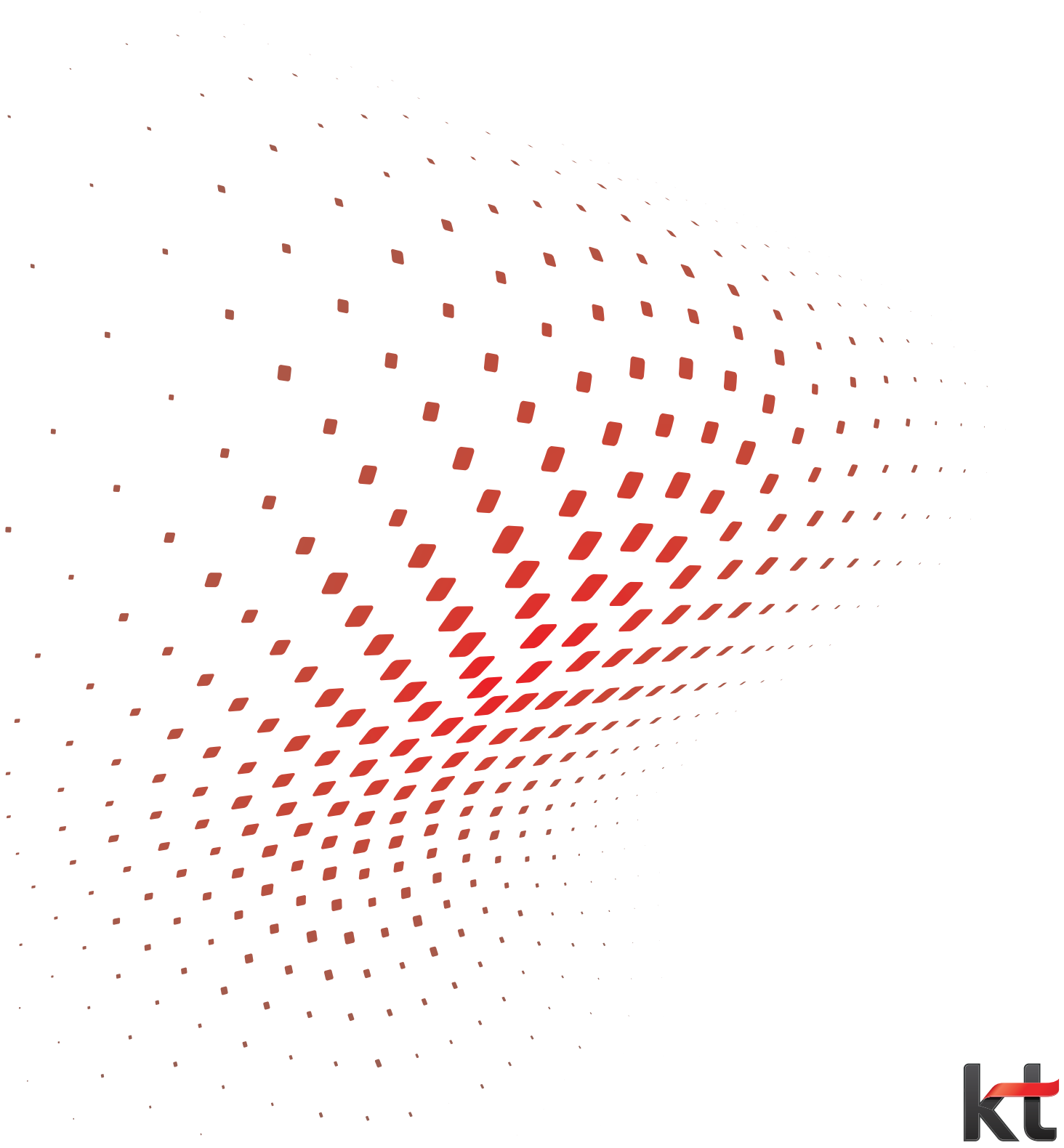


kt Integrated Report 2014



ABOUT THIS REPORT

This report is our 9th Sustainability Report and 2nd Integrated Report. Through this report, we have combined our sustainability and financial reporting.

Reporting Time Frame and Boundary

• Reporting Time Frame

This report outlines kt's achievements, initiatives and data that span from January 2013 to December 2013. This scope extends to April 2014 for major business activities, and in cases of quantifiable achievements, three year's worth of data is presented to help readers identify relevant track records.

• Reporting Boundary

This report primarily covers 488 worksites, including nationwide branches, including the full scope of kt's operational boundary. Our business boundary for each material issue was presented on page 21 of this report, in accordance with the GRI G4 Guidelines.

Reporting Principles and Assurance

• Reporting Principles

To communicate our achievements with stakeholders more transparently and to further advance our sustainability management, this report was prepared in accordance with the Comprehensive option of the GRI(Global Reporting Initiative) G4 Guidelines.

• Assurance

To ensure the reliability and transparentness of reporting processes, data and report content, this report was assured by an independent external assurance service provider.

Characteristics of This Report

Unlike conventional reporting structures that are classified by stakeholder group, this year's integrated report is structured around the impact our business conduct has upon the economy, the environment and society, as well as the shared social value created from our business operations. This report presents issues of interest for stakeholders and key performance indicators in each material area, while offering in-depth 'Special Reports' on issues of high materiality and interest in sustainability management. Furthermore, this report contains interviews of representatives from major stakeholder groups to reflect a wide array of stakeholder feedback and expectations, to strengthen stakeholder engagement and communication.

For More Information

For additional information or inquiries on this report, please contact us at
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Cover Story

kt is a company that embodies value created through 'communication'. As a client oriented company, we ceaselessly challenge ourselves to reach new frontiers in sharing information and knowledge and in bringing people closer together. The diffusing dots represent communication activities and kt's commitment to a brighter, clearer and flourishing future.

MESSAGE FROM THE BOD CHAIRMAN



Always standing at the forefront of the IT revolution, kt has pioneered the history of Korea's information and communications technology by implementing technology and innovation. IT has transformed our way of living and our very culture, and now it is changing how we work and operate the economy. This scope extends its influence beyond the fields of education, culture, health care, finance, logistics, and into broader concepts such as cities and governments.

Today, kt's innovative technology plays an integral role in wide-ranging areas within our society by improving and addressing such issues as climate change, income disparity, and labor innovation.

At kt, our commitment to green IT helps us move one step closer to realizing eco-friendly smart cities. Smart Grid, a convergence of power and IT systems, enables green homes and services through the implementation of efficient power generation and consumption. We envision a near future where zero carbon buildings and cities are built on the basis of kt's smartgrid operational platforms.

Targeting a wide range of people such as multi-cultural families, retirees, and the IT isolated, kt's digital classes help narrow the informational gap among various groups of age, culture, and society. Our social contributions also aid in the creation of jobs, community restoration, and social cohesion. Furthermore, we support SMBs (Small and Medium sized Businesses) by aiding in software production by means of various resource funding. Such actions help facilitate the local software industry's ecosystem, ultimately propelling SMBs into new markets and continued growth.

Sharing through technology, carbon footprint reduction, simultaneous growth with partners, and enhancement of productivity are key social

innovations that assure kt's economic growth through sustainability management. Therefore, we are dedicated to creating shared value by offering innovative solutions and conducting our business ethically, transparently and fairly to fulfill our mission as a robust corporate citizen.

Economic performance alone will no longer guarantee a company's success. As we continue to progress, we should adhere firmly to our 'back to basic' approach. We must fully comply with regulations and standards, establish fair and transparent business practices, protect client information, and facilitate the social responsibility of our supply chain. By so doing, kt would maintain trust and be on par with expectations of stakeholders.

As a people's company responsible for the operation of our nation's communications network, we vow to deliver a healthier and safer workplace that respects human rights and employee diversity. Our employees would in turn, feel proud and responsible in knowing they are an essential part of the company.

I sincerely hope that kt's dedication to fulfilling social responsibility, creating shared value, and reflecting the voice of its wide-ranging stakeholders regarding business conduct translates into a company trusted and beloved by everyone. Every BOD member, including myself, vows to fully assist in kt's efforts for sustainable growth and development.

Do-Kyun Song
Chairman of the Board of Directors

MESSAGE FROM THE CEO

As a company that embodies Korean telecommunications history, kt aims to become a global No.1 company that puts the customers at the highest priority.



Since the first installation of the telephone in Korea in 1896, kt has served the Korean citizens with the state-of-the-art and the best-quality network service in every step of the way of Korean telecommunications history. kt has always been the first and the best in connecting people, and we take great pride in the stories that are embedded in our customers' lives.

kt has always been at the forefront of IT industry. kt has led the "Powerful IT Korea" through connecting the homes with broadband networks, opened the "Smart Era" with the introduction of smartphones, and spearheaded the new mobile broadband paradigm by launching the world's first wideband LTE-A service. It became the first service provider to serve over 5 million IPTV subscribers. For its service excellence, kt was bestowed various global accolades for three consecutive years, winning the most desired global mobile awards at the Mobile World Congress, known as the Olympics of global telecommunications community, and being selected as the Global Supersector Leader in telecommunications by the Dow Jones Sustainability Index.

Based on the foundation of trust and support of the customers, kt aspires to become the No. 1 company in providing the best customer value. With a firm belief that customer value creation is the path to kt's growth, we are realigning ourselves in all areas such as products, services, marketing, and R&D to provide best-quality and differentiated services for our customers. With 'Challenge, Convergence, and Communication' as our shared values, all of kt Group companies will work together to become a 'Single kt'.

* Creative Economy: Creating a national growth model that generates new opportunities by converging information, communication, technology, and culture with various industries

For shareholders, kt endeavors to become a shareholder value No. 1 company with greater future prospects, and for community, kt strives to be a catalyst to drive the Creative Economy* together with small and medium enterprises by creating a global market based on ICT convergence services.

ICT is a key driver of the national competitive edge. kt has been building and maintaining the most extensive national telecommunications network. We will leverage the vast network infrastructure and lead convergence with other industries to realize the massive potential of the cutting-edge ICT convergence services.

Having been at the core of telecommunications industry over a century, kt's history resonates with Korean telecommunications history. We can assure you that kt will move forward with unwavering confidence and determination as the No. 1 company.

Dear valued customers and shareholders,

We thrive on your on-going support and warmest encouragement.

Everyone at kt will continue to put in the best efforts to provide the most memorable experiences.

Thank you.

Chang-Gyu Hwang
CEO, kt Corporation

Company Overview

Company History and Overview

Since our establishment as Korea Electrical Communication Corporation in 1981, kt has been evolving and merged with ktF, its mobile communication service subsidiary, in 2009, to become Korea's first to launch smartphones instigating the Smart Era. kt is making significant strides to offer wide-ranging convergence services that combine communication, IT, media and content. In doing so, we deliver Smart Life where people and things intersect to communicate while also reaching new frontiers as a 'Global ICT* Convergence Leader'. kt will create a ubiquitous environment that provides connectivity regardless of location, time or terminal type. This will generate customer-friendly solutions that will enrich and simplify the human experience, while providing business solutions that contribute to improving corporate efficiency and competitive edge.

* ICT: Information, Communication, Transaction

No. of kt Service Subscribers between 2011 and 2013 (Unit: 1,000 persons)

Category	Wireless*	Telephony		Broad-band	IPTV	Total
		PSTN	VoIP			
2011	16,563	15,929	3,230	7,823	3,076	46,622
2012	16,502	15,318	3,348	8,037	4,030	47,234
2013	16,454	14,513	3,505	8,067	4,968	47,507

* Wireless: CDMA + WCDMA+LTE

** PSTN: The data combines general calls (excluding enterprise calls), internal communication, ISDN and DID



Company Name kt
Date of Establishment December 10, 1981
CEO Chang-Gyu Hwang
Head Office 90, Buljeong-ro, Bundang-gu, Seongnam City, Gyeonggi Province

Subsidiaries

As a listed holding company, kt offers fixed-line/wireless phones, ultra-high speed broadband and other communication services. To solidify our market leadership, we also launch innovative services in line with emerging industrial trends—such as our extended scope of communication services to other industries, communication-broadcasting convergences, and fixed-wireless convergences.

Our subsidiaries are engaged in such operations as electrical communication, credit card services, satellite broadcasting, lease and corporate loans, construction of undersea cable construction, and public phone facility. Our major subsidiaries are as follows:

(As of the end of 2013, Unit: KRW 100 million)

Subsidiary	Type of Business	Sales	Total Capital	No. of Employees
BCard	Credit card business	30,733	7,562	818
kt rental	Rental business	8,484	2,737	1,064
kt skylife	Satellite broadcasting services	6,003	4,003	307
kt ens	Electrical communication, special category telecommunications services, and value-added common carrier business	5,726	775	404
kt telecop	Facility and machinery security services	2,380	538	2,384
kt capital	Financial services	2,202	3,872	135
kt estate	Real estate development/supply and lease & management	2,498	13,219	422
kt media hub	IPTV, Mobile TV business	3,047	1,028	253
kt sat	Broadcasting communication and others	1,460	4,573	130
kt powertel	Electrical communication	1,127	1,231	208
kt submarine	Construction/maintenance and repair of undersea communication/power cables	826	883	73
kth	Data home shopping, Contents distribution, SI/SM business	1,303	1,788	356
kt music	Music services and music distribution on the wired/wireless internet platform	508	347	163
kt mhows	Online marketing and advertising	480	115	71
nasmedia	Advertising	248	562	199
kt cs	Operation and construction of call centers	3,962	1,229	10,167
kt is	Operation and construction of call centers	3,877	1,316	9,648
kt m&s	Wholesale of machinery equipment and related supplies	8,840	579	2,251
kt ds	Integration of compute systems, Design and Development of software	5,734	648	1,286
kt linkus	Public phone facility maintenance and services	1,026	76	712
kt commerce	Non-store wholesale/retail business	4,513	179	127
kt sports	Sports team management (professional baseball & basketball teams etc)	217	89	48
kt innoedu	Enterprise training business	216	42	131

BUSINESS PHILOSOPHY AND COMPANY VALUE

Vision Strategy

Mission and Vision

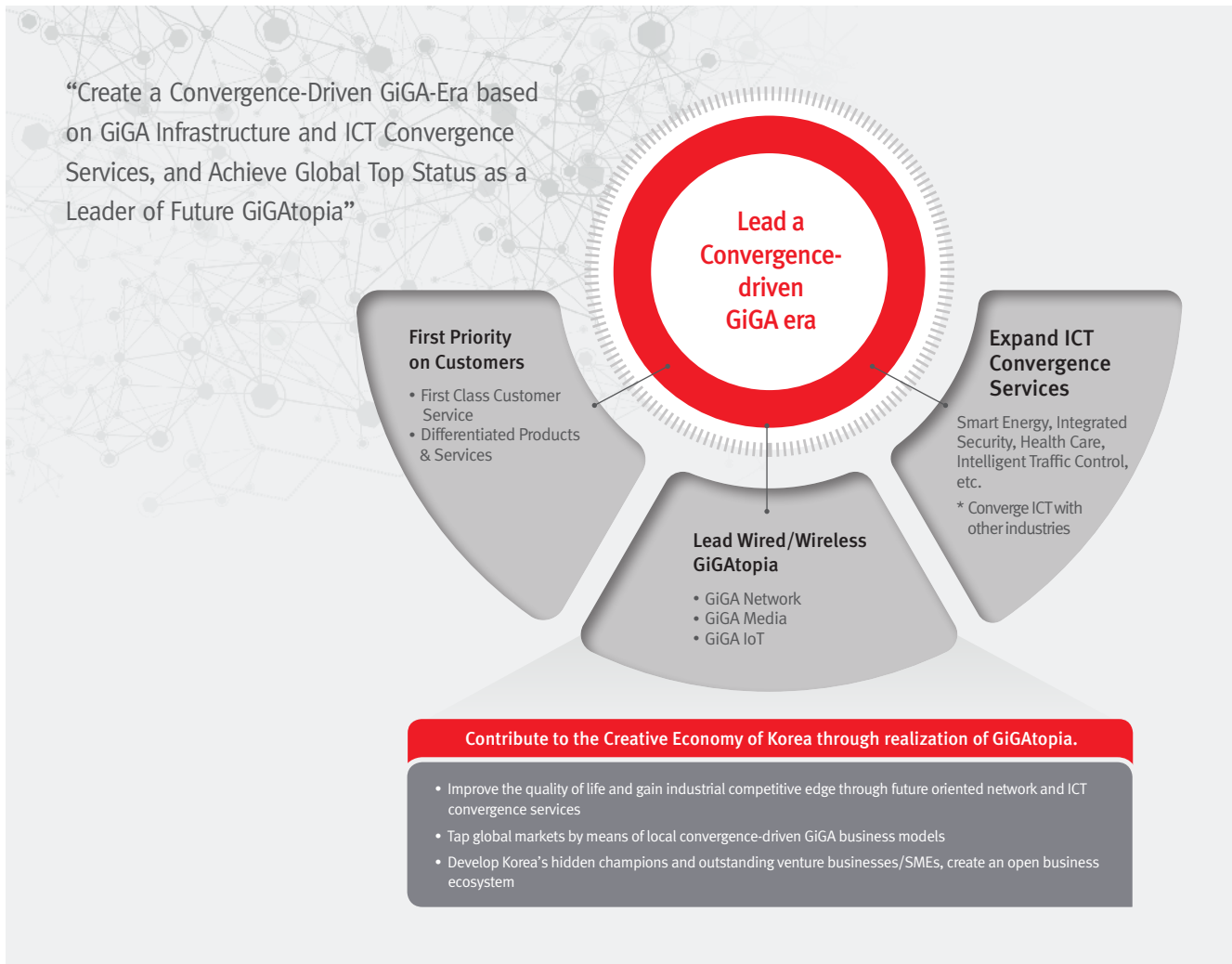
kt's mission is to provide the world's fastest revolutionary ICT driven telecommunication and convergence services, and expand on benefits for people's lives by regarding the customer as the highest priority. Additionally, our vision is to achieve 'Global No.1 kt' status during the next decade.

Core Values

To achieve 'Global No.1 kt' status, our employees operate on the basis of three core values : ①No.1 kt, ②Single kt, ③Customer as our highest priority, ④right-path management. kt will strive to achieve global leading status by providing differentiated high quality services, and become a 'Single kt' by maximizing synergy between business divisions based on cooperation and open communication. Additionally, we will focus all of our corporate resources on our customers, and regard them as our company's highest priority. Our employees will operate on the basis of smart decision making and moral ethics, ultimately leading to a brighter corporate future. The core values are applied to our HR policy to ensure that our employees practice such values.



MANAGEMENT STRATEGY



Over the past century, kt has led the history of the local telecommunications industry. We have been there every step of the way; from the nation's first mobile telecommunications services that revolutionized the life of local citizens(1984), Wibro services that deliver ultra-high speed connectivity on-the-go(2006), and the launching of the iPhone, a small yet powerful revolution that helped realize 'smart life'(2009).

On the basis of our network platforms that were responsible for pioneering new paradigms within the telecommunications industry, we will strive to lead a convergence-driven GiGA era. We will think from the customers' perspective and be the first to offer services that exceed the expectations of our customers and society: we are determined to provide customized services which are easily accessible and convenient, enable users to access devices around-the-clock, and resolve any customer inconveniences in the most expedient manner possible. We will also focus our capabilities in building a GiGA wired/wireless network on the basis of our core technology, as well as differentiated media/IoT platforms. Furthermore, we will discover and foster future oriented ICT convergence services within diverse industrial sectors such as smart energy, integrated security, next-generation media, health care and intelligent traffic control on the basis of our core wired/wireless GiGA, cloud and big data infrastructure.

Our business strategy includes kt's commitment to realizing a 'GiGAtopia where every citizen is offered a convenient exceeding comfortable lifestyle. kt will strive to pioneer the Creative Economy of Korea by strengthening national competitiveness of the whole ICT industry. In particular, kt will cooperate with leading local manufacturers, contents developers and solution providers to disseminate Korea's success stories in advancing convergence-driven GiGA into the wider global markets. Additionally, we will strategically share our patents and technology while offering financial support, management, consulting, and Econovation Center initiatives to nurture outstanding ventures and SMEs into globally-competitive hidden champions. Our ICT-based social contribution initiatives will also help narrow the digital divide, create jobs for retirees and support hearing-impaired children, ultimately improving the quality of life of our local community.

With the experience and strength that have driven Korea's telecommunications industry for the past 100 years, kt will evolve into a global No.1 telecommunication company and create paradigms within the ICT industry for next century.

BUSINESS PORTFOLIO










kt's business portfolio covers a broad range of services from wireless communication, broadband IPTV dedicated lines, fixed-line communication and enterprise solutions. The value chain of the telecommunications industry consisting of contents, platforms, networks and terminals is based on transmission over a fixed/wireless transmission infrastructure. But expansion and relocation within multi-dimensional industries is now common due to convergence trends and the technological development of the telecom industry.

The Korean telecom industry is also experiencing similar transformation; rapid technological developments in conventional fixed-line telecommunications, high speed broadband and mobile telcoms segments. Our business portfolio is adjusting to evolving customer needs which are repositioning the value chain towards the fixed-wireless convergence and merging of telcoms with other industries. While the advancement of communication technology results in the replacement of conventional telecom services by non-telecom companies, telecom services are diversifying their scope into VoIP(Voice over IP), VPN(Virtual Private Network), IPTV and specifically the 4G wideband LTE-A(Long Term Evolution-Advanced). As such, we are faced with both opportunities and risks.

Mainstream Individual/Home Customer Services

In line with emerging convergence trends between voice & data, wired & wireless, and telcoms & broadcasting within the telecom industry, ranging from fixed line calls and wireless calls to internet connectivity, we deliver customer satisfaction through our leading service quality and technology. Specifically, our olleh tv set a new world record in gaining 5 million subscribers in the shortest time span and is serving as a main driver of content distribution and the facilitation within the media industry. In addition, being our nation's telcom provider with the nation's largest bundle subscriber base, we offer a family-friendly bundle service as a way to relieve the burden of telecom bills on households.

olleh Services (http://www.kt.com/biz/biz_01.jsp)

Category	Description	Flagship Services
 Mobile	Offer communication services that are most closely related to our daily lives: voice, video text-messaging and data, through the latest smartphones and pads on the wideband LTE-A network	LTE unlimited LTE WARP
 TV	Subscribers enjoy the nation's largest number of TV channels with high-resolution picture quality on demand; they can choose from up to 150,000 episodes of daytime dramas, movies, educational content and documentaries, and even access concerts, sports games, games, karaoke, shopping and educational content through the smart olleh tv	olleh tv skylife olleh tv live olleh tv smart olleh tv mobile
 Internet	Offer up to 100 mega-speed safe, ultra-high speed and reliable internet connectivity across the nation	Internet Alright Internet Special
 4G WiBro / WiFi	Offer convenient and fast ultra-high speed wireless communication services anywhere in Korea (and even overseas) in a premium wireless internet space that is based in an environment with the highest-level security possible	4G WiBro WiFi Multi/Single
 Home Calls	Deliver top-notch quality and affordable rates as the nation's most widely-used call service	Home Calls Internet Calls
 International Calls	Offer exceptional call quality in 246 countries as well as in 82 countries where direct lines are established (the largest in Korea)	International Call 001
 Bundle Products	kt's differentiated convergence services that deliver convergence services (internet, home calls, internet calls, TV, and mobile) on diverse devices, while even offering ucloud, that allows users to manage their files conveniently from any place at anytime	LTE olleh Together Internet olleh Together
 ucloud	'Personal Cloud Storage' service that stores customers' data in real time (automated synchronization) and allows free access from wide-ranging terminals	ucloud ucloud office
 Smart Home	Smart total home service that bundles all kinds of services-from education, video calls and intelligent robots to multimedia and daily life tips-that are available anytime, anywhere remotely	Kibot 2 Smart Home Pad Smart Home HD mini

Mainstream Enterprise Services (http://www.kt.com/biz/biz_02.jsp)

It is by sustained innovation that results from 'think outside the box' approach and ceaseless communication, that we deliver smarter and multi-dimensional business services. kt's business services ensure that our customers experience a more agile and efficient business environment.

Dedicated Data Lines	
Connect two locations directly for dedicated use	Dedicated olleh biz line
Offer security, traffic analysis, and QOS services at affordable prices	olleh biz komet premium
Use the MPLS network dedicated to enterprise applications	olleh biz VPN premium
Enterprise Communication	
Remote conferencing services based on phones, web and conferencing equipment	olleh biz conferencing call service
Offer affordable rates and wide-ranging additional services (internet calls)	olleh biz internet calls
Enterprises pay for the calls made by their customers	Free-of-charge call number 080
Send a large quantity of messages easily, quickly and reliably	olleh biz messaging
Mobile	
Mobile-based business operations – Offer a mobile business environment	Enterprise Mobility
In-house- Free-of-charge extension calls/off-site – Offer mobile group solutions	olleh biz FMC
Wired-wireless integrated environment, unlimited free extension calls	olleh biz freezone
Representative Internet Hub IDC	
Direct access to the kt IDC internet backbone network/increased speed, savings in time/costs	olleh biz colocation
Lease IT systems at affordable prices/Stable server operation and management services	olleh biz server hosting management services
Enterprise SaaS	
Open a marketplace to buy and sell diverse enterprise IT products	Oaasys
Collaboration services available at affordable prices without a complex deployment (e-mail, e-payment, messenger, bulletin board, etc.)	olleh bizmeka groupware
Call center services available monthly in a cost-effective manner without initial deployment	olleh bizmeka call center
Space Solution	
Network-enabled customized video/broadcasting services	olleh biz digital signage
Manage social infrastructure facilities through kt's network	olleh biz MOS
Network-enabled real-time CCTV video monitoring service	olleh biz i-cam

Global Operations (http://www.kt.com/biz/global_01.jsp)

On the basis of our success within the local market, we are fully expanding our global presence and delivering globalized customer value. We strengthen our competitive edge in the global market by expanding our cooperation with leading global companies and advancing into the global market with outstanding SME partners. Furthermore, we are expanding our global presence in our key overseas locations, including our overseas subsidiaries and offices positioned in each continent of the world.

Our portfolio of global ICT services that target governmental agencies and global enterprises across the world includes infrastructure development, public infrastructure services, smart solutions, and managed services. To deliver high-quality internet and international call services at more affordable prices, we are also strengthening our global dedicated data line & IP services as well as traffic wholesale services.

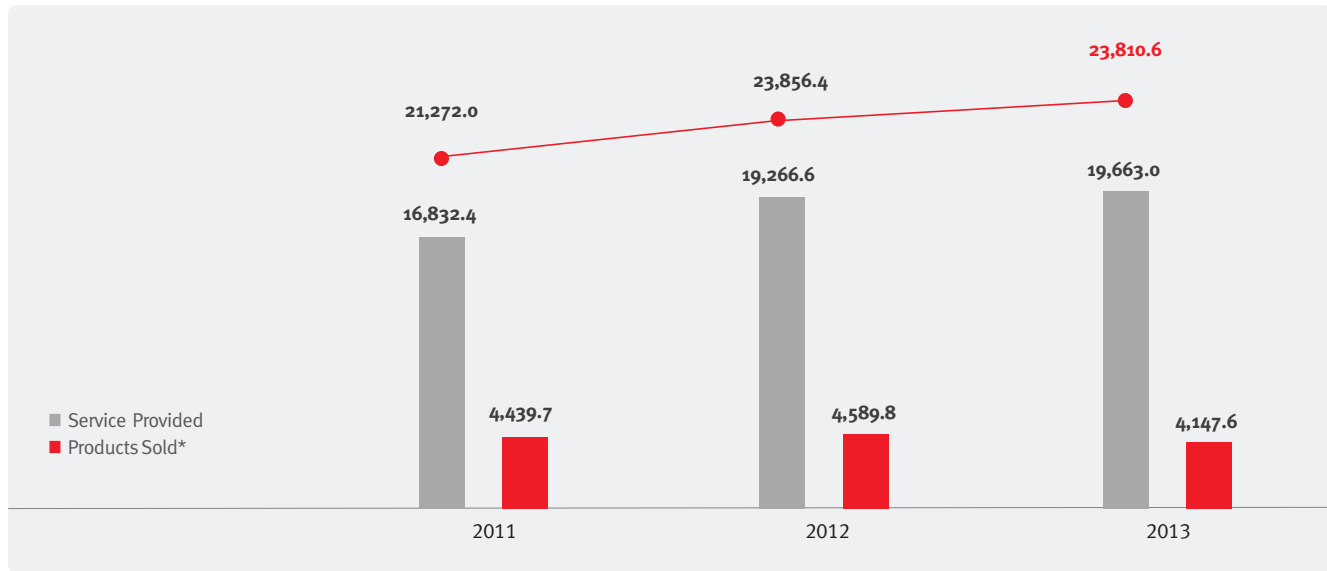
ECONOMIC PERFORMANCE

Business Performance

Total Revenue

Our revenue on a K-IFRS consolidated basis are as follows.

(Unit: KRW billion)



* Based on the consolidated K-IFRS basis (*) and including revenue-recognition real estate construction contracts

Revenue from Wireless Data Operation

(Unit: KRW billion)

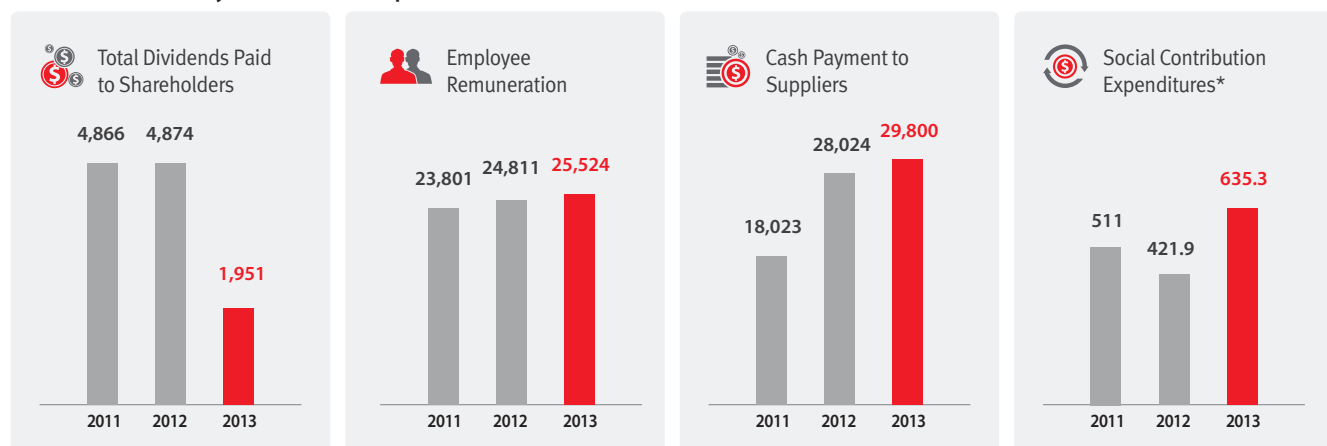
Category	Wireless	Fixed-line	Media Content	Financial Rental	Product	Other
2011	6,969.4	6,950.7	803.0	996.6	4,325.1	1,227.2
2012	6,913.4	6,392.3	1,067.9	3,574.3	4,600.9	1,307.6
2013	6,976.5	5,965.5	1,354.5	3,859.9	3,966.5	1,687.7

* Other sales in 2012 were adjusted due to the incorporation of kt submarine on a consolidated basis

** Based on our IR documents

Distribution of Value by Stakeholder Group

(Unit: KRW 100 million)



* Total sum of investments in local communities, financial and in-kind donations, support and sponsorship

GOVERNANCE

Transparent Governance

Transparent Governance

Since privatization in 2002, kt aggressively adopted best practice recommendations for corporate governance in accordance with global standards that emphasize professional executive management systems and an independent board of directors (BOD). This resulted in a corporate governance system that befit kt's status as a global company. Leadership of management (CEO) and BOD is isolated to establish a governance structure that is objective of and independent from management. Furthermore, the 'kt Governance Charter' was introduced to establish the Corporate Governance Committee as a way to improve its governance structure by reviewing the size, composition and roles of the BOD. This policy paid off as we were honored with the Leading Award (2010) at the Corporate Governance Review, supervised by the Korean Corporate Governance and Sustainability Center (CGS). Additionally, we have maintained the highest rating (A+) in corporate governance, according to the EGS(Environmental Social Governance) evaluation made in 2013.

Structure and Operation of the BOD

kt's board of directors (BOD) consists of a total of 11 directors, including eight outside directors and three non-independent directors (as of Mar. 31, 2014), to assist with transparent decision-making through efficient checking, monitoring and expert advice. To guarantee the right balance among the responsibility, experience, independence and knowledge of the BOD, the Corporate Governance Committee under the BOD is commissioned to review the size, composition and role of the board, to improve efficiency of board-related operations.

Our CEO & Chairman is appointed through a voting process at the general shareholder meeting from the pool of candidates recommended by the CEO Nominating Committee, and the current CEO & Chairman Chang-Gyu Hwang, was appointed at the general shareholder meeting on January 27, 2014. Non-independent directors (aside from the Chairman), are appointed at the general shareholder meeting from the candidates recommended by the Chairman with the consent of the BOD: the general shareholder meeting on March 21, 2014 appointed Hoon Han as the Head of the Corporate Planning Group and Heon-Moon Lim as the Head of the Customer Business Group. The Outside Director Candidate Nominating Committee, which consists of all outside directors (aside from those whose term is nearing completion) and one non-independent director, recommends outside director candidates to the general shareholder meetings. This committee ensures that experts in diverse fields—who are capable of offering professional advice to help kt advance even further—are recommended to the general shareholder meeting. The general shareholder meeting on March 21, 2014 appointed five outside directors including Jong-Goo Kim, a former Minister of Ministry of Justice. In recommending outside director candidates, the committee strives to secure the BOD diversity and the complementary skills of BOD members.

To enhance the independence of the BOD, the chairman is appointed through the BOD vote from the pool of outside directors and serves for a period of one year. As of March 2014, our BOD has been chaired by Do-Kyun Song, an outside director.

To improve the expertise and agility in decision-making, our BOD operates five standing subcommittees (Corporate Governance Committee, Audit Committee, Evaluation and Compensation Committee, Executive Committee, and Related-Party Transactions Committee) and two temporary subcommittees (CEO Nominating Committee and Outside Director Candidate Nominating Committee). The three subcommittees: Audit Committee, Evaluation and Compensation Committee and Related-Party Transactions Committee consist solely of outside directors to ensure their independent operations. Our BOD has the authority to establish additional subcommittees on an as-needed basis.

* For further details, please refer to the Investor Relations section of our website (www.kt.com).

Our Governance Charter defines the qualifications, obligations, responsibilities and roles of board directors to strike the right balance in our BOD operations in terms of competency, experience, independence and expertise. To ensure the efficient operation of the BOD and the accountability of the directors, our BOD evaluates their members on their BOD activities and individual performance each year and the results are voluntarily disclosed in our business reports. Any decision made by the BOD requires more than a majority of the current directors with voting rights to be in attendance, along with the consent of a majority of the attending directors, if not stated otherwise in the Korean Commercial Law or the Article of Association.

Composition of the BOD, As of March 21, 2014

Category	Name (Gender)	Major Career	Responsibility (Attending Committee)
Non-Independent Director	Chang-Gyu Hwang (Male)	(Current) CEO (Former) President & National CTO, Office of Strategic R&D Planning (Former) President & CTO, Samsung Electronics	CEO & President, Executive Committee(Chairman)
	Hoon Han (Male)	(Current) Head of Corporate Planning Group (Former) Head of kt Strategy & Planning Office	Member of the Corporate Governance Committee, Member of the Executive Committee
	Heon-Moon Lim (Male)	(Current) Head of Customer Business Group (Former) Chief Operating Officer of kt Telecom & Convergence Group	Member of the Executive Committee
Independent Outside Director	Do-Kyun Song (Male)	(Current) Advisor, BKJ (law firm) (Former) Standing Commissioner, Korea Communications Commission	Chairman of the BOD, Member of the Evaluation and Compensation Committee, Member of the Corporate Governance
	Keuk-Je Sung (Male)	(Current) Professor, Graduate School of International Studies, Kyung Hee University (Former) Chief negotiator to the WTO service negotiations	Chairman of the Related-Party Transactions Committee, Member of the Audit Committee
	Sang-Kyun Cha (Male)	(Current) Professor of Electrical Engineering & Computer Science, Seoul National University	Member of the Audit Committee, Member of the Corporate Governance Committee
	Jong-Goo Kim (Male)	(Current) Corporation lawyer, New Dimension Law Group (Former) The 6th Minister of Justice	Chairman of the Audit Committee, Member of the Related-Party Transactions Committee
	Chu-Hwan Yim (Male)	(Current) Member, Presidential Advisory Council on Science & Technology (Former) President, Korea Digital Cable Laboratories	Chairman of the Evaluation and Compensation Committee, Member of the Related-Party Transactions Committee
	Pil-Hwa Yoo (Male)	(Current) Dean and professor, SKK Graduate School of Business at Sungkyunkwan University (Former) Vice-Chairman, Korean Academic Society of Business Administration	Member of the Audit Committee, Member of the Evaluation and Compensation Committee,
	Suk-Gwon Chang (Male)	(Current) Professor of MIS and Telecommunications, School of Business Hanyang University (Former) President, Korea Association for Telecommunications Policy	Chairman of the Corporate Governance Committee, Member of the Evaluation and Compensation Committee,
	Dae-Keun Park (Male)	(Current) Professor of the College of Economics and Finance, Hanyang University (Former) Committee Member, Korea Finance Corporations	Member of the Corporate Governance Committee, Member of the Related-Party Transactions Committee

Status of BOD Operations

Category	2011	2012	2013
No. of BOE Meetings	12	11	14
Average Attendance (%)	98	97	98
BOD Performance Evaluation Outcomes (On a scale of one to five)	4.6	4.5	4.2

Status of BOD Activities

BOD Meeting	Date of Meeting	Agenda Details	No. of Attending Outside Directors (Maximum Number)
1	Jan. 31, 2013.	Approving the 31 st non-consolidated financial statements (draft) and seven others	7(7)
2	Feb. 14, 2013	Limit on the remuneration of the BOD members in 2013 (draft) and 11 others	7(7)
3	Mar. 15, 2013	Building new data centers (draft) and five others	7(7)
4	Apr. 28, 2013	2013 sustainability management plans (draft) and six others	8(8)
5	Jun. 7, 2013	Establishing and investing in LTE Infra Co., a joint venture in Rwanda (draft) and one more	7(8)
6	Jul. 26, 2013	Approving auction prices paid to secure new spectrum bands (draft)	7(7)
7	Aug. 8, 2013	Changing the composition of BOD subcommittees (draft) and eight others	6(7)
8	Sep. 13, 2013	Modifying a portion of the plan to establish and invest in the Rwandan joint venture LTE Infra Co. (draft) and one more	7(7)
9	Oct. 25, 2013	Reporting the 2013 Q3 financial statements (both consolidated and non-consolidated) and one more	7(7)
10	Nov. 12, 2013	Reporting follow-up measures after the announcement of the current CEO to resign CEO	7(7)
11	Nov. 18, 2013.	Management contract (draft) and one more	7(7)
12	Nov. 29, 2013	Reporting in relation to dividends in 2013 and one more	7(7)
13	Dec. 12, 2013	Undertaking the Project C (draft) and one more	7(7)
14	Dec. 18, 2013	Convening an ad-hoc general shareholder meeting (draft) and one more	7(7)

* kt held a total of 14 BOD meetings in 2013 to deliberate and decide on a total of 58 agendas items including '2013 sustainability management plans (draft)'.

** Sang-Kyun Cha was re-appointed as an outside director and Do-Kyun Song was newly appointed as an outside director at the general shareholder meeting on March 15, 2013.

***Jong-Hwan Song resigned (midway) as an outside director on June 13, 2013.

Limit and Status of the Remuneration of BOD Members (Including the Outside Director) (As of Dec. 31, 2013)

(Unit: KRW 100 million)

Category	Limit Approved by the General Shareholder Meeting in 2013	Total Remuneration	Average Remuneration per Person
Non-Independent Directors (three Directors)		18.68	6.23
Outside Directors Who Serve on the Audit Committee (four Directors)	65	3.4	0.8
Outside Directors Who Do Not Serve on the Audit Committee (four Directors)		3.0	0.8

*The number of directors is based on the number of current directors as of December 31, 2013. The total remuneration for outside directors, and the average total remuneration per director in 2013, include the remuneration paid to Jong-Hwan Song an outside director who resigned in the middle of his appointment on June 13, 2013.

Status of the BOD Subcommittees (As of March. 31, 2014)

Category	Composition	Purpose and Responsibility
Audit Committee	Four Outside Directors	Audits on accounting and business operations
Evaluation and Compensation Committee	Four Outside Directors	Management contract with the CEO and evaluation
Related-Party Transactions Committee	Four Outside Directors	Related-party transactions stipulated as requiring the approval of the BOD in the 'Act on Anti-Monopoly and Fair Trade' and the 'Commercial Law'
Corporate Governance Committee	Four Outside Directors, One Non-Independent Director	Improvement of corporate governance
Executive Committee	Three Non-Independent Directors	Matters commissioned by the BOD on general business operations

CEO Nominating Committee	All Outside Directors, One Non-Independent Director	Matters concerning the examination and review of CEO candidates and their recommendation to the general shareholder meeting
Outside Director Candidate Nominating Committee	All Outside Directors, One Non-Independent Director	Matters concerning the examination and review of outside director candidates and their recommendation to the general shareholder meeting

Remuneration of Management Based on Accountability and Performance

To establish a management system where the CEO—as a professional manager—is held accountable for business operations, our BOD establishes contractual management terms for the CEO. To fairly evaluate the CEO's performance, the Evaluation and Compensation Committee (which consists of only outside directors) sets the CEO management goals on the basis of the annual goals set by the BOD, makes quantifiable and qualitative evaluations at the end of the each business year, and reports the outcomes at the general shareholder meeting. In 2013, our CEO remuneration was 15.96 times* the median value of all kt employees, as a result of the 2013 performance evaluation. The remuneration criteria and methods for the CEO and other non-independent directors are determined by the BOD, in accordance with business results, and are reported at the general shareholder meeting each year. To improve the fairness in the BOD decisions concerning the remuneration of the CEO and non-independent directors, the CEO and non-independent directors are prohibited from participating in the decision-making process as stipulated by the Article of Association.

*To prevent any data distortion from the unusual severance pay made to a resigning outside director in 2013, the number was calculated on the basis of actual remuneration.

Sustainability Management

kt's Strategy for Sustainability Management

Due to kt's commitment to sustainability management, we were recognized as 'Industry Group Leader' of the global telecommunication sector by DJSI for three consecutive years(2011~2013). We vow to take advantage of the network and IT technology that we possess to undertake social contribution initiatives. We will mitigate social conflicts by placing top priority on ensuring that children from low-income families, disabled individuals and multi-cultural families are not marginalized in this information-driven smart society. We will also plan ways to put the MDGs (Millennium Development Goal) into practice and abide by the ten principles of the UN Global Compact to fulfill our role as a global CSR leader.

