olleh **kt**

2009

corporate

social

responsibility

report

Self-declaration of the GRI G3 Application Level

KT's 2009 Corporate Social Responsibility Report was prepared based on the GRI G3 guidelines. In addition, the GRI Telecommunications Sector Supplement indicators were used as reference. This report fully satisfies the quality and quantitative requirements of level "A+" in the GRI G3 Application Level Table. As such, KT self declares that the GRI G3 Application Level of the 2009 Corporate Social Responsibility Report is at Level "A+". This self-declaration has been verified as being appropriate by the Institute for Industrial Policy Studies (IPS).

Report Outline

● Objective

This is the fourth issue of KT's Corporate Social Responsibility (CSR) report which is intended to provide information on our CSR activities and performance to all stakeholders. We have published the CSR report since 2006 and plan to publish the report annually.

● Reporting Guidelines and Assurance

All information contained in the KT 2009 Corporate Social Responsibility Report was compiled by the Public Relations Office based on data provided by the pertinent departments. This report has been created in reference to the G3 standards of GRI (Global Reporting Initiative), the GRI Telecommunications Sector Supplement and the BEST Sustainability Reporting Guideline which is developed in Korea. To ensure objectivity and credibility of the report contents, this report was subject to internal review and received third party assurance from the Institute for Industrial Policy Studies (IPS).

* BEST Sustainability Reporting Guideline

The BEST Sustainability Reporting Guideline was jointly developed by the Ministry of Knowledge Economy (MKE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS).

● Reporting Scope and Period

This report covers the period from January 1, 2008, to June 30, 2009. It also contains information beyond the mentioned period when deemed relevant. For quantitative measures of performance, the report includes data for the three years from 2006 to 2008 to help readers identify rising or declining trends. Qualitative measures of performance are centered on the reporting period but introductions and historical data are included to provide a sense of continuity.

The reporting scope mainly extends to the CSR activities and performance of the pre-merger KT head office and its business sites in Korea. KT merged with its wireless subsidiary, KTF, on June 1, 2009, which resulted in significant changes including expanded scale of operations.

Taking into account such changes, information related to the former KTF is included in the sustainability management and economic performance sections of this report. KT plans to expand the scope of reporting to cover its affiliates and overseas business sites. The currency unit used in this report is the Korean won. Units used to express quantitative data include ton, ㎏, ㎡, and ㎾h. Other units used in the report are noted along with the corresponding figures.

Contents

harmony of business

*Telecom-broadcast convergence
is creating new value.
Excellent products and services
are shaping a world of new media.*

KT is combining telephone, Internet and TV
to enhance customer value
and ultimately to leap forward as the global ICT convergence leader.
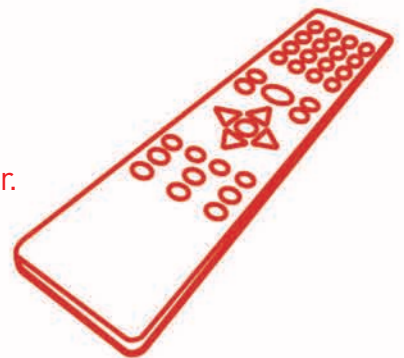
harmony of diversity

Just like the seven colors of a rainbow
and the notes of a music score,
different ideas come together
to create a beautiful world.

KT is building a warm and caring digital world
with diverse members of society
based on mutual trust.

harmony of nature

Refreshing scent of grass,
green fields where children can play,
nature is a timeless companion
and offers a soothing resting place.

Through environment-friendly management,
KT is forging a green IT world
where people and nature coexist in harmony.

BOD Chairman Message

> " Social responsibility falls on business, government and individuals. Along with a balanced approach, the input of all stakeholders is essential for growth as a sustainable enterprise. "
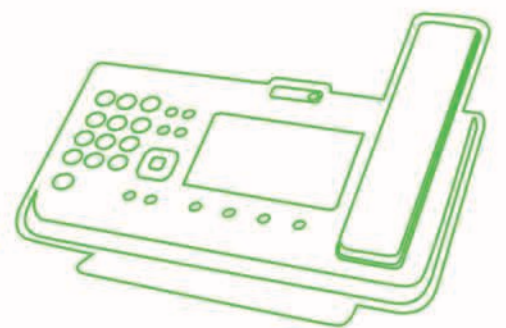
During the workshop titled "Economic Crisis and Corporate Social Responsibility" held in Seoul in June 2009, CSR experts from various countries pointed to an "irresponsible, myopic management approach" as the culprit behind the recent economic malaise. They suggested corporate responsibility as the solution to this problem. Workshop participants emphasized the need for business to create value that can be shared by all stakeholders and the importance of a balanced approach that embodies social and environmental aspects of corporate activity.

It is widely acknowledged that activities that give due consideration to stakeholders are a source of competitive edge and that companies with healthy values will be rewarded in the form of loyalty from customers and employees.

Under the CSR objective of "Responsible Partner, KT," KT has carried out a wide range of activities in the areas of ethical management, customer management, win-win cooperation, environmental management and social contribution. The KT Board of Directors believes these efforts have given KT a strong foundation to grow as a sustainable enterprise and has allowed KT to garner the attention and respect from its customers and the wider society. Other points that have caught our attention was the creation of the CSR Committee for systematic implementation of CSR activities and the ongoing process of coming up with new suggestions to address shortcomings.

Social responsibility falls on business, government and individuals. Along with a balanced approach, the input of all stakeholders is essential for growth as a sustainable enterprise, and a crucial element in that process is maximizing long-term shareholder value. We look forward to seeing KT make continued progress as a socially responsible company that makes a meaningful contribution to society.

Eung-Han Kim
Chairman of the BOD

CEO Message

" We will carry out corporate responsibility with conviction that good corporate stewardship will open up a healthy future not only for KT, but for society as a whole. "

Sharing doesn't necessarily halve the gains; it could double the returns.

The same is true in the corporate setting. Corporate social responsibility is a means to forming healthy relationships between a company and society by sharing corporate resources with local communities for mutual growth and development.

Corporate social responsibility is growing in importance. This is because a company can no longer grow and evolve by relying solely on its individual effort. We are now living in an age of convergence full of interweaving threads and connecting bonds. This means that the future of any enterprise will be determined by its ability to share the excesses while compensating for any shortcomings with external support.

Those principles are well reflected in "olleh kt," our new management philosophy unveiled in July. "olleh kt" represents the hope and promise of the entire KT organization to grow into a global ICT convergence leader.

Over the past century, KT has spearheaded the development of telecommunications in Korea. Over the next 100 years, corporate social responsibility will play a vital role at KT. We realize that good corporate stewardship will open up a healthy future not only for KT,

but for society as a whole. We vow to share corporate returns with local communities to earn their trust. We will do our best to create new value that grows through sharing.

olleh management symbolizes the KT spirit of embracing reverse ideas, realization of customers' dreams, the ability to read the heart of customers, and customer satisfaction. I firmly believe that the spirit will lay the groundwork to transform the hard work of everyone at KT into greater benefits for all. Lastly, I sincerely hope that the refrain of "olleh kt" will reverberate throughout society delivering our values and message of sharing.

Suk-Chae Lee
Chairman and CEO

Corporate Overview

Standing at the forefront of the digital era, KT has been spearheading advances in information technology in Korea since its inception in 1981.

The first milestone at KT came in 1993 when the number of telephone lines surpassed 20 million. That was followed by the launch of Korea's first telecommunication satellite in 1995. Our high-speed Internet subscriber base topped 6 million in 2004 and we introduced the world's first commercial WiBro service two years later. In 2007, KT reinvented itself as a media and entertainment company with the launch of QOOK TV which combines telecommunications with broadcasting.

KT merged with its wireless subsidiary KTF in 2009. Following the union, we unveiled our vision to grow into a global ICT* convergence leader and will focus on nurturing the fixed-wireless convergence business.

The merged entity will maximize wireless competencies to branch out into overseas market. Expansion of WiMAX** and other wireless services will contribute to strengthening our global presence.

KT will continue to head the global market in this era of convergence between voice and data, wired and wireless, and broadcasting and telecommunications. We will pay equal attention to fulfilling our corporate social responsibility.

* ICT : Information, Communication, Transaction

** WiMAX : Worldwide Interoperability for Microwave Access

Corporate Overview

◎ Company name: KT

(as of June 30, 2009)

◎ CEO: Suk-Chae Lee
◎ Date of establishment: December 10, 1981
◎ Location of head office: 206 Jeongja-dong, Bundang-gu, Seongnam-city, Gyeonggi-do
◎ No. of employees: 37,727 persons
◎ Operating revenue in 2008: KRW 11.78 trillion
◎ Total assets as of the end of 2008: KRW 18.68 trillion
◎ Total liabilities as of the end of 2008: KRW 9.85 trillion
◎ Brand value*: KRW 2.10 trillion
  * Source: "A study on corporate brand value" by The Institute for Industrial Policy Studies
◎ Stock listing: Korean, New York and London stock exchanges
◎ Credit rating
  Moody's: A3 (March 5, 2009)
  S&P: A- Positive (June 30, 2008)
  Fitch Ratings: A (July 2, 2007)

❖ **Market Shares of Major Services (December 2008)**

unit: %

Local call	Mobile call	High-speed Internet
89.8	31.5	43.4

* Source: Korea Communications Commission

❖ Affiliates

Company name	Main business	Ownership (%)	Book value (KRW million)
KTH	Internet/contents business	65.9	118,500
KTP	Trunked Radio Service(TRS)	44.9	32,600
KTN	Special category telecommunications/NI business	100	57,200
KTSM	Construction and maintenance of submarine cable	36.9	20,700
KTT	Security services (security systems, facilities, etc.)	88.8	23,600
KTM&S	Sales of terminals	100	54,900
KT Capital	Lease/installment financing, investment banking	100	103,100
KTR	IT solution rental (equipment/auto lease, etc.)	100	54,700
KTDS	SM/SI	100	10,000
KT Music	Sound source distribution	48.7	16,500
Nasmedia	Display advertisement	50	24,900

* Includes only affiliates with book value of minimum KRW 10 billion

❖ Global Network

Overseas Subsidiary*

❶ China - KT China Corp
❷ Japan - KT Japan Co. Ltd.
❸ Russia - New Telephone Company
❹ Mongolia - Mongolian Telecom
❺ Uzbekistan - East Telecom, Super-iMax
❻ USA - KT America Inc.(LA Office)

Overseas Office**

❼ Russia (Moscow Office)
❽ Vietnam (Hanoi Office)
❾ Bangladesh (Dacca Office)
❿ Rwanda (Kigali Office)
⓫ Algeria (Algiers Office)
⓬ Indonesia (Jakarta Office)
⓭ Uzbekistan (Tashikent Office)

❖ Key Services and Brands

Integrated IT Solution

QOOK
QOOK Internet
QOOK Internet call
QOOK Call at home
QOOK TV
QOOK Set

Mobile phone service	Mobile Internet
SHOW	SHOW WIBRO
Home study	High-speed wireless network
7WISE	NESPOT
Corporate solutions	International call service
bizmeka	ool
Integrated messaging service	
Xroshot	

* Overseas Subsidiary
  : KT has share ownership

** Overseas Office
  : Established to develop business, conduct
    business and research as KT's
    representative office

Vision and Strategy

"olleh" management reflects our commitment to think outside the box and draw on synergy produced by the merger with KTF to enhance customer value. KT will transform into a global ICT convergence leader through innovative ideas that delight customers beyond their imagination.

KT Value Pyramid

olleh Management at KT

Purpose

Management
Philosophy
**Always
Connected**

Management Principle
and Strategy

Management
Direction

olleh Management

Business
Objective

Vision

Global ICT Convergence Leader

Guideline for
Employee
Attitude
and
Conduct

Core Value

A.C.T.I.O.N = New KT Way
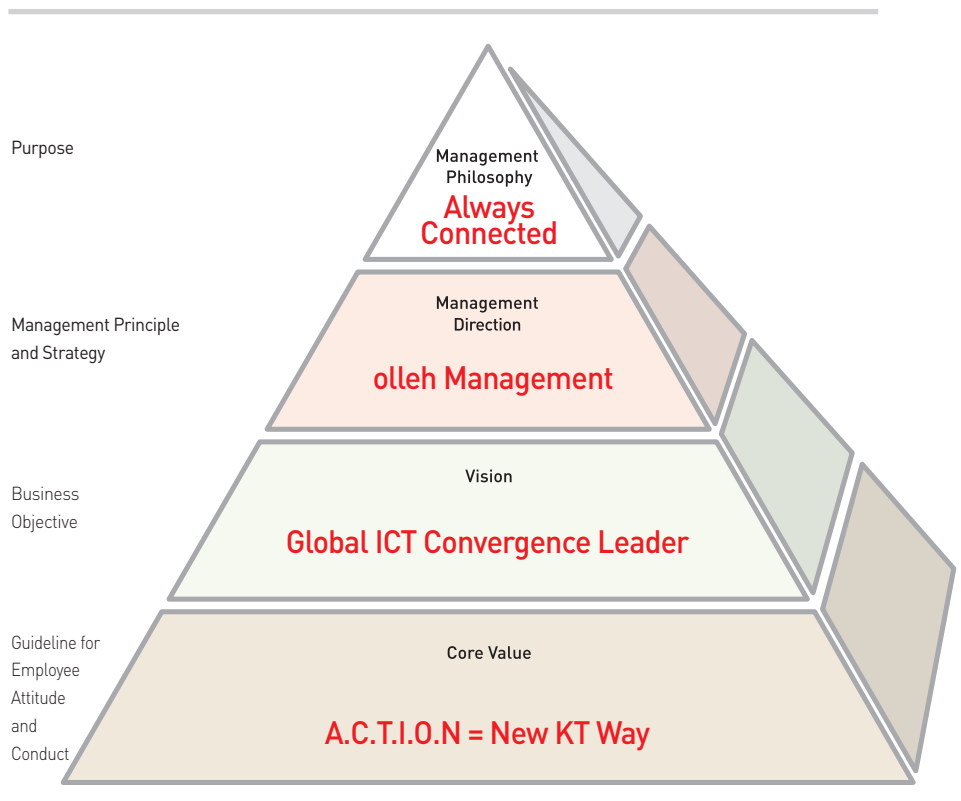
* "Always Connected" : Updated interpretation of our former management philosophy of "convergence of
 information, telecommunications and people"
* ACTION: All for Customer, Collaboration, Trust, Innovation, Ownership, Now

Management Direction - olleh Management

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

olleh Management

Manage-ment direction	Shareholder	Nation	Employee	Society	Customer
	Outstanding Performance	**L**eading IT	**L**iberal Culture	**E**steemed Company	**H**appy Customer

Vision - Global ICT Convergence Leader

We announced our new vision to become the 'global ICT convergence leader' through convergence-based innovation. We will implement our '3.3.7' plan under which we aim to increase KT Group annual sales by KRW 3 trillion to KRW 27 trillion, boost operating margin by 3%p to 11.4%, and grow FMC* subscribers seven-fold to 2.1 million by 2012. KT, which has a pivotal role in driving the Group's growth, will expand business scope through convergence-based service. We plan to generate annual sales of KRW 22 trillion and operating income of KRW 2.6 trillion by 2012.

* FMC : Fixed Mobile Convergence

Core Value - New KT Way

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

❖ New KT Way = ACTION, Action-oriented changes

	Collaboration	Trust	Innovation	Ownership	Now
All for Customer					

ACTION = New KT Way
+

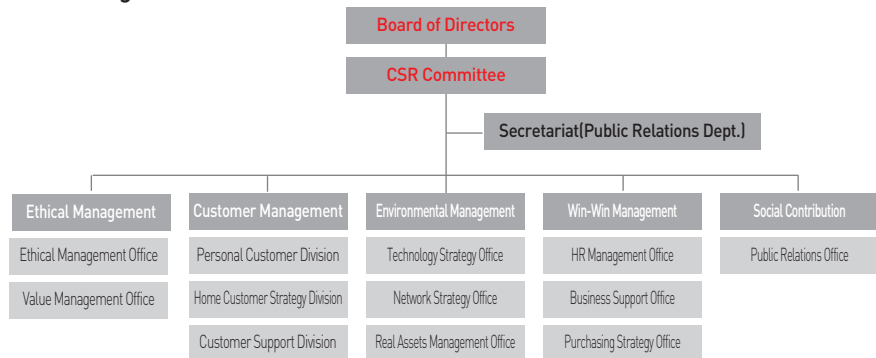| Process	Organizational system	Support
Speedy and action-oriented changes	Goal-oriented and accountability management	Professionalism and productivity

Corporate Social Responsibility

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

In order to contribute to the sustainable growth of humankind, KT practices CSR (Corporate Social Responsibility) management giving balanced consideration to our economic, social and environmental responsibilities. We have set up the related organizational structure for systematic and effective implementation of CSR activities. In addition, we facilitate communication with diverse stakeholders and incorporate major issues in how we conduct our business.

Implementation Structure

KT operates a CSR Committee to implement CSR activities more effectively. Chaired by a vice-president (head of the Ethical Management Office), the CSR Committee is composed of five working level committees that deal with the following five dimensions: ethical management, customer management, environmental management, social contribution and win-win management.

❖ CSR Organization

Board of Directors

CSR Committee

Secretariat(Public Relations Dept.)

Ethical Management	Customer Management	Environmental Management	Win-Win Management	Social Contribution
Ethical Management Office	Personal Customer Division	Technology Strategy Office	HR Management Office	Public Relations Office
Value Management Office	Home Customer Strategy Division	Network Strategy Office	Business Support Office	
	Customer Support Division	Real Assets Management Office	Purchasing Strategy Office	

❖ Divisional/Departmental Roles

Division	Initiative	Organization	Roles and Responsibilities
Ethical Management	Gain recognition as a clean organization	Ethical Management Office	Ethical management, business ethics campaigns, corporate governance
		Value Management Office	Transparent financial reporting, disclosures, direct/indirect economic effect
Customer Management	Uphold customer value and promote a fun workplace and work-life balance	Personal Customer Division	Mobile telecom service innovation, product liability, information security, quality improvement
		Home Customer Strategy Division	Service innovation, product liability, customer value enhancement
		Customer Support Division	Information protection and privacy, information security, side effects of IT, service quality improvement
Environmental Management	Realize "Green KT, Green Korea"	Technology Strategy Office	Pursuit of green IT business, eco-friendly sustainable growth
		Network Strategy Office	Energy savings from networking and mobile equipment
		Real Assets Management Office	Environmental awareness, response to climate change, energy conservation
Win-Win Management	Foster a productive corporate ecosystem to create value with our partners	HR Management Office	Fair HR management, hiring, education/training
		Business Support Office	Fair HR management, working conditions, labor-management relations, worker safety and health
		Purchasing Strategy Office	Fair trade, partnership with suppliers/contractors, benefit-sharing, green purchasing
Social Contribution	Narrow the digital divide and enhance quality of life	Public Relations Office	CSR planning, CSR Secretariat, social contribution activities

Corporate Governance

Privatized in 2002, KT is committed to ensuring transparency through its system of professional managers and an independent board of directors. It has adopted almost all recommended model standards for corporate governance that are in line with global standards. In March 2007, we adopted the "Corporate Governance Charter"* as part of efforts to improve our governance structure.

* The corporate governance charter is available via the KT homepage (http://www.kt.com).

BOD Composition and Operation**

The KT board of directors (BOD) is comprised of 10 members (3 executive directors, 7 outside directors). Outside directors, who are experts and have management leadership, serve three years or less. They are appointed by the Outside Director Recommendation Committee which is composed of all of the outside directors and one executive director. The BOD chair serves a one-year term and is chosen from among the outside directors. To effectively operate the BOD, KT has evaluated its performances annually while personal performance evaluation was begun in 2007 to enhance the responsibilities of directors. Resolutions are passed when the majority of the board members are present and the majority of those attending the meeting give their approval.

** Detailed information on the BOD is available via the KT homepage (http://www.kt.com).

❖ BOD Activities

Category	2006	2007	2008
No. of BOD meetings	9	12	17
Rate of participation	94%	89%	96%
Evaluation results* (point)	4.49	4.56	4.6

* In 2008, the BOD deliberated on and approved 53 agenda items including the joining of the UN Global Compact, construction of the IDC, and measures to boost shareholder value.

❖ Committees under the BOD

Committee	Composition	Roles and Responsibilities
Audit Committee	4 outside directors	Perform audits on accounting and company operations
Evaluation and Compensation Committee	5 outside directors	Oversee matters related to the CEO's contract and evaluation
Related Transactions Committee	4 outside directors	Deliberate on major internal transactions and transactions with related parties
Executive Committee	3 executive directors	Address matters on operations and finances delegated by the board
Outside Director Candidate Recommendation Committee	All outside directors and one executive director	Nominate outside director candidates, deliberate on and approve necessary matters

Responsible Management by Professional Managers

The CEO signs a management contract with the BOD as a means of ensuring responsible management by professional managers. Performance bonus for the CEO is based on the company's performance as measured by quantitative and qualitative assessments determined by the Evaluation and Compensation Committee. Quantitative assessment compares figures such as group EBITDA, net profit of KT, and degree of change in business portfolio to targets set by the BOD. Qualitative assessment looks at progress related to such matters as innovation and competitiveness by business. For executive directors and officers other than the CEO, performance bonus is based on performance evaluation of the entire company and the pertinent business unit. All other matters related to compensation are decided by the Evaluation and Compensation Committee.

Ethical Management

The Code of Ethics and the Guidelines on Conduct for the Implementation of the Code of Ethics are available via the KT homepage.
(www.kt.com, About KT → Ethical Management)

In the wake of the merger with KTF, KT adopted 10 major tasks to do away with past irregularities and wrongdoings and forge a new future and realize a "Clean KT." Employees will be motivated to take the initiative in establishing an ethical culture and every effort will be made to restore KT's reputation as an enterprise with strict ethical standards.

Ethical Management Organization

Reporting directly to the CEO, the Ethical Management Office conducts audits on business operations, accounting and special issues and promotes ethical management throughout KT. The office's risk prevention activities are intended to enhance corporate value and prevent damage to the company image. Within the office is the Ethics Implementation Secretariat which operates the infrastructure for ethical management and carries out related training.

Employees Presented with Guidelines on their Conducts

To present employees with clear guidelines of conducts to help them make rational judgments, KT has enacted and announced its new "Code of Ethics" in January 2003. It went further; establishing standards for implementing corporate ethics by formulating detailed "Guidelines on Conduct for the Implementation of the Code of Ethics" in order to ensure employee compliance with ethical standards. In March 2009, we unveiled the "Clean KT Ethics Charter" which represents the core values (basic principles, guidelines of conduct) that will shape KT into an ethical enterprise free of corruption and misconduct. Our Code of Ethics is posted on the ethical management homepage to help employees understand and adhere to the company's ethical standards.

10 Major Tasks for Clean KT

Clean KT Ethics Charter   We unveiled the "Clean KT Ethics Charter" on March 1, 2009, which states the management principles and guidelines of conduct required of an ethical enterprise. The charter sets forth the standards of conduct expected of KT employees as well as the core values that guide our business activities.

Revision of Guidelines on Conduct for the Implementation of the Code of Ethics   In March 2009, we also unveiled the revised Guidelines on Conduct for the Implementation of the Code of Ethics. The guidelines express our goal of shaping KT into a company free of corruption and misconduct and maintaining our dignity as an ethical enterprise. Featuring real life examples that arise in the course of carrying out everyday business activities, the guidelines serve as an easy-to-understand reference point for employees.

Clean Zone re-designation   The risk of wrongdoing is higher in certain functions like purchasing, placing orders, signing contracts, conducting reviews and selecting partner companies. Because ethics are particularly important for departments handling such activities, they are designated clean zones (31 institutions and 391 departments). Employees in clean zones pay greater attention to observing ethical standards and rooting out wrongful practices.

Clean 365 Center   The Clean 365 Center was set up to protect employees and preserve corporate integrity. It allows workers to report the incident and return the bribery items if they have involuntarily received money or gifts while carrying out their duties.

Self-assessment and ethics pledge   Everyone at KT has conducted an ethics self-assessment and signed a pledge of ethics online. All company executives have personally signed integrity pacts. Pledges signed by employees are verified by the relevant department head for greater accountability. The ethics self-assessment is conducted by all members of KT on a quarterly basis.

Increased training to promote common values   Training is provided to departments that need to make improvements based on the results of self-assessments, and prominent social figures are invited to hold lectures as a way of raising ethical awareness. Since the appointment of the new head of the Ethical Management Office, examples of misconduct taken from audits have been communicated to employees to prevent recurrences. Examples of misconduct and corruption are also posted on the company website to provide guidance to employees.

Ethics monitoring activities   Monitoring activities to expose unethical conduct are carried out to maintain order and identify various risk factors so that the underlying causes can be rooted out.

Reinforcing communication channels   Improved operation of the Cyber Reporting Center is allowing us to better protect reporters, while swift handling of filed reports have enhanced communication regarding ethical management.

Reward for good conduct and penalty for wrongdoing   KT strictly adheres to the principle of rewarding good conduct and imposing penalty for wrongdoing. Units and individuals with outstanding ethical performance are rewarded accordingly. Examples of commendable behavior and best practices are posted on the ethical management homepage. On the other hand, stern measures are taken against ethics violations.

