global service efforts help marriage immigrant women and multicultural families, and the company utilizes the core capabilities of the program's members to provide video calls(KT), medical assistance(Bundang SNU Hospital), and trips back home for rural multicultural families(aT).]

[KT was selected as a 'Leading CSR Workplace' by the Ministry of Employment and Labor; the Green Guard programs helps protect the environment around the country]

[UCC utilizes the unique capabilities of each company to carry out a wide variety of social responsibility efforts including scholarships, medical service and assistance for rural regions and people with disabilities.]

Dreaming with Employees

Great Workplace | Fairness in HR Policy | Creating Jobs | Human Resource Management | Human resource development
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Summary

Addressing Grievances

KT operates a practical, organized Grievance Mechanism to create a happy workplace, and the mechanism is aimed at preventing causes of grievances and resolving grievances quickly, in terms of programs, work, working environment, personal relationships, personal matters, and benefits. Grievances that are submitted by phone, e-mail, or at the website, are handled in Grievance Offices in 354 KT branches and the Ombudsman Committee consisting of labor and management representatives.

In January 2011, KT launched the KT119 Center where responsible employees handle grievances online(or using smartphones) in real time so that employees' grievances can be received and handled faster in this 'smart' age online (or via mobile phones). The center processed a total of 1,095 grievances in 2011, which rose to 2,276 in 2012. Such active handling of employee grievance issues also resulted in the overall employee satisfaction score rising from 4.54 to 4.62(5 points maximum)

KT119 Online Grievance Center operation for the past three years

Classification	2010	2011	2012	Others
Cases	Not in operation	1,095	2,276	Separate offline process
Satisfaction rate	Not in operation	4.54	4.62	Separate offline process

KT119 solution process
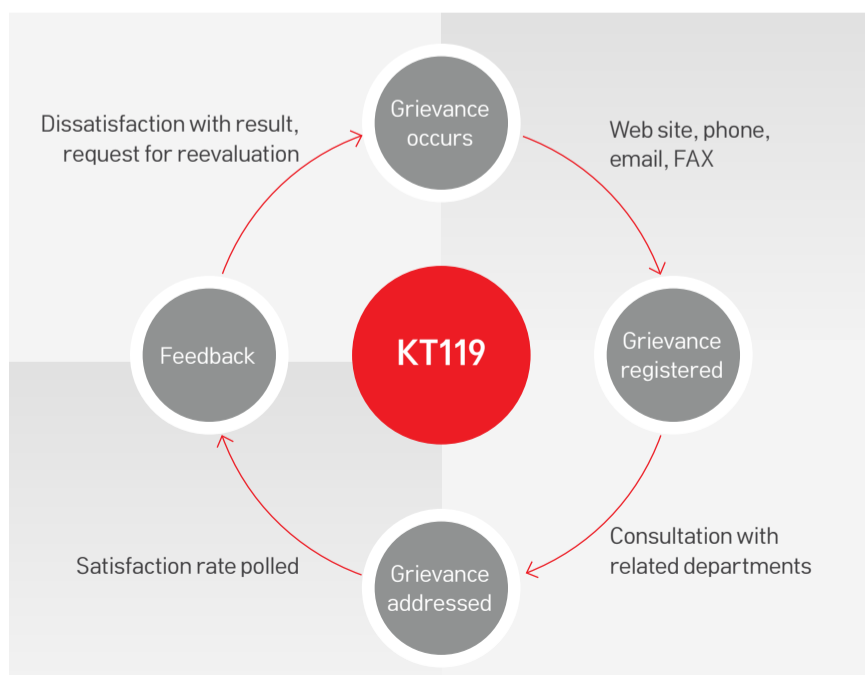
On-site management presentations | Senior executives from the headquarters office or the business division visit the work site twice a year as part of the on-site management presentation program. While major changes in KT's business are posted via the Web in real time to every business division, explaining the company's management direction directly to employees in the field enhances understanding of the company's business activities while giving the executive an opportunity to listen to concerns that arise in the field. In addition a quiz format is used to make the presentation more fun and engaging, and special events and talent shows organized by employees help increase participation and interest in the program.

olleh Meeting | olleh meetings are held in each department on a monthly basis to share major business and management messages, business results, and company-wide issues. olleh meetings are an important means of offline communication where the company's common issues and each department's particular issues are addressed. To encourage active olleh meetings, top-performing departments are selected and rewarded each month. Group-wide KT Family Meetings began in 2012, through which the group's companies are able to boost communication between subsidiaries and group family companies.

Two-way Communication with Management | KT is committed to providing and operating two-way communication channels, through which the management listens to voices of the employee and employees' complaints and, if necessary, the CEO's management philosophy and corporate vision are shared with employees. In particular, the 'Open Forum' created on the company's Intranet ensures anonymity, gathers opinions on key policies, and resolves employees' complaints. News articles about KT are shared with employees in real time through the internal broadcasting site(KBN&Talk), e-mails, and SMS, and employees are provided accurate information with regard to any negative press releases, reinforcing internal communication. Meetings are regularly held between the CEO, management, and groups of employees at varying levels, so that voices of the employee are heard and incorporated into decision-making processes. In early January 2013, the 'Dialog with CEO' was aired together with the New Year's greetings during which the CEO gave a presentation on the year's management approach and answered employees' questions. In April the company's senior managers toured major business divisions around the country to explain the company's management direction and process directly to employees in the field, as part of KT's efforts to boost mutual understanding and communication between the management and the company's employees.

Dreaming with the Environment

Summary
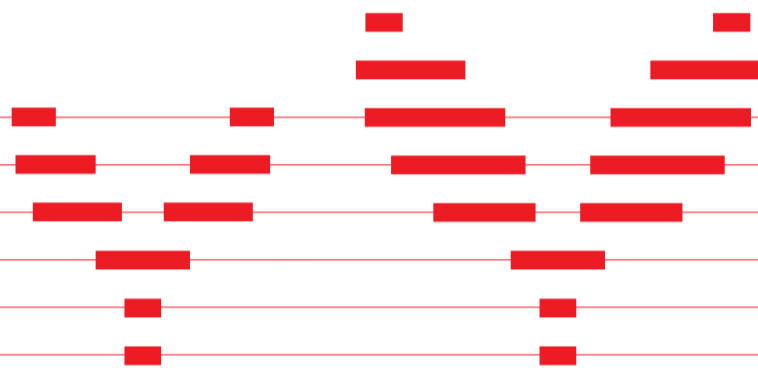
Dreaming with the Environment

Vision & Strategy

KT regards green IT as an imperative element in corporate social responsibility, and expects green management to provide new business opportunities, ultimately leading to green growth. To create new growth opportunities based on green IT, KT established its green vision "Green kt and Green KOREA". The company has also revamped its previous greenhouse gas inventory system in order to better fulfill environmental requirements. The company has also begun to calculate and management Scope 3 carbon emissions that are indirectly related to the scope of KT's business activities.

Main Team

Energy Management Committee

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Environmental Management

Green Convergence Leader for a Greener Korea

Climate change has become a worldwide issue that may determine the future of humankind, and a corporation's responsibility in preserving the environment is the core of sustainability efforts as well the gateway to new business opportunities. KT expects environmental management based on green IT technology to not only allow the company to achieve its energy conservation goals but to become a future growth engine. As a part of these efforts KT established "Green KT, Green Korea" as a company vision for carrying out sustainable green growth and has been actively engaged in related activities for the past five years.

KT has established three sub-visions to ensure sustainable green growth as part of the company's green management policy. The first is "Green of KT" that makes the entire work ecosystem of KT Green; the second, "Green by KT" that makes Korea's entire economy green through the company's green services; and finally, the "Green paradigm by KT" that creates a new paradigm shift through green convergence that will lead to a new growth engine.

To achieve these visions KT is working on different levels. From 2011 KT began calculating ad managing scope 3 carbon emissions, and has applied KT's green IT technologies to real services such as green classes, smart green buildings and other products and services which have become important growth engines for the company. KT has now moved beyond making plans and is carrying out real measures designed to reduce the company's environmental impact. Energy saving measures lead directly to cost-cutting measures, and commercial operation of solar power generation has enabled KT to both reduce greenhouse gas emissions and generate new revenue.

Create a green ecosystem	· Purchase green products · Strengthen suppliers'green capabilities · Green IT Supporters Activities
Developing new growth engines	· Green IT convergence businesses leading to new growth engines · Home, office buildings, infrastructure, energy
Green Revolution within the national economy	· Making KT's working environment green · Creating a green life environment for consumers through green services

Green kt	Green KOREA
Saving costs through first-rate green leadership and building up related experiences/technologies	Leading national green growth using the Green kt capability
Revitalizing business by finding green growth engines	Improving people's quality of life through Green Innovation
Strengthening the Group's competitiveness by developing a corporate image of 'No. 1 Green'	Improving national competitiveness by polishing Korea's image as a green country

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Environmental Management

Green management system

Green Convergence Leader for a Green Korea

KT created and operates an Energy Management Committee tasked with carrying out systematic and organized environmental management based on energy saving measures.

Four Foundations of the Energy Management committee

Green growth agenda based on high-tech IT

Develop green IT task, strengthen action initiatives based on ownership

Create diverse communication channels between related business divisions

Response quickly and proactively to environmental regulations

KT founded the Energy Executive Committee to implement cutting edge green IT-based growth agendas, establish green IT projects, strengthen ownership-based initiatives, create a variety of communication channels between related teams, and take quick, proactive action against changes in environmental regulations. The Committee discusses the implementation of energy-saving strategies and prepares mid-/long-term action plans to become one of the World's Best under short-term, mid-term, and long-term goals. Further, the Committee checks the progress of green IT projects carried out by kt and comes up with future-oriented strategies. Through the Committee, our management board introduces a Real Name policy in each area, and installs top-down energy-saving policies. Through these actions, KT is taking steps toward achieving the vision of a 'Green KT, Green KOREA'.
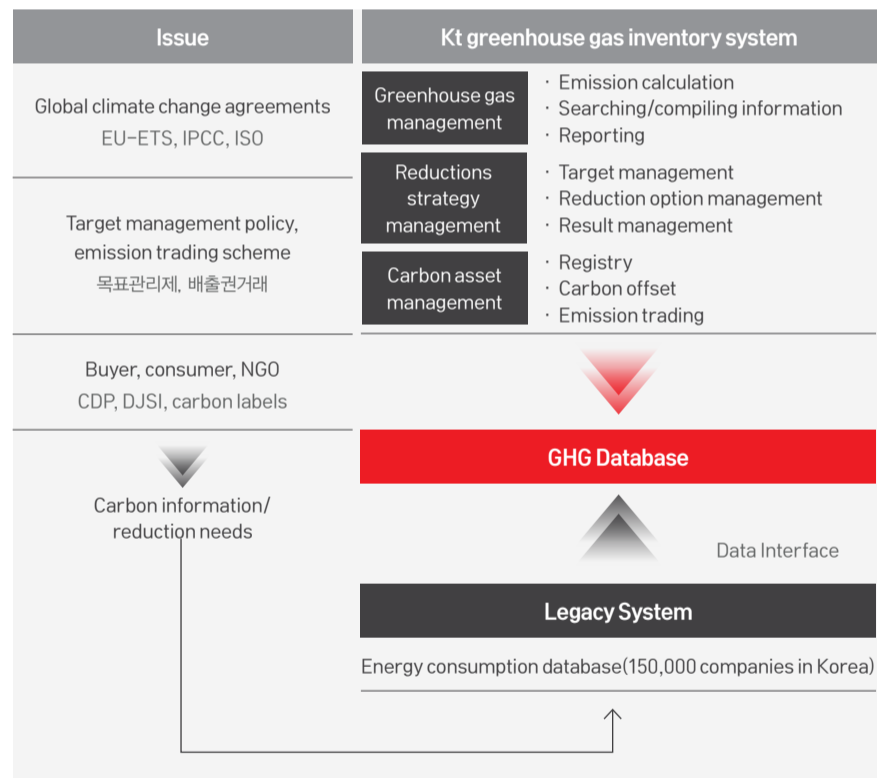
kt Energy Executive Committee Organizational Chart

Wired division	Wireless division	ICC division	Solution division	Buildings/Heating, AC Fuels
Wired access network quality control officer	Wireless access network quality control officer	Data management officer	Smart green technology officer	Operational innovation officer
· Reducing electricity/vehicle fuel · Less electricity use in wired facilities · Monitoring of electricity usage in wired services / devices	· Reducing electricity · Less electricity use in wireless facilities · Monitoring of electricity usage in wireless services /devices	· Improving electrical efficiency in IDC · Monitoring of electricity usage in IDC services /devices	· kt-BEMS application · Energy IT solution development & R&D	· High efficiency in buildings · Reinforcing/ extending integrated energy control in buildings

GSS Area: Implementation Support and Performance Management

KT greenhouse gas inventory ver. 2.0

KT took its greenhouse gas management regime to the next level by creating version 2.0 of its greenhouse gas inventory as part of its efforts to more effectively deal with increasingly complex environmental requirements. In 2012 the company began to reexamine the system from the bottom up to create an inventory system that can satisfy both stakeholders and environmental regulation. These efforts led to the creation of the KT greenhouse gas inventory ver. 2.0 that will be responsibility for the future of KT's environmental management.