Sustainability Committee

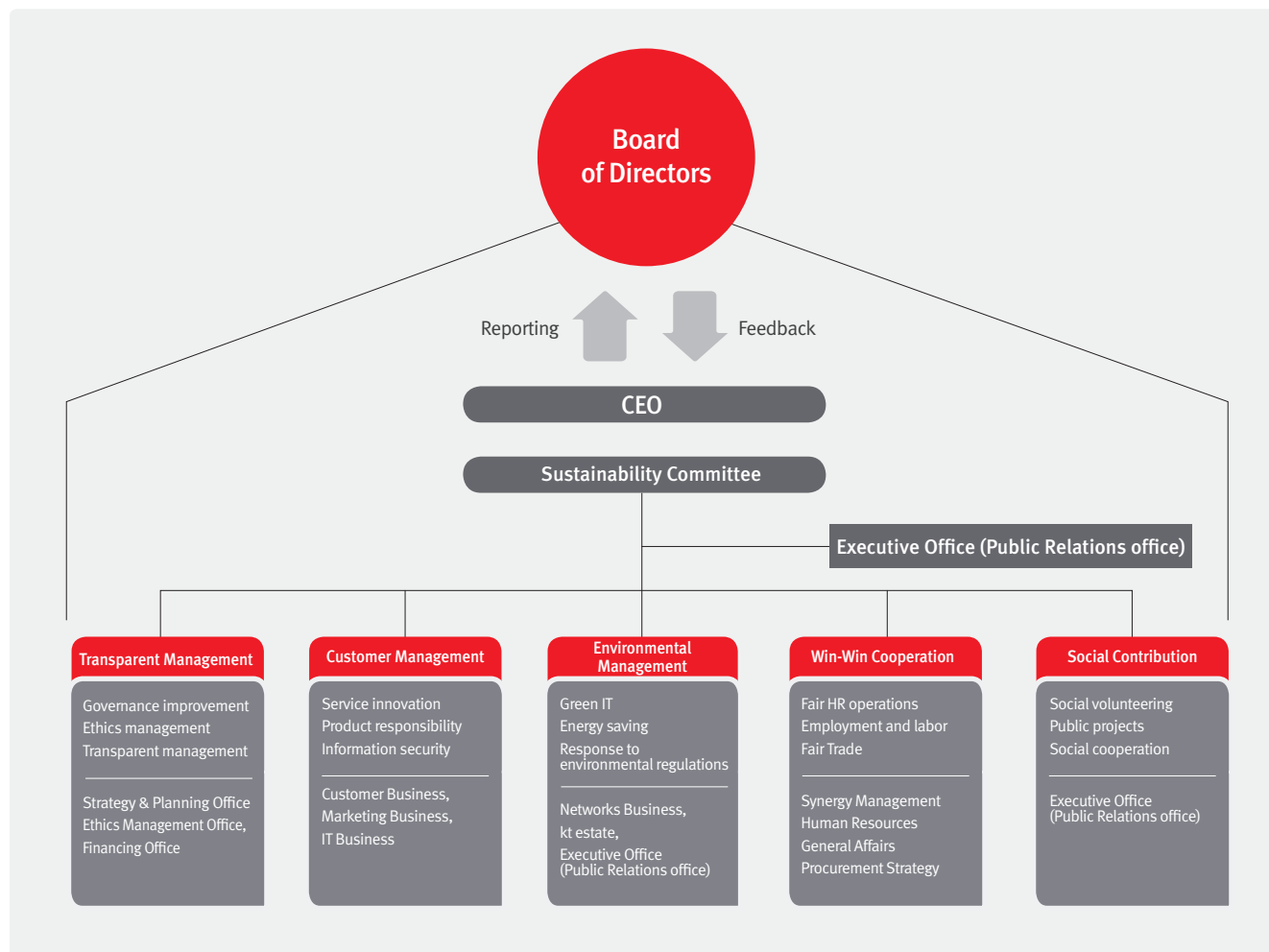
The goal of our sustainability management is to reach the level of global companies by advancing sustainability management. Thus, we engage our customers and stakeholders in improving our sustainability management outcomes. To reflect material issues in our business conduct, we set five top priorities: ethics management, customer management, environmental management, win-win management and social contribution. Meanwhile, we operate the Sustainability Committee chaired by the head of Public Relations Office and served by executives of related divisions. Since 2011, our sustainability management outcomes and plans are regularly reported to the BOD as stipulated by relevant corporate policies. The attendees at the BOD meeting (held in March 2014) voted for 2013 sustainability management plans (draft). The Corporate Governance Committee (under the BOD) receives progress reports and functions as a bridge between the operational system of the Sustainability Committee and the official sustainability management system. This ensures that our top management is in charge of sustainability management decision making.

Recognized as 'Industry Group Leader' in the DJSI Telecommunication Service Sector

Since being listed by DJSI* as an Asia Pacific group member in 2009, we have also been recognized as one of the 318 members of the world index in 2010. Following these achievements, kt has successfully maintained its position of top ranker within the telecommunications industry by being named super sector leader in 2011~2012 and industry group leader in 2013.

*The DJSI (Dow Jones Sustainability Index), created jointly by Dow Jones, the world's largest financial information provider, and SAM, a Swiss-based sustainability assessment agency, measures the level of sustainability management of 2,500 companies around the world and honors top-performers. Once listed on the DJSI, these companies take precedence as investment destinations in the Socially Responsible Investment Fund and secure reliable and long-term investors.

Top Five Tasks	Main Roles	Responsible Departments	Stakeholders
Transparent Management	Ethics management, improvement of corporate governance, risk management	Strategy & Planning Office, Ethics Management Office, Financing Office	Shareholders
Customer Management	Service development, product responsibility, information security, customer management, innovation management (product/social innovation), brand management	Customer Business, Marketing Business, IT Business	Customers
Environmental Management	Environmental policy and management system, climate change strategy, environmental innovation and efficiency, energy saving	Networks Business, kt estate, Office of Communication	Environment (Future Generations)
Win-Win Cooperation	Fair HR operations (HR development, talent recruitment and retention), employment and labor (labor practice indicator, workplace health & safety), fair trade	Human Resources, General Affairs, Procurement Strategy	Employees/Suppliers
Social Contribution	Social contribution, public projects (narrowing the digital divide), social cooperation (investment in and cooperation with local communities)	Office of Communication	Local Communities (Governments)



ETHICS MANAGEMENT

kt embeds ethics management into daily business conduct by operating and expanding ethics management systems and infrastructure. To ensure top priority is placed on our customers in accordance with the 'Right-Way' principle, our 'New Ethics Management Principles' were established in March 2014 to strengthen our commitment and execution under goals to becoming a society serving company that fulfills social responsibility. Our 'Ethics Management FAQ' and 'Clean-365 Center' offer appropriate solutions to various ethical dilemmas our employees face in doing business. The 'Hot-Line to the Audit Committee Chairman' and the 'Ethics Violation Report Center' serve as whistle-blower programs to help kt take sustained self-initiated action to improve its business ethics. Each year, employees who emulate the virtues of our ethics management principles are selected and rewarded as part of our wide-ranging corporate culture policies for ethics management.

No. 1 kt's 'New Ethics Management Principles'

'We lead the future of the company—through making the right decisions and practicing ethical judgments—so that kt evolves into a global No. 1 company'. To this end, we define 'Customer First, Compliance, Back to the Basics, Ownership, and Social Responsibility' as the five behavior principles for ethics management that all kt employees share, live by and vow to practice in their everyday work lives.

Principle 1.



Customers are our top priority.

- 1-1. We respect and thoroughly protect the value and information of our customers.
- 1-2. We ceaselessly create differentiated value that assists our customers.

Principle 2.



We fully comply with all regulations and standards.

- 2-1. We act fairly and transparently, in accordance with the law and business ethics.
- 2-2. We secure and maintain management transparency and strictly protect trade secrets.

Principle 3.



We stick to the basics and principles.

- 3-1. We value the interest of the entire company in making reasonable and objective decisions and in responsibly representing the company.
- 3-2. We separate private matters from those of work life activities and take the lead in creating a sound and ethical corporate culture.

Principle 4.



We believe in our own solidarity and in a company with a self-initiated sense of ownership.

- 4-1. We do not fear failure; we continuously push ourselves to reach higher.
- 4-2. We seek efficiency gains through autonomy and empowerment.

Principle 5.



We fulfill our social responsibility and obligation as a people's company.

- 5-1. We protect the rights and interests of shareholders and improve the 'quality of life' for our employees.
- 5-2. We value and respect the environment, safety and human rights.
- 5-3. We commit ourselves to social contribution initiatives and forge shared-growth partnerships with business partners.

Ethics Management Initiatives Undertaken

Hosted the Progress Rally through the Ethics Management Office to help reach the goal of becoming Global No. 1 kt		
Established and Announced the New Ethics Management Principles		
Signed the Pledge to Abide by the New Ethics Management Principles		
Launched the Clean kt national holiday campaign – Clean 365 Center		
Launched year-round and special initiatives to monitor ethical practices		
Offered ethics training, delivered directly by department heads (executives) to employees (direct lecturing on business ethics)		
Operated diverse ethics management communication channels for each scenario	Preventive Channels	Ethics Management FAQ
		Clean 365 Center
	Post reporting channels	Reports of violations of business ethics
		Hot-Line to the Audit Committee Chairman

Business Ethics Awards

Our Ethics Management Office initiated the Business Ethics Incentive Policy in 2013 to identify best practices in ethics management and disseminate ethics awareness across the board. This year the Ethics Management Office rewarded a total of 15 best practices made by employees and departments in complying with the four basic principles of ethics management (honesty, transparency, integrity and fairness). Our Ethics Management Office vows to reward top-performers in ethics management and to remain steadfastly committed to business ethics.

Code of conduct

Personal Ethics Standards guide our employees in making judgments, fulfilling one's job properly and take actions to restrain from any negligence, indifference or complacency—that may arise in business conduct. These standards were developed based on the past actual substandard practices and categorized into four phases: responsible employees, their department, job and job position—while self inspections were made in September 2013. These standards motivate manager-level employees to become good role models by voluntarily breaking away from unethical practices, developing an ethical awareness and spreading such awareness across the board.

Lectures on Ethics Management

Our Ethics Management Office prepares monthly documents that introduce general ethics management (including its concept and systems) as well as kt's ethical management practices. Documents were distributed to 720 locations across the nation while directors of those locations gave a lecture to 32,000 employees on ethics management. This encouraged employees to develop ethics awareness and the ethical attitudes required in conducting business.

2013 Topics for Monthly Ethics Management Training

Time	Topic
Apr.	Information leaks (Part 1)
May	Information leaks (Part 2)
Jun.	Win-Win growth with suppliers
Jul.-Aug.	Gifts and bribes
Sep.	Self-administered reviews of Personal Ethics Standards
Oct.	Four basic principles of ethics management
Nov.	Prevention of workplace sexual harassment

Conveyance of Ethics Management to Affiliates

To align kt and its affiliates in ethics management through sharing of goals and directions of ethics management, we offered quarterly training and workshops for ethics management officials at affiliates to help introduce best practices in ethics management between kt and its affiliates. Synovation, the bulletin board of affiliates, is constantly uploaded with postings of educational materials and reference cases so that affiliates can realign their ethics management strategy, and properly convey such guidelines.

Actions Taken against Violations of Ethics Management Standards

	2011	2012	2013
Dismissals	13	14	12
Disciplinary Measures	184	243	116

Tax Compliance

kt is in full compliance with tax laws and relevant regulations within operational jurisdictions. We strive to pay our taxes efficiently within the legally-permissible boundary in order to effectively operate our financial/operational spending programs and customer service operations. We are in an open, honest and positive business relationship with the National Tax Service(NTS) of Korea and transparently disclose all tax-related issues. kt has always been a faithful taxpayer in accordance with the corporate tax policy of the NTS. Our income tax expenses, deferred income taxes and effective tax rates are disclosed in audit reports and disclosed externally through the governmental electronic disclosure system (dart.fss.or.kr).

kt's effective tax rate for 2013 was 25.2%, which is above the highest corporate tax rate of 24.2% (including local income tax rates). This discrepancy in tax rate is due to the adjustment of differences between profits and losses in the account book and those in relation to tax operations. As a responsible corporate citizen, we vow to pay our taxes transparently and faithfully.

Compliance

To advance and supervise our ethics management practices, we strive to abide by anti-monopoly and fair trade regulations, unfair competition prevention regulations and information network regulations. In 2013, kt was imposed with a total of KRW 52 billion in penalties by the Korea Communications Commission for eight legal violations including 'infringement on user interest concerning the payment of handset subsidies' and took corrective action in compliance with the corrective order given by the commission. kt will fully abide by relevant regulations and faithfully fulfill our duties through complete preliminary reviews while striving to prevent the recurrence of such violations.

Status of Trial Decisions Made by Regulatory Authorities

(Unit: KRW million)

Category	Date of Decision-Making	Penalty	Corrective Measure
Infringement of user interest concerning the payment of handset subsidies by kt Co., Ltd.	Mar. 14, 2013	1,610	
Corrective order on the infringement of user interest concerning the payment of handset subsidies by kt Co., Ltd.	Jul. 18, 2013	20,240	Suspension of sales activity for seven days
Corrective order on the violation of the Telecommunications Business Act concerning the restrictions on terminating mobile phone service contracts by kt Co., Ltd.	Nov. 15, 2013	520	
Corrective order on the infringement of user interest concerning the payment of handset subsidies by kt Co., Ltd.	Dec. 27, 2013	29,700	

When the 'Terminal Distribution Structure Improvement Act' takes effect in October 2014, the current competition landscape will shift from amount of subsidy payment to fundamental sectors such as service quality, service rates, and lowered factory prices of handsets. This would help solve market trends previously dominated and distorted by financially-superior carriers, and reduce the burden imposed on households due to communication bills caused by the frequent replacement of handsets and help carriers secure investment capabilities. As a telecoms operator, kt will fully comply with this act by playing a leading role of stabilizing the telecommunications market.

RISK MANAGEMENT

Risk Management

The occurrence of risks is bound to increase due to rapidly changing business and technological conditions: an intense competition from the saturated telecommunications market, the blurring boundary of telecommunications value chains and the evolution of wired/wireless network technology. At kt, our risk management system is designed to place top priority on our customers and improve our corporate value by responding to all types of risk situations that concern strategy, operation and regulations, as well as financial risks.

Risk Management System

Boundary of Risk Management and Risk Response Principles

Boundary of Risk Management	
Strategic	Losses caused by inappropriate decision-making or changing business conditions
Finance	Financial losses caused by fluctuating market prices or deteriorating credibility of business partners
Operation	Process targets unmet due to substandard/delayed business operations or unclear job roles
Compliance	Losses caused by violations of governmental regulations, social standards or internal policies
Event	Losses caused by natural disasters or other unexpected or uncontrollable incidents

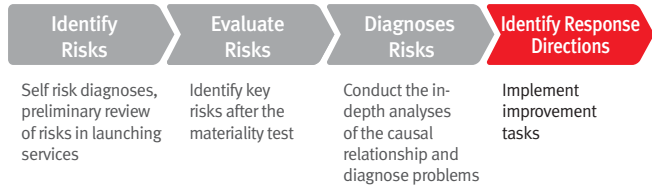
Risk Response Principles	
R	apid & Resolute Report immediately and take resolute action
I	ntegrity & Initiative Disclose with integrity and take the initiative
S	pecific & Supportive Set and support specific response directions
K	nowledge & Accumulative Prevent through accumulated knowledge
Respond to and minimize any present or future uncertainties that may negatively affect corporate value in business conduct	

Deployment of the ERM System

With the recognition of the importance of integrated company-wide risk management, we have been operating a dedicated company-wide ERM (Enterprise Risk Management) unit since 2004. Since 2010, the ERM team has been taking on a more strengthened role as a dedicated ERM unit within the Ethics Management Office and risk management units were set up in each business division to complete an organically-aligned cooperation system that boosts execution of risk management. We also implement risk prevention initiatives through the preliminary review of risks in launching services, self risk diagnoses on business/system/process related risks.

Risk Prevention Initiatives

Risk Prevention Process



Company-wide Risk Evaluation

At kt, our self-initiated regular risk diagnoses system covers risks that concern general business conduct issues (business risks, unreasonable systems or processes) as well as service launches. This enables each of our business divisions to identify risks within their scope of responsibility and promptly respond to such risks so as to minimize their occurrence and spreading. The number of risks identified over the years is 227 in 2010, 235 in 2011, 190 in 2012 and 489 in 2013. Company-wide key risks were selected by evaluation on the basis of possibility of occurrence and impact, while appropriate response strategies and improvement measures are identified through the in-depth analysis of the diagnosis outcomes. In so doing, we prevent our corporate value from being compromised due to risk occurrence.

Preliminary Review of Service Risks

Our 'pre-review of services in relation to service launch' policy was initiated in 2010 to prevent incomplete services from causing any harm—either to our customers or the company. From the perspective of operational risks/legal risks/fair competition/information security, in-depth risk reviews are made by specialized departments, so as to deliver the differentiated customer value of defect-free services. Such preliminary reviews amounted to 417 in 2010, 602 in 2011, 362 in 2012 and 212 in 2013. These reviews minimized risk factors, such as customer complaint caused by launching substandard services. Furthermore, the sustained operation of this review system over the last four years has contributed to improving employees' self-initiated risk diagnostic capabilities, as well as risk awareness.

Cultural Expansion of Risk Management

In addition to the 'preliminary review of risks in launching services' and 'self risk diagnoses', we also offer offline training every year to share business division-specific risks and their prevention/management measures with employees in charge of risk management in business and field departments, to proliferate a risk management culture.

STAKEHOLDER ENGAGEMENT

Stakeholder Engagement

kt strives to forge and maintain comprehensive, honest and mutually-beneficial relationships with stakeholders. We define our stakeholders in accordance with widely-accepted stakeholder mapping that contains business and functional areas. Every year, we review our stakeholder map and widen the circle of our care to include even future generations and/or the environment whose voice cannot be directly heard.

We define our major stakeholder groups as customers, shareholders, employees, suppliers and local communities and communicate with them through meetings with respective stakeholder groups or surveys.

We believe that our relationships with stakeholders are valuable assets that have a tremendous impact on our business success. Our business guidelines clearly state that we do our utmost to reflect the value, requirements and concerns of our stakeholders in all of our business plans so that they are integrated into our internal decision-making and implementation process.

For example, our ‘Customer Product Evaluation Panel’ that directly engages customers, enables us to verify the quality of our wired handsets (from the customers’ perspective) before they are actually launched. This is performed through the pilot installation and experience program and it has served to identify and improve a total of 332 issues, including handset quality issues. Furthermore, our ‘Student Volunteers’ that engage local communities as stakeholders, launched a wide array of initiatives from the ‘Dokdo is Our Territory’ campaign and painting murals in the neighborhood to the ‘Joyful Sports Day with disabled people’. These initiatives greatly help us connect to the pulse of local communities.



Customer Product Evaluation Panel

List of Participating Stakeholder Groups

Category	Details
Customers	Current/potential customers
Shareholders	Investors, analysts, etc.
Suppliers	Suppliers who provide materials, ICT construction services and other services, etc.
Employees	All Group employees
Local Communities	Central/local governments, media, NGO, etc.
Environment	Nature (flora and fauna), environment, organizations, future generations

Status of Stakeholder Engagement by Stakeholder Type and Frequency

Category	Type and Frequency of Engagement
Customers	<ul style="list-style-type: none"> Pool of customers (200 customers, three regular surveys per year, four to five special surveys per year) Regular online surveys (10,000 respondents, twice a year) Product Trial Student Team (60 members, six months) Household Panel Customer Product Evaluation Panel (100 customers, one year)
Shareholders	<ul style="list-style-type: none"> General shareholders’ meeting (Once a year) CEO Management Information Session (Once a year) Earnings announcement (Quarterly disclosures, conference calls) IR News (1-2 times a month) Domestic / Overseas NDR (Year-round) IR website
Suppliers	<ul style="list-style-type: none"> Supplier CEO Meeting (Once a year) Satisfaction Survey, Supplier Conference (Twice a year) SCM Council (Monthly) Product Meeting (Year-round) Technology Exchange Meeting (Monthly) Online/Offline Win-Win Growth Center (Permanent) Supplier Comment Forum (Year-round) IT CEO Forum (Five times a year)
Employees	<ul style="list-style-type: none"> Labor-Management Council (Quarterly) Local LM Council, Unit LM Council, LM Policy Council (permanent, year-round) Management Conference (held in various formats for regular and contractual employees respectively) Grievance Handling Center kt 119 (Offline) Company newspaper / in-house news / in-house online forum /ongoing messaging
Local Communities	<ul style="list-style-type: none"> Discussions with local communities (Year-round) Sharing love (Sisterhood ties with local child care centers) Sharing IT (phone, website) Sharing culture (surveys, social network services, website) Student Volunteers (105 students, one year)
Environment	<ul style="list-style-type: none"> Environmental Management Committee (Year-round) Verification of GHG emissions (Twice a year, Scope 1,2 and Scope 3)

STAKEHOLDER INTERVIEW

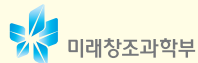


kt defines our stakeholder engagement policy and builds stakeholder-specific communication channels so that there is bidirectional communication year-round. kt (together with our partners), emphatically acknowledges that it's our stakeholders who are at the center of our sustainability management activities and that they are who we share our values with. To closely understand their demands and concerns, we conducted one-on-one interviews for each group of major stakeholders. Our aim is to reflect sustainability management issues that are material to respective stakeholder groups into our business operations.



Ministry of Science, ICT, and Future Planning | Government

To advance sustainability management, kt should be able to discover new sources of profit and develop capabilities to execute these new businesses. Due to its transformation from a wired phone company into an IT company, kt needs to restructure its workforce and business operations so as to build stronger organization and personnel capabilities. kt also needs to find the right business opportunities that generate synergistic effects to use its existing capabilities more efficiently. For this to happen, the vision and direction proposed by its top management play a crucial role. Furthermore, kt can improve its brand value as a society oriented company that is warm-hearted and friendly by fully fulfilling its social responsibility in addition to pursuing profits.



Simon Kim, Team Leader | Hyundai AutoEver Co., Ltd. | Customers

As the nation's No. 1 telecommunications company, kt is positioned to offer services on the basis of its infrastructure, unlike other IT companies in the manufacturing or service sectors. This means that kt is capable of leading national IT projects. If kt maintains its leadership in cloud services, big data and other emerging sectors—while transferring its advanced technology to developing nations—it will not only generate economic outcomes, but also improve its corporate value. From the customer's perspective, kt's sales organization (by means of close cooperation), proves to be highly instrumental in conducting business by designating sales representatives for each client company to swiftly identify and cater to customer needs.



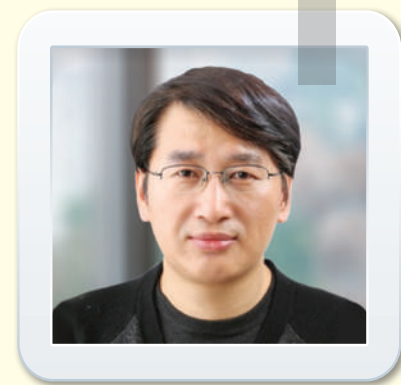
Sunjoo Lee, Head of center | kt CSV Center | Employees

kt takes it upon ourselves to operate businesses that serve to benefit the public. Since ICT became an indispensable part of people's lives, kt, an ICT leader, should be able to fulfill its social and economic roles for diverse stakeholders. kt will become instrumental in pursuing a win-win business approach with numerous manufacturers, suppliers and business partners to grow the overall industry and develop new technology to create new jobs. Specifically, we focus our capabilities on more than merely narrowing the digital divide for the ICT-marginalized; we go the extra mile to make ICT an instrument to overcome challenges. We believe that this commitment is meaningful in that it helps create new shared value.



Jong-O Lee, General Manager | Korea Sustainability Investing Forum | Investors

To become a sustainable company, kt should secure market leadership in the social, economic and environmental arenas. As communication is a public need, kt shoulders a tremendous role in our society and specifically needs to give it its all in forging win-win partnerships with sales stores and in narrowing the digital divide. Economically, kt will be able to expand its business and discover growth opportunities by securing presence in the overseas telecommunications industry and by tapping into the telecommunications market of developing countries from the CSV(Creating Shared Value) perspective. Environmentally, kt is the nation's first company to fully introduce the measurement and dedicated verification of scope 3 carbon emissions and is leading environmental management through proactive investment and management practices. These are just a few of kt's strengths that can be used as benchmarking targets for other companies. We expect kt to expand its best practices into the wider industries and societies.



Sungchul Jung, Manager | Samsung Electronics | Suppliers

As a company capable of leading the development of telecommunications technology, kt should take the lead in securing the nation's technological competitive edge over the long haul. As a consumer of technology, kt needs to consider security solutions, technological capabilities and advanced networks, while forging cooperative relationships with companies that can supply services that satisfy Korea's unique needs. Furthermore, if kt allows its suppliers to freely suggest ideas or technology for commercialization, this will elevate mutually-beneficial cooperation between kt and its suppliers to an even higher degree. As a significant contributor to the development of Korea's telecommunications industry, we expect kt to be fully engaged in nurturing domestic technology.



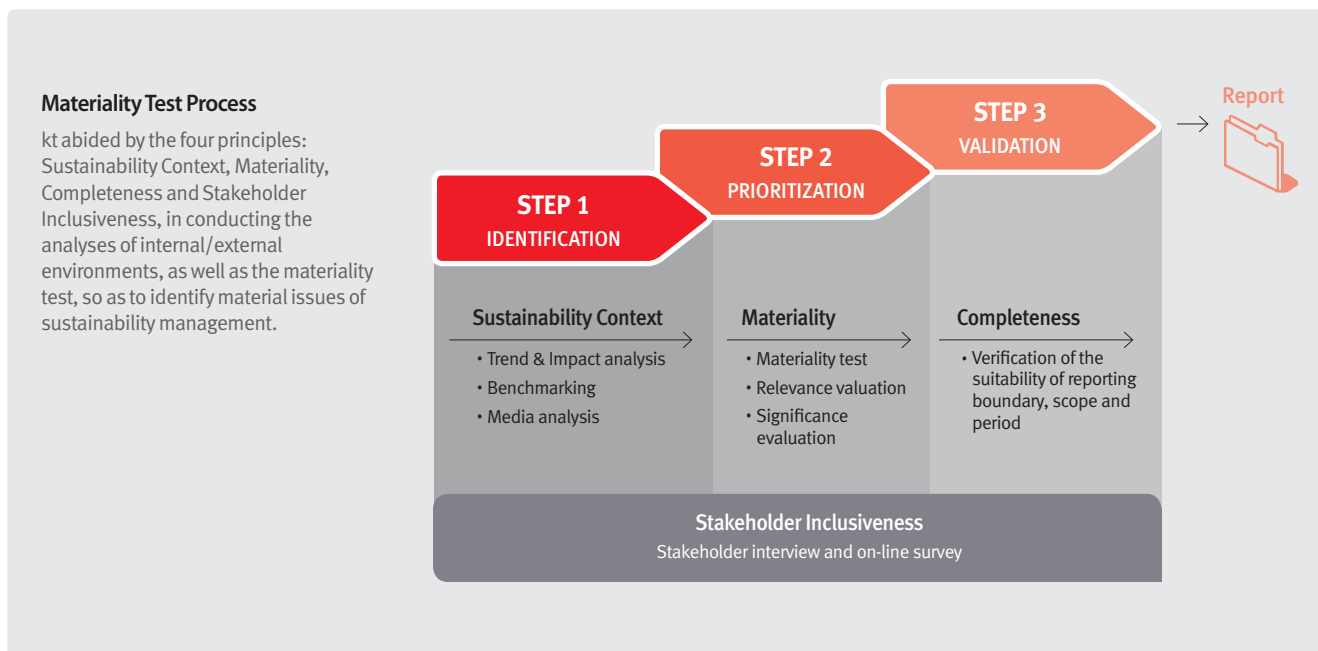
Chang-Jun Lee, Division Director | kt group Hope Sharing Foundation | Local Communities

Given kt's overall influence on our life through telecommunications services, the company has great potential to contribute to narrowing the social gap through the development of ICT. To this end, it is critical that kt properly responds to internal/external market conditions while setting consistent directions and strategies for its social contribution initiatives. kt's social-giving program (which uses ICT to bridge the educational divide), is a best practice business model that has sustained for many years. With its nationwide networks and a staff dedicated to social contribution initiatives, kt will be able to generate positive rippling effects in our society through the creation of economic and social value. However, for this to happen, kt must remain focused on using its information technology to fuel its social contribution agenda—an agenda that transcends both time and space.



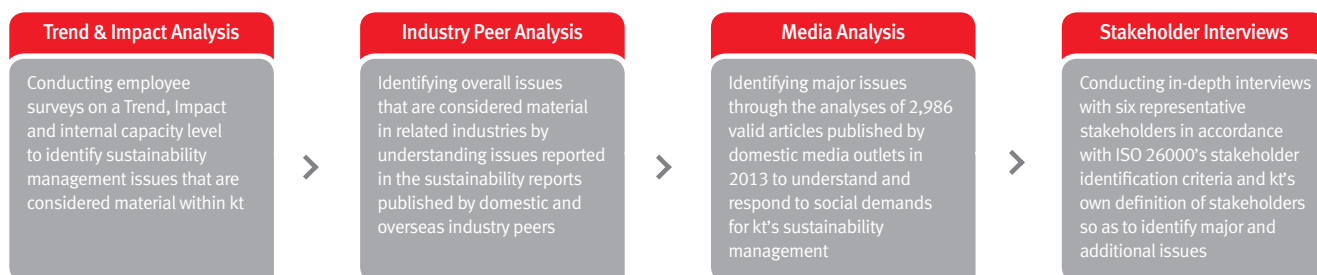
MATERIALITY TEST

To focus our communication on the major issues of interest to stakeholders and material issues that impact our sustainability management, we analyzed internal and external environments and engaged our stakeholders in selecting issues to be contained in this report. The identification and prioritization of material issues followed the materiality test standards proposed by international norms and standards so as to ensure the objectivity of this report, and used such standards as the basis to create this report.



STEP 1 Identify issues related to sustainability management through the analyses of internal/external environments

We created a pool of issues in consideration of sustainability trends that are highly relevant to kt, GRI-proposed sustainability management Aspects, and IIRC-proposed Capitals while conducting various analyses to identify 30 internal/external sustainability management issues that affect kt.



STEP 2 Prioritize material issues through the materiality test

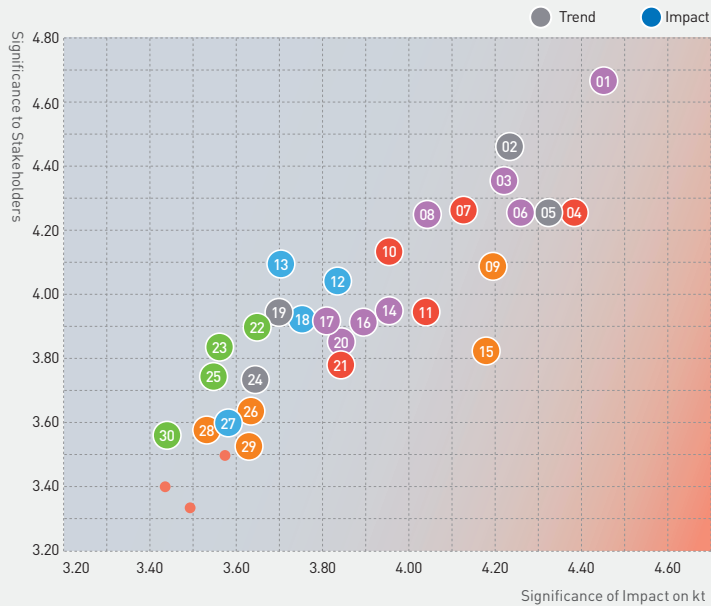
In accordance with the outcomes of the relevance test conducted through the analyses of internal/external environments, we conducted online surveys of 4,138 kt stakeholders and prioritized issues in terms of their materiality to finalize 30 key issues (15 Trend issues and 15 Impact issues).

STEP 3 Verification

We verified whether the 30 key issues are material to kt, through internal reporting, while determining the level of reporting on such key issues as reporting scope, boundary, and period and reflecting these decisions in preparing this report.

Outcomes of the Materiality Test

Out of the material issues identified through the materiality test process, customer issues concerning personal information security and services, economic issues related to an intensifying market competition and an accelerating technological development, demand for transparency, and governance & risk management issues, the need to respond to governmental regulations were found highly material with scores 4.2 points or above on a scale from one to five.



Impact & Trend Issues

- 01 Growing demand for customer information security
- 02 Growing demand for corporate transparency
- 03 Customer privacy
- 04 Intensifying market competition
- 05 Increasing need to respond to governmental regulations and policies
- 06 Increasing sensitivity to products and services
- 07 Accelerating technological development
- 08 Growing demand for the safety of products and services
- 09 Growing importance of talent recruitment
- 10 Indirect economic impacts
- 11 Increasing threats from substitutes caused by technological convergence
- 12 Expanding social responsibility along the supply chain
- 13 Robust demand for shared growth
- 14 Product and service labeling (customer satisfaction)
- 15 Increasing demand for employee welfare and rights
- 16 Hyper-connection society (Network advancement)
- 17 Increasing number of consumers who value health, eco-friendliness and social-friendliness
- 18 Market presence
- 19 Anti-corruption
- 20 Marketing communication
- 21 Economic performance
- 22 Energy
- 23 Customer health & safety (compliance with standards on electromagnetic waves standards)
- 24 Growing importance of governance
- 25 General environmental issues (Green IT)
- 26 Employment
- 27 Local communities
- 28 Non-discrimination
- 29 Occupational health & safety
- 30 Compliance (Environmental)

Reflecting Material Issues in the Report

Contents	Topic	GRI Aspect	Issues	Boundary
Overview of kt's Sustainability	Company Overview, Governance, Ethics Management, Risk Management, Stakeholder Engagement	Strategy and Analysis*, Organizational Profile*, Stakeholder Engagement*, Report Profile*, Governance*, Ethics and Integrity*, Anti-corruption	02 Growing demand for corporate transparency, 05 Increasing need to respond to governmental regulations and policies, 19 Anti-corruption, 24 Governance (Decision-making structure)	Within
Company Value Creation	Innovation and Growth Drivers, Brand Value Creation, Broader Global Presence	Indirect Economic Impacts, Economic Performance	04 Intensifying market competition, 07 Accelerating technological development, 10 Indirect economic impacts, 11 Increasing threats from substitutes caused by technological convergence, 21 Economic performance	Within
Creating Social Value	Shared Growth, Strategic Social Contribution	Market Presence, Local Community	12 Expanding social responsibility along the supply chain, 13 Robust demand for shared growth, 18 Market presence, 27 Local communities (Social contribution)	Within
Customer Engagement	CS Management, Service Value Creation, IT Security Enhancement	Customer Privacy, Product and Service Labeling, Marketing Communications, Customer Health & Safety	01 Growing demand for customer information security, 03 Customer privacy, 06 Increasing sensitivity to products and services, 08 Growing demand for the safety of products and services, 14 Product and service labeling (customer satisfaction), 16 Hyper-connection society (Network advancement), 17 Increasing number of consumers who value health, eco-friendliness and social-friendliness, 20 Marketing communication	Within
Human Resource	Talent Management, Great Work Place	Employment, Non-discrimination, Occupational health & safety	09 Growing importance of talent recruitment, 15 Increasing demand for employee welfare and rights, 26 Employment, 28 Non-discrimination, 29 Occupational health & safety	Within
Environmental Impact	Environmental Management Strategy, Response to Climate Change	Energy, Customer health & safety, Compliance (Environmental)	22 Energy, 23 Customer health & safety (compliance with standards on electromagnetic waves standards), 25 General environmental issues (Green IT), 30 Compliance (Environmental)	Within & Outside

* All reporting organizations should mandatorily report on these General Standard Disclosure Aspects.

📍 Why this is a special issue?

Central to our sustainable growth is the strategy to secure future growth engines and build a robust competitive edge within the rapidly-growing ICT ecosystem. As smartphones and internet connectivity become the main driver for social and economic activities and demand for new business models increases, we believe it is imperative that we discover customer value-driven services to generate expected profits and to deliver the public aspect of the communication services.

📍 kt's approach

New Growth Engines

Through ICT-based convergence, and stable networks, we aim to create future growth engines of varying areas. In so doing, we fulfill an important role in bringing convenience, safety, efficiency, enjoyment and health to our customers' lives—all in an innovative way. Our future convergence business covers five areas; Smart Energy, Next Generation Media, Integrated Safety, Networked Transportation, and Life-Enhancing Care. We plan to combine our group-wide capabilities and innovative ICT technology (big data, IoT, Cloud, etc.) to deliver differentiated value. Additionally, these five areas will form the basis upon which we will continually launch and operate new convergence businesses.

Smart Energy

Based on our ICT capabilities, we are advancing into the Smart Energy market where energy is efficiently generated, consumed and distributed through real-time energy consumption and control while moving away from traditional high-cost, centralized energy consumption.

We have already launched relevant solution operations in Jeju and Sejong City, capitalizing on our strength of more than 950,000 public-sector and enterprise customers. Through collaboration with relevant domestic and international business partners, we will aim to establish Smart Energy paradigm in energy efficiency, renewable energy and power trading sectors. This will help individual consumers to cut down on their energy costs at homes and in buildings, while preventing national-level power shortages that frequently occur each year.

Next-Generation Media

Our Next-Generation Media business is not simply about viewing contents on TV; but about offering a customized user experience in such varying areas as content, commerce, and education through the interconnection of TVs, PCs, smart phones, tablets and other smart devices.

As Korea's No. 1 media company, we will use our accumulated media business capabilities to usher in a new era of personalized, forward-looking media convergence services and to aid Hallyu content in advancing into the global media market.

This will afford individuals easier access to a variety of customized and optimized media services, while enabling content providers to go global through production support and export of contents.

Integrated Safety

We plan to launch a new Integrated Safety business that offers integrated services such as security, building management and daily conveniences

with aims to create a 'Safe Society' within homes, buildings, and SOCs.

We already possess integrated monitoring platform technology and—through our group affiliates, specialized in security and building management (kt telecop, kt estate).

Our goal is to deliver safer and more convenient living spaces to our consumers and reduce social expenditures through the prevention of crime and strengthen recovery capabilities from natural disasters.

Networked Transportation

Our Networked Transportation business aims at building an intelligent traffic infrastructure to improve driver safety and convenience, offer a customized navigation platform and enable users to enjoy a multitude of infotainment services.

Our mobility support platforms and service capabilities that are based on intelligent communications infrastructure, namely big data analysis capabilities, demonstrated significant feats in improving the efficiency of late-night bus routes in Seoul. This was made possible through vehicle-to-infrastructure (V2I)/vehicle-to-vehicle communications technology (V2V), through the independently-developed olleh navi platforms that boast more than 10 million subscribers, and 90,000 kt rental vehicles.

This business model will allow individuals to get to their destinations safely and conveniently, for businesses to profit through efficiency gains in logistics costs and time, and for the whole nation to reduce overhead due to traffic congestion prevention.

Life-Enhancing Care

Our Life-Enhancing Care business that combines wearables, the Genome Cloud and other ICT technology, would realize personalized health check-ups, health program designs and health diagnosis programs that focus on preventive care, even before it escalates to the point of requiring medical care.

Our goal is to introduce a whole new concept in the health care industry. Based on technology such as cloud-based genetic analysis services (Genome-Cloud), IoT-based bio-metric data platforms, wearables-synchronization technology and personal health care record management solutions, such visions are now more realistic.

These technologies will provide a whole host of efficient solutions for individuals all around the nation. They can effectively cut down on medical bills by attending to symptoms in the prevention stage rather than treatment stage. Our clients would gain access to the latest medical and health care services, ranging from basic care to nutrition to clinical health check-up data and genetic analysis.

📍 Why this is a special issue?

As an IT and telecommunication service provider that electronically possesses the personal information of customers, kt is obliged to protect the rights of customers by protecting the confidentiality of their personal information. Yet, the official announcement of the law enforcement on March 6, 2014 confirmed the arrest of a culprit who secretly breached and leaked confidential personal information from kt's website for personal purposes. The cyber attacks by professional hackers through malicious programs led to approximately 9.81 million cases of information leaks. kt is painfully aware of our responsibility for these tangible and intangible losses (including the infringement of customers' rights) and vows to transparently report on its countermeasures for this incident, including the measures it is presently undertaking. We are strengthening our security systems to protect the invaluable information and confidentiality of our customers.

📍 kt's approach

Preventing the Spread of Damages from Information Leaks

Immediately following the discovery of the arrest, we swiftly acted in cooperation with relevant governmental departments to prevent any further circulation or misuse of the customer information. Additionally, we conducted mock cyber/hacking attacks and extensive inspections to quickly identify and correct any defects or loopholes in our website.

Announcing the Information Leaks and Expanding Counseling Support

After we became aware of this incident, we posted information regarding the information leaks and essential items for customers to check in order to prevent further damage. We provided an information leak inquiry functionality on our 'olleh.com(www.olleh.com)' and 'kt websites(www.kt.com)' so that customers could independently verify whether or not their information had been leaked. In addition, letters and e-mails were sent out to notify our customers security breach and we took swift action to ensure that seamless counseling services would be available through our customer centers. To ensure that office workers, who could find it difficult to receive such counseling during the day due to their tight schedules, could receive support, our customer centers were operated around-the-clock and plazas located in major downtown areas extended their business hours till 8 p.m.

Examining and Reinforcing Our Information Security System

We are conducting all-out examinations and reinforcing our customer information protection mechanisms within the sales operation system with the help of internal/external experts in mock hacking. We will strengthen our security workforce and organization and mobilize all available resources (including our global experts) to innovate our customer information handling system and security system. We vow to go back to square one, take a second look and start anew, so that such an incident will never occur again. We will develop fundamental and comprehensive measures, and do everything in our power as a company, to prevent the reoccurrence of such issues.



EVALUATION OF SUPPLIERS' SUSTAINABILITY MANAGEMENT

03

Special Issue

Why this is a special issue?

In this rapidly-shifting telecommunications market, the competitive landscape is centered on the supply chain and basically, one network of related companies is competing against another network of related companies. Thus, supply chain management is gaining importance as a way to reduce loss and maintain business continuity while there is an increasing demand to move beyond supporting suppliers to implementing diverse programs that jointly establish sustainability management for long-term bilateral cooperation and shared growth.

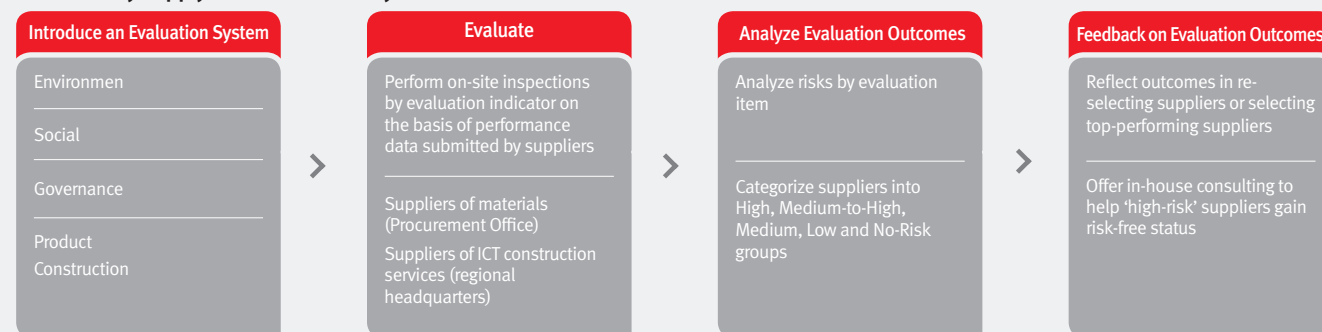
kt's approach

To assist our suppliers in fulfilling their social responsibility in business conduct, prevent risks within the supply chain and pave the way to seek shared growth with our suppliers as sustainable companies, we are building a sustainability management evaluation system. ESG-Environment(environment), Social(social; labor, human rights, social contribution) and Governance(management; ethics, risk management) -serve as central pillars in conducting evaluations to manage wide-ranging sustainability components along the supply chain.

Sustainability Management Evaluation Indicators (ESG)

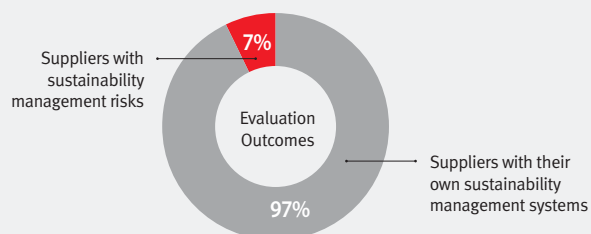
Category	Suppliers of Materials		Suppliers of ICT Construction Services
	Manufacturers	Non-Manufacturers (Software Development)	
Evaluation Indicators (ESG)	40 indicators	23 indicators	32 indicators
Integration into Supplier Evaluation	Mandatory requirements to be selected as top-performing suppliers (70 points or above)		Supplier re-selection evaluation (One point)

Sustainability Supply Chain Evaluation System



Supplier Sustainability Management Evaluation Outcomes

The supplier sustainability management evaluation has been conducted for 423 suppliers since December 2013: 93% of these suppliers established relative sustainability management systems, while 7% of the suppliers were found to have risks.



Future Strategy

To build a more advanced supply chain with well-established sustainability management systems, we will review the eight evaluation indicators—that are currently mere recommendations, so that they become mandatory. Meanwhile, we will offer transformative management training to supplier employees so that they fully understand and recognize the importance of sustainability management.

Why this is a special issue?