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

Ethical Management Training

KT offers a wide range of training programs to encourage employees to partake in ethical management. Moreover, we are steadily expanding ethics training opportunities for our subsidiaries and partner companies. Every year, newly-recruited and newly-promoted employees are required to complete an ethical management course at the company's training center. In addition, all employees receive basic ethics education through a cyber training course. Training is also provided to KT's business partners, including its partner companies, sales centers and agencies, to promote participation in ethical management by making use of such opportunities as management consulting and business meetings.

Reporting Channels
Cyber Reporting Center (www.kt.com About KT →
Ethical Management → Cyber Reporting Center)
e-mail(ethics@kt.com)
Counseling Center (82-1588-8448)

❖ **Ethical Management Training**

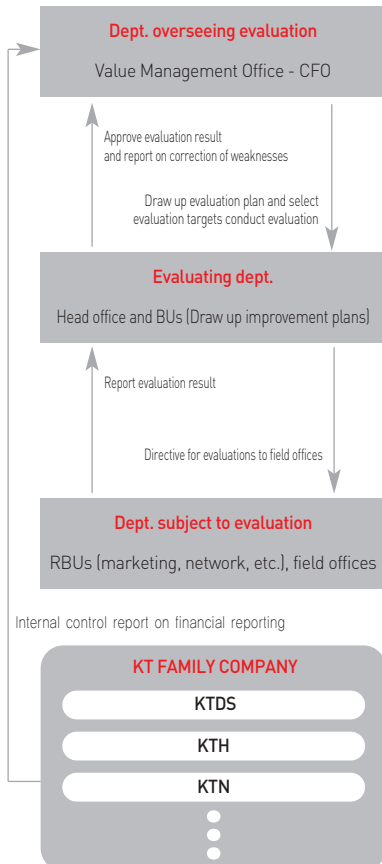| Category	Trainees	2006	2007	2008
Online training	Employees	3,600	15,500	11,489
	Subsidiaries/Affiliates	446	1,089	1,353
	Business partners	-	-	569
	Sub-total	4,046	16,589	13,411
Classroom training	Employees	1,520	5,726	2,757
	Subsidiaries/Affiliates	-	-	11
	Business partners	-	764	85
	Sub-total	1,520	6,490	2,853
	Total	5,566	23,079	16,264

Internal Control

Accounting reform legislation such as the Act on External Audit of Stock Companies of Korea and the Sarbanes–Oxley Act of the US are intended to ensure transparency in financial reporting and to protect stakeholders. Due to such laws, the corporate world faces greater accountability for financial statements and internal control. Through rigorous internal control, KT conducts business in a transparent manner while promoting integrity and adherence to the highest ethical standards.

Internal Control System of Global Standards

KT has set up a system to assess internal control over major work processes. The purpose of the evaluation system is to ensure efficient and effective work processes, raise credibility of financial data, and comply with related laws. The focus in 2008 was on establishing internal control as an integral part of our activities and automation. It included internal control evaluation related to the merger with KTF.

❖ Internal Control Evaluation Process

Dept. overseeing evaluation
Value Management Office - CFO

Approve evaluation result
and report on correction of weaknesses

Draw up evaluation plan and select
evaluation targets conduct evaluation

Evaluating dept.
Head office and BUs (Draw up improvement plans)

Report evaluation result

Directive for evaluations to field offices

Dept. subject to evaluation
RBUs (marketing, network, etc.), field offices

Internal control report on financial reporting

KT FAMILY COMPANY
KTDS
KTH
KTN

❖ Implementation of Internal Control

2003 ~ 2004 Laying the groundwork	2005 Building an evaluation system	2006 ~ 2007 Evaluation and revision	2008 ~ 2009 Promotion and automation

• Internal control documentation
 - Accounting, P/L, financial position,
  construction work, purchasing, logistics
• Identify/correct weaknesses via internal
  control efficiency analysis
	• Documentation of all processes and
	  formulation of evaluation procedure
	• Devise internal control evaluation tools
	• Trial evaluation of internal control
		• Internal control documentation and
		  creation of evaluation system of affiliates
		• Internal control evaluation for fiscal years
		  2006 and 2007
		• Build internal control management system
			• Enhance system for constant monitoring
			  of internal control
			• Boost internal control testing by nurturing
			  professional accounting testers
			• Evaluate internal control related to merger with KTF

Work Process Improvement via Internal Control Evaluation

We have segmented the work processes related to financial reporting and documented about 1,300 control activities. We evaluate the effectiveness of their design and operation and have the results of the evaluation audited by an outside auditor before submitting them to domestic and overseas regulatory agencies. The head office and business groups document activities that significantly affect the financial statements. During each evaluation, the professional control evaluators of the Accounting Center conduct tests. The evaluation results are certified by the heads of the evaluating departments at the head office and business units. The internal control department under the Value Management Office certifies to the accuracy of the evaluation results and checks the validity of internal control.

Corrective action is promptly taken when shortcomings in work processes are identified. The Value Management Office, Ethical Management Office and the pertinent departments carry out constant monitoring to prevent any problems from recurring.

Risk Management

Market saturation, fierce competition and uncertainties in the marketplace have heightened management risks. KT has set up a companywide risk management system to maintain close ties with stakeholders and pave the way toward sustainable growth in an uncertain environment.

Enterprise Risk Management (ERM)

Risk management activities which had been scattered throughout the company have been integrated for optimal risk management and effective response to various risks. To ensure a strong control environment and execution, a separate unit overseeing ERM has been set up under the Ethical Management Office. We have also drawn up manual on how to address risks at the company and KT Group levels to effectively deal with core and unforeseen risks.

Major Roles of ERM Department
-Set up risk management plan
-Select and manage key risks
-Operate Risk Management Committee

❖ **Companywide Risk Management Flow Chart**
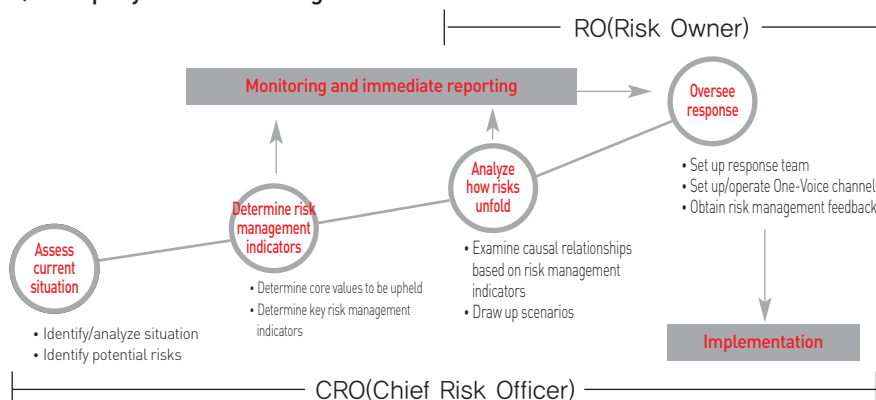
Management of Key Risks

We have reinforced preventive activities by identifying risk factors based on analysis of the business strategy, mission and work process of each unit in the organization. Company-wide risks that may happen are intensively monitored by the ERM department. Key risks monitored in 2008 were as follows: preventing Internet infringement, natural disaster and unauthorized disclosure of personal information. We tried our utmost to manage these risks though preemptive measures.

❖ **Major Risk Management Activities in 2008**

Risks	Activities
Preventing Internet infringement	Corrected security shortcomings of telecom facilities, Safety checks on telecom facilities and safety drills to prevent hack attacks
Natural disaster	Training on communications restoration, Expanded application of restoration system
Unauthorized disclosure of personal information	Encryption and certification of personal data

Stakeholder Engagement

The change in business environment has given rise to new stakeholders while incumbent stakeholders are exerting greater influence on corporate policy. These changes call for more active communication between companies and their stakeholders. Stakeholder communication is crucial in that it is the best way to finding the path to mutual prosperity and to identifying and addressing risks, which in turn supports the continuity of a company.

Framework for Stakeholder Communication

Customers and investors are important in that they have an economic relationship with the company. Employees and business partners are invaluable for their role in driving innovation and growth. The local communities where we operate and future generations also have a major impact on KT. After classifying the stakeholder groups, we have to identify the major representatives of each group and pursue diverse forms of communication. Dialogue may take place through a consultation body that meets regularly or through intermittent means such as surveys. We also gather feedbacks through diverse channels that include homepage, happy call center, panel surveys, and online surveys.

To identify stakeholders' expectations in terms of CSR, we carry out an annual stakeholder survey as part of preparations for publishing the CSR report. The survey is conducted via telephone, mail, fax, and e-mail. We also carry out focus interviews with experts in diverse fields to pinpoint the expectations of KT stakeholders.

❖ Stakeholder Communication Channels

Stakeholder Group	Communication Channel
Shareholders	General shareholders' meeting (annual), CEO conference (annual), earnings conference (quarterly, disclosures, conference calls), IR news (1~2 times a month), domestic/overseas IR events (year round), IR homepage
Customers	Customer pools (200 persons, 3 regular surveys a year, 4~5 special surveys a year), regular online survey (approx 20,000 respondents, twice a year), college product review group (60 persons, 6 months), household panel (3rd panel in operation in 2009)
Employees	Labor-management council (quarterly), Regional labor-management councils, Group-level labor-management councils, labor-management dialogue (annual), management conferences (quarterly), grievance resolution system (online), newsletter/internal news/intranet debate forum
Business Partners	Partner firm CEO meeting (annual), partner firm satisfaction survey (annual), regular conference (semi-annual), technology exchange forum (monthly), online win-win cooperation center (year round), website for receiving partner firm suggestions (year round), communities in various fields (under preparation)
Local Communities	Meetings with local communities, KT Volunteers (approx. 40,000 participants a year), IT Supporters (39 regions, approx. 70,000 activities a year)
All Stakeholders	CSR Report (published annually since 2006) Homepage (www.kt.com)

2006 CSR Report

2007 CSR Report

2008 CSR Report

Materiality Test

We carried out a materiality test to find issues that stakeholders believe are vital to KT and to reflect in our management. It has been conducted through five steps: checking company's policies, expert interview, investigating sustainability management norms and laws, benchmarking of global advanced companies, and media research. Through these steps, 48 issues were derived including 23 new issues. This report focuses on 15 of the 48 derived issues that are highly material to internal and external stakeholders.

❖ Material Issues by Scope

Scope		Material Issue
CSR management	High	Corporate governance and ethical management**
		CSR reporting
	Mid-dle	Stakeholder communication
		CSR performance evaluation
		CSR implementation structure
	Low	Vision and core values**
Economy	High	Financial performance**
		Product and organizational innovation**
	Mid-dle	Brand value**
		Market competition**
		Business alliance**
		M&A**
		New market development**
Environment	High	Considering environmental factors throughout products' life cycle
		Energy and resource saving
		Responding to climate change*
	Low	Employee engagement and training in environmental management
		Environment preservation**
Customers	High	Protecting customer information
		Customer satisfaction**
		Customer communication**
	Mid-dle	Customer safety and health
		Responsible service management
		Stable telecom services
		Fair trade
	Low	Preventing side effects of informatization

Scope		Material Issue
Business partners	High	Win-Win partnerships and support for business partners
		Promoting CSR at partner companies*
		Ethical trade**
	Low	Monitoring partner companies**
		Building trust**
Employees	High	Employee communication**
	Mid-dle	Fairness in human resource management(HRM) system
		Employee training and self-development
		Labor-management cooperation**
		Employee satisfaction**
	Low	Uprooting discrimination
		Employee development
		Employee welfare**
		Human rights**
		Employee health and safety**
		Retirement system
		Work-life balance
Local communities	High	Giving back to local communities.
	Mid-dle	Investment in local community and financial support**
		Continuing universal service, and narrowing the digital divide.
	Low	Supporting employee volunteerism
		Communication with local community**

* Issues that have grown in importance since our last CSR report
** Newly derived issues

Doing our best to increase corporate value –

*that's **our way** of returning*

*your **love** for KT and **faith** in KT.*

Growth and Innovation | **Investors**

investors

KT pursues management innovation and core growth businesses
to sustain growth and lead the global telecommunication industry.

Growth and Innovation

- Creation of Economic Performance
- Distribution of Economic Performance
- Management Innovation Activities
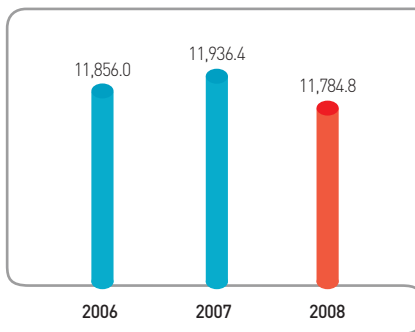- Core Growth Business

Growth and Innovation

Disclosure on Management Approach

Stable generation of economic profits lies at the root of corporate sustainability. In other words, enhancing corporate value begins with maximizing profits through transparent management. KT embraces the opinions of shareholders and investors and pursues ongoing innovation to constantly create new value.

Creation of Economic Performance

Revenue and profits   Our revenue in 2008 decreased 1.3% to KRW 11.785 trillion. In spite of good performances of the Internet and the wireless business, decrease in LM sales and phone revenue pulled down the company's revenue. Moreover, overall profitability including ROE and ROA was deteriorated due mainly to decrease in operating revenue, appreciation of foreign exchange rate and declining profits of subsidiaries. Operating income decreased 22.3% to KRW 1.113 trillion and net income dropped 54.2% to KRW 450 billion.

❖ **Operating Revenue (KT)**
unit: KRW billion

	2006	2007	2008
	11,856.0	11,936.4	11,784.8

❖ **Operating Revenue Breakdown**
unit: KRW billion

Category	2007		2008		YoY Change
	Revenue	As % of total	Revenue	As % of total	
Phone	4,184.7	35.1%	3,984.5	33.8%	-4.8%
Internet	2,508.6	21.0%	2,670.5	22.7%	6.5%
Data	1,627.9	13.6%	1,650.1	14.0%	1.4%
LM	1,597.2	13.4%	1,393.6	11.8%	-12.7%
Wireless	1,511.4	12.7%	1,564.0	13.3%	3.5%
Others	506.6	4.2%	522.1	4.4%	3.1%
Total	11,936.4	100.0%	11,784.8	100.0%	-1.3%

KTF's financial results

Operating revenue rose 14.4% to KRW 8.346 trillion in 2008. It was attributable to the stable growth of the cellular service business, the company's main business which recorded 6.7% revenue growth along with 37.2% increase of handset sales. However, the profitability of the company was deteriorated. Operating income managed to exceed the previous year's result while net income plummeted 32.6% from a year earlier.

❖ **Operating Revenue (KTF)**
unit: KRW billion

	2006	2007	2008
	6,527.7	7,293.3	8,346.2

❖ **Sales by Business Segment**
unit: KRW billion

Category	2007		2008		YoY Change
	Revenue	As % of total	Revenue	As % of total	
Personal mobile phone	4,905.6	63.7%	5,234.3	62.7%	6.7%
Resale	531.8	7.3%	559.4	6.7%	5.2%
Handset	1,721.5	23.6%	2,362.0	28.3%	37.2%
Other	134.5	1.8%	190.5	2.3%	41.7%
Total	7,293.3	100.0%	8,346.2	100.0%	14.4%

* This information is provided as reference to KTF's financial performance in view of the merger with KTF on June 1, 2009.

Distribution of Economic Performance

Our profits generated from high quality services are distributed to a variety of stakeholders such as employees, partner companies, creditors, shareholders, local communities, and government.

❖ Distribution of Economic Value

Shareholders
(Shareholder return KRW 226.3 billion)

Government
(Taxes KRW 309.1 billion)

Partner companies
(Facility investment KRW 549.2 billion)

Total Income

Employees
(Wages and welfare KRW 2,614.9 billion)

Local communities
(Social contribution spending KRW 160.6 billion)

Creditors
(Interest expenses KRW 329.4 billion)
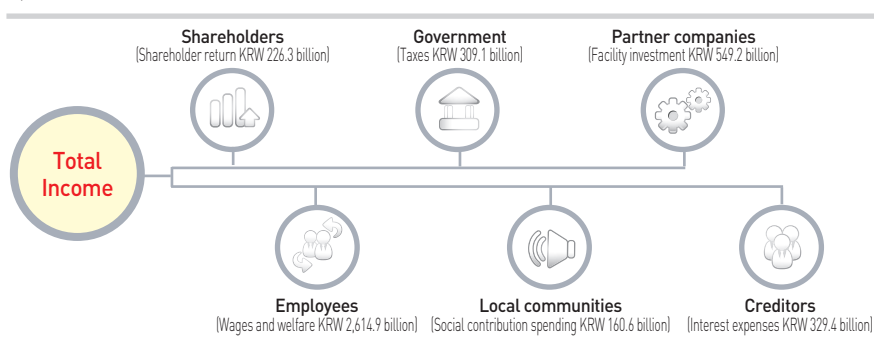
Capital expenditure

In 2008, we invested KRW 549.2 billion into our Internet, phone and data (excluding WiBro and dedicated lines) service networks. The investment went towards the purchase of equipment related to Internet phone and IPTV, routers and other backbone network equipment for service convergence, and devices for the subscriber network such as fiber to the home (FTTH).

❖ Investment Details

unit: KRW billion

Category	2006	2007	2008	Investment areas
Internet	731.9	832.6	402.1	Kornet, FTTH, etc.
Telephone	155.7	131.7	138.3	Regular/Internet phone
Data	-	-	8.8	ATM
Total	887.6	964.3	549.2	-

* Internet phone investment included in "Telephone" category: KRW 42.2 billion / * Only network investment included in "Internet" category (excluding IDC, etc.)

Wages and employee benefits

Labor costs totaled KRW 2,615 billion in 2008. Wages amounted to KRW 1,810 billion, which were lower than KRW 1,856 billion in 2007. The decrease in wages was due to increase in retirees in the previous year. Reserves for retirement allowance decreased by KRW 3.7 billion compared to a year earlier while welfare and benefits went up by KRW 29.6 billion to KRW 483 billion.

❖ Labor Costs

unit: KRW billion

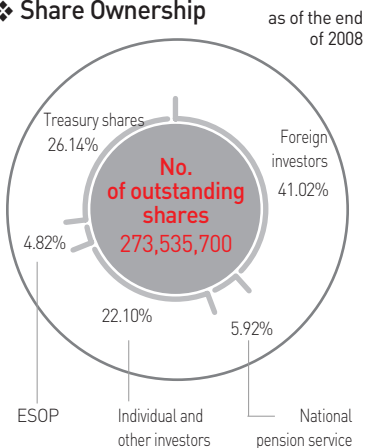| Category	2006	2007	2008
Wages	1,885.4	1,856.0	1,810.1
Reserves for retirement allowances	210.2	325.9	322.2
Welfare expenses and employee benefits	452.0	453.0	482.6
Total	2,547.6	2,634.9	2,614.9

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

❖ Shareholder Return

unit: %


```
            50.2      50.3
   49.2
```

| 2006 | 2007 | 2008 |
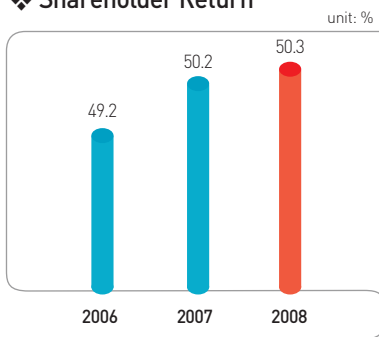
* Shareholder return ratio: Total shareholder return / Net income

❖ Share Ownership

as of the end of 2008

No. of outstanding shares 273,535,700

Treasury shares 26.14%
Foreign investors 41.02%
4.82%
22.10%
5.92%

ESOP
Individual and other investors
National pension service

Shareholder return

KT put in place a cumulative and circular voting system to protect the rights of minority shareholders. Moreover, our principle is to return over 50% of the previous year's net profit to shareholders. At the general shareholders' meeting held in March 2009, a resolution was passed to distribute KRW 226.3 billion in dividends for fiscal 2008.

❖ Shareholder Return

unit: KRW billion

Category	2006	2007	2008
Cash dividends	416.2	407.4	226.3
Share buyback and retirement	196.2	73.8	-
Total	612.4	481.2	226.3

* Share retirement in April 2009 to increase shareholder value (Amount of share buyback and retirement: KRW 508.6 billion)

Taxes

Total tax payment decreased by KRW 53.9 billion to KRW 309.1 billion in 2008, mainly due to the decrease in corporate income tax by the shrinking net income.

unit: KRW billion

Category	2006	2007	2008
Corporate income tax	314.3	242.4	182.1
Comprehensive property tax	41.5	48.1	55.5
Other	61.3	72.5	71.5
Total	417.1	363.0	309.1

Social contribution spending

Social contribution spending amounted to KRW 160.6 billion in 2008. Given the nature of our business, KRW 150.6 billion of the total amount went towards expanding IT access such as reductions in communication fees charged to low-income families and people of national merit. We spent an additional KRW 655.1 billion (2007 basis) to provide universal service (eg, pay phones, telecommunication in inland regions).

❖ Social Contribution Spending by Year

unit: KRW billion

Category	2006	2007	2008
Information support	108.5	134.2	150.6
Social welfare	3.2	2.7	3.9
Culture and art	1.0	2.5	2.0
Sports	3.4	4.8	4.1
Other	1.6	1.4	0
Total	117.7	145.6	160.6

*KT officially prohibits any participation in political activities in addition to financial and in-kind contributions to political parties, politicians and related institutions.
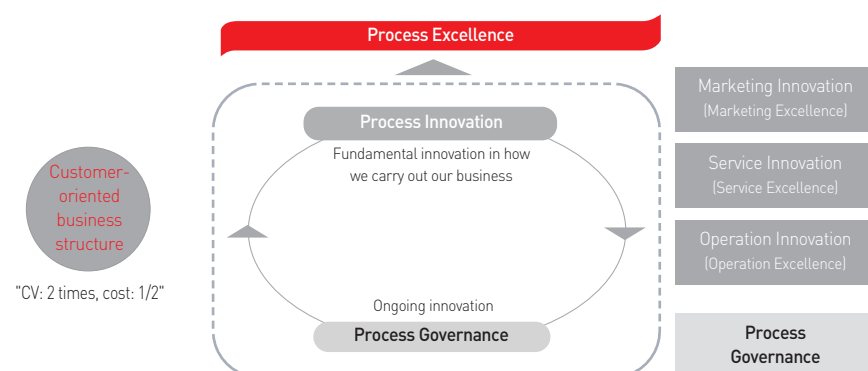
Management Innovation Activities

Management innovation activities in 2008

As part of efforts to innovate our management infrastructure, we pursued the following four initiatives: conduct business activities from CVI perspective, upgrade IP-based network, innovate the distribution framework, and transform our people into high performers. We carried out extensive process innovation in marketing and service so that our staff can perform their duties from the standpoint of enhancing customer value. We have also adopted a performance-based HR system and moved away from a high-cost structure and supplier-oriented business practices.

Process Innovation (PI)

KT has been pursuing process innovation (PI) with the goal of seeking a fundamental change in company processes. In addition to PI, we carry out process governance activities based on "as-is process."

❖ Process Innovation

Process Excellence

Customer-oriented business structure
"CV: 2 times, cost: 1/2"

Process Innovation
Fundamental innovation in how we carry out our business

Ongoing innovation
Process Governance

Marketing Innovation (Marketing Excellence)

Service Innovation (Service Excellence)

Operation Innovation (Operation Excellence)

Process Governance

Marketing/Service PI   We are pursuing MSPI (marketing, service, process innovation) with the goal of shifting to a customer-oriented business structure. In relation, we proceeded with innovation in the four areas of PI strategy, process, infrastructure and system.

Process governance   We set up a virtuous cycle of process-based innovation by standardizing processes at customer contact points and building a process governance structure. A digital system of standardized outcomes created by process owners has been established which enables monitoring of current conditions. This system makes it possible to check on adherence to standardized processes, while outcomes of processes are managed in an organized manner to make necessary improvements. Such improvements then become the standard for processes. This virtuous cycle resolves process gaps between individuals and between branches so that our staff can provide consistent value and experience to all customers.
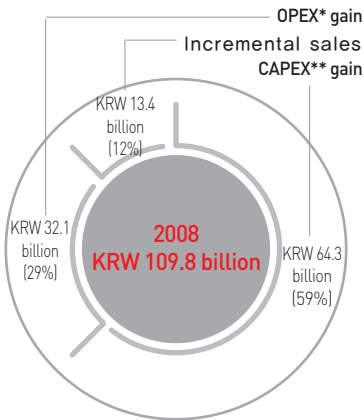
❖ Key PI Activities

PI strategy	Devise concrete operational strategy to shift to a customer-oriented business structure (restructure products, establish multi-functional channels)
Process	Derive 26 PI tasks in 7 mega process areas, come up with detailed processes
Infra-structure	Revamp organizational structure for customer-oriented business execution, adopt guidelines for customer-centered business plan/performance management
System	Devise "to-be image" and derive IT implementation tasks reflecting operational strategy, process and organizational change

❖ Key PG Activities

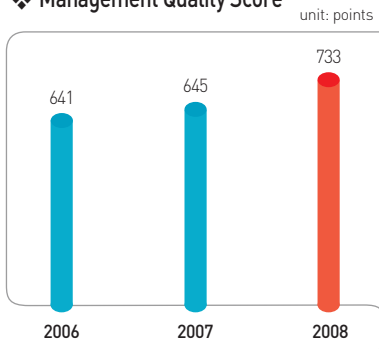|	
Process asset	Set up business process architecture and establish standardized processes as assets
Ownership	Designate process owners (L3 Process unit)
Performance management	Develop process performance indicators
Maturity management	Process self-evaluation by process owners, adopt monthly evaluation/monitoring/feedback system

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

❖ **Financial Contribution of Six Sigma**

OPEX* gain
Incremental sales
CAPEX** gain

KRW 13.4 billion (12%)

KRW 32.1 billion (29%)

2008 KRW 109.8 billion

KRW 64.3 billion (59%)

* OPEX : Operational Expense
** CAPEX : Capital Expence

❖ **Management Quality Score**

unit: points

641 — 2006
645 — 2007
733 — 2008

* Average of scores received from KFQ and KSA

* Maximum is 1,000 points

Management innovation program

Six Sigma   From the time we adopted the 11th Wave in 2003, we have carried out 9,875 activities and nurtured 3,636 innovation personnel. The goal of Six Sigma innovation activities in 2008 was "Value 2 up, Cost 1/2 down" and the activities can be broadly classified into three categories. As a result, financial gains of KRW 109.8 billion were created. Of that amount, KRW 21.5 billion was reflected in operating results.