Kt greenhouse gas inventory system 2.0 structure

Issue		Kt greenhouse gas inventory system	
Global climate change agreements EU-ETS, IPCC, ISO		Greenhouse gas management	· Emission calculation · Searching/compiling information · Reporting
Target management policy, emission trading scheme 목표관리제, 배출권거래		Reductions strategy management	· Target management · Reduction option management · Result management
		Carbon asset management	· Registry · Carbon offset · Emission trading
Buyer, consumer, NGO CDP, DJSI, carbon labels		**GHG Database**	
Carbon information/ reduction needs		Data Interface	
		Legacy System	
		Energy consumption database(150,000 companies in Korea)	

Features of the kt greenhouse gas inventory system ver. 2.0

One-step real-time management of company-wide carbon emissions

Future greenhouse gas emission forecasts based on a variety of possible scenarios

Support for establishing medium- to long-term carbon management strategies based on economic viability analysis

Company-wide quality assurance/control to guarantee reliable information on greenhouse gases

※ Q. What is a 'greenhouse gas inventory'?
  A. a computerized system for collecting and calculating the amount of direct and indirect greenhouse gases emitted through a company's business activities

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Responding to Climate Change

Greenhouse gas emission reduction targets

Following KT's merger with the former KTF in 2009 a new long-term carbon emission reduction roadmap of the newly merged company was formed. The plan called for the reduction of greenhouse gas emissions by 20%(absolute value) by 2020 over the 2007 level, and the company is working to reach this target. The energy management committee is at the center of the company's efforts to discover new annual green tasks, setting targets and conducting evaluations. These programs and more are transforming KT's corporate ecosystem into a world-class green IT company.

To deal with effectively with the continuous rise of wired- and wireless traffic KT has adopted the latest technology including a cloud computing center, simple network redesigns and All-IP networks that has allowed the company to cut CO2emissions by 74,820 tons compared to the previous year. These efforts helped KT's environmental management become known throughout the world and win awards and distinctions including selection as a DJSI Super sector Leader(1st in the world in the communication category), CDP(Carbon Disclosure Project) communication industry leader, and 1st place in Green Rankings among software/communication/media companies.

Reducing greenhouse gas emissions(scope I and II emissions)

Each year KT consumes energy from a wide variety of sources. While electricity for running communication equipment makes up the bulk of such use, vehicles and emergency generators use oil, buildings use gas or thermal energy for heating, and various business activities require a variety of type of energy. Thus KT established company-wide quality assurance/control guidelines to accurately determine the energy needs and uses for each business division and reduce waste. Since 2007 the company has also engaged a third-party evaluation agency certified by the Korean government to effectively manage the company's greenhouse gas emissions.

Scope I, II emissions

(unit: tCO$_2$e, ton CO$_2$)

Classification		*2007	*2008	*2009	*2010	**2011	**2012
Scope I (direct emissions)	Fixed combustion	41,063	40,828	40,221	49,073	44,332	39,387
	Mobile combustion	13,343	12,097	18,210	17,657	19,346	23,864
	Subtotal	54,406	52,924	58,431	66,730	63,678	63,251
Scope II (indirect emissions)	Purchased power	1,157,496	1,165,567	1,077,073	1,104,758	1,105,986	1,032,558
	Steam	4,576	3,621	4,391	4,659	3,594	2,628
	Subtotal	1,162,072	1,169,188	1,081,465	1,109,417	1,109,579	1,035,186
Total emissions		1,216,478	1,222,112	1,139,896	1,176,147	1,173,257	1,098,437

* Emissions from 2007 through 2010 verified by : BSI (British Standards Institute)
** Emissions from 2011 to 2012 verified by : Korea Quality Assurance

Dreaming with the Environment

Environmental Management | **Responding to Climate Change** | Energy Efficiency | Recycling
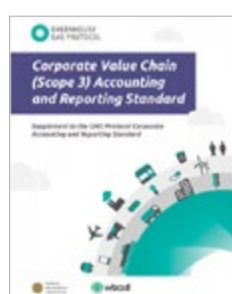Eco-friendly Products and Services | Policy Participation

Summary

Responding to Climate Change

Strengthen the Green Korea system(scope 3 emissions)
Since 2012 KT has been calculating and managing scope 3 carbon emissions indirectly related to KT's business activities in order to take part in the "Green Korea" vision, calling for the "greenification" of the entire nation. Taking into account KT's stature as a green convergence leader as well as case studies of leading global companies to further boost Korea's carbon emission reduction activities, KT has defined its scope 3 greenhouse gas management scheme into the **supply chain management stage, product and service stage, and other scope 3 categories(water, waste, employee trips, commutes)** in order to kick start a systematic reduction campaign. Total scope 3 emissions of 2012 were determined to be 485,320 tons, and third-party verification of the calculation methodology and the final result were carried out to ensure the highest level of reliability.

01. Supply chain management stage | KT has classified the amount of emissions that occur during the production of the products and facilities needed for providing communication services as the "supply chain management stage" emissions. One of the best ways to reduce a society's overall carbon emissions is the greenification of the supply chain. A total of 111 primary partner companies were selected for calculating the emission amount using the total energy expenditure used to product the products purchased by KT. In order to ensure that an accurate emission calculation is achieved KT uses WRI's 'Corporate value chain(scope 3) accounting and reporting standards'.

02. Usage stage emission management | emissions released by the electricity use during the use of a service is defined as "usage stage emissions", calculating using the energy use of modems, set-top boxes and devices used by consumers for their Internet, olleh TV and other services provided by KT. The calculations were based on the design costs of the terminals used in three types of services and the number of users. KT will continue to reduce emissions during the usage stage through careful efficiency control.

Product type	2012 Emission(tCO_2e)
Home terminals (Internet phone, Kibot, Smart Home Pads, etc.)	44,873
Mobile terminals	89,117
Internet terminals	270,143
Total	**404,134**

03. Other scope 3 emission management(water, waste, business trips, commutes) | this final category includes emissions generated by water use, waste products, business trips taken by employees, and commuting. Calculating other scope 3 emissions are based on the 'Carbon report card certification standards' published by the Korea Environmental Industry & Technology Institute.

Product type	2012 Emission(tCO_2e)
Network equipment	30,925
Wireless devices	3,935
Wired devices (terminals)	2,430
Total	**37,390**

Classification		Emissions(tCO_2e)
Water use		996
Waste processing	General waste	294
	Recyclable waste	11,703
	Construction waste	186
Business trips	Local	319
	Long distance travel	880
	International travel	2,931
Commuting	Bus(local, express)	801
	Subway	68
	Private vehicles	25,048
	Rail	72
	Mixed	599
Total		43,897

Dreaming with the Environment

Environmental Management | **Responding to Climate Change** | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Responding to Climate Change

KT's efforts do not stop here. The company has successfully measured and received certification for its **overall social carbon emission reduction effect.** The company selected 30 green services including video conferencing, smart working and e-Books to calculate a total social reduction of 1,002,617 tons. The reliability of the calculation was further enhanced through a review by a third-party agency.

04. societal reduction of KT's services | KT services that promote the greenification of the lifestyles of its customers and lead to carbon emission reductions are referred to as 'societal emission reduction'. For example we can say that the use of a video conferencing service by a customer reduces the number of trips he or she needs to take, thereby reducing carbon emission. The only area where kt must increase its number among all scope 1, 2 and 3 emissions is 'positive' emissions. KT has categorized its services into the six greenhouse reduction categories defied by the International Telecommunication Union(ITU)- reducing material consumption, energy consumption and the movement of people, reducing the movement and storage of materials, increasing work efficiency, reducing waste-as can be seen in the table below:

LOHAS-certified olleh green phone service

The estimated number of mobile phones manufactured each year in Korea tops 16 million units. Phones that are thrown out contain lead, cadmium, arsenic and other heavy metals that are responsible for environmental contamination. In order to reduce this burden on the ecosystem KT launched the 'olleh green service' that allows customers to buy and sell used phones directly from olleh retail stores around the country, helping spread the use of secondhand phones. The program received the 'LOHAS' certification for environmental friendliness as a testament to its effectiveness in helping reduce environmental contamination and destruction.

KT has also introduced a number of other services for secondhand phones aimed at spreading a more green culture in Korea and expanding the use of secondhand and recycled phones. The 'olleh SIMple' subscription allows users of secondhand phones to purchase a USIM card on its own and receive a discount like regular customers. The 'olleh green phone clinic service' provides cleaning and maintenance service for used phones. The LOHAS certification will be affixed to the olleh green phone rental and sales service and will be displayed prominently in retail stores that carry olleh green phones in order to promote KT's environmental protection efforts and enhance the company's image as a socially responsible corporation.

Greenhouse gas reduction service type	2012 emission(tCO$_2$e)
Wireless communication	1,167
IT solution	85,687
Media & contents	911,838
New growth	3,925
Total	1,002,617

* Q. What is the LOHAS (Lifestyle of Health and Sustainability) certification?
  A. The LOHAS certification is granted by the Korea Standards Association to the products and services of companies and organizations who strive to meet standards in and have produced results in the main tenets of LOHAS, i.e. environmental protection, social justice, and sustainable consumption

Dreaming with the Environment

Environmental Management | **Responding to Climate Change** | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Responding to Climate Change

New and renewable energy

Solar power generation | in 2011 KT become the first Korean telecommunication company to open a solar power generation plant in a 5,965-pyeong parcel of land that belonged to the company's Gangreung transmission facility, and has continued to investment in new and renewable energy facilities over the past three years. The company began commercial operation of its solar power generation facility in 2012, and has supplied Dongbu Power Company with electricity as part of the RPS(renewable power supply) policy, adding a new revenue stream amounting to 200 million won and achieving 22 tons of greenhouse gas emission reduction. Part of the profits from this project is used to operate Dream Centers and other community projects.
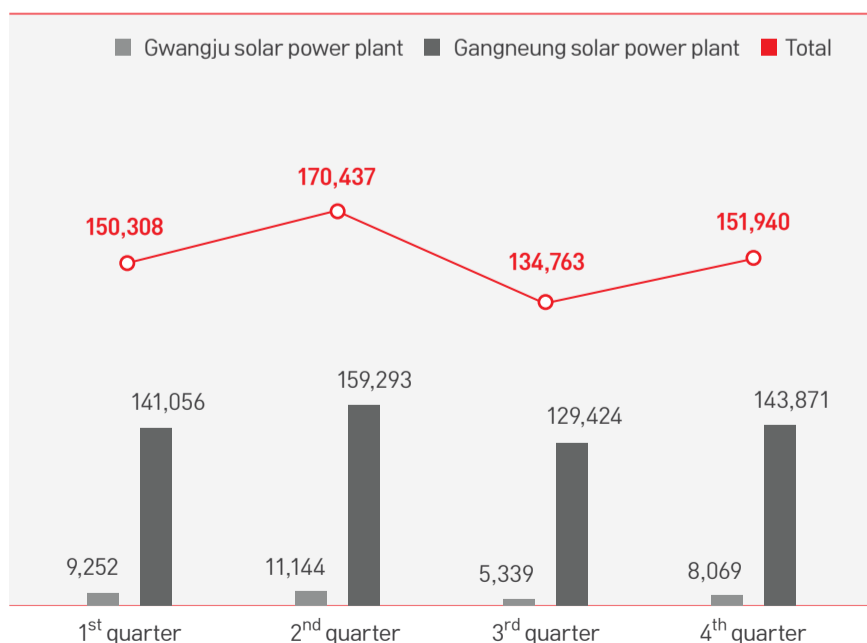

[KT Gangneung Power Station]

Geothermal energy | Three of KT's office buildings use geothermal energy to operate its cooling, heating and hot water systems. The Banghak office in Seoul runs groundwater from its communication pipes through heat pumps to use the residual heat as an energy source, greatly maximizing cost reduction. A three-month trial run of a geothermal system with four times the efficiency of current systems led to an annual saving of over 30 million won.

Future plans | KT plans to expand the technology and operational experience gained from its Gangreung transmissions facility solar power plant and the Banghak office geothermal energy system to the entire company. This is a clear contribution that KT can make in the global as well as national effort to reduce carbon emission. The new and renewable energy infrastructure will be combined with KT's world-class IT technology to create new growth engines and lead the green revolution of Korea's economy, ultimately making the dream of a Green KT, Green Korea come true.

2012 KT solar power generation by quarter   (unit: kWh)

■ Gwangju solar power plant ■ Gangneung solar power plant ■ Total

	1st quarter	2nd quarter	3rd quarter	4th quarter
Total	150,308	170,437	134,763	151,940
Gangneung solar power plant	141,056	159,293	129,424	143,871
Gwangju solar power plant	9,252	11,144	5,339	8,069

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Energy Efficiency

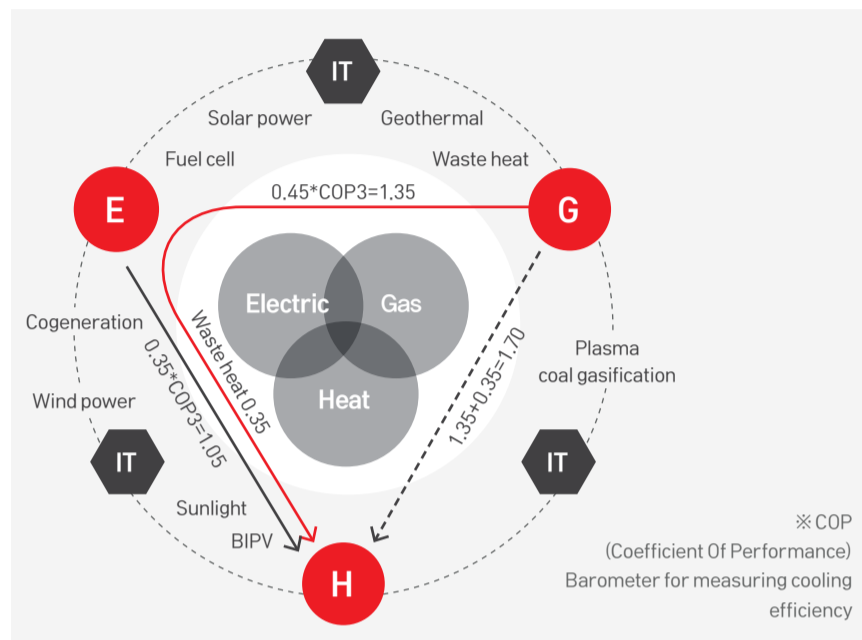## Greenhouse Gas/Energy Target Management System

Since 2011 KT has been designated for three straight years for participation in the greenhouse gas /energy target management system and is legally required to report company-wide emissions to the Ministry of Trade, Industry and Energy(supervisor) and fulfill a given reduction target. To fulfill its legal obligations, the company uses the greenhouse gas inventory to monitor emissions in real time and commissions a third-party agency to verify the emissions data. To reduce greenhouse gas emissions the Energy Executive Committee holds meetings on a regular basis and reinforces detailed activities to reduce energy use. To contribute to policy development with regard to the Target Management System, KT participated in the Target Management System pilot project in the area of buildings under the supervision of the Ministry of Land, Transport, and Maritime Affairs and worked hard to develop the most suitable policies for Hwehwa Branch and Bundang ICC. KT will commit itself to meeting the government carbon emissions roadmap through the Target Management System.