While IT devices and inter connectivity have become an indispensable part of our lives, there are still people who lack a proficient use of these devices and connectivity in our society. According to the '2013 information gap index and status survey' published by the National Information Society Agency, the PC-based informatization of underprivileged populations was 75.2% of that of the general public while their mobile informatization level was 42.9% of the total population, as of 2013. This means that these marginalized individuals have relatively less opportunity to learn information or express their opinions, which in turn may cause a rupture among members of our society and incur social cost. Now that our life has become more digitalized than ever before, it is increasingly important that we undertake initiatives to narrow the digital divide while reducing social cost.

kt's approach

To bridge the digital divide and improve the quality of life in our society, our IT Supporters consisting of approximately 200 employees was launched back in 2007. Since then, these supporters have conducted Sharing IT initiatives for the information-marginalized in our society including people with disabilities, residents in island regions, low-income wage-earners, elderly people and multi-cultural families over the past eight years. IT Supporters operates the 'kt SmartAcademy' to help narrow the information gap caused by the expansion of smart devices while offering training to prevent smartphone addiction and excessive online gaming immersion. Specifically, IT Supporters, in alignment with the CSV(Creating Shared Value) initiative, is fully engaged in spreading an ICT culture and creating economic value in our society. Social jobs were created through the use of ICT for the elderly and women between jobs while immigrant women from multicultural families received IT training to adapt to their new life in Korea. We even offered employment programs for these women to help them obtain necessary qualifications. We vow to play a leading role in creating social value on the basis of information and communication technology.

History of IT Supporter Program

Launching IT Supporters
Differentiated IT knowledge sharing initiatives



2007

Launching Student
Volunteers



2008

Promoting Korean culture
through IT



2009

Using IT to support
multicultural families in
settling down in Korea



2010

Offering IT support for the on-site
inspections by IOC for the 2018
Pyeongchang Winter Olympics



2011

IT Supporters volunteering in
Rwanda



2013

Video-based mentoring at Dream
School



2013

Smartphone user training



2013

Youth IT Employment /
Start-up Festival



2012

Distributing smartphone user materials for the
visually-impaired



2013

Supporting store owners in traditional markets in
opening online stores



2013

Creating social contribution jobs for retirees



2013



COMPANY VALUE CREATION



Future Convergence Strategy Office |
Sangki Hong

COMPANY VALUE CREATION

Innovation and Growth Drivers
Brand Value Creation
Broader Global Presence



Vision and Strategic Direction

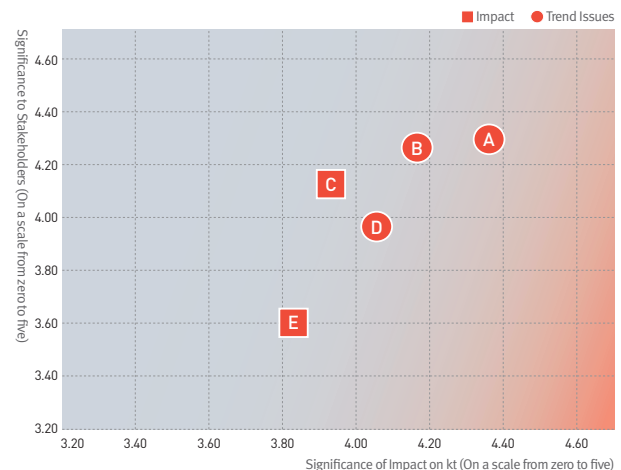
kt discovers its growth drivers through ICT-based convergence services and advances sustained innovation initiatives and brand management to create economic value. Specifically, in 2014, we will focus our capabilities on expanding our operations in a way to generate more robust synergistic effects on a group-wide level. Furthermore, based on our success stories, we will lead the global market—so as to become a company that holds an even greater potential for tomorrow.

Major Achievements in 2013

Innovation	<ul style="list-style-type: none"> • 40 total cases of improved products, eco-friendly and social services • 99 consulting projects undertaken to promote innovation within the group
Patent Registrations	284 patents in Korea, 65 overseas
Brand Value*	\$4.9 billion in total, Ranked 1 st in brand value among Korean telecom operators
Sales from Global Operations	KRW 305.9 billion

* According to the evaluation outcomes by Brand Finance Global (one of the world's top three brand value evaluators)

Results of the Materiality Test



Impact & Trend Issues

- A** Intensifying market competition
- B** Accelerating technological development
- C** Indirect economic impacts
- D** Increasing threats from substitutes caused by technological convergence
- E** Economic performance

Creation of Economic Value

- Innovation management
- R&D outcomes and strategy
- Creation of brand value
- Advancement into the global market

INNOVATION MANAGEMENT

Context

Recent business conditions have been increasingly challenging due to the prolonged economic downturn and intensified competition from competitors. To deliver customer satisfaction and gain competitive edge, companies are required to adopt an innovative manner to change their status quo. Thus, it is conducting business with an innovative mindset to navigate beyond the constant rapid changes, uncertainties and emerge as the new No. 1 within the ICT market.

Progress

Innovation through Group-wide Consulting

Our dedicated project consulting unit PEG (Project Expert Group) was launched in 2011. PEG experts offer solutions for cross-functional issues and for project-based work at the request of other departments. In 2013, the scope of their operations extended to group affiliates (kt ens, kt rental, etc.) resulting in a total of 99 projects in four domains.

PEG Projects in 2013

Domain	No. of Projects	Major Projects
Telecommunications Services	60	Developing gigabit internet service delivery strategy, etc.
New Businesses	18	Developing a dedicated K-Pop hologram theatre business, etc.
Media/Content	15	Discovering killer services of web-based IPTVs, etc.
IT Solution	6	Improving the energy efficiency of all office buildings, etc.
Total	99	

Project outcomes were fully used and disseminated across the board through the in-house Project Knowledge Bank system. In addition to PEG projects, the outcomes of major company-wide projects (research institute projects, new hires' projects, creative management projects, outcomes of outsourced services) were made available within the database to innovate the way we work through sharing of knowledge and work expertise.

As dedicated project experts, the performance of PEG members were evaluated in a different way from the annual evaluation of general departments: their performance was assessed on a project unit basis and project outcomes that were evaluated on the basis of their contribution to the company-wide performance, were directly aligned with individual HR evaluations. This helped us establish a reasonable and objective evaluation system that motivates these experts to focus on improving the quality of project results.

Such endeavors led to the Project Management Grand Prize, which was awarded by the Korean Society of Project Management in November 2013. In 2014, 100 experts will offer consulting to local customer relations offices and branches to help generate profits in the field of their accumulated project knowledge so as to advance kt's Customer First management philosophy.

Product Innovation

kt reflects new technology and the latest hardware/software updates to consistently improve existing service products. In 2013, a total of 31 commercial services were freshly launched, including All-IP, smart learning, Smart Home Phone, digital signage advertisement, international management services, M2M(machine-to-machine) services, olleh TV and cloud services.

In line with the emergence of the ICT-based convergence era (green IT, cloud-computing, BcN, etc.), we focus on expanding and developing our NI/SI (Network Integration/System Integration) operations so that a smart society can be realized. In 2013, we launched mobile telecommunications services that deliver nationwide wireless services, 0130-number mobile calls and

wireless data communication on a single handset. In addition, premium collocation and smart biz services were released for corporate customers. Premium collocation services allow corporate customers to operate server systems on kt's premium networks and smart biz services help SMEs access diverse management solutions at affordable prices.

Our product innovation paves the way to prepare for the future. Given that 79% of our handset subscribers are smartphone users and 76% of the replacement subscribers opt for LTE plans, we are maximizing the use of 3W(WCDMA, WiBro, WiFi) networks to prepare for a data explosion in the upcoming years. To deliver even more reliable and faster wireless data services, we adopted a CCC(Cloud Communication Center) virtualization structure for the newly-commercialized LTE services in 2012.

Service Innovation in 2013

Name of Service	Improvements Made
olleh biz BEMS	Developing specialized EMS(Energy Management System) solutions
IMS	Extending application from building-center control to outdoor control (controlling food waste, etc.)
bizmeka3.0	Growing into the nation's largest B2B IT portal that supports all operations of SMEs
olleh biz ICS	Introducing the global top Akamai solution to domestic infrastructure to deliver technical support that meets customer needs
olleh CCTV Telecop	Combining kt's video surveillance services and kt's security services
Enterprise internet calls	Developing and commercializing E2E monitoring systems for enterprise internet calls
Enterprise messaging	Developing text-fishing/smishing filtering systems as differentiated security services
Enterprise internet + VoIP rate plans	Launching special rate plans for enterprise customers
Unlimited wired/wireless data rates	Launching data-centered rate plans that allow subscribers to choose their own rates depending on their level data consumption
LTE olleh Together	Adjusting discount ranges in accordance with the integration with unlimited LTE data rate plans and increasing combined discounts
olleh TV Smart	Adopting the world's first web middleware technology through web version upgrades
Call forwarding	Preventing ID theft and financial fraud (that misuse call forwarding) through more robust security/authentication functionalities
ZOOMONEY	Adding new functionalities: ZOOMONEY 2.0 (UI/UX, May 2013), ZOOMONEY Card(Q3, 2013), expansion of traffic applications (Q2, 2013)
olleh market	Newly launching VOD and webtoon services within the olleh market
olleh navi	Developing lightweight maps and improving UI/UX, applying automated update technology, offering customer-engaging services
olleh weather	Upgrading to olleh weather 2.0: offering detailed weather information
Belling	Expanding the participation of 3 rd party vendors and the offering of belling sound sources through the commercialization of ASP business

Environmental Innovation

Our environmental process innovation focuses on improving the efficiency of energy and devices to reduce costs, as well as carbon emissions. To reduce the necessity for business travel, we opt for video conferencing and have introduced the Smart Working Office to improve work efficiency while evaluating the energy efficiency of all facilities and systems sourced externally or developed internally.

Furthermore, we are fully engaged in green businesses (smart grid, smart logistics, cloud computing/PC service development, remote equipment and facility management) for customers. To promote our green growth as a company through green IT services for customers, the Environmental Management Committee was established in 2009: this committee is chaired by the CEO and meets twice a year. Annual tasks are assigned to five subgroups that cover energy, service, purchasing, regulations, and resources to introduce environmental innovation to all of our internal operations. R&D, networks are assigned with tasks so that all IT operations within kt are implemented under the perspective of environmental innovation.

In 2013, we released 10 green products (intelligent demand management) and our eco-friendly process innovation not only helped reduce costs, but also contributed to income generation.

Environmental Innovation in 2013

Category	Name of Service
Service Innovation	olleh navi
Green Business	Web-mail hosting
	Enterprise call conferencing
	Electronic prescriptions
	Cash receipts
	Social insurance EDI
	E-tax invoicing (Semuro)
Policy Participation	Participation in the national K-MEG project
Internal Innovation at kt	Replacement with open cooling towers
	Improvement of the centralized air-conditioning devices within office buildings
	Streamlining and improving the efficiency of water/power distribution facilities
	Systems (transmission, ultra-high speed, internet)
	Installation of centralized energy-saving air-conditioning devices
	Improvement of the efficiency of pyrostats
	Smart Working(Extended to external consulting and operations)
	Automated Peak Power Control (ELITE system)
	Duct type ventilation HVAC (Outdoor-inlet cooling/heating system)
	More stringent Efficient Server Room Temperature Policy

Social Innovation

As a developer and provider of information communication technology and services, the core of our business lies in connecting people and in this sense, the majority of our services are social services. We deliver products and services that are specifically targeted for less-privileged individuals (children from low-income families, seniors, disabled individuals) and social issues(aging society, children safety, etc.) so that our business conduct contributes to resolving social issues and promoting social innovation.

Specifically, we innovated U-safety services while launching standard rate plans to provide a safety net to protect the public from social crime and accidents, in conjunction with the Ministry of Education in 2013. In 2012, we also disseminated the emergency safety assistant system for seniors living alone, which was launched as a pilot project in 2012. Furthermore, the volume-rate system was developed within local nationwide government systems, which was operated and maintained to charge each household according to the amount of food waste they disposed of.

Social Business Innovation in 2013

Service	Description
Emergency Safety Helper System for seniors living alone	Installing sensors in beneficiary households to send situation information when any emergency occurs
Position location service for seniors suffering dementia	Offering location data for seniors with dementia through tracking terminals (worn by these seniors)
olleh Home Study	Offering e-learning content at affordable prices to remedy the disparity in educational opportunity
Telecommunications welfare	Offering telecommunications services at discounted rates for low-income/disabled individuals
olleh security	Ensuring effective response to crimes against children through the ability to discover their location through wireless technology

Performance

Achievements from Major Innovation Initiatives of 2013

Category	Major Achievements
PEG-led Projects	99 projects in telecommunications services, new businesses, etc.
Product Innovation	Intensive improvement of 19 services including olleh biz BEMS, bizmeka 3.0, etc.
Greener Processes	18 greener processes undertaken in respective business divisions (improving a centralized air-conditioning device structure within office buildings)
Social Services	Intensive improvement of three services (U-safety services)

R&D OUTCOMES AND STRATEGY

Context

As growth in the entire telecommunications industry is at a standstill due to market saturation and intensifying global competition, it is urgent that kt secures concrete growth engines. It is through intensive R&D investment that we pave the way for a future of sustained profit sources and sustainable growth drivers, aimed to revitalize the overall industry and pioneer technological development.

Progress

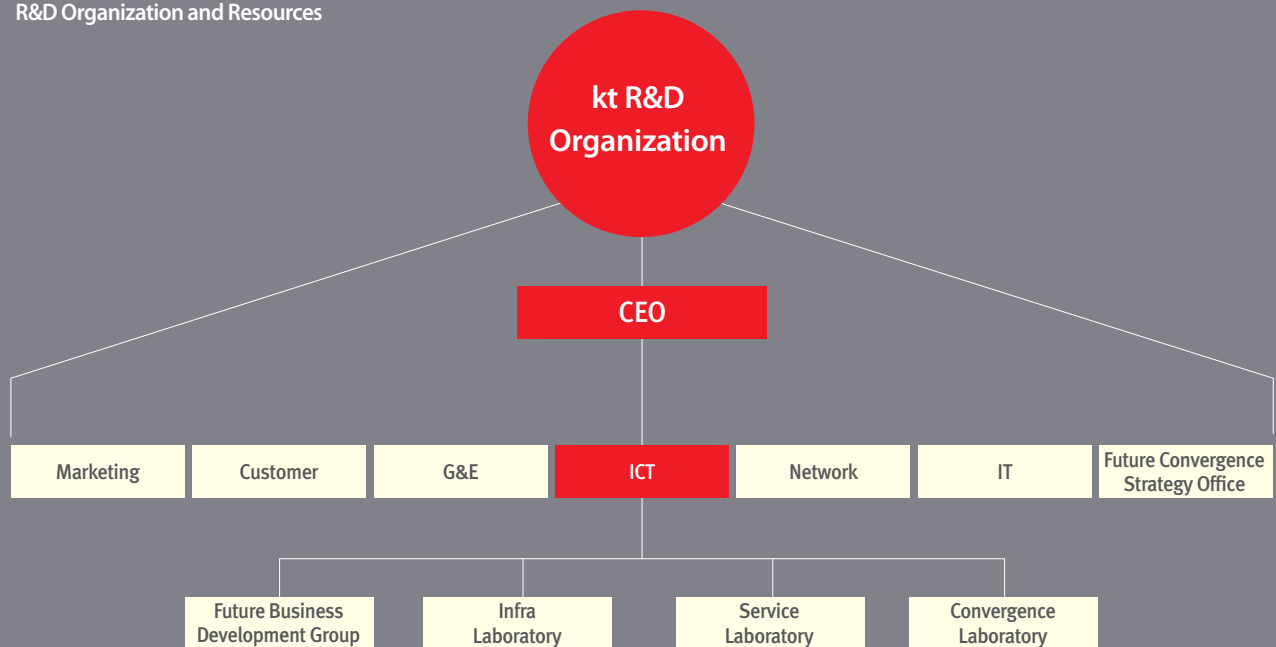
R&D System

R&D Directions

Under the goal of “Discovering New Growth Drivers and Develop Leading Technology for the Future of kt”, kt’s R&D Center strives to offer field-driven solutions to current issues and present new customer value in close cooperation with business departments in alignment with company-wide strategic directions. To build a competitive edge that helps secure No. 1 market position—in the face of tight competition in the telecommunications industry—we focus on innovating our existing infrastructure and discover renewed customer value within our mainstream telecommunications operations including media, and IT services. With the growing importance

of convergence, we strive to discover and secure new growth drivers and core technology that will allow us to play a leading role based on our key capabilities. To evolve into a high-performing R&D organization, we also launched an upgraded R&D management innovation – implementing projects in close alignment with business departments. This ranges from project proposal/selection to evaluation, managing our project portfolio, introducing a quantifiable project evaluation system and turning project results into valuable assets – so as to pursue positive change and innovation.

R&D Organization and Resources



R&D Investment

Category	2011	2012	2013
R&D Workforce (No. of persons)	435	534	593
R&D Expenses (KRW 100 million)	3,086.0	4,807.6	3,013.2

Key R&D Areas

We implement key R&D projects in four strategic areas to secure differentiated competitive edge in business and technology.

Four Key Areas	Specific Research Area	Details
Network	<ul style="list-style-type: none"> Dramatically reducing network CAPEX/OPEX Reinforcing the network infrastructure business 	<ul style="list-style-type: none"> Establishing integrated data transmission to achieve a simple network Innovative technology for a low-cost/high-quality wired/wireless access network Software-defined network infrastructure
Media & Service	<ul style="list-style-type: none"> Strengthening a competitive edge in media services Discovering new business models 	<ul style="list-style-type: none"> Web TV transformation / next-generation UHD STB STB-less IPTV solution / next-generation home hub
ICT Convergence	<ul style="list-style-type: none"> Developing technology to create new ICT convergence-enabled growth drivers 	<ul style="list-style-type: none"> Smart Energy, e-Health, security (information / convergence security) Next-generation monitoring, BigTainment (IT+sports)
Enabling Technology	<ul style="list-style-type: none"> Securing key platform technology to deliver customized intelligent services 	<ul style="list-style-type: none"> Big data analytics, video analytics, voice recognition, recommendation technology, intelligent UI/UX, etc.

R&D Outcomes

Outcomes of Internal R&D Initiatives

kt is the world's 1st to develop technology such as POTN network control SDN controller, open HTML5 web-based TV platform, and selective/aggregated transmission among multiple wireless networks in addition to cloud/transport/premise SDN-aligned interfaces and many other technologies. It is through this technological innovation that we strengthen our competitive edge in the wired/wireless network and generate sustained growth drivers.

R&D Areas	Resulting Technology
3W (WCDMA, WiBro, WiFi)/LTE	<ul style="list-style-type: none"> Developed indoor 3G/LTE network design tools(S/W) Completed the development of handsets and gateways that support selective/aggregate transmission
Media	<ul style="list-style-type: none"> Developed middleware and home portal commercial technology for olleh tv smart Developed commercial olleh tv web app virtualization technology Developed commercial video stitching service technology
Platform/Infrastructure	<ul style="list-style-type: none"> Developed FTTH optical cable monitoring system Developed an advanced internet connection control system Developed a smart network system management system Developed and commercialized a handset log system Developed and commercialized an advanced integrated handset management platform
Convergence Services	<ul style="list-style-type: none"> Launched commercial Hyundai Motor telematics services Commercialized the development of company-wide information security vulnerability diagnostic platforms Developed chronic disease management(diabetes) software to make a pilot business model of health check-up centers a part of kt's business portfolio
Network Operation and Management Solutions	<ul style="list-style-type: none"> Developed and commercialized enterprise internet call remote testing/recovery systems Constructed and supplied national information and communication infrastructure

S/W	Developed and commercialized Magic Voice services
Application Technology	<ul style="list-style-type: none"> Developed and commercialized olleh tv smart voice remote control services Completed the application of Virtual Assistant services to commercial servers Completed the commercial application of olleh.com app statistics services Completed the development of technology to turn consumer-generated video to virtual goods Developed video analytics technology Developed data analytics technology

Resulting Technology of Open R&D Initiatives

To secure key technology to be commercialized over the long haul, we are conducting joint research with domestic top-notch research institutes, educational institutes and businesses in alignment with our Future Project. In 2013, we implemented 17 projects with four universities: POSTECH, KAIST, Korea University and Yonsei University. The HR exchange between the kt Institute of Convergence Technology and other higher education institutes allowed us to fully secure key technology. Such endeavors produced 25 patents, 12 research papers and 14 software products.



Open R&D Workshop

Our 'Distinguished Seminars' have been hosted since 2012 to build a global R&D network so as to make kt a world-class R&D institute. In 2013, a total of 22 seminars and advisory meetings were held with "globally renowned scholars" in the IT field to assist researchers at the R&D Center and the employees of group affiliates in upgrading their R&D capabilities.

kt Group R&D Results

In accordance with the introduction of group-wide CXO positions, the kt Institute of Convergence Technology was assigned as the 'group CTO' in 2013 to be in charge of securing mid/long-term key technology and supporting its commercialization. The responsibility of the group CTO includes serving as a signpost and coordinator in the technology sector of the kt group to setting mid/long-term technology strategies, presenting future directions for technological evolution, identifying future business models and securing related key technology. In 2013, the institute helped share technical information among group affiliates, held group CTO working-level meetings, signed the joint technology development agreement between group affiliates and kt held a joint exhibition of the business items of group affiliates as part of the R&D Road Show. In addition, the group CTO is responsible for setting R&D performance management plans for group affiliates and discovering and discussing group-wide R&D project items for 2014.

Global R&D Results

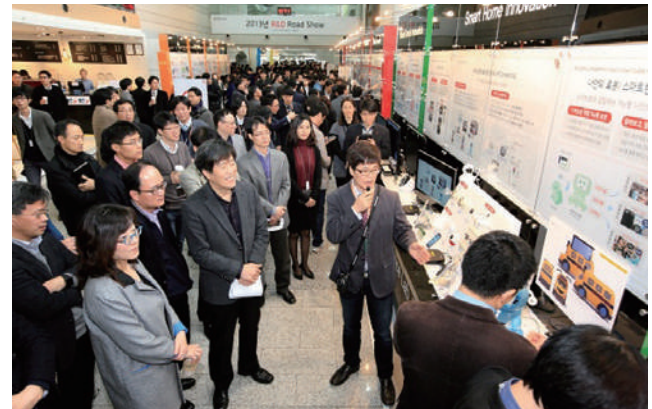
kt and NTT have been holding executive meetings in the R&D field since 2010 to share information on the latest technology possessed by both companies in addition to R&D issues, to pursue mutual cooperation. Recently, the status of R&D activities for both companies was presented on such topics as “Health and Welfare” and “Software-Defined Network” in order to build deep-rooted capabilities through sustained exchange. The 7th R&D cooperation meeting will be held in Korea in the 2nd half of 2014.



kt-NTT Executive Meeting in the R&D Field

R&D Performance Exposition

Our semi-annual R&D Road Shows have been launched since 2010 to introduce R&D outcomes to other related business departments and to turn these outcomes into business opportunities and to improve the quality of R&D outcomes by gathering feedback. In 2013, a total of 62 R&D outcomes were exhibited.



2013 R&D Road Show

Securing kt Patents in Korea and Overseas

We are dedicated to making patent applications—both in Korea and overseas, partly to gain profits from these patents, but more importantly, to lay the groundwork for business stability by turning R&D outcomes into intellectual property. In 2013, our focus in discovering new patent areas was placed on virtual goods, intelligent monitoring, smart residence, SDN, and health care. kt acquired numerous patent applications for major key/element technologies so that the intellectual property secured will lead to an even stronger competitive edge.

- Total patent registrations (As of Dec. 31, 2013): 5,183 in Korea, 808 overseas
- No. of registrations made in the concerned year: 284 in Korea, 65 overseas

R&D Management Innovation

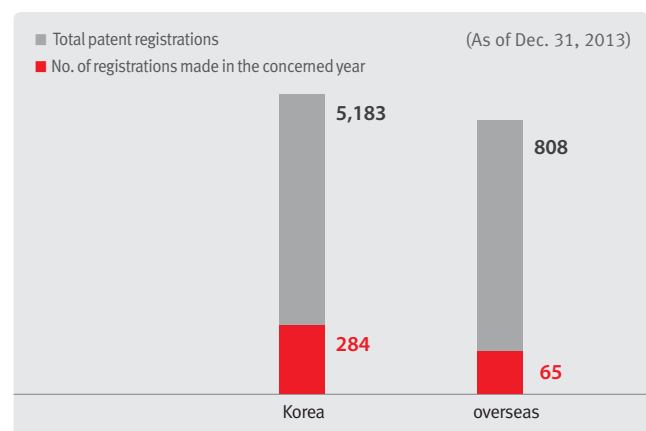
kt is constantly committed to evolving into a global top-capable R&D company through the sustained innovation of technology management. R&D projects are selected and evaluated through the Technology Scouting Committee (TSC) attended by major business departments, so as to fully align these projects with business strategy and improve their competitive edge. A quantitative project evaluation system was introduced to and aligned with the performance evaluation of individual employees to further motivate them, while a systematic research nurturing program was developed to assist researchers develop their own R&D capabilities, in addition to leading cost innovation.

Performance

R&D Investment

Category	R&D Workforce (No. of persons)	R&D Expenses (KRW 100 million)
2013	593	3,013.2

Patent Registrations in Korea and Overseas



CREATION OF BRAND VALUE

Context

In today's world, the value of services and products are presented through brand awareness. Due to this reason, we strive to improve the brand image of our group and secure a competitive advantage over competitors. Brand value is directly related to customer satisfaction, which in turn, becomes one of the essential requirements to generate sustainable profits. Thus, we deliver a more impressive customer experience and create brand value through an integrated brand design and communication (IMC) initiatives.

Progress

kt is launching wide-ranging products and services that cater to the needs of the wired/wireless convergence era. Our customer-driven brand management earned us high rankings and brand value, as demonstrated by renowned domestic and international brand value evaluation schemes. Specifically, 'Brand Finance', one of the world's top three brand value evaluation agencies, ranked kt 1st among other Korean telecommunications companies in the 'global telecommunications brand' category in 2013 and 2014. This recognition greatly enhanced our status as 'Korea's representative telecommunications brand'.

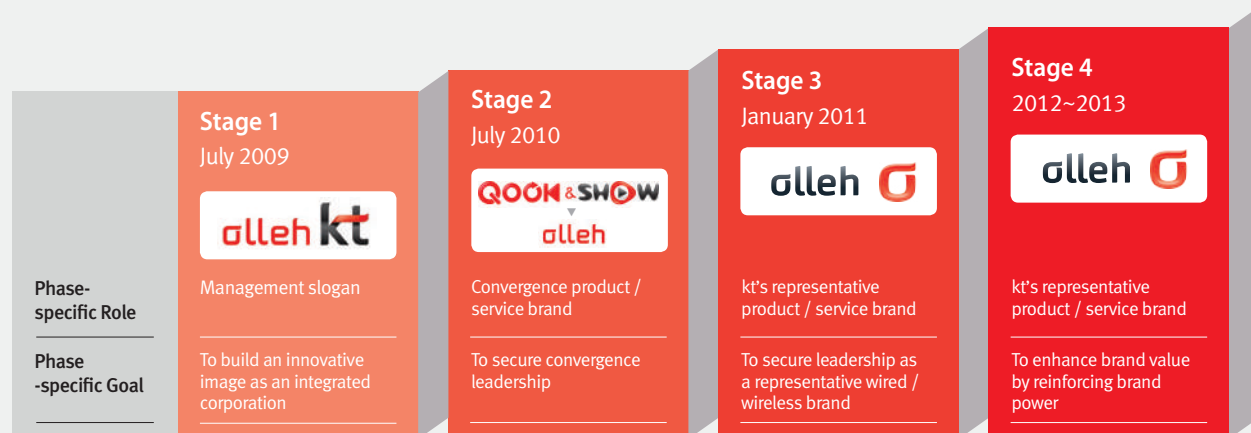
2013~
2014

Brand Evaluation Results by Brand Finance Global

- A total of \$4.9 billion in brand value
- No. 1 in brand value among Korean telecommunications companies
- 33rd in brand value among global telecommunications companies (2014)

Our brand management is constantly evolving—from the launching of the wired/wireless-integrated brand 'olleh' in 2011, to the announcement of olleh management 2.0 in 2012. In 2013, we made steadfast progress through integrated marketing communication (IMC) initiatives for our brand management.

Evolution of the 'olleh' Brand



For integrated marketing communication (IMC), we integrated previously-dispersed operations and are mobilizing a full range of channels and resources related to brand and external communication. We deliver our unique brand value through TV and newspaper advertising and launch promotions and campaigns to help customers understand our brand in a more basic and receptive manner. We also established corporate Twitter

and Face book accounts (as well as blogs), so that customers can access our brand whenever and wherever they want from their smartphones, smart pads and other mobile devices. Furthermore, wide-ranging materials displayed at our offline stores that interact with customers the most frequently use kt's consistent brand identity.

Integrated Marketing Communication (IMC) Initiatives

'Wideband LTE' Campaign

One main example of our IMC initiatives is the 'Wideband LTE' campaign. In October 2013, this campaign was designed and launched with a unique creative theme that set kt apart from its competitors to communicate the excellence of its wideband LTE services that 'deliver wideband LTE on all LTE phones'. Our 'wideband LTE' advertisements that combined our cutting-edge telecommunications service with a well-recognized Korean folk song that represents the past analogue era and a unique Korean culture, was selected as the most-memorable advertisement in the 2nd half of 2013 within the 2nd-half of the MCR (Media & Consumer Research) survey published last December by the Korea Broadcast Advertising Corporation, with responses almost four times higher than those of the 2nd-ranked advertisement.

In November, another campaign for our 'wideband LTE' (that works anywhere—whether it be at the beach, a ski resort, in a subway train or within a building), was launched to publicize our achievement in becoming the 1st Korean telecommunications carrier to secure wideband LTE coverage for the entire Seoul metropolitan region. This was followed by 'Our Wideband LTE Story' which shares real stories told by customers through social network services using kt's wideband LTE, and by the offline event 'Wideband LTE Speed Challenge' that allowed customers to experience the speed of wideband LTE in person.

Our IMC initiatives were undertaken as integrated campaigns that used not



only TV, radio and other broadcast media, but also social network service-based below-the-line(BTL) channels that befitted this smart mobile era. This not only encouraged customers to emotionally connect with our advertising messages, but also engaged them to become media themselves and share and expand our campaigns as a one-person media communication channel. As a result, our LTE services boast an remarkably strong customer recognition among other wideband LTE services.

Double It! Campaign

Since July 2013, our 'Double It! Campaign' has been initiated to advertise our remarkable 'double' benefit program available in our entire service area spectrum—from data, membership and content, to media and CS—in line with the 'All-IP' wired/wireless broadband era. This campaign produced noteworthy outcomes in enhancing customer loyalty. In fact, our customers voluntarily spread Double It! TV commercials and the campaign song through mobile and social network service channels. This worked parallel with the 'Double Your Surprise' social network service campaign that offered customers double benefits (however they wished to use them), and such seasonal promotion programs as the 'Double Your Sliding' campaign that allowed users to enjoy a specific attraction at a famous water theme park.



Nation-wide LTE Campaign

To communicate 'nationwide coverage' that differentiates kt from its competitors, the 'All Over the Country' campaign was launched in March 2013. We sent campaign models to the most remote and unknown reaches of Korea to experience the speed of kt's LTE services. In addition to TV commercials, IMC initiatives were undertaken to solidify customer awareness that "kt's LTE is fast everywhere": we offered benefits to customers who actually went to these remote places and took pictures to verify the speed of our LTE services and held a social network event 'Dad, Are We Going to Go to the Wilds?' that enabled winning father-child tandems to go on overnight camping trips just as the models featured in the TV commercial had done.



Group-wide Brand Management

Creating Group-level Synergy through Joint Promotional Programs

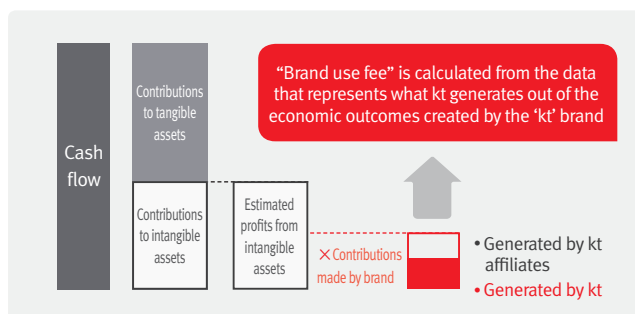
The 'Group Brand Committee', the consultation body in charge of group-level brand management that consists of 22 kt group affiliates, ensures that group-level synergistic effects are created and that brand, advertising, design, promotion, media & social contribution and such initiatives are aligned consistently. Specifically, the working-level promotion committee was created in 2013 to launch group-wide joint promotional activities. In so doing, kt and its affiliates are able to closely cooperate in selling products and services to generate synergistic effects. Furthermore, all the IMC channels owned by group affiliates are integrated to contribute to improving kt's brand image and undertake efficient marketing strategies. Our 'kt Family Campaign' assists group employees in better understanding group brands and products and services offered by group affiliates, so as to disseminate our brand image within the kt group. kt is looking to facilitate group-wide joint promotional initiatives to enhance the 'kt' group brand image, as well as the quality of brand management for our customers.



'kt Family Campaign' Poster

kt group Brand Royalty Policy

In 2013, kt created a 'kt Brand Royalty Policy', the first of its kind since its founding, to charge group affiliates for using 'kt' in their company name from 2014 onward. The brand use fee is calculated through customer surveys and financial analyses to translate the contributions made by brand, an intangible asset, to creating a company's economic outcomes into monetary value. This Policy serves as objective standard and outcomes may serve as evidence to provide legal protection to our 'kt' brand and ensure that its value is appreciated by third-parties. In addition, this program prompts group employees to stand back and recognize the importance of the group brand and help create resources to improve the value of it.



Strategic Brand Management and Operation

Systemic Management of Brand Performance Indicators

To enhance our brand value and strengthen its competitive edge as part of our brand management system, we developed a systemic and scientific performance management model to manage brand performance indicators. Based on such scientific data, we identify highly useful brand strategies and action plans to enhance our brand value.

Systematic Brand Training

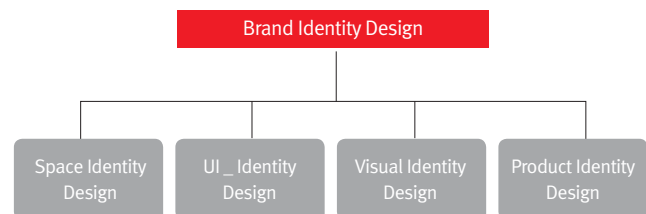
We offer training and management programs to assist our employees (as well as affiliate employees), in understanding our brand and recognize the importance and appropriate use of it. In 2013, such brand training was provided 10 times to new recruits of kt and its affiliates. Brand management training was also offered to employees working in related departments at kt and its affiliates to share the importance of brand management on a wider group level.

Integrated Brand Design

Total Identity Design

As part of our major strategy to enhance brand value, we established and are improving on the Total Identity Design system. This system enables us to present an innovative and consistent brand image on the entire range of our corporate representation—from brand mark and our corporate font, to space products and UI.

Completion of the Total Identity Design



Brand Identity Design

A brand identity serves as the fundamental basis in building a total identity. The 'swoosh' insignia positioned at one end of our brand mark symbolizes the 'Wave of Innovation'. All kt brands consistently express kt's own unique identity through the use of brand properties, the corporate font and brand colors.



Visual Identity Design

Our representative graphics “olleh signal”, the first of its kind to visualize telecommunication signals into graphics as well as the “olleh font”, a corporate font that embodies kt’s unique identity, are used for a wide array of brand representation materials. All materials that use kt brands also employ integrated visual presentation elements developed to help create a consistent visual identity.

Brand Identity for the Professional Baseball Team kt wiz

In November 2013, we completed the brand identity of kit wiz, the nation’s 10th professional baseball team. ‘wiz’ comes from the word ‘wizard’ and is short for ‘wizard’ or ‘expert’. The core of this brand identity lies in the two symbols of an ‘initial symbol’ and an ‘image symbol’: the initial symbol looks like a wizard’s crest and combines the two characters of k and w. These two characters combined signify tenacity and power and are also displayed on the caps and uniforms that are worn at ‘away matches’. The image symbol represents a young, modern wizard and symbolizes agile mobility and flexibility and is displayed on the caps and uniforms worn at home matches. These uniforms are the first of their kind in Korea that differentiate brand marks for home and away matches. These diversified brand identity symbols will prove effective in securing team loyalty from the residents of Suwon (the team’s hometown), and in increasing revenues from the sales of related products.



Space Identity Design

Our olleh squares, olleh avenues and olleh stores are built upon kt’s unique identity. Through the convergence with various businesses (coffee, doughnuts and accessories) in spaces where we directly interact with customers, we enhance our brand awareness and preferences to further strengthen our competitive edge in brand.



olleh avenue – Convergence Store with Accessories



olleh avenue – Convergence Store with Accessories

Achievements from Integrated Brand Design Initiatives

olleh Green Phone Awarded at the ‘(Re)design Awards’

In developing the olleh green phone icon and design package, we made it clear to people that we deliver services that benefit the sustainability of our environment and society. Not only did this help improve our brand awareness, but it also enabled us to further support individuals with low incomes. We also became Korea’s 1st company to be selected as the Final Winner in the Professional Project segment of the ‘(Re)design Awards’ hosted by the world’s largest U.S.-based design association, American Institute of Graphic Arts (AIGA). This paved the way for us to publicize our brand identity and our commitment to public good across the world. We continue to build a sustainable marketing base so that our olleh green phone can make even greater contributions to our society.



Final Winner in the Professional Project segment of the AIGA-hosted Design Awards

Performance

Brand Value Evaluation in 2013

Mar. 2013: Brand Evaluation Results by Brand Finance Global*

- \$4.9 billion in total in brand value (up by \$1.3 billion from 2012)
- Ranked 1st in brand value among Korea’s telecommunications companies in the “Top 50 Telecoms Operator Brand” segment

*One of the world’s top three brand value evaluators

GLOBAL MARKET ADVANCEMENTS

Context

To overcome the limitations that we face within the saturated telecommunications industry, and to create new sources of income, kt is systemically building more robust capabilities for global ICT business as well as existing international telecommunications operations to tap into the wider global market. In 2013, we achieved notable outcomes in 15 countries across the globe including Poland, Rwanda, Angola and Ukraine while posting KRW 305.9 billion in sales from our overseas contracts and data/traffic wholesales.

Progress

The core of our global business strategy lies in delivering differentiated and optimized solutions from a wide array of areas. This ranges from the construction of a telecommunications network infrastructure to offering service operational knowledge by reflecting the market characteristics and requirements of those regions in need of our capabilities and experience. We strive to create successful models and stories in global business conduct within the markets where we are based, including neighboring countries.

Our Competitive Edge in the Global Business

Our competitive edge in global business is based on the success within our local market. In building a wide-ranging ICT infrastructure including ultra-high speed internet networks, BCN*, IPTV, and LTE** networks that we transfer our capabilities to major emerging markets in need of improved ICT infrastructure. We offer global ICT services ranging from the construction of telecommunications infrastructure and public infrastructure services to integrated monitoring solutions and managed services for government agencies and global companies. We also provide end-to-end data service and IP services, traffic wholesaling and other global services on the basis of our global network that connects major countries around the world.

*BCN : Broadband Convergence Network

**LTE : Long Term Evolution

kt's Presence in Major Global ICT Business Sectors

Included in major business achievements during 2013 is the contract to construct a 'ultra-high speed internet network' in the Polish state of Podlaskie agreed by state government in March, and the contract to build a broadband network/FTTx in the Polish state of Mazovia signed by the state

government in October, which is worth KRW 88.5 billion, the highest-ever overseas contract signed by kt.

We also actively tapped into the African market and won the monopoly wholesale license of 4G & future technology as well as wideband frequency ranges (100MHz and over) by means of negotiations with the Rwandan government. In Angola, we won a contract to advance the security system of its police authorities and installed CCTVs and traffic speed cameras to prevent crime in the capital of Luanda. This is Korea's first-ever security system export and kt's integrated monitoring solutions are significantly contributing to the development of Angola.

In the telecommunications and non-telecommunication segments, we jointly launched the mobile payment business in conjunction with FIDO Bank of Ukraine. As such, our experience and expertise in ICT convergence is widely recognized across the world.



kt-Construction of a 4G LTE Network in Rwanda

kt's Major Global ICT Operations (2013)

[In order of contract timing]

Year of Contract	Country	Type of Customer	Type of Business	Business Details	Size (KRW 100 billion)
Mar. 2013	Poland	Local Government	Contract-based	Ultra-high speed internet network (state of Podlaskie)	189
Jul. 2013	Bangladesh	International Organization	Contract-based	Construction of a next-generation telecommunications network	522
Oct. 2013	Poland	Local Government	Contract-based	Ultra-high speed internet network (state of Mazovia)	885
Dec. 2013	Angola	Central Government	Contract-based	Advancement of the state's security system	276
Nov. 2013	Ukraine	Company	Contract-based	Mobile payment business conducted in conjunction with FIDO Group	21

kt's Global Presence (As of Dec. 2013)



*oRn : olleh Rwanda networks

**AoS : Africa olleh Services

Performance

Sales from Global Operations

(Unit: KRW 100 billion)

Category	2011	2012	2013
Global ICT	705	208	391
Global Data	658	618	739
Traffic Wholesale	2,130	2,203	1,929
Total	3,493	3,029	3,059



CREATING



SOCIAL VALUE



Public Relations Office |
Gene Ma

CREATING SOCIAL VALUE

Shared Growth Strategic Social Contribution



Vision and Strategic Direction

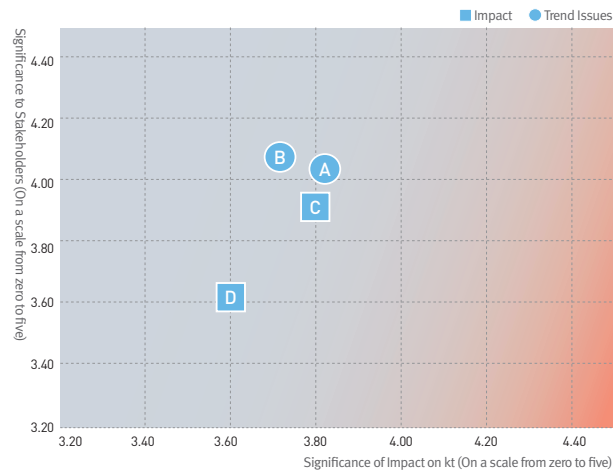
As a partner company built on social responsibility, kt strives in a systemic manner to create social value. We reinforce a sustainable supply chain management as a way to pursue mutually-beneficial, shared growth from long-term perspectives and disseminate sustainability of environmental, social and business environments to our suppliers. Furthermore, we take lead in CSV initiatives (bridging the digital divide, creating ICT jobs for retirees) that contribute to solving social problems and facilitating communication through IT devices and content.

Major Achievements in 2013

Payments to Suppliers	KRW 2.98 trillion
Free-of-Charge Training for Suppliers	34 courses attended by 2,480 employees
Total Social Contribution Spending*	KRW 63.53 billion
Beneficiaries of IT Sharing Initiatives	317,756 beneficiaries

* Total sum of investment in local communities, monetary and in-kind donations, sponsorship and support

Results of the Materiality Test



Impact & Trend Issues

- A Expanding social responsibility along the supply chain
- B Robust demand for shared growth
- C Market Presence
- D Local community (Social contribution)

Shared Growth

- Sustainable supply chain management
- Support for and expansion of cooperation for shared growth
- Procurement systems to build a green ecosystem and establish fair trade practices
- Communication with suppliers

Strategic Social Contribution

- Social contribution
- Sharing IT, Social Opportunity through ICT
- Sharing Love, Sharing Culture

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Context

As today's business environment increasingly factor in economic, social and environmental considerations, companies are faced with complex and comprehensive business conditions. kt operates a sustainable supply chain management system and systematic sustainability management throughout the entire supply chain to reduce such risks.

Progress

Sustainable Supply Chain Management System

To establish a robust corporate ecosystem that ensures sustainable growth, we developed guidelines including an evaluation system for suppliers' sustainability management according to relevant global standards during 2012. This is the first-of-its kind in Korea. In 2013, we evaluated material and ICT field suppliers to improve execution capability of our Sustainable SCM System. The scores resulted in a satisfactory 87.3 points on average.

Our goal for 2014 is to reach an average of 89 points in our suppliers' ESG evaluation. We plan to open training courses for suppliers to assist supplier employees in utilizing a sustainable supply chain management system as an essential part of their daily operations. Furthermore, SCM consulting will be introduced to support the innovation of our suppliers' supply chain.