❖ **Six Sigma Activities in 2008**

Direction	Details
Training innovation personnel	Strengthen employees' innovation skills to enhance business performance Secure core personnel to lead onsite innovation (target: 3 MBBs per branch office)
Ongoing process improvement	Accelerate process improvement through innovation personnel Pursue continued improvement based on process governance
Contribution to business performance	Optimize process improvement suggestions and incorporate in business activities - Six Sigma activities that can contribute directly to achieving S/G

MQ(Management Quality) activities   To raise our management quality to world-leading levels (700 points), we adopted the Malcolm Baldrige Model in 2000 and have been assessing our overall activities. In 2001, we also created a self-assessment system called KT-MAS to encourage field offices to voluntarily pursue bolster management quality. In recognition, we received high marks from the Korean Foundation for Quality (KFQ, 716 points) and the Korean Standards Association (KSA, 750.3 points). We also received the Korea Management Award (2007) and New Quality Award (2008).

HEZ(Human Error Zero) activities   KT has been carrying out the innovation activities to realize zero human error that enable us to resolve complaints from internal and external customers. The focus of related activities in 2008 was to derive key improvement tasks per area to significantly reduce VOC regarding complaints.

5S activities   KT has adopted 5S activities (sort, stabilize, shine, standardize, and sustain) to overhaul our basic attitude on how we do our work, uncover hidden problems, and identify improvement activities.

Knowledge management activities   Knowledge management was adopted at KT in December 1999. In 2002, we stepped up our commitment by building a knowledge management system. Through subsequent upgrades, we have now progressed beyond utilizing knowledge assets in performing our daily duties to creating performance-oriented knowledge.

As of the end of 2008, there were roughly 46,000 registered knowledge items including newly registered 8,050 items in 2008. The cumulative knowledge usage hit about 1.1 million. In 2009, we launched our new knowledge management system called KT-Pedia under which we will pursue collaboration and group knowledge.

Management innovation direction in 2009

In 2009, we plan to take advantage of post-merger opportunities to address risk factors such as fiercer competition and expansion of LVNP (SMS VoIP Number Portability). We will also lay the **groundwork for our transition to an "olleh KT" through aggressive marketing for IPTV Live* and SoIP**.

* IPTV Live : IPTV that supports terrestrial broadcasts
** SoIP : Service over Internet Protocol

❖ Mid- to Long-term Direction

Management Direction	Pursue "All New KT" create a turning point	
Planning & Challenge	**Upside Opportunity** • Produce synergy via merged operation with KTF • Provide real time IPTV broadcast • Expand All IP trend • Convergence with other types of telecommunications	**Downside Risk** • Stronger post-merger competitiveness of SKT in fixed-wireless market • Greater focus by LG 3 Com on fixed-line market • Bigger MSO operators resulting from mergers • Continued wired/wireless replacement
Business Strategy	• Seize leadership in VoIP market to expand IP customer base • Strengthen leadership in wireless sector by harnessing post-merger synergy • Secure foundation as a new media operator via successful entry into IPTV market • Lead markets and boost profits using integrated wired/wireless N/W competency • Maintain lead in high-speed Internet market by offering differentiated value • Explore window business by combining fixed-wireless foundation with media capabilities	
Management Innovation	• Pursue customer-oriented business process • Enhance profitability via greater efficiency and innovation	

Customer-oriented business process   Under the goal of reinventing KT into a comprehensive media company, we are redesigning our processes from an end-to-end customer perspective. Previously, our processes were based on work functions, organizational units and products. Going beyond just process upgrades, we are pursuing PI for enterprise transformation by innovating products, channels, service strategy, processes, and infrastructure. We have completed the first phase work which involved the marketing and service areas. In the second phase, we will carry out PI for personal and corporate clients, and management PI.

To better prepare ourselves to respond to changes in the business environment, we are granting ownership for all companywide processes and recognizing them as assets. We also carry out performance monitoring and have established a process governance framework.

Boosting profits through greater efficiency and innovation   In line with accountability management and the CIC framework, the various parts of our organization have drawn up voluntary management innovation measures. Launch of the management innovation program to pursue greater efficiency and innovation will aid us in delivering excellence in quality and service while supporting our profits.

Mid- to Long-term Growth Strategy

Core growth business

IPTV   In September 2008, KT received official approval to launch its IPTV business, which is being hailed as a leading model of telecom-broadcasting convergence. On November 17, we debuted commercial, real-time IPTV services for the first time in Korea. To support the IPTV business, we steadily invested in groundwork such as a media center, transmission equipment and backbone network. Additionally, we pursued win-win partnerships with some 200 SMEs that supply equipment, solutions and contents. We forged strategic alliances with leading contents providers to enable the showing of blockbuster films from Sony Pictures and Warner Brothers and others on home TVs just a month after their official release in theaters. Further improvements were made to enhance service quality by the adoption of English education contents from EBS and Naver search services. In particular, our IPTV service "QOOK TV" offers an easy way for viewers of all ages to access studying secrets of famous private learning institutions through an education contents service that is categorized by level and age. Current and future IPTV services were highlighted by providing live coverage of the OECD ministerial meeting, and participating in major industry shows such as the National Association of Broadcasters (NAB) Show in the US and Busan Contents Market. We are hard at work expanding our offering of real-time channels and VoD contents, as well as developing differentiated interactive services demanded by viewers.

WiBro   In order to foster WiBro service as our future growth engine, we started commercial service in 2007. WiBro coverage was expanded all across Seoul, to subways, and to the vicinity of major universities in the metropolitan area. In 2008, we further expanded coverage to 19 regions in Seoul's vicinity, including Incheon, Suwon, Seongnam, Yongin and Anyang. These areas are being supplied with doubly enhanced speed and service compared to the previous system. In addition to the basic function of accessing the Internet, KT plans to create a new mobile culture for customers through SHOW WiBro via personalized service such as webmail, full-duplex video communication, PC control for the home, customized information service that is connected to real-time search function, and mobile UCC. KT is actively promoting its WiBro service overseas, evidenced by the signing of an MOU with UQ Communication of Japan, starting of WiBro business in Uzbekistan, and the building of a WiBro network in Rwanda.

SoIP   KT provides SoIP (Service over Internet Protocol) service. The addition of a screen to telephones commonly found in people's homes will enable voice and video telephony as well as data and contents delivery. We introduced ten voice-based value-added services and follow up with the launch of eight video-based SoIP services in 2008. Regarding terminals, we have expanded the lineup by providing low- to mid-cost voice terminals and high-end video terminals. In May 2009, we introduced the multi-functional, premium video terminal "Style phone" to provide an array of additional services to customers.

❖ **Style Phone**

- 7-inch high quality touch screen for video telephony
- Information on news, traffic, weather, lifestyle and
  local data without having to turn on PC
- Home ATM to deal with banking needs
- Various multimedia functions for video, radio, music,
  and digital photos

❖ **Value of SoIP Service**

Category	Details
Technology	Ensure high-quality service based on premium network and platform
Service	Provide a wide range of video-based value-added services such as banking and contents, in addition to voice and video telephony, to raise the utility of SoIP
Terminal	Enhance customer convenience by providing customized terminals and user-friendly UI

Business for corporate customers

Telecom and IT services   KT has provided traditional telecom services such as telephone and private line services for its corporate customers. However, the telecom service market which simply transmits customer information is shrinking due to the generalization of Internet technology and economic downturn. In contrast, the market for outsourcing telecom and IT services is growing. In tune with the changing market environment, KT is expanding into the IT outsourcing market by advancing our key "24 x 365 care" competency to adjacent sectors. Through efforts such as the IDC (Internet Data Center) and solution business for corporations, we generated KRW 540 billion in sales in 2008. Additionally, we reinforced our Infrastructure Management Outsourcing (IMO) business for enterprises by launching the IMO Business Unit (BU) in May 2009 as part of our plan to better service the changing needs of corporate customers. Our IMO service is expected to help companies increase their competitiveness by providing them with optimized infrastructure solutions such as telecom, in-company IT systems and call centers, that are customized to their unique business environments.

Business expansion based on IT infrastructure   Korea boasts an advanced IT infrastructure (high-speed Internet, mobile telecom, etc) that is frequently benchmarked overseas. In comparison, however, efforts to utilize such infrastructure to create new value and generate more public benefits have been lacking. KT is taking the lead in making lives more convenient and efficient through projects that employ our IT infrastructure such as building facility maintenance and digital ads. One example is our IT-based building and facility maintenance service called Monitoring, Maintenance and Management Operating Service (MOS) which uses sensors and high-speed Internet to manage security, electricity, parking and fire prevention systems with a minimum number of personnel. We are also contributing to environmental preservation efforts by expanding the application of such systems for monitoring and maintaining eco-systems. KT is committed to developing diverse plans that maximize the use of our world-leading IT infrastructure and highlight Korea's position as an IT powerhouse.

Mokdong IDC

* 24 X 365 Care
Telecommunication service should be provided without interruption. KT has capability to provide service 24/7 (24 hours a day, 365 days a year).

IMO control room

1) PSTN : Public Switch Telephone Network
2) BCN : Broadband Convergence Network
3) IPTV : Internet Protocol Television

4) VPN : Virtual Private Network
5) IPLC : International Private Leased Circuit
6) VSAT : Very Small Aperture Terminal

Uzbekistan Super-iMAX EVO Service

In October 2008, KT entered the mobile high-speed Internet business in Uzbekistan through the EVO brand of Super iMAX, in which we have an approximately 60% stake. EVO is rated as an innovative service for providing a superior level of customer service including ADSL speed upgrade, swift service initiation, 24-hour customer call center and customized fee plans.

7) NTC : New Telephone Company
8) GSM : Global System for
         Mobile communication

Global business
Global IT business

KT is a comprehensive telecom service provider with accumulated expertise in building and operating diverse ICT infrastructure including PSTN[1], high-speed Internet network, WiBro network, BCN[2] and IPTV[3]. We are expanding our business overseas by focusing on governments and telecom operators in underdeveloped countries for which an improved ICT infrastructure is vital for national development. Additionally, we are actively venturing into overseas markets by providing customers with world-leading solution platforms and consulting services.

Following our merger with KTF, we will expand our business scope to cover mobile telecom-based businesses such as CDMA and WCDMA as well as u-City. Furthermore, we will concentrate our abilities on developing large-scale businesses that are region-based. In the future, we plan to export our accumulated knowhow and support efforts by developing countries to advance their IT services.

❖ Global IT Business Endeavors

Sudan (2008)	Sudatel CDMA/WiBro consulting	**Algeria (2008)**	Planning and construction of new city
Republic of Congo (2008)	Network construction	**Bangladesh (2009)**	Construction of Internet backbone network
Rwanda (2008)	Construction of national backbone network		

Global service   Utilizing a global network that connects major countries around the world, KT is striving to provide superior customized, global network solutions that combine network services such as Managed Data Network service, VPN[4] and IPLC[5] as well as equipment, application, operating, maintenance and repair services. We are strengthening growth drivers by expanding the global fixed-mobile service market through the development of satellite mobile solutions such as VSAT[6] and Inmarsat. Additionally, we are enhancing Korea's status as an Internet leader through global Internet traffic transit services (IP-Transit) for local and overseas Internet service providers (ISP) based on our high-quality, global broadband Internet backbone network.

KT is aiming to emerge as the top global wholesale business operator in the wired and wireless convergence era by strengthening the competitiveness of our global traffic transit business that is continuing to grow through the integration of wireless telecom traffic, and by providing domestic customers with international phone services of unrivalled quality by directly contacting 250 international telecom operators around the world.

Key Overseas Investments

Russia	• Acquired shares of the New Telephone Company (NTC)[7] • No. 1 company in terms of its GSM[8] market share in the Maritime Province of Siberia (2001~2008)
Mongolia	• Acquired shares of MT, the No. 1 wired service provider (1995) • Became the first to launch high-speed Internet services in Mongolia (2001)
Vietnam	• Concluded a business cooperation contract with Vietnam National Posts and Telecommunications Corporation (VNPT), a wired service provider in Vietnam and made investments • Project to expand the basic telecommunications network of Vietnam (1997)
Uzbekistan	• Acquired equity stakes in East Telecom and Super iMAX (2007) • Launched high speed wireless Internet service (2008)

New business
KT is laying the foundation for its launch as a global convergence ICT company with new initiatives that include KT-WIN, New Media ads and Green & Cloud.

KT-WIN   KT-WIN is a communication-enhanced web service. By joining hands with specialists in areas where we lack expertise, we are pursuing an open-type eco-system. Additionally, we are developing fixed-mobile integrated communications, personalized multimedia and fixed-mobile integrated intelligent network service to provide 3S (Sync, Shift, Storage) service that enables the mutual transfer and storage of data between four screens (PC, TV, mobile handset, SoIP terminal) and fixed-mobile multimedia convergence (FMMC) service.

New Media Ads   KT is developing cross-media ad technology that connects new media ads such as those for IPTV, Internet and satellite broadcasting with other media outlets in addition to examining the adoption of integrated ad platforms to consolidate the management and operation of advertising mediums possessed by the KT Group. Furthermore, we are developing intelligent advertising technology by analyzing user patterns and various data to provide customized ad services that deliver maximum impact. We have high expectations that these new advertising technologies will make major contributions to our existing businesses.

Green & Cloud   In line with the Korean government's green growth policy, KT is reviewing initiatives related to green telecommuting and smart grid that links IT with electric power. We are also developing virtual and PC technology related to cloud computing and cloud PCs.*

Other business
In addition to the representative new growth industries mentioned above, KT is conducting R&D to advance its platforms currently divided by service and company within the KT Group. At the same time, we are extracting common elements to optimize investments, costs and functions. We are also developing new business models by securing next-generation core technologies and envisaging the future.

* Cloud PC :
a computing model in which hardware and software resources such as server, data center and programs are accessed via a centralized data center and the Internet

Listening to **nature**
and leaving behind **a greener world** *for future generations –*
that is **KT's commitment** *to our planet.*

KT has adopted environmental goals and strategies that befit its reputation and strengths as a telecommunications company. Overall, KT is making progress in environmental management. In particular, the company is appropriately responding to major issues such as climate change, energy conservation, and green technology development.

Chung Tae-woong, Korea Green Foundation

Environmental Management | **Future Generation**

future generation

KT is committed to opening a clean world
by providing eco–friendly infrastructure and services based on IT
to leave healthy ecosystems for our children.

Environmental Management

- Green IT Strategy
- Energy Use
- Saving and Recycling Resources
- Reducing Air Pollutants
- Waste Handling
- Green Technology Development
- Environment-friendly Corporate Culture

Environmental Management

Material Issues and Reporting Contents

After analyzing the materiality of environmental issues, we decided to concentrate our resources on the following areas - considering environmental factors throughout products' life cycle, energy and resource saving, responding to climate change, etc. These issues are categorized into seven parts (Green IT Strategy, Energy Use, Saving and Recycling Resources, Reducing Air Pollutants, Waste Handling, Green Technology Development, and Environment-friendly Corporate Culture) and reported accordingly in this section.

Disclosure on Management Approach

The environment is a vital issue that holds sway over the future of society. Accordingly, environmental soundness is a crucial element of CSR. In particular, responding to regulations on global warming has become more important than ever given the global spotlight on climate change.

KT is promoting green ecosystems, driving a green revolution in Korea and seeking new growth engines. Our objective is to evolve into a sustainable KT and realize a green Korea. This is well represented in our new environmental vision, "Green IT, Green Korea."

Promote green ecosystems
- Purchase eco-friendly products and support green partner firms
- Green IT Supporters activities

Drive green revolution in Korea
- Reduce CO_2 emission by promoting green telecom infrastructure and green workplace
- Encourage green family lifestyles with green services

Seeking new growth engines
- Secure new growth momentum by uncovering sectors for convergence with IT
- Five core tasks (home, office, building, infrastructure, energy)

Leading the creation of a green and advanced economy

**Green KT
Green Korea**

Major Activities and Performances in 2008

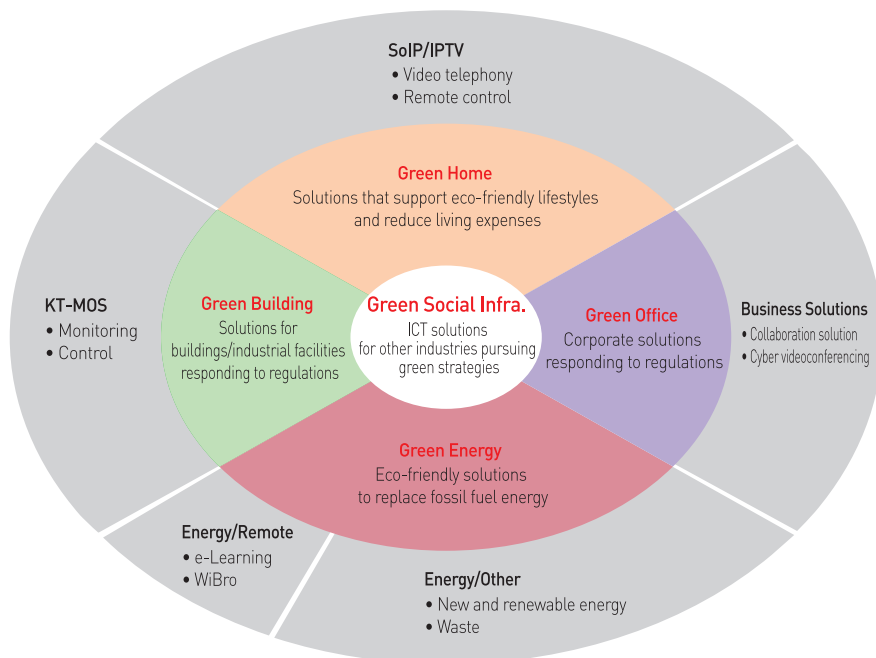| Activity	Performance
CO_2 reduction and energy conservation	Construction of 2 solar power generators (Sinnae office building and Hwaseong transmission station) Construction of low-carbon, green building (in Mokdong, Seoul)
Eco-friendly technology development	High-temperature, high pressure process to remove jelly and liquid slagging technology
Employee campaign	Seven Earth Love Pledges, campaign to reduce usage of disposable cups

* No violation of environmental regulations in 2008.

Green IT Strategy

Objective

The growing prominence of climate change and other environmental issues have pushed up environmental costs and increased the need to map out a business strategy for sustainable growth. That prompted us to formulate our Green IT strategy in 2009.

The objective of the Green IT strategy is to find new growth momentum from green industries. That involves securing new revenue sources (eg, green office, green home, green energy) and extending our business scope based on IT.

❖ Greenhouse Gas Reduction Target

Assuming 1.69% CAGR ('00-'05)

680,000 ton CO₂

790,000 ton CO₂

108,000 ton CO₂ (natural increment in 2013)

136,000 ton CO₂ (20% vs. 2005)

KT's reduction target

2005   2013

244,000 ton CO₂ (reduction target)
* KRW 206,704 (current transaction price) = KRW 50.4 billion (mandatory reduction cost)

❖ Green IT Working Level Committee Organizational Chart
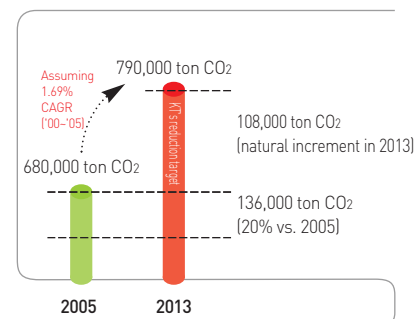

Sub-objective 1. Reduce CO₂ emission and costs to meet environmental regulations

We plan to lower carbon dioxide emission by 20% from 2005 levels by 2013 by conserving energy, using alternative energy sources, upgrading telecom and IT infrastructure, and promoting a green workplace. At the same time, we will also reduce environment-related costs.

Sub-objective 2. Transform into a green service provider

We intend to boost growth potential and create new business opportunities through the pursuit of green IT. Our goal is to transform into a provider of green services based on IT capabilities and generate 10% of total revenue from green businesses by 2013.
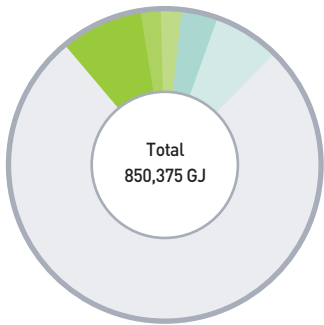
Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

❖ **Consumption of Direct Energy by Type**

Total
850,375 GJ

	Fuel(GJ)	Rate(%)
Gasoline	24,154	2.84
Diesel	68,195	8.02
City gas	661,162	77.75
Byproduct fuel oil	74,962	8.82
LPG	9,115	1.07
Others	12,787	1.50

Energy Use

A review of energy usage at KT buildings and activities to raise the efficiency of energy-consuming facilities decreased direct energy consumption in 2008 by 15% compared to the previous year. Meanwhile, consumption of electricity rose by 27% over the previous year.

❖ **Energy Consumption Trend**

unit: GJ

Category		2006	2007	2008
Direct energy	Fuel	1,029,449	1,004,774	850,375
Indirect energy	Electricity	4,791,600	4,964,400	6,286,890
	Local heating (hot water)	86,843	91,607	80,303
Total		5,907,892	6,060,781	7,217,568

* Fuel includes diesel, gasoline, kerosene, city gas, byproduct fuel oil and LPG. The figures have been converted based on the International Energy Agency's total emission benchmark.
* 1 liter of LPG (converted to butane) is calculated as 0.58kg

Efforts to save energy

Building of two solar power generators   KT became the first in the industry to build two photovoltaic power generators for the Sinnae office building and Hwaseong transmission station and replace fossil fuels with clean energy. This move resulted in savings of 130,000 KWh in power use and reduced GHG emissions by 1,100 tons. Going forward, we will gradually expand our low-carbon business infrastructure while introducing renewable energy sources.

❖ **Photovoltaic Power Generators**

	Sinnae office building	Hwaseong transmission station	Accumulated power output
Output (kWh)	25,262	26,710	51,972

Geothermal energy   Heavy dependence on electricity as a major energy source can be resolved by using geothermal energy to cool and heat buildings and supply hot water. KT is focusing on the economic viability of investment and construction technology for improved application. In relation, we have joined hands with SMEs for government-financed new product development projects to develop remote energy measuring devices and system for measuring GHG emissions per energy using facility.

Low carbon, green building   In May 2008, KT opened Asia's largest IDC building (65,000㎡, four stories below and 12 stories above ground) in Mokdong, Seoul. The revolutionary next generation IDC uses technology that converts AC (alternate current) to DC (direct current) to maximize power efficiency. The building also employed cutting-edge design technology for stability of the facilities.

High-efficiency energy equipment   Energy efficiency and reducing GHG emissions are our top priorities when constructing or remodeling a company building. In line with our commitment to energy-saving, low-carbon buildings, we are installing heat pump-type energy saving devices for air-conditioning and heating purposes. We are also replacing halogen and incandescent lights with LED lamps.

Saving and Recycling Resources

As an IT service provider, KT carries out various activities to save resources through expanding IT infrastructure that includes e-Office and e-billing.

Water use
To conserve industrial water and cooling/heating fuel used in KT buildings, we are intensifying innovation activities in accordance with our system of managing per-unit energy use. In addition, for efficient water and fuel conservation, we draw up the "Green Energy Achievement" index every year to manage goals and track performance. The companywide campaign for sustainable resource use and efforts for facility improvements resulted in a 1.2% reduction in tap water use in 2008 from the previous year. Fuel and hot water usage dropped 5.1% and 12.3%, respectively. There is no waste water generation related to our operations, and water used at our business sites are treated at nearby sewage treatment plants.

Resource saving cases
e-Office environment   e-Office refers to an optimal working environment that minimizes environmental impact by adopting information technology. We shifted a paper-based offline approval process to an electronic business approval system, and operate an e-cabinet system whereby various documents are stored and managed as electronic files rather than as paper printouts stored in file cabinets.

e-Billing   In order to reduce paper use, KT became the first in the telecom industry to introduce a PUSH-type mobile billing service which allows customers to register for paperless billing and receive bills on their mobile phones. We are also operating a cyber customer center so that customers can access their bills and make payments online.