K-MEG(Korea Micro Energy Grid)

The K-MEG(Korea Micro Energy Grid) is one of the Ministry of Trade, Industry and Energy's five future leading technologies. The project is the world's first attempt at commercializing a convergence between smart grid technology, decentralized power and final energy(heat, electricity, gas, air, water, etc.) technology with ICT. KT is in charge of the integrated energy operation service and oversees an energy integration center that performs remote management of the production and consumption of electricity, gas, heat and other energy. KT established a comprehensive management platform using advanced ICT convergence in order to meet the following objectives:

· Significantly enhance overall energy efficiency
· Achieve decentralized power (fuel cells, solar power generation, small scale generation, etc.)
· Link with energy markets based on demand response, BEMS (building energy management system)

The service is currently offered through seven domestic and three foreign sites, and KT is exporting its integrated energy management services to overseas markets as part of KT's efforts to grow into a global green ICT convergence leader.

IT
Solar power   Geothermal
Fuel cell   Waste heat
$0.45*COP3=1.35$
E   G
Cogeneration   Electric   Gas
$0.35*COP3=1.05$ Waste heat 0.35 $1.35+0.35=1.70$ Plasma coal gasification
Wind power   Heat
IT   IT
Sunlight
BIPV
H

※COP
(Coefficient Of Performance)
Barometer for measuring cooling efficiency

Simple & green wired- and wireless network

In order to minimize the power consumption that is an inevitable component of network operation, KT has been working to create a simple network system by shifting to an All-IP structure. KT has also established medium- and long-term electrical energy 'diet master plans' to prepare for the future increase in new infrastructure such as LTE as part of efforts to create real plans for achieving energy conservation.

These include the conversion into an IP structure for facilities with high power consumption in order to cut down on power used by the communication facility itself; conversion into regional systems for the telephone companies around the country; and an energy rating system established in cooperation with both internal business departments as well as outside partners to ensure high-efficiency equipment is adopted whenever possible. The company is also developing new technologies for reducing facility power consumption(cooling, OA, building) through new exhaust systems and cooling systems that utilize outside air for maximum energy efficiency. The auxiliary power systems(generators, batteries) of the 191 phone company facilities around the country are being put into use to help the government in its efforts to stabilize power supply. KT facilities were activated on 1,497 instances and helped avoid power outages such as the large-scale blackout that occurred on September 15th last year.

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Energy Efficiency

Independently-developed PC power management solutions

KT has independently developed a PC power management solution to reduce power consumption of computers in use through the company. Introduced in 2011 after a full year of testing, the KT Smartpower 2.0 is a power saving solution that automatically puts a PC into standby mode or turns it off when not in use. Every document and process is saved before the power down, minimizinginconvenience while saving over 800 million won in power consumption per year and cutting carbon emissions by over 4,000 tons.
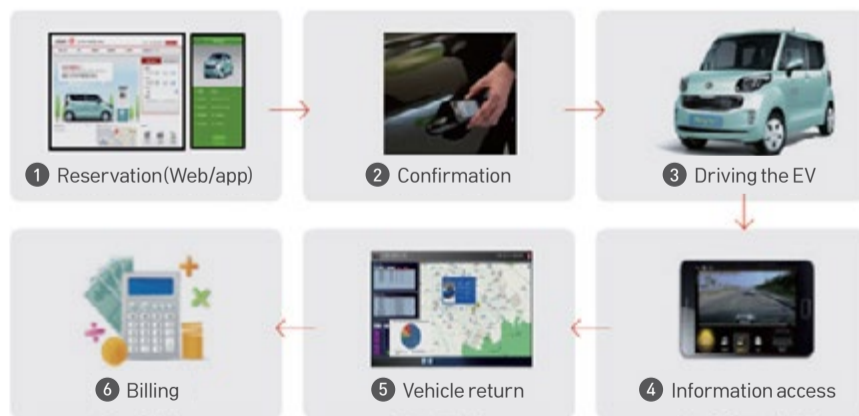
kt electric car sharing solution

KT is participating in the Jeju demonstration project organized by the Ministry of Trade, Industry and Energy to develop a test bed for smart grid technology involving approximately 6,000 households in the Gujwa-eup area of Jeju. This program is aimed at testing a Korea smart grid system using a comprehensive BEMS and home emerge management system(HEMS) as well as demand management and energy storage devices. KT is also taking part in smart transportation programs to develop and test systems for electric car car-sharing programs. The company has alreadylaunched the KT-EV carSharing program that makes eco-friendly electric cars available to customers at their convenience.

Kt-EV carSharing Service components

carSharing System | Smart phone- or Web-based interface
Search, reserve and return vehicles; make payment

① Reservation(Web/app) → ② Confirmation → ③ Driving the EV
⑥ Billing ← ⑤ Vehicle return ← ④ Information access

EV client and communication interface | Real-time wireless mobile communication between the EV and the monitoring system, WiFi/Bluetooth communication between the EV diagnostics devices and terminal
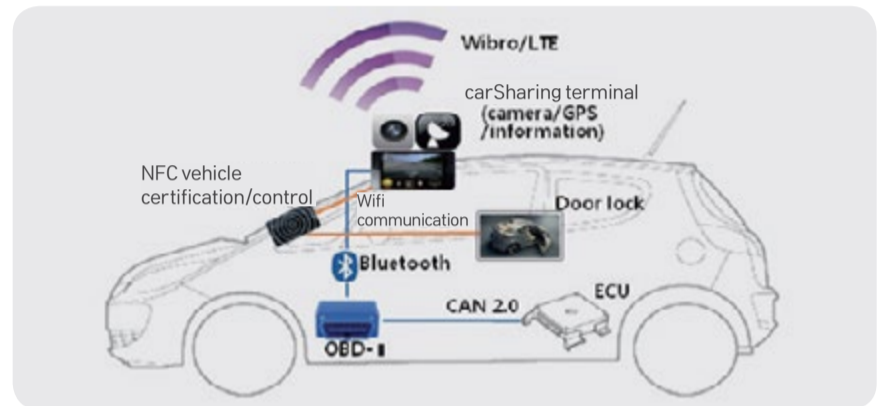
Expanding Eco-driving

KT signed the 'MOU for promoting Eco-driving' with Hankook Tires, Hyundai Hi-Car Direct and BC Card and released the 'Eco-driving package' for customers looking to make their driving habits more eco-friendly. Insurance companies have been offering benefits based on mileage driven to customers who install an OBD(on-board diagnostics) or 'black box' monitoring devices, but the program did not see widespread participation due to the cost burden of purchasing OBD terminals. To remedy this the four companies including KT has reduced the cost burden on the customer for purchasing OBD terminals and began offering additional benefits including discounts for insurance or new tires. KT provides OBD terminals to new subscribers of WARP or Wibro services, and up to 40% discounts for black boxes and HI-Pass terminal packages as part of its 'Eco-driving package'. This is the first program of its kind in Korea created through a partnership between a telecommunication provider, insurance company, tire company and credit card company to promote a more eco-friendly and economical driving culture in Korea.

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation
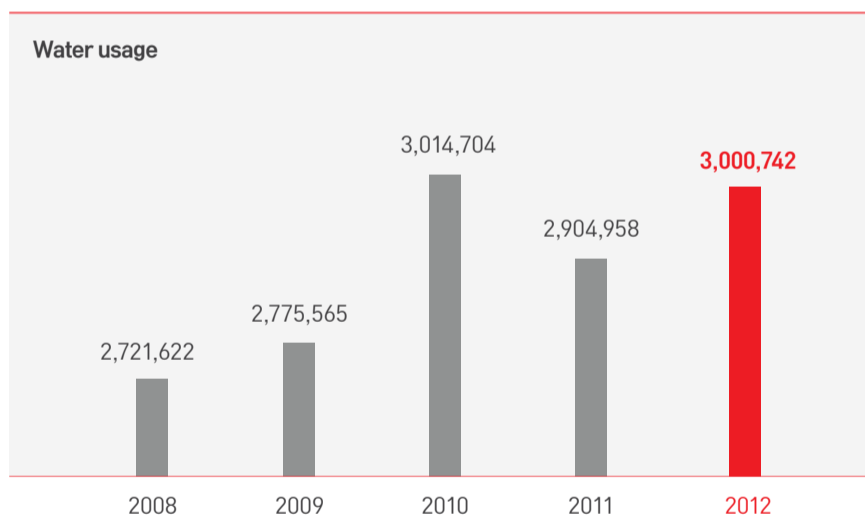
Summary

Recycling

Water usage management

To cut down on water use KT installed water saving devices in every bathroom in four company buildings(Gunpo, Suseo, Dongansan and the R&D center) that led to water savings totaling 3,092 tons. A new filtration system for the underground communication tunnel allowed the company to cut a further 81,576 tons in the Namcheongju, Bukgwangju and Hyehwa buildings. The company introduced the 'cool-biz' look campaign for the summer months to allow employees to wear lighter and cooler clothing, and carried out the 'Find where energy is leaking' campaign. While total water usage in 2012 of all KT buildings rose 3.3% compared to the previous year, this was the result of the number of employees in these buildings rising by 6,769 compared to 2011.
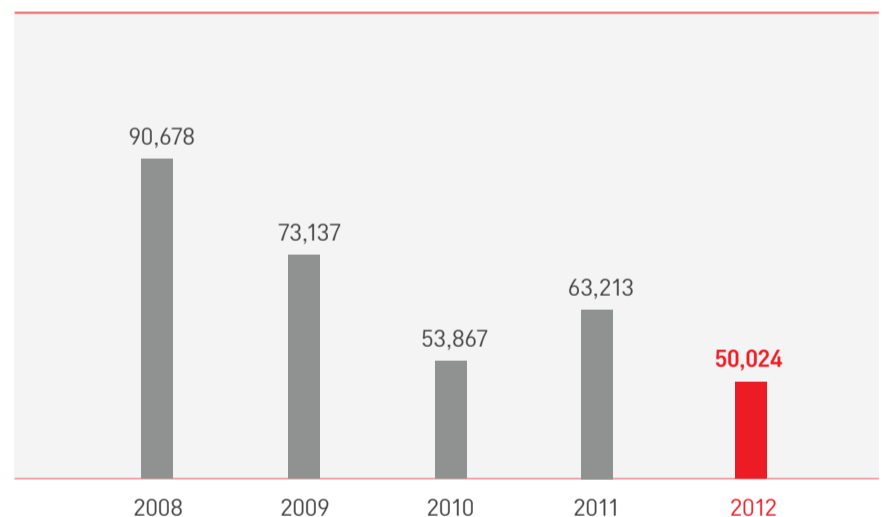
Waste products (general, recyclable, construction waste)

KT reorganized its waste management system in 2012 and significantly increased the reliability of its data. Determining that each waste product has different impact levels on the environment, the company established separate management systems for general waste, recyclable waste, and construction waste. Further classification divides waste materials into seven categories that further raise the accuracy of KT's waste management data. KT also introduced a company-wide waste management system to carry out not only a more systematic management regime but reduce the total amount of waste generated. These efforts enabled KT to reduce waste by 45% from 2008 to 2012, and recycling rates are up. In 2012 the company succeeded in doubling its initial waste reduction target of 10%.

Namcheongju office cable tunnel water recycling and filtering system (unit: tons)

Water usage

Year	Water usage
2008	2,721,622
2009	2,775,565
2010	3,014,704
2011	2,904,958
2012	3,000,742

[Water recycled through the filtering system: 81,576 tons]

Waste generation by year (unit: tons)

Year	Waste generation
2008	90,678
2009	73,137
2010	53,867
2011	63,213
2012	50,024

2012 Waste generation (unit: tons)

Classification	Type	Amount
General waste	General	821
	Recyclable	367
Recyclable waste	Cables	32,900
	Devices	4,678
	Generators	2,495
	Others	1,553
Construction waste	Construction materials	7,210
Total		50,024

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Eco-friendly Products and Services

Green PC Solution

Green PC Solution is a system that integrates 60 PCs into a single rack bymaking multiple PCs blades. Unlike existing PCs, the solution allows efficient electricity management, saving energy about 30 to 40%. It also eliminates fine dust particles and other contaminants generated from PCs, providing a clean environment for users. Not only that, the solution enables easy maintenance and saving energy in air-conditioning/heating systems using the heat generated from the PC cluster. As a result, the offices can keep indoor temperatures one degree lower during the summer, reducing air-conditioning costs by 5% and 500 tons of carbon dioxide. In 2011, the Managed Service was launched, which allows device installations, leasing, and maintenance. In 2012 the service received the Korean government's Green Business Certification for environmental protection.

olleh biz conference call system 'MeetMe'

kt's 'MeetMe' service uses the main offices in Korea and abroad(in 50 countries around the world) to allow users to use their landline or mobile phones to make conference calls at low cost. Dedicated lines around the world guarantee a high call quality without using international lines, providing an eco-friendly and low-cost conference call solution.