Supplier Sustainability Management Evaluation Indicators

In 2013, we launched an ESG-based supplier sustainability management evaluation system to address any negative impacts within the supply chain on human rights, labor conditions and the environment. Our material suppliers are subject to a total of 40 evaluation indicators – management (15), environment (13), society (10) and products (2)- while our suppliers of ICT construction services are subject to a total of 32 indicators – management (5), environment (15), society (11) and construction (1). While we attempted to use 48 indicators in evaluating material suppliers in 2013, eight of them were eliminated as they were not applicable to the telecommunications supply chain environment.

Evaluation results are considered when re-selecting suppliers or selecting top-performing suppliers. In 2013, we used these evaluation outcomes to re-select 274 suppliers of ICT construction services as partner companies in 2014 and selected top-performing material suppliers. We conduct annual supplier evaluations to re-select suppliers.

Major Indicators of Supplier Sustainability Management Evaluation

Category	Material Suppliers	Suppliers of ICT Construction Services
Management	<ul style="list-style-type: none"> Alignment of non-financial performance(environment, safety, satisfaction, suggestion) with the employee remuneration system Assignment of sustainability management accountability to the top management/specific executives and the operation of dedicated teams/staff 	<ul style="list-style-type: none"> Inclusion of anti-bribery / anti-corruption articles in the Code of Conduct and standards
Environment	<ul style="list-style-type: none"> Operation of departments (or managers) responsible for environmental management Aggregation and management of GHG emissions data (Scope 1 / Scope 2) Collection and management of data on waste disposal 	<ul style="list-style-type: none"> Operation of corporate policies concerning the compliance with environmental laws and regulations Measures to prevent soil or water pollution Establishment/management of energy consumption data
Society	<ul style="list-style-type: none"> Inclusion of minimum wage regulations within the corporate wage policy Guaranteed freedom for employees to join or create the labor union 	<ul style="list-style-type: none"> Operation of corporate policies concerning the compliance with all labor-related laws and regulations
Products	<ul style="list-style-type: none"> User safety inspections made on manufactured products 	<ul style="list-style-type: none"> Quality inspections to eliminate the need to fix defects

SR Code of Conduct Agreement

We sign an agreement on SR(Social Responsibility) Code of Conduct with suppliers every year to request our suppliers fulfill their own social responsibility. This agreement stipulates matters in relation to human rights, compliance with labor regulations, occupational health & safety, environmental management and employee training.

Training to Expand a Culture of Shared Growth

Every year, we train our employees on shared growth, as well as our progress in pursuing shared growth with suppliers and requirements that should be satisfied in conducting business with suppliers. Specifically, we ensure that our employees work on an equal footing with our suppliers as partners and that their interactions with supplier employees are appropriate and respectful. In 2013, we offered these courses twice to 16,555 employees.

Performance

2013 Outcomes of Sustainable Supply Chain Evaluation

Category	No. of Evaluated Suppliers	Supplier Sustainability Evaluation Indicators	Outcomes
Material Suppliers	147	ESG* + Products : 40 indicators	84.3 points on average
Suppliers of ICT Construction Services	275	ESG* + Construction (construction safety) : 36 indicators	90.3 points on average

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

SUPPORT FOR SHARED GROWTH PARTNERSHIP

Context

Shared growth with suppliers is not merely a social responsibility, but a method of sustained growth and development. This is why kt expands financial support and non-monetary support to engage in initiatives such as training supplier employees and sharing patented technology licensing rights to suppliers.

Progress

Win-Win Partnership with Suppliers through Performance Sharing Policy

Since 2006, we have operated a performance-sharing system to generate outcomes in conjunction with suppliers to cut costs and improve quality through joint development of equipment and services and benefit sharing. Over the past six years, our suppliers (who successfully developed 12 types of telecommunications equipment), received benefits worth KRW 16.3 billion by taking part in our procurement practices. The performance sharing system lies at the core of our shared growth agenda.

The scope of this system is extending from materials to construction and software development, while its type of eligible projects diversified from the remodeling/improvement of existing equipment to the development/localization of new equipment, manufacturing process improvements and energy-saving. The compensation scheme was also improved dramatically: suppliers who developed new equipment are entitled to exclusive rights to supply the equipment through negotiated contracts that are valid for up to two years; suppliers who successfully reduced costs through optimized specifications are eligible to receive the full 100% savings for one year in recognition of their efforts to suggest ideas and translate them into cost savings. In addition, we offer training and consulting to suppliers to raise the possibility of project success, as well as conditions and testing/measurement devices, free-of-charge to assist suppliers in developing equipment.

In 2013, a total of 24 projects were launched, including 21 themed projects and 3 general projects. Those 17 suppliers who reached their target were given precedence in allocating volume and received additional points in supplier evaluation.

In 2014, we will identify additional performance sharing models and continue to implement projects to generate shared outcomes so as to further vitalize this mutually-beneficial system.

Type of Performance Sharing Programs

- **General Program** We jointly make improvements and/or develop new equipment with our suppliers and share the benefits from the achievements made. There are no designated project themes: projects with the potential to save costs or improve on quality issues are submitted and reviewed year-round.
- **Themed Program** This program was introduced to facilitate cooperation with suppliers of ICT construction services in 2013. kt presents specific themes in need of improvement (such as prevention of typhoon damage) and suppliers present ideas to make the necessary improvements.



Visit to Systech Undertaking a Themed- Performance Sharing Project with kt

Support for Suppliers in Increasing Their Sales

To help suppliers expand their sales and strengthen their businesses, we tap into the overseas market with our suppliers and support their global marketing efforts.

Our business activities to advance into the overseas market with top-performing suppliers through joint business development led to the implementation of 12 joint projects worth KRW 178.9 billion in 2013. Furthermore, we attended the world's largest mobile telecommunications exhibition MWC (Mobile World Congress, held in Spain) along with 10 outstanding suppliers to assist these SMEs with global marketing activities. In 2014, joint projects valued at KRW 123 billion will be undertaken, so as to unite forces with top-performing suppliers in tapping the wider global market.

Along with support for overseas expansion, we also held the Recruitment Expo in conjunction with the Federation of Korean Industries and other partners to help our suppliers recruit exceptional talent, which produced tangible support for 23 of our suppliers in 2013. We also encouraged large suppliers to commission their manufacturing to SME suppliers to assist our SME suppliers in increasing their sales. In 2013, contracts worth KRW 12.8 billion were signed between these suppliers.



Recruitment Expo 2013



MWC Exhibition in 2013

Financial Support

To help suppliers secure sufficient cash liquidity and capital, we offer indirect support programs such as our network loan program, a credit-based secured loan program through WinC. We operate credit loan funds worth KRW 400 billion through kt capital and have been making 100% cash payment to SME suppliers regardless of contract value. This is a significant shift from the conventional subcontracting practice of payment. Furthermore, we signed agreements with the financial institutions that offer win-win partnership loan programs so that we could operate a loan support program that allows suppliers to take loans at interest rates that are lower than market rates. Specifically, a fund worth KRW 100 billion was created in 2013 to build a shared growth ecosystem with suppliers, out of which KRW 15.9 billion was loaned out. kt's commitment to shared growth with its suppliers will continue in the future.

Support for Suppliers with Development Infrastructure

As a way to relieve the burden of suppliers of R&D expenses and incubate SMEs and ventures, we established an independent network infrastructure (comprehensive model rooms, Econovation Center) so that our SMEs and developers can use our wired/wireless telecommunication internet service development tools and test beds free-of-charge. In 2013, our network equipment model rooms and software development facilities were made available for these suppliers 19,136 times.

Legal Protection of Supplier Technology

Our technology protection initiative aims to help SME suppliers reinforce their competitive edge in technology in consideration of their sector-specific characteristics. For material suppliers, we ensure that we protect not only patentable technology, but also their proprietary technology through the Technology Escrow Program*. In 2013, there were a total of 29 cases of technology protection. We will support our SME suppliers and venture businesses with network infrastructure and technology protection so that they can develop core technology.

* Technology Escrow Program: Suppliers deposit their proprietary technology with the Large Company-SME Cooperation Foundation so that they can prove their possession of deposited technology in the case of future technology leaks.

Transfer of Patent/Technology Licenses

Since 2011, kt has implemented free-of-charge transfer of IP (intellectual property) rights granted through our internal R&D, as well as technology transfers to our suppliers to assist these SMEs in securing key technology for their future growth businesses. By 2013, we offered 166 technologies to 130 suppliers through free-of-charge or paid transfers to assist them in launching new operations. In 2014, 14 additional technologies will be transferred (these will either come with a fee or free-of-charge). We will continue these initiatives through the sharing of our patents to drive the growth within our suppliers.

Support for Management and Productivity Gains

For two years (between 2012 and 2013), we invested KRW 600 million in launching the Productivity Innovation Partnership Support Program for 22 suppliers in conjunction with the Korea Productivity Center to help these suppliers with management and productivity improvement. In 2013, we also invested KRW 500 million in the Industry Innovation 3.0 initiative launched by the Ministry of Trade, Industry & Commerce to assist 15 1-tier and 2-tier suppliers with manufacturing and process improvements. Since 2012, we have operated the Business Assist program that sends consultants, with previous work experience, as executives to large companies that pay regular visits to our suppliers to help address any top management difficulties and support management innovation activities. We plan to reinforce support for SMEs to help advance their management system quality.

Free Training for Supplier Employees

We offer workforce training to help our SME suppliers overcome their limitations in improving quality, developing human resources and building stronger employee capabilities. Training courses in the fields of customer service, supply of materials and ICT construction services trained 23,310 supplier employees (97 courses for 10,729 employees in 2011, 100 courses for 10,101 employees in 2012, and 34 courses for 2,480 employees in 2013) over the past four years. Group training courses are provided at our kt HRD Center and regional on-site training centers.

Performance

Major Achievements of Shared Growth Support in 2013

Category	Details
Performance Sharing Program	24 projects in total (21 themed projects, 3 general projects)
Sales Growth Support	12 joint projects worth KRW 178.9 billion
Financing Support	<ul style="list-style-type: none"> • Network loans taken : KRW 448 billion • KRW 100 billion-worth win-win growth fund created in the content sector : Provided KRW 15.9 billion
Development Infrastructure Support	Network equipment model rooms and software development facilities made available for suppliers 19,136 times
Transfer of Patent/Technology Licenses	Patent: 52 patents for 16 supplies, Technology: Four technologies for four suppliers
Management/Productivity Improvement Support	Business Doctor Program : Four suppliers, Productivity Innovation Partnership : 10 suppliers, Industry Innovation 3.0 : 15 suppliers
Free-of-Charge Training Support	34 courses offered to 2,480 supplier employees

COMMITMENT TO SHARED GROWTH

Context

The competitiveness of our suppliers is instrumental in determining our competitive edge at kt, and the competitive edge of 2nd-tier suppliers increasingly becomes a critical requirement to the growth of 1st-tier suppliers. To create a healthier industrial ecosystem for sustainable growth, kt is gradually expanding support for 2nd-tier suppliers.

Progress

Expanding Shared Growth Initiatives Between Major Companies and Their 1st to 2nd-Tier Suppliers

We have offered multi-faceted programs since 2011 to facilitate the shared growth between 1st-tier and 2nd-tier suppliers. Specifically, the shared growth support system (WinC) was launched to expand the ratio of cash payments, to 2nd-tier suppliers. Under the WinC system, 2nd-tier suppliers that supply to 1st-tier suppliers can receive their payment in cash-equivalent credit sales bonds. WinC also supports 2nd-tier suppliers in liquidating credit sales bonds from 1st-tier suppliers at low interest rates.

Financing Support for 2nd-Tier Suppliers

As part of our financing support for 2nd-tier suppliers, we offer credit loan support through kt capital's network loan program worth KRW 300 billion. Our 2nd-tier suppliers in need of financing support can request loans to kt capital through the recommendation of 1st-tier suppliers, which is followed by document reviews and financing support for qualified suppliers.

Expansion of Shared Growth Programs for 2nd-Tier Suppliers

In October 2010, our shared growth programs for 1st-tier suppliers became available for 2nd-tier suppliers. We support 50% of the expenses of 2nd-tier suppliers to receive quality control and environmental consulting and obtain relevant certifications. We offer training, test beds, measurement devices, comprehensive model rooms and Econovation Center facilities for free. Specifically, our vendor coaching program was launched in 2008 to assist 2nd-tier suppliers in building their own quality systems through quality improvement coaching made available by quality management experts from kt and 1st-tier suppliers. This coaching program benefited six suppliers in 2010, 15 suppliers in 2011, 23 suppliers in 2012 and 13 suppliers in 2013. This achieved more than an 80% improvement in material procurement and management, testing/inspection and other fields.

Performance

Achievements in Supporting 2nd-Tier Suppliers

Category	2011	2012	2013
Shared Growth Support for 2 nd -Tier Suppliers	16 suppliers	30 suppliers	25 suppliers
Vendor Coaching	15 suppliers	23 suppliers	13 suppliers



Vendor Coaching Agreement Signing Ceremony



Vendor Coaching Outcomes Presentation

BUILDING A GREEN ECOSYSTEM

Context

Because of rapidly-growing concerns over the environment and the requirements needed for its protection, we are required to develop systems to minimize any negative environmental impact along our supply chain. To respond to such social shifts and needs, and to help suppliers achieve productivity gains through improved quality management processes, we assist our suppliers with environmental management system consulting and certifications.

Progress

Supporting Suppliers to Obtain ISO14001 Certification

We offer systemic support for 1st and 2nd-tier suppliers in receiving environmental management system (ISO14001) consulting and obtaining relevant certifications so as to establish a greener supply chain.

To assist SME suppliers in securing practical quality management systems and laying the basis for environmental management, we offer 50% of the expenses that our suppliers spend on consulting and certification acquisition for the international environmental management standard ISO14001. In 2013, 17 suppliers received such benefits. In so doing, we standardized the quality management process of suppliers, raised their environmental awareness and achieved productivity gains of our supplies. From 2014 onward, we will mandate suppliers with production facilities to gain the ISO14001 certification to further accelerate the development of a greener ecosystem along the supply chain.

Handling Grievances Regarding Environmental Impacts

We use our official supplier portal, which is operated to handle supplier grievances to receive their environment-related grievances. In 2013, there were no grievances submitted in relation to environmental impact.

Performance

Support for Suppliers' ISO14001 Certification

Category	Details
Environmental Certificates Obtained	94.1% (material suppliers 83.9% : 131/156, ICT construction service suppliers 100% = 274/274)
Suppliers Supported in 2013	17 suppliers (16 material suppliers, one ICT construction service supplier)
Ratio of Support of the Total Uncertified Suppliers	39% (16 suppliers/41 suppliers)
Supplier Support Program	Support for the environmental management system standard ISO 14001 certification

Achievements in Supporting the ISO 14001 Certification Over the Past Three Years

Category	2011	2012	2013
Beneficiary Suppliers	175 suppliers including Gyeongil Co., Ltd.	29 suppliers including Divien Co., Ltd.	17 suppliers including Naonworks Co., Ltd.
Monetary Support Provided	KRW 114 million	KRW 58.74 million	KRW 21.60 million

PROCUREMENT SYSTEM FOR FAIR TRADE

Context

Our procurement policy takes a quality-driven approach in selecting and managing suppliers in order to transparently operate procurement processes. We also innovate our procurement programs (intermediate payment as a funding support for suppliers) to deliver fair and reasonable business conditions, along with favorable working environments for our suppliers.

Progress

Procurement Process Innovation for Quality-based Supplier Selection and Management

Since July 2012, our procurement process was overhauled to place quality as the top priority in selecting suppliers. Our focus shifted from the qualification of suppliers to more quantifiable aspects: they are prioritized for their quality evaluation scores and top-performers come first in negotiations and contract-signing. The scope of quality management was extended and reinforced from hardware-centered practices to include software functionality, source code verification and development capability management. The quality information system enables us to manage the operational quality of supplied equipment & handsets and align quality outcomes with procurement pricing and supplier management to incubate top-performing suppliers. In so doing, our suppliers can fully focus on technology development and we can optimize our operations not just from the CAPEX*-saving but TCO** perspective. We will advance procurement processes and reinforce relevant systems to relieve the burden on suppliers and deliver high-quality products.

* CAPEX(Capital expenditures): Expenses spent to generate future income
** TCO: Total Cost of Ownership

- **Multiple Price Bidding** Launched in 2009, this scheme aims to remedy the overall degradation of supplier operations caused by excessive lowest price bidding and establish fair and reasonable transactions. Under this scheme, if the lowest bidding price is more than 5% lower than the 2nd lowest price, the lowest bidder signs the contract to supply the allocated contract volume and the 2nd lowest price is accepted as the lowest price.
- **Adjustment of Target Prices in Consideration of Unit Price Variables** Since August 2009, we have reflected unit price variables and relaxed our price adjustment conditions. Inflation rates, exchange rates and raw material price fluctuations from the previous year are standardized and reflected in setting initial target prices each year. If these variables rise by more than 3% during the contract term, our suppliers can demand price adjustment regardless of contract terms.
- **Minimization of the Mismatch between Contract and Delivery Rates** To minimize the mismatch between contract and delivery rates, we offered item-specific demand forecasts in the real names of staff and standardized configuration of highly-preferred items, while facilitating unit price contracts without determined volume and launching a systemized volume allocation program. We also built a process to comply with the volume rate specified in the contract with suppliers.
- **Intermediate Payment Program** In addition to the existing payment methods (advance/progress-based/final payment), we launched the intermediate payment program in August 2011 to provide funding support to suppliers during the contract period. For contracts worth KRW 100 million or above and 60 days or longer, suppliers can receive up to 30% of the total contract payment, in cases progress evaluations make progress-based payments difficult to fulfill.

Performance

Achievements in Procurement System Innovation (After 2010)

Category	No. of Cases(Including Overlapping Cases)	Value
Multiple Price Bidding	97 cases	KRW 404.7 billion
Target Price Adjustment	28 cases	KRW 167.7 billion

COMMUNICATION WITH SUPPLIERS

Context

Appropriate communication is essential in producing optimal outcomes among cooperating companies. Through the Information Sharing Council and shared growth discussions, we continue to strengthen our communication with our suppliers to build a sense of cohesiveness along our entire supply chain.

Progress

Information Sharing Council

We hold regular Information Sharing Council meetings with suppliers in each sector to gather their opinion on directions to pursue shared growth and joint cooperation measures, while making necessary improvements. Since October 2010, we have been discussing emergency demand periods and the status of supplier inventories, so as to support our suppliers in meeting emergency needs caused by product promotions and shifting market conditions. Since 2011, we have been holding the SCM Council monthly and quarterly to handle issues related to rented handsets, raw materials, wireless device materials. In 2013, the scope of discussions was extended to ultra-high speed connection devices and power, along with repeaters to encourage suppliers to optimize their inventory and production.

Grievance Handling Program

Our supplier portal serves as an official channel to receive and handle grievances from our suppliers and any of our suppliers are eligible to submit their grievances. Once submitted, we initiate an investigation to help solve the grievances. In addition to the supplier portal, we allow our suppliers to present their grievances and difficulties directly to the head of the Procurement Cooperation Office through a dedicated communication channel while hosting shared growth discussions at the site of suppliers. As such, we attentively pay attention to the grievances and difficulties of our suppliers to prevent risks concerning labor conditions and human rights that may occur along the supply chain.

On-site Shared Growth Discussion

Our procurement executives make monthly in-person visits to our suppliers to become more familiar with their production quality management and materials management field operations and help handle their difficulties, suggestions or any other shared growth issues. In 2013, 136 suppliers were visited to complete our response to the 41 difficulties raised by our suppliers. Seven out of these 41 issues required our internal improvement and we took action to completely handle these issues. In 2014, such on-site shared growth discussions will be led by working-level staff to further facilitate communication with suppliers.

Supplier Satisfaction Survey

We conduct semi-annual, multi-dimensional evaluations of our supplier in such areas of fair trade, the level of cooperation and shared growth systems. As a result of our sustained endeavors to improve our substandard practices, our supplier satisfaction rose by a total of 3.7 points in 2013 from the previous year: 87.2 points in the 1st half and 90.9 points in the 2nd half of 2013.

Performance

Supplier Satisfaction KPI Outcomes

Category	2011		2012		2013	
	1 st Half	2 nd Half	1 st Half	2 nd Half	1 st Half	2 nd Half
Supplier Satisfaction	83.87 points	84.79 points	86.90 points	89.01 points	88.87 points	90.66 points

SOCIAL CONTRIBUTION

Context

As the development of technology leads to growing interest in ICT-based social value, it is instrumental that kt establishes ICT based strategies and help organizations catering to social needs. Thus, kt's social contribution strategy is set in accordance with shifting social conditions to undertake initiatives aimed at creating social value.

Progress

Creation of Shared Value (CSV)

Under the vision 'ICT that benefits the world', kt is taking a lead in ICT-enabled social initiatives. As part of this commitment, kt focuses on ICT-based hope sharing initiatives for retirees, women suffering career discontinuation and the disabled and other socially-underprivileged individuals. kt also combines ICT with corporate philanthropy to offer video-based mentoring services for children from low-income families as a way to lead the creative economy. To narrow the information gap for the marginalized, our 200-strong IT supporters, dedicated to the company's social contribution initiatives, are mobilized to offer computer and smartphone user training and anti-smartphone addiction training to prevent the negative impact of smartphone use, a serious social issue. In 2014, our goal is to align with group affiliates to expand the scope of our CSV initiatives to create shared value within society.

Directions to Guide kt's Social Contribution Initiatives

ICT that Benefits the World	
Sharing IT	<ul style="list-style-type: none"> Dedicated kt IT Supporters Training to handle the negative impact of smartphones Smart Academy IT training for the underprivileged CT video-based mentoring Dream School IT support for the disabled IPTV support for the underprivileged
Sharing Love	<ul style="list-style-type: none"> Love Volunteer Corps olleh Student Volunteers Dream Teacher to offer job opportunities to retirees and women whose career was discontinued Love for Children network Dream Together (Dream Center) kt Finding Sound project Global CSV Scholarship Medical Sharing
Sharing Culture	<ul style="list-style-type: none"> olleh square kt chamber hall

Social Contribution Organizations

Love Volunteer Corps

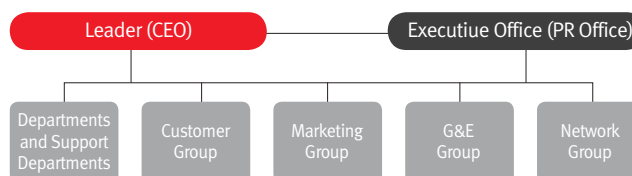
Our Love Volunteer Corps was designed to undertake company-wide organized and systemic employee volunteer activities with the CEO serving as the chairman. With approximately 500 teams and 32,612 employee volunteers, Love Volunteer Corps launched wide-ranging initiatives—from supporting local children's centers, helping the underprivileged in local communities and assisting in disaster recovery—to offering helping hands

to farming and fishing households through the One Company One Village campaign. Activities also include checking the facilities at welfare centers and offering experience-based training that uses kt's infrastructure. In 2013, 20,848 kt employees volunteered for 98,444 hours.



Love Volunteer Corps Volunteering at a Single Mom Care Center

Organizational Chart of Love Volunteer Corps



IT Supporter Program

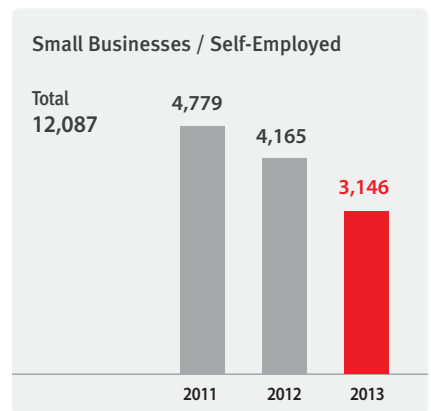
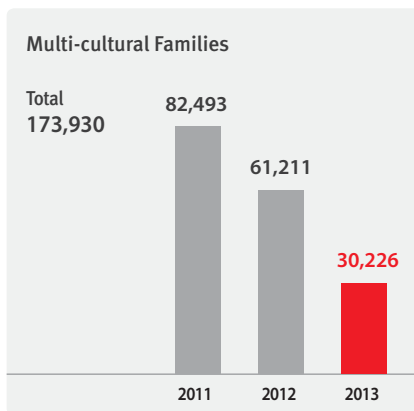
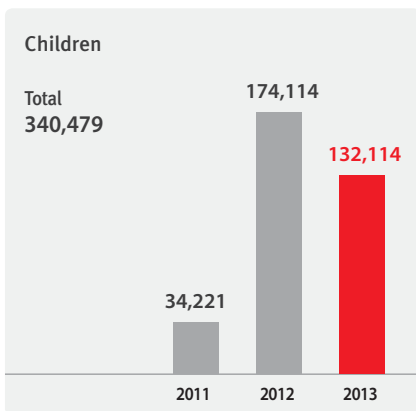
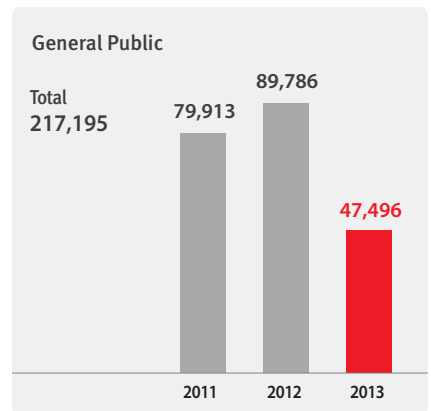
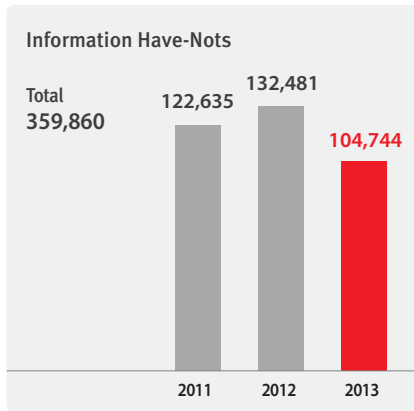
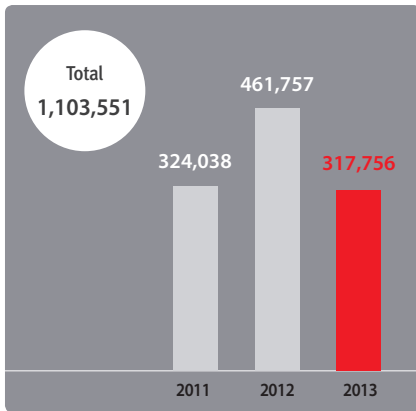
IT Supporters was launched in 2007 to offer free access to IT, through the donation of IT knowledge. Every year, there were 200 kt employee volunteers dedicated to IT sharing initiatives. As of 2014, the 8th generation of IT Supporters was initiated. This pro bono talent donation initiative is recognized as a representative example that positively shifted the paradigm of corporate social giving programs.



Launching of the 8th Generation of IT Supporters. Mar. 14, 2014

Results of IT Supporter Activities

(Unit: No. of persons)



External Recognition of IT Supporters' Contribution Initiatives (Over the Past Three Years)

Jul. 21, 2011	"Grand Prize-Corporate Sharing Award" at the 18 th National Volunteer Grand Festival (Volunteering Korea, Joongang Daily)
Nov. 22, 2011	"Prime Minister's Award" at the 3 rd Korea Human Awards
Aug. 23, 2012	Excellence Award in the special/general segments at the 19 th National Volunteer Grand Festival (Volunteering Korea, Joongang Daily)
Dec. 2013	Gyeonggi Governor's Commendation on anti-smartphone addiction training

Performance

New Initiatives Undertaken in 2013

- Establishing the Dream School, an ICT video-based mentoring program
- Launching Dream Teacher, a job opportunity program that contributes to society

Awards



Social Responsibility Leader for Co-Existence Award

- Supervised by Joongang Daily and JTBC
- Leading socially responsible management by receiving awards for two consecutive years in 2012 and 2013



Corporate Social Responsibility Award

- Jointly hosted by the Korean Chamber of Commerce & Industry and Forbes Korea
- Receiving awards in the social responsibility segment for two consecutive years

SHARING IT

Context

As smartphones, world wide web and ICT devices become an essential part of our lives, the gap in information access, connectivity among different regions, social groups and generations widens. kt's IT Supporters are dedicated to sharing their IT knowledge to bridge the digital divide and allow ICT to serve as a communication channel for everyone.

Progress

Sharing Advanced IT Knowledge

To narrow the informational divide caused by the emergence of smart IT devices, kt launched the 'Smart Academy' and 'Smart Sharing' initiatives to lead the creation of a "warm and smart world". As part of this commitment, we provide less-privileged individuals (categorized into four types) with new IT related experience and user training. This allows them to readily access information, while offering customized lectures when external organizations or groups call for such smart device user training. Furthermore, 'Smart Academy' open lectures are offered in the Seoul metropolitan area, Busan, Daejeon, Daegu, Gwangju, Ulsan and Jeonju while 'Smart Sharing' initiatives are undertaken to bridge the Smart Divide for children at local child care centers.



Smart Device User Training for Immigrant Women from Multi-cultural Families

IT Knowledge Training (Smart Academy)

Category		2011	2012	2013
Open Lectures	No. of lectures	407	431	218
	No. of attendees	1,535	1,471	1,280
Class-On-the-Go	No. of lectures	6,612	11,162	8,130
	No. of attendees	103,030	295,398	218,627
Total	No. of lectures	7,019	11,593	8,348
	No. of attendees	104,565	296,869	219,907

Support for the Disabled

IT Supporters offer basic IT training (computer and internet use, OA training) as well as certificate training to assist the disabled become economically independent. Since the full-fledged distribution of smartphones in 2010, our supporters have also provided smartphone/ smartpad user training. Specifically in 2013, a new team dedicated to supporting the disabled, was created to offer substantial and practical support, ultimately establishing a mutually-beneficial model for both the disabled and kt.



Delivery of Smartphone Learning Materials for Those Who Use Sign Language



Building a Free-of-Charge Wi-Fi Zone for a Disabled Children's Care Center

Dedicated Support for the Disabled

Category	Details	Date
Education	Offering voiceover training and producing/distributing CDs for the visually-impaired	Apr. 18, 2013
	Building a nationwide learning support system for the hearing-impaired with the Korea National University of Welfare	Mar. 2013
	Hosting mentoring camps for hearing-impaired youth	Aug. 6, 2013
	Producing soundbooks for visually-impaired children	2013
	• Recording soundbooks with voice-recording volunteers and donating 100 books together with word-entry volunteers (to produce Braille books)	
	• Donating audio files to the Gustav Klimt exhibition (Media Hub)	
IT	Improving access to books for the visually-impaired through upgraded support for the Younggwang Mobile Braille Library for the Visually-Impaired	Aug. 2013
	Building 20 olleh wifi-zones to improve IT accessibility for institutions that serve the disabled	Apr. ~ Jun. 2013.
	Improving the web accessibility of the representative corporate websites (olleh.com, etc.) for the visually-impaired	Apr. 2, 2013
	Hosting the smartphone user competition for the visually-impaired	Aug. 13, 2013
	Producing and distributing DVDs that contain smartphone user manuals for the hearing-impaired (1,000 DVDs to institutions for the hearing-impaired and the general public nationwide)	Dec. 10, 2013
	Supporting IT training at nationwide welfare centers for the disabled to create jobs for these individuals, together with the Korea Disabled People's Development Institute	Apr. ~ Nov. 2013
Culture	• Training 231 disabled individuals at 20 centers in nine cities and provinces/5 became certified, two were employed	
	Sharing cultural events, that offer hopes and dreams to the hearing/visually-impaired	May 25, 2013
	• all-ip lounge tours for hearing-impaired teenagers	Oct. 14, 2013
	• Event to celebrate 'Day of White Cane' for the visually-impaired	
Community	• Attended by 130 visually-impaired people, performance by visually-impaired individuals, distribution of white canes as gifts	
	• Special lecture as part of the 'See-saw' hope-sharing initiative at kt provided for the visually/hearing-impaired	
	Support to facilitate the community of the hearing-impaired	Apr. 5- 6, 2013
	• Happy Smart Café to help the disabled	
	• Mentoring and business support to facilitate Love Sign Language Café, a small business	

Support for Traditional Markets

IT Supporters offer IT training to small business owners so that their improved IT capabilities may lead to sales growth. Such IT training was provided at traditional local markets last year. Our staff assisted store owners who, due to their busy work schedules, could not properly use their smartphones. In fully assisting these individuals with smartphone functionalities, they were able to use smartphones to introduce or promote their products to customers. Furthermore, they learned how to use social network services as a tool to offer the latest information or promote their store to customers. Some store owners opened online shops to communicate with their customers as well as operating offline, which increased their sales.



Support to Open Online Stores



One-on-One Smartphone User Training

Details of Support for Traditional Markets

Customized support by 23 IT Supporter Teams nationwide: One team in charge of one traditional market

- Smartphone user training, computer training
- Increasing sales through e-commerce and social network service training
- Store promotions and events through the use of QR coding
- Training Outcomes in 2013: Training-on-the-go for traditional market store owners (Trainees: 1,995 people, Training Hours: 793 hours)

Participation in traditional market exhibitions to promote kt's support for traditional markets

- National Top Market Exhibition: Announcing traditional market support programs to national store owners' associations, Operating PR booths
- Seoul Traditional Market Exhibition: Operating PR booths



Online Promotion of Traditional Markets

'Find the Best Traditional Market Store' event

- Support for the online promotion and e-commerce of traditional market stores

Featured promotional articles for prestigious traditional markets by the Dong-A Daily: Seoul Folk Flea Markets, Changdong Burim Market in South Gyeongsang

IT Supporters Experience Program for Stakeholders

kt's IT Supporters Experience program directly engages stakeholders in IT sharing initiatives to serve their role in narrowing the information gap. Each year, undergraduate volunteers are selected from across the nation and in 2013, 400 Junior IT Supporters were selected to undertake various activities to create a thriving ICT culture.

olleh Student Volunteers Program

kt's 'olleh Student Volunteers' was designed to systematically provide 'sharing opportunities' to future generations and expand kt's foundation for social contribution initiatives to ones that engage customers. Each group of students volunteers for a period of one year and their activities are differentiated in that these volunteers should plan, learn and voluntarily engage themselves in wide-ranging, professional social contribution programs.

Starting with 100 volunteers back in 2011, a total of 359 undergraduate students – 136 in 2012 and 123 in 2013 – have dedicated their time to sharing their knowledge and care across the nation over the past three years. As of 2014, 105 undergraduates are engaged in monthly volunteer activities under the theme of Sharing ICT.

Our olleh Student Volunteers are regularly launching fully localized volunteering initiatives in eight regions across the nation and have volunteered for a total of 4,393 hours in 2013. They assist less-privileged children in exploring their future career options and take them on career field trips, while contributing to the environment by attending forest experience programs, beautifying utility poles with mural paintings and making flower pots out of recycled cups. Through such creative and unconventional approaches, they have taken the initiative in addressing social issues.

Furthermore, we launch special initiatives, such as nurturing CSV social enterprises and promoting overseas cultural exchanges. In 2013, we attended the CSV Academy to foster social enterprises as a way to expand awareness of these companies, while directing cultural exchanges and global volunteer operations in Uzbekistan and Japan.



Smartphone User Training Presented by Senior Volunteer Corps



Smart Training for Seniors Presented by olleh Student Volunteers

Bridging the Digital Divide Service

Providing Universal Services

Universal services are defined as basic telecommunication services that can be accessed by anyone, anytime, anywhere, at reasonable prices. They also refer to affordable communication services that can be easily used by the general public, regardless of their social background or place of residence. Presently, the scope of universal services includes fixed line calls and emergency call rate discounts for the disabled and low-income populations. Specifically, such rate discounts have become available for portable

WIMAX(Wibro) services since 2013.

kt ensures that our rates remain affordable so that every person in this nation can use our universal services. This means that kt offers the same level of services to those living in high-cost areas (such as agricultural/fishing villages and islands) as their urban counterparts. This runs contrary to most domestic telecommunications carriers, who impose limitations on their available service locations, due to service coverage or other reasons.

Status of Universal Services Offered in 2013

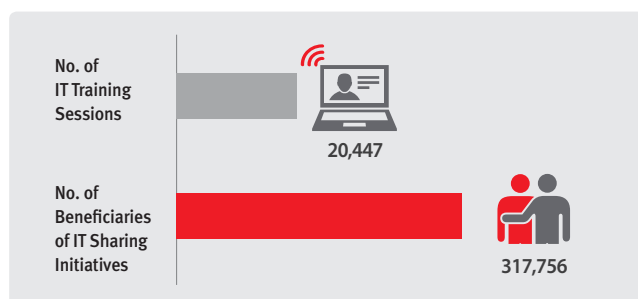
Category	Definition of Service	Availability
Fixed-line Phone Service	Local Calls	<ul style="list-style-type: none"> Call service offered through subscriber phones Offered to 17,620,000 subscribers as of the end of 2013 Continued supply of local call facilities as demanded by the development of new urban areas
	Island Area Services	<ul style="list-style-type: none"> Call service offered through wireless land-to-island or island-to-island communications Local calls and ultra high-speed internet connections are offered to 65,000 subscribers in 420 island areas across the nation * There are a total of 3,170 islands in Korea, out of which 491 are inhabited
	Local Public Calls	<ul style="list-style-type: none"> Call service offered through public phones 74,000 unmanned public phones are operated nationwide Regular disinfection/hygiene control, phone booths designed for the disabled
Emergency Call Service	Dedicated Numbers for Emergency Calls	<ul style="list-style-type: none"> Call service offered through dedicated numbers selected and announced by the Ministry of Science, ICT and Future Planning, as a backbone communications service Applicable Numbers: National security hotline(111), crime report(112), spy report(113), cyber terrorism report(118), fire/disaster report(119), maritime accident and crime report(122), smuggling report(125) 119 calls are possible through video calls on mobile phones
	Marine Wireless Service	<ul style="list-style-type: none"> Call service offered through wireless land-to-ship or ship-to-ship telecommunications Telegraphs, calls and telegram services are offered to 4,000 subscribed ships When GMDSS* disaster signals are received in accordance with the SOLAS** Convention, they are automatically
Rate Discounts	Discounted telecommunication service rates available to the disabled or to low-income populations in need of social protection	<ul style="list-style-type: none"> Services eligible for rate discounts: Local/long-distance calls, information calls (114), mobile calls, ultra high-speed internet, portable internet (Wibro) Fixed rate discounts for base/call rates Discounts worth approximately KRW 209 billion were offered to a total of 3,847,000 subscribers for each service type in 2013

* GMDSS: Global Maritime Distress and Safety System

** SOLAS Convention: International Convention for the Safety of Life At Sea established by the International Maritime Organizations

Performance

Initiatives Undertaken by IT Supporters in 2013



Universal Services

Rate Discounts	Portable internet(Wibro) service was added in Approximately KRW 209 billion was offered in rate discounts in 2013
Island Telecommunications Service	65,000 subscribers in 420 island areas nationwide
Local Public Call Service	74,000 unmanned public phones (special phone booths designed for the disabled)

SOCIAL OPPORTUNITIES THROUGH ICT

Context

Retiring baby boomers, the shortage of quality jobs for seniors, and the loss of opportunities due to the widening income divide, represent social issues whose solutions require more than individual efforts. To do our part in addressing these social issues through our ICT capabilities, kt is offering programs for retirees, programs for women suffering from career discontinuation and programs for undergraduate students and children / teens from less-privileged families.

Progress

Talent Sharing Program for Retirees

kt's talent sharing program (See-saw) for retirees was designed to engage retirees in social activities. With 25 IT Supporter Teams nationwide serving as the base, IT-mediated communication training was offered to 15,000 retirees, while assisting them with on/offline communication through the online community See-saw Net. To ensure that the invaluable experience and talent of retirees is passed down and allocated to those in need, 388 retirees were selected out of 2,354 applicants to undertake 5,898 talent sharing activities.



Talent Sharing Program for Retirees (Horticulture)



Dream Teacher

Dream Teacher

To narrow the gap in educational opportunity for a total of one million underprivileged children, we created social responsibility jobs (Dream Teacher, 230 teachers nationwide). Talented retirees and women between jobs assisted these children with character development and in realizing their talents and dreams. Furthermore, kt became the first private sector company to plan the establishment of a social cooperative known as 'Dream Teacher'. It is the first-of-its-kind in the retiree employment segment, and it aims to facilitate its own sustainable growth and self-sufficiency.

* 'Social responsibility jobs' refer to volunteer-oriented jobs that emphasize personal satisfaction and a sense of accomplishment, over monetary compensation. These jobs can encourage an otherwise dormant workforce, to continually participate in the labor market by providing flexible hours and financial support.

Dream School

In 2013, kt launched the ICT-based interactive mentoring platform kt Dream School (<http://www.ktdreamschool.org>) to help narrow the educational gap for children and teens from less-privileged families. Dream School is an extension of our social contribution initiatives that we have been operating for children and teens since 2010. Aside from basic scholastic training, Dream School focuses on assisting children and teens in discovering their talents and in building their character, where they have had relatively fewer opportunities in discovering, than their better-off counterparts. Provided that internet connections are available, kt Dream School mentoring can be accessed by anyone, devoid of spatial/time limitations, to communicate interactively and share information in real time.

This mentoring program uses kt's video conferencing system to enable experts in their field to either educate their students one-on-one or in settings with one teacher and several students. In addition to real-time lectures, recorded lecture videos and educational content are provided.

In 2013, the number of lecture readings and viewings reached to approximately 3,300. Not only is online mentoring available, but offline mentoring is equally provided. This mentoring takes place at 21 Dream Centers located nationwide and at 'Seeds of Dreams', which are camp sites created through the renovation of closed schools. Specifically, Dream Centers are equipped with IT devices that enable real-time video communication, and thus are capable of providing both on/offline mentoring. Approximately 1,000 webcams and headsets were distributed to local child care centers nationwide to allow for their participation.

While this year, our selection parameters for selecting mentees were focused on children who received help from local child care centers and who were frequent users of our Dream Centers, we will expand the scope and number of our mentees to include disabled children and children from multi-cultural families.

Our mentor pool consists of retirees, women of discontinued career and under-graduate students. As our mentors fulfill the requirements of a social responsibility job, kt provides them payment for their contributions. As of April 2014, there were a total of 336 Dream Mentors. These included such celebrities as actor Seong-Gi Ahn and singer Tae-Won Kim, who participated in this program in 2013. We hope to create an ICT-enabled Hope Ecosystem to support less-privileged children in realizing their dream. We would like to do this on a kt Group level by engaging our employees, and even ordinary citizens to become mentors.



Video-based Mentoring at Dream School



Customized education support at Dream School

Performance

No. of Retiree-led Talent Sharing Activities	5,898 activities
No. of kt Dream Teachers (Social Responsibility Jobs)	230 teachers

Outcomes of Dream School

(As of Apr. 2014)

Category	Mentor				Mentee Children Receiving Help from Local Child Care Centers	Total (No. of persons)
	Under graduates	Retirees	Women Suffering Career Discontinuation	General Volunteers		
2013 (No. of persons)	102	142	89	3	300	636

SHARING LOVE

Context

Corporate social responsibility initiatives aim to establish the right relationship between businesses and the society in which they are based. Businesses strive to share their corporate capabilities with society so they can grow hand-in-hand and achieve common goals. Just as our Healing Hearing Impairment Campaign (launched in 2003) celebrated its 10th anniversary in 2013 and will continue with its ongoing endeavors, we at kt will never cease in sincerely sharing our love with others.

Progress

Sharing Love for Children

kt Dream Center

To take the lead in establishing a safety net for local child care centers, we at kt have operated kt Dream Centers, in alignment with local child care centers in major regions of Korea, to help less-privileged children grow into future leaders. By drawing on our unique advantage of possessing diverse facilities across the nation, we transformed unused spaces within branch buildings across the nation into kt Dream Centers. These centers are equipped with IPTVs, beam projectors, smartpads, e-books, Kibots and other IT devices to offer English education, in a way that matches the features of each device, as well as other wide-ranging educational programs to help improve the academic achievement of these children. Furthermore, we offer these children the opportunity to enjoy a wide array of cultural activities such as music, sports and field trips, that they would not normally have the chance to participate in. This broadens their perspective and brings them one step closer to reaching their full potential.

As of 2014, there are a total of 21 Dream Centers in such major regions as Jeju, Mokpo and Busan as well as Seongnam in Gyeonggi Province where our Head Office is located. We also operate Dream Center shuttle buses to allow these children to easily come to Dream Centers. We will continue to launch even more distinct and diverse programs for the future of these children.