❖ Cost Reduction through e-Billing

Year	No. of paper bills sent(thousand)	Unit price for sending paper bills(KRW)	Cost reduction(KRW million)
2006	25,538	247	6,333
2007	29,972	247	7,403
2008	35,711	248	8,856

Recycling of mobile phones   To increase the collection rate of old phones, KT provides a set amount in subsidy for new phone purchases when a customer returns their old handset. Returned old handsets are reused as rental phones for those who lost their handsets. In 2008, KT collected a total of 119,742 used mobile phones, among which 47,896 phones were reused.

Recycling of modems   When customers subscribe to high-speed Internet or ITPV services, KT rents modems and reclaim them back when customers cancel services. Returned modems go through an internal quality performance test process. Modems that are reusable are repaired, cleaned and recycled. In 2008, KT collected a total of 1.17 million used modems, among which 936,000 modems were reused.

❖ Electronic Approval Rate
unit: %

2006: 99.6
2007: 99.7
2008: 99.68
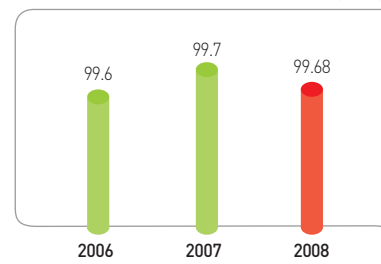
* Electronic approval rate = (Number of total approval - Number of paper approvals)/Number of total approvals

❖ Water Use
unit: thousand ton

2006: 2,728
2007: 2,756
2008: 2,722
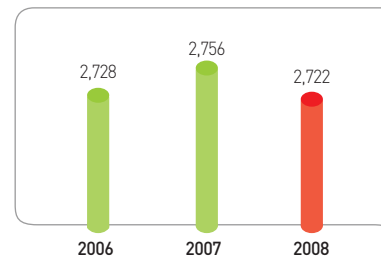
❖ Mobile Phone Recycling Trend
unit: No. of phones

2006: Collected 124,035 / Recycled 67,713
2007: Collected 113,854 / Recycled 56,023
2008: Collected 119,742 / Recycled 47,896
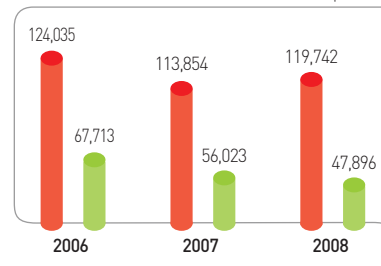
● Collected ● Recycled
* Mobile phone data is based on KT's mobile phone standards

❖ Modem Recycling Trend
unit: No. of modems

2006: Collected 815,449 / Recycled 564,200
2007: Collected 819,731 / Recycled 658,002
2008: Collected 1,171,000 / Recycled 936,000

● Collected ● Recycled

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

Video Conference System

Reducing Air Pollutants

Managing CO_2 emission

Korea is set to be incorporated as one of the signatories to voluntary reduction of GHG emissions in line with the 15th Conference of Parties to the UN Framework Convention on Climate Change held in Copenhagen, Denmark, in June 2009. From early on, KT acknowledged the importance of clean technology in the IT industry and has been pursuing green IT strategies to address pollution stemming from our dependence on fossil fuels. As a part of our efforts, we have taken the initiative to reduce greenhouse gas emissions through such undertakings as building photovoltaic power generators.

❖ Total Amount of GHG Emissions

Type / Year	SCOPE1	SCOPE2	SCOPE3	Total amount	ton CO_2/m^2
	ton CO_2				
2006	46,042	647,322	-	693,364	0.1480
2007	44,144	670,725	-	714,869	0.1342
2008	46,485	780,368	47,263	874,116	0.1846

* SCOPE1: Direct energy (Does not include gas, diesel, kerosene, B-C oil, by-product oil, and fuel for vehicles)
  SCOPE2: Indirect energy (hot water, electricity) / SCOPE3: Other energy (leased electricity, rental cars for business purpose)
* 2008 GHG emissions were calculated by combining the figures of former KTF worksites and applying activity data
  and emission factor regardless of combustion technology to measure emissions per worksite and per energy source

Case of CO_2 emission reduction

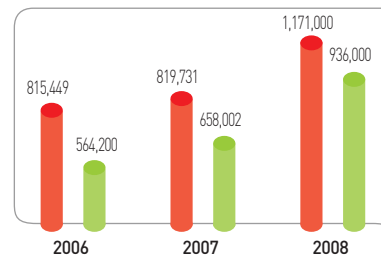**Fleet management**   As of May 2009, KT operates a total of 7,092 vehicles (3,003 company owned, 4,089 rental cars) for business purposes. Of the total, diesel-fueled cars number 3,497 (49.3%) followed by gasoline-powered (3,147, 44.4%), and LPG-fueled cars (448, 6.3%). The reduction of GHG emission by the car replacement totaled 10,269 ton CO_2 in 2008. Every year, we plan to replace old cars with excessive mileage with rental cars and switching diesel powered cars to low-pollution vehicles to minimize environmental pollution and improve public health.

❖ Surge Protector Installation

❖ No. of Halon Fire Extinguisher Malfunction Cases

❖ Fleet Status(as of May 2009)

Ownership			Fuel type			
Company owned	Rental	Total	Gasoline	Diesel	LPG	Total
3,003	4,089	7,092	3,147	3,497	448	7,092

❖ Annual Car Replacement(Rental)

2006	2007	2008
684	707	547

Restricting use of ozone depleting chemicals

Although halon is an excellent fire extinguishing agent, it is an ozone depleting substance that accelerates global warming. As such, production and import of halon will be banned from 2010 in accordance with the Montreal Protocol. To prevent malfunctions of halon fire extinguishers and damage from lightning, KT is taking such actions as increasing user-friendliness of the extinguisher, installing surge protectors to prevent halon leaks and promoting halon banking system.

Waste Handling

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

❖ Disused Materials Handled (Logistics center)

unit: ton

Category	2006	2007	2008
Waste cables	8,735	9,027	7,343
Scrap iron	2,575	4,034	3,029
Waste storage battery	-	2,205	3,656
Other	1,704	2,142	442
Total	13,014	17,408	14,470

❖ Waste Disposal Process

Logistics center		Waste handling firm	
		Produce raw material	Produce finished product
Waste cable	→	Copper	→ Cable, copper products
Devices(IT, machinery)	→	Gold, silver, iron, aluminum	→ Precious metal
Waste storage batteries	→	Lead	→ Batteries
Empty drums	←	Cable drums	
Vehicle, generator	→	Reuse (used car, plant, ship)	
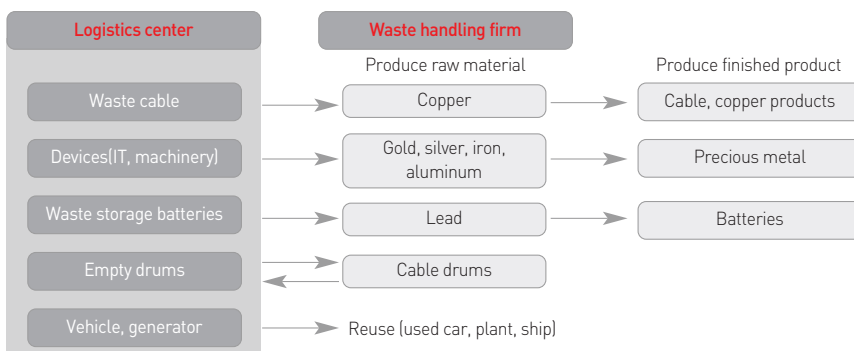
To improve the handling process of construction waste, increase recycling at worksites and reduce waste generation, we are tightening control over construction worksites. In 2008, we published the construction environment management regulation guidelines to promote eco-friendly construction in line with the revised construction environment laws.

❖ Construction Waste Generation and Per Unit Management Results

	2006	2007	2008
Construction waste (Ton)	29,581	52,160	35,562
Total repair area (㎡)	129,612	175,391	115,226
Amount of construction waste created per 1㎡ (Ton/㎡)	0.37	0.3	0.3

USN Gateway Prototype

* Jelly-filled cable is a telecommunications cable
  filled with moisture penetration prevention jelly
  to ensure quality communication and data
  transmission

Green Technology Development

KT is leading the way in laying the foundation for "Green by IT" by actively engaging in the government-led strategy.

Environmental monitoring network

KT is developing technology to efficiently link WPAN (Wireless Personal Area Network)-based USN (Ubiquitous Sensor Network) with wired/wireless broadband network infrastructure like KT-WiBro. This will help expand the coverage of the environmental monitoring network and offer customers universal access to environmental information.

Participation in national environmental R&D projects

By participating in the government-led U-Eco City and intelligent territorial monitoring projects, KT is collaborating with researchers from academia, industry and research centers to develop environmental monitoring technologies. Through this undertaking, we developed a low-power USN-based environmental data collecting device for vehicles, portable environmental data collector and PDA-based USN gateway.

Jelly-filled cables*

KT adheres to legal procedures when disposing of disused materials and telecommunications waste. To address problems regarding jelly-filled cable disposal, we developed a high temperature furnace device in 2007. We further advanced the technology in 2008 with development of a high-temperature, high pressure process to remove jelly and liquid slagging technology.

Renewable energy

KT is gearing for installation of systems using renewable energy resources such as solar and geothermal power to cool and heat KT office buildings. We are also on track to develop water hammer type technology, a cleaner and upgraded method to the existing drilling technology, in installing geothermal heating and cooling systems.

Environment-friendly Corporate Culture

Environmental training

KT carries out a range of environmental campaigns and training programs for our employees in an effort to incorporate environmental awareness as an integral part of our corporate culture. On the fourth Energy Day, we switched off all the lights in 470 KT buildings across the country in support of Korea NGO's Energy Network-sponsored "Turn off the light and gaze at the stars" campaign. We are also promoting active engagement in environmental stewardship through company mails, magazines and newspapers.

Environmental campaign

KT engages in eco campaigns such as "Seven Earth Love Pledges" round the year to incorporate environmental awareness as an integral part of our corporate culture.
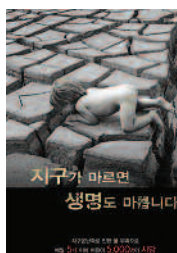
Earth Love 20°C   Earth Day   CO2 Zero Vacation Campaign

KT Earth Love Campaign

Facility investment to save energy and preserve environment

In 2008, KT invested a total of KRW 15.9 billion in protecting the environment while it spent a total of KRW 830 million in environmental costs such as environmental levy.

❖ 2008 Environmental Expenditure

unit: KRW million

Energy facility investment		Environmental cost	
Energy saving facility	Environmental preservation facility	Environmental levy	Waste handling charge
15,255	608	812	18

* Energy saving facility: High efficiency lighting device, Automatic lighting control, High-efficiency motor, Inverter, High-efficiency pump, Heat pump, Gas or absorption cooling systems
* Environmental preservation facility: Silencer, Dust collector, Sound-proof facility, Sound absorption system, Vibration prevention facility

Green purchasing

KT has been an active pursuer of green purchasing for consumable products since agreeing to participate in the Voluntary Agreement for Green Purchasing in September 2005. KT operates a special system to encourage the purchase of green products. The purchasers can verify whether a consumable good(MRO products) is considered a green product by conducting a search query on eco-friendly marks. The database is updated twice a month based on the list generated by the Korea Eco-Products Institute. We have also conducted training to encourage the purchase of eco-friendly products. In 2008, our green product purchases decreased 30% from the previous year to KRW 7.0 billion due to decrease in company's total purchasing amount. However, the number of registered items increased 2% to 3,631 during the same period.

❖ Green Purchasing Amount

unit: KRW billion

2006	2007	2008
5.6	10.4	7.03
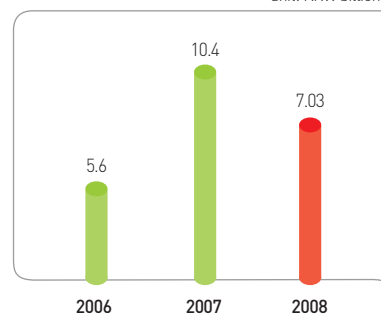
Bright smiles, joyful strides, and **happy lives** –
that is the **image of customers** *envisioned by KT.*

KT carries out a wide range of initiatives linked to its business activities in pursuit of sustainability management. High-speed Internet service accounts for the largest portion of complaints filed by consumers with the Korea Consumer Agency. But it is noteworthy that KT accounts for less than 10% of total complaints received by the agency.

Choi Eun–sil, Korea Consumer Agency

Customer Management | **Customers**

customers

KT enhances customer value, through three strategic objectives of "increase customer satisfaction," "promote user convenience" and "differentiate services."

Customer Management

- Customer-focused Management Activities
- Customer Protection

Customer Management

Material Issues and Reporting Contents

After analyzing the materiality of customer-related issues, we decided to concentrate our resources on the following areas - protecting customer information, customer satisfaction, customer communication, etc. These issues are categorized into two parts (Customer-focused Management Activities, Customer Protection) and reported accordingly in this section.

Disclosure on Management Approach

KT pursues customer management by realigning our vision, principle and core values to meet the needs of our customers, and further distancing ourselves from the competitors. All of our corporate activities and procedures will be carried out in a manner that is compatible with our new corporate vision. To enhance customer value in a more concrete and systematic way, KT established three strategic objectives of "increase customer satisfaction", "promote user convenience" and "differentiate services."

KT has steadfastly prepared various mechanisms to enhance value for our fixed-mobile customers. Our contributions have been recognized through various awards including the Korean Customer Satisfaction Index's top rating for both fixed and mobile telecom services for five consecutive years. Additionally, we ranked No.1 for wired services in an external party satisfaction survey and received the Data Protection Award for safeguarding user information.

❖ 3 Major Strategies

Goal	Customer management

	Increase customer satisfaction	Promote user convenience	Differentiate services
Strategic Goal			
Key Tasks	• Reduce user complaints • Bolster one-stop handling of customer claims • Increase contact channel and diversify functions • Take action to improve fixed-mobile customer satisfaction	• Fixed-mobile integrated services • One-billing • Increase customer benefits through integration • Establish customer data protection culture	• Customer quality assurance system • Increase before service (B/S) • Differentiate customer service through activities that "move" customers

Major Activities and Performances

Category	Recognition
Fair trade compliance program	Acquired CP A rating from the Fair Trade Commission (FTC)
Customer value innovation	Recognized as a CCMS excellent organization

Customer-focused Management Activities

Enhancing customer satisfaction

Reduction in customer claims   We adopted and received certification for our Consumer Complaints Management System (CCMS) to realize customer value innovation (CVI) in December 2008. KT plans to apply CCMS across all of our business areas including the new mobile business to minimize customer claims.
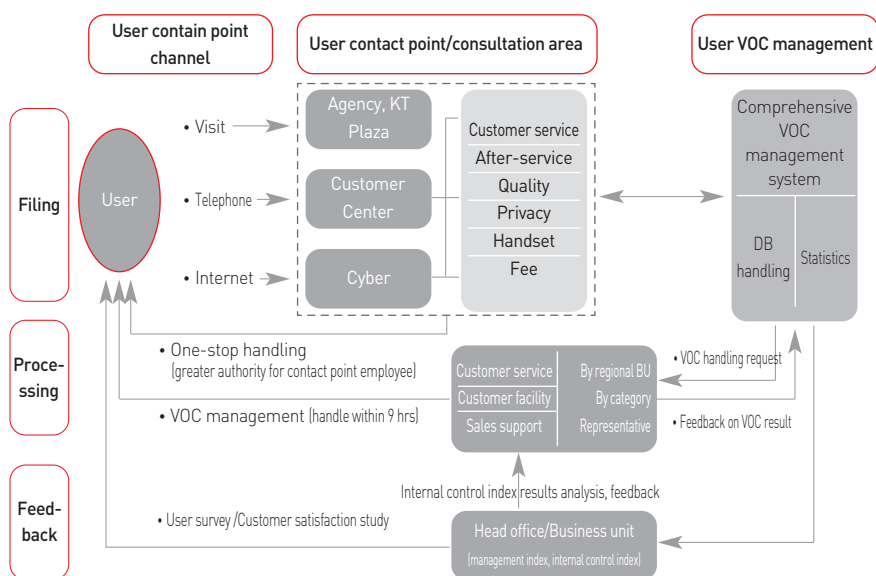
❖ Process for Dealing with Customer Claims

Reinforced one-stop handling of customer claims   To effectively resolve and systematically manage customer claims, KT operates a comprehensive VOC system that stores, categorizes and analyses user opinions by type and product. As soon as the VOC system receives a customer claim, a VOC handling request is sent to relevant on-site personnel. VOCs that are received on-site are handled following our internal operational guidelines and the results are entered into the system. Additionally, we have in place a comprehensive VOC responsibility mechanism to ensure effective one-stop handling of VOCs.

Activities to improve fixed-mobile customer satisfaction   Every year, KT conducts customer satisfaction surveys such as the Customer Value Added (CVA) survey, which involves measuring the company's customer satisfaction level in comparison to its competitors to gauge our process in protecting consumer interests. Furthermore, we plan to develop and enforce a flexible evaluation system by incorporating feedback on our new convergence services and accredited measurement index. The index will be reflected in the management evaluation items of each related organization and internal control index to induce companywide dedication to improving customer satisfaction.

❖ VOC Occurrence
unit: cases

2006	2007	2008
67,389	46,762	41,944

❖ CVA Score Trend

2006	2007	2008
1.05	1.06	1.06
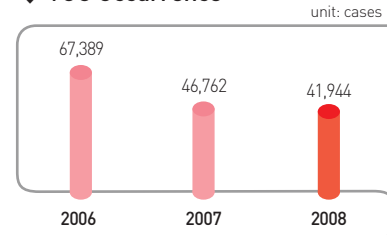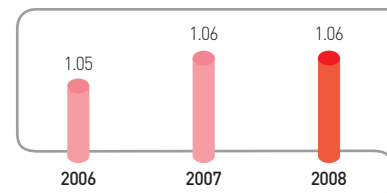
* CVA = KT's score in customer satisfaction /
  No. 1 competitor's score in customer satisfaction

* Classification according to the CVA score range;
  - Top-level competitiveness(1.1 or more),
  - outstanding competitiveness(1.03 or more and less than 1.1)
  - average level competitiveness(0.97 or more and less than 1.03)
  - low-level competitiveness(lower than 0.97)

Promoting user convenience

Integrated fixed-mobile services　KT integrated its previously separate fixed and mobile customer centers into a full-service, one-stop center to enhance user convenience. Future plans include the gradual consolidation of mileage points for fixed and mobile services. In addition, the customer call center number was unified to "100." These measures will allow all fixed and mobile customers to easily access the help that they need in one single step.

Integrated online channel　Our separate online product sites were consolidated under the corporate KT homepage. To mark our new identity as a fixed and mobile telecom operator in 2009, we unified our existing home service brands under the "QOOK" brand which also has its own dedicated site (www.qook.co.kr). The site offers information on service charges and user terms, in addition to useful functions including applying for or cancelling subscriptions, viewing bills, changing products and other customer services similar to those offered by the 100 call center. The site provides services 24 hours a day, 365 days a year. Future plans include creating a consolidated fixed-mobile online CS channel to allow customers to easily and conveniently access all of our services.

One billing　KT plans to provide a one billing service to customers who use both our fixed and mobile services. This will enable customers to benefit from more efficient understanding of their telecom costs while allowing KT to improve CRM efficiency. Customers who apply for the service will be able to receive one-stop consultations on their fixed line services such as home phones and high-speed Internet as well as mobile services via the KT customer center.

Differentiated service

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

Expansion of before-service (B/S)　KT adopted a preventative before-service system in addition to its existing after-service system to minimize inconveniences and maximize customer value. The B/S system assesses and addresses facilities which have a high likelihood of malfunctioning. KT is expanding the scope of B/S from the existing fixed telephone and high-speed Internet to the new service market of Internet telephone, Internet TV and mobile phone shadow areas in an effort to deliver reliable services to customers.

❖ Service Quality Warranty
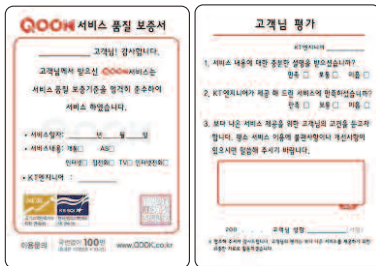
Differentiated service for customer delight
As an extra consideration for customers, KT technicians visiting homes to initiate services
or provide after-service wear overshoes and place their tools and equipment on a special
work pad.

In the near future, KT will adopt GPS to identify technicians who are closest to a customer's
house so that customers may receive faster services. We have also decided to recruit more
female technicians (called "QOOK 1004" technicians) in consideration of the fact that most
of the customers who come in contact with installation or after-service technicians are
housewives. KT currently has 97 "QOOK 1004" technicians, but we plan to increase that
number to 1,004 over the long run. Another planned measure is the preemptive claim
prevention service that asks detailed questions about problem areas and deals with them
before an actual problem arises.

QOOK 1004(QOOK Angel)

Bundled packages to reduce household telecom expenditure   With telecom now an
indispensable part of our lifestyle, the use of fixed-line telephone, mobile phone, and
Internet continue to grow. Coupled with rising oil prices, fluctuating foreign exchange rates
and the global economic crisis, telecom-related fees pose a greater burden on household
budgets than ever before. Since the second half of 2007, KT has been offering diverse
bundled packages to deliver customers with new value, greater choice in telecom products
and savings benefits. Additionally, we extended our bundle discount rates to SOHOs and
SMEs. KT is now eying bundles with other non-telecom sectors such as insurance,
shopping, entertainment and health. Our intent is to answer customers' diverse demands
which change with the introduction of new lifestyle trends.

❖ **QOOK** & **SHOW** Packages

**Free conversion
is possible among packages**

Fixed-rate bundle
• Internet+home phone(+SHOW)
• Internet+Internet phone(+SHOW)
• Internet+TV(+SHOW)
• Internet+home phone+TV(+SHOW)
• Internet+Internet phone+TV(+SHOW)

Customized bundle
• Internet+home phone
• Internet+SHOW
• Internet+TV
• Internet+Internet phone
• Internet+SHOW WiBro
• Internet+home phone+SHOW

QOOK Packages

Customer Protection

Protecting customer information

The growing sophistication of hacking technology and trading of personal information for monetary gains pose serious social problems. To deal with unauthorized disclosure of personal information, KT is expanding its infrastructure to protect customer information and employing various systems like a certification system to ensure data privacy.

Expansion of infrastructure for protecting customer information   KT operates a reliable encryption system to prevent the unauthorized and illegal use of customer information such as their national identification number or financial data through hacking. In 2007, we introduced the Digital Right Management (DRM) solution to block leaks via our employees and partner firms. The solution encrypts all data created on PCs and applies watermarks on printed materials. We routinely check for weak spots in our company system, including the personal information storage system. KT engages in simulated training sessions with the government and other related organizations to prevent and enhance our response to cyber attacks and data leaks.

Reinforced ability to protect customer information

For the past several years, KT has received signed commitments from all employees of KT and partner firms to protect customer information. In an effort to better safeguard information at customer contact points, we visit branches to monitor their compliance. Those who display exemplary performance in protecting customer data are issued a certificate while those who fail to maintain acceptable standards receive consulting. Our high standards of information protection were acknowledged by our receiving information protection management system certification for key facilities including the IDC from the Korea Information Security Agency (KISA).

Raising awareness on customer information protection   KT runs diverse on-site training programs by visiting branches and partner companies to instill greater awareness about the importance of protecting customer information. We built an e-learning system to conduct related online training targeting all employees twice a year.
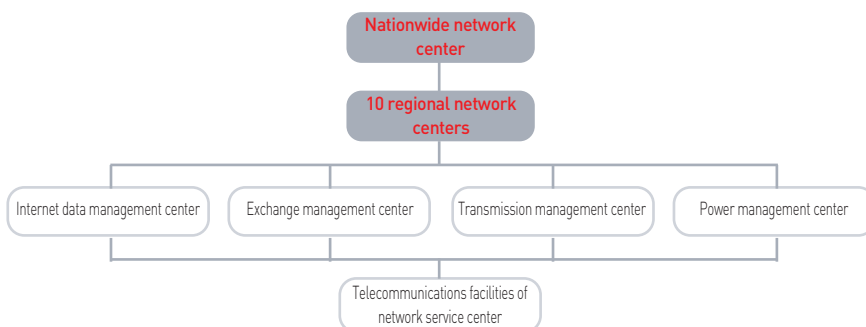
Preventing telecom service disruptions
Telecom service disruptions can cause major economic losses and other problems. As the
operator of Korea's largest IT network, KT assumes a great responsibility and is constantly
striving to provide stable and reliable telecom services.

Dual network monitoring system
We currently operate ten regional network control centers including the ones in Seoul and
Busan to monitor local service quality. At the same time, a nationwide network center in
Gwacheon provides real-time monitoring of nationwide services. Preventive measures to fix
switchboard, transmission, Internet and power facilities at risk of posing service disruptions
are conducted year round.