Green classrooms

Since 2012 KT has been signing contracts with universities around Korea to provide green classroom solutions. Green classrooms are designed to quickly and easily create mobile learning contents and allow professor sand students to hold a lecture remotely by using tablet computers or mobile devices to share materials and syllabi and cut down on paper use. The mobile learning contents thus created are only 1/400th the size of traditional contents, further enhancing the energy efficiency of network equipment. This solution will allow mobile learning contents that are nearly 850MBs in size to be reduced to 1/400th that size, reducing the time required loading and playing the contents and cutting the customer's data fees as well.

Since the solution allows remote access lectures can take any place and professors and students can participate regardless of their physical location, reducing time spent on the road to get to class and further cutting carbon emissions and overall social expenditures of energy and carbon.

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
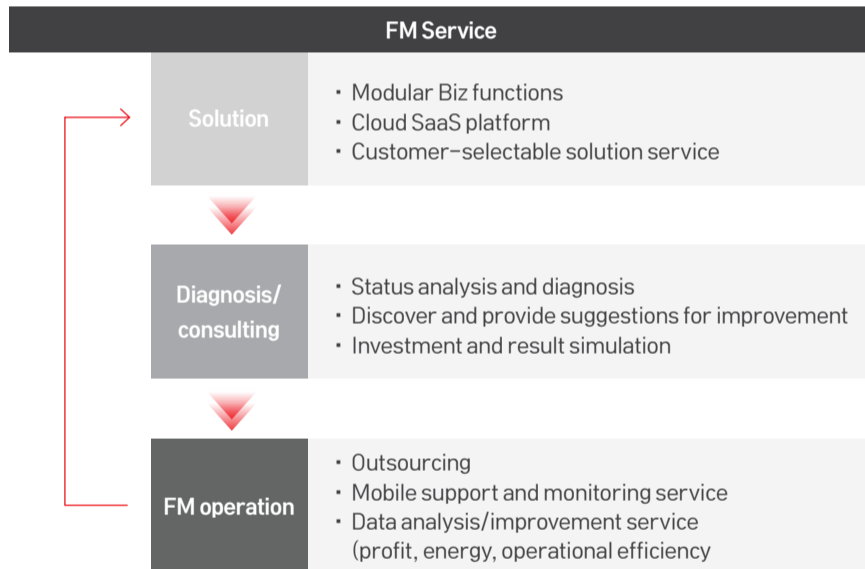Eco-friendly Products and Services | Policy Participation

Summary

Eco-friendly Products and Services

Smart green building service

The 'smart green building service' is a system solution that reduces operational costs through smart energy management through real-time analysis of energy use and predicting, indicating and tracking overall energy utilization. The service is linked to the smart grid to enhance the energy efficiency of a building and provide new added value, and is an energy management solution designed for the customer built on kt'saward-winning 'green technological-certified' energy saving techniques that are unmatched in the broadcasting and telecommunication industry.

Service model

FM Service	
Solution	· Modular Biz functions · Cloud SaaS platform · Customer-selectable solution service
Diagnosis/ consulting	· Status analysis and diagnosis · Discover and provide suggestions for improvement · Investment and result simulation
FM operation	· Outsourcing · Mobile support and monitoring service · Data analysis/improvement service (profit, energy, operational efficiency

Scope of services offered

Services	Diagnostics/consulting	Energy monitoring
		Facility/installation monitoring
	Group management, center/mobile/on-site/work management system	Solution application
		Connectivity with devices

Solutions	Integrated facility monitoring	
	Building energy monitoring	
	Integrated building management	Facility management/asset management/space management

Facilities	Electric, HVAC, lighting, disaster prevention, CCTV, security, access control, parking, elevators

Project results(2012)

Seocho Boutique Monaco
SF-BEMS system completed in May, 2012
Gross floor area : 17,000 pyeong / 27 floors,
Residential/commercial space
Integrated management of HVAC, facilities (fan coil, boiler, hot and cold water, fan, water tank), lighting, fire management, and elevators
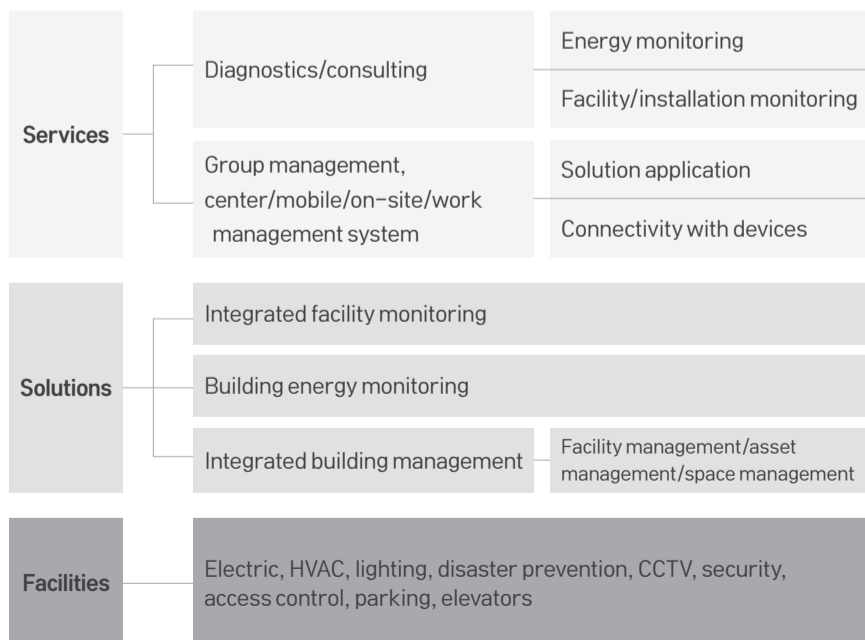

Guro E-Mart
SG-BEMS system completed in October, 2012
Gross floor area: 11,780 pyeong / commercial space
Energy reduction rate: 12.7%
Facility operation optimization, proposals on further measures

BC Card Future Center
SG-BEMS system completed in December, 2012
(Policy support for the Korea Energy Management Company)
Gross floor area: 3,800 pyeong / commercial space
Energy reduction target: 10%

In 2013 KT upgraded the integrated building operation system(IBOS) by combining BEMS and FMS to create a building complex management system(energy FM) and has expanded the program to five more company buildings. These projects have also allowed KT to provide consulting service to both Korean and international clients. KT is also preparing to register an ESCO business with the Korea Energy Management Company that offers a full range of energy-related services from diagnostics to construction and operation/maintenance. This project will first be expanded in Korea then introduced to international markets.

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
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Summary

Eco-friendly Products and Services

Home Energy Management System (HEMS)

KT's green home and smart home solution(HEMS) provides additional services on top of existing power lines based on the company's energy service platform that can be used in a wide variety of business projects by packing together solutions such as demand and resource management, micro grids and smart grids. Pilot testing that involved 600 households in the Jeju smart grid test project has already been completed. The system provides a monitoring interface using smart phones, IPTV, Internet phones, and PCs(4 screen solution).

Major features of kt HEMS

| Summary Information | Energy consulting service | Data statistics/ analysis | Smart App |
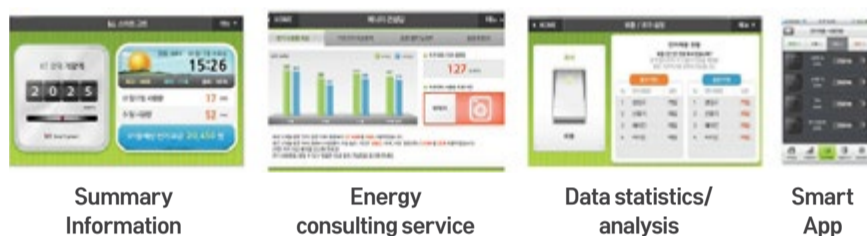
Renewable Energy Management Service(REMS)

The KT-REMS is a management system for using and storing renewable energy optimized for use in the home, providing energy savings and facilitating the use and storage of renewable energy inside the home while still maintaining the most comfortable living environment and delivering considerable cost savings. The micro-EMS system installed in residential homes controls renewable energy and ESS, and the central control system in the operation center provides a comprehensive monitoring and service structure for energy management systems.

Green business products

Mobile Commerce(M-commerce)
Green Mobile Banking(M banking)
Internet Computing Service(ICS)
U-Cloud Home
Vehicle Tracking Service (tracking service, brand taxi)
Ubiquitous Green City(U-city)
Traffic/transportation IT
MOS Service : Monitoring, Maintenance and Management Operating System
U-Health(remote medical service)
Video Conferencing(Megameet, UCS, video conferencing)
Facility and Environment Monitoring Solution (I cam)
Green IDC(IDC colocation in the metropolitan region)
Green PC
Total IT Outsourcing service for comprehensive control and maintenance of line/IT infrastructure
Power Care Service
Video Communications on 3G wireless networks
KT Moving(address change service)
KT Smart Grid
Company FMC(Fixed Mobile Convergence)
SSL-VPN(VPN for telecommuting)
Power Sales from Solar Generation
Urban integrated operation platform service(Ubi-cahn)
KT-EV carSharingservice
Demand response management service(DRMS)
Renewable energy management service(REMS)
Remote energy management service TOC)
Home energy management service(HEMS)
Building energy management solution(BEMS)

Effects of introduction KT-REMS(Daegu ESS test project)

Electric bill — ■ Before installation ■ After installation

	February	March	April
Before installation	80,817	53,116	56,041
After installation	49,434	31,658	23,668

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
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Summary

Policy Participation

Participation in government green growth programs

Supervising ministry	Name of program
Ministry of Trade, Industry and Energy	Development and installation of the K-MEG integrated energy management system
Ministry of Trade, Industry and Energy	Test a new potential domestic and international business model by building electric vehicle charging infrastructure and operational centers
Ministry of Trade, Industry and Energy	Testing the 10kWh lithium-ion battery energy storage system
Ministry of Land, Transportation and Maritime Affairs	Develop a carbon reduction city strategy, green index and business models
Ministry of Trade, Industry and Energy	Test a new potential domestic and international business model by building electric vehicle charging infrastructure and operational centers
Ministry of Trade, Industry and Energy	Develop a smart green place where consumers can participate

Contributing to Stable Electricity Supply Nationwide by Participating in Smart Load Management Project

KT will implement a load management project using its ICT capabilitiesand the electricity loads in its buildings. In the event of frequent outages and unforeseen eventswith regard to national power supply, KT reduces the loads specified by the Korea Power Exchangeto eliminate the risk of economic losses, and contributes to ensuring stable power supply andmitigating economic losses, as well as reducing investment in building power stations and environmentaldamage. Working with the highest power consumer in the market, thecompany starts reducing loads if the national reserve power drops under 5,000MW during thesummer or winter by carrying out load reduction in 220 buildings around the country totaling 34MW.

KT continues to strive to develop and apply a system that allows real-time/two-waycommunication and monitoring for effective load management and load reduction. KT uses its ICT capabilities to carry out real-time reduction, and has installed automatic control and power consumption control systems to further augment the project.

kt participation in government projects
(unit: kWh)

Intelligent DR reduction

2012.7	2012.8	2012.9
184,569	127,254	102,902
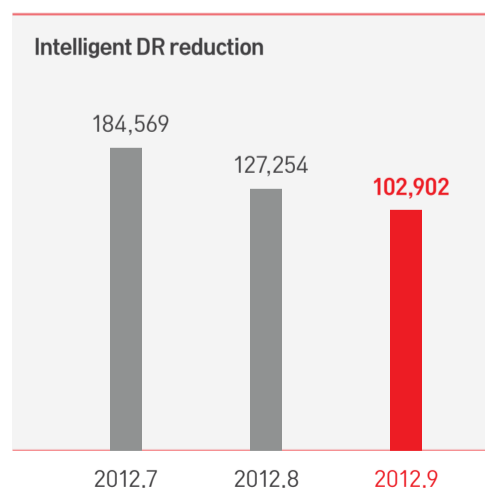
Green Procurement

KT participated in the Voluntary Agreement for Green Procurement for IP products. We reflect environmental aspects in our specification requirements for procuring telecommunicationfacilities. We help our suppliers minimize the environmental impacts of their productsfrom the stage of product development, by providing them with guidelines on environmentalfriendliness of surface treatment, potential for recycling or reuse, and minimization of packagingmaterials. To this end, we put green labels on our consumable materials. We also update the greeninformation on the labels twice a month, based on the data provided by the Korea EnvironmentalIndustry & Technology Institute while conducting education to promote the purchase of ecofriendly products.

In 2012 the responsibilities, rights, scope and procedure for carrying out the 'Agreement on green procurement' were codified in order to establish green procurement guidelines. Green products receive first priority for purchase if price and quality is the same as regular products (including copying paper, planners, calendars, forms, etc.).