Category	2011	2012	2013
No. of Children Who Use Dream Centers	43,791	92,948	92,156
No. of Children Who Use Dream Center Shuttle Buses	1,131	4,616	4,586
No. of Dream Centers in Operation	17	21	21

Child Love Network 'Dream Together'

kt is a member of 'Child Love Network Dream Together', a corporate social contribution network launched to support the dreams of 100,000 children that receive help from local child care centers across the nation. Dream Together has 22 companies and organizations as its members – kt, KBS and Hana Tour to name a few – who are dedicated to offering realistic solutions to social issues by combining the social contribution capabilities of its members.

The most representative Dream Together program is 'Seeds of Dreams', Korea's first campsite dedicated to local child care centers, to support children receiving help from these child care centers in realizing their dream. After renovating closed schools in local areas as a way to better use these unused spaces, the 1st Seeds of Dreams campsite opened in Yangpyeong in May 2012, followed by another campsite in Jangseong in 2013. In 2013 alone, the Yangpyeong and Jangseong campsites were visited by 1,414 and 1,091 children respectively to start their journey to find their dream. In 2014, another Seeds of Dreams campsite will open in Jeju and this program will be expanded even further.

Healing Hearing Impairment Campaign

Using our characteristics as a telecoms operator, we launched the 'kt Finding Sound project' to restore normal hearing to hearing-impaired children from low-income families. This project offers treatment, rehabilitation and family support. By the end of 2013, a total of 2,152 children benefited through our 'kt Dream Center', which opened in Severance Hospital to provide hearing rehabilitation: 1,658 children received rehabilitation therapy, 143 children received artificial cochlea implants, 259 children who couldn't receive

surgery were provided with hearing aids. Our 'kt Dream Center' offers a wide array of programs, from small-group speech/music therapy to training and art & play therapy. This professional support helped with the rehabilitation and the improvement of social skills for these hearing-impaired children.

Specifically since 2013, we have launched olleh Art School, a long-term emotional support program designed to holistically heal the family members often overlooked when a disabled family member requires the majority of attention and care. olleh Art School strives to assist these families with their communication skills and offer them the opportunity to participate in the olleh Forest Camp to promote their harmonious healing and much-needed rest. While statistics show that 44% of parents/family members who have disabled children suffer from depression, society only offers minimal support. In this regard, the role that olleh Art School provides is even more meaningful and important in that it attends to a critical need that had before been largely unaddressed. olleh Art School helps care for the emotional stability of these family members, understand their feelings and restore their relationships through culture and art. In 2013, we offered a 16-week program and made diverse cultural and artistic attempts to deal with the communication challenges these family members faced. The outcomes of the program were presented through performances and this greatly boosted the confidence of the children of these families, who demonstrated significant improvements in their emotional stability.

10-Year Track Records of the kt Healing Hearing Impairment Campaign

Category	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Stem Cochlea Implants	10	10	40	20	19	10	10	10	4	6	4	143
Hearing Aids		10	40	10	41	20	40	8	20	61	9	259
Others									7	5	2	14
Brainstem Transplants								3	1	2	4	10
Rehabilitation Therapy									3	3	1,652	1,658
Family Support											68	68
Total	10	20	80	30	60	30	50	21	35	77	1,739	2,152



Finding Sound Project by Dream Center



Family Support Programs under the Finding Sound Project

Medical Sharing

kt has been collaborating with Severance Hospital since 2013 to narrow the medical gap for the medically-underserved. Specifically, in April 2013, children at the kt Dream Centers (located in marginalized areas nationwide) were invited for comprehensive medical check-ups and cultural field trips. Children diagnosed with specific medical conditions as a result of these check-ups were provided with additional medical treatment. In October 2013, medical professionals visited the Seeds of Dreams campsite in Yangpyeong to offer medical check-ups and preventative advice to less-privileged middle school students to help them with health issues that often emerge at the change of seasons. In 2014, we plan to perform medical volunteer work in Uzbekistan and use ICT for medical purposes. In this way, we can creatively implement our skills and assets to offer health care support to a larger demographic of medically-underserved individuals.

Scholarship for Creative and Innovative Leaders

To nurture ‘creative and innovative leaders’ who will responsibly lead the world and contribute to development through innovative ideas, we offer novel and creative leader scholarships to undergraduate students in the two categories of ‘future-oriented creative talent’ and ‘social innovation talent’. The ‘future-oriented creative talent’ scholarship is offered to 545 students at 288 universities who have experience in starting up a business or in receiving awards at public content competitions. Our ‘social innovation talent’ scholarship is offered to 20 students at 12 universities through public social contribution idea competitions. These competitions are attended by undergraduate students who have volunteer experience, or who have worked with social enterprises or did NGO volunteer work.

Sharing Love between Labor and Management

kt’s labor and management departments have jointly fulfilled their social responsibility. In 2014, such on-going mutually-beneficial cooperation has been systematized into ‘labor-management light’ as a way to put into practice the principle of ‘sharing love’. As a company dedicated to becoming an honorable global citizen, we wish to raise social and environmental awareness and direct the merits of social responsibility to every corner of our society.

Globalization

Our labor and management joined the Korean Association for Supporting UN SDGs to contribute to the UN-launched global agenda and to serve as an advisory member to the Korea National Assembly UN SDGs Forum. In so doing, we do our part in expanding our engagement in and partnership with UN SDGs(Sustainable Development Goals) from opinion leaders in our society while taking the lead in sustainable environmental campaigns for the betterment of human life and the environment. Furthermore, we supported domestic training attended by female public officials from less-developed nations in Africa and Southeast Asia to introduce our female-friendly policies and IT device experience opportunities. We also donated clothes to refugee camps in Rwanda, Africa, as part of our proactive support for countries in need of global assistance. Specifically, video calls and volunteering in Vietnam are the top priorities undertaken (by the kt labor and management, and the UCC(Union Corporate Committee)).



Appointment as Advisors to the Korea National Assembly UN SDGs Forum



Training for Female Public Officials from Less-Developed Countries



Donating Clothes to Refugee Camps in Rwanda

Meeting Family Members through ICT, ‘Video Calls’

To support the multi-cultural families that are emerging as a social issue in Korea, our labor and management staff support video calls through the use of its information technology each year. This enables Vietnamese immigrant women with Korean husbands to see their families in Vietnam through video calls. The lives of these immigrant women are of paramount concern, not just in Korea, but also in their home country. This prompted kt to offer medial volunteer services and residence improvements to the family members of these women. In so doing, we help them acclimate to the Korean culture and enhance the status of Korean businesses in Vietnam.



Video Calls for Vietnamese Multi-Cultural Families

Mutually-Beneficial Partnership with Local Communities

Our ‘Labor-Management Sharing with Local Communities Program’ aims to contribute to the local communities where we are based. Planned and undertaken by both labor and management at respective regional head offices, this program extended its reach to encompass the wider nation since 2013 to spread the value of mutually-beneficial partnerships for local communities. This program includes: Seoul Madang Grand Festival for Gangseo-gu Residents (Nov. 5, 2013), Delivery of Briquettes with Love in Bupyeong (Dec. 16, 2013), Charity Bazaar for Neighbors in Need (Jan. 10, 2014) and Grand Festival for Those with Disabilities (Jan. 15, 2014).

Furthermore, to practice our warm-hearted love for those in need of our help, our labor and management volunteered at children’s welfare centers, offered free meals to seniors living alone, and launched scholarships for our future leaders (teens). In 2014, we plan to establish social enterprises to propose alternatives to such social issues as creating jobs for vulnerable individuals so as to make our social contribution more ongoing and sustainable than a mere one-time event. The resolution to establish and nurture social enterprises was approved by the UCC General Assembly (Dec. 19, 2013) to pave the way for these enterprises.



Labor-Management Sharing with Local Communities Program



Volunteering at a Children's Welfare Center



Offering Free Meals to Seniors with No One to Rely on

Global CSV Initiatives

Recognized as the DJSI industry group leader in the fixed/wireless telecommunications sector for three consecutive years, kt is also garnering attention in the global social contribution sector for its global sharing initiatives that were evaluated as a CSV model. Specifically in 2013, we moved beyond mere social contribution, to creating shared value. kt specifically played a leading role in creating shared value in the wider area of the countries with whom we are collaborating.

IT Training Complex 'kt-Mahamentor e-Learning Center'

In July 2013, kt constructed kt-Mahamentor e-Learning Center, an IT training complex, in conjunction with Mahamentor, a local social enterprise, in Yogyakarta, Indonesia. This center is recognized as a CSV model that combines the IT technology and infrastructure provided by kt with educational content offered by Mahamentor and a local educational network. Specifically, the One for Two CSV program that offers free-of-charge training to two underprivileged students for every regular trainee, benefited 777 students with 931 hours of training in the 2nd half of 2013 alone. Furthermore, kt's smartpad-enabled interactive lecturing solution Green Class is used for local e-learning education and its future model will be developed jointly with local partners to allow kt and its partners to create social value together.



kt-Mahamentor e-Learning Center

Hallyu Club 'K-Friends'

In response to the continued interest in Korea in numerous countries, kt launched K-Friends, a hallyu (Korean Wave) club that promotes Korean culture. Presently, 50 K-Friends are pioneering the spread of hallyu, both online and offline, among diverse groups. In 2014, K-Friends will continue to join forces with kt in undertaking cultural and support initiatives for underserved individuals.



Experience Korean Culture Program for K-Friends

Outcomes of kt's Global CSV Initiatives Over the Past Three Years (2011~2013)

Category	Country (CSV Initiative)
2011	Rwanda (building an elementary school), Uzbekistan (internet training center), Vietnam (IT training)
2012	Rwanda (IT training), Indonesia (global Healing Hearing Impairment Campaign), Vietnam (sending Student Volunteers, video calls)
2013	Rwanda (sending IT Supporters), Indonesia (e-Learning Center, K-Friends, sending Student Volunteers), Vietnam (video calls), Uzbekistan (medical sharing, global dream school)

Performance

Sharing Love for Children

No. of Children Using kt Dream Centers		92,156
No. of Children Participating in the Dream Together Seeds of Dreams Initiative		2,505
Finding Sound Project	Hearing-Impaired Children from Low-Income Families	2,084 children supported
	Emotional Support Programs for Family Members (olleh Art School, olleh Forest Camp)	68 attended
Medical Sharing	Comprehensive medical check-ups offered to children from Dream Centers	
	Medical check-ups and health training offered by medical professionals who visited Seeds of Dreams campsites	
Creative and Innovative Leader Scholarship	565 students were supported	

Labor-Management Sharing of Love

Mutually-Beneficial Partnership with Local Communities	Sharing with Local Communities programs
	Volunteering through the responsible volunteering system
Education	210 teenagers were provided with scholarship support

Global Sharing of Love

Rwanda	Sending IT Supporters, donating clothes to refugee camps
Indonesia	e-Learning Center, K-Friends, sending Student Volunteers
Vietnam	Video calls
Uzbekistan	Medical sharing, Global dream school

SHARING CULTURE

Context

Sharing culture through music is deeply ingrained in kt's identity as a telecommunications service provider. As kt's operation is to transmit voice over digital data, our cultural sharing initiatives are undertaken in a way to spread 'sound' across the wider world. All profits from olleh square and kt chamber hall performances go to fund the 'Healing Hearing Impairment Campaign' project that supports hearing-impaired children.

Progress

olleh square

Our olleh square is a cultural space that offers IT experience opportunities and is located on a 3,300m² site on the 1st floor of the company's Gwanghwamun office building. This space enables visitors to freely experience kt's latest IT devices and services free-of-charge and offers a cultural experience, as well as a resting place, with its café and Dream Hall performances. In so doing, olleh square has positioned itself as the nation's representative cultural complex. Specifically, there have been approximately 800 Sharing Performances that have offered affordable and easily accessible cultural experiences to more than 130,000 people. All the profits from these performances go to provide hearing aids to hearing-impaired children. In addition, olleh square serves as a venue for diverse IT-related events such as the launching of new IT products and a destination for ICT field tours for domestic and overseas companies and organizations. So far, more than 4 million customers have visited olleh square.



Sharing Culture at olleh square

kt chamber hall

Designed as a dedicated classical performance space in 2009 to popularize classical music, our kt chamber takes the lead in sharing culture through regular performances, jointly-planned performances and classics programs. With 420 seats and customized facilities, kt chamber hall allows audiences to enjoy orchestra performances, chorus performances, chamber music, and recitals.

kt chamber hall's representative performance titled 'Saturday Afternoon Chamber Music with kt' is held regularly at 4 p.m. every 1st and 3rd Saturday and is the first-ever regular classical performance that has been held more than 100 times continuously under the leadership of a domestic company. In 2013 alone, 24 performances were held for more than 10,000 people. Since its opening, the audiences for regular performances have continued to grow and in 2013, the tickets were all sold out. As of 2013, there were 108 performances with more than 40,000 people in the audience.

Profits from these regular performances go to fund the treatment of hearing-impaired children supported by the 'Finding Sound' project, kt's unique social-giving initiative. At the 100th performance held in August 2013, there was a hearing-impaired children benefits project and 100 future musicians were invited to add a new voice to this truly shared initiative.

kt chamber hall also provides 'Experience Classics Programs' to offer students easier access to diverse cultural experiences. On every 1st Saturday, basic classical music education, open rehearsal experience and rare instrument experiences are provided along with regular classical performances, to help expose the general public to classical music. In 2013 alone, 12 such programs were held to benefit 269 students.

Our 'jointly-planned performance' was designed to offer the performance stage free-of-charge to musicians or organizations who cannot otherwise afford such performance opportunities. There have been 17 such performances attended by 3,500 audiences.



100th Performance at kt chamber hall

Performance

Results of kt's Sharing Culture Initiatives

kt olleh square	Accumulated No. of performance and audiences: Approximately 800 performances, 130,000 audiences
	Group ICT tours by domestic/international companies and organizations: Approximately 4 million Tourists
kt chamber hall	100 th performance of 'Saturday Afternoon Chamber Music with kt' (Aug. 2013)
	12 Experience Classics Programs attended by 269 audiences
	17 'jointly-planned performances' that offer free-of-charge performance stage, 3,500 audiences

CUSTOMER ENGAGEMENT





Customer Division | Sul-Ki Choi
Marketing Division | Sung-Jin Park

CUSTOMER ENGAGEMENT

CS Management
Service Value Creation
IT Security Enhancement



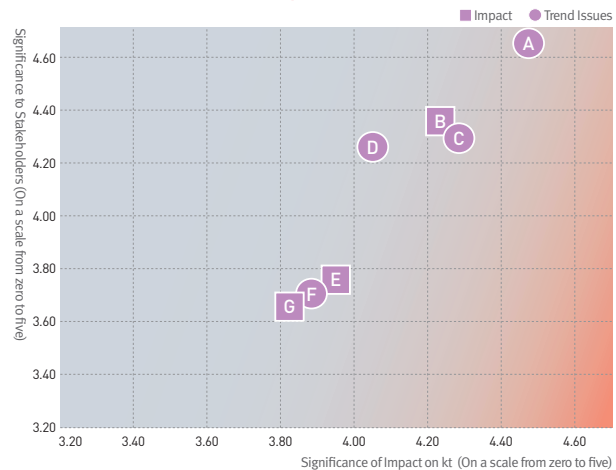
Vision and Strategic Direction

We believe that our success in becoming “No. 1 kt” lies in delivering exceptional quality and technology that offers real-life benefits to our customers. To become the first to launch top-notch, differentiated services and create the greatest-possible customer value, we are advancing Customer First management in our entire business conduct, from technology development to services and marketing. Furthermore, we mobilize all available organizational resources to provide IT and information security services that provide our customers with an even greater peace of mind.

Major Achievements in 2013

Creation of Service Value	<p>Korea's 1st to commercialize wideband LET (Sep. 14, 2013) and No. 1 in the coverage of wideband LET</p> <p>Four cases of developing wireless LTE technology and solutions</p> <p>Korea's 1st to apply big data in the public sector (Verification and supplementation of late-night bus routes in Seoul)</p> <ul style="list-style-type: none"> • Awarded at the “Mobile World Congress 2013” • Received the Best Next Generation Wi-Fi Device/Application Award at the “WiFi Industry Award 2013” by WBA
Customer Satisfaction	<p>Ranked 1st in home calls, internet calls and international calls on the NCSI</p>
IT Security (Information Security)	<ul style="list-style-type: none"> • Obtained the ISMS Certification • 97% of the employees completed online information security training

Results of the Materiality Test



Impact & Trend Issues

- A Growing demand for customer information security
- B Customer Privacy
- C Growing demand for the safety of products and services
- D Product and service labeling(Customer satisfaction)
- E Hyper-connection society(Network advancement)
- F Increasing number of consumers who value health, eco-friendliness and social-friendliness
- G Marketing communication

Customer Satisfaction Management

- CS management system
- Creation of service value : NW infrastructure, ICT convergence customer service, customer communication
- Strengthening IT security and protection

CS MANAGEMENT SYSTEM

Context

Customer satisfaction (CS) is the key factor that determines a company's value and sustainability. It is with the belief that creating customer value is instrumental in driving kt's growth as a company, that we establish a CS management system and the CS Charter to deliver customer-centered and customer-driven services throughout our entire business conduct.

Progress

Establishment and Dissemination of a CS Management System

It is with the vision 'A Sincere and Credible World-Class CS Provider' that kt establishes a customer-driven CS management system. Our CS vision defines our way forward, on the basis of our long-term goals and future corporate vision. The ideal CS represents the service value that we vow to

deliver to our customers—both internally and externally. The CS Charter embodies the commitment of all kt employees to deliver on promises to customers, on the basis of kt's core value 'All for Customers'.

CS Management System

CS Vision	A Sincere and Credible World-Class CS Provider
Ideal CS	kt as Company Whose Caring and Responsiveness Grow as Trusting Customer Relationships are Forged

CS Charter

Based on the 'All for Customers' core value, we put ourselves in our customer's shoes and live by the five principles of the CS Charter to satisfy all our customers.

First, we always keep our promises with our customers by using a real-time approach in delivering services.

Second, we swiftly identify customer needs and cater to such needs precisely.

Third, we deliver the products our customer want through customer engagement and evaluation.

Fourth, we always listen to customer feedback, in varying ways 24 hours a day, 365 days a year.

Fifth, we are united behind our firm commitment to extending our helping hands to the underprivileged and underserved.

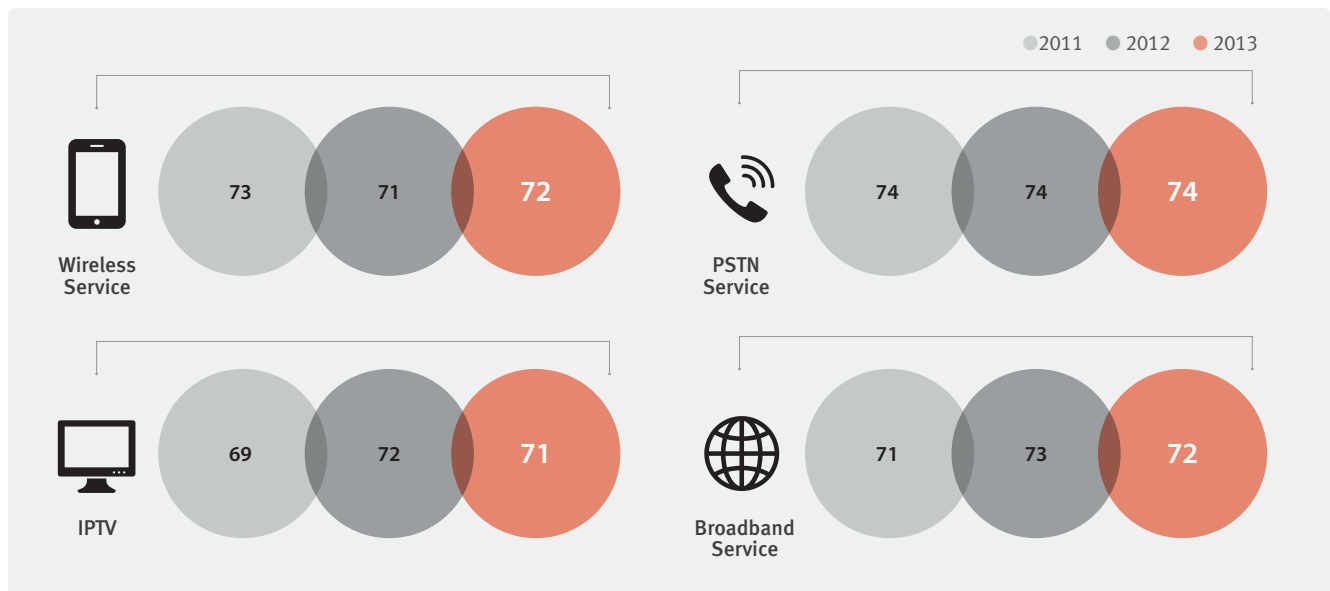
Performance

Customer Satisfaction Results

The National Customer Satisfaction Index (NCSI) surveys (conducted by the Korean Productivity Center (KPC)) ranked kt 1st in PSTN service for 15 straight years, 1st in internet telephony for four straight years and 1st in international call service for two straight years.

Customer Satisfaction Scores Identified by NCSI

(Unit: point)



WORLD BEST NETWORK INFRASTRUCTURE

Context

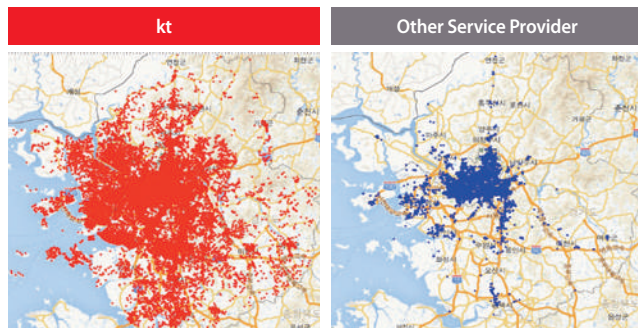
The telecommunications market is just one of many sectors to experience technological innovations; technical competition is directly linked to service competition. This is why technical development is a key factor of competitive edge within the telecommunications market. kt develops customer-driven innovative technology to deliver a superior network quality, pioneer the development of telecommunication technology and strive to satisfy customer needs. Furthermore, kt strive to deliver reliable service, so that our service quality is uniform and identical anywhere—whether on an isolated island, or in an agricultural or fishing region.

Progress

Korea's 1st Deployment, Commercialization, and Widest Coverage of Wideband LTE Services

Through the spectrum auction held in August of last year, kt secured a 20MHz wideband regarded as the 'Golden LTE Frequency' band (containing 1.8GHz) and became the nation's 1st telecommunications service provider to launch commercial wideband LTE services on September 14, 2013. As of the end of 2013, our wideband coverage extended to all ground/in-building areas in the Seoul metropolitan region. With Korea's widest coverage of wideband LTE services, we strive to deliver the world's highest quality telecommunications services to our customers.

Securing 100% Wideband Coverage in the Seoul Metropolitan Region



Based on data measured by BENCHBEE (~11.20)

In January 2014, kt also became the nation's 1st to run a pilot operation of wideband LTE-A services (which are three times faster than the existing LTE services) on a commercial environment network. This was followed by the commercial application of wideband LTE-A services in major areas of the Seoul metropolitan region and other local metropolitan cities since March 1, 2014—when the restriction on the use of wideband frequency was lifted in metropolitan regions.

Such endeavors were globally recognized at the "Mobile World Congress 2014" held on February 28, 2014 in Spain: kt was honored with prestigious awards for three straight years - the Outstanding LTE Contribution award and the Outstanding Overall Mobile Technology from the CTO's Choice. Furthermore, kt demonstrated three-band CA(20+20+20, ~450Mbps) and wideband LTE-A HetNet (LTE-WiFi carrier aggregation, ~600Mbps) capabilities at the MWC 2014, which was highly regarded by global telecom companies and vendors.

Pioneering New LTE Wireless Technology/Solutions

kt-Samsung Electronics, Developing LTE Multicast Technology (Feb. 20, 2013)

As the mass-consumption of multimedia content becomes the norm, we developed 'LTE multicast technology(eMBMS)' to simultaneously transmit HD video content to multiple customers over the LTE network. This technology was demonstrated at the world's largest telecommunications exhibition 'Mobile World Congress(MWC) 2013'.

Developing Wideband LTE Home Femto Cells (Nov. 12, 2013)

Wideband LTE home femtocell technology was designed to deliver fast and seamless wideband LTE services—even to such 'shadow zones' as homes or underground parking lots with deteriorating frequency conditions. This technology is slated for commercialization in the 2nd half of 2014.

World's 1st Successful in LTE TDD-to-LTE FDD Roaming and VoLTE Calls (Dec. 4, 2014)

kt and China Mobile successfully demonstrated data roaming services between the two different LTE standards of LTE TDD and LTE FDD, as well as voice and data roaming calls between these two different LTE standards, by using actual commercial networks such as bilateral IPX. Furthermore, the two companies showcased lively voice and video calls through high-quality AMR-WB and H.264 codecs as part of their demonstration of VoLTE, HD-grade video call services. Cross-border LTE roaming and HD-grade video call (VoLTE) services will be initiated within 2014.

Realizing CA Technology: Three Times Faster than LTE (Dec. 17, 2013)

The new carrier aggregation (CA) technology combines wideband telecommunication (LTE) and Wi-Fi networks, to deliver triple-the-speed of the existing LTE services (the latest movie can be downloaded within 15 seconds). This 'CA' technology developed by kt, was designed to transmit data simultaneously over the wideband LTE network and premium WiFi network through the application of carrier aggregation. Presently, a speed of up to 300~450Mbps is available through the integration of 150Mbps—the highest-achievable speed of wideband LTE and 150~300Mbps available over the premium WiFi network.

kt-Ericsson, the World's 1st Two-Way Simultaneous CoMP Technology (Nov. 6, 2013)

In conjunction with the global telecom carrier Ericsson, kt became the world's 1st in demonstrating the TM9-based two-way simultaneous CoMP technology. This new technology is capable of increasing uploading/downloading speeds by more than 20% of the conventional technology near the borderlines of base stations. This technology minimizes interruptions from nearby cells through the transmission of demodulated signals that restore modified signals—from one base station to each handset—so as to guarantee the fastest data transmission speeds for each handset. The commercialization of this technology is expected to enable kt to respond to the recent rapid surges in LTE data usage.

Guaranteeing the Quality of LTE Wireless Speeds in Island Areas

Implementation of LTE Service Coverage on Dokdo Island (Apr. 15, 2013)

As kt allowed other carriers to use the existing steel towers and microwave equipment (wireless transmission pathway) installed on Dokdo Island, LTE services, provided by Korea's three largest telecommunication carriers, became available in the nation's easternmost territory. This means that LTE services can be accessed by 40 residents as well as 210,000 tourists who visit this island each year. The LTE coverage established on Dokdo is more than 30km wide to allow for uninterrupted LTE services along the sea route from Dokdo and the nearby Ulleundo Island.



Dokdo Seen from the Above



Twice-as-Fast LTE Services over Seas (Nov. 25, 2013)

It is commonly believed that it is challenging to secure quality telecommunications services on passenger ships due to the need for vast coverage over the boundless ocean and the instable conditions where frequency interruptions are hard to predict. Yet, kt deployed LTE base stations and dedicated seaborne antennas on passenger ships that regularly travel a total of seven routes which link Jeju Island and inland areas with (Mokpo/Haenam/Wando/Goheung/Busan/Incheon). These efforts improve the speed of LTE services by more than 60% against the initial speed. In so doing, high-quality LTE services became available for local residents and tourists who travel between inland areas and Jeju.

Securing the Quality of LTE Services on Five West Sea Islands (Baekryeong Island) to the Level of That in Urban Areas

Normally, wireless communication at sea is vulnerable to climate conditions, such as strong wind or torrential rain. While general solutions to this challenge are to build undersea cables, the stable construction and operation of undersea cables was difficult in the case of the five West Sea islands, as these islands are far from land and the inhabitants of these islands fish a lot. As such, microwave equipment was adopted, but older versions of such equipment were prone to frequent communication interruptions whenever weather conditions worsened. This prompted kt to introduce a new type of microwave equipment in December 2013 to respond to changing weather conditions. This led to a dramatic drop in the probability of LTE service failures in those five islands and more than doubled the LTE downloading speed (40Mbps → 80Mbps). Today, kt offers high-quality LTE services to our customers and members of the Marine Corps along the five West Sea islands.

Building an All-IP Network

In line with the launching of wearable devices, such as smartwatches and Google glass—as well as the continued growth of IP terminals such as smartphones and smartpads—kt decided to shift from the TDM-based legacy network to a broadband All-IP network and is advancing its network infrastructure accordingly.

Network Transformation: Shift the Legacy Structure into an IP/Optic-based Structure

As of the end of 2013, 63% of kt's network became IP-based and our network will be fully All-IP based by 2017 through the sustained advancement of network infrastructure. Furthermore, copper cable-based PSTN facilities (limited to 4km coverage) will be replaced with optical fiber-based facilities, while operational costs are being optimized through the integration of wired/wireless base stations. In 2013, 460,000 IP-based BcN lines were deployed and fully IP-based signaling networks that connect PSTN facilities were completed.

TDM-centered legacy transmission networks were also equipped with the latest technology—such as ROADM and PTN—which is more suitable for high capacity IP transmission. In 2013, the IP coverage among Korea's five largest cities was fully established and toll networks are gradually making the same transition. To centralize optically-based facilities and demolish/optimize copper-based facilities, we have been optimizing wired/wireless-integrated base stations since 2010. In 2013, five such stations were optimized and the Mokdong and Youngdeungpo stations were fully optimized. In June 2014, this optimization project will be completed at base stations in Seomyeon, Ulji and Gyeongjoongang.

Introducing Software-based Network Innovation Technology

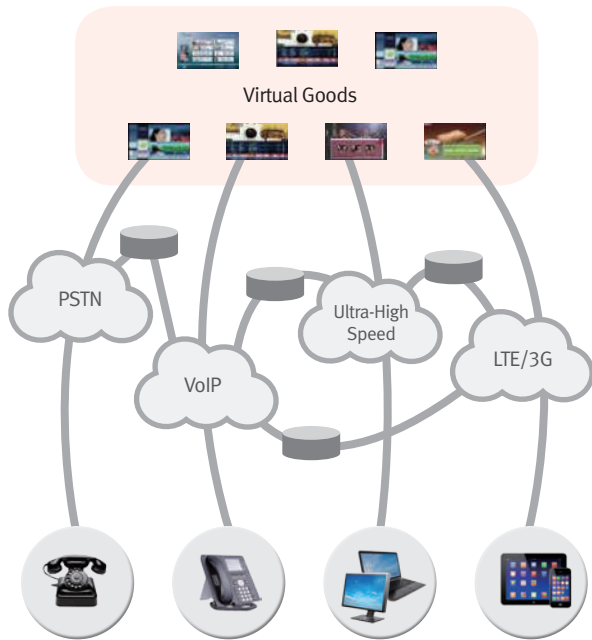
We are preparing to introduce a cloud-based network infrastructure, so as to flexibly process the explosion of traffic through software solutions and to make a cost-efficient investment. To this end, R&D efforts are underway to develop next-generation technology (SDN/NFV). Furthermore, we are designing and developing a cloud-based infrastructure for IMS infrastructure that provides VoLTE and SolP services.

Deploying Ultra-High Speed Wideband Internet Network for Information Deficient Areas

kt has been building ultra-high speed wideband internet networks in agricultural and fishing areas (with less than 50 households) since 2010 through the use of its nation-wide 610,000 km-long wideband infrastructure. It has also been launching a pilot project to build ultra-high speed wideband internet networks in island areas (Jeju and Gangwha) through the use of TV White Space (TVWS). In so doing, we are taking the lead in narrowing the digital divide, in conjunction with the Korean government. Between 2010 and 2013, we completed such internet networks in small (less than 50 households) agricultural and fishing villages (7,210 villages). In 2014, this project will target 1,266 villages, including those in island areas.

Following the deployment of the ultra-high speed wideband internet network, our IT Supporters offer internet training to contribute to the balanced urban-rural development and the informatization of these rural areas.

Silo Structure

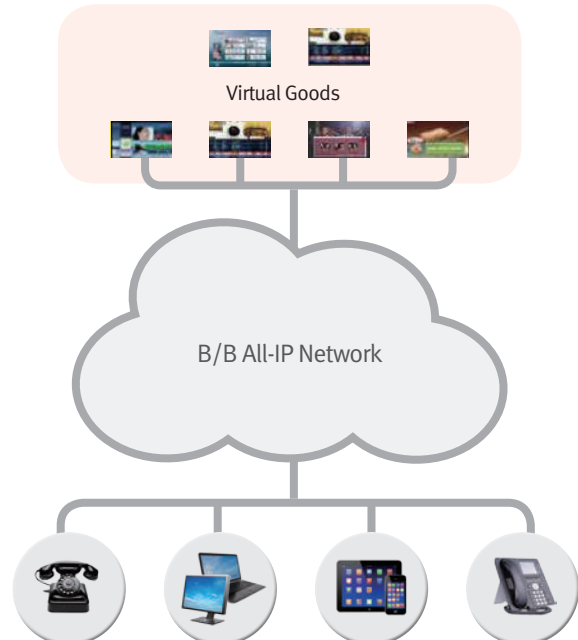


Network interworking through G/W

Transit



Hub Structure



Network interworking through integrated ALL-IP

Hub



Improving the Speed of Wireless Broadband through Gigabit WiFi Services

To respond to the evolution of smart devices, we at kt introduced Gigabit WiFi that delivers Gigabit-level speeds over the 5GHz band. Since March 2013, such Gigabit WiFi services have been launched in landmark areas nationwide (Gwanghwamun and Gangnam in Seoul). In December 2013, we completed the deployment of Gigabit WiFi in major regions across the nation. This enables kt to offer free WiFi services that are more than four times the speed of conventional WiFi. Our Gigabit WiFi adopted 802.11ac, an IEEE wireless LAN standard, to deliver up to 1.3Gbps downloading speed over the

wider 80MHz bandwidth. This enabled us to offer high-quality media content and other high-quality services.

Furthermore, our achievement in building more than 200,000 WiFi infrastructure units (including Gigabit WiFi), along with demonstrating WiFi roaming technology at the MWC (Feb. 2013) and MAE (Jun. 2013), were highly recognized and kt was awarded the “Best Next Generation Hotspot (NGH)” award by WBA. This services proved the world-class technology and quality of our olleh WiFi.

Service Stability

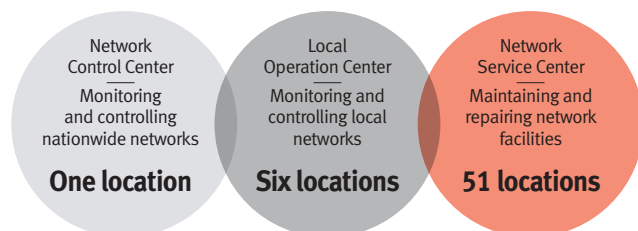
Network Monitoring System

As kt owns both global and domestic telecommunications networks, we operate a network monitoring system in a diverse and systemic way to deliver stable services.

To ensure real-time monitoring and the efficient control of network facilities, Local Operation Centers (six centers in Daegu, Busan, etc.) and one Network Control Center that comprehensively controls nation-wide networks are operated separately to deliver network monitoring functionality around-the-clock. Our 51 wired/wireless Network Service Centers that maintain/repair communication equipment also ensure the stability of our network facility operations.

To prevent network interruptions, we diagnose and improve on vulnerability factors that impact our services concerning internet, exchange, and transmission facilities respectively. When service interruptions occur, we follow pre-determined response processes to share the situation and takes detour communication measures to swiftly restore normal service operations.

To build capability against increasing cyber terror threats by specific groups (DDoS attacks), our Cyber Response Center ensures that our internet networks—that have a direct impact on the convenient life of the general public—are stably operated and that our customers are provided with uninterrupted services.



kt's CEO Examining the Control System of the Network Control Center Located in Gwacheon, Gyeonggi Province (Jan. 30, 2014)

Disaster Recovery Exercises

To prepare for the discontinuation of customer services due to general communication failures or natural/man-made disasters (typhoons, earthquakes), we specifically focus on such high-risk facilities as major core equipment that serves a large number of customers. In addition, we have emergency recovery response manuals for each type of actual interruption situations and we regularly conduct emergency recovery drills to build stronger equipment recovery and DR(disaster recovery) capabilities.

Such endeavors paid off in 2013 when torrential rainfall and Typhoon Danas caused a nationwide communication disaster. kt demonstrated its exceptional crisis handling capabilities by overcoming locally-incurred communication cut-offs through its close cooperation with governmental agencies (Ministry of Science, ICT and Future Planning).



Emergency Recovery Drill Conducted on Aug. 20, 2013 During the Government-Led Emergency Response Exercise Period

Performance

Receiving prestigious awards at the "Mobile World Congress 2013"

- Receiving the 2013 GSMA Chairman's Award for our NFC (near field communication) technology

Receiving the Best Next Generation Wi-Fi Device/Application Award at the "WiFi Industry Awards 2013" by WBA

Korea's 1st to commercialize wideband LTE and No. 1 in wideband LTE coverage

- Becoming the nation's 1st to launch commercial wideband LTE services (Sep. 14, 2013)
- Fully deploying wideband coverage in ground/in-building areas in the Seoul metropolitan region
- Securing the widest wideband LTE service coverage in Korea

New LTE wireless technology and solutions

- kt- Samsung Electronics, developing LTE multicast technology (Feb. 20, 2013)
- Developing wideband LTE home femtocells (Nov. 12, 2013)
- Becoming the world's 1st to deliver TDD-to-FDD LTE roaming and VoLTE calls (Dec. 4, 2013)
- Delivering CA (carrier aggregation) technology that produces speed three times faster than that of LTE (Dec. 17, 2013)

Agricultural/fishing villages with ultra-high speed wideband internet networks deployed: 7,210 villages

ICT CONVERGENCE

Context

There are growing expectations and demands for ICT convergence that create new value across industrial boundaries. kt is extending the scope of such inherent capabilities as an ICT company—into a wide array of services by convergence with health, automobile, energy and other industries. Specifically, kt is playing a leading role in areas where social value is created, such as support for public policy.

Progress

Energy-IT Convergence

Today's energy paradigm is shifting from the supply-centered, centralized power generation into an eco-friendly power generation and efficient energy consumption, primarily spurred by global climate change and increasing energy consumption. This led to our decision to move beyond the conventional high-cost and centralized energy generation to a smart energy era where energy efficiency solutions and decentralized generation allow for convenient and reasonable energy consumption/trade through the energy-ICT convergence. We believe that smart energy generated through the convergence between ICT and energy will position itself as an important element in the local Creative Economy.

As the governmental energy policy is fully supporting the growth of the smart energy market by shifting to demand-driven energy management, expanding distributed power generation and facilitating the distribution of green renewable energy, relevant markets are expected to grow in the upcoming years accordingly.

Thus, we aim to become a market leader in providing energy efficiency solutions for homes and buildings, trading electricity saved through improved efficiency, installing and operating eco-friendly renewable energy facilities (e.g., photovoltaics) and taking advantage of energy big data. In so doing, we will be able to create benefits for the general public and fully contribute to mitigating national power shortages. Furthermore, we expect that smart energy technology will be at the core of the nation's transformation from a net energy importer to an energy technology exporter.

Our involvement in the K-MEG (Korea Micro Energy Grid) project resulted in the development of total energy solutions and relevant capabilities that allow for the convergence-driven management of heat and electricity, which is the first-ever in the world. The Smart Grid Demonstration Project in Jeju also enabled us to develop demonstration capabilities in the general smart energy segment including energy efficiency improvement, demand response, and power trading.

As illustrated in our signing of the MOU with the Korea Electric Power Corporation, we aim to collaborate with domestic and international organizations and focus the capabilities of our affiliates so that we contribute to building a robust competitive edge in smart energy and creating this new market.

We plan to dramatically improve our energy generation, consumption and management systems by facilitating the smart energy segment and to join forces with venture businesses and SMEs with a goal of reducing the total energy consumption by 15% by 2035 to establish a smart energy ecosystem and intensively nurture this industry into a mid-/long-term growth driver.

Supporting the Late-Night Bus Route Policy through Big Data Analyses

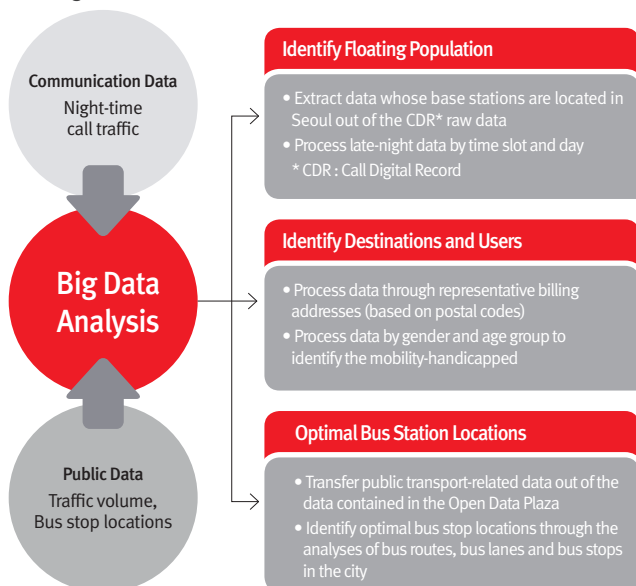
To create new public value through big data convergence, we signed an MOU with the Seoul metropolitan government to support its late-night bus route policy (for seven months) starting from June 2013. This represents a first-of-its-kind application that aligned public and private data, helped finalize actual bus routes and contributed to delivering customized public services.

Route Optimization through the Public-Private Data Alignment

To improve the convenience and daily satisfaction of citizens, through an efficient operation of late-night buses and the use of valuable data for public good, we partnered with Seoul City to add big data analyses to its late-night bus route plans.

Out of the nine late-night bus routes, seven of them except two routes under pilot operations were subject to big data analyses for optimization while data generated through the analyses of floating populations based on CDR and customer information as well as data summarized by time slot, weekday and weekend was provided in selecting existing routes. We also made recommendations to verify and supplement existing bus routes.

Convergence of Communication Data and Traffic Data



On the basis of our analyses of big data, the density of the floating population was analyzed and high-density areas between midnight and 5 a.m. were visualized. This led to verification, supplementation and recommendation of bus routes for a total of four existing routes in five areas. This enabled the city to fine-tune its route plans and it played a pivotal role in ensuring objective policy-making.

The application of big data in planning late-night bus routes was the first-of-its-kind in the public sector and is the target for overseas benchmarking. We vow to offer our full cooperation if big data is required for public projects that are based in locations such as welfare centers for seniors, public libraries, or public childcare facilities.

Improvements After Big Data Implementation

Existing Routes		Modified Routes	
<p>Case No. 1 Konkuk University Entrance Gate Reflecting Administrative Complaints Obtaining evidence for the complaints in order to plan bus routes near the area through the analyses of big data</p>	<p>Case No. 2 Yaksu Station, Beotigogae Station Reflecting Late-Night Traffic Conditions Supplementing the existing bus route by adopting daytime/late-night traffic congestion patterns</p>		
<p>Case No. 3 Nambu Bus Terminal Reflecting Populations in Need of More Busses Supplementing the existing bus route to make stops near the terminal where there is a large floating population as well as brightly-lit streets</p>	<p>Case No. 4 Subway Station Areas Modifying bus routes around subway station areas with large floating populations late at night</p>		

olleh navi

First launched in September 2010, our olleh navi is a representative navigator app with 12 million downloads made so far, including Android mounted handsets. The most distinctive feature of this app is that real-time traffic data is reflected in its route guidance service. Customers subscribing to other carriers can use this app free-of-charge. Its data consumption is approximately 2MB if used between Seoul and Busan, which means that the olleh navi services are fully available within the data consumption limits of most smartphone rate plans. On September 10, 2010, kt became the nation's first to launch 'olleh navi' services for iPhones(iOS). This service provides route search/guidance functionalities in consideration of real-time traffic conditions as an added customer service. In so doing, our customers can access sophisticated smartphone-based navigator services

free-of-charge and without purchasing expensive vehicle-mounted portable application devices. In addition, olleh navi became the first smartphone application in Korea to deliver 'black box recording' and 'Head-Up Display (HUD)' functionalities for customer convenience. In December 2013, route-sharing functionality, based on collective intelligence, was launched to reinforce IT-enabled person-to-person communication. In May 2014, an updated version of olleh navi—which reflects the latest trends and customer needs, and which is more user-friendly due to its improved UI/UX, will be available. By reinforcing basic-level qualities—such as successful destination searching and the ability to accurately predict arrival times, olleh navi will deliver even greater customer satisfaction as the No. 1 smartphone navigation app.