❖ Dual Network Monitoring System

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                    ┌──────────────────┐
                    │ Nationwide network│
                    │     center       │
                    └──────────────────┘
                             │
                    ┌──────────────────┐
                    │10 regional network│
                    │     centers      │
                    └──────────────────┘
        ┌──────────────┬──────────┴──────┬──────────────┐
┌───────────────┐ ┌───────────────┐ ┌──────────────────┐ ┌───────────────┐
│Internet data  │ │Exchange       │ │Transmission      │ │Power          │
│management center│ │management center│ │management center│ │management center│
└───────────────┘ └───────────────┘ └──────────────────┘ └───────────────┘
              ┌────────────────────────────┐
              │ Telecommunications facilities of│
              │    network service center   │
              └────────────────────────────┘
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Establishing countermeasures for earthquakes and developing quake-proof solutions
To ensure continuity of operations in the event of an earthquake as well as swift and
accurate emergency measures, KT conducted an earthquake-proof evaluation of all our
telecom facilities, starting with our telecom center in 2001. We are also devising
countermeasures for facilities requiring additional reinforcements. Based on the
"Technical Standards on the Safety and Reliability of Electrical Telecom Facilities" that was
revised on October 16, 2008 we conducted a shake table test in May 2009 and developed
raised access floor frames, equipment racks and battery frames with proven resilience
against quakes. KT plans to reflect these quake-proof solutions in the equipment
purchasing process for on-site application, and improve network reliability through
continuous upgrades.

Shake Table Test of Telecom Facilities

Emergency recovery training   To be ready for occasions when services are disrupted by
natural disasters or accidents, KT engages in annual emergency training sessions with
other telecom operators led by Korea Communications Commission. KT has also equipped
itself with 12,000 units of roughly 320 types of different emergency recovery equipment
such as switchboards, Internet devices, transmission devices, and engine-generators and
regularly performs emergency recovery training. Additionally, the fourth day of every month
is designated "safety day." On this day, each business site undertakes safety training and
checks of key facilities to ensure speedy and effective response to natural disasters or
accidents.

Emergency Recovery Training

Complying with legal standard on electromagnetic wave

Mobile phones and other mobile telecommunications devices have undoubtedly brought about many conveniences but there is still ongoing debate over the possible harmful effects of the electromagnetic waves they transmit. Despite scientific uncertainties, concerns persist over the effect of the waves on the human body. In 2002, the government introduced a bill to regulate exposure levels to electromagnetic waves. KT has fully complied with legal standards.

Mobile handsets   The handsets sold by KT must pass an electromagnetic wave test called Specific Absorption Rate (SAR) according to public notice no.2000-93 from the Ministry of Information and Communication before they are eligible for registration and sale to the public. The stated exposure limits are 1.6W/Kg, even more stringent than 2.0W/Kg followed by Europe and Japan. Since March 2003, based on the voluntary disclosure agreement between handset makers, the SAR figures of each new handset model are revealed on their website.

Wireless base stations   The expansion of WiBro services is leading to a greater number of base station installations every year. This is also a cause of growing concern over electromagnetic emissions for nearby residents. Every year, KT selects a base station with strong signal strength and entrusts external authorities to take assessments to quantitatively evaluate and control electromagnetic emissions. Our electromagnetic evaluation results in 2008 satisfied all electromagnetic safety standards in Korea which are based on the most stringent standards set by the ICNIRP.

❖ Results of Electromagnetic Wave Measurement

Classification	No. of measurements	Measurements		Safety standards	
		Electric fields (V/m)	Magnetic fields (A/m)	Electric fields (V/m)	Magnetic fields (A/m)
Wireless base station	4	0.018~0.022	0.00004~0.00006	59~61	0.159~0.160
WiBro base station	1	0.018	0.000047	61	0.16

※ Source: Northern Seoul Radio Management Office, Report on Radio Environment Measurement Results (September 19, 2008)

Other outdoor fixed line telecommunications facilities   Compared to wireless facilities, fixed line facilities emit markedly lower levels of electromagnetic waves. However, to ensure customer safety, KT conducts quantitative evaluations and manages electromagnetic emission levels by taking on-site measurements with public agencies on small telecommunications facilities located near residential areas. We inspected 11 sites in four areas in 2008, and confirmed levels to be 1/100~1/1000 of domestic safety standards.

e-Clean activities

KT conducts research and development on various value-added services to establish a "clean" Internet environment wherein customers can use the Internet freely without having to worry about harmful sites in cyber space. Since 2002, KT has developed and provided "Qook Internet Clean-i,"± which blocks harmful websites and "Qook Internet TimeCodi", which prevents Internet addiction. Additionally, starting from 2006, we worked with Korea Internet Safety Commission (KISCOM) to shut off access to 8,434 sites that feature unsound contents such as nudity and gambling in the Korean language. Meanwhile, we began providing "Qook Internet Doctor" free-of-charge to customers to protect them from diverse cyber threats in August 2007. In March 2009, we introduced software called "iAllimi" for parents to assess the level to which their children are exposed to harmful websites. The software is available free of charge to all users, including non-KT customers.

For four months from April 2009, KT provided free QOOK Internet Clean-i services to 50,000 households among low-income families receiving government subsidies for Internet connections. The program is part of a project led by the Korea Communications Standards Commission to provide software that filters harmful information from Internet systems used by youths. After the four-month trial period, the number of service recipients and service period are to be extended.

iAllimi Service
Free download of the iAllimi software is available at the QOOK Internet child safety zone (internet.qook.co.kr)

❖ e-Clean Services Status (as of the end of April 2009)

Item	Service details	No. of users
Qook Internet Clean-i	Block access to harmful websites, such as lewd or violent websites	453,704
Qook Internet TimeCodi	Set and manage Internet usage by time period and day	56,822
Qook Internet Doctor	Block and cure viruses and malicious code attacks	933,564
Encryption of information entered through the keyboard	Ensure protection from hacking by encrypting information entered through the keyboard	38,291
iAllimi	Internet clean index reporting service (record of visits to harmful sites, etc)	14,548

* The number of QOOK Internet Doctor users is based on users who had DB updates within a month

Preventing Internet infringement

The damages incurred from malicious BOT*, spam mail and phishing cause major problems to Internet users on both the individual and group levels. The number and scale of such damages are also surging every year. To minimize such online risks to security including DDoS** attacks, KT is adopting a joint response system in cooperation with public agencies, financial institutions and major portals. We also provide security consulting to corporate clients to strengthen their ability to counter infringements. We will continue activities such as fighting malicious BOT and reducing spam to minimize the consumption of IT resources and grow as a green IT company.

Telecommunication Disaster Monitoring Room

❖ Preventing Internet Infringement in 2008

unit: case

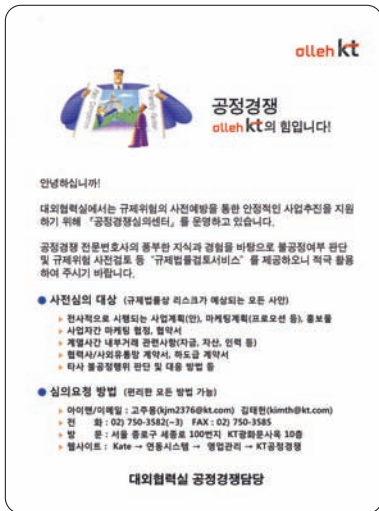| Organization/company	URL blocking	IP blocking
Korea Information Security Agency (KISA)	535	384
KT	163	115

* Malicious BOT: A type of malicious code used in DDoS attacks
** DDoS : Distributed Denial of Service Attack

Fair Competition Deliberation Center

Fair Competition Deliberation Center Poster

Fair trade

Fair trade compliance program   KT became the first in the domestic telecom industry that introduced a fair trade compliance program (CP) to prevent economic losses for society and the company by voluntarily complying with regulations and preventing unfair activities. During the 2008 CP rating evaluation conducted by the Fair Trade Commission (FTC), we acquired the top rating of "A" for a telecom industry player. The recognition served as external recognition of our commitment to fair competition and secured incentives such as the reduction of fines and exemption from official FTC investigations for the subsequent two years.

Fair Trade Compliance Program (CP)

- Compliance programs that promotes companies' voluntary observation of fair trade laws and regulations, based on trust between companies, market and government
- FTC conducts annual evaluations (CP rating evaluation) and provides various incentives

Regulation deliberation service

As part of our fair trade compliance program, KT opened the Fair Competition Deliberation Center in 2005 comprising fair trade lawyers. By conducting reviews on anti-trust issues for business plans of key divisions including the Marketing Strategy BU and Corporate Client BU, we are effectively preventing violations of competition laws. Additionally, we have designated on-site (marketing, corporate business, wireless marketing) fair trade representatives to prevent unfair business activities.

Items for Pre-audit

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

❖ No. of Pre-audited Deliberations

	2006	2007	2008	1H 2009
No. of cases	393	403	348	216

Promoting an environment for fair competition   To establish a culture of fair competition and strengthen employee capabilities on relevant category, KT operates diverse training and activities on an annual basis and has incorporated an evaluation system to promote continued interest and dedication.

❖ Corrective Measures for Unfair Trade Practices

Type		2006	2007	2008
Cartel	Correction (case)	2	0	0
	Fines (KRW billion)	5.3	0	0
Forced transaction	Correction (case)	0	0	0
	Fines (KRW billion)	0	0	0
Unfair internal transaction	Correction (case)	0	0	0
	Fines (KRW billion)	0	0	0
Others	Correction (case)	2	0	0
	Fines (KRW billion)	0	0	0
Total	Correction (case)	4	0	0
	Fines (KRW billion)	5.3	0	0

* Others: Related to Contract Terms Regulation Act, Labeling & Advertising Act, Door-to-Door Sales Act, e-commerce Consumer Protection Act
* No. of correction was two in 2006. However, there was no corrective case in 2007 and in 2008.

❖ No. of Trainees by Year

unit: person

● Working-level education   ● Cyber program

Strengthening education on fair trade
KT provides training on fair trade every quarter. Online training programs are under operation for the employees. In addition, experts from regulatory organizations are invited to share information on recent trends in laws and systems on fair trade while special lectures on key fair trade issues are being held. Visiting lectures are organized for departments where fair trade is of particular importance (eg, departments related to purchasing and the distribution network).

Strengthening on-site fair competition capabilities
We recognize that our marketing staff needs to fully understand fair trade laws in order to form a voluntary and active fair competition environment. We thus offer a full range of programs including online evaluation, performance evaluation on fair competition, and on-site consulting. Incentives are provided to encourage full employee participation. On-site consulting has been particularly effective as it provides a chance to sift through unnecessary historical reference data. It also gives sales personnel the opportunity for direct consulting on what constitutes a violation of fair trade rules.

❖ Fair Trade Programs

Program	Target	Method	No.	Note
Online evaluation	Branch sales personnel	Online evaluation of knowledge on fair trade issues	Semi-annual	Previous evaluation questions and learning materials are distributed beforehand
Fair competition performance evaluation	Branch & business dept.	Onsite review and consulting on relevant factors	Semi-annual	Monetary incentives given to model organizations and individuals
Onsite consulting (on-demand)	Branch	Onsite review and consulting on relevant factors	On demand	Participatory
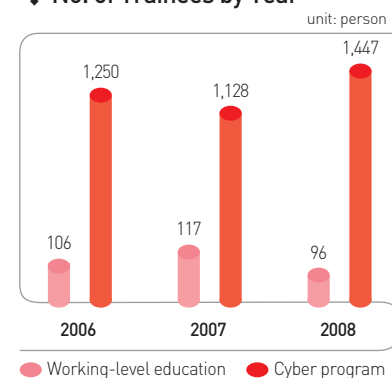
Walking on the path toward **mutual growth**
carved out of consideration, encouragement and trust −
that defines **partnership** *at KT.*

KT has introduced various win-win programs for mutual growth with partner companies. These include a system of sharing benefits of collaboration with SMEs, quality certification, and assistance for suppliers' partners.

Kim Seung−il, researcher at Korea Small Business Institute

Win—Win Management | **Business Partners**

business partners

KT pursues mutual growth with partner companies. To this end, we maximize performance based on mutual trust, help our suppliers enhance their competitiveness and create an open corporate ecosystem.

Win-Win Management

- Win-Win Partnership
- Open Communication

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

Win-Win Management

Material Issues and Reporting Contents

After analyzing the materiality of issues related to partner firms, we decided to concentrate our resources on the following areas - win-win partnerships and support for business partners, promoting CSR at partner companies, ethical trade, etc. These issues are categorized into two parts (Win-Win Partnership, and Open Communication) and reported accordingly in this section.

Disclosure on Management Approach

KT is building trust with our partner firms through open communication and working to achieve mutual growth. We are seeking a multitude of ways to strengthen real and productive partnerships with over 4,000 suppliers. To this end, we have clear missions to maximize performance, help our suppliers enhance their competitiveness and create an open corporate ecosystem based on mutual trust to attain the ultimate goal of instituting a creative corporate culture.

❖ **Goal and Direction**

olleh Partnership

Building of a creative business ecosystem for creating value with partners.

Maximize results based on mutual trust	Support partner companies in strengthening competitiveness	Establish an open business ecosystem
• Increase reward for performance after joint efforts with partner companies • Build competitiveness on a mid- and long-term strategy rather than short-term results	• Encourage partner companies to strengthen their competitiveness and give them motivation • Build firm business relationship by bringing up partner companies' competence	• Build trust through fair trade and value sharing • Address and answer complaints from partner companies

Major Activities and Performances in 2008

Category	Activities and performance
Win-Win support for business partners	Transferred 85 patented technologies
Free education for employees of partner companies	Set up 40 courses to conduct training to 15,389 persons

Win-Win Partnership

Recognizing that a true win-win situation with partner firms occurs when there is sharing of benefits, KT is actively pursuing a benefit-sharing system for localizing and enhancing imported equipment, providing financial aid for small ventures to develop new technologies, and transferring rights to use KT's patented technologies.

Benefit-sharing system

The Ministry of Knowledge Economy is pursuing a benefit-sharing system as a key task of win-win partnership so that both large corporations and SMEs can work together to produce results such as cost reductions and quality improvement. To respond to this policy, KT adopted the benefit-sharing system in 2006 and prepared related systems while carrying out four pilot projects. Moreover, the company carried out six projects each in 2007 and 2008.

KT provides Six Sigma education and consultations by KT's Six Sigma innovation experts (MBB: Master Black Belt) to partner companies participating in the scheme. We also provide environmental testing and measuring devices to support their efforts to develop equipment. Successful development of equipment was compensated through purchases by KT(KRW 59.4 billion by the end of 2008). KT plans to continue with additional benefit-sharing model development and strengthen partnerships with outstanding suppliers to further advance the system.

Support for SME new technology development

In coordination with the Small and Medium Business Administration's "New Technology Purchasing Assurance" program, KT has been supporting the development and commercializationof new technology and products by small venture businesses. In 2008, KRW 1,568 million(KT: KRW 434 million, government: KRW 1,134 million) was extended to promising small ventures for three projects whose combined development cost was KRW 2.11 billion. We also purchased the developed product or jointly searched for domestic/overseas sales channels through which we are expected to garner benefits such as cost reduction and sales growth.

❖ **Benefit Sharing Projects in 2008**

Partner firms	Projects
Simon	PVC/FC improvements
Optelcom	Localization of optical cable fusion splicer
Hanyoung Electrical Ind. Co.	5KVA small capacity module type uninterrupted power supply
Saturn Information and Communication	Auto-recovery circuit breaker improvement
5 firms including AirPoint	Portable Internet ICS transmitter
Ubiquoss	Locally developed PoE switch

1) ASP: Application Service Provider
2) SMB: Small Medium Business
3) Ka band: Frequency zone between 20Ghz and 30Ghz
4) XFP: 10Gigabit Small Form-Factor Pluggable Transceiver
5) SFP: Small Form-Factor Pluggable Transceiver
6) E-PON: Ethernet Passive Optical Network
7) BIDI: Bidirectional

❖ **Financial Support for SME Technology Development in 2008**　Unit: KRW million

Task	Total Develop-ment cost	Details		
		KT's share	Government share	SMEs' share
IP key phone connected call center ASP[1] solution for SMB[2]s	481	96	264	121
Ka band[3] satellite bi-directional communication planar antenna system	285	57	156	72
NON reference-based digital video contents error automatic detection system	475	100	251	124
110Gbps optic module 2Core & 1Core XFP[4]	505	108	265	132
Economical SFP[5] E-PON[6] transceiver using Single CAN type BIDI[7]	362	73	198	91
Total	2,108	434	1,134	540

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

❖ Transfer of Patented Technology Usage Rights

unit: case

Legend:
● Licensing ● Technology transfer

Data: 2006 — 38 (Licensing), 74 (Technology transfer); 2007 — 20 (Licensing), 27 (Technology transfer); 2008 — 14 (Licensing), 71 (Technology transfer)
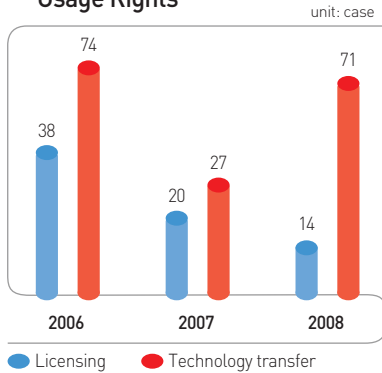
* TL9000(Telecommunications Leadership):
  Certification of quality management system for the
  telecommunications industry
** ISO 14001 is a standard for environmental
  management systems to be implemented in any
  business. The certification is awarded to
  organizations after an objective inspection by an
  external certification authority on whether they fulfill
  specified requirements

Securing patented technology and transferring patent rights

KT is expanding its patent cooperation with companies and universities that possess superior technologies in order to secure key technologies that will drive future growth businesses. By actively employing the key patents, we are strengthening our business competitiveness. Furthermore, in respect to win-win cooperation, KT grants the right to use the patent at low royalties to small- to medium-sized venture companies that wish to do so, thereby offering them with new business opportunities such as advancements into overseas markets.

In 2008, support was given for a total of 85 cases including 14 cases of patent licensing and 71 cases of technology transfer. In particular, KT transferred key patented technologies, such as the "KT Naratguel," to eight SMEs based on exceptional conditions, such as exemption of initial payment and running royalty and free source program support. KT is now in the process of transferring usage rights for patents registered both in Korea and overseas countries.

Win-Win support for business partners

KT is fully aware that the competitiveness of our business partners is directly linked to our own competitiveness. We therefore offer a multiple range of support measures to help our suppliers enhance their competitiveness, including quality consulting, free employee training, financial support and aid in opening up new overseas sales channels.

Supplier quality(TL9000*)/Environmental (ISO14001**) consulting and accreditation support

KT initiated the "TL9000 (Quality)/ISO14001 (Environment) Consulting and Certification Support" program to help our small- and medium-sized suppliers improve the quality of their equipment and ultimately, improve our customer satisfaction levels. As a result, 20 partner firms that received 50% of relevant fees from KT were able to acquire TL9000 and ISO14001 certification. This led to the standardization of quality management process, greater employee awareness of environment, and improvement in productivity at partner firms. Going forward, we plan to implement rigorous follow-up measures to help our suppliers increase their competitive edge and to secure a stable supply of equipment.

Support for telecommunications infrastructure and evaluation facilities

KT provides facilities at no extra cost to reduce the R&D cost burden of partner firms. We open our comprehensive model center which is similar to our actual telecommunications infrastructure environment and provide the evaluation equipment needed for performance tests on partner firms' equipment.

❖ Facility and Equipment Support in 2008

Classification	No. of partner firms	No. of cases	Remarks
Comprehensive model center	4	8	WiBro, BcN, Internet
Evaluation equipment	15	25	Surge simulator, packet generator etc
Total	19	33	-

Offering free training to partner companies
KT provides free training to partner company employees to strengthen the skills of partner company personnel and resolve difficulties faced by SMEs in terms of human resource development. In 2008, we set up 40 courses on technology, quality and management and conducted on/offline training to 15,389 persons.

The classroom education courses are operated by KT HRDC (Daejeon and Wonju) and each regional business group's field training center. Classrooms, textbooks, lodging and meals are all provided at no cost. The courses such as "Nurturing TL9000 internal examiners," and "Nurturing ISO14001 personnel to respond to the environmental regulations" were done by outside experts for the employees in charge of quality management at partner firms." These courses were especially well received by partner firms.

❖ Partner Firm Education

Training type	No. of courses		No. of trainees	
	2007	2008	2007	2008
Online	19	24	8,113	9,868
Classroom	18	16	4,600	5,521
Total	37	40	12,713	15,389

Financial support for partner companies
KT operates various financial support programs to promote the financial stability of SMEs, which are in a dire situation resulting from the rise in raw material prices and foreign exchange rate. The company concluded agreements with financial institutions so that partner companies can receive loans at low interest rates based on their performance.

❖ Financial Support for Partner Companies

Category	No. of financial support (case)	Loan amount (KRW billion)	Introduction
Network Loan	277	81.6	Dec. 2004
Family Loan	78	19.5	Jan. 2007
Partnership Loan	98	128.7	Apr. 2006
Total	453	229.8	

Since 2006, KT has stopped settling payments in promissory notes and has been providing cash settlements for deliveries by SME partners, regardless of the sum. In 2008, we paid SMEs KRW 2,118.6 billion in cash and by doing so, largely contributed to improving their cash flow.

Support for overseas expansion of exemplary partner companies
KT works with exemplary partner companies to expand their business and sales channels. In 2008, we pursued global IT projects with 40 SMEs that have superior technology which resulted in KRW 55.6 billion in gains. Going forward, we plan to strengthen partner relationship by overseas expansion with partner firms.

Open Communication

Open communication is a key to creating a win-win partnership and improving corporate competitiveness. To this end, KT implements various policies including a partner company grading system, agreement for fair subcontract trade as well as the operation of our on/offline Win-Win Cooperation Center.

Fair trade

KT is committed to practicing fair and transparent transactions. In particular, we use an electronic bidding system for selecting partner firms and computerize the entire selection procedure to prevent arbitrary intervention. In October 2007, we became the first company in the industry to sign an agreement for fair subcontract trade with the Fair Trade Commission of Korea and the implementation of this agreement is helping us build an efficient cooperative system with partner firms. We were recognized for excellence in executing the agreement in March 2009.
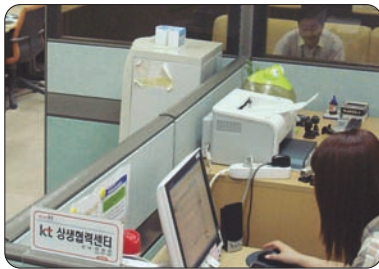
Operation of the Win-Win Cooperation Center

As part of efforts to put our win-win cooperation policy into practice, we have operated the "Win-win Cooperation Center" since 2006. The center is exclusive space for our partner companies where business cooperation and open communication take place. The Win-Win Cooperation Center addressed the inconveniences felt by partner companies when visiting KT because there was no dedicated space available for them to engage in business discussions. The center which provides meeting rooms, consulting rooms, business rooms and rest areas, also serves as a one-stop service center where general win-win cooperation activities are conducted.

KT Win-Win Cooperation Center

Extending communication channels

KT has established various communication channels through which the opinions of partner companies are heard. They help us promote fair and transparent business cooperation, facilitate the exchange of information and improve unreasonable systems. In particular, communities dedicated to different categories have opened anonymous debate rooms with relevant partners to share more in-depth information in their particular fields. A KT employee with expert knowledge is designated to help promote two-way information exchanges. Additionally, the VOS (Voice of Supplier) receives suggestions and comments on difficulties facing partner companies and provides swift feedback.

❖ **Communication Channels**

Communication channel	Objectives	Cycle
Special community by category	Channel to exchange technologies and information by category	At all times
VoS (Voice of Supplier)	Gather various opinions from partner companies and provide feedback	At all times
Multi-dimensional evaluations of partner companies	Conduct surveys on the satisfaction level of partner companies and provide feedback	Once a year
Meetings with CEOs of partner companies	Gather opinions and give presentations on business plans and purchasing schemes	Once a year
Regular presentations	Make improvements to current polities through council meetings by area, Exchange nformation and have Q&A sessions	Twice a year
On-line Win-Win Cooperation Center	Introduce the win-win cooperation program(on-line application is available)	At all times
Technology exchange with partner companies	New technology trends, seminar to introduce equipment, demonstrate and introduce partner companies' solutions	Once a year

Partner company grading system

KT evaluates suppliers that have a delivery record of more than one year based on our Supplier Performance Management system. In 2008, we evaluated 164 suppliers to award exemplary suppliers with benefits such as preferential rights in contract amount and exemption of guarantee deposits. As for suppliers with low grades, we encourage them to improve their performances. A company that fails to comply with contract terms is banned from joining bid over the sanction period.

❖ Benefits and Penalties by Partner Company Grade

Grade	Proportion (%)	No. of suppliers	Matters applied by grade
Excellent (A rating or above)	21	34	Eligible for voluntary inspections; Given preferential treatment in contracting; Exempted from payment of guarantee deposit for contracts and bidding
Support(B rating)	53	88	Given support in quality consulting and certification; free training
Improvement(C rating)	24	39	Required to implement KT requests for improvement; Be subject to more rigorous product inspection
Circulation(D rating)	2	3	Banned from joining the bid

Evaluation of supplier satisfaction level

Since 2005, KT has performed multi-dimensional evaluations on its partner companies every year to assess the company's general purchasing process from the point of view of partner companies and to make improvements accordingly. In 2008, KT conducted an online survey on a total of 170 partner companies. The survey showed a satisfaction score of 80.2 points (out of a total of 100 points), unchanged from the previous year's result. However, satisfaction level on process and system rose.