A green procurement Web site provides an overview of KT's green procurement activities, future directions and goals, green purchasing procedures, and a searchable list of green-certified products that can provide assistance to kt staff and employees procuring green supplies.

Green procurement results

Green procurement (millions of won / items)		2010 Amount(items)	2011 Amount(items)	2012 Amount(items)
Eco-friendly products	Green Mark certified	4,308(645)	5,094.9(439)	4,787.9(689)
	GR Mark certified		2.2(1)	468.4(7)
Other eco-friendly products	Energy Mark certified	568(106)	0.1 (1)	4.1(3)
	Reducing hazardous materials			180.3(3)
	Reducing waste		0.9(1)	4.4(2)
	Overseas environmental marks			
	Others		14.4(30)	33.2(120)
Total		4,876(751)	5,112.5 (472)	5,478(823)

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
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Summary

Policy Participation

Response to International Environmental Regulations

In 2007, KT became the first wireless carrier to earn ISO14001 certification(environmental management standard) in the construction and real estate areas, and has secured transparency and trust in its environmental performance by enforcing the environmental management system. Aiming to have all its business areas certified with ISO14001, the company works hard to standardize sustainable environmental solutions and systems and implement environmental management, including environmental training, internal auditing, and company-wide environmental campaigns.

First Wireless Carrier to Earn Green Technology and Business Certificates

KT has continuously conducted research and development in the area of green telecommunications to develop and spread green IT. As a result, KT became the first wireless carrier to win eight Green Technology and Business certificates awarded by the government. In 2012 KT received additional green certificates for its smart work project, which minimizes commuting and transportation of employees using ICT technology, and the green PC project, which aims to minimize PC energy consumption. These latest certificates confirm KT's world-class green ICT capabilities.

Information system planning for the 2018 Pyeongchang Olympic Games

KT is participating in the Pyeongchang Winter Olympics information strategy plan(ISP) project that aims to use cutting-edge IT technology to create a true 'Smart Olympics'. The Korean government and KT are united in working to deliver the best OlympicGames in history full of drama and joy, and established four categories–environment, economy, culture and high-tech–for setting and reaching achievement goals. In the environment category KT is using its green ICT capabilities to minimize the environmental impact of the Olympics and reduce greenhouse gas emissions. KT is applying the full range of its technology and know-how into producing eco-friendly energy through solar power generation, managing energy consumption, enhancing resource efficiency, managing greenhouse gas emissions, and create eco-friendly transportation and logistics systems. KT plans to use the time leading up to the Games to utilize its green ICT technology and prepare the greenest Olympic games in history.

Green technology certifications

Valid for :	Name of certificate
2010.10.14 ~ 2014.10.13	RF/CT-based remote energy monitoring system
	Smart grid-based building energy management solution (SG-BEMS)
2010.10.14 ~ 2014.10.13	Energy-saving home network technology using Zigbee/PLC

Green Business certificates

Valid for :	Name of certificate
2010.10.28 ~ 2014.10.2	Green communication infrastructure project through station expansion
	Video communication utilizing 3G, IPTV and Wibro technology
	Eco-friendly address change system utilizing broadcasting and communication networks
2012.10.11 ~ 2014.10.10	Smart working project using ICT infrastructure
2012.11.22 ~ 2014.11.21	Energy-saving and eco-friendly green PC distribution system

Dreaming with the Environment

Environmental Management | Responding to Climate Change | Energy Efficiency | Recycling
Eco-friendly Products and Services | Policy Participation

Summary

Policy Participation

KT-Gyeonggi-doeco-friendly agriculture and ICT convergence partnership

KT signed a partnership agreement with the province of Gyeonggi-do for an eco-friendly agriculture-ICT convergence project that will combine ICT technology with the entire production/processing/logistics/sales process in order to increase the quality, safety and reliability of eco-friendly agricultural products. The first stage of the project consists of a comprehensive logistics information system for eco-friendly agroproducts. Technologies such as radio frequency ID(RFID), ubiquitous sensor networks(USN) and global positioning system(GPS) markets will be used to automatically control or monitor the temperature and humidity of refrigerators and freezers in facilities and vehicles storing and carrying eco-friendly agricultural products. KT also plans to develop dedicated apps for use with smart devices that enables real-time access to order history and arrival times. This project marks the beginning of partnership program with Gyeonggi-do for achieving an overall ICT innovation cross the entire scope of eco-friendlyagricultural product logistics.

KT Data Center received the highest Green IDC Certification rating

KT received the highest rating in Korea's first green data center certification project organized by the Korea IT Service Industry Association. The green data center certification system is part of a national program for energy reduction with assessment and certification carried out by the Korea IT Service Association(ITSA) to motivate data centers, traditionally large consumers of energy, to streamline their energy structure. As Korea's largest data center operator KT's facilities are rated the highest in Korea, with the Mokdong center receiving an A+ grade and the Bundang center receiving an A++(highest in Korea) rating. KT's IDC infrastructure improved 17.3% of its power consumption over three years, and the company opened an HTA test center last August that can be operated in high-temperature environments as part of efforts to continuously enhance the competitiveness of data centers. KT uses cloud computing to maximize IT infrastructure energy consumption, and plans to boost the energy efficiency rate of its data centers to world-class levels by 2015 in order to make them the most energy efficient facilities in the industry in the world.
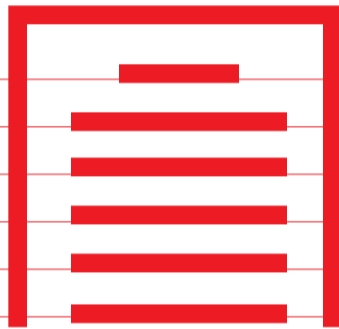
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KT Family Companies

KT powertel

Sales

2010 127.5 billion won
2011 126.8 billion won
2012 124.9 billion won

Overview KT powertel is a TRS(trunked radio system) provider that allows wireless and mobile call services using one phone. By 2000, the company extended the scope of service to mobile call and wireless data services, cementing its position as a total telecommunications carrier. In July, 2012 KT became the first company in the world to launch the TRS smartphone(Double V) and that provides nation-wide wireless calling and android-based smart phone functions in a single terminal. The company plans to develop new markets in corporate mobile communication fields that require control, monitoring and broadcasting.

CSR Activities Through its in-house volunteer club called 'Power Angel', KT powertel has conducted a wide range of cultural experience activities for underprivileged children. Since 2011 the company has held a variety of cultural events with its partners including the Mokdong children's center and the Dream Village center for underprivileged children operated by the city of Seoul, such as ping pong events, Children's Day events, pottery workshops, ice skating, archery and visits to theaters on Daehaek-ro. The company also sponsors the Didim Seed bank account program, provides financial support as well as blood donation cards for children suffering from cancer, and has been helping children's centers in the area. Employees and their families have also been taking part in the 'Clean up invasive species' program aimed at cleaning up Ansyangcheon, and have been delivering coal briquettes to underprivileged families in the Nowon-gu area.

KT Rental

Sales

2010 629.7 billion won
2011 661.5 billion won
2012 716.2 billion won

Overview Founded in 1986, KT rental specializes in renting vehicle and IT devices and providing 'total rental services' ranging from equipment supply to construction and to maintenance, and currently owns 'kt Kumho Rentals', Korea's largest auto rental company. Using its rental expertise, the company has extended its business to vehicles, construction equipment, monitoring equipment, and office supplies, consolidating its position as Korea's top total rental company.

CSR Activities As part of its CSR activities KT Rental has been working with the Beoseot Theater Company for the past 11 years to provide free performances and share culture and art with the community. In 2012 the company carried out a 'cultural exchange and respect for life' campaign with free performances on Daehak-ro for over 3,500 people including people with disabilities and students. KT Rental also signed an MOU with the city of Suwon to launch a car sharing test project in Suwon from February 21st, 2012, and will expand the program through partnerships with other local governments including the cities of Ansan and Seoul. The company will begin assigning electric vehicles in Jeju from June, 2012 as part of a test project for renting electric vehicles. The company has signed an MOU with Seoul to participate in the city's 'electric vehicle car sharing project' as well.

nas media

Sales

2010 18.9 billion won
2011 21.7 billion won
2012 23.5 billion won

Overview Created in 2000 as an Internet advertising media lab, nasmedia provides an integrated digital media strategy by extending the Internet planning capabilities that it has built up in the past decade to a variety of media(digital broadcasting, digital outdoor advertising, and mobile). The company will work harder to convey each client's message and value using its media planning expertise in the Internet, mobile, digital broadcasting, and digital outdoor areas, and its scientific, specialized solutions to monitor advertising effects.

CSR Activities Starting with its 2011 Make-a-Wish Chorus Supporters activities, nasmedia has created a 'sharing' culture through regular sponsorship activities for the Korea Heart Foundation and the Seokchon Child Care Center. By contributing 100% of the revenue generated by in-house cafe called 'Madang' to its Social Responsibility Fund the company has been taking part in a variety of service programs. A partnership with the Korea Heart Foundation enabled the company to provide monthly financial assistance to patients with few financial resources. In 2012 12 patients underwent successful surgery thanks to the program. The company has also been providing assistance every two months to the Seokchon Children's Center.

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Summary

KT Family Companies

KT cs

Sales

2010 353.9 billion won
2011 380.8 billion won
2012 384.1 billion won

Overview KT cs is Korea's leading contact business company and oversees the olleh customer service system(KT wired- and wireless centers), the 114 phone director project, contact businesses, and sales consulting with over 50 client centers around the country. The company employees over 10,000 people in seven local business facilities with its headquarters located in Daejeon. KT cs has been increasing its sales each year with its contact and distribution business growing at a rapid pace. The company's distribution business has grown over 20% over the previous year with total sales of 72.6 billion won, making it one of KT cs's most profitable businesses. This year the company plans to stabilize its core businesses including CS total solution, sales consulting and the Smart 114 app project to prepare new foundations for sustainable growth.

CSR Activities After establishing the 'Heartener Service Team' in 2005, KT cs has been carrying out a variety of service projects in each of its seven centers around the country as well as in Seoul From 2012 the company has been a part of kt Group's corporate CSR plan by engaging in the 'Four Color Sharing' project involving culture, lifestyle, love and talent sharing. The company provides cultural events, books and materials and financial support to 24 local children's centers.

BC Card

Sales

2010 3.0772 trillion won
2011 3.1373 trillion won
2012 3.1099 trillion won

Overview Founded in 1982 BC Card has become one of the world's leading mobile transaction providers by utilizing KT's ICT capabilities to maximize the efficiency of the card transaction process and reducing waste following the company's merger with KT in 2011. The company has been working to install and upgrade credit card transaction terminals in traditional markets that often have outdated systems and are often burdened with only being able to accept cash payments. The costs that are saved during this process is returned to the merchants in the form of lower fees, helping the company create new shared value with small business owners.

CSR Activities BC Card launched a paperless policy that allow members and retailers to print out a receive only when needed and requested, and returns the costs saved back into the society. The 'Green Card', which was issued more than 4.5 million times after just one year, has helped reduced 460,000 tons of greenhouse gases and save 30 billion won through a strategic partnership with the central and regional governments, distributors and issuing financial institutes. This program was introduced during the Rio+20 meeting of the United Nations as a green growth success story. The company also offers school cards for helping improve public education and the nation's schools, and school credit cards are combined with the 'Love, School Angel' program provides

KT telecop

Sales

2010 216.7 billion won
2011 261.2 billion won
2012 296.2 billion won

Overview Founded in 1998 KT telecop has been looking after the security of 260,000 clients through high-tech infrastructure and technology. KT telecop is the first Korean security provider to launch a video surveillance service for smartphones as well as a cloud-based video security system. By combining smart video products with next-generation technologies such as mobile security services KT telecop continues to provide customers with more advanced services with customized security systems.

CSR Activities In June 2011, KT telecop expanded the Love Volunteer Corps to all employees from eight business units and 33 branches. The company provides cultural/liberal arts experiences and sports activities to children at local care centers. In 2012 the company took part in the 'Love Telephone' project organized by the Ministry of Health and Welfare to provide psychological assistance and support to single-member senior households once to twice a week through 150 volunteer workers. The 'senior emergency care provider' service also provides emergency call buttons to seniors that allow KT telecop to dispatch security personnel to a senior at risk quickly and effectively. The company also formed a '1 Company 1 Village' sisterhood with a village in Incheo-dong, Anseong, opened a market where farm products are directly traded, and carried out activities to promote mutual growth in urban and rural areas.

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KT Family Companies

KTh

Sales

2010 150.1 billion won
2011 130.7 billion won
2012 326.9 billion won

Overview KTh has conducted business in smart mobile, content distribution platform, group synergy, and gaming areas targeting the 4 Screen, and aims to become a total service provider combining wired/wireless Internet and digital content, as well as building a platform to secure infrastructure. To become an advanced smart mobile company, KTh has strengthened its mobile business capabilities, including local/photo-based social networking services, and provides a unified supply-demand and a distribution channel for the varying contents and solutions needed by network businesses within KT Group.

CSR Activities KTh is actively engaged in open source activities to help enhance the IT technology ecosystem. In February, 2013 the company began offering the SDK of appspresso, a mobile hybrid app development framework, to allow any developer to use the source code. KTh's mobile services(I'm In, Pudding, etc.) operates a continuous monitoring system and a user-operated ignore function to block harmful contents from appears. kth also requires age verification through personal ID numbers for accessing adult-oriented sites. In 2012 the company donated all of the gifts received by employees during the holidays to local children's centers, and funds raised through company auction events were also provided to local service groups as part of the company's active social responsibility program.