Medical ICT

kt contributes to creating new value in the healthcare sector through the convergence between the healthcare and ICT industry. Our total healthcare services offer solutions relevant to every stage of life and ICT is used to offer healthcare services differentiated for individual health conditions, so as to prevent diseases and deliver care for patients suffering from chronic diseases, anywhere, anytime. Specifically, our next-generation hospital information system will combine such new technology, as cloud technology, and analysis/processing of medial big data to the existing solutions of e-medical charts and medical image storage/transmission, so as to provide further upgraded healthcare services. We expect that in so doing, we can significantly contribute to providing high-quality health care services at more affordable prices to the general public and relieve the financial burden of the national health insurance system. Over the long haul, such a commitment will assist Korea in securing new growth drivers, through the export of advanced healthcare systems.

Performance

First-ever Application of Big Data in the Public Sector: Optimization of Late-Night Bus Routes in Seoul

Outcomes	
	<ul style="list-style-type: none"> • Verified a total of four routes in five areas and improved these routes • Calculated traffic volume to adjust bus interval schedules on weekdays and weekends • Analyzed the density of floating populations to visualize actual high-density areas between midnight and a.m. 5 • This late-night bus route policy was honored with the Presidential Award at the Local Administration Informatization Workshop

olleh navi

Launching a collective intelligence-enabled route-sharing functionality

CUSTOMER SERVICE

Context

kt faces rapidly-shifting trends in the communications market and growing demand from clients for faster and more convenient services. It is critical that we deliver customer satisfaction through wide-ranging products and services—from the distribution of rapid and reliable internet networks and product innovation (smart home phones)—to the expansion of customer benefits and e-billing.

Progress

Offering Smart Services through Commercial Gigabit WiFi

In 2013, kt launched commercial Gigabit WiFi services (olleh WiFi Giga) that deliver Gigabit speeds (up to 1.3Gbps theoretically) in nationwide landmark locations to offer wireless internet connectivity (that is more than three times faster than traditional WiFi) to create an enjoyable user experience. This increased the reliability of Gigabit WiFi services with an even wider coverage on the basis of the world's best optical communication internet environment [580,000 km] and thus, prompted a paradigm shift in wireless broadband.

We also commercialized the ABC(Always Best Connected) solution that automatically selects and connects to the optimal network as well as the GWS(Good WiFi Selector) that automatically connects to high-quality WiFi. In so doing, we offered smart services that enable customers to access free-of-charge WiFi services conveniently, without taking additional action or learning something new. It also assisted customers in cutting down on their telecommunications bill.

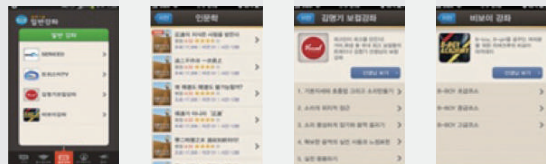
Our olleh WiFi, Korea's largest owner of WiFi APs with 200,000 APs, will expand its Gigabit WiFi services and improve the quality of mobile WiFi services so as to deliver an even more convenient and faster wireless connectivity.

olleh School Premium

Our olleh School Premium plan offers family-friendly smart learning services, optimized for the smartphone environment, to learn from customized content. The content is carefully selected for each student group—from elementary school students, to adults. From key educational content for elementary/middle/high school students, to self-development content for undergraduate students and adults (humanities, language, hobbies), such content is provided through paid lectures (KRW 5,000 per month/VAT paid separately). Once customers sign up for this plan, simultaneous access from up to five devices is allowed to improve their satisfaction with the service. Presently, 8,000 users are paying the fixed monthly rate to use this service and the number of application downloads amounts to a whopping 300,000. We also offer discounted rates for communication services through the partnership forged with diverse credit card companies. To offer even greater substantial benefits to users, we plan to launch aligned services that compensate for exceptional learning outcomes.

Adults

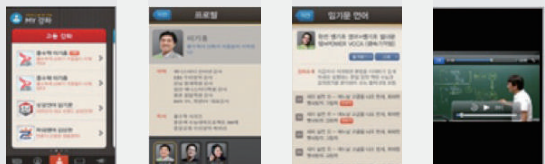
Develop your potential while commuting through lectures on humanities, language skills and hobbies



SERICEO, Twister TV(workplace English), Kim Myeong-Gi Vocal, B-Boy and other premium lectures

Better understanding basic concepts through up-to-date lectures by EBS teachers and representative internet education teachers

High School Students



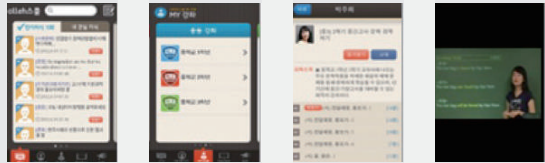
Full-Math by Lee Gi-Hong, Power English by Kim Sang-Heon and other up-to-date lectures by star lecturers

“Family-Friendly Smart Learning”

Available for both Children and Parents

Middle School Students

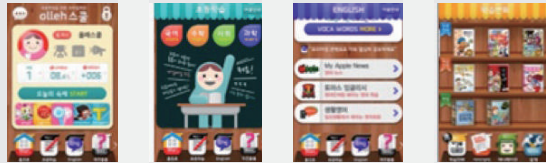
Completely understanding the key content of each subject with EBS teachers and representative internet education teachers



School curriculum courses (Korean language, math, science, social studies) by well-known online lecturers

One click access to top-notch and fun learning content

Elementary School Students



Curriculum courses, English learning, common sense quiz, academic cartoons, new, animations and other 50 types of learning content

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olleh Smart Home Phone HD



The Smart Home Phone HD launched in January 2013 and the Smart Home Phone mini are home phones that enable HD-grade voice and video calls and come with music, TV and other content as basic options. They also offer security solutions such as ‘Home Keeper’ to broaden their usability and value for customers of smart home services.

It was due to such endeavors that our olleh Smart Home Phone HD was honored with the Best Innovation award in the ‘Smart Home (Networking)’ segment of INNO STAR 2013. This award is granted to products that deliver the greatest innovation and customer satisfaction.

Specifically, our Smart Home Phone HD mini (launched in August 2013) was highly regarded by our customers for its affordable rates and charming design. The number of its subscribers surpassed 50,000 in just three months following its debut and positioned itself as a flagship product of our olleh smart home product line-up.

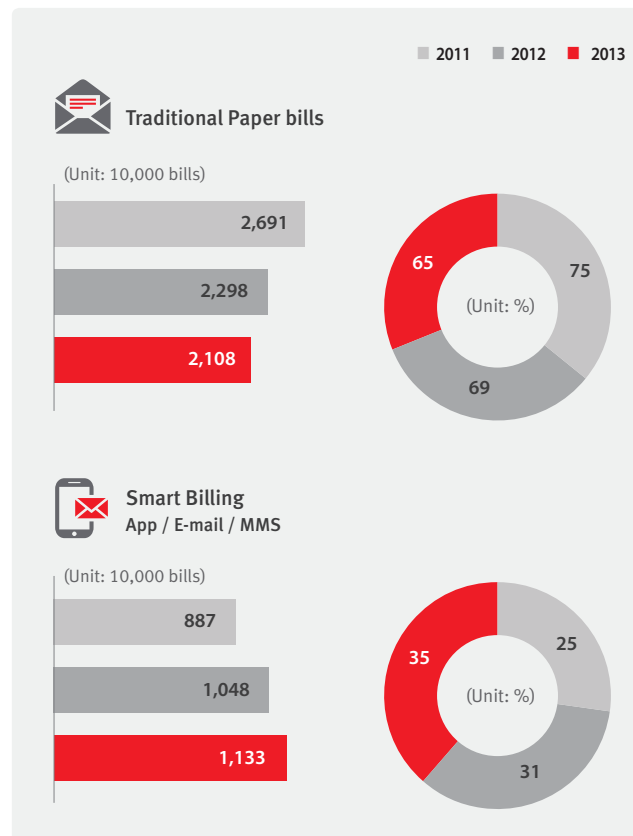
In 2014, we will launch Smart Home Phone HD 3 to offer differentiated services that improve customer value, while laying the groundwork to develop platforms that connect varying devices and services in the home environment. This will help us maintain our lead in the smart home market.

Offering Greater Customer Benefits

In January 2012, we integrated wired and wireless operations in introducing a subscriber rating system to significantly extend the scope of subscriber benefits. These were primarily available for wireless subscribers (mobile, Wibro) to wired subscribers (internet, internet phone, IPTV, smart home phone, home phone) and we further segmented subscriber groups to offer customized services. To cater to diversified customer needs anytime, anywhere, regardless of online/offline channels, 24,000 affiliates were established nationwide. In addition, benefits offered independently or in alignment with group affiliates were expanded to help relieve the burden of communication bills for subscribers. Furthermore, culture/performance, water-park, coupon/experience and premium services were made available to provide even more differentiated experiences and benefits.

Expanding One Billing and e-Billing

To reduce cost from mailing paper bills and contribute to the nationwide agenda of low carbon and green growth, we have expanded the application of e-billing (smart billing app/e-mail/mobile). Our smart billing app was also developed to enable subscribers to check their billing data—whenever and wherever. Our smart billing app introduces the novel concept of One Billing: billing details of diverse wired/wireless services that we offer from mobile phone, 4G WIBRO, home phone to internet, TV, and internet phone can be checked through one single app. Furthermore, customer interviews and surveys allowed us to offer services upgraded from the customer’s perspective. These included such services as UI/UX improvements, the addition of payment functionality and an automated re-billing functionality, so as to deliver more customer-friendly services. We are shifting from the HTML and PDF formats for our e-billing so that customers can check their e-bills on any type of device. To further contribute to cost-savings and support low carbon green growth, promotional efforts to expand e-billing will be continuously undertaken as a CSV initiative.



Performance

Awards and Achievements

- Possessing the nation’s largest network of WiFi Zones (200,000) (as of AP at the end of 2013)
- Receiving the Best Innovation award in the ‘Smart Home (Networking)’ segment of the INNO STAR 2013

CUSTOMER COMMUNICATION

Context

Because kt is a provider of human-oriented products and services that help with person-to-person interactions, it is instrumental that we at kt seamlessly communicate with our customers to ensure their satisfaction and reaffirm service reliability. Thus, we expand communication channels through social media networks, as well as through a customer complaints handling mechanism, to swiftly respond to customer demands.

Progress

olleh SNS

kt is the first in the industry to set up a dedicated social media team. Through wide-ranging channels, this team is able to learn even more about our customers. We created blogs, YouTube, Facebook, Twitter and Google+ accounts, and also established a presence on the Kakao Story* app in 2013, to proactively communicate with customers in the PR, marketing and customer satisfaction fields.

Mobile-centered social content—offered through social media networks, have become an essential part of our marketing portfolio. We strive to take a full advantage of social media in launching PR and marketing initiatives as evidenced in ‘Dad, Are We Going to Go to the Wilds?’, the LTE Warp coverage PR campaign launched in 2013 and in our ‘Our Wideband Story’. We also use Twitter as a communication channel for customer satisfaction: we receive an average of 1,000 customer inquiries a day. In so doing, our commitment to greater customer satisfaction continues around-the-clock, uninterrupted—even on holidays and late at night.

Our ‘Mobile Futurists’ group, which consists of undergraduate prosumers (prosumer = producer + consumer) assists us in reflecting customer feedback in designing our products and services. They also serve as product/service verifiers and panel group members to help verify newly-launched products and services and to identify necessary improvements. This helps us plan and launch operations that cater to specific customer needs.

As such, we at kt continue to build closer ties with customers—through content and communication—that meet the requirements of mobile, real-time data dissemination.

* Kakao Story is an Instagram-like, photo-sharing application used extensively in Korea.

Customer Fraud Protection Center

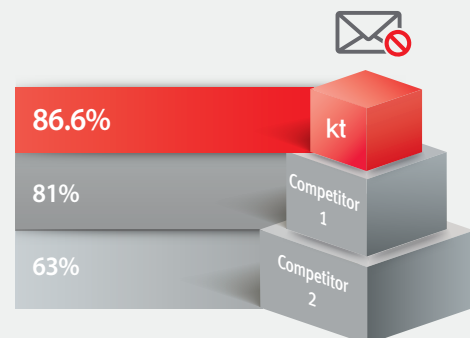
To handle customer complaints concerning micropayment fraud and MMS suspected of being spam, we established a VOC reception and handling system to deal with micropayment issues through a special skilled staff. Our nationwide customer centers employ 95 operational employees for this system and our staff was assigned to handle complaints submitted through a separate dedicated number (080-949494) so as to deal with sensitive smishing operations. This led to an improvement in resolving customer complaints related to micropayments, which resulted in a monthly average of 8,000 (daily average of 350) complaints.

We also take a fundamental approach in blocking spam text-messages by rooting out malicious illegal spammers. We established a professional anti-spam team at our customer centers and this team was granted a centralized authority to oversee anti-spam operations. This enabled us to withdraw the

right to be exempted from the ban on sending more than 500 text messages per day from 34,551 subscribers. It also helped us fundamentally block attempts made by subscribers to expediently use the unlimited call/data plans. The creation of spammer-use stop codes also allowed us to control the intensity and index of anti-spam services as a way to fundamentally eliminate illegal spamming. Such efforts helped us dramatically reduce the number of reports made to our olleh anti-spam service channel by 97%, from a daily average of 90,000 to 2,000.

Performance

Spammer Blocking Rate in Q4 2013



STRENGTHENING IT SECURITY AND PROTECTION

Context

kt implements its data privacy policy, pursuant to the Act on Promoting the Use of Personal Information Technology Network and Personal Information Protection as the Privacy Act, while offering relevant training to all its employees and expanding such training to its suppliers. By fully utilizing these technical and managerial security measures, we at kt are doing our utmost to further tighten IT security. We also offer services to prevent customer exposure to harmful online content and create a more wholesome internet environment.

Progress

Client Information Management and Implementing Training

To raise awareness of information protection, all kt employees sign the Pledge of Data Privacy each year and receive online training. In 2013, 97% of our employees completed this training and those who have yet to complete it, can do so by June of this year. Our e-mail and office e-bulletin boards also help build a more robust employee awareness of customer data privacy. Our branches and suppliers are subject to data privacy reviews and we directly visit suppliers to offer on-site training. As such, we are engaged in varying and effective sustained initiatives to spread the data privacy mindset. Furthermore, we help other group affiliates improve their level of data privacy practices through consulting support and system security diagnoses.

Technological Capability for Data Privacy

To safely manage and protect the personal information of our customers, we installed firewalls, intrusion detection and access control systems to prevent unauthorized individuals from illegally accessing our systems while using safe encryption in storing or transmitting personal information. We also use DRM(Digital Right Management) and DLP(Data Loss Prevention) solutions to prevent any leaks of personal information, regularly inspect and improve on vulnerabilities, and conduct mock exercises to respond to possible data privacy infringements in conjunction with related government agencies. These are just some of the many technical and managerial protection measures that we undertake to protect data privacy.

As most security breaches are caused by hacker attacks and substandard management practices, we make it mandatory to implement security review procedures prior to launching services. Our digital forensic analysis unit that consists of security experts is responsible for preventing data leaks and offering year-round analytical technical support.

In 2013, the scope of our DB access control system was extended to further tighten the control over access to customer information storage systems. Operational and internet networks of PCs used by employees who handle personal information were also separated to prevent any intrusion pathways from the outside. This allowed us to upgrade our security measures to prevent personal data leaks through these employee PCs. Furthermore, to create a 'clean internet' environment, we are now using IPIN or mobile authentication to replace resident registration numbers that had been collected online for authentication purposes. In addition, we are working to destroy such confidential data that has been already collected and stored.

Information System Security and Data Privacy Management System Evaluation

We develop and execute measures to protect information communication infrastructure facilities pursuant to the Korean law, while ensuring data privacy through company-wide diagnoses of data privacy practices.

In 2013, our ISP(Internet Service Provider), IDC and information communication services were certified by the ISMS (Information Security Management System) program that is officially recognized by the Korean government. In 2013, stepped up our security to maintain the ISMS certification and to obtain the highest grade in 'information security management'.

Information Security Services (olleh Anti-Smishing App)

We protect our customers from smishing attacks and prevent data breach from lost smartphones through diverse information security services. If any apps that contain malicious codes or may function as such codes are installed on user's smartphones, our olleh anti-smishing app alerts users so that these apps are deleted and illegal micropayments through smartphones are prevented. In addition, our olleh Phone Finder application was designed to help those who lost their smartphones by preventing personal data leaks and allowing data back-up. In addition, we inform our clients of whether and how their customer information has been checked and used.

Creating a Safer User Environment

- **e-Clean Initiative** : The wide-ranging services that we offer are designed to filter harmful content out of the sea of information and to deliver a better internet environment. Our 'Clean-I' (that blocks malicious websites and obscene content related to pornography, suicide, violence, gambling and phishing) and 'TIME CODI' (smartphone app that allows customers to remotely control and monitor the internet use time on their home PCs), have been used by 230,000 subscribers as of February 2013 since they were launched in 2002. We also partner with the Korea Communications Standards Commission (KOCSA) to fundamentally blocks indirect access to harmful websites by blocking malicious overseas websites on the internet network. Our online content rating, monitoring and age verification programs are also under continuous operation.

- **Cleaner Portal Sites** : kth, one of our subsidiaries, blocks malicious postings through its self-cleaning functionality that enables users to independently and continuously monitor and block postings. In addition, it is mandatory that users verify their age with a personal ID number when using websites that contain adult content. UCC and other interactive services are monitored through an artificial intelligence program and an IP address blocking system. We also take action to stop service delivery when violations are detected. This helps us crack down on harmful postings and provide an even cleaner internet environment. Our Reporting Center and the Hotline also assist in eliminating obscene or illegally-circulated content and we share relevant information with numerous external organizations to fulfill our role in creating an enjoyable internet environment.

Performance

Obtaining the Information Security Management System(ISMS) Certification Officially Recognized by the Korean Government

Certified Areas: ISP(Internet Service Provider), IDC, information communication services

Employees Who Completed Online Information Security Training	Year	Percentage (Unit: %)
	2011	91
	2012	93
	2013	97



HUMAN RESOURCE



HR Office | On-Nu-Ri Yi / Yu-Hwa Kim / Eun-Young Jang

HUMAN RESOURCE

Talent Management Great Work Place



Vision and Strategic Direction

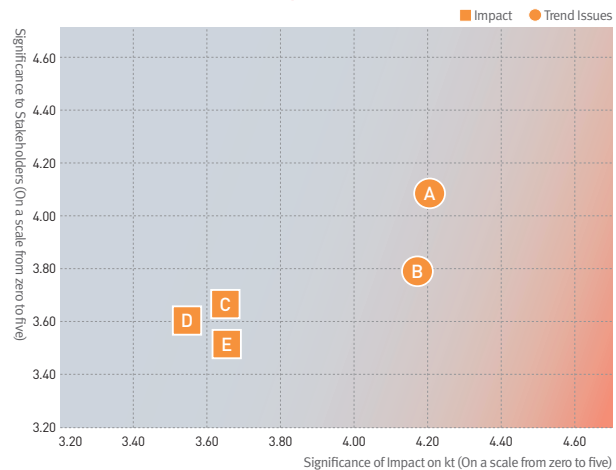
Our employees are at the center of kt's growth; they represent the future of kt. It is with the belief that a stronger competitive edge only comes from talented individuals that we operate fair HR systems and HR development programs that motivate our employees to reach their potential (recruitment process, job assignment, and training programs). Furthermore, we build a corporate culture of mutual cooperation and trust to allow for communication and collaboration among all employees, united as one, from the top management to working-level staff.

Major Achievements in 2013

New Recruits	1,103 employees
Employee Remuneration (Including Welfare and Benefits)	KRW 2,524 billion
Capacity-Building Training Hours	66 hours per employee
Satisfaction with the Online Grievance Handling Center	4.74 point
Employee Satisfaction (Trust Index)*	75%

* Survey Organization: GWP Korea (Employee satisfaction of Korea's top 100 companies: 74%)

Results of the Materiality Test



Impact & Trend Issues

- A Growing importance of talent recruitment
- B Increasing demand for employee welfare and rights
- C Employment
- D Non-discrimination
- E Occupational health & safety

Talent Management

- Talent recruitment and retention
- Fair HR systems
- Employee capacity-building
- Work-life balance
- Open culture
- Employee health & safety

TALENT RECRUITMENT AND RETENTION

Context

Due to rapidly-changing market conditions such as globalization, technological evolution, diversified customer needs and the rapid transformation to an information-based society, it is essential that companies secure talented individuals who possess both expertise and enthusiasm. Therefore, kt is fully committed to hiring competent individuals as a driver behind its growth, development and management of human resources, in accordance with its business strategy.

Progress

Employees

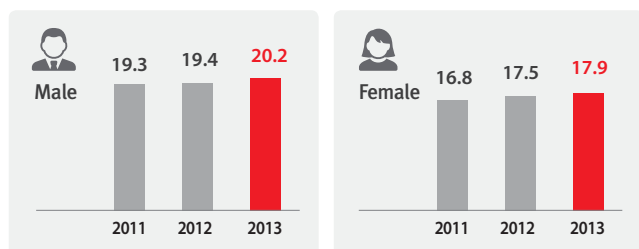
The diversity of employees is a crucial pillar in business conduct. During 2013, 4,992 of our 31,592 employees were female and they accounted for 15.8% of the total workforce. We hire part-time employees in consideration of job characteristics and they represent 0.8% of our total workforce in 2013 (excluding senior managers and professional, experienced part-timers). In accordance with relevant regulations, kt ensures fair workforce conditions to all employees, whether they are full-time or part-time.

(Unit: No. of persons)

Category	Male			Female		
	2011	2012	2013	2011	2012	2013
Full-time	26,401	26,579	26,599	4,660	4,757	4,993
Part-time	455	417	413	289	263	219
Others	170	165	213	6	5	14
Total	27,026	27,161	27,225	4,955	5,025	5,226

Average Years of Service

(Unit: No. of years)



Employee Remuneration

All kt employees are compensated fairly (regardless of gender), in accordance with their position, years of service and relevant regulations. New recruits receive wages that are 184% of the legal minimum wage.

(Unit: KRW 100 million)

Category	2011	2012	2013
Wage	18,695	19,603	19,796
Retirement Pay*	1,984	1,825	2,010
Welfare Benefits	3,122	3,383	3,718
Total	23,801	24,811	25,524

* kt offers both DB (defined benefit) and DC (defined contribution) plans

Talent Recruitment

• **Recruiting the Right People** To fulfill our social responsibility in 'creating jobs,' kt has continued to increase recruitment each year. We also take diverse recruitment approaches to hire the right people and strive to

disseminate competency-based recruitment practices. Specifically, English/Major/GPA requirements were completely eliminated as mandatory recruitment qualifications. Meanwhile our 'expert recruitment' program, designed to hire sales and SW professionals with job-related skills and qualifications, was expanded as a way to shift our recruitment from focusing on academic backgrounds or impressive-looking resumes to practical business related experience. Our 'kt Star Audition' evaluates applicants on their talent and enthusiasm in lieu of traditional paper-based examinations or self-introduction resumes. In so doing, kt widens its pool of new recruits to encompass a far more diverse cross-section of applicants.

Not only do we hire talented high school graduates as a way to create a performance-based society, we also continue to increase the number of locally-hired employees. Furthermore, our kt Sponsorship is a unique work study opportunity that helps talented individuals focus on their studies, while aligning them for future employment with our global and new growth operations.

kt's wide-ranging internship programs are renowned for offering both practical work experience and possible employment opportunities to undergraduate future job seekers. These programs include the summer internship (nearly 80 interns/year) for domestic undergraduate students, kt R&D internship (nearly 20 interns/year) which offers science and engineering majors credit through industry-academic partnerships, the international student internship (nearly 10 interns/year) for foreign students studying in Korea, and the global internship (nearly 20 interns/year) for international Korean students. These internship programs deliver mutual benefits: they enable kt to access competent talent early on, while offering interns real-world experience and employment opportunities.

Recruitment by Segment

Category	2011	2012	2013
Newly-hired graduates	309	533	286
New hires with previous work experience	231	291	204
Customer service positions	291	317	490
Interns	227	182	123
Total	1,058	1,323	1,103

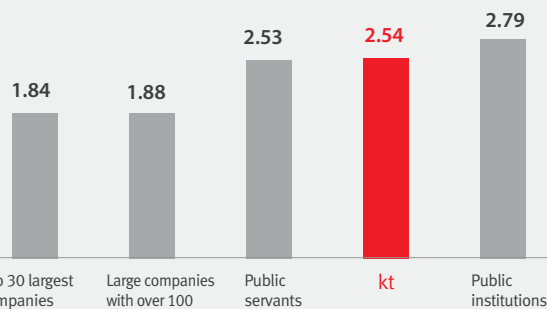
Social Conditions	
	Increase of corporate responsibility to create jobs for young people
	Growing awareness of competency-based recruitment – high school graduates, women and local talent
	Shortage of IT workforce, War for key talent

Recruitment Strategy	
	Increase recruitment to strengthen social responsibility and secure long-term growth drivers
	Increase recruitment of professional talent as well as job-specific recruitment through open recruitment
	Hire talented individuals to lead global/ICT operations

• **Commitment to Hiring the Disabled** As a way to deliver work-based welfare, kt strives to exceed the legally-mandated quota for disabled employees (2.5%, as of 2013) each year. In 2013, we hired 809 disabled employees, comprising 2.51% of the total workforce. Our support for these challenged individuals extends from recruitment to work; from promotion to overall general HR guidance. As a company that believes in the growth and dignity of each individual, kt has zero-tolerance for any sort of discrimination that unfairly restricts disabled individuals. As a result, a whopping 9.3% of the total workforce is comprised of disabled employees filling the positions of team managers or above. kt is an equal opportunity company that creates a corporate culture where diversity is both appreciated and respected.

Category	2011	2012	2013
No. of disabled employees	803 (2.52%)	824 (2.54%)	809 (2.51%)

Recruitment Ratio of the Disabled in Korea in 2012



(Source: Ministry of Employment and Labor)

Respect for Employee Rights

kt prohibits discrimination against its employees on the grounds of personal or academic connections, gender, religion, physical hardship or for any other reason deemed irrelevant to the fulfillment of employment duties. Since 2010, we have maintained our high school graduate qualification criteria for customer service positions. Instead of barring such individuals from employment because they lack a college diploma, we offer them a chance to flourish. Furthermore, we abide by the gender equality principle and undertake initiatives for work-life balance and equal opportunity, while offering institutionalized support to protect our employees who are young mothers. We are in full compliance with human rights regulations. Pregnant employees are banned from working overtime and offered reduced workloads, while 90-day pre/postnatal leave and one-day non-paid menstruation leaves are also available.

Ratio of Female Employees by Position

(Unit: %)

Category	2011	2012	2013
Working-level staff	15.57%	15.05%	15.7%
Managers*	3.34%	4.74%	5.7%

* Managers: Executives, senior managers, team leaders and above

Reinstatement following Childcare Leave

(Unit: No. of persons, %)

Category	Gender	2011	2012	2013
Employees who took childcare leave	Male	23	26	28
	Female	125	130	164
Reinstatement following childcare leave	Male	96%	92%	93%
	Female	93%	97%	99%
Employment for more than 12 months after reinstatement	Male	87%	81%	86%
	Female	89%	97%	99%

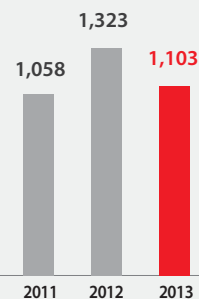
Employee Turnover

(Unit: %)

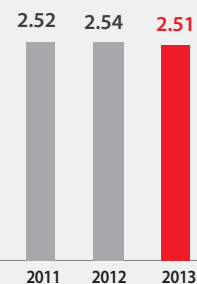
Category	2011	2012	2013
Male	0.62	0.24	0.28
Female	0.12	0.06	0.33
Total	0.73	0.3	0.32

Performance

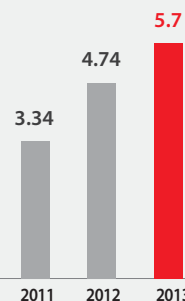
New recruits (No. of persons)



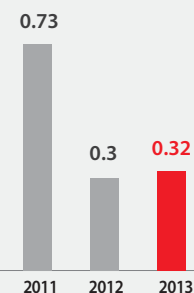
Disabled employees (%)



Female managers (%)



Turnover (%)



FAIR HR POLICY

Context

Fully engaging employees in the development of an organization requires fair and effective HR management practices. At kt, our HR systems are designed to quickly adapt to rapidly shifting labor conditions and take the importance of job responsibilities, as well as the qualifications and performance factors. In so doing, we continue to search for ways to encourage individual employees to reach their full potential, while balancing the mutual growth of both the company and its employee.

Progress

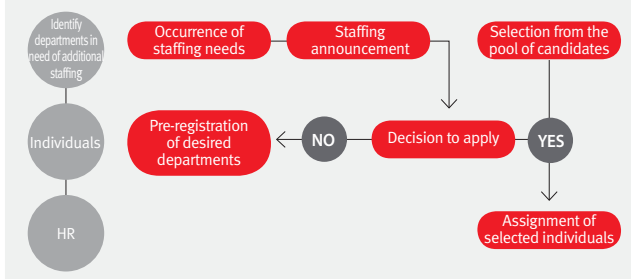
Job Assignment based on Market Mechanism

Our TM (Talent Market) program, an IT-based open HR system, was launched in 2009 to allow employees to choose their own assignment and voluntarily begin work. Through IT systems, the TM program discloses assignment information that ranges from staffing plans to the current status and necessary job qualifications. This improves the transparency of workforce supply and demand and enables us to promptly assign the right people to the appropriate position. Specifically, the 'expertise-based TM program' was launched in 2013 as an upgraded version of the existing TM program to encourage employees to fine-tune their capabilities and manage their own career development.

Job-based TM Program

This program allows employees to transfer to different departments based on their current job category as a way to assist them in building deeper expertise. While employees are relocated within the same job category, they may be assigned to similar/related job categories in consideration of job relevance and this helps promote CDP (Career Development Program)-based career management.

Talent Market Program Process



Fair Evaluation

HR evaluations are based on separate performance and capability KPIs and the results serve as backdata for HR decisions concerning salary raises, promotions and rewards. Evaluation criteria and procedures are transparently disclosed through appointed internal systems. Included in the undertaken initiatives to improve fairness are evaluator training and consultations, along with an evaluation outcome objection system, and evaluation fairness monitoring. As a result, the adoption of evaluation outcomes among employees increased and objections related to these outcomes dropped by 32% (20 objections) from the previous year.

HR Evaluation Procedures

1. Conduct mandatory interviews with evaluates in setting job goals
2. Offer weekly feedback year-round and conduct half-yearly evaluations regularly on the basis of the set job goals and achievements
3. Adjust evaluation outcomes through the objection system and the Review Committee

Reward Policy/ Top-Down Compliment Encouragement

kt's "Top-Down Compliments" aims to compliment and encourage employees for their exceptional performance. We created the "Team Leader Commendation" to offer immediate rewards without procedural or formal restrictions. To recognize employee achievements on the spot and year-round, there was a fourfold increase of rewards. These commendations are directly awarded by team leaders and the recipients' family members are invited to the awarding ceremony so as to instill pride and develop loyalty to the company. Furthermore, employees having more than 20~30 years of work experience with kt are awarded with the plaque of appreciation and a special bonus pay. These commendations are offered directly by team leaders with the employee's colleagues in attendance to show respect and appreciation for their long-standing dedication. In the reward section on the corporate website, we disclose the detailed achievements of those honored with the CEO Citation or the KT Award. This not only serves to improve transparency in regards to the awards, but also encourages employees to become more interested and engaged in such programs.

Employee Merit Program to Motivate Long-Term Performance

In 2010, following the abolishment of the short-term performance-driven promotion system, kt launched the Employee Merit Program to effectively motivate employees, boost their morale and improve their long-term performance focus. This fast-track promotion program was designed to translate individual performance, capabilities and internal/external activities into annually awarded merit points. This program leveled the playing field in that those who reached a pre-determined point level could be promoted regardless of their age or years of service. This program enables greater focus on individual achievements in evaluating employee performance. Furthermore, it adds capability, expertise, organizational contributions, and collaboration to the evaluation criteria to establish fair performance evaluation practices.

HR Policy	Details
Market mechanism-based job assignment	<ul style="list-style-type: none"> • The Talent Market program based on a market competition mechanism • Transparent supply/demand of workforce • Prompt assignment of human resources-placing the right people in the right positions
Fair performance evaluation	<ul style="list-style-type: none"> • Transparent disclosure of evaluation criteria, procedures and outcomes • Evaluator education, evaluator consultation, evaluation outcome objection system • Monitoring the fairness of evaluation
Expanded rewards/ Top-Town Compliments	<ul style="list-style-type: none"> • Fourfold rewards increase facilitate year-round rewards • "Team Leader Commendation" was newly created to immediately reward exceptional performance
Employee Merit Program to motivate long-term performance	<ul style="list-style-type: none"> • Short-term performance-driven promotion system was abolished • Graded merit points are awarded each year in accordance with individual performance • Promotional opportunities are awarded if merit points reach pre-determined levels

Performance

Objections Raised against Evaluation Outcomes

Category	2010	2011	2012	2013
No. of objections	112	96	63	43

EMPLOYEE DEVELOPMENT

Context

kt's growth is dependent on the growth of employees. kt offers diverse training and capability development programs to set the right conditions for employees to reach their potential and satisfy their intellectual needs.

Progress

Creation of a Stronger Pool of Leader Candidates

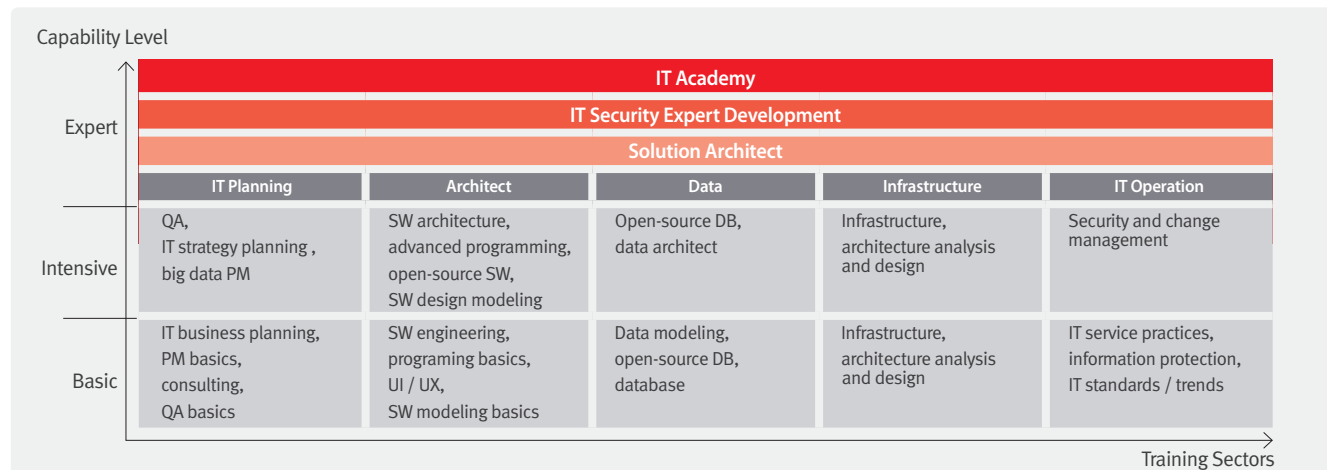
kt's leadership education is structured into three categories: new hire training, general training and development training. Specifically in 2013, the Executive Leadership Program was created for executive candidates to learn the key capabilities required of executives, understand business strategies and develop strategy execution capabilities. The program, executes its curriculum through the discussion and presentation of current and major issues that kt is currently contending with. In addition, the existing team leader/field director education system was realigned to reinforce the promotion system that consists of: selection of candidates – incubating/verification – assignment to higher positions. In 2014, such leadership education initiatives will be extended to cover senior managers (Senior Executive Leadership Academy) and aligned closely with HR decision-making to strengthen our leadership development system.



Sustained Development of ICT Capabilities

Our IT capability training was fully launched in 2012 to build a sustained competitive edge as an ICT company. In 2013, an IT capability development roadmap was created on the basis of the objective evaluation of our current IT capabilities, while customized training was offered systematically through 61 training courses. This year, our IT training system will be optimized to place greater focus on essential business capabilities and offer intensive training for selected employees. In addition, heterogeneous convergence IT and security expert training will be the special focus of this year's training initiatives.

IT Training System



Strengthened Global Business Capabilities

It was through the global capability training program in 2012 that we set up a global talent pool database and our role/capability-based talent promotion system, to offer a total of 26 customized training courses in 2013. These courses pinpointed specific areas so as to perfect a vast array of specialized operations. For example, the global training requirements of respective departments were fully integrated to offer more intensive specialized training for employees either traveling to overseas exhibitions or globally-competitive talent already engaged in network operations. In 2014, we will offer capability level-based training that ranges anywhere from communication skills, to professional business operations. 'Virtuous cycle' training will also be on the roster to offer pre-placement intensive training to top-performers as a way to create a pool of talented individuals with global business credentials.



Compulsory and Strategic Job Training

To assist employees in business/support operation departments in building stronger practical capabilities, kt will expand training programs for qualifications commonly required in wide-ranging job categories. Such training aims to develop business tool analyses, augment planning and reporting skills and provides general working-level and practical capabilities for actual business conduct. In addition, distribution and sales/marketing planning and other core job qualifications will be intensively developed in accordance with kt's business model and strategic directions.

Increased Effectiveness of Training Programs

- Customized Training** kt employs a variety of methods for increasing the effectiveness of its training programs. Customized training was reinforced in consideration of department/individual-specific job characteristics and levels. The individual proficiency of senior managers and advanced executives was evaluated, and for any areas in need of improvement, customized training is prescribed to bring them up to speed. In addition, the needs expressed of the trainee departments are fully reflected in the process—from the curriculum planning stage to the customized course content and methods. To ensure greater content assimilation, trainees are screened so they can be placed in the appropriate level-specific group. In so doing, our training programs are thoroughly differentiated based on the level and characteristics of the respective departments and individuals.

- Feedback of Results** Upon completion, both trainees and their managers are provided with outcome reports that summarize training purposes/evaluation outcomes, along with an assessment of the trainee's attitude. This aims to encourage trainees to fully engage themselves in training and strengthen the responsibility and coaching role of their managers for developing the expertise of their employees.

- Closer Alignment of Training and Business Outcomes** One of the most important objectives of our training programs is to improve employee performance. We use actual real-life company issues and present them as challenges for our trainees to address. Such an approach calls for a greater focus on problem solving, and consequently, generates diverse best practices throughout the process. Ultimately, this kind of training generates substantial benefits in improving our business outcomes.

- Increasing Sales through e-Learning Training** We offer annual e-learning training. In 2013, we provided e-learning to 60,363 employees and we aim to do the same for 60,000 employees in 2014. In addition, we are applying our e-learning educational platform to our e-learning operations to further increase our sales. Specifically, kt group affiliates posted KRW 7.81 billion in sales in 2013 through their e-learning operations. In 2014, our goal is to increase this number to KRW 13.2 billion.



Employee Training

Major Talent Development Strategy and Plan in 2014

Recover Our Leading DNA and Build a Stronger Competitive Edge

Our plan for 2014 is to unite our entire workforce towards the two-tiered but single goal of "recovering our corps d'elite corporate DNA, and strengthening our competitive edge through training". To this end, we will not only offer intensive training designed to innovative one's mindset, but also training fully aligned with field operations and business outcomes. Such training will help manager-level employees recognize the importance of a committed and innovative attitude in overcoming crises and hopefully share this awareness with their junior employees. Meanwhile, working-level employees will receive training designed to boost confidence and instill the customer-first principle and other basic values and principles into the fabric of their daily work life. In addition, we will boost the fostering of field experts to reinforce the sales and technology capabilities essential to positioning kt as an industry leader. Meanwhile, we will help loyal and experienced employees become in-house lecturers so that they can use their expertise to deliver an even greater array of practical training courses.

Performance

Employee Training Hours and Expenses

Category	2011		2012		2013	
	No. of Courses	No. of Trainees	No. of Courses	No. of Trainees	No. of Courses	No. of Trainees
Group Training	623	45,489	804	59,023	857	51,978
e-learning	165	86,010	121	100,159	187	60,363
Training per Employee (No. of hours)		94		91		66
Training Expenses per Employee (KRW 1,000)		690		713		710



New Recruit Training

WORK-LIFE BALANCE

Context

When individual employees strike the ideal balance between work and life, this not only leads to a greater contentment in their lives but also greater productivity gains for the company. kt creates a work environment that engages employees in far more than just a job. kt is a place where individual employees can once again discover a sense of ownership, creativity and enthusiasm in their work. That is why kt integrates a fun culture into to our operational tasks and deliver a sustainable Great Work Place.

Progress

Smart Working (telecommuting or telework)

Smart Working

Definition

kt's IT-based innovative work (flexibility) arrangement that enables employees to work from home, the Smart Working Center or from any other location of their choice.

Benefits

- Reduce 370,000 km/month in commuting distance and 1.09 million minutes/month in commuting time

Savings in social congestion cost as well as 144tCO₂/year in reduced carbon emissions

- Offer real benefits to female workforce concerned about child care and career discontinuation

Direct/indirect economic value worth KRW 3.75 million is created according to research outcomes

The Smart Working(telecommuting or telework) designed to 'innovate the way we work and strike a work-life balance', has become an instrumental pillar of kt's corporate culture since its inception in April 2011 three years ago. Presently, we offer a 'Telecommuting Scheme' that allows employees to work from their homes and also an office in the vicinity of their home or from any other location of their choice, while 'Flexible Working Hours' allows employees to choose their own commuting and work time schedules. Our Smart Working is positively changing the way we work: employees are given more flexibility in their work and in their lives. It opens doors for employees to increase their work initiative, feel more creative, improve performance quality and become fully engaged in the task at hand. A survey of new hires also found that this program served as an important factor in recruiting talented individuals. Some 45% of the surveyed new hires responded "The Smart Working impacted my decision to join kt" and the economic value of this program is evaluated to be KRW 2.4 million/year on average.



Smart Working Center (Shared Office Space Designated by kt)

Self-Development Programs

Refresh Leave

kt allows high-performing, long-tenured employees to take a leave of absence as a way to optimize their effectiveness and refresh their mind. This program is offered bi-annually in February and August and beneficiaries are selected through a screening process devoid of separate recommendation procedures. 200~250 beneficiaries are selected at a time and approximately 1,000 employees will have been selected by 2014. Through this opportunity, employees are given time to develop their skills, take trips or learn a foreign language.

Outplacement Support

The 'kt Life Plan' aims to assist employees in adapting to life after retirement. Our 'Change Management Program' for current employees consists of value enhancement courses, vocational development courses, start-up capability enhancement courses and career development & management courses. In 2013, a total of 1,404 employees took such courses to help them choose and chart out their futures. Meanwhile our 'Professional Training Program' for retirees supports the successful outplacement of these individuals based on their work credentials and experience and includes such customized courses that concern qualifications, start-up experiences & road shows, job exhibitions, and outplacement support.

Start-up Support Leave

kt became Korea's first company to establish a start-up support leave program through the labor-management agreement back in 2009. This program was designed to enable soon-to-retire employees (due to retirement age or personal reasons), to start up their own business while still employed and seamlessly shift their careers. Long-tenured employees slated for retirement are eligible for this program and may take an up to three-and-a-half-year leave of absence upon being selected through the screening process. A determined level of pay is also available and this assists these soon-to-be retirees in developing their capabilities and taking on new challenges.

Welfare and Benefits

Optional Benefits Package

Our optional benefits package was first launched in 2006 to allow employees benefits relating to self-development, family-friendly, culture/leisure and various other wide-ranging benefits in accordance to their personal preferences and lifestyles. The continued expansion of optional benefits items and the autonomous use of benefits points contribute to improving employee satisfaction with our benefits systems.

Mutual Care between the Company and Its Employees

In addition to offering special bonuses and ceremonial wreaths & funeral supplies for the familial events of employees, we also assist employees in paying for family bereavement (kt is the first and only Korean company to do so) in a one-on-one matching grant format. This greatly lessens the burden our employees face when paying for wedding or funeral ceremonies that require lump-sum amounts of money.