❖ Supplier Satisfaction Level

unit: point

2006	2007	2008
75.4	80.2	80.2

❖ Supplier Satisfaction Level by Category

unit: point, maximum is 100 points

	Process	System
2006	79.6	79.8
2007	81.0	81.0
2008	81.4	82.4
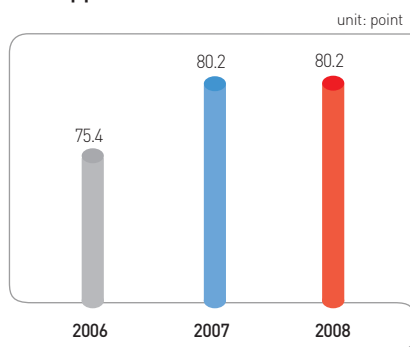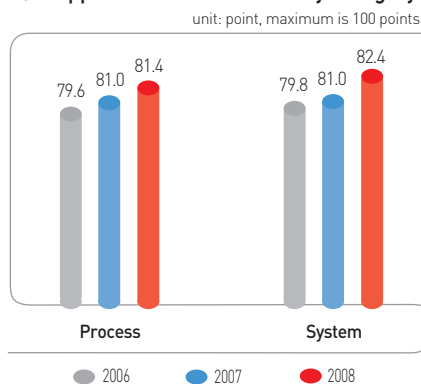
The moment we took our first step, or began a new as olleh kt,

or become the global telecom leader,

you are and will always be a part of the **KT family**.

KT has an excellent employee benefit system and human management guided by systematic goals and strategies. Especially noteworthy are programs to nurture employee skills including the learning contract scheme. In addition, KT's CSR report provides good coverage of issues that are important to stakeholders such as work-life balance and assistance for retirees.

Kim Jong–sung, researcher at Korea Employment Institute

Human Management | **Employees**

employees

KT will actively enhance employee value by building a workplace that guarantees growth and opportunities, a workplace where work and life form a balance and a workplace full of trust.

Human Management

- Organizational Harmony and Human Rights
- Human Resource Development
- Employee Welfare and Benefits
- Safety and Health
- Open Culture

Human Management

Material Issues and Reporting Contents

After analyzing the materiality of employee issues, we decided to concentrate our resources on the following areas - employee communication, fairness in human resource management (HRM), etc. These issues are categorized into five parts (Organizational Harmony and Human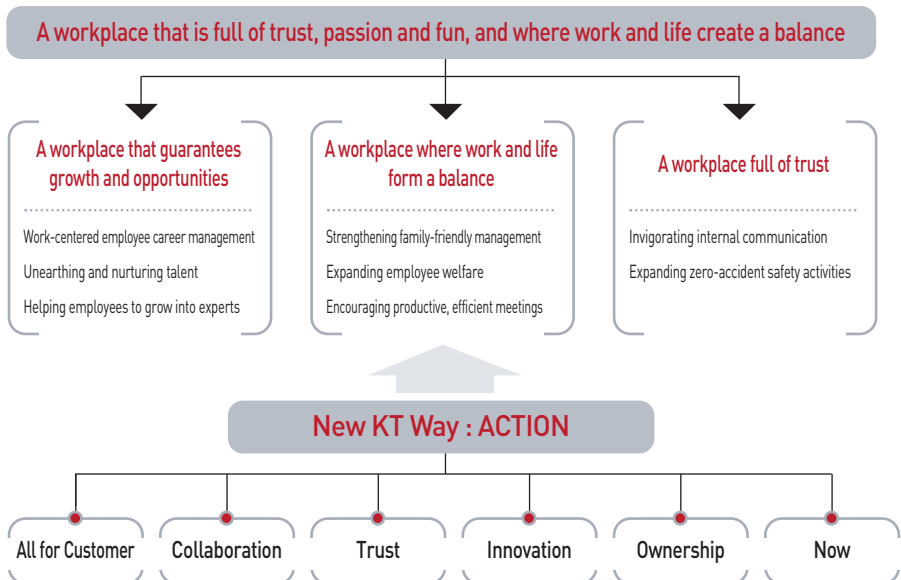 Rights, Human Resource Development, Employee Welfare and Benefits, Safety and Health, Open Culture) and reported accordingly in this section.

Disclosure on Management Approach

Based on its new vision of "Global ICT Convergence Leader" and New KT Way (ACTION), KT set its mid- to long-term human resource management goal as "a workplace that is full of trust, passion and fun, and where work and life create a balance." We plan to realize human resource management centering on employee value.

❖ Goal and Strategy

A workplace that is full of trust, passion and fun, and where work and life create a balance

A workplace that guarantees growth and opportunities	A workplace where work and life form a balance	A workplace full of trust
Work-centered employee career management	Strengthening family-friendly management	Invigorating internal communication
Unearthing and nurturing talent	Expanding employee welfare	Expanding zero-accident safety activities
Helping employees to grow into experts	Encouraging productive, efficient meetings	

New KT Way : ACTION

All for Customer · Collaboration · Trust · Innovation · Ownership · Now

Major Activities and Performances in 2008

Nurturing of experts
- Enhance benefits and incentives for best experts (professionals) per division
- Promote in-house certification system and expand training for core competency

Prevent safety-related accidents with one-company, one-safety measure campaign
- Participation by 1,000 departments/teams from across the country

Expand events to promote unity and improve employee welfare
- UCC competition, kickball/dodge ball competition, flee market at Seoul headquarters
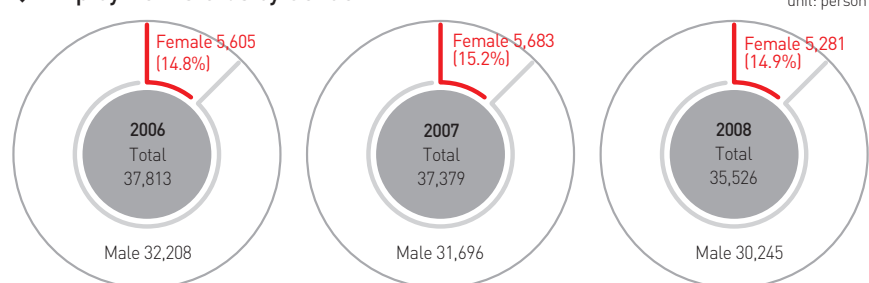
Improve workplace conditions
- Create green workplace and expand employee welfare and recreational space (book cafe, counseling room, etc)
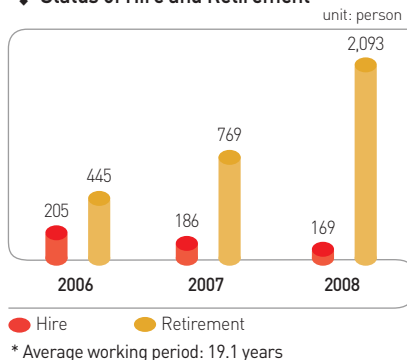
Organizational Harmony and Human Rights

Equal employment

When recruiting new employees, KT does not discriminate applicants by their gender, educational level or age. We also provide equal employment opportunities to the disabled and state meritorious persons. The same pay scheme is applied to all new hires and everyone is given equal opportunity for promotion and compensation. The number of employees has been going down for the past three years. As of December 2008, the number of employees totaled 35,526, 5% lower than 37,379 at the end of 2007 due to outsourcing policy in IT segment. The percentage of physically challenged employees was 2.6% as of the end of 2008, which exceeds the legally stipulated percentage of 2%. Our hiring takes into account balanced regional development, with 52.6% of all employees working outside of Seoul, Incheon and the metropolitan area.

❖ **Employment Status by Gender**

unit: person

Female 5,605
(14.8%)

2006
Total
37,813

Male 32,208

Female 5,683
(15.2%)

2007
Total
37,379

Male 31,696

Female 5,281
(14.9%)

2008
Total
35,526

Male 30,245

❖ **Status of Employment by Region**

unit: person

	No. of employees	Proportion(%)
Seoul	8,887	25.0%
Gyeonggi	7,939	22.3%
Busan	2,483	7.0%
Daegu	1,803	5.1%
Gyeognam	1,664	4.7%
Gyeongbuk	1,568	4.4%
Daejeon	1,492	4.2%
Gangwon	1,475	4.2%
Jeonbuk	1,453	4.1%
Jeonnam	1,398	3.9%
Chungnam	1,236	3.5%
Gwangju	1,164	3.3%
Chungbuk	1,017	2.9%
Incheon	948	2.7%
Jeju	553	1.6%
Ulsan	446	1.3%

❖ **Status of Hire and Retirement**

unit: person

2,093

769

445

205

186

169

2006 **2007** **2008**

● Hire ● Retirement

* Average working period: 19.1 years

❖ **Status of Female Employees**

unit: person

5,605

5,683

5,281

266

322

306

2006 **2007** **2008**

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

❖ **Ratio of Temporary Employees**

unit: person

0.6%

0.5%

0.8%

216

180

297

2006 **2007** **2008**
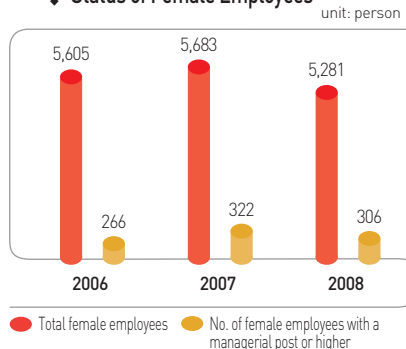
● Total temporary employees ● Proportion of temporary employees

❖ **Employment of the Disabled**

unit: person

2.1%

2.3%

2.6%

809

841

929

2006 **2007** **2008**

● No. of the disabled ● Proportion of the disabled

* Legally stipulated guideline for employment of the disabled is 2%
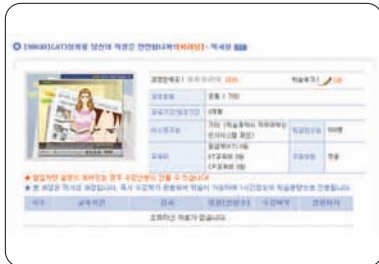
Online Education to Erevent Sexual Harassment

Human rights

KT forbids discrimination by reason of regionalism, educational background, gender, religion, and physical impairments. While respecting the principle of equal opportunities for both sexes and work-life balance, KT also guarantees protection of minors and motherhood. We provide support to female employees so that they can work in a comfortable work environment by prohibiting pregnant employees from working overtime and being assigned to physically-challenging work; allowing one day special leave per month for women (without pay); and giving a 90-day vacation before and after giving birth. In addition, we forbid child labor and forced labor. Furthermore, we have in place systematic support to prevent sexual harassment, including online training, awareness training, and preventive guidelines. In particular, we carried out online education eight times for 37,552 employees in 2008 in order to prevent sexual harassment.

Performance-based compensation system

To ensure fair evaluation and compensation, KT operates an HR system based on ability and performance that is linked to our business performance. Every quarter, each employee undergoes a job evaluation in connection with the company's strategic direction and goal. In addition, after fairly and objectively reviewing employees' abilities and performance through a capabilities evaluation, multilateral evaluation and AC evaluation, we provide differentiated compensation based on our findings. We abolished the minimum years of service needed to qualify for a promotion, introduced a system for special, selective promotion, nurtured experts in each sector, and expanded the difference in compensation based on performance.

Life plan program

KT is operating a life plan program for employees. The program is designed to empower our employees to prepare for future uncertainties by boosting their skills to cope with major life transitions. For those who are retiring, we have programs to help them map out their post-retirement future and adapt to changes after KT. The programs include courses on identifying and developing one's experiences and education, training and consulting to facilitate re-employment, opening a business and acquiring professional certification.

❖ Programs (as of end of 2008)

Change Management Program: for employees

Name	Format	Details	No. of students (accumulated)
Self innovation projects	e-learning (1 month)	Resetting life values & goals	18,193
Self innovation	Classroom training (3 days)	Career diagnosis, identifying future path	3,176
Professional training	Voluntary	Personal development (obtain certificates, life-long education)	142
New Business Planning	Voluntary	Analyze career, set direction and action plan	Newly established in 2009

Job Transition Support Program: for retirees (prospective retirees)

Name	Format	Details	No. of students (accumulated)
Job transition workshop	Classroom training (2 days)	Change management, 4 major social insurance, financial planning	488(113 spouses)
Startup business (Opening a business)	Classroom training (5 days)	Understanding business startup, aptitude test, business selection, market analysis, store management, marketing, dialogue with retirees	376(70 spouses)
Career design strategy (Re-employment)	Classroom training (4 days)	Understanding re-employment, career assessment, resume writing, image making, interviews, etc.	46
Consulting(Business startup, re-employment)	Voluntary	Startup, re-employment consulting	600 times a year

Comments from life plan program participants

"Before attending the program, I wasn't sure about my life after retirement. But the training taught me the importance of mapping out a detailed future plan."
(Kim Jong-gu, attended "Self innovation" group training)

"Decisions made during difficult times should be more accurate and meticulous. Getting advice from your acquaintances is helpful but it's not as effective as systematic training on opening a business. The 5-day program has given me confidence to start afresh."
(Kim Yeon-chul, attended "Startup business" group training)

Human Resource Development

Recognizing that employees are the most important factor for us to keep growing sustainably, we have defined the ideal KT employee and HRM philosophy, and established a master plan for nurturing human resources. Additionally, we are continuing efforts to cultivate creative professionals by adopting a HR development program centering on capabilities, building a self-directed learning culture in which employees can pursue work and studies, introducing a life-plan program for employees to map out their post-retirement future, and building a performance-based compensation system.

Ideal KT employee and HRM philosophy

The ideal KT employee is a "Customer Value Innovator" who thinks of creative ways to realize customers' dreams from the customers' standpoint and who turns their passion into action to earn the trust and gratitude of customers. The ideal KT employee has the highest levels of expertise and spirit of challenge. The KT HRM philosophy and system centers on fostering individuals with the following four values: customer-oriented, originative, passionate and able to execute, and trustworthy.

❖ HRM Philosophy
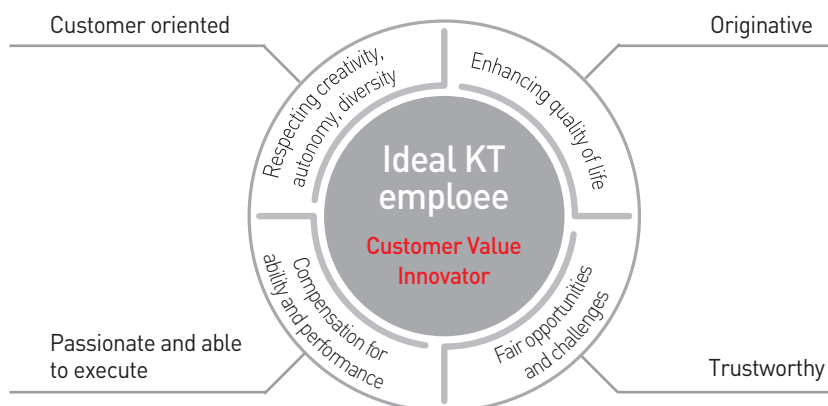
Customer oriented   Originative

Respecting creativity, autonomy, diversity

Enhancing quality of life

Ideal KT emploee

Customer Value Innovator

Compensation for ability and performance

Fair opportunities and challenges

Passionate and able to execute   Trustworthy

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

HR Related Awards from Outside Organizations

1. Obtained "A" rating from vocational training center assessment (Internet remote training)- sponsored by Ministry of Labor: 2003~2008 (6 consecutive years)

2. Obtained "A" rating from vocational training center assessment (SME consortium)- sponsored by Ministry of Labor: 2005~2008 (4 consecutive years)
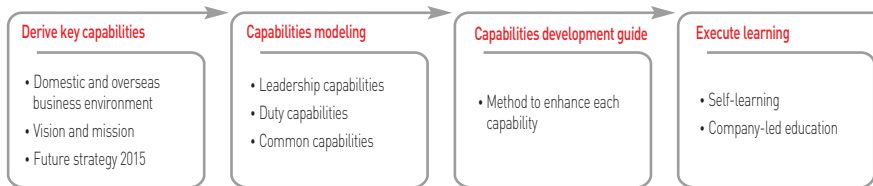
3. Obtained certification as best HR development company- Jointly sponsored by 4 government agencies: 2006~2009 (certificate valid until Nov. 2009)

4. Received "Grand Prize" at Korea HRD Awards in the educational program category- sponsored by Korea HRD Association: 2006

Employee development

KT has come up with a mid- to long-term master plan on cultivating human resources in order to foster experts who are able to achieve the goal of creating customer value and sustainable growth in response to drastically changing business environment. In addition, we have established competency-based HRD system, which is classifying personnel by job position and duty, specifying competencies that are needed to carry out roles and responsibilities. And it can make employees check the gap between where they are and where company wants them to be and improve their competencies step by step. In particular, KT is assessing the employees' competencies with personal characteristic and job aptitude every year based on an assessment system, so as to support employees in developing core competencies that are required to meet the organization's objectives.

❖ HR Development Based on Capabilities

Derive key capabilities	Capabilities modeling	Capabilities development guide	Execute learning
• Domestic and overseas business environment • Vision and mission • Future strategy 2015	• Leadership capabilities • Duty capabilities • Common capabilities	• Method to enhance each capability	• Self-learning • Company-led education

KT conducts education and training programs fit for each employee capability. The company offers a variety of programs in the category of common training for all employees, leadership enhancing training, specialized duty training, and online education. Additionally, we have a support system to help employees receive master and doctorate degrees from domestic and overseas schools and finish MBA courses in order to nurture key personnel. Our programs to manage and develop HR have continuously received the highest marks in numerous evaluations by public agencies and other external institutes.

❖ Education Overview

Category	2006	2007	2008
Costs (KRW thousand/person)	74	76	67
Hours (Hour/person)	106	152	131
Classroom education (No. of participants)	48,016	70,621	41,567
e-Learning education (No. of participants)	83,955	186,116	148,900

* Number of participants in classroom education and e-Learning education is cumulative.

❖ Education and Training Programs

Program	Detail
Common training for all employees	• Education to foster ideal KT employees and improve key capabilities • Change/innovate education to realize "Wonder" management
Leadership enhancing training	• Education to enhance management abilities and leadership of executives and managers -Executive-level vision management school, executive director strategy management school -Leadership enhancement for department/senior managers
New recruits training	• Education to quickly nurture experienced/rookie employees as key KTpersonnel -3-week initiation training program, 3-week duty program by sector, 3-month job-rotation • 1:1 mentor program with model senior employees or key managers
Specialized duty training	• Specialized education to improve consulting capabilities at the customer contact point -IT Supporters, consultant academy, CVI leader • Education to enhance specialized capabilities by sector that surpass market emand
Online learning	• E-learning: 218 courses on basic knowledge by duty and common(management, OA, etc) training • Language academy: 364 courses for English, Japanese, Chinese, etc. • 73 reading correspondence courses, mini-clip contents, etc

Learning contract system

KT introduced a learning contract program in January 2007 to build an on-demand, self-directed learning culture where work and learning co-exist and to promote balanced development among employees by providing equal learning opportunities. The program sets a target of having each individual clock up more than 100 hours of voluntary learning each year. Individual learning hours clocked in at 181 hours and 125 hours in 2007 and 2008, respectively, leading to greater acquisition of professional qualifications and HRD satisfaction level.

e-Learning Education for Employees

❖ Operational Process of Learning Contract System

```
┌─────────────────┐      ┌──────────────────────────┐      ┌─────────────────┐
│    Superior     │─────▶│ Learning contract (over 100 │◀────│    Underling    │
└─────────────────┘      │    hours per year)        │      └─────────────────┘
                         └──────────────────────────┘
                                   │              The subordinate signs contract with his/her
                                   ▼              superior on content and timing of learning,
┌─────────────────┐      ┌──────────────────────────┐   as well as support method, in order to
│ Learning designer│─────▶│        Learning          │   improve capabilities.
└─────────────────┘      └──────────────────────────┘
-Provides learning guidance based          │
 on development path                       ▼
-Provides guidance on appropriate ┌──────────────────────────┐      ┌─────────────────────────┐
 education courses                 │  Performance evaluation  │─────▶│ Reflect in personal record │
-Provides individual consulting    └──────────────────────────┘      └─────────────────────────┘
```

❖ Results Gained from Learning Contract System

Category	2006	2007	2008
No. of learning hours per person	-	181	125
Qualifications acquired	2,032	3,846	4,239
-Company	553	1,965	1,938
-Outside	1,479	1,881	2,301

* The learning contract system acknowledges time spent for lecturing/tutoring, attending external seminars and acquiring qualifications as learning hours.

Employee Welfare and Benefits

Our employee benefits are largely divided into an employee welfare system and family-friendly system to maximize employee satisfaction. Going forward, KT plans to introduce more diverse programs to raise employees' satisfaction levels at work and in their family lives.

Enhancing employee welfare

To ensure a stable life and to improve the welfare of all employees, KT operates a variety of programs regarding children's education, self-development, leisure activities and health management. In 2002, we opened the web-based cyber welfare center (b4u.kt.co.kr) to offer welfare services our employees and retirees need in their daily lives. In-depth discussions on welfare performance and issues are carried out between labor and management every year. Through this process, issues related to welfare schemes and operations are addressed so that balanced welfare benefits can be enjoyed in every aspect of an employee's life.

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

❖ Welfare Spending

unit: KRW billion
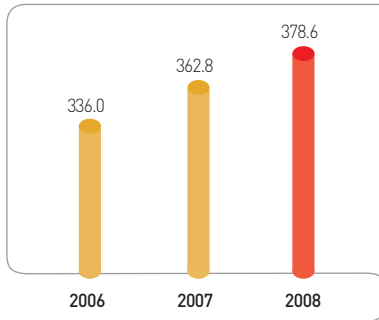
* Including donation to employee welfare fund

❖ Welfare Support System

Category	Details
Pension saving	Fixed amount of pension support offered every month
Mortgage	Loans for employees who do not own a home
Living expenses	Emergency loans
Expenses for congratulatory and condolatory events	Financial support and days-off for congratulatory and condolatory events, funeral assistance
Disaster relief fund	Disaster relief funds extended when an employee's house is damaged or flooded due to a natural disaster
Resort facility	Retreat centers, summer resorts, condominiums
Company housing facility	Company housing, dormitory for single employees
Medical checkup	Medical checkup for employees and their spouses
Medical expenses	Medical expenses for employees, their spouses and children
Scholarship for children	Tuition fees for the children of employees who are in middle school, high school or college
Elementary school educational subsidy	Educational subsidy for 6th graders (one year)
Collective insurance	Alleviates financial burden in case employees and their spouses are involved in an accident
Insurance stipulated by law	National pension, national health insurance, employment insurance system, and work injury insurance

Family-friendly program

To address the social problem of low birth rate in Korea, KT has in place a wide range of programs to promote childbirth including daycare services, parental leave and childbirth-congratulation fund. Our family-friendly program is intended to promote the morale of our employees by helping them achieve a healthy work-life balance. The introduction of such activities has improved employee loyalty and furthermore, enhanced employees' concentration and productivity at work. Our efforts have earned us national recognition. In July 2006, we were named the best company for working mothers during the Ministry of Gender Equality-sponsored family-friendly management declaration. In February 2007, KT was cited as a model example in the Cheongwadae policy meeting on "Creating a corporate environment for work-life balance."

❖ Family-friendly Program

Category		Details
Promoting childbirth	Childbirth-congratulation fund	First child-KRW 200,000, Second child-KRW 500,000, Third child-KRW 1,000,000
	Parental leave	One-year parental leave given to employees who have a three-year-old or younger child
	Educational subsidy for toddlers	Financial support for education expenses for a preschool child
	Daycare facilities	Provide daycare services to infants and toddlers of employees: 7 branches
Family health	Medical checkup for employees/spouses	Offer subsidy for health checkup of employees and spouses
	Help families of employees with terminal disease	Financial support for medical expenses given to families of employees with an incurable disease
Family participation	Language camp	Summer language education for the children of employees
	Online language course	English/Chinese/Japanese courses for employeed' families
	Family leisure facility	5 retreat centers, condominiums and summer resorts
	Father school	In partnership with Duranno Father School
	Cultural events for employees' families	Concerts, movies, events for elders

Safety and Health

Under the safety and health vision assuring the safety and health of all employees, each business site establishes and implements an industrial safety & health plan and actively takes measures to prevent accidents and maintain a safe and clean working environment. The labor and management as well as headquarters and other worksites are working in concert for successful implementation of these activities,

### ❖ KT Industrial Safety and Health Vision and Goal

Vision	Achieve "safety-first corporate culture" to ensure safety and health of employees
Goal	Attain safe and clean work environment Maintain and promote healthy workforce
Direction	Focus resources on practicing and promoting safety Strengthen activities to promote health and prevent occupational diseases Improve work efficiency through management planning team and role division by worksite Pursue disaster prevention activities and system improvements

Safety-first corporate culture

KT is conducting a wide range of activities in order for safety to enter the fabric of our corporate culture. Every season, we set up safety measures on susceptible areas while every May, we organize industrial safety and health event that includes lectures and discussions. To promote employee awareness on workplace safety issues, we hold traveling exhibition and display cases of safety-related accidents. A joint labor-management safety inspection event is held in July, the month of occupational safety and health. On the day, a safety and health officer accompanies the honorary supervisor chosen from field employees to conduct activities to strengthen ties within the worksite such as cleaning field workers' hard hats. We designate safety and health staffs in our 407 worksites. As a result, 86.4% of our worksites (352 out of a total of 407 worksites) maintain zero accident records.