KT music

Sales

2010 40.1 billion won
2011 31.2 billion won
2012 30.2 billion won

Overview KT music was brought into the KT family in 2007 and has since expanded its music and convergence businesses through advanced information technology. In 2012 the company acquired a 100% share of KMP holdings, a music distributor. KT music provides music contents through the olleh music portal(www.ollehmusic.com), as well as through KT convergence music services including Genie, the KT Smart Home Pad application 'Life Jockey', in addition to the olleh.com music service. KT music also provides real-time ambient music service to 9,000 retail spaces and companies in Korea including Korean Air, Adidas and GS25.

CSR Activities In 2012 KT began holding the Indie Award Concert to help develop Korea's indie music science. The project has allowed Korea's indie musicians to seek artistic and commercial success in Korea as well as make indie music more accessible to music lovers all over Korea. KT music also holds Star Showcase events in KT olleh Square locations with top artists such as Skull&Haha, Buhwal, J'kyun and Jo Won-min of Noksaekjidae, inviting children from local children's centers as well as volunteers for a chance to enjoy music and experience cultural events.

KT m&s

Sales

2010 616 billion won
2011 917.4 billion won
2012 1.0093 trillion won

Overview Created in 2007, KT m&s is a communications service distributor that sells wired/wireless communication services, as well as IT products, through a variety of channels, and plays a pivotal role in 'customer retention'.

CSR Activities Since 2009 the company has been providing support to the Yangji Sunlight Children's Center, and since 2010 has been carried out a wide variety of service activities including coal sharing projects, food delivery for seniors living along, and environmental protection activities at Gwanak Mountain. Late last year the company partnered with the Meet&Share Children's Foundation to hold a Santa Clause event at the 'One Love Village', a children's center for disabled kids. These programs allowed the company to organize its strategy CSR goals(supporting children's service groups) and enhance awareness within the company about social responsibility activities. These events were made possible through employees who serve as volunteers as well as through voluntary paycheck contribution drives.

Summary

KT Family Companies

KT ds

Sales

2010 355.5 billion won
2011 498 billion won
2012 570.8 billion won

Overview kt ds is an ICT specialist that provides IT services to kt Group companies using its core expertise in IT system installation and operation. Since 2012 the company has been holding 'Workout town meeting' workshops in order to promote communication within the company and improve its corporate culture. The workshops, which have dealt with topics such as "improving working conditions", "improving the way meetings and conferences are held", and "reducing service barriers for our customers" have not only helped improve communication throughout the company but discover ways to better help customers. After holding a town meeting in May, 2012 about "reducing outages", for example, IT system outages actually fell by 58% compared to 2011.

CSR Activities In 2012 KT ds organized the 2nd IT Sharing Team in order to carry out service projects donating IT knowledge to local children's shelters. The company also provides the latest PCs and tablet computers to children's centers through the 'Sharing Love Fund' organized independently by the company's employees. Each spring during the planting season employees visit its "1 Company 1 Village' partner(Deokseong-ri in Ganghwa-gun Buleun-myeon) to help with the farm work. The produce from the sister village is then donated to local children's centers.

KT Skylife

Sales

2010 420.9 billion won
2011 459.8 billion won
2012 551.3 billion won

Overview KT Skylife is Korea's sole digital satellite broadcast company that revolutionized Korea's HD broadcast industry by using its compression/multiplexing technology. The company launched the world's first 24-hour 3D channel as well as the olleh TV Skylife channel that combines satellite broadcasting with over 130,000 VODs. These services have been hits with customers. In 2012 the company launched dishless satellite broadcasting service in order to help customers in areas with poor reception, as well as Korea's first T-commerce channel called 'Sky T Shopping'. The company is also working to boost its future growth engines with new technologies through the R&D Campus as well as the test project for UHDTV transmission.

CSR Activities Last May KT Skylife signed the 'Partnership agreement for improving digital broadcasting environments' with the Digital 100% Foundation, launched by the KBS, as part of an effort to build master antennae television facilities that will allow everyone living in multi-household dwellings to receive digital broadcasts. Through this program over 1.3 million households around Korea began receiving digital channels for the first time during last year. Since 2009 the company has been working with the KBS, local government and the Korea Communications Commission to carry out reception improvement projects in low-income areas and other regions with poor reception, providing help to 45,963 households. The company also set up the 'Rainbow Service Team' to deliver coal briquettes to local children's centers, help install new wallpaper and flooring during the winter months, allow children to watch cultural events and provide 3D TVs. In addition to these direct assistance programs the company also published books and materials to help children develop a healthy sense of cyberspace ethics.

KT is

Sales

2010 349.1 billion won
2011 373.4 billion won
2012 388.4 billion won

Overview Founded in 2009, KT is is a marketing company that places the highest value on customer satisfaction. KT is consolidates its position through the KT Customer Center and secure 114 dialing service, while extending the contact and distribution businesses to pave the way for business innovation. KT is will become a leader in customer service with a distinctive serve strategy. In 2012 the company hired over 7,200 women as part of efforts to expand the employment of women in Korea. In 2013 the company is planning to launched a new business handing refunds to customers as part of its plans to expand the scope and scale of its core businesses.

CSR Activities Firm in the belief that KT is sharing happiness by helping the local community is the best way for a company to growth, KT is launched the "Share the Love Service Team" in 2010. In 2012 the group performed a total of 220 service activities, brining books to local children's centers, providing financial aid, and helping children in 18 sister organizations. These activities as well as the company's "1 Company 1 Village" program allowed the company to receive the Minister of Trade, Industry and Energy Award during the 36th National Productivity Day in the green production category. In 2013 KT is launched the 'Mobile Eco Campaign' with the city of Seoul to collect unused mobile phones and provide phones to low-income families and people with disabilities while helping reduce waste and protect the environment.

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Summary

KT Family Companies

KT submarine

Sales

2011 111.4 trillion won
2012 68.9 billion won

Overview Established in 1995 as a KT(formerly Korea Telecomm) and Hanjin Shipping's joint investment entity, KT submarine is the only Korean company specializing in, and internationally recognized for, its submarine communications and cable construction/maintenance services. Aside from the existing communications/electrical cable construction provided using a variety of special devices and vessels, the company plans on expanding into the areas of special submarine cable construction and offshore wind power, and becoming a total marine solution provider.

CSR Activities Since 2004, centering on the Love Volunteer Corps, KT submarine has conducted social responsibility activities in collaboration with care facilities for seniors living alone, child heads of household, and children. In addition to providing financial aid donated by employees, the company has signed a sister organization agreement with the Songjeong Children's Center to provide funding as well as clothing during the winter holidays. The company also provides fuel and other assistance to seniors living alone as well as families headed by children.

KT commerce

Sales

2010 162.5 billion won
2011 334.2 billion won
2012 318.1 billion won

Overview KT commerce is a B2B specialize that provides the best experience to customers and business capabilities to companies. With strategy sourcing operation knowhow for over 200,000 products and items, the company can deliver customized purchasing services to any company.

CSR Activities In 2012 KT commerce provided technological consulting and product inspection services to 27 of its top partner companies to prepare long term growth foundations as well as achieve quality stabilization. In addition the company provided total diagnostics and improvement consultation to 13 companies that were selected as underperforming partners in 2012. KT currently uses cash for 95% of its transactions and protects the bottom line of partner companies through a raw material indexation system. The company also provides loan assistance through KT capital's network loans, helping provide financial services to 21 partner companies in 2012.

KT Linkus

Sales

2010 76.1 billion won
2011 78.1 billion won
2012 81.6 billion won

Overview Founded in 1988, KT linkus provides public phone services that can be used at anytime, anywhere, and has developed video phones and transit card phones using its vast experience and technology. The company has been installing 'multibooths' that provide a convergence of communication, medical and financial service, and has been expanding its business into advertising booths, Lavazza capsule coffee machines, and logistics and distribution.

CSR Activities As part of efforts to utilize idle resources KT linkus joined the Ministry of Land, Transportation and Maritime Affairs and the Ministry of Security and Public Administration in certifying bicycle riders that complete the 633-kilometer Arabaegil-Han Riber-Saejaegil-Nakdong River cycling course, by providing unused telephone booths that were transformed into checkpoints for riders to receive their course completion verification. The company also donated unused telephone booths for installation in Wangshipri Plaza for use as unmanned "Chaekddeurak" libraries.

KT sat

Sales

2011 127.2 billion won
2012 126.4 billion won

Overview KT sat was spun off from KT's satellite business division to form its own company on December 1st, 2012. Beginning with the launching of the Mugunghwa 1 satellite in 1995 the company has launched a total of five satellites including the Mugunghwa 2, 3, 5 and 6 to become Korea's only company to operate its own satellite system and the nation's leading provider of satellite communication services.

CSR Activities KT sat carried out a wide variety of social service programs including childcare events for underprivileged children in the Seongnam region, visits to amusement part with children from the Saenal Children's Center(located in Gwangjin-gu), and free meals for seniors at the Saenal Center. The company also helps low-income/multicultural families in the Geumsan region and has volunteer services including cleaning and repairing children's centers in the Yongin area. Employees also take part in the "Love Share Fund" fundraising program.
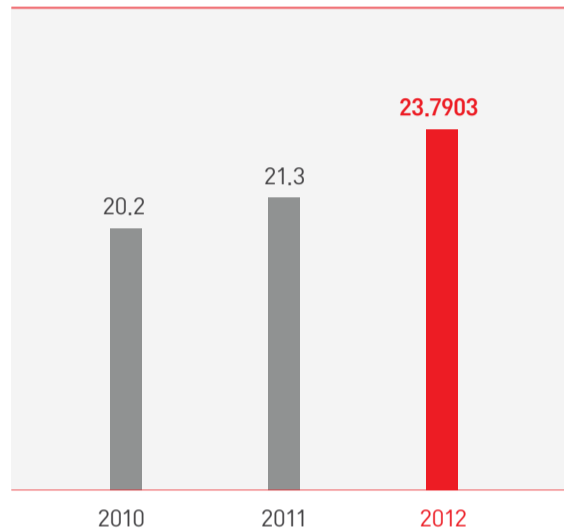
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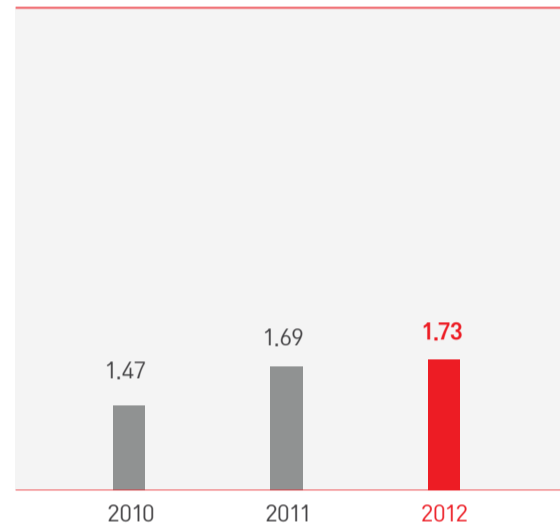ISO26000 Overview & Association Memberships | Awards 2012

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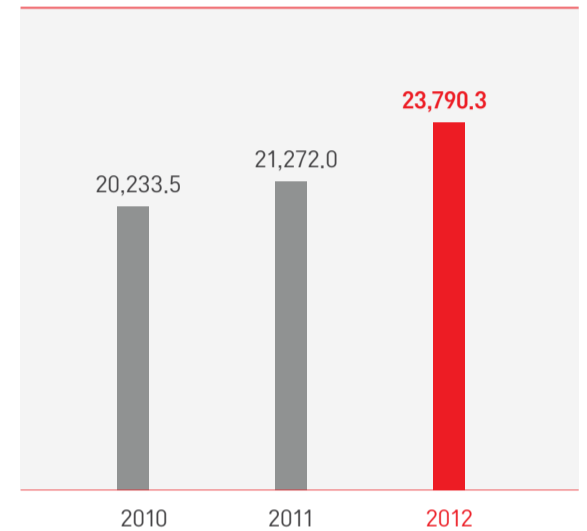
Major Sustainability Indexes

Total sales
(unit: trillions of won)

- 20.2 (2010)
- 21.3 (2011)
- 23.7903 (2012)

Wireless data sales
(unit: trillions of won)

- 1.47 (2010)
- 1.69 (2011)
- 1.73 (2012)

Operating profits
(unit: billions of won)

- 20,233.5 (2010)
- 21,272.0 (2011)
- 23,790.3 (2012)

KT CSR expenditures
(unit: hundreds of millions of won)

	Classification	2010	2011	2012
Donations	Scholarships	8.0	11.1	11.7
	Donations and sponsorships	91.0	200.3	123
	Subtotal	99.0	211.4	134.7
Community investment	Community IT sharing	130.4	126.6	121.7
	Love Share Fund	17.4	17.2	17.2
	Support for children and underprivileged groups	6.5	21.4	24.3
	Culture, art and sports	52.0	51.7	52
	Subtotal	206.3	216.9	215.2
Love contribution support and sponsorships		65.0	82.7	74.0
Total			511.0	421.9

Total kt CSR expenditure
(unit: hundreds of millions of won)

- 370.3 (2010)
- 511.0 (2011)
- 421.9 (2012)

Smart phone subscribers
(unit: thousands of people)

36.6-fold increase

- 28 (2010)
- 765 (2011)
- 1,025 (2012)