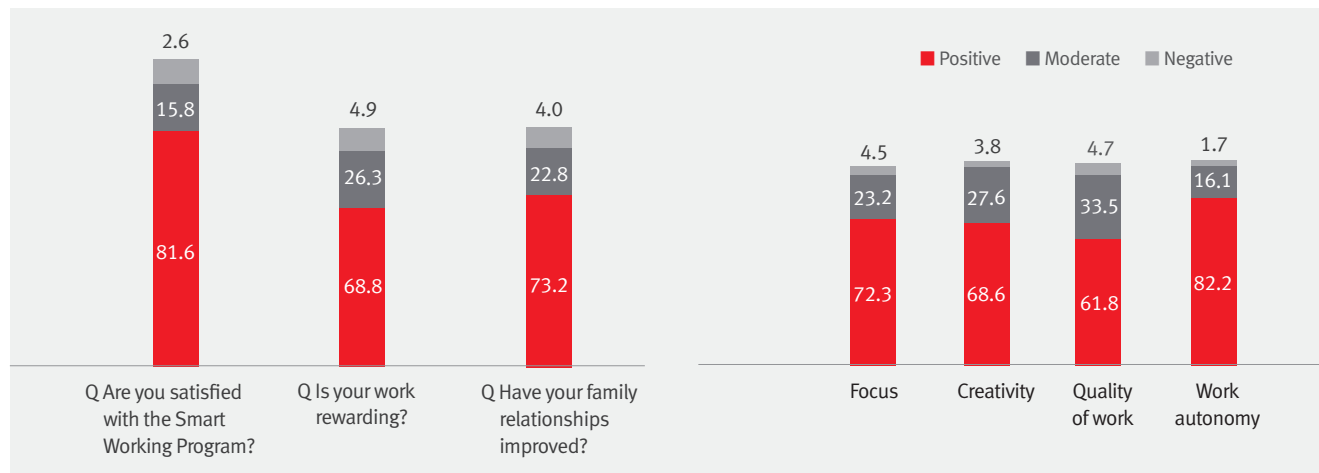
Work-Life Balance

We have six in-house guest houses and 367 condominium accounts nationwide that we make available to our employees year-round. Specifically, we operate separate summer guest houses to help our employees improve their work-life balance and reduce any work-related tension. Furthermore, we operate eight childcare facilities nationwide to provide favorable work conditions for our employees with infants or toddlers. In easing their childcare responsibilities, these employees are able to increase their productivity and fully focus on their work.

Performance

Poll Results for Smart Working Program (Visiting Research)

(Unit: %)



Change Management Program for Current Employees

Course Name	Self-Exploration (Value Enhancement)	Self-Revolution (Vocational Development)	New Business Planning (Enhancement of Start-up Executive Capabilities)	Career Making (Career Development/Management)
Type of Operation	e-Learning	Group training	Group training	Group training
Period	One month	Three days	Three days	Three days
Trained Employees in 2013	-	874	447	83
Trained Employees (Accumulated number)	22,677	6,064	2,293	369

Professional Training Program for Retirees

Course Name	Startup Business	Senior Entrepreneur School	Career Design and Planning	New Job Placement and Start-up Support
Topic/Period	Start-up / Quarterly	Actual start-up activities / Year-round	Re-employment / Quarterly	
Training Period/Venue	Five days (Training Center, spouses welcome)	10 days (Training Center, spouses welcome)	Four days (Training Center, spouses welcome)	Year-round
Details	<ul style="list-style-type: none"> Understand the start-up process / Select the right business Marketing and business planning Dialogue with successful entrepreneurs 	<ul style="list-style-type: none"> Industry-specific start-up strategy Professional consulting and coaching Field inspections and hands-on training 	<ul style="list-style-type: none"> Career analysis and career design Job search strategy 	<ul style="list-style-type: none"> Job placement Start-up consulting
2013 Outcomes	Eight sessions / 26 trainees	104 trainees	-	-
Outcomes between 2009 and 2013 (accumulated)	26 sessions / 633 trainees	631 trainees	300 trainees	644 trainees

OPEN CORPORATE CULTURE

Context

An open culture and communication are critical components of any company's endeavors to respond to fast-changing market conditions and building credibility within an organization to overcome crises. Thus, kt is committed to building an open organizational culture as a way to enhance credibility internally and externally while increasing employee satisfaction and stimulate creative ideas through the employee grievance handling system.

Progress

Communication with Employees

On-Site Management Presentation

kt's half-yearly 'On-Site Management Presentation' was designed to share business directions with local branches and directly gather opinions from working-level employees. In 2013, this interactive communication channel served to share the current status of operations, help understand the ALL-IP initiatives undertaken on the basis of fixed/mobile networks, report the progress of the BIT (Business & Information system Transformation) project launched to innovate work methodology and share the challenges faced in improving customer satisfaction. This was further complemented by 'olleh Golden Bell' and 'Talent Masters' events. These were held to gain useful information, learn about various issues through a fun quiz contest and to showcase the diverse talent of kt employees.

Communication Meeting

Communication meetings are monthly meetings held by respective departments to present key management messages and share business outcomes and other management situations. These meetings, designed to address both company-wide common issues and department-specific issues, serve as a crucial offline communication channel. To facilitate communication meetings, a top-performing department is selected and awarded monthly.

Duplex Communication with Top Management

At kt, we believe in the importance of interactive communication channels as a way for top management to directly gather the feedback and opinions of employees and accurately disseminate the CEO's business philosophy and corporate vision when the need arises. Thus, the CEO and other executives host regular discussions with employees from diverse position levels to integrate their opinions into major business decisions. Specifically, informal meetings between the CEO, working-level departments and young employees are held year-round to facilitate barrier-free communications. In addition, our intranet bulletin board is used to gather employee feedback on major corporate policies and to address any topics of interest our employees may have indirectly heard about, as well as their recommendations. News articles about kt are shared among employees in real time. In cases where there is misunderstanding about an article, factual grounds are accurately explained to the employees.

Employee Opinion Handling System

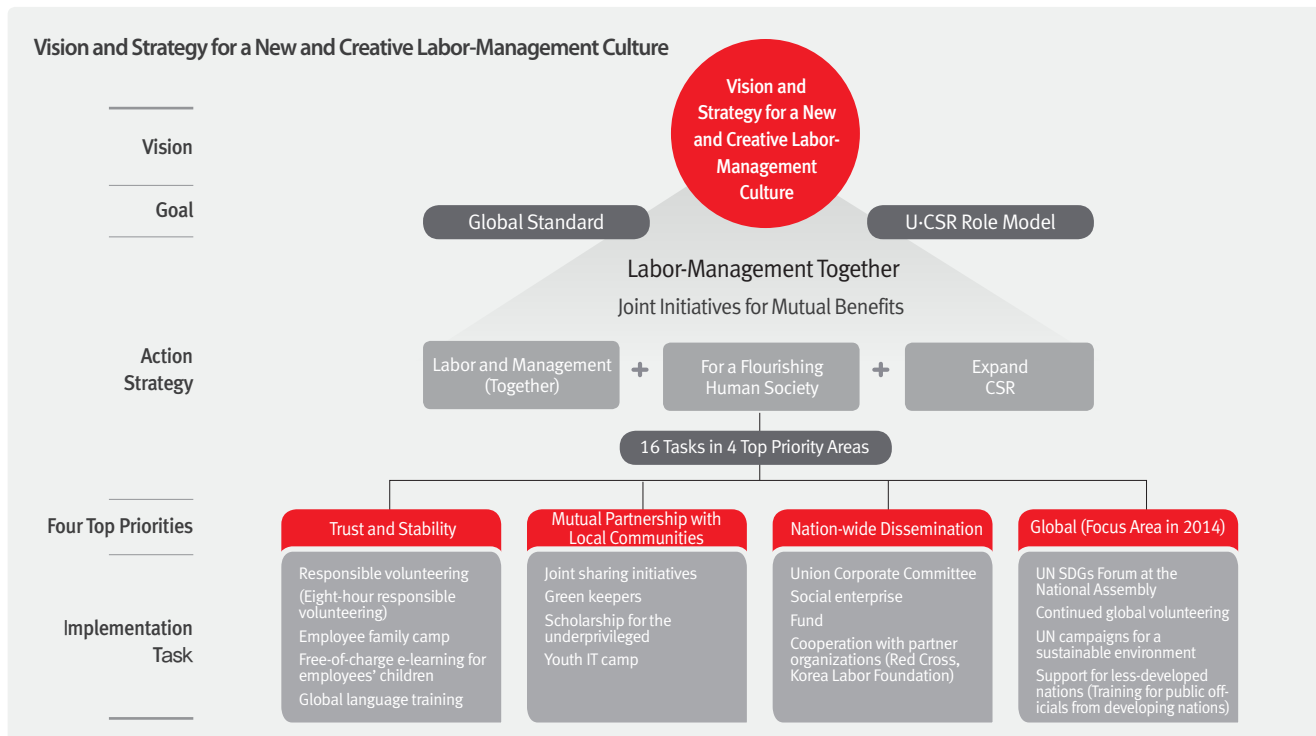
To handle employee opinions, we set up the Grievance Office in 354 branches and the Ombudsman Committee that consists of representatives from labor and management. Diverse grievances that concern systems, operations, work conditions, personal relationships, individual concerns, and welfare benefits are submitted through phone, e-mail and website queries. In response, we do our utmost to prevent relevant issues and provide prompt solutions.

Furthermore, the kt119 Center (launched in 2011) to receive grievances online or through smartphone applications, allows us to address employee grievances swiftly and smoothly. The annual number of grievances submitted through the kt119 Center rose from 1,095 in 2011 to 4,390 in 2013 while employee satisfaction with grievance handling increased from 4.54 points to 4.74 points accordingly.



Mutually-Beneficial Labor-Management Relationship

kt guarantees employees the right to organize a labor union and/or other representative bodies. Our Union Shop program ensures that employees become labor union members upon their recruitment in accordance with the collective bargaining agreement. Our employees are also free to join or withdraw from the labor union at any time. We are obligated to consult the labor union concerning any major changes in business operations and to notify them of these matters in advance. As of October 2013, unionized members at kt accounted for 77.4% of the total number of employees.



Labor-Management Unity Programs

At kt, both labor and management pursue mutually-beneficial relationships in creating corporate value and undertaking cooperative initiatives so as to position kt as a leader in pioneering a thriving labor-management culture. Under the vision of the 'Globalization of a New Creative Labor-Management Culture' were 16 defined action tasks in the four areas of 'Globalize', 'Identify and Disseminate a New Labor-Management Culture', 'Pursue Mutual Benefits with Local Communities' and 'Give Back to Society'. In so doing, we build upon kt's unique labor-management culture and strengthen bilateral trust and cooperation. Furthermore, kt leads the Union Corporate Committee (UCC) to contribute to expanding the health and welfare of our society. We vow to take a step further to systemize existing mutually-beneficial cooperation initiatives into 'Labor & Management' and build global references so as to disseminate kt's own labor-management culture into the wider global community.

Employee Satisfaction

kt strives to become a great work place as a way to continuously improve employee satisfaction and work efficiency. As part of this commitment, we commission external professional research organizations to conduct employee satisfaction surveys in accordance with international standards. In 2013, we used the Trust Index in conducting such surveys in an aim to build a trust-based corporate culture. (This explains why the 2013 survey outcomes cannot be directly compared against previous employee satisfaction outcomes). The Trust Index focuses on the 'relationship between the top management and employees'- how employees respond to the systems and guidelines presented by the company- and consists of the five survey components of trust, respect, fairness, pride and fun. In 2013, kt's Trust Index was 75% against the 100% full mark. This is 4% higher than that of the general service segment and 1% higher than that of the Korea's top 100 companies.

Performance

Operational Performance of the kt119 Online Grievance Handling Center Over the Past Three Years

Category	2011	2012	2013	Note
Utilization (No. of grievances submitted)	1,095	2,275	4,390	Offline grievance handling services are provided separately
Satisfaction (Points)	4.54	4.55	4.74	Offline grievance handling services are provided separately

Ratio of Unionized Employees

Category	2011	2012	2013
Ratio of Unionized Employees	76.9%	77.7%	77.4%

Employee Satisfaction Survey (Trust Index) Outcomes in 2013

Category	kt	General Service Segment	Korea's Top 100 Companies
Trust Index	75%	71%	74%

* Survey organization: GWP Korea

Awards

Nov. 2013: GWP Korea's evaluation outcomes

- Korea's Top 100 Great Work Place Award (Three consecutive years)
- Great Work Place for Korean Women (Working Moms) Award
- * Korean branch of GPTW (Great Place to Work) of the U.S.

2013: Aon Hewitt's evaluation outcomes

- One of Korea's Top 10 Employers in 2013
- * HR management consulting firm

EMPLOYEE HEALTH AND SAFETY

Context

A safe and wholesome workplace is a fundamental imperative in building a competitive company where employees enjoy their work. At kt, we laid the institutional foundation to establish a corporate culture that guarantees the health and safety of employees. Each of our offices does their part to ensure a safety-driven culture through the establishment of detailed plans and the implementation of systemized prevention and morale-boosting initiatives.

Progress

Safety-Driven Corporate Culture

kt considers diverse initiatives designed to establish a safety-driven corporate culture very important. Our remotely-administered regular health and safety training ensures that our employees abide by safety rules and are briefed on relevant health-promoting information. Included in the injury prediction and prevention measures taken by field sites to build a systematized safety-oriented mindset are: sending safety messages, undertaking four-stage daily 'Zero Accident' safety activities (field departments) and themed events held on Safety Check Day (occurring on the fourth day of each month). In addition, the annual Industrial Safety and Health Contest is held to reward zero-injury sites or those sites which have demonstrated exceptional performance in reducing such injuries.

In November 2013, we opened Psychological Counseling Centers. Four kt office buildings located in the Seoul metropolitan area operate 'mobile' psychological counseling centers that pay weekly visits to employees in need of such services, while employees working outside this area can request these services where and when they wish. In addition, group counseling is offered to aid team member communication and strengthen teamwork while 'healing' seminars aim to help employees get in touch with their self so as to instill sympathy and a positive attitude into the deeper dimension of the corporate culture.

Joint Injury Prevention Initiatives

For the best possible synergistic results, it is critical that both labor and management be committed to injury prevention initiatives. Thus, kt offers special safety training (on major injury prevention measures, occupational injury compensation and handling procedures) to field team leaders. We also host the joint Industrial Safety and Health Contest in the 2nd quarter of each year. The aim of this contest is to unite labor and management towards the common goal of enhancing safety through specialized lectures (role of safety leaders, health promotion measures, etc.) and the reading of the safety resolution. In addition, labor and management hold joint biannual events to comfort and encourage the family members of kt employees who have suffered occupational injuries. Additionally, proactive measures are taken to improve the welfare of injured employees, including full pay for medical leave and support for medical expenses.

Health and Well-Being of Employees

Grievance handling systems that include open discussion forums, anonymous bulletin boards, and a grievance hotline help our employees express any concerns, while renowned opinion leaders are invited at least once every quarter to give lectures on health care management. In addition, comprehensive health check-ups are offered to all employees (including spouses) at least once a year. This greatly helps them prevent and manage any illness early-on and statistical analyses and health care plans are offered to those individuals diagnosed with specific health conditions. Collective insurance plans covering incidences of cancer and job-related disabilities, as well as life insurance policies for employees and their

spouses are provided as a way to reduce the financial and psychological burden on employees.

In addition, kt's differentiated Well-being Leave Program enables employees to strike the right work-life balance and optimize their psychological conditions. The Benefits Management System aims to deliver comprehensive well-being support for all the stages of our employee's life (childcare/talent nurturing/medical expenses/tuition/stable livelihood, etc.).

Corporate Support for Employee Health and Safety

kt supports and shares group-wide occupational health and safety initiatives to contribute to the establishment of a safety-driven organizational culture and a safer workplace within kt Group. We at kt fully support such initiatives through the use of safety training programs to help kt safety managers build stronger job capacities, employing kt's safety activity infrastructure to prevent and raise awareness regarding occupational injuries, and providing consistent, systemic and diverse injury prevention content. In addition, we encourage kt employees to attend our annual kt Industrial Safety and Health Contest and other injury prevention workshops as a way to enhance job safety capabilities on a group-wide level (introduction of scientific safety management methods, etc.).

Labor-Management Health & Safety Committee

The Occupational Health and Safety Committee, consisting of equal numbers of representatives from both labor and management, is established at several of kt's business sites that employ more than 1,000 employees. Other sites operate their own Grievance Handling Committee. These committees are responsible for developing measures to maintain and enhance the health and safety of employees. This is achieved through independent occupational injury prevention planning, health and safety training, work environment measurements and health check-ups.

The majority of kt's health and safety policies (basic plans, training, health check-ups, and on-site guidance and inspections) are undertaken through official consultations with the labor union.

Performance

Occupational Injury Statistics

(Unit: No. of persons)

Category	No. of Employees	Total	Death	Injured	Injury Rate	Note
2011	31,568	50	3	47	0.16%	Employees (including part-timers)
2012	32,267	97	2	95	0.30%	
2013	31,428	60	2	58	0.19%	
Three-Year Average	31,754	69	2	67	0.22%	

* Injury rate in the telecommunications industry: 0.51%/

Nation-wide injury rate: 0.59% (Source: Ministry of Employment and Labor, 2012)

Occurrence of Injuries by Area

(Unit: No. of persons, including part-time positions)

Area	Field Work				Vehicle		Disease		Others		Total	
	Residential & Commercial Area	Manhole	Within Residences	Others	Auto mobiles	Two-Wheelers	Cardio vascular Disease	Others	Sports Events	Others		
Total	2011	15	2	19	1	6	0	0	0	4	3	50
	2012	33	4	35	2	6	0	1	1	8	7	97
	2013	26	0	20	1	3	0	0	1	4	5	60
Injured Employees (No. of persons)	74	6	74	4	15	0	1	2	16	15	207	
By Area (No. of persons)	158				15		3		31			
	76.3%				7.2%		1.4%		15.0%			
By Type of Injuries (No. of persons)	Fall	55		29							2	86
	Conduction	15	2	24		1				14	8	64
	Confinement	4	3	12						1	2	22
	Collision			3		14				1	1	19
	Others		1	6	4			1	2		2	16
	Total	74	6	74	4	15	0	1	2	16	15	207

Occurrence of Injuries by Regions

(Unit: No. of persons, including part-time positions)

Category	Northern part of Seoul	Southern part of Seoul	Western Region	Busan	Daegu	South Jeolla	North Jeolla	South Chung cheong	North Chung cheong	Gangwon	Jeju	Others	Total
2011	3	5	4	14	6	5	3	3	1	1	5	0	50
2012	12	5	12	13	10	14	8	10	5	4	1	3	97
2013	10	6	5	4	5	7	2	6	4	3	4	4	60

* Based on the location of regional customer headquarters (Ex. Busan: Including Busan, Ulsan and South Gyeongsang / Others: Departments (Seoul area))



Declaration of the Safety Resolution



Inspection of Corporate Vehicles

ENVIRONMENTAL **IMPACT**





Network Division | Hye-Rin Cho
Public Relations Office | Jun-Dong Lee
Network Division | Tae-Hyun Kim

ENVIRONMENTAL IMPACT



Environmental Management Strategy Response to Climate Change



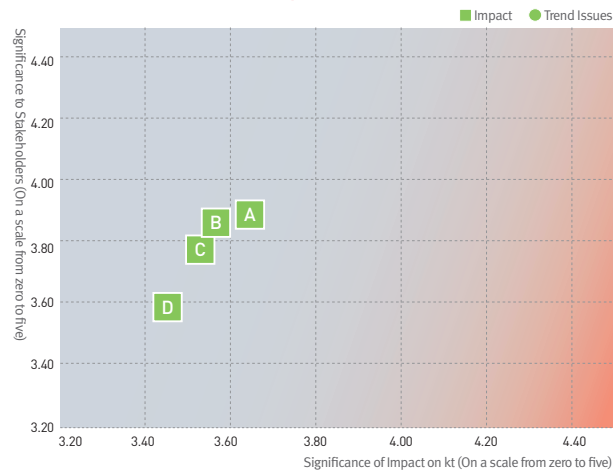
Vision and Strategic Direction

Corporate responsibility for the environment constitutes the core of sustainability management and presents new business opportunities. Under the environmental management vision of 'Green kt, Green KOREA', we not only transform our work environment ecosystem into an even greener one, but also help create a greener national economy through ICT-based green services. It is through such green convergence that we at kt will create a new business paradigm to pioneer a sustainable green growth.

Major Achievements in 2013

Achievements in Green Management	<ul style="list-style-type: none"> • CDP(Carbon Disclosure Project): Joined the Carbon Management Global Leaders Club in 2013 • Ranked 3rd in the Green Rankings in Korea (Ranked 1st in the telecoms/software/media industries for three straight years)
Reduction of Carbon Emissions	Reached the mid-term target: Reduced 117,487 tCO ₂ , or approximately 10% from 2007
Saved Energy Costs	KRW 4.6 billion
Sales from Green Services	KRW 831.87 billion
Outcomes of Green Procurement	836 items, KRW 9.76 billion
Policy Participation and Certification	<ul style="list-style-type: none"> • Participated in six government-led green ICT projects • Data centers were rated highest under the Green IDC Certification program

Results of the Materiality Test



Impact & Trend Issues

- A Energy
- B Customer health & safety (Compliance with standards on electromagnetic waves standards)
- C General environmental issues (Green IT)
- D Compliance (environmental)

Environmental Management

- Environmental vision and governance
- GHG emissions reduction
- Energy efficiency
- Resource recycling
- Eco-friendly products / services
- Public policy participation and certification
- Compliance with electromagnetic limits

ENVIRONMENTAL VISION AND GOVERNANCE

Context

kt believes that green IT-enabled environmental management will not only help reduce energy consumption, but also offer new business opportunities for future growth. Our green vision, Green kt, Green KOREA reflects this strategy. We have been undertaking relevant green initiatives since 2009.

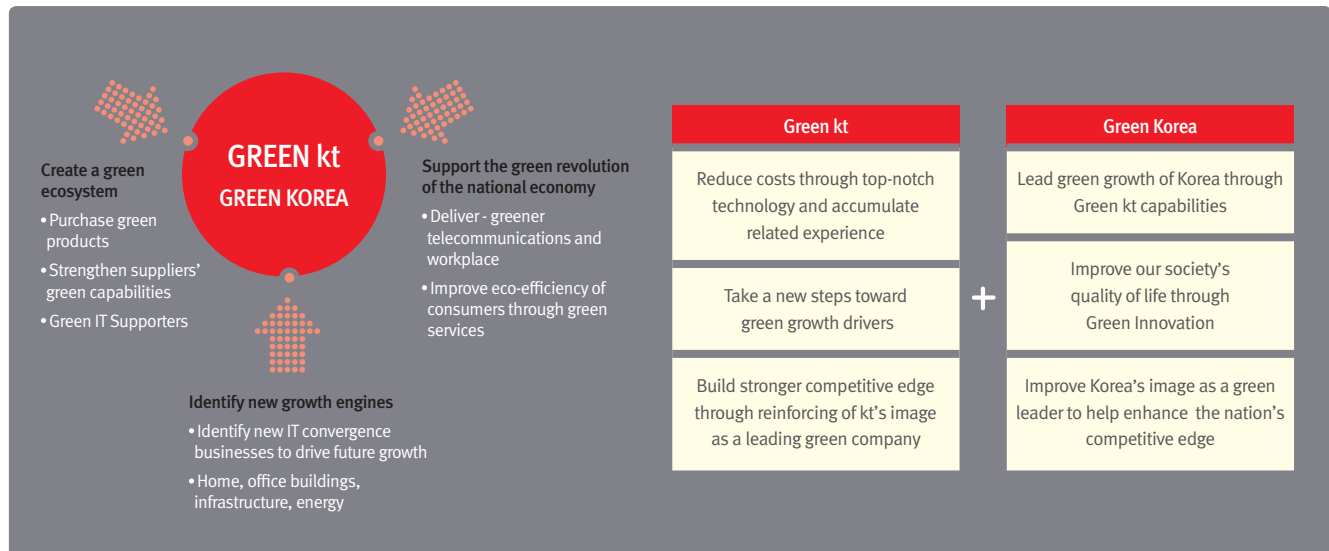
Progress

Environmental Management Vision : "Green kt, Green KOREA,"

Green Convergence Leader for a Greener Korea

To meet the requirements of external stakeholders and identify new business models, kt implements environmental management on the basis of three sub-visions: first, increasing our operational eco-efficiency (Green

of kt: Scope 1+2 emissions), second, contributing to a greener national economy through our ICT-enabled green services (Green by kt: Scope 3 emissions) and third, shifting to a new business paradigm through green convergence to drive future growth (Green Paradigm by kt: New BMs).



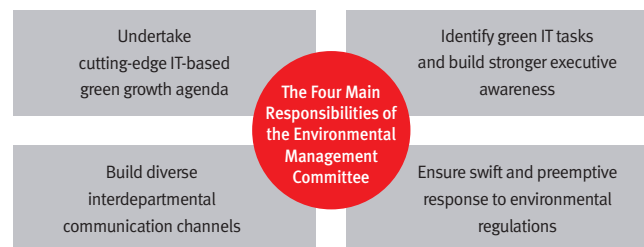
Green Management System

Environmental Management Committee

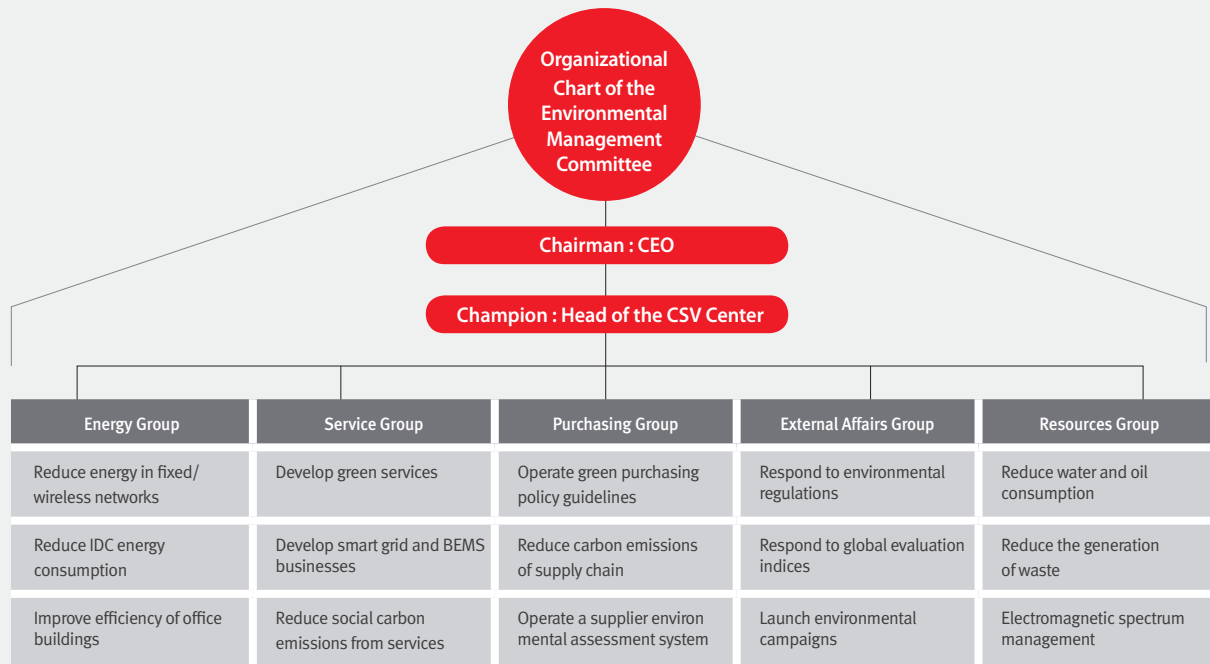
In consideration of expanding concepts of environmental management and the need for alignment with sustainability management, 'the control tower role' and its responsibilities were transferred to the CSV Center, a dedicated sustainability management organization. Therefore, the Environmental Management Committee is operated under the supervision of the CSV Center and is in charge of energy saving initiatives that span up to scope 3 emissions.

The Environmental Management Committee meets regularly and sets mid/long-term action plans to realize kt's goal of becoming a world-renowned company. With its responsibility for undertaking environmental and climate change-related action strategies, the committee also monitors the progress of overall green IT tasks and develops future oriented strategies. To reflect stakeholders' needs, we reorganized the existing committee in 2013 (whose primary focus was to reduce Scope 1 and 2 emissions) into the Environmental Management Committee, which takes on more comprehensive responsibilities and includes Scope 3 emissions (supply

chain, business trips/commuting, the disposal of waste and the use of water and services). Through the adoption of the executive responsibility policy for each project as well as a top-down approach when it comes to challenging targets, this committee enables us to take a step closer to realizing our vision "Green kt, Green Korea."



Organizational Chart of the Environmental Management Committee



Performance

Environmental Sector Awards

- CDP (Carbon Disclosure Project)
Global Carbon Management Leaders Club (2013)
- Green Rankings
Ranked 3rd in Korea (ranked 1st in the software/ communication / media sector for three consecutive years)

1st-time Selection as Top-Performing Global Carbon Management Company by CDP (Carbon Disclosure Project)



In 2013, kt was recognized as a member of the 'Carbon Management Global Leaders Club', a group of top-performing companies listed by U.K.-based CDP (Carbon Disclosure Project) in addition to maintaining its global top position in the DJSI for three straight years.

The CDP evaluates major global companies in such categories as governance, risks & opportunities, strategy and GHG emissions & communication in relation to climate change response. It selects companies with excellent performance in carbon management each year. In 2013, kt received the full 100 score points in the CDLI (Carbon Disclosure Leadership Index) which indicates how comprehensively a company discloses its carbon data. In addition, kt was ranked Band A in the CPLI (Carbon Performance Leadership Index) which was developed to evaluate the positive measures undertaken by companies in responding to climate change. This demonstrates the advanced status of the company

in responding to climate change and reaching relevant targets. Among telecommunication companies, kt scored at the very top in this area. CDP Korea selects top-performing companies in each industrial sector out of the 250 Korean companies responding to CDP. kt not only joined the 'Carbon Management Global Leaders Club' for four straight years as a leader in the domestic telecommunication sector, but also was recognized as 'industry group leader' of DJSI for 3 consecutive years.

Listed High in the Green Rankings for Three Consecutive Years



kt was a high ranker in the Green Rankings published by the JoongAng Daily for three straight years: we placed 1st in the industry sector and 3rd in the total ranking. Our commitment to reducing GHG emissions through the convergence of telecommunication services and green IT was highly scored. The rankings recognized our success in reducing 74,000 tons of CO₂ emissions through the launching of the Cloud Computing Center (CCC) in an aim to minimize the power consumption essential in operating networks and to respond to increases in fixed/mobile data traffic.

Green Rankings: This is a Korean version of the 'Newsweek's Green Rankings 2011 Global 500 List', that has been issued since 2009. Rankings are evaluated by Sustainvest and FnGuide which are Korean partners to Trucost(U.K.) and Sustainalytics (the Netherlands), research partners for the Newsweek rankings.

Green Rankings covers the top 200 Korean companies, out of all the listed companies, which are chosen in terms of revenue (on a consolidated basis) and market capitalization.

GHG EMISSIONS REDUCTION

Context

Climate change is emerging as a global issue that will determine the future of humanity. Corporate responsibility for environmental preservation not only constitutes the key to sustainability management, but also offers new business opportunities. At kt, we comprehensively manage our carbon foot print by including Scope 1~3 data and set a long-term goals to become a 'Zero Carbon Company'

Progress

GHG Emissions Reduction Target

We defined our mid/long-term carbon reduction roadmap in 2009 and set the goal as 20% reduction by 2020 from the base year 2007. In 2013, we reached the 10% mark and are consistently making progress in reaching this long-term reduction target. In addition, our Environmental Management

Committee plays a leading role in identifying annual tasks of each division, setting reduction targets and undertaking wide-ranging initiatives to reach these targets. kt is currently in the process of transforming its operational DNA into that of a global Green ICT company.

Scope 1 & 2 Emissions and Outcomes of Reduction Initiatives

The majority of the energy we consume at kt is electricity used to operate telecommunication devices. Still, we do in fact use diverse types of energy—from fuels from corporate vehicles and emergency generators—to city gas or thermal energy to heat buildings. Thus, the company-wide QA/QC(Quality Assurance / Quality Control) guidelines were developed to accurately manage energy use at each division and to reduce waste. Since 2007, our internal GHG emissions have been systemically managed and verified annually by third-party verification service providers certified by the Korean government. Such regular third-party verifications and carbon audits enable kt to produce accurate and credible emissions data and regularly present them to stakeholders.



(Unit : tCO₂e, tCO₂)

Category		*2007	*2008	*2009	*2010	**2011	**2012	**2013
Scope I (Direct Emissions)	Fixed Combustion	41,063	40,828	40,221	49,073	44,332	39,387	37,053
	Mobile Combustion	13,343	12,097	18,210	17,657	19,346	23,864	23,428
	Subtotal	54,406	52,924	58,431	66,730	63,678	63,251	60,481
Scope II (Indirect Emissions)	Purchased Power	1,157,496	1,165,567	1,077,073	1,104,758	1,105,986	1,032,558	1,034,650
	Stem	4,576	3,621	4,391	4,659	3,594	2,661	3,860
	Subtotal	1,162,072	1,169,188	1,081,465	1,109,417	1,109,579	1,035,219	1,038,510
Total Emissions		1,216,478	1,222,112	1,139,896	1,176,147	1,173,257	1,098,470	1,098,991

* Emissions between 2007 and 2010 verified by : BSI(The British Standards Institution, a U.K.-based standards association)

** Emissions between 2011 and 2013 verified by: KQA(Korea Quality Assurance)

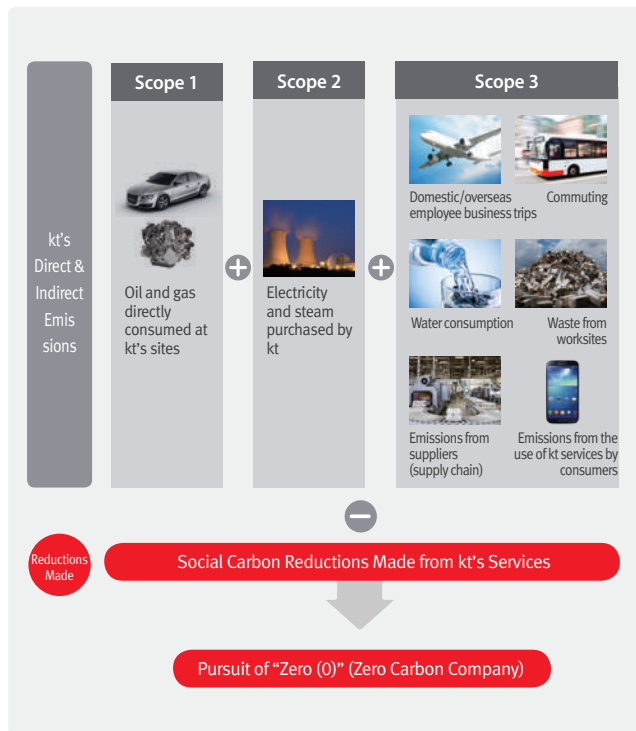
Scope 3

To realize our vision "Green Korea" that aims to make the entire nation even greener, kt included Scope 3 carbon emissions, which are indirectly related to our operations to our carbon management.

We defined the following three stages of Scope 3 greenhouse gas emissions:

- ① SCM (Supply Chain Management), ② Use of products and services, ③ Other Scope 3 emissions (water, waste, business trips and commutes), and additionally, social reductions from kt services. We launched systemic initiatives to reduce the carbon emissions from our services. Furthermore, emissions calculation methodologies in each of the three Scope 3 stages as well as actual emissions calculated were verified by third-party verifier to improve their external credibility and accuracy.





① Emissions from the SCM (Supply Chain Management) Stage

Establishing an eco-friendly supply chain is one of the most effective ways to reduce social carbon emissions. At kt, our definition of 'supply chain-stage emissions' refers to emissions from the production of products and facilities required to offer telecommunications services. These emissions cover products purchased from our suppliers and data on the amount of energy consumed for product manufacturing is gathered annually. The data calculation methodology was developed in accordance with WRI's 'Corporate Value Chain(Scope3) Accounting and Reporting Standard' as a way to comply with international guidelines. Meanwhile, the data coverage was significantly extended from 111 tier-1 suppliers the previous year to 149 suppliers in the present year. kt vows to assist suppliers in raising awareness regarding environmental management and develop a low carbon supply chain in the telecommunications industry.

Product Type	2012 Emissions (tCO ₂ e)	2013 Emissions (tCO ₂ e)
Fixed Equipment	2,430	472
Wireless Equipment	3,935	1,269
Telecommunications Service Infrastructure	30,925	48,197
Total	37,390	49,938

② Emissions from Service Use Stage

These emissions are defined as those generated from electricity consumption while using kt services, and the calculation scope was limited to the B2C services offered to general consumers. In other words, these emissions come from the energy used to power modems and set-top boxes, handheld sets, installed residentially for the use of internet services, IPTV services and other types of services. To calculate such emissions, a methodology was developed on the basis of terminal design values and the number of subscribers for a total of three types of services. It is in this stage that fixed/wireless telecommunication terminals produce the largest amount of GHG emissions. Thus, improving the energy efficiency of products leads to reductions in GHG emissions. kt has already initiated such reductions by launching low-power olleh TV set-top boxes to minimize residential carbon emissions. We will continue to manage emissions from this use stage by enhancing the energy efficiency of our products.

Product Type	2012 Emissions (tCO ₂ e)	2013 Emissions (tCO ₂ e)
Home Terminals	44,873	40,783
Mobile Terminals	89,117	168,621
Internet Terminals	270,143	237,846
Total	404,134	447,249

③ Other Scope 3 Emissions

These emissions refer to those generated from in-house water consumption, waste, business trips and commuting. To calculate emissions in this category, type-specific emission coefficients were developed in accordance with the 'Carbon Labelling Certification Standard' published by the Korea Environmental Industry & Technology Institute.

Category	2012 Emissions (tCO ₂ e)	2013 Emissions (tCO ₂ e)
Water Consumption	996	997
Waste Treatment	Domestic Waste	294
	Recycled Waste	11,703
	Construction Waste	186
Business Trips	Downtown	319
	Long Distance	880
	Overseas	2,931
Commuting	Bus(local, express)	801
	Subway	68
	Private Vehicles	25,048
	Train	72
	Mixed	599
Total	43,897	35,368

VERIFIER'S STATEMENT

Song, Jong-cheol, Head of KQA



“Voluntary assurance of Scope 3 emissions is instrumental in satisfying increasingly evolving stakeholder requirements, as well as strengthening corporate CSV* initiatives”

* CSV : Creating Shared Value

The emergence of climate change as a global issue is driving companies to recognize environmental management as a major tool to fulfill their social responsibility. As GHG emission regulations and new business opportunities—from the convergence of the environment and industries, which previously were uncharted territories—increasingly become a reality, environmental management will be positioned as a major pillar of business conduct that can no longer be neglected.

It is especially significant that kt extended its scope of GHG emission management to include Scope 3 emissions and commissioned Korea Quality Assurance to verify its emissions data. kt is the first Korean company whose Scope 3 emissions were verified through a dedicated third-party verification engagement conducted by KQA in 2012 and the verification scope included reductions made by kt in social GHG emissions, SCM, the use of services, business trips & commuting and water & waste. This served as the foundation for kt to successfully publish Scope 3 verification reports for two straight years on the basis of the international standard ISO 14064-3(2006, Greenhouse gases – Part 3).

Managing and verifying Scope 3 emissions will emerge as a global trend and companies will analyze and benchmark kt as a best practice company. This prospect is evidenced in the fact that kt gained the full 100 disclosure points and joined Band A—in the environmental performance index published by the CDP(Carbon Disclosure Project). KQA sincerely hopes that kt create new business opportunities through the convergence of the environment and ICT and take consistent action to transform its vision of ‘Green kt, Green KOREA’ into a reality.



Song, Jong-cheol
Head of KQA

Social Reductions from kt Services Stage

Our definition of socially-reduced emissions refers to reductions made in carbon emissions through our services that deliver a greener life for our customers. For instance, video conferencing services remove the need for business trips and thus help reduce carbon emissions. These emissions are the sole “positive” emissions that we at kt should be maximizing.

kt plans to use its green ICT-enabled services to fully contribute to reducing social GHG emissions and making a greener Korea. The wide-ranging services that we currently provide were categorized in accordance with the six types of GHG emissions reductions category proposed by the ITU (International Telecommunication Union) in order to calculate reductions made in social carbon emissions by service type as follows.

Type of GHG Emissions Reduction	2012 Reductions (tCO ₂ e)	2013 Reductions (tCO ₂ e)
Wireless Communication	1,167	16,592
IT Solutions	85,687	270,862
Media & Content	911,838	825,879
New Growth	3,925	3,456
Total	1,002,617	1,116,790

Performance

Reaching Mid-term Goal in Reducing Carbon Emissions

Approximately 10% or 117,487 tCO₂ reduced in 2013 based on 2007

Changes in Scope 1 & 2 Emissions

(Unit : tCO₂e, tCO₂)

Category	2007	2013	Reductions Made
Total Emissions	1,216,478	1,098,991	117,487

Energy Intensity in 2013: 94.147 GJ/KRW 100 million

Category	Sales(KRW 100 million)	GJ(Energy)	GJ/KRW 100 million
Total Emissions	238,100	22,416,303	94.147

The calculation and management of Scope 3 carbon emissions were 3rd party verified.

ENERGY EFFICIENCY

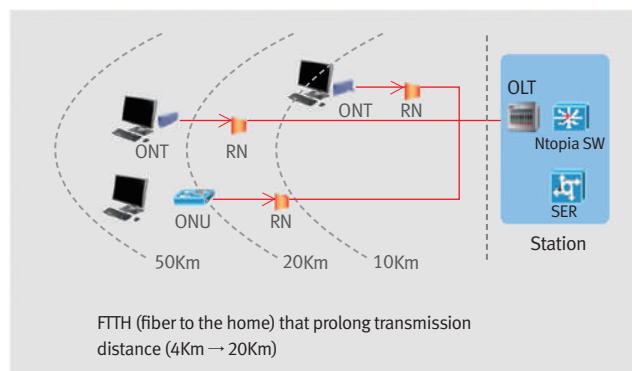
Context

The continued growth in fixed/wireless data traffic requires the development of infrastructure as well as institutional commitment to energy efficiency. To effectively address this emerging trend, kt is launching cutting-edge technological solutions from the CCC(Cloud Computing Center), shifting from a simple All-IP network structure to a green IDC and undertaking diverse energy-saving initiatives.

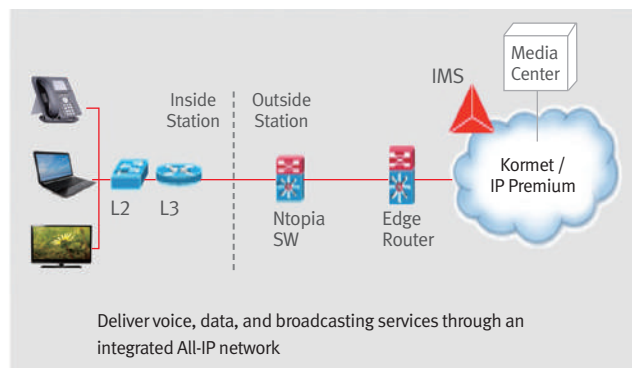
Progress

Simple & Green Fixed/Wireless Networks

To minimize the power consumption by network operations, we are shifting into an All-IP structure to create a simpler network. In response to the expected demand for new infrastructure facilities (LTE), we also set a mid/long-term 'Energy Diet Master Plan' as well as a responsible organization to head it, as a way to improve the efficiency of station operations.



More Efficient Access Network [Fiber to the Home]



Shift to an All-IP Network

To reduce power consumption for communication facilities, we are transitioning into an IP structure for existing facilities that are heavy power consumers, while integrating stations dispersed across the nation into a more centralized regional structure. To install high efficiency equipment for new facilities, our departments are working with external counterparts to introduce an energy efficiency rating program for our communication equipment. Furthermore, to reduce power consumption for auxiliary facilities (cooling devices, OA, buildings), heat exhaust devices are being



Eco-friendly Outdoor Air Inlet System
Developed through the Shared Business
Results with the SME's Program

developed and installed to minimize cooling for high-temperature devices—while external air inlet technology is used to minimize cooling power. Out of the new technology and techniques identified and deployed, the cooling technique that uses external air allowed us to save 2,117MWh in power consumption in 2013 alone, which is equal to more than KRW 300 million in energy cost savings.

Energy Rating Program

kt is deploying efficient communication equipment to dramatically save on power consumption. We take a fundamental approach in saving energy through the development of energy efficiency guidelines for such equipment and in rating each piece of equipment for its energy efficiency. Our internally-developed energy efficiency rating program offers sector-specific standards (internet, transmission, power, wireless, super high-speed, terminals) and its stringent standards help enhance the energy efficiency of purchased equipment. This rating program is operated by the procurement department and its efficiency indicators are based on recommended values on a par with global standards. This contributes to higher energy efficiency at kt and also facilitates the technology development of our suppliers.