Clean workplace and health promotion

We are taking a leading role in creating a clean business site and offer employees annual health checkups for early detection of illnesses and occupational diseases. We also implement strict hygiene guidelines in company cafeterias to prevent food poisoning that occurs more often in summer. Employees receive health related information such as how to deal with accidents and diseases through the internal broadcast system and work e-mails. In addition, KT engages employees in prevention and wellness initiatives that include lectures by health experts, health screenings, "one-company, ones safety measure" drive, and drinking and smoking cessation campaigns.
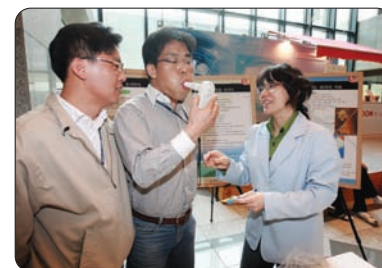
Smoking Cessation Campaign
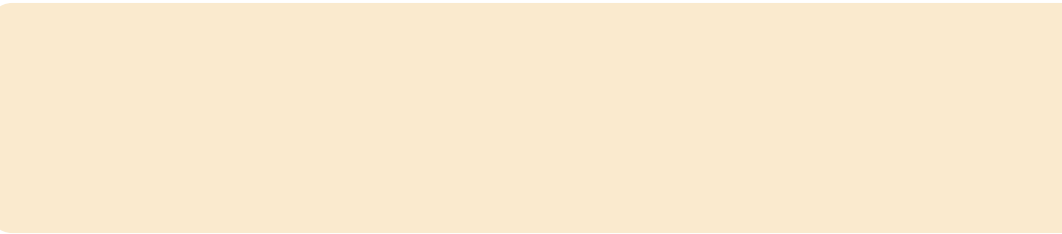
Joint labor-management activities to prevent accidents

As a part of our commitment to implement a safety-first corporate culture and eliminate industrial accidents, KT has designated the fourth day of every month as safety inspection day. On the day, a safety and health officer along with an honorary supervisor inspect worksites according to a monthly safety theme. An inspection team comprised of labor and management conduct unannounced inspection and give guidance on areas that need improvements.
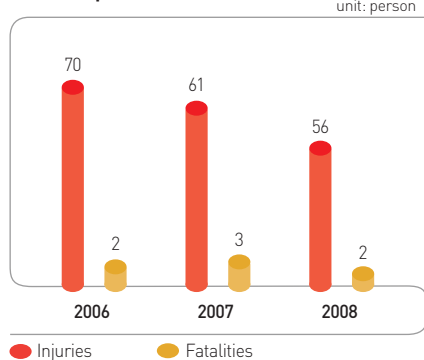
Advanced safety and health system

We promote the wellbeing of our employees and prevent job-related accidents or illnesses. They include online safety and health training (2 hours every month, over 20 hours annually for above managerial positions), advanced industrial management system that informs the head of safety and health management of each worksite immediately after the occurrence of an accident.

Traveling Exhibition- Cases of Safety Accident

❖ Injury Rate in 2008
unit: %

KT	Telecommunication industry	Korea
0.16	0.56	0.71
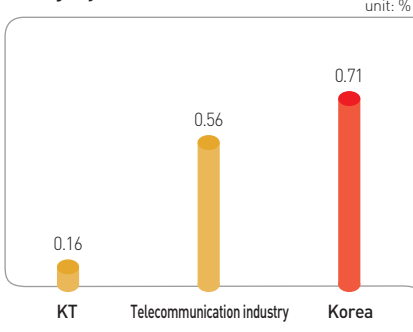
❖ Occupational Accidents
unit: person

	2006	2007	2008
Injuries	70	61	56
Fatalities	2	3	2

Open Culture

Labor-management cooperation

Labor union Formed in 1982, KT's labor union consists of a central headquarters as well as 432 subdivisions and branches of the company's operation around the nation. KT guarantees the employees' right to establish a labor union and other representative bodies. The adoption of the union shop scheme, which requires new employees to be labor union members upon joining the company, has led to 81.1% of all employees becoming members of the labor union as of the end of 2008.

Win-Win labor-management culture KT recognizes the labor union as a representative of employees and a key partner in management. We aim to achieve win-win labor-management relations to create value for employees while adding to their level of satisfaction. To this end, we discuss major management issues with labor union. In particular, labor and management share their thoughts and reach a consensus on managerial issues that include change in organizational reshuffle and corporate policies through business presentations or labor-management discussion forums, thereby preventing labor-management disputes and conflicts. Such results have already born fruit:

2008 Collective Bargaining
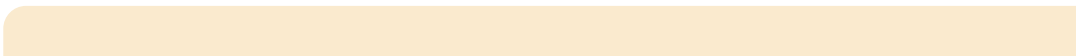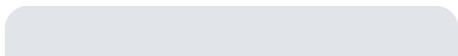
allowing KT to reach peaceful conclusions in collective bargaining negotiations for the eight consecutive years from 2001 to 2008. KT signs a collective agreement with the labor union every two years and engages in wage negotiations every year. We abide by relevant laws regarding freedom of association and collective bargaining.

Labor-management communication   KT operates several councils, including the Labor-Management Relations Improvement Council, Job Security Committee, and HR & Remuneration Scheme Improvement Committee for mutual understanding and bi-directional communication. From each organization, incl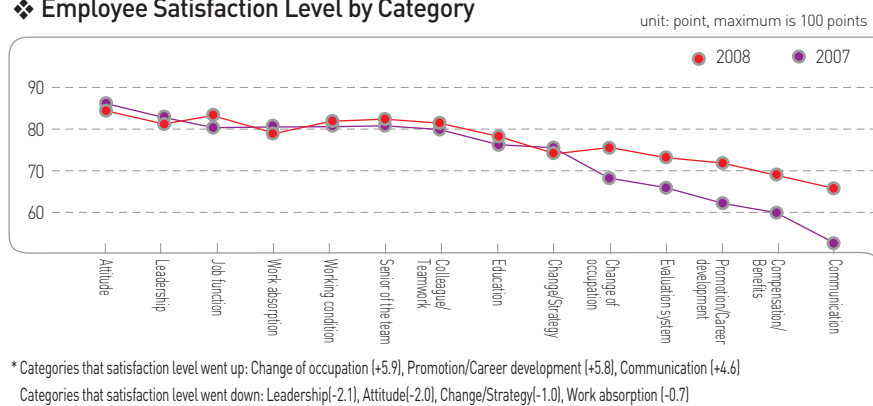uding the company head office, five to ten labor and management representatives come together every three months to hold a labor-management council meeting in order to incorporate employee opinions into management.

Employee satisfaction

KT has been carrying out annual assessment on the satisfaction level of all its employees since 1999. Our employee satisfaction level in 2008 rose by 1.3 points to 78.4 points from 77.1 points in 2007. Satisfaction levels in ten categories went up while those of the remaining four categories fell.

❖ **Employee Satisfaction Level by Category**   unit: point, maximum is 100 points

* Categories that satisfaction level went up: Change of occupation (+5.9), Promotion/Career development (+5.8), Communication (+4.6)
  Categories that satisfaction level went down: Leadership(-2.1), Attitude(-2.0), Change/Strategy(-1.0), Work absorption (-0.7)

❖ **Employee Satisfaction Level**   unit: point

olleh Board

Launched in 2002 as a way to promote bilateral communication between employees and officials including the CEO, the olleh Board has expanded into a forum where people can freely present their ideas and discuss various measures for the company's growth. In 2008, a total of 176 olleh Board members attended a meeting with CEO, held workshops and organized a number of task execution projects. In 2009, it will join forces with KTF's Heart Board to take the lead in promoting an integrated and creative corporate culture to reflect KT's strengthened brand competitiveness.

Key Mission of the olleh Board
• Create and disseminate the olleh KT corporate culture
• Create and disseminate customer-oriented corporate culture
• Support CEO's sensitivity-based management

Employee grievance

KT offers confidential counseling service to help employees deal with problems that may negatively impact their work and personal lives. The counseling center provides support for various issues including job, working environment, personal relationship, personal matters and welfare concerns. Counseling service can be requested through phone, mail, email, and website. Some 370 counselors (three members at each organization including one female member) are available to provide guidance.

Happiness doubles, *love* grows and *hope* multiples
when we reach out and share with others.
KT is extending its reach to build a caring world.

IT Supporters and "Share KRW 1,000" benefit concerts at KT Art Hall are regarded as successful CSR programs that not only reflect KT's strengths as a telecom company but have had a positive impact on society. And the IT Supporters' purple uniforms have contributed to advancing a "culture of sharing."
KT's social initiatives, which are classified into IT sharing, Love sharing, Culture sharing and Green sharing, are well organized and play up the company's advantages. Moreover, the IT Supporters and active employee involvement have opened up the new domain of "knowledge sharing."

Wi Jung-hi, citizens coalition for Economic Justice

Social Contribution | **Local Communities**

local communities

KT has introduced diverse initiatives to contribute to advancing local communities and resolving digital divide. Our pursuits are broadly classified into four parts: IT sharing, Love sharing, Culture sharing, and Green sharing.

Social Contribution

- IT Sharing
- Love Sharing
- Culture Sharing
- Green Sharing

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

Social Contribution

Material Issues and Reporting Contents

After analyzing the materiality of issues related to local communities, we decided to concentrate our resources on the following areas - giving back to local communities, continuing universal service, and narrowing the digital divide, etc. These issues are categorized into four parts (IT Sharing, Love Sharing, Culture Sharing, Green Sharing) and reported accordingly in this section.

Disclosure on Management Approach

KT has introduced diverse initiatives to contribute to addressing digital divide and enhancing quality of life in local communities. Our pursuits are broadly classified into four parts: IT sharing, Love sharing, Culture sharing, and Green sharing. Going forward, we will exert our utmost to become a company respected by society.

❖ Social Contribution Objective and Direction

	Sharing KT			
Category	**IT Sharing**	**Love Sharing**	**Culture Sharing**	**Green Sharing**
Objective	**Promote an IT world embracing all people**	**Share warm heart**	**Make culture and arts more accessible**	**Protect natural legacies for the future generation**
Major Activities	• IT Supporters • Resolve side effects of information era • IT skills contest for the disabled • Universal service • Create IT-literate villages • Build high-speed networks in farming/fishing villages • IT Master Scholarship	• KT Corps of Love • Love sharing fund • KT study center • Finding sound for the hearing impaired • Ties with sister villages • Customer involvement programs • Disaster recovery • "Call hope with your home phone" campaign	• KT Art Hall • KT Chamber Hall • Think Korea • Protecting cultural assets • KT sponsored sports teams	• Environmental preservation activities for the Dong River • Activities to protect ranunculus kazusensis makino

Major Activities and Performances in 2008

Category	Activities and performance
IT sharing	Launch of 3rd group of IT Supporters (Mar. 2009) / IT Supporters university student volunteer group (Jul. 8, 2008): 400 volunteers Launch of 2nd group of IT Supporters (Jan. 2008) No. of beneficiaries: 453,084, No. of activities: 71,233 / No. of recipients of IT Master Scholarship: 226
Love sharing	No. of activities by KT Volunteer Corps of Love: 4,150 / Love sharing fund: KRW 4.2 billion / Finding sound for the hearing impaired: Artificial cochlea implants: 10 persons, digital hearing aids: 20 persons / KT study center additions: 11 centers (totally 65 centers)
Culture sharing	"Share KRW 1,000" benefit concert at KT Art Hall: 338 concerts / Free exhibit space and exhibitions for new artists: 14 occasions "Share KRW 1,000" hearing aid: 11 persons / 2008 Gwanghwamun Jazz Festival and Jazz Contest
Green sharing	Outing to observe ranunculus kazusensis makino in Ganghwa and volunteering

IT Sharing

IT Supporters

Launched in February 2007, KT's IT Supporters are committed to enhance the nation's IT capabilities and lead the digital knowledge-based society. IT Supporters make the Internet more accessible by teaching digitally disadvantaged people how to use the Internet and IT devices. They also provide training to prevent adverse effects associated with the Internet and conduct computer checks to enable easy and convenient Internet usage. Roughly 400 IT Supporters are deployed to 39 locations across Korea. About 600,000 people have benefited from our IT sharing activities. Our activities in 2008 included operation of the IT Supporters university student volunteer group.

Contact info to Request Help from IT Supporters
Phone: 1577-0080
Website: www.itsupports.com

Major Activities of IT Supporters

Promoting IT usage	Enhancing IT skills	Optimizing user environment	Education to prevent side effects
• Electronic issuance of documents • Online banking, online shopping • UCC, digital album • Use of IT devices such as MP3 player, PMP, DMB and mobile phone	• Use of PC • Information search through Internet • E-mailing • Use of printer	• Blocking harmful information • Removal of malicious codes • Checking security • Deletion of unnecessary files	• Preventing Internet addiction • Privacy protection • Preventing cyber crime

Performances of IT Supporters in 2008

IT Education

unit: person

Underprivileged	General public	Youth	Foreigners (incl. foreign spouses)	Assn. staff	Total
216,502 (47.8%)	115,792 (25.6%)	81,043 (17.9%)	21,022 (4.6%)	18,725 (4.1%)	453,084 (100%)

Activities to Prevent Side Effect of Internet

unit: person

Metropolitan/ Gangwon	Daejeon/ Chungcheong	Jeolla	Daegu/ Gyeongbuk	Busan/ Gyeongnam	Total
5,499	12,722	7,276	1,241	4,175	30,913

IT Supporters Activity

* CEFY Homepage: www.cefy.org

Education to Prevent Side Effect of Internet

Resolve side effects of information era

Widespread Internet use has given rise to various adverse effects. KT has jointly pursued activities with the KT Cultural Foundation to address these issues. We carried out studies on the negative repercussions and conducted meta-analysis on cyber ethics. We also organized symposiums, expert forums on Internet ethics, and Internet ethics workshops. Between 2003 and 2008, we published 17,000 new books related to IT culture and 8,000 books for youths. All of these publications were distributed for free. In 2008, we held 25 lectures for 5,400 parents under the theme of "Safe Internet, Fun Internet" throughout Korea. Separately, 77 IT Supporters have completed a program to train cyber ethics instructors jointly organized by KT and the Ministry for Health, Welfare and Family Affairs.

KT set up a website on cyber ethics, CEFY (cyber ethics for you/ www.cefy.org), and introduced a cyber ethics competition for school teachers whereby they had to submit teaching materials and teaching plans on cyber ethics. The public message poster competition launched in 2005 developed into an international event with 12 countries participating in 2008. A total of 354 entries were submitted. The winning entries were exhibited in 41 locations in Korea including the theme pavilion during the 2008 OECD Ministerial Meeting in Seoul as well as in Peru and the Philippines. We also distributed an online report on the digital era and efforts to prevent negative repercussions of the information era within the APEC region. Other notable events organized by KT include a seminar with ICT experts from Peru and a symposium with experts from the Philippines. In recognition for these endeavors, the KT Cultural Foundation received the presidential prize at the 3rd Korea Internet Award in November 2008.

❖ Education to Prevent Side Effect of Internet (between May to December 2008)

Region	No. of trainees	Education place
Seoul	680	Three sites including Seobu District Office of Education in Seoul
Incheon	660	Four sites including Geomam Elementary School
Daegu	300	Daegu Metropolitan Office of Education
Gyeonggi	1,470	Seven sites including Kwangmyung Nam Elementary School
Daejeon	450	Daejeon Metropolitan Office of Education
Gyeongbuk	620	Three sites including Seongju Elementary School
Jeonnam	480	Two sites including Goheung Dong Elementary School
Gangwon	150	Gangneung Office of Education
Chungbuk	200	Okcheon Girls' Middle School
Jeju	400	Two sites including Jeju Students Cultural Center
Total	5,410	

IT skills contest for the disabled

This annual contest held in Gyeonggi-do and Busan is intended to promote Internet literacy among the disabled and to help them become active participants in society. About 380 people took part in the 2008 contest in the four areas of Internet search, Korean typing, document creation, and Starcraft.

Building IT infrastructure

Universal service   As a universal service provider, KT provided telecommunication service to the island regions despite incurring KRW 655.1 billion in losses. Of that amount, KRW 93.8 billion was allowance for losses pursuant to the relevant law. In addition, we offer discounted rates for the disabled and low income households through which we provided benefits amounting to KRW 125.3 billion in 2008.

❖**Losses from Universal Service in 2008**

Category	Landline (incl. telecommunication in island regions)	Pay phone	Maritime mobile service	Total
Amount	558.0	82.0	15.1	655.1

Creating IT-literate villages   The project to create IT-literate villages is aimed at building infrastructure for high speed Internet connection in the remote parts of Korea. This will allow the locals to use the Internet for e-commerce to generate profits and help revitalize the local economies. The project initiated and pursued by KT since 2001 is sponsored by the Ministry of Public Administration and Security. KT has successfully carried out a total of seven rounds of IT-literate village projects up to 2008. As a result, a total of 358 villages now enjoy the benefits of information technology. We will create IT-literate villages in cooperation with the Ministry of Public Administration and Security. Our goal is to create 800 IT-literate villages by the year 2014.

❖ **IT-literate Villages Project**

category	1st stage	2nd stage	3rd stage	4th stage	5th stage	6th stage	7th stage
Construction period	'01.03.~'02.05.	'02.06.~'03.06.	'04.01.~'04.10.	'05.06.~'06.02.	'06.12.~'07.02.	'07.11.~'08.03.	'08.10.~'09.02.
No. of villages	23	76	80	89	26	34	30
Internet connection(circuits)	2,700	7,482	7,037	6,303	1,427	1,672	1,498

Building high-speed networks in farming and fishing villages   To spread the benefits of information technology and increase the competitiveness of farming and fishing villages, KT began building high-speed networks in such villages in 2002. A 100M network was set up in 2008 using funds from the Korea Communications Commission, local autonomies and KT (respective contributions of 25%, 25% and 50%).

❖**High Speed Network Construction in Farming & Fishing Villages in 2008**

No. of total households	No. of connected circuits	Investment budget (KRW million)	Connection method
17,521	23,028	14,792	100M VDSL

* Connected regions: Fishing and farming villages with 20 or fewer households

IT Master Scholarship   To nurture excellent IT human resources into the future leaders of the IT industry in Korea, KT has implemented an "IT Master Scholarship" since 1988. KT awarded scholarships of about KRW 13.3 billion to students studying information and telecommunication at four-year universities until 2008.

Anticipated Benefits of Building High Speed Networks in Farming & Fishing Villages

- Foster an environment supporting broadcasting-telecom convergence by setting up broadband subscriber networks in farming and fishing villages
- Boost income levels in farming and fishing villages by promoting participatory communication such as information exchange
- Foster knowledge economy by offering u-farming and other services using BcN

❖ **IT Master Scholarship**

Category	2006	2007	2008
No. of recipients	243	242	226
Supported amount(KRW million)	740	760	800

Growth and Innovation
Environmental Management
Customer Management
Win-Win Management
Human Management
Social Contribution

Love Sharing

Building infrastructure for love sharing activities

KT Volunteer Corps of Love   KT Volunteer Corps of Love was founded in March 2001 to promote greater efficiency and generate more corporate support. As of 2008, the volunteer corps consists of 240 teams with roughly 24,000 employees donating their time to thousands of causes like supporting the underprivileged, assisting relief efforts and extending a helping hand to farming & fishing villages.

❖ Activities of KT Volunteer Corps of Love

Category	2006	2007	2008
No. of voluntary activities (case)	3,955	3,937	4,150
No. of participants	40,000	35,994	39,984

Love sharing fund   To promote a sound contribution culture and raise money for social contribution activities, KT has run the Love Sharing Fund since 2003, led by the voluntary participation of its employees. The company matches the donations raised by employees to support our mid-to-long-range social contribution initiatives and employee volunteerism.

❖ Activities of Love Sharing Fund

Category	2006	2007	2008
Amount of money raised (KRW million)	3,700	4,000	4,200
Rate of participation of KT employees (%)	76	77	78

Major activities

KT study center   In 2008, we donated IT devices to 13 after-school study centers, bringing the total number of such centers we support to 65. We also assist the study centers by having KT volunteers take children on field trips to places like museums, performance theaters, broadcasting stations and local cultural heritages. Another form of assistance is the free distribution of online study materials and QOOK TV educational contents, which is aimed at providing equal access to education to all children across Korea. Every August, we invite 300 youths from study centers to the "Youth Love Camp" held at KT training centers in five locations across the country. The camp gives the youngsters a chance to learn about nature and take part in various recreational activities.

Youth Love Camp for KT Study Center Children

❖ KT Study Center Status

Region	Metropolitan area	Gangwon	Chungcheong	Gyeongsang	Jeolla	Jeju	Overseas	Total
No. of centers	60	10	16	31	23	4	2	146

Helping to find sound for the hearing impaired   KT is helping to restore sound to hearing-impaired children and teenagers of the low-income families by providing artificial cochlea implants, rehabilitation treatment aids and digital hearing aids every year. A total of 230 people have benefitted until the end of 2008.

❖ Hearing Restoration Support

unit: person

Category	2003	2004	2005	2006	2007	2008	Total
Artificial cochlea implants	10	10	40	20	19	10	109
Digital hearing aids	-	10	40	10	41	20	121

Establishing sister village relationship   KT has established sisterhood relationship with about 200 farming and fishing villages throughout the country and strengthened its ties with local residents by helping them in the busy farming season, buying indigenous products and providing IT education programs. Exchange between the company and local residents under the sisterhood ties helps KT listen to the opinions of local communities and increase mutual understanding.

Customer involvement programs   KT supports Dream House program which aims to offer communal living space and basic living expenses to neglected teens. In 2008, a total of KRW 32.5 million was donated to aid Dream House program. (KT donated KRW 20 million while our customers donated KRW 12.5 million through KT points, mileage granted according to KT home phone usage.) Separately, with money raised from an arrangement under which a portion of customers' payments go toward a fund for youths, we offers scholarships to youths to help them realize their dreams.

Support for disaster recovery   In case of a disaster, KT not only quickly restores telecommunications facilities and returns telecommunications service back to normal but also installs free telephones and reduces or exempts telecommunications fees to ease the suffering of disaster-stricken people. Also, KT Volunteers are dispatched to the stricken area to deliver relief supplies and donations and engage in voluntary activities for disaster recovery.

"Call hope with your home phone" campaign   KT has been carrying out the "Call hope with your home phone" campaign since 2002. Under the campaign, the company donated 1% of all home phone bills (calls within the city and to mobile phones) amounting to KRW 45.1 million to 24 charitable organizations in 2008.

❖ Donation Raised by "Call Hope with Your Home Phone" Campaign

Category	2006	2007	2008
Donated amount (KRW)	66,386,440	58,396,850	45,138,470

Helping Out at Farming Village

Culture Sharing

KT Art Hall

In June 2006, KT opened its multi-faceted cultural center, the KT Art Hall in Sejongno, Seoul. The Hall is a space where the citizens are given easy access to culture and arts performance. The jazz concert titled "Jazz and the City" launched in 2007 has delighted more than 160,000 jazz fans as of the end of June 2009. As a means of promoting up-and-coming jazz musicians, the "Gwanghwamun Jazz Contest" was introduced in 2008. Meanwhile, the gallery on the second floor has served as the venue for numerous exhibits including the "Works of 100 Artists" which showcased the artwork of new artists and "Pop Party."

KT Art Hall carries out "Share one thousand won" activity. Admission fee of KRW 1,000 is used to help hearing-impaired children of low-income families by providing digital hearing aids. A total of 38 children have been supported by the activity until now.

KT Chamber Hall

KT Chamber Hall opened its doors in May 2009 after remodeling work was completed at our IDC premises in Mokdong, Seoul. As its name suggests, the venue was designed to stage chamber music performances. Prominent chamber music artists will be invited to show off their musical talent and provide audiences with a memorable cultural experience.

Think Korea

KT has introduced Think Korea fee plans to support programs run by NGOs and public service organizations that allow Koreans to express their patriotism. Three plans are available: Goguryeo, Dokdo Island, and Loving Koreans. Subscribers to these plans donate KRW 500 per month to the Think Korea fund. More than one million subscribers are helping to preserve the Korean heritage through the Think Korea fee plans.

KT provides online and offline support to youths who show a keen interest in preserving Korean culture and history. Our assistance helps youths come up with ideas and carry out related activities. Activities may include studies, expeditions and volunteering initiatives. The first group of youth guardians was selected in 2007. Youngsters can share information about the Korean culture and history online by accessing the Think Korea website (www.ThinkKorea.org).

KT Art Hall
Homepage : http://www.ktarthall.com

KT Chamber Hall

Think Korea Youth Activity - Visiting Dokdo Island

Protecting cultural assets

KT concluded the "One Protector for One Cultural Asset" agreement with the Cultural Heritage Administration in May 2006, to preserve Korea's precious cultural properties and leave them to the next generation. Since then, we have participated in voluntary activities every month to preserve 12 cultural assets located across the nation including Dokdo Island and Deoksugung Palace. Until the end of 2008, we have taken part in 48 volunteer activities including spring cleaning and maintenance work.

KT sports team

To promote unpopular sports and nurture up-and-coming athletes, KT has operated women's hockey and shooting teams since the mid-1980s. KT-sponsored sports teams took part in 17 competitions in Korea and abroad during 2008. Team members collectively won about 90 medals, including the gold and silver medals won at the Beijing Olympics by the famed shooter Jin Jong-oh.