Premium payback to stockholders

Classification	2010	2011	2012
Face value per share (won)	5,000	5,000	5,000
Net profit during term (millions of won)	1,248,846	1,289,055	719,351
Total dividends (millions of won)	586,150	486,602	487,445

Appendix

Summary

Major Sustainability Indexes

NCSI customer satisfaction index (unit: %)

(unit: %)

(unit: %)

Mobile phones

- 2010: 72
- 2011: 73
- 2012: (red bar, no value shown)

High-speed Internet

- 2010: 70
- 2011: 71
- 2012: (red bar, no value shown)

Home phones

- 2010: 73
- 2011: 74
- 2012: (red bar, no value shown)

Partner companies (단위 : 점)

(단위 : 개)

Satisfaction rate

- 2010: 77.4
- First half, 2011: 83.87
- Second half, 2011: 84.79
- First half, 2012: 86.90
- Second half, 2012: 89.01

Support for secondary partner shared growth

- 2010: 6
- First half, 2011: 16
- Second half, 2011: 30
- 2012: 30

Employee satisfaction (unit: %)

- 2010: 75
- 2011: 77
- 2012: 78
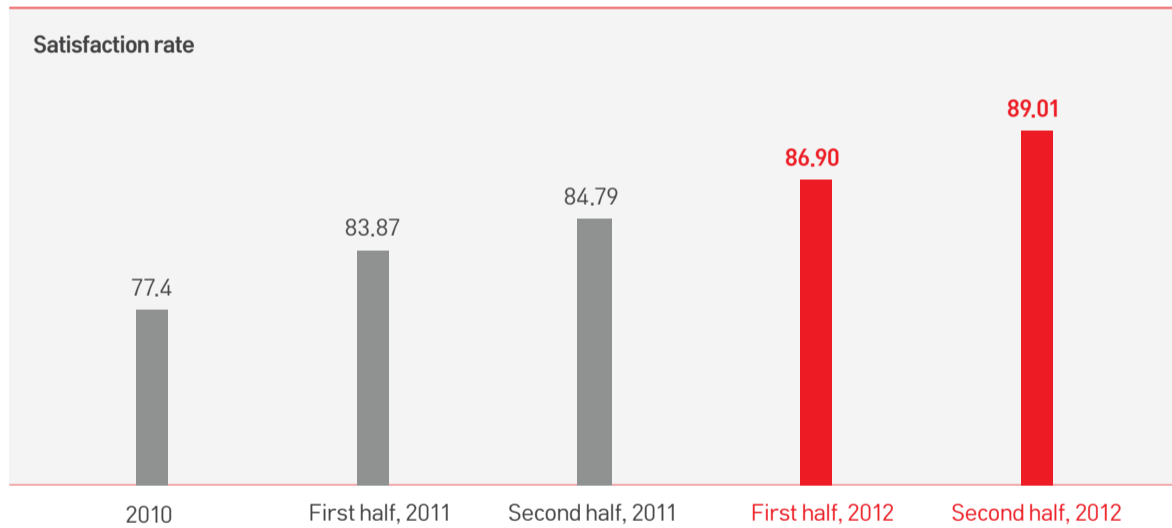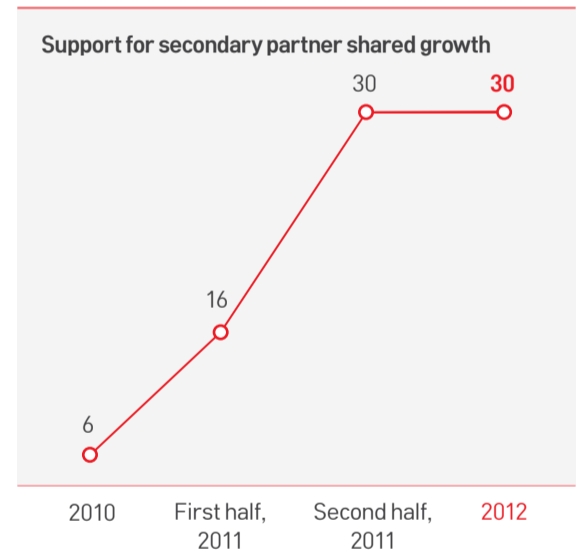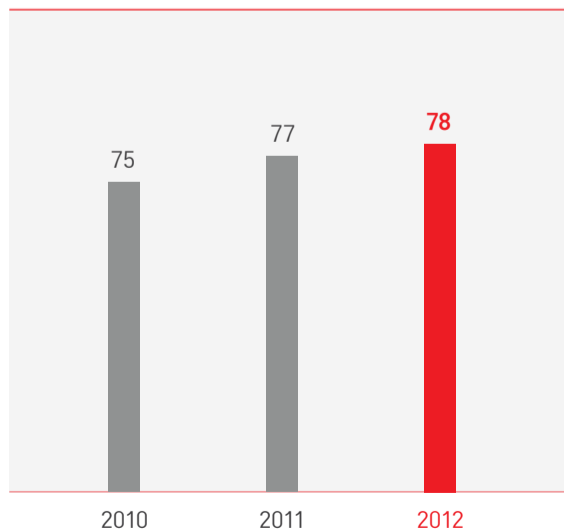
Greenhouse gas emissions (unit: tCO_2e, ton CO_2)

- 2010: 1,176,147
- 2011: 1,173,257
- 2012: 1,098,437
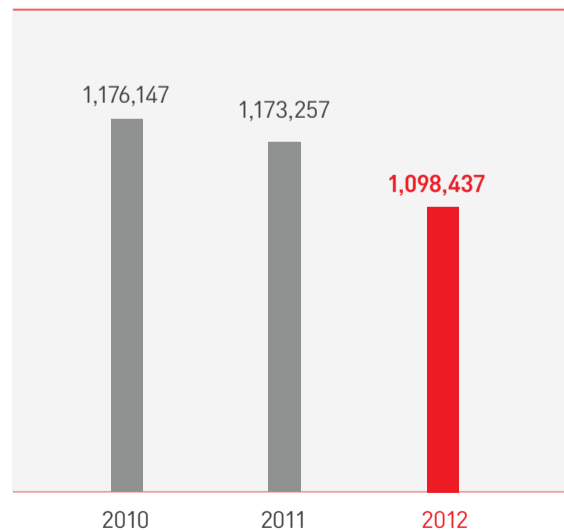
Scope 3 emissions (unit: tCO_2e, ton CO_2)
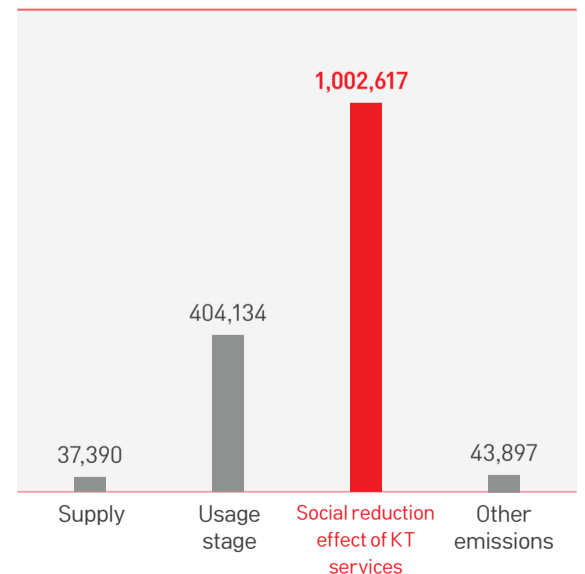
- Supply: 37,390
- Usage stage: 404,134
- Social reduction effect of KT services: 1,002,617
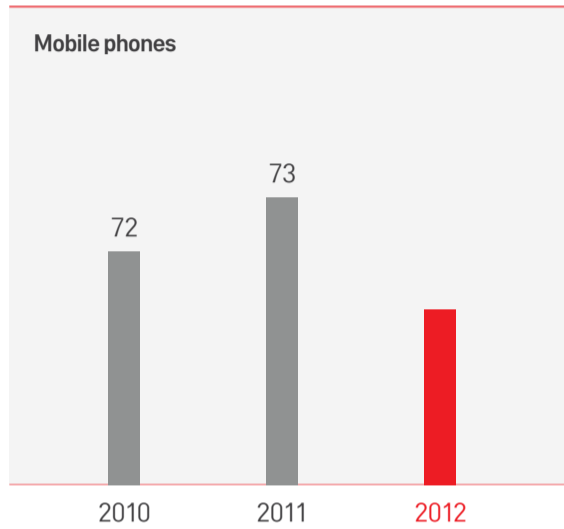- Other emissions: 43,897

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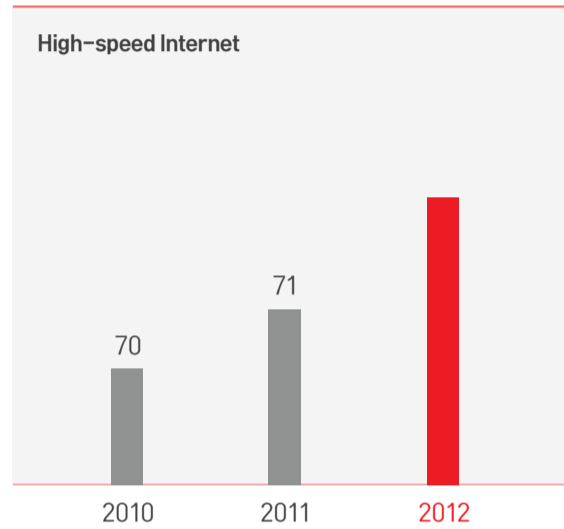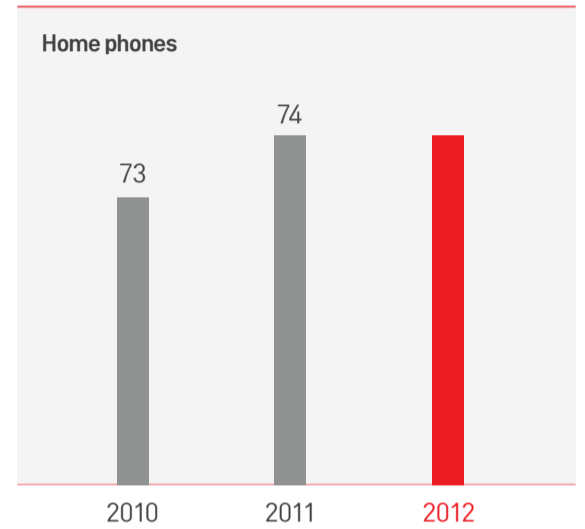ISO26000 Overview & Association Memberships | Awards 2012

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Independent Assurance Report

To : kt stakeholders

The Korea Productivity Center (hereafter referred to as the "assurer") was requested with performing the third-party assurance of the '2012 KT Sustainability Report" (hereafter referred to as the "report") by KT and submits the assurance report as follows.

Responsibly and Independence

The final responsibility for the information and opinions in this report lies exclusively with KT. We are responsible solely for the assurance evaluation of the report, and has not taken part as an independent assurance provider to the creation of this report and holds no interest with the authors of this report that may inhibit the independence of the process.

Assurance Standard

This assurance was performed following the standards set forth in the AA1000AS(2008) assurance standard according to Type 1 assurance and a moderate assurance level. Adherence to the principles of inclusivity, materiality and responsiveness as per the standards in AA1000APS(2008) were measured, and the report was assessed to determine compliance with the GRI G3.1 guidelines.

Limitations

This assurance was carried out in reference to 2012 results according to the standards listed above, and dos not include the verification of the reliability of financial reports and information listed on the Web site. On-site assurance was performed only at the Seoul headquarters location, and any future assurance procedures may affect the results provided here.

Assurance procedure

The report was assessed according to the following procedure.

1. The format of the report was verified for adherence and format according to the GRU G3.1 guidelines, and was verified for adherence to GRI application level A+ requirements.
2. Adherence to principles governing report content and quality as per GRI G3.1 guidelineswere examined.
3. The selection and contents of the major issues discussed in this report was assessed through media research and benchmark analysis.

4. The appropriateness and errors in the selection of expressions used were verified through comparison with other materials and sources.
5. On-site inspections of major business sites including the company's Bundang office, Gwanghwamun office and the Seocho office were carried out to verify the sources of major data and information and assess internal processes and systems.
6. Interviews were performed with key managers in charge of sustainability in order to verify company-wide commitment to and goals established for sustainability.

Assurance results

This assurer has verified that this report accurately reflects the sustainability activities and results of kt fairly and in good faith. KT's claim for satisfying GRI application level A+ standards were also verified during this assurance process. The assurance performed for assessing the report according to the principles of inclusivity, materiality and responsiveness as set forth in the AA1000(2008) standards are as follows.

01. Inclusivity : participation of stakeholders

The principle of inclusivity defines the participation of stakeholders in the process of developing and then reaching responsible goals for sustainability within an organization. This assurance process verified that KT has undertaken various efforts to adhered to and improve the principle of inclusivity during 2012. KT clearly defines communication channels and expectations of the five major groups of customers, employees, partner companies, local community and shareholders and investors based on the influence and accessibility of each group with the company. We recommend that the stakeholder participation process is operated in a precise manner in the future and improvements are made in procedures to make public results of these participatory activities as well as the feedback thus generated.

02. Materiality : Selection and reporting of major issues

The principle of materiality calls for the selection of issues that are related and important to the company as well as to its major stakeholders. This assurer verified that KT utilized a reasonable importance analysis process to identify the issues that significant affect the organization and its stakeholders. KT is strengthen its efforts to identify issues that are important in terms of sustainability through detailed analysis of global initatives, media analysis, industry

Appendix

Summary

Independent Assurance Report

benchmarking, and examinations of KT's own businesses and process. The 2013 report selects a total of 11 major issues, the activities and results of which KT made an effort to display in more detail through the report. The issue of governance was newly selected in this year's report. We recommend that further improvements can be made in the future in the sustainability activities that are affected by changes in the external environment as well as stakeholder expectations by carefully evaluating past major issues and continuously checking and responding to changes in issues.