Jin Jong-oh, Pistol Gold Medalist at 2008 Beijing Olympics

Green Sharing

Environmental preservation activities for the Dong River

KT has protected the Dong River, which boasts stunning scenery and sponsored projects such as the restoration of a traditional house in Jejang Village, Jeongseon-gun, Gangwon Province. We have also participated in raising funds to purchase land of 17,190㎡ since 2003. Then, we carried out volunteer activities to complete the construction of a traditional house, "Loving Dong River" in August 2005. The house has become a symbol of Dong River preservation activities and is used as a site for teaching youths about the importance of protecting nature.

Activities to protect ranunculus kazusensis makino in Ganghwa

Since 2003, KT has been leading the movement to protect colonies of ranunculus kazusensis makino, which was declared a Ramsar wetland in October 2008. Ranunculus kazusensis makino is the No. 1 citizen's natural heritage designated by the National Trust of Korea. This wild plant grows in rice paddies where all work is done without the use of machinery and no chemicals are used. It only grows in Ganghwa Island, Korea, and is on the verge of extinction. KT has created mountain paths near the colonies to prevent the plants from being damaged, while our employees have volunteered their time during rice planting and harvesting periods. We are raising awareness of this precious plant by organizing annual trips for employees' children and youngsters from child welfare centers to the colonies.

Protecting Ranunculus Kazusensis Makino

Appendix

Major Awards in 2008

Award	Sponsor organization	Award date
Grand Prize, the 4th Management Transparency Award	Five economic/business related entities	Jan. 23, 2008
National Customer Satisfaction Index(NCSI) Award	Korea Productivity Center	Mar. 25, 2008
Business Ethics Award	Korean Academy of Business Ethics	Mar. 30, 2008
Ranked No.1 in Transparent Corporate Governance	Korea Corporate Governance Service	June 12, 2008
Grand Prize, Seoul Economic Daily Advertising Award	Seoul Economic Daily	Oct. 29, 2008

Key Performance Indicators

Category	Indicator	Unit	2006	2007	2008
Economy	Operating revenue	KRW billion	11,856.0	11,936.4	11,784.8
	Net income	KRW billion	1,233.4	982.0	449.8
	Brand value	KRW billion	1,838.1	1,938.8	2,101.7
	Shareholder return ratio	%	49.2	50.2	50.3
	Capital expenditure*	KRW billion	887.6	964.3	549.2
	Tax payment	KRW billion	417.1	363.0	309.1
Society	CVA(Customer Value Added)score	point	1.05	1.06	1.06
	Proportion of female employees	%	14.8	15.2	14.9
	Proportion of the disabled	%	2.1	2.3	2.6
	Education hours per employee	hour	106	152	131
	Employee satisfaction level score	point	79.8	77.1	78.4
	Welfare spending	KRW billion	336.0	362.8	378.6
	Injury rate	%	0.19	0.16	0.16
	Supplier satisfaction level	point	75.4	80.2	80.2
	Social contribution spending	KRW billion	117.7	145.6	160.6
Environment	Energy consumption	GJ	5,907,892	6,060,781	7,217,568
	CO$_2$ emissions by unit area	ton CO$_2$/m2	0.148	0.134	0.184
	Waste discharge	ton	13,104	17,408	14,470
	Recycling rate of mobile phones	%	54.6	49.2	40.0
	Recycling rate of Internet modems	%	69.2	80.3	79.9
	Green purchasing amount	KRW billion	5.6	10.4	7.0

*The amount of facility investment in service network (Internet, phone, data)

Membership Status

In Korea   Korea Internet Corporations Association, Federation of Korea Information Industries, Korea Digital Media Industry Association, Institute of Electronics Engineers of Korea, U-Korea Forum, Korea Listed Company Association, Korean Society for Journalism & Communication Studies, Korean Association for Broadcasting & Telecommunication Studies Federation of Korean Industries, Korea Chamber of Commerce & Industry, Korea IT Leaders Forum, Korea Association of Information and Telecommunication, Korea Fair Competition Federation, Korea Employers Federation, Economic Group Council, Korea Industrial Safety Association, Korea Home Network Industries Association, Network Security Forum, Korea Institute of Information Security & Cryptology, Korea Advanced Intelligent Robot Association

International   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)

Financial Performance in 2008

Financial Ratios

Classification		KT		Former KTF	
		2007	2008	2007	2008
Stability	Current ratio	110.7%	146.1%	97.8%	108.3%
	Debt-to-equity ratio	102.2%	111.6%	71.9%	84.5%
	Dependence on borrowings ratio	28.4%	33.7%	15.8%	23.4%
	Interest coverage	4.6	3.4	3.5	3.4
Profitability	Operating income margin	12.0%	9.4%	6.1%	5.4%
	Net income margin	8.2%	3.8%	3.4%	2.0%
	ROA(Return on assets)	5.5%	2.4%	3.1%	2.1%
	ROE(Return on equity)	11.1%	5.1%	5.7%	3.8%
	Operating cash flow to total assets	16.7%	12.8%	18.8%	11.1%
	Earnings per share (KRW)	4,753	2,217	1,252	866
Growth and Turnover	Operating revenue growth	0.7%	-1.3%	11.7%	14.4%
	Operating income growth	-18.4%	-22.3%	-36.0%	3.1%
	Net income growth	-20.4%	-54.2%	-40.7%	-32.6%
	Total assets growth	0.0%	4.3%	-7.5%	8.0%
	Assets turnover (times)	0.66	0.64	0.94	1.08

Summary Balance Sheet

unit: KRW billion

Classification		KT		Former KTF	
		2007	2008	2007	2008
Assets	Current assets	3,310.4	3,778.1	1,758.5	2,199.9
	Non-current assets	14,606.8	14,906.8	5,702.3	5,856.3
	Total assets	**17,917.2**	**18,684.9**	**7,460.7**	**8,056.1**
Liabilities	Current liabilities	2,991.4	2,585.9	1,798.8	2,031.9
	Non-current liabilities	6,065.9	7,267.2	1,322.4	1,658.4
	Total liabilities	**9,053.7**	**9,853.1**	**3,121.3**	**3,690.3**
Stockholders' Equity	Capital stock	1,561.0	1,561.0	1,044.2	1,044.2
	Capital surplus	1,440.8	1,440.6	1,728.1	1,728.1
	Capital adjustment	3,984.0	3,994.7	2.0	0.2
	Accumulated other comprehensive income	0.8	10.8	4.5	-10.0
	Retained earnings	9,842.9	9,814.1	1,560.6	1,603.4
	Total stockholders' equity	**8,859.9**	**8,831.8**	**4,339.4**	**4,365.8**
	Total liabilities and stockholders' equity	**17,917.2**	**18,684.9**	**7,460.7**	**8,056.1**

Summary Income Statement

	2007	2008	2007	2008
Operating revenue	11,936.4	11,784.8	7,293.3	8,346.2
Operating expenses	10,502.7	10,671.4	6,852.4	7,891.8
Operating income	1,433.7	1,113.4	440.9	454.4
Non-operating income	415.6	855.3	66.2	201.5
Non-operating expenses	574.6	1,408.7	220.2	469.5
Income before income taxes	1,274.7	560.0	286.9	186.4
Income tax expense	292.7	110.2	42.8	21.8
Net income	982.0	449.8	244.1	164.6

Third Party's Assurance Statement

To the Management of the KT 2009 CSR Report

The Institute for Industrial Policy Studies1(The Auditor) was engaged by KT to review information specified in its 2009 Corporate Social Responsibility Report(The Report) to provide independent third-party assurance on its contents. KT is responsible for the collection and presentation of all information within The Report as well as the maintenance of the underlying data collection system and internal controls. The key objective of our review is to provide independent assurance that all statements and data cited in The Report are free of material misstatement or bias and that the data collection systems used are robust. On the basis of the above, The Auditor presents the following third-party statement of assurance.

Context and Scope

In The Report, KT describes efforts and progress made toward sustainability management as well as its plans for the future. The Auditor's review examined the following.
- ● Reasonable Assurance on whether:
  - • the financial information specified under *"nvestors/Growth and Innovation"* are properly derived from KT's audited Annual Report for 2008
- ● Limited assurance on whether:
  - • the data specified under *"The Future Generation (Environmental Management)", "Customers (Customer Value Management)", "Business Partners (Win-win Management)", "Employees (Human Management)",* and *"The Local Community (Social Contributions)"* are stated adequately and in full without any material misstatements or bias.
  - ※Reasonable assurance constitutes a higher level of assurance than limited.

Independence

The Auditor was not involved in the preparation of any part of The Report, and with the exception of this work has no other affiliation with KT that might compromise our independence or autonomy or place The Auditor under its influence, therefore ruling out any possible conflicts of interest. The Auditor has no relationship with KT regarding any of its for-profit operations and activities.

Criteria

The Auditor reviewed whether The Report was written in accordance with the following reporting guidelines:
(1) The AA1000 Assurance Standard's(AA1000 AS)* three core principles of Materiality, Completeness and Responsiveness;
(2) The Global Reporting Initiative's(GRI) G3 Sustainability Reporting Guidelines Version 3.0**; and
(3) The BEST Sustainability Reporting Guidelines***.

> *AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.
>
> **The Global Reporting Initiative(GRI)'s Sustainability Reporting Guideline was jointly convened by the Coalition for Environmentally Responsible Economies(CERES) and UNEP in 1997. The newly revised G3 version was launched in October 2006.
>
> ***The BEST Sustainability Reporting Guideline was jointly developed by the Ministry of Knowledge Economy (MKE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) and provides for five levels of reporting rigor(Level 1 ~ 5).

Work Undertaken and Scope

- ● A review of media reports relating to KT
- ● A reconciliation of financial data stated in The Report against the audited Annual Report
- ● Interviews with managers and staff in charge of sustainability management and reporting, as well as persons responsible for The Report's source information
- ● A review of information contained in The Report as well as the underlying data collection system (validation of internal sustainability related organizations, systems, and activities)
- ● Data sampling and intensive review of key statements in The Report, internal policies, documentation, and information systems
- ● On-site reviews from July 17 to July 20, 2009

Conclusions

Based on the above assurance process, The Auditor did not find The Report to contain any material misstatements or bias. All material assurance findings are included herein, and detailed observations and follow-up recommendations have been submitted to the management of KT, in a separate report.
- ● Materiality: Does The Report cover economic, social and environmental issues of the greatest importance to KT?
  It is The Auditor's view that The Report has not omitted or left out any information of the greatest importance to KT. In 2008, the company broadened the scope of issues covered by its materiality testing, which it started in 2007 to identify issues of material interest to its stakeholders, thereby increasing the breadth of new issues the company intends to respond to while providing priority reporting on these key material issues. Going forward, we recommend managing newly emergent issues affecting KT and its stakeholders more effectively amidst a management environment that is becoming renewed each year, so that it may issue more timely and relevant social responsibility reports in the future.

● Completeness: How reliable is the information and data stated in The Report, and is the underlying information and data collection system complete and sound?
The Auditor noted KT's efforts to implement "corporate social responsibility that takes the economic, social, and environmental aspects into balanced account" by organizing its company-wide CSR committee into five sub-committees respectively charged with the systematic collection and management of relevant data. Efforts to manage the implementation of its process governance and Customer Complaint Management System (CCMS) as well as the performance outcomes from its green IT strategies more efficiently were also noted. However, in terms of the contents of its Disclosure on Management Approach (DMA) on individual sectors, The Auditor suggests that it be supplemented with a summary of company-wide management activities as well as other performance-related contents in the future. Also, pursuant to the merger between KT and KTF, we recommend building an integrated data collection and development system so that data that is integrated across the economic, social, and environmental dimensions can be comprehensively reflected into future reports.

● Responsiveness: Does The Report address how the company has responded to stakeholder demands and concerns?
The Auditor found KT to have an understanding of its management environment where diverse stakeholders have a big impact on company policies, while also recognizing the important role that "Win-win" with stakeholders plays in carrying out its corporate social responsibilities. We also confirmed efforts by KT to engage its stakeholders in communications through diverse means including questionnaire surveys, its website, a "Happy Call Center," online surveys, and panel research etc. The Auditor does recommend, however, that in order to respond to the continuously changing business environment and better manage various potential issues (protecting customer information, strengthening supplier ethics etc.) KT tries to demonstrate efforts to redefine its stakeholders on a company-wide basis while conducting awareness studies and reflecting those findings in its management policies.

Relative to the BEST Guidelines, in view of the level of reporting rigor and intensity of information provided, The Auditor finds Report to fulfill 94.9% of the reporting requirements necessary to qualify for a Level 4 Report(from among Level 1 ~ 5).

Fulfillment Ratio Trends Relative to Social Responsibility Indicators (unit :%)

Year of Publication	2007	2008	2009
Level	3	4	4
Fulfillment Ratio	91.2%	93.4%	94.9%

* Assurance findings were converted uniformly into fulfillment ratios as measured against Level 1 through 5 requirements.

Recommendations

As the fourth report by KT, The Auditor found The Report to represent (1) the company's efforts to engage stakeholders in on-going communication by providing adequate reporting on key material issues identified through systematic materiality testing; as well as (2) efforts to enhance fulfillment of certain "additional indicators" specific to the telecommunications sector. In the interest of achieving sustainable improvements in KT's responsibility management performance and reporting quality, The Auditor recommends the following.

● Strengthen communication with stakeholders on KT's goals and outcomes regarding its social responsibility management by setting quantitative targets in the economic, social, and environmental areas and disclosing actual performance measured against the prior year's outcome or previous stated goals.

● Pursuant to the merger between KT and KTF, KT should work to redefine the objective and overall system for its social responsibility management initiatives, and provide reporting on a structure and system capable of integrated measurement and management of CSR performance results.

● Allow disclosure across other media sources such as the Auditor's Report or the company's website for areas requiring additional information or monitoring, and provide connecting links to additional information so that KT's social responsibility report may be utilized in connection with its other reporting media.

Based upon the above statement as well as other recommendations presented separately to management, The Auditor suggests that KT work toward establishing a more systematic program for sustainability management and reporting and continue to follow up with ongoing improvements.

August 4, 2009
Yoon-Chul Lee
President, The Institute for Industrial Policy Studie

1) The Institute for Industrial Policy Studies (IPS)
Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the area of sustainability management since 2002. 'The Auditor' is composed of assurance specialists who are professors at Korea's top universities or practitioners with professional accreditation and extensive experience in sustainability management after majoring in business management, accounting, environmental science etc.

GRI Guideline Index (G3)

GRI Index	Indicators	Page	BEST Index
Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization	8~11	A_1
1.2	Description of key impacts, risks and opportunities	10~11, 21, 55	A_2
Organizational Profile			
2.1	Name of the organization	C1, 12	A_3
2.2	Primary brands, products and / or services	12, 13	A_4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	13	A_5
2.4	Location of organizations' headquarters	12	A_7
2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	13	A_7
2.6	Nature of ownership and legal form	17, 28	A_8
2.7	Characteristics of markets(including geographic breakdown, sectors served and types of customers / beneficiaries)	12, 13	A_9
2.8	Scale of the reporting organization	12, 26, 69	A_10
2.9	Significant changes during the reporting period regarding size, structure or ownership	C2, 12	B_8
2.10	Awards received in the reporting period	72, 88	C08
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	C2	B_3
3.2	Date of the latest report(if any)	2008 CSR Report	B_8
3.3	Reporting cycle(annual, biennial, etc.)	C2	B_6
3.4	Contact point for questions regarding the report or its contents	97	B_9
3.5	Process for defining report content	23	B_4
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	C2	B-1
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	C2	B-2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations	-	A_6
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	C2, 88	-
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	18	-
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	C2	B_5
3.12	Table identifying the location of the Standard Disclosures in the report	92~96	B_10
3.13	Policy and current practice with regard to seeking external assurance for the report	C2, 90~91	B_7
Governance, Commitments and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	16, 17	GR1
4.2	Indication of whether the Chair of the highest governance body is also an executive officer	17	GR1 GR3
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members	17	GR2
4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body	22, 28	GR12
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	17	GR7
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	17	GR13
4.7	Process for determining the qualifications and expertise of the members of the highest governance body to guide the organization's strategy on economic, environmental, and social topics	17, Annual Report	GR4

PROFILE

GRI Index	Indicators	Page	BEST Index
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	16, 18	-
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	16, 17	GR5
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	17	GR6
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	21	GR11
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	16	GR10
4.13	Membership in associations(such as industry associations) and / or national / international advocacy organizations	88	A_11
4.14	List of stakeholder groups engaged by the organization	22, 23	C_1, C_2
4.15	Basis for identification and selection of stakeholders with whom to engage	23	C_1
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	22, 23	C_2
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting	22, 26, 38, 48, 60, 68, 80	C_3

PERFORMANCE INDICATOR

GRI Index	Indicators	Page	BEST Index
Economic Performance	Disclosure on Management Approach	26	
EC1	Direct economic value generated and distributed	26~28	EC1
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	39	EC2
EC3	Coverage of the organization's defined benefit plan obligations	2007 CSR Report	EC3
EC4	Significant financial assistance received from government	44, 61	EC5
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	27, 2008 CSR Report	EM4
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Supplementary Information	EC4
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Supplementary Information	EC4
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	28, 80~87	EC6
EC9	Understanding and describing significant indirect economic impacts including the extent of impacts	29~35	EC7
Environment Performance	Disclosure on Management Approach	38	
EN1	Materials used by weight or volume	40~41	EV10
EN2	Percentage of materials used that are recycled input materials	41, 88	EV11
EN3	Direct energy consumption by primary energy source	40	EV7
EN4	Indirect energy consumption by primary source	40	EV8
EN5	Energy saved due to conservation and efficiency improvements	40, 41	EV5
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives	40	EV5
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	40, 42	EV5, EV25
EN8	Total water withdrawal by source	41	EV9
EN9	Water sources significantly affected by withdrawal of water	Supplementary Information	EV20
EN10	Percentage and total volume of water recycled and reused	41, Supplementary Information	EV18
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected area	Supplementary Information	EV22
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Supplementary Information	EV22, EV26
EN13	Habitats protected or restored	87	EV27
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	87	EV6, EV26
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Supplementary Information	EV28

PERFORMANCE INDICATOR

GRI Index	Indicators	Page	BEST Index
EN16	Total direct and indirect greenhouse gas emissions by weight	42	EV12
EN17	Other relevant indirect greenhouse gas emissions by weight	42	EV13
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	40, 42	EV4
EN19	Emissions of ozone-depleting substances by weight	42, Supplementary Information	EV14
EN20	NOx, Sox and other significant air emissions by type and weight	Supplementary Information	EV15
EN21	Total weight discharge by quality and destination	41	EV17
EN22	Total weight of waste by type and disposal method	43	EV16
EN23	Total number and volume of significant spills	Supplementary Information	EV21
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally	Supplementary Information	EV29
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Supplementary Information	EV19
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	39, 40~41, 44~45	EV23
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	41, 88	EV24
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	38	EV31
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce	42	EV30
EN30	Total environmental protection expenditures and investments by type	45	EV1
Labor Practice & Decent Work Performance	Disclosure on Management Approach	68	
LA1	Total workforce by employment type, employment contract and region	69	EM1
LA2	Total number and rate of employee turnover by age group, gender and region	69	EM5
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Supplementary Information	EM20
LA4	Percentage of employees covered by collective bargaining agreements	76	EM12
LA5	Minimum notice period(s) regarding significant operational changes including whether it is specified in collective agreements	76	EM13
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	75	EM14
LA7	Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region	76	EM19
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	74, 75	EM18
LA9	Health and safety topics covered in formal agreements with trade unions	75	EM15
LA10	Average hours of training per year per employee by employee category	72	EM27
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	70	EM28
LA12	Percentage of employees receiving regular performance and career development reviews	70, 72	EM29
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	69	EM2
LA14	Ratio of basic salary of men to women by employee category	69	EM17
Human Rights Performance	Disclosure on Management Approach	18, 68	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Supplementary Information	PN2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Supplementary Information	PN3
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	19, 70	EM30
HR4	Total number of incidents of discrimination and actions taken	69	EM7
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	76	EM8

**PERFORMANCE
INDICATOR**

GRI Index	Indicators	Page	BEST Index
HR6	Operations identified as having significant risk for incidents of child labor and measures taken to contribute to the elimination of child labor	70	EM9
HR7	Operations that are likely to have forced labor and measures taken	70	EM10
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Supplementary Information	EM31
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	54	CO2
Society Performance	Disclosure on Management Approach	22~23, 69	
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	80	CO1
SO2	Percentage and total number of business units analyzed for risks related to corruption	18	CO5
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	19	CO5
SO4	Actions taken in response to incidents of corruption	19	CO5
SO5	Public policy positions and participation in public policy development and lobbying	28	CO6
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	28	CO7
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	57	CS3
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	38, 57	CO9
Product Responsibility Performance	Disclosure on Management Approach	48	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	54	CS4
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	54	CS11
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	50, 51	CS5
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	50, 57	CS12
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	49	CS9
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	56, 57	CS13
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	57	CS14
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Supplementary Information	CS15
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	57	CS15

**TELECOM-
MUNICATIONS
SECTOR
SUPPLEMENT**

Internal Operation			
IO1	Capital investment in telecommunication network infrastructure broken down by country / region	34, 83	
IO2	Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms	83	
IO3	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields and exposure to hazardous chemicals	75, 76	
IO4	Compliance with ICNIRP(International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency(RF) emissions from handsets	54	
IO5	Compliance with ICNIRP(International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency(RF) emissions from base stations	54	
IO6	Policies and practices with respect to Specific Absorption Rate(SAR) of handsets	54	
IO7	Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible	54	
IO8	Number and percentage of stand-alone sites, shared sites and sites on existing structures	54	

GRI Index	Indicators	Page	BEST Index
Providing Access			
PA1	Polices and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied	82, 83	
PA2	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy and lack of education, income, disabilities and age. Include an explanation of business models applied	80–83	
PA3	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time	50, 53	
PA4	Quantify the level of availability of telecommunications products and services in areas where the organization operates. Examples include: customer numbers/ market share, addressable market, percentage of population covered, percentage of land covered	12	
PA5	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas	83	
PA6	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	53, 85	
PA7	Polices and practices to manage human rights issues relating to access and use of telecommunications products and services	52	
PA8	Policies and practices to publicly communicate on EMF related issues. Include information provides at points of sales material	54	
PA9	Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organization	Supplementary Information	
PA10	Initiatives to ensure clarity of charges and tariffs	50	
PA11	Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective and environmentally preferable use	50	
Technology Applications			
TA1	Provide examples of the resource efficiency of telecommunication products and services delivered	41	
TA2	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects(e.g. a telephone book by a database on the web or travel by videoconferencing)	32–33, 41	
TA3	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. Provide some indication of scale, market size, or potential savings	41, 44	
TA4	Disclose any estimates of the rebound effect(indirect consequences) of customer use of the products and services listed above and lessons learned for future development. This may include social consequences as well as environmental	41, 52, 53, 54, 55, 82	
TA5	Description of practices relating to intellectual property rights and open source technologies	61, 62	

GRI Index	Supplementary Information
EC6, EC7	KT will build a long term plan to expand spending on local suppliers and local hiring at major operation sites in order to contribute to the local community's efforts to attract investments.
EN9	The water used at our business sites is supplied from waterworks, and there are no indications of water sources being significantly affected.
EN10, EN25	Due to the nature of the industry, KT does not directly recycle the water used at our sites of operations. The water is discharged to a nearby sewage treatment plant where it is treated.
EN11, EN12	KT does not own, lease or manage land in, or adjacent to, protected areas and areas of high biodiversity value.
EN15	There has been no indication that KT's activities have had a negative impact on biodiversity in adjacent areas. Moving forward, KT continues to make a close investigation into the impacts on an ecosystem and manage them.
EN19, EN20	At the present time, KT does not measure or manage NOx, SOx and other significant air emissions, with the exception of CO2. Moving forward, we plan to systematically manage and report such emissions.
EN23	A Hazardous waste is treated the legal procedures. There have been no accidental discharges.

GRI INDEX SUPPLEMENTARY INFORMATION

GRI Index	Supplementary Information
EN24	KT has not transported its hazardous waste internationally.
LA3	KT complies fully with laws on non regular workers. Also, KT will expand benefits to fixed-term employees.
HR1, HR2	KT screens suppliers' compliance with occupational safety and health standards, prohibition of forced/child labor, employee turnover rate, and other concerns related to human rights, and reflects its observation in the supplier evaluation process. KT does not measure a percentage of transactions and investments in which sustainability is considered, but we will build a data gathering system and report the results
HR8	KT has put a company-wide education system on human rights in place. However, no separate data is collected regarding education for security personnel. KT plans to include its performance in this area in future reports.
PR8	KT runs the 'Management of Personal Information Consultation Center' and the helpline service in order to protect customer privacy. We have a plan for in-depth report on related issues and performances in this area in future reports.
PA9	KT will expand its R&D activities and investment into programs regarding electromagnetic waves. Additionally, we have a long term plan to report the performances comprehensively and in detail in future reports.

Additional Information

Additional information is available at KT's homepage and other related websites. If you want to view or download this report and need more information on our CSR activities, please visit our website(http://csr.kt.com/eng) and contact us at the following.

Websites

KT homepage (http://csr.kt.com/eng)
Financial Supervisory Service's electronic disclosure system (http://dart.fss.or.kr)
US Securities and Exchange Commission website (http://www.sec.gov)

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