03. Responsiveness: responsiveness of the organization to issues

The principle of responsiveness requires that an organization responses to issues that may affect the results and outcomes of stakeholders. This assurer verified that KT identified the major expectations through which KT may affect the outcomes of stakeholders, carried out activities to response to such issues, and reported those activities in the report in an appropriate fashion. KT made public these responses to sustainability issues by stakeholder categories including shareholders, the local community, customers, partners and employees. An additional section on the environment was created to contain KT's activities and achievements in environmental responsibility. We give high marks to KT's efforts to present the major results of such activities to better manage chances in the sustainability efforts in these areas. However, the inclusion of a wide variety of activities makes an accurate examination of direct responses on major issues challenging, and the lack of sufficient explanation of the results of activities in the five major strategic goals of sustainability makes the verification of sustained and systematic effort difficult. We recommend a strategic examination to create the proper procedure for integrating sustainability planning,

activity, and the management and publication of results through a more concrete process overseen by the Sustainability Committee.

Recommendations

This assurer holds in high regard KT's various efforts to enhance sustainability as well as the results thus achieved, and provides the following recommendations to enhance the publication of future reports as well as the overall level of sustainability efforts.

1. We recommend a long-term view concerning the development of leadership in global sustainability efforts. This means that value creation in certain areas should be improved while the overall scope of sustainability continues to expand. Specialized activities that can act as the main efforts in each stakeholder group will provide differentiated results that can create even greater synergy.

2. We recommend strong efforts in supply CSR in addition to the pursuit of shared growth with partner companies. While KT provides support for shared growth to its partners, it is felt that the company is also responsibility for monitoring its partner companies to ensure that proper management is carried out. Striving to enhance the sustainability of the IT ecosystem through continuous support, monitoring and educating of partner companies will create even more significant results.

June, 2013
Korea Productivity Center
Jin Hong, Chairman

한국생산성본부
KOREA PRODUCTIVITY CENTER

AA1000
Licensed Assurance Provider
000-81

Kim Dong-su,
Director

Lee Gi-hwan,
Team Leader

Yang Dae-gwon,
Researcher

The Korea Productivity Center's SustainabilityCenter is an authorized assurance provider certified by AccountAbility, a global stakeholder participation and assurance evaluator and the primary creator of the international AA1000 standards, and is qualified to carry out independent assurance. The assurance team is composedof experts who have received professional training in assurance consultation and with extensive experience in carrying out sustainability assurance.

Appendix

Summary

GRI Index

No.	Requirement met	Reporting Page	Highest
1. Strategy and Analysis			
1.1	●	3~4	A_1
1.2	●	3~4	A_2
2. Organizational Profile			
2.1	●	25	A_3
2.2	●	38~41, 62~65, 115~119	A_4
2.3	●	25	A_5
2.4	●	25	A_6
2.5	●	25	A_7
2.6	●	25	A_8
2.7	●	25, 115~119	A_9
2.8	●	25	A_10
2.9	●	25, 33~34	B_8
2.10	●	126	EC8, C08
3. Report Parameters			
3.1	●	1	B_3
3.2	●	1	B_8
3.3	●	1	B_6
3.4	●	127	B_9
3.5	●	1	B_4
3.6	●	1	B_1
3.7	●	1	B_2
3.8	●	1	A_6
3.9	●	1	–
3.10	◇	Not available	–
3.11	◇	Not available	B_5
3.12	●	120~121	B_10
3.13	●	122~123	B_7
4. Governance, Commitments, and Engagement			
4.1	●	28	GR1
4.2	●	28	GR(1, 3)
4.3	●	28	GR2
4.4	●	28	GR12
4.5	●	28	GR(7, 8, 9)
4.6	●	28	GR(13, 14)
4.7	●	28	GR4
4.8	●	26	GR10
4.9	●	28	GR5
4.10	●	28	GR6
4.11	●	31	GR11
4.12	●	29, 126	GR10
4.13	●	126	A_11
4.14	●	9	C(1, 2)
4.15	●	9	C_1
4.16	●	9	C_2

No.	Requirement met	Reporting Page	Highest
4.17	●	9~10	C_3
5. Management Approach and performance			
Economic			
DMA	●	11~12, 32	
EC1	●	11~12, 46~48	EC1
EC2	●	101~104	EC2
EC3	●	46	EC3
EC4	◐	111~113	EC5
EC5	○	–	EM4
EC6	◇	Not available	EC4
EC7	◇	Not available	EC4
EC8	●	51	EC6
EC9	●	50~59	EC7
Environment			
DMA	●	21~22, 98	
EN1	◇	Not available	EV10
EN2	◇	Not available	EV11
EN3	●	101~103	EV7
EN4	●	101~103	EV8
EN5	●	105~106	EV5, EC9
EN6	●	103	EV5
EN7	●	105~106	EV(5, 25)
EN8	●	Not available	EV9
EN9	●	No applicable source	–
EN10	●	107	EV18
EN11	●	No applicable area	EV22
EN12	◐	66	EV(22, 26)
EN13	◇	Not available	EV27
EN14	◇	Not available	EV(6, 26)
EN15	◇	Not available	EV28
EN16	●	101~104	EV12
EN17	●	101~104	EV13
EN18	●	101~104	EV4
EN19	●	배출량 없음*1)	EV14
EN20	●	배출량 없음	EV15
EN21	●	배출량 없음	EV17
EN22	●	107	EV16
EN23	●	No spillage*2)	EV21
EN24	◇	Not available*3)	EV29
EN25	●	No emission*3)	EV19
EN26	●	108~110	EV23
EN27	●	107	EV24
EN28	◇	No violations	EV31
EN29	●	101~103	EV30
EN30	○	–	EV1
Labor conditions and practices			
DMA	●	17~18, 69	
LA1	●	84	EM1
LA2	●	84, 95	EM5

No.	Requirement met	Reporting Page	Highest
LA3	●	94	EM(18, 20, 21, 32)
LA4	●	97	EM(10, 11, 12)
LA5	●	97	EM13
LA6	●	92~93	EM14
LA7	●	92~93	EM(17, 19)
LA8	●	92~93	EM(16, 18)
LA9	●	92~93	EN(15, 16)
LA10	◐	89, 90	EM27
LA11	●	90, 91	EM(26, 28)
LA12	●	90	EM9
LA13	●	84	EM(2, 33, 34), C010
LA14	●	95	EM(3, 17)
LA15	●	95	EM34
Human Rights			
DMA	●	19~20, 83	
HR1	◐	74	PN(1, 2)
HR2	◐	74	PN(3, 4, 5)
HR3	●	30	EM(25, 26, 28, 30)
HR4	●	No applicable cases	EM(7, 22)
HR5	●	No violations	EM(8, 23, 24)
HR6	●	No violating sites*4)	EM9
HR7	●	No violating sites*5)	EM10
HR8	○	–	EM31
HR9	◇	Not available*6)	CO2
HR10	●	74	–
HR11	●	97	–
Society			
DMA	●	13~14, 49	
S01	●	50~59	C_2, CO(1, 2)
S02	●	No applicable sites	CO5
S03	●	30	CO5
S04	●	30	CO5
S05	●	111~113	CO6
S06	◇	Not available	CO7
S07	●	81	CS(2, 3)
S08	●	81	CO9
S09	◐	Not available	–
S010	◐	74	–
Product Responsibility			
DMA	●	15~16, 60	
PR1	●	31, 74	CS4
PR2	◐	65~67	CS(2, 10, 11)
PR3	●	60~68	CS(5~8)
PR4	●	No regulatory violations	CS(11, 12)
PR5	●	62	CS(1, 9, 10)
PR6	●	68	CS(12, 13)
PR7	●	No violations	CS(13, 14)
PR8	◐	66~67	CS15
PR9	●	81	CS(7, 12, 15)

*1) No ozone-depleting substances were detected in the processes. *2) No serious hazardous substances were detected in the business processes *3) Not very relevant to the environmental impacts of business activities   *4) No business areas with risks of child labor *5) No business areas with risks of compulsory labor *6) No intrusions by indigenous communities arising out of overseas businesses

Appendix

KT Family Companies | Major Sustainability Indexes | Independent Assurance Report | GRI Index
ISO26000 Overview & Association Memberships | Awards 2012

Summary

ISO26000 Overview & Association Memberships

kt applied to this 2012 Sustainability Report ISO 26000, an international standard for sustainability published in November 2010. kt will continue to work on the core subjects of ISO 26000, namely, organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

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)

Core Subject	Issue		Report Page
6.2 Organizational Governanc	6.2.3	Decision-making process and structure	28
6.3 Human Rights	6.3.3	Due diligence	74
	6.3.4	Human rights risk situations	95
	6.3.5	Avoidance of complicity	74, 81
	6.3.6	Resolving grievances	97
	6.3.7	Discrimination and vulnerable groups	95
	6.3.8	Civil and political rights	95
	6.3.9	Economic, social and cultural rights	52~59
	6.3.10	Fundamental principles and rights at work	95
6.4 Labor Practices	6.4.3	Employment and employment relationships	84
	6.4.4	Conditions of work and social protection	97
	6.4.5	Social dialogue	97
	6.4.6	Health and safety at work	92~93
	6.4.7	Human development and training in the workplace	88~91
6.5 Environment	6.5.3	Prevention of pollution	108~110
	6.5.4	Sustainable resource use	105~107
	6.5.5	Climate change mitigation and adaptation	101~104
	6.5.6	Protection of the environment, biodiversity and restoration of natural habitats	96
6.6 Fair Operating Practices	6.6.3	Anti-corruption	74
	6.6.4	Responsible political involvement	–
	6.6.5	Fair competition	31, 81
	6.6.6	Promoting social responsibility in the value chain	74
	6.6.7	Respect for property rights	70~71
6.7 Consumer Issues	6.7.3	Fair marketing, factual and unbiased information and fair contractual practices	64, 70
	6.7.4	Protecting consumers' health and safety	66
	6.7.5	Sustainable consumption	108~110
	6.7.6	Consumer service, support, and dispute resolution	67~68
	6.7.7	Consumer data protection and privacy	66
	6.7.8	Access to essential services	59
	6.7.9	Education and awareness	62
6.8 Community Involvement and Development	6.8.3	Community involvement	51~54
	6.8.4	Education and culture	52~59
	6.8.5	Employment creation and skills development	71~73
	6.8.6	Technology development and access	55
	6.8.7	Wealth and income creation	10~11
	6.8.8	Health	54
	6.8.9	Social investment	52

Appendix

Summary

Awards 2012

Date	Description	Host
01–15	Best Bond Issuer	The Bell(Morning Today's funds paper)
02–01	Included in Respected Company All Stars	Korean Management Association Consulting
02–10	iF Design Award Winner	iF international Forum
02–14	Green Ranking – ranked the 1st in Software and Communications(4th in Korea)	Newsweek/Joins.com/Sustinvest
02–26	Best Mobile Broadband Technology (KT for KT's Premium WiFi Solution)	GSMA
03–30	NCSI No. 1 (Braodband Internet, Home phone, Internet phone, IPTV, International calling)	Korea Productivity Center
05–24	Top LTE Network Business	informa telecoms & media(LTE AWARD 2012)
06–19	KSQI Excellent Call Center	Korean Management Association Consulting
06–28	"University Students' Choice – the Most Desirable Employer 2012"(Ranked 6th)	Incruit
08–20	"The Best Employer in Korea"(Rabked 10th in services industry)	KMAC
08–31	Presidential Institutional Merit Award (For IAAF World Championships)	City of Daegu
09–07	This Year's Most Notable Brand Award	Brand Finance
09–13	Global Supersector Leader in Telecommunications(DJSI)	Dow Jones(USA), SAM(Switzerland)
09–19	Global Green Growth Forum – Grand Award in Telecommunications	AJU Business Daily
09–25	Forbes Social Contribution Award – Grand Prize	Forbes Korea/Korea Chamber of Commerce & Industry
09–27	Excellent company in Social Responsibility	jtbc
09–27	Ranked the 1st in Korea Customer Sstisfaction Index (Broadband Internet, Home phone, Internet phone, IPTV, International calling)	Korean Management Association Consulting
10–15	The 9th International Business Awards – Silver Prize	International Business Awards(30th Anniversary)
10–19	Red dot Design Award – Best of the Best	red dot award
10–25	"MK K–Trust : The Most Trusted by Customers No. 1" (Broadband Internet, IPTV, International calling, Local/long–distance calling)	MK Business News
10–25	Good Corporate Culture Conference Korea – Excellent Company	Digital Chosun
10–25	"Korea's Top 100 Great Place to Work 2012" Top Award (GPTW Award)	GWP Korea
10–30	Sustainability Report Award	Korea Management Association Registrations & Assessments Inc.
10–31	Carbon Disclosure Project(CDP) – Telecommunications Industry Leader	CDP UK, CDP Korea
11–07	'WiFi Industry Award 2012' Best Wi–Fi Service Innovation Award for operator	WBA(Wireless Broadband Alliance)
11–28	Company Innovation Awards – Presidential Award	Korea Chamber of Commerce & Industry, Joins.com
12–28	Disaster Control for National Infrastructure – Presidential Award	Ministry of Safety & Public Administration