'Green LTE' to Increase Eco Efficiency of Communication Equipment Rooms

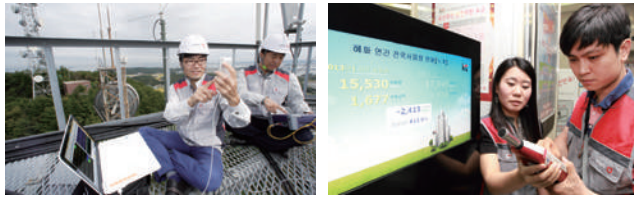
Such communication equipment such as servers, routers, and power supply located in our communication equipment rooms not only generate tremendous heat, but they also cause communication failure if overheated. This requires the around-the-clock operation of cooling devices. It is imperative that kt is fully committed to reducing the cooling power required for these particular rooms.

Last year, we initiated a joint R&D project with a SME supplier to develop an integrated rack system with built-in ventilation devices that take in cool outdoor air to cool the temperature of stacked DUs(Digital Unit) that control LTE RUs(Radio Unit). This technology was designed to attract cool outdoor

air—while letting heated air generated from equipment out, through separate vents to maintain the lowest possible temperatures. This allowed us to reduce up to 75% in cooling power consumption.

When this new rack system is installed at 70 major DU stations that operate key equipment, it may generate 12GWh in reduced power consumption per year. This conserved amount of energy is enough to power 2,500 households for an entire year, if their monthly electricity consumption is 400KWh. When translated into monetary value, the savings are worth KRW 2.25 billion.

Following the installation of this system, our Yangjae Branch—which contains five large-scale cooling devices, was able to save more than 70% in daily power consumption. In building a nationwide LTE network in the 2nd half of last year, we deployed a virtualization technology called CCC(Cloud Communication Center) and this enabled us to reduce 50% in power consumption through the concentration of DUs.



Cloud-based Visualization Technology Adopted for the Energy Management System

We deployed smart grid visualization technology for 40 major locations in Gwanghwamun, Bundang, and Woomyeon-dong as a way to reduce energy consumption. While the previous BEMS (Building Energy Management System) was designed to install equipment and manage power consumption for each building, smart grid services will enable us to check and manage diverse energy data through the cloud. Thus, we have been paving the way for these services.

This was further complemented by visualization technology which allows us to access power data and check appropriate consumption levels in real-time for each site. In so doing, managers can immediately identify the status of energy consumption and fine-tune energy-saving initiatives.

As it moves beyond the conventional simple BEMS—to enable each department to manage its own energy use, this new technology is crucial for the operation of the energy accountability program.

Photovoltaics as Renewable Energy

kt became the first in the Korean telecommunications industry to build a photovoltaic (PV) power plant on a 19,720m² piece of land within the Gangneung transmission facility, and has been consistently investing in renewable energy facilities over the past three years. Since 2012, our PV power facilities have initiated their commercial operation and generated electricity is sold to Dongbu Power Company, in accordance with the governmental RPS (Renewable Power Supply) policy. This leads to approximately KRW 200 million in annual profits and 22 tons in reduced GHG emissions. A portion of these profits are donated to Dream Centers and other community facilities.



PV Power Plant at the kt Gwangju Transmission Facility



PV Power Plant at the kt Gwangneung Transmission Facility

Quarterly Power Generation at kt PV Plants in 2013

(Unit: kWh)

Quarters in 2013	Q1	Q2	Q3	Q4
Gwangju PV Plant	8,338	10,915	7,914	7,643
Gangneung PV Plant	152,107	161,151	137,343	133,834
Total	160,445	172,066	145,257	141,477

Eco-friendly Geothermal Energy

Our sustained investments in photovoltaic generation, geothermal energy, fuel cells and other renewable energy mechanisms have enabled us to install and operate geothermal energy-powered cooling/heating and hot water supply systems at three office buildings, including the Banghak Office in Seoul. The Banghak Office had an old, poorly-efficient, gas-powered water cooling/heating system that had been in service for more than 20 years since its installation. Thus, the building needed additional air-conditioning and fan heater installations. However, using underground water from the cable tunnel as an energy source—through geothermal heat pumps, allowed the office to maximize cost savings.

The three-month-long pilot operation of this geothermal system with thermal efficiency four times higher than that of the existing system produced KRW 30 million in annual savings in cooling/heating expenses. Specifically, near the cable tunnel, buried 30 or more meters below the Banghak office building, the underground water remained almost a constant 16~17°C year-round. Using the underground water from the cable tunnel eliminated the need to drill into the ground. This also saved KRW 200 million in installation costs, which accounts for almost half of the total geothermal heating/cooling system deployment cost.



kt's Banghak Office Powered by Geothermal Energy

kt will disseminate PV power generation—deployed at the Gangneung transmission facility as well as in the geothermal energy system at the Banghak Office—across the board as a way to reduce carbon emissions. Furthermore, this soon-to-be expanded renewable energy infrastructure will be converged with IT, to identify new business opportunities.

Video Conferencing

kt's video conferencing initiative aims to reduce business trip expenses, speed up decision-making and shorten transport time. This is producing positive impacts in productivity gains and in curbing carbon emissions. A report published by Digieco (kt's economic and business research institute) in 2009, expected a total of KRW 13.7 billion in costs saved from reduced business trip expenses, increased productivity and reduced carbon emissions when 20% of the total domestic/overseas meetings of kt are replaced with video conferencing-based meetings.

Our introduction of a PC-based video conferencing system aimed to reduce high, up-front deployment investments and overcome the shortcomings of the existing video conferencing system, such as time lags in transmitting video and audio data. This video conferencing system was installed at 79 major locations across the nation and was aligned with our internal Unified Communication (UC) to enable all employees to easily use this system through a PC or in a video conferencing room.

At kt, video conferencing is used for meetings, seminars, training and other multiple purposes and proved instrumental in the way our employees work. In 2013, this system was accessed by 348,000 employees and our goal for 2014 was set at 301,000 employee users.

Video conferencing generated productivity gains for our employees and saved us more than KRW 5.84 billion in business trip expenses while reducing as much as 144tCO₂eq in carbon emissions.

Furthermore, we aim to make video conferencing platform technology another source of revenue. Our video conferencing service operations posted KRW 1.14 billion in sales in 2013 and our goal is to increase this number to KRW 1.27 billion in 2014.



Operations Conducted through Video Conferencing

Performance

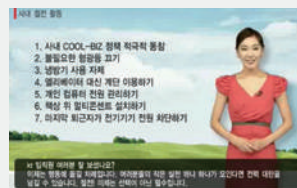
Energy Cost Saved in 2013: Approximately KRW 4.6 billion

kt saved approximately KRW 4.6 billion in energy costs through energy efficiency improvement initiatives. These endeavors also contributed to kt being chosen as the DJSI Industry Leader (ranked 1st in the global telecommunications industry) for three straight years.

Company-wide Energy Saving Campaign

To raise employees' energy saving awareness, we launch corporate energy saving campaigns during each summer and winter season.

Overcome Blackout Risk Summer Campaign



To respond to the national challenge of the compromised power supply brought on by climate change, kt launched the 'Get Over the Power Famine in Summer' Campaign to help improve the daily habits of its employees.

This campaign was undertaken in the following three phases and successfully led to company-wide energy savings.

- Phase 1: Gather novel and breakthrough ideas from all employees and set seven energy-saving directives
- Phase 2: Produce e-learning video content from the seven energy-saving directives and distribute the content across the board
- Phase 3: Gather energy-saving practices from each department and build company-wide awareness on energy saving

100 Days of Warm Winter Action Plan

In response to the forecasts that winter was coming earlier on in the season, kt and kt estate launched the company-wide "Enduring the 100 days of Winter Action Plan" campaign to prepare for any possible power shortages during the colder months. Just as in the summer campaign, guidelines were set for employees and facility managers to abide by in addressing possible power shortages during winter and for maintaining eco-friendly working conditions. These guidelines were disseminated across the board and best practices were identified, which were put into action through such initiatives as offering free throw blankets to facilitate engagement on the part of our employees.



RESOURCE RECYCLING

Context

Resource recycling is instrumental in not only preventing environmental pollution, but also in eliminating unnecessary waste from the use of resources. kt is fully committed to reducing water & waste consumption and to recycling waste to improve environmental performance.

Progress

Management of Water Consumption

Water consumption of kt office buildings, declined by approximately 22.4% from the previous year. This can be attributed to the installation of more water-saving devices in bathrooms (automated flushing bidets, bubble foam-type faucets) and the more proactive operation of an underground cable tunnel leachate filtration system. Specifically, this filtration system installed at our Namcheongju, Bukgwangju, HyeHwa and Guro buildings allowed us to reclaim 81,576 tons and 23,813 tons of water in 2012 and 2013 respectively and thus protect the environment. The company-wide regular maintenance of this filtration system led to temporary drops in the amount of reclaimed water in 2013. kt will continue to reduce its water consumption through such systemic water-saving initiatives.



Water Recycling and Filtration System Installed at the Cable Tunnel of the Namcheongju Office

Period (Year)	Water Consumption (ton)	Recycled Water (ton)
2011	2,904,958	–
2012	3,000,742	81,576
2013	2,326,977	23,813

Management of Waste Generation by Waste Type

During 2012, we at kt launched a project to establish a waste management procedure as a way to realign our company-wide waste generation management system and significantly improve the uncertainty of data. As we believe that waste has varying levels of environmental footprint according to type, we further segmented our waste management types into general, recycled, optical cable and construction waste types. Furthermore, eight subcategories were created to further segment waste types, and this improved the accuracy of data a notch higher. In addition, we established a company-wide waste management system and are undertaking various initiatives to reduce the generation of waste.

These endeavors allowed us to reduce waste generation by two-thirds between 2008 and 2013 and to continuously raise the amount of recycled waste. In 2013, we not only reached our internal target of reducing waste by more than 10%, we exceeded this target by almost three times. This demonstrates that our commitment to transform into an eco-friendly company is generating substantial outcomes. kt vows to continually undertake more proactive waste reduction initiatives on the basis of its segmented waste management system.

Year	Ton	Category	Type of Waste	Ton
2008	90,678	General Waste	General	4,960
2009	73,137		Recycled	2,203
2010	53,867	Recycled Waste	Cables	13,092
2011	63,213		Cables	7,740
2012	50,024		Generators	3,624
2013	36,273		Others	74
		Optical Cable Waste		2,394
		Construction Waste		2,186

kt and IBK Launching the Green Relay Campaign

kt launched the 'Green Relay' campaign with the Industrial Bank of Korea (IBK) to recover disposed cell phones to help children at local children's centers realize their dream. These used cell phones were recycled into metal resources by a verified recycling company approved by the Ministry of Environment and the profits were donated to 'Dream Together', a philanthropic organization.

This 'Green Relay' campaign was meaningful in that the recycling of used cell phones offered more than just an environmental good deed; it extended helping hands to less fortunate individuals in our society.



Performance

Consumption of tap water and sewage declined by approximately 22.4% in 2013 from the previous year

Discharge of waste declined by approximately 27% in 2013 from the previous year

ECO-FRIENDLY PRODUCTS / SERVICES

Context

We face growing demands and needs for eco-friendly products and services across our society and this trend is emerging as an important responsibility for companies to fulfill. Thus, we at kt conduct sustained R&D to deliver eco-friendly products and services that help optimize energy consumption in daily life and across all industries.

Progress

Optimized Building Energy Service, BEMS (Building Energy Management System)

BEMS (Building Energy Management System) analyzes the status of energy use in real time to predict, indicate and track energy consumption as a smart energy, management and cost-saving solution. Aligned with smart grids, BEMS improves the efficiency of building facilities and delivers new added value to customers. BEMS is kt's energy management solution that was the first green certified service within the broadcasting and telecommunications industry. kt's power-saving technology, along with exceptional technological capabilities to offer real-life benefits to its consumers, are the likely factors that contributed to such a success.

Major Functions of kt BEMS



Real-Time Check

- Energy consumption
- Energy cost
- Energy use by use or space



Optimal Control

- Uniform SRMT control
- SR Index, follow-up control
- Time shift control
- Pattern control



Energy Management

- Energy diamond
- Energy management (KPI)
- Energy consulting
- Energy grid



Statistical Analysis

- Energy statistical analysis
- Energy analysis by use or space
- CO² emissions / peak demand analysis
- FDD, LCC, CBL analysis



Operational Management

- Facility management
- Building inquiry, facility statistics
- Facility, BAS management



Environment Set-up

- User management
- Schedule management
- Code management
- History management, server management

Renewable Energy Management Service, REMS

Our kt-REMS (Renewable Energy Management System) is optimized for residential power operation through Green Home solutions, energy cost-saving renewable energy, and energy storage control systems. This system delivers not only an enjoyable living environment, but also energy cost savings through the management of the use and storage of renewable energy generated at home. The micro EMS (Energy Management System) (installed in residences) controls renewable energy and the ESS (Energy Storage System) while the integrated control system within the operation center, is responsible for comprehensively monitoring the energy management system and offering services.

Home Energy Optimization Service, HEMS (Home Energy Management System)

HEMS (Home Energy Management System) represents kt's green home & smart home solutions that offer additional services to conventional power network services in order to deliver greater customer value. HEMS is used for wide-ranging operations as a package solution. It comes with energy management, demand response(DR), micro grid, smart grid and other relevant solutions on the kt Energy Service Platform. Our HEMS pilot test has been completed for 600 households through the Smart Grid Demonstration Complex Project held in Jeju, while monitoring interfaces are provided through smart phones, IPTVs, internet phones and PCs (4 Screen).

Major Functions of kt HEMS



Summary Information



Energy Consulting



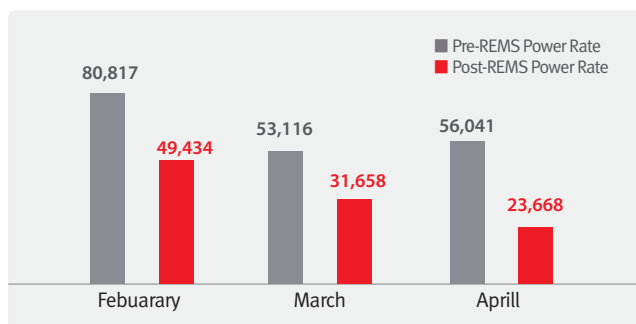
Data statistics / analysis



Smart App

Benefits of the kt-REMS (ESS Demonstration Complex in Daegu)

(Unit: won)



kt, Fully Launching its Green Renovation Business for Private Sector Buildings

kt plans to launch its ‘Green Renovation Business’ to improve the energy efficiency of old buildings. This business model, initiated by the Ministry of Land, Infrastructure and Transport and undertaken by the Green Renovation Creation Center, allows companies to improve the energy performance of older buildings and recover their investments through energy savings and improvements. To respond to power shortages and increasing energy prices, kt has presented the energy diagnostic systems ESCO and BEMS along with other diverse energy-saving IT convergence solutions as alternatives. It was against this backdrop that the Green Renovation Creation Center (attended by the Ministry of Trade, the Ministry of Industry and Energy and the Ministry of Land, Infrastructure and Transport) selected kt as the sole preliminary business to advance into the green renovation business industry in early 2013.

This decision will prompt kt to launch energy-saving business operations for not only older public buildings but also privately-owned buildings. In fact, starting with the Jeju Smart Grid Demonstration Project undertaken from 2009, kt has deployed its olleh BEMS (Building Energy Management System) at the GS Caltex R&D Center in Daejeon (2010), Seocho Boutique Monaco (2012), Guro E-Mart (2012), BC Card Future Center (2012), Yeungnam University (2013) and the Korea Institute of Design Promotion (2013), which led to an average of 19.8% in saved energy.

Since last year, kt has also tapped into the overseas building energy management market and signed the ICT consulting contract with the SLS Las Vegas Hotel in the U.S. to undertake a green building project that aims to achieve more than 10% in annual energy savings.

Expansion of Eco-Friendly Services

kt is building cooperative relationships to expand eco-friendly services. In 2013, kt was fully engaged in the Smart Campus project, the EV (electric vehicle) carSharing program and Eco-driving initiative.

Green Class

We at kt launched the Smart Campus project together with Sookmyung Women’s University to develop ‘Green Class’, an interactive lecture system accessible on tablet PCs and smart phones. ‘Green Class’ is kt’s proprietary solution that enables students to share lectures and notes in real time and post questions. This delivers a more convenient learning environment and its ‘low capacity content creation technology’ can compress lecture content into one/400th the size of the conventional content and store it accordingly. This helps save data capacity, as well as paper (through paperless lectures).



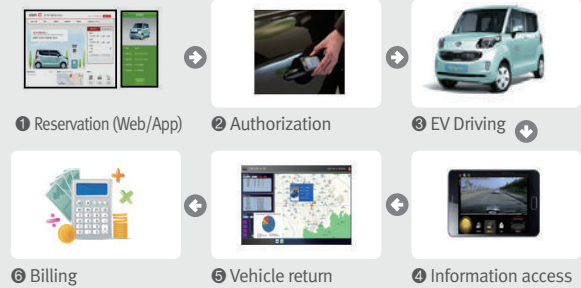
EV carSharing Solution

To develop the demonstration and business model for smart grid-related technology, kt is participating in the Jeju Smart Grid Demonstration Project supervised by the Ministry of Trade, Industry and Energy. As part of this commitment, we developed and demonstrated the EV (electric vehicle) car sharing business system in the smart transportation segment, while introducing our kt-EV carSharing solution to allow consumers to rent and use eco-friendly EVs at their convenience in Jeju. This enabled consumers to use eco-friendly vehicles, through the reduction of both gas expenses and carbon emissions, and gave ordinary consumers easy access to very expensive EVs. We expect that this will dramatically contribute to environmental protection in our society.

Components of kt-EV carSharing Services

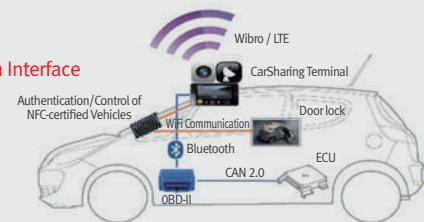
System Structure

CarSharing Service System



- Provide smartphone / web-based service interfaces
- Vehicle search, reservation / return and billing & return

EV Client & Communication Interface



- Real-time wireless mobile communication between EVs and the monitoring system
- WiFi / Bluetooth communication between EV diagnostic devices and terminals

kt Rental, Expanding Eco-Driving with BC Card

kt is committed to expanding eco-friendly services to its group affiliates. kt Rental, with its nationwide network of 160 operational locations and 85,000 vehicles, signed the Green Card partnership agreement with the Ministry of Environment and the Korea Environmental Industry Technology Institute to disseminate eco-driving practices and to facilitate the use of eco-friendly vehicles.

Performance

Green Services

kt defines services that contribute to reducing carbon emissions externally—as green services, and is committed to increasing their profits. Green Service KPIs were set to maximize profits from green services and reductions in social carbon emissions and kt continues to expand such services and develop new green services. Specifically, we are determined to discover services that help reduce social carbon emissions and to increase the ratio of green IT services (out of the total sales) to 10% by 2030. It was with this business strategy that we created a dedicated organization as an incubator for energy solution business (Future Convergence Strategy Office while launching diverse initiatives to mitigate social carbon emissions.

Outcomes from Green Services

(Unit: KRW million)

Green Service Category	Performance (KRW million)
IT Solution	225,024
Media & Content	570,919
New Growth (Business Incubation)	35,928

PUBLIC POLICY PARTICIPATION AND CERTIFICATION

Context

Strategically responding to increasingly diversifying environmental regulations and needs and fully engaging in the development of relevant policies is critical for not only in conducting business, but also in serving national interest. In addition to company-wide energy saving initiatives and IT development, we are playing a leading role as a green IT leader through our participation in the governmental green ICT policy and aggressively abiding international standards.

Progress

Compliance with Environmental Regulations [Green Growth Law]

kt has been reaching the cap targets for GHG emissions set by the Korean government's GHG and Energy Target Management Scheme for four straight years. To reduce our GHG emissions, the Environmental Management Committee meets regularly and the internal energy management system is used to manage our carbon emissions in real time. Specifically, we define compliance with environmental regulations as a KPI and are making progress, so as to ensure we are exempt from paying any penalty from non-compliance with such regulations. As part of our contribution to the development of policies related with this governmental program, our Hyeonja Branch and Bundang ICC were engaged in the target management program pilot project undertaken in the building segment by the Ministry of Land, Infrastructure and Transport. We will be fully committed to abiding by the national carbon emissions roadmap as part of our Green Korea vision.

Participation in Government-led Green ICT Projects

Supervising Ministry	Name of Project
Ministry of Trade, Industry and Energy	Development and deployment of the integrated K-MEG energy operation and management system
Ministry of Trade, Industry and Energy	Development of key platform technology to advance U-City
Ministry of Trade, Industry and Energy	Development of UFMS and an integrated platforms based on special urban information _ Transferred
Ministry of Land, Infrastructure and Transport	Development of carbon emissions-reducing urban strategy and green index & business model
Ministry of Trade, Industry and Energy	Eco-Mobility (Roadmap to develop a clean road transport environment to expand the use of eco-friendly means of transport and operate energy-efficient vehicles)
Ministry of Trade, Industry and Energy	Development of interchangeability performance standard test site in the smart Place segment

Avoiding National Blackouts through Participation in DR Market

kt is participating in the intelligent DR (Demand Response) market of the Korea Power Exchange (KPX) based on its ICT capabilities, experience in developing smart grid technology and electricity loads of internally-owned buildings. At the request of KPX, we reduce specific loads to minimize economic risks from blackouts, while decreasing the burden of investing in plant construction and energy consumption as a way to protect the environment. When Korea's reserve power drops to 4,500MW or under, we work in alignment with the top company in the retail distribution industry, a representative heavy energy consumer, to reduce a total of 34MW in load in 220 buildings across the nation. To take swift action, secure reliability and to reduce the work load of field staff, we use our ICT capabilities to develop and deploy systems that allow for real-time/interactive communication monitoring of the reductions made, automated control and the execution of load-reducing measures. In 2013, we produced a total of 712,631 kWh in internally-generated electricity, which made significant contributions to preventing nation-wide blackouts.

Internally-Generated Electricity for the Participation in the DR Market

(Unit: kWh)

Period	Jan.	Apr.	May	Jun.	Jul.	Aug.
Reductions Made(KW)	26,762	47,285	70,402	50,232	90,631	427,319

Eco-friendly Procurement (Green Procurement)

Our green procurement guidelines stipulate responsibilities and authority to comply with the 'Voluntary Agreement for Green Procurement', as well as the scope and procedures of mandatory green procurement. If prices and quality equal, green products take precedence in making purchasing decisions according to these guidelines. This agreement also covers general consumables to promote eco-friendly purchasing, while environmental conditions should be considered in the written technical requests for electric communication facilities. In addition, green design guidelines are presented to suppliers to help them take into account eco-friendly surface treatment, ease with recycling/reuse, and minimization of packaging waste from the product development stage. To further facilitate voluntary green procurement, an eco-labelling program was introduced for consumables and labelled data is updated semi-monthly on the basis of green product information provided by the Korea Environmental Industry & Technology Institute and monthly outcomes are analyzed to manage progress. Furthermore, our green procurement website allows users to learn about the status of green procurement at kt, future directions, green procurement procedures, and methods to verify and search green products as a way to assist our employees in making green purchasing decisions.

Green Procurement Outcomes

Green Procurement (one item/KRW million)	2011		2012		2013		
	No. of Items	Amount	No. of Items	Amount	No. of Items	Amount	
Eco-friendly Products	Green Mark-certified	439	5,094.9	689	4,787.9	835	9,270
	GR Mark-certified	1	2.2	7	468.4	1	494
Other Eco-friendly Products	Energy Mark-certified	1	0.1	3	4.1	-	-
	Reducing hazardous materials			2	180.3	-	-
	Reducing waste	1	0.9	2	4.4	-	-
	Certified with overseas eco marks					-	-
	Others	30	14.4	120	33.2		
Total		472	5,112.5	823	5,478	836	9,764

Response to International Environmental Standards (ISO14001)

In 2007, kt became the first Korean telecommunication company to be certified with the international environmental management standard ISO14001 in the construction and real estate sector, while advancing its own environmental management system to establish transparency and credibility for its environmental management performance. Our goal is to have all our operations certified with ISO 14001 through sustained environmental improvement and we are fully committed to environmental management through environmental training, internal audits and company-wide environmental campaigns.

COMPLIANCE WITH ELECTROMAGNETIC LIMITS

Green Technology and Business Certification



To develop and disseminate green IT, we at kt have continuously conducted R&D in the eco-friendly telecommunications segment. As a result, kt owns a total of nine green technology and business certificates granted by the Korean government, the first-ever achievement in the domestic telecommunications industry. Specifically, in 2013, the development of an integrated external air inlet energy-saving HVAC system added another green technology certificate to our certification portfolio and this enabled us to be recognized for our world class green ICT capabilities.

Type of Certification	Date of Certification	Name of Certificate
Green Technology Certification	Oct. 14, 2010	RC/CT-based facility-specific real-time remote measurement of energy consumption
	Oct. 14, 2010	Smart grid-based building energy management solution (SG-BEMS)
	Oct. 10, 2013	Zigbee/PLC-enabled power-saving home network technology
Green Business Certification	Oct. 28, 2010	Integrated external air inlet energy-saving HVAC system
	Oct. 28, 2010	Green telecommunication infrastructure development through the integration of stations on a regional level
	Oct. 11, 2012	Video conferencing system dissemination through the use of 3G, IPTV and Wibro technology
	Nov. 22, 2012	Broadcasting and telecommunications network-based eco-friendly address update services
	Oct. 11, 2012	ICT infrastructure-enabled smart working
	Nov. 22, 2012	Energy-saving, eco-friendly green PC (entry-level) system development

kt Data Center, Rated Most Efficient under the Green IDC Certification Program

Korea's first-ever Green Data Center Certification program (supervised by the Korea IT Service Industry Association) awarded kt with the highest rating. This program was designed to improve the efficiency of the power operating conditions of big data centers—which are heavy power consumers—as part of the endeavors to address the nationwide challenge of energy conservation. As Korea's top data center operator, kt's Mokdong center and Bundang center received A+ and A++(rated highest in Korea) respectively, which demonstrated our top-notch performance in power efficiency. Our IDC infrastructure enabled us to improve our power consumption by 17.3% over the past three years. In the meantime, we are building an HTA testing center (that can be operated in high-temperature conditions) to strengthen the competitive edge of our data centers. Specifically, we are optimizing the energy efficiency of our IT infrastructure, through cloud computing technology, and we vow to become the world's top data center service provider by enhancing the energy efficiency of our data centers to global levels by 2015.

Performance

Participation in National Policy

- Participation in six national green ICT projects
- Internally-generated power: 712,631 kWh in total
- Green procurement: 836 items, KRW 9.764 billion

Certification Outcomes

- Additional Green Technology certificate obtained in 2013: Integrated outdoor air inlet energy-saving cooling system
- kt's data centers, rated highest under the Green IDC Certification program

Context

Mitigating negative impact on the human body and the environment, along with complying with governmental standards, require that electromagnetic waves from the use of communication devices or the installation of wireless antennas should be appropriately measured and managed. As a telecommunications operator, kt measures the specific absorption rates of cell phones, and provides such information, while constructing base stations in a way that reduces the environmental burden of surrounding conditions.

Progress

Compliance through Monitoring of Electromagnetic Wave Strength

At kt, we measure the strength of electromagnetic fields to comply with human safety standards. We ensure that the SAR (Specific Absorption Rate) of cell phones is at 1.6W/Kg or under, in accordance with the Korean government's standard limit, before these cell phones are registered and sold. Our wireless stations are also constructed in an eco-friendly manner to prevent customer complaints. To prevent electromagnetic waves from having any negative impact on the human body in advance, we ensure that base stations with high signal strengths are subject to the mandatory measurement of electromagnetic waves and that they maintain their output at the lowest possible level.

Offering Electromagnetic Information and Gathering Stakeholder Feedback

We provide background information and real-life information concerning electromagnetic fields to our stakeholders. Our website is uploaded with electromagnetic information, practical ways to reduce such waves and SAR ratings for all handsets. Relevant initiatives are also disclosed through our corporate reports. When new transmission antennas are set up at such locations as residential or commercial areas where electromagnetic waves may have an impact on the human body, additional funds are allocated to measure the strength of electromagnetic waves and the outcomes are reported to the government. If new transmission antennas are installed within apartment complexes, it should always be approved by the resident household representative. If customers demand that additional measurements be made, dedicated precision measurements are conducted to offer the requested information.

Electromagnetic Research

Our Electromagnetic Advisory Committee is attended by experts. kt is also an active supporter (research fellow activities) of electromagnetic wave research, conducted jointly by the industry and academia, under the supervision of the Korean Institute of Electromagnetic Engineering & Science, in addition to being an advisor to government-led electromagnetic research. To gain efficient and substantial outcomes from such research activities, kt commissions the Korea Radio Promotion Association to conduct research on the impact of electromagnetic waves to the human body (invest in research funds). kt is interested and invests in the impact that electromagnetic fields has on the surrounding ecosystems and on public health.

Performance

kt's Measurement of Electromagnetic Wave Strength

Category	Self-initiated Measurement	Requested by Customers	Total
No. of Base Stations	14,550	14,666	29,216

Appendix

Sustainability Indicators

Third-Party Assurance Statement

GRI Content Index

Membership

Awards

MAJOR INDICATORS OF SUSTAINABILITY MANAGEMENT

Economic Performance				
	Unit	2011	2012	2013
Sales (On a consolidated, K-IFRS basis)				
Delivery of Services	KRW million	16,832,349	19,266,545	19,663,014
Sales of Goods(*)	KRW million	4,439,684	4,589,830	4,147,585
Consolidated Financial Statement				
Current Assets	KRW million	9,790,659	10,517,419	9,968,449
Non-current Assets	KRW million	22,294,750	24,040,489	24,878,084
Total Assets	KRW million	32,085,409	34,557,908	34,846,533
Current Liabilities	KRW million	8,745,125	11,266,766	11,187,738
Non-current Liabilities	KRW million	10,802,475	10,073,167	10,793,885
Total Liabilities	KRW million	19,547,600	21,339,933	21,981,623
Capital	KRW million	1,564,499	1,564,499	1,564,499
Premium on Common Stock	KRW million	1,440,258	1,440,258	1,440,258
Retained Earnings	KRW million	10,219,633	10,646,383	10,046,883
Accumulated Other Comprehensive Income	KRW million	-22,865	1,325	24,538
Other Capital Component	KRW million	-1,497,289	-1,343,286	-1,320,943
Non-controlling Interests	KRW million	833,573	908,796	1,109,675
Total Equities	KRW million	12,537,809	13,217,975	12,864,910
Total Liabilities and Equities	KRW million	32,085,409	34,557,908	34,846,533
Consolidated Income Statement				
Operating Revenue	KRW million	21,272,033	23,856,375	23,810,599
Operating Expenses	KRW million	19,523,624	22,647,142	22,971,256
Operating Profit	KRW million	1,748,409	1,209,233	839,343
Equity in Income and Loss of Associates and Joint Ventures	KRW million	-3,038	18,079	6,601
Income Before Taxes	KRW million	1,603,371	1,414,842	-5,258
Income Taxes	KRW million	315,946	277,869	54,993
Net Profit from Continuing Operations	KRW million	1,287,425	1,136,973	-60,251
Operating Profit(Loss) from Discontinued Operations	KRW million	164,594	-31,534	-
Net Profit	KRW million	1,452,019	1,105,439	-60,251
Shareholder Return/Composition/Dividend				
Shareholder Return (On a non-consolidated basis)				
	Unit	2011	2012	2013
Par Value per Share	KRW	5,000	5,000	5,000
Net Income	KRW million	1,289,055	708,819	-392,311
Total Dividends	KRW million	486,602	487,445	195,112
Pay-out Ratio (Dividends Paid/Net Profit during the Term)	%	37.7	68.8	-
Dividend Yield Ratio (Dividends Paid per Share/Stock Price)	%	5.3	5.2	2.5
Shareholder Composition (2013)				
	Unit	No. of Shares	Equity Ownership	
Treasury Stock	share/%	17,221,575	6.60%	
Foreign Investors	share/%	103,670,742	39.70%	
National Pension Fund	share/%	23,298,800	8.92%	
Employee Stockholders	share/%	2,748,359	1.05%	
Domestic Institutions(Excluding the National Pension Fund)	share/%	38,616,860	14.79%	
Other Entities	share/%	5,004,756	1.92%	
Individual Investors	share/%	70,464,131	26.99%	
Total No. of Shares Issued	share/%	261,111,808	100.00%	

* A portion of economic performance data in 2012 may differ from what was described in the previous year's report as the scope of consolidation was modified due to the adoption of K-IFRS 1110

Social Performance					
		Unit	2011	2012	2013
Details of Spending on Social Contribution					
Monetary and In-Kind Donations	Scholarship	KRW 100 million	11.1	11.7	11.7
	Donations and Sponsorship	KRW 100 million	200.3	123	307.2
Investment in Local Communities	IT Sharing in Communities	KRW 100 million	126.6	121.7	124.7
	Love Sharing Fund	KRW 100 million	17.2	17.2	15.6
	Support for Children and the Underprivileged	KRW 100 million	21.4	24.3	24.3
	Culture, Arts and Sports	KRW 100 million	51.7	52	79.8
Support and Sponsorship for Sharing Love Initiatives		KRW 100 million	82.7	74	72
Employee Volunteerism					
Volunteering Hours		Hours	140,777	145,779	98,351
Volunteers		No. of Volunteers	35,637	36,600	20,812
Employee Composition					
Gender	Male	No. of Persons	26,401	26,579	26,599
	Female	No. of Persons	4,660	4,757	4,993
Recruitment By Sector	New Recruits	No. of Persons	309	533	286
	Experienced New Recruits	No. of Persons	231	291	204
	Customer Service Positions	No. of Persons	291	317	490
	Interns	No. of Persons	227	182	123
Recruitment of Females	No. and Ratio of Female Employees	No. of Persons (%)	4,660(15.0%)	4,757(15.2%)	4,993(15.8%)
	No. and Ratio of Females in Manager Positions and Above	No. of Persons (%)	3.34%	4.74%	188(5.59%)
Recruitment of Disabled Individuals	No. of Employees	No. of Persons (%)	803(2.52%)	824(2.54%)	809(2.51%)
Turnover					
	Male	%	0.62	0.24	0.28
	Female	%	0.12	0.06	0.33
	Total	%	0.73	0.3	0.32
Employee Composition					
Type of Employment	Regular	No. of Persons	31,061	31,336	31,592
	Contract-based	No. of Persons	744	680	632
	Others	No. of Persons	176	170	227
Use of Childcare Leave					
Employees Who Took Childcare Leave	Male	No. of Persons	23	26	28
	Female	No. of Persons	125	130	164
Reinstatement after Taking Childcare Leave	Male	%	96	92	93
	Female	%	93	97	99
Employment for More Than 12 Months after Reinstatement	Male	%	87	81	86
	Female	%	89	97	99
Employee Training					
Type of Training	Group Training	No. of Sessions/ No. of Persons	623/45,489	804/59,023	857/51,978
	e-Learning	No. of Sessions/ No. of Persons	165/86,010	121/100,159	187/60,363
Training Expenses per Person		KRW 1,000	690	713	710
Total Training Hours		No. of Hours	94	91	66
National Customer Satisfaction Index (NCSI)					
NCSI Results	Mobile Calls	Point	73	71	72
	Phone Calls	Point	74	74	74
	IPTV	Point	69	72	71
	Ultra-High Speed Internet	Point	71	73	72

Environmental Performance						
		Unit	2011	2012	2013	
Consumption and Recycling of Water						
Water (Underground Water) Consumption		ton	2,904,958	3,000,742	2,326,977	
Recycling of Water (Recycled Water)		ton	-	81,576	23,813	
Rate of Water Recycling		%	-	2.72	1.02	
Discharge of Waste						
General Waste	General	ton	-	821	4,960	
	Recyclable	ton	-	367	2,203	
Recyclable Waste	Cables	ton	-	32,900	13,092	
	Equipment	ton	-	4,678	7,740	
	Generators	ton	-	2,495	3,624	
	Others	ton	-	1,553	74	
Optical Cable Waste		ton	-	-	2,394	
Construction Waste		ton	-	7,210	2,186	
Total Discharge of Waste		ton	63,213	50,024	36,273	
GHG Emissions						
Direct/Indirect GHG Emissions						
Scope 1	Fixed Combustion	tCO ₂ e	44,332	39,387	37,053	
Direct Emissions	Mobile Combustion	tCO ₂ e	19,346	23,864	23,428	
Scope 2	Purchased Power	tCO ₂ e	1,105,986	1,032,558	1,034,650	
Indirect Emissions	Steam	tCO ₂ e	3,594	2,628	3,860	
Total Direct/Indirect GHG Emissions		tCO ₂ e	1,173,257	1,098,470	1,098,991	
Scope 3 Emissions						
Supply Chain Phase	Fixed-Line Devices	tCO ₂ e	-	2,430	472	
	Wireless Devices	tCO ₂ e	-	3,935	1,269	
	Telecommunications Service Infrastructure	tCO ₂ e	-	30,925	48,197	
Use Phase	Home Terminals	tCO ₂ e	-	44,873	40,783	
	Mobile Terminals	tCO ₂ e	-	89,117	168,621	
	Internet Terminals	tCO ₂ e	-	270,143	237,846	
Other Scope3 Emissions	Water Consumption	tCO ₂ e	-	996	997	
	Waste Treatment	Daily Waste	tCO ₂ e	-	294	349
		Recyclable Waste	tCO ₂ e	-	11,703	750
		Construction Waste	tCO ₂ e	-	186	114
	Business Trips	Downtown Areas	tCO ₂ e	-	319	380
		Suburbs	tCO ₂ e	-	880	659
		Overseas	tCO ₂ e	-	2,931	8,551
	Commuting	Bus (Intra-City, Inter-City)	tCO ₂ e	-	801	762
		Subway	tCO ₂ e	-	68	76
		Personal Vehicle	tCO ₂ e	-	25,048	22,495
		Railway	tCO ₂ e	-	72	25
		Multiple Modes	tCO ₂ e	-	599	210
	Total Scope 3 Indirect GHG Emissions		tCO ₂ e	-	43,897	35,368
Social Emissions Reduction (Mitigation Effects)						
Wireless Communication		tCO ₂ e	-	1,167	16,592	
IT Solution		tCO ₂ e	-	85,687	270,862	
Media & Content		tCO ₂ e	-	911,838	825,879	
New Growth		tCO ₂ e	-	3,925	3,456	
Total Reduction in Social Emissions		tCO ₂ e	-	1,002,617	1,116,790	
Green Procurement						
Eco-Friendly Products	Eco Mark-Certified	No. of Items/ KRW million	439/5,094.9	689/4,787.9	835/9,270	
	GR Mark-Certified	No. of Items / KRW million	1/2.2	7/468.4	1/494	
Other Eco-Friendly Products	Energy Saving Mark-Certified	No. of Items / KRW million	1/0.1	3/4.1	-/-	
	Hazardous Chemicals-Reducing Products	No. of Items / KRW million		2/180.3	-/-	
	Waste-Reducing Products	No. of Items / KRW million	1/0.9	2/4.4	-/-	
	Certified with Overseas Eco Marks	No. of Items / KRW million			-/-	
	Others	No. of Items / KRW million	30/14.4	120/33.2		
Total No. of Purchased Products and Value		No. of Items / KRW million	472/5,112.5	823/5,478	836/9,764	

THIRD-PARTY ASSURANCE STATEMENT

To Stakeholders of kt

The Korea Productivity Center(KPC, the ‘assurance provider’ hereafter) was commissioned by kt to perform a third-party assurance engagement of the kt Integrated Report 2014 (the ‘Report’ hereafter) and presents the assurance statement as follows.

Responsibility and Independence

The responsibility for the information and statements contained in this Report solely lies with kt. As the assurance provider, KPC is responsible for the assurance statement. As an independent assurance provider, KPC was not engaged in the preparation of the Report and does not have any interest in kt that may compromise its independence as an assurance provider.

Assurance Standards

This assurance engagement followed the AA1000AS(2008) assurance standards to provide Moderate Level assurance while conducting Type 2 assurance for specific indicators that require the confirmation of reliability concerning data collection processes, such as water consumption, waste management and occupational injury rates. KPC verified the consistency of the Inclusivity, Materiality and Responsiveness principles as proposed by the AA1000AS(2008). KPC also verified whether the report content was created in accordance with the GRI G4 Guidelines.

Limitations

Pursuant to the above assurance standards, KPC assured kt’s 2013 performance and verified the reliability of the performance data outlined in the Report as follows. Financial data was verified through kt’s financial statements and disclosure documents audited by accounting auditors while a portion of the data (GHG data, website alignment) was verified by referring to previous assurance outcomes. In addition, physical inspections were limited to kt’s Headquarters in Seoul. KPC would like to make it clear that its assurance outcomes are subject to change if additional assurance procedures are undertaken in the future.

Assurance Methods

This assurance engagement was conducted in accordance with the following methods:

KPC verified whether the Report satisfied the Comprehensive Option requirements proposed by the GRI G4 Guidelines.

KPC followed the GRI G4 Guidelines to verify whether the report content and quality was in accordance with the GRI principles.

KPC conducted media research and benchmarking analyses to review whether major issues outlined in the Report were selected and described in an appropriate manner.

KPC reviewed the adequacy of the statements contained in the Report as well as errors found in the representation of the report content through comparative analyses with other sources.

KPC conducted physical inspections of kt’s Headquarters in Seoul to verify the evidence of major data and information as well as internal processes and systems.

Conclusions

KPC believes that the Report is a sincere and fair representation of kt’s sustainability management initiatives and achievements. KPC also verified through this assurance engagement that the Report satisfied the ‘Comprehensive’ requirements as proposed by the GRI G4 Guidelines.

KPC confirmed that the General Standard Disclosures outlined in the Report were prepared in a way to meet the ‘Comprehensive’ requirements while reviewing DMAs (Disclosure on Management Approach) and indicators concerning material issues identified through the report content selection process when it comes to Specific Standard Disclosures as follows:

Sub Category	Material Issues	DMA & Indicators
Overview of kt’s Sustainability	<ul style="list-style-type: none"> • Growing demand for corporate transparency • Increasing need to respond to governmental regulations and policies 	<ul style="list-style-type: none"> • Anti-corruption • Governance(Decision-making structure) EC4, SO4, SO5, PR7, PR8
Company Value Creation	<ul style="list-style-type: none"> • Intensifying market competition • Accelerating technological development • Indirect economic impacts 	<ul style="list-style-type: none"> • Increasing threats from substitutes caused by technological convergence • Economic performance DMA-Context & Progress EC1, EC2, EC3, EC4, EC7, EC8
Creating Social Value	<ul style="list-style-type: none"> • Expanding social responsibility along the supply chain • Robust demand for shared growth 	<ul style="list-style-type: none"> • Market status • Local communities(Social contribution) DMA-Context & Progress EC5, EC6, EC7, SO1
Customer Engagement	<ul style="list-style-type: none"> • Growing demand for customer information security • Protection of customers’ personal information • Increasing sensitivity to products and services • Growing demand for the safety of products and services • Commitment to improving products and services 	<ul style="list-style-type: none"> • Hyper-connection society (Network advancement) • Increasing number of consumers who value health, eco-friendliness and social- friendliness • Marketing communication DMA-Context & Progress PR1, PR3, PR5, PR8,
Human Resources	<ul style="list-style-type: none"> • Growing importance of talent recruitment • Increasing demand for employee welfare and rights • Employment 	<ul style="list-style-type: none"> • Prohibition of discrimination – Equality and Human Rights • Occupational health & safety DMA-Context & Progress LA1, LA2, LA3, LA5, LA6, LA7, LA8
Environmental Impact	<ul style="list-style-type: none"> • Energy • Customer health & safety (Electromagnetic radiation) 	<ul style="list-style-type: none"> • Compliance with environmental regulations DMA-Context & Progress EN4, EN5, EN6, EN7,

Inclusivity: Stakeholder Engagement

Inclusivity means that an organization should engage its stakeholders in developing and undertaking responsible and strategic responses for sustainability. KPC verified, through this assurance engagement, that kt launched a wide array of initiatives in 2013 to abide by this inclusivity principle and to make improvements. It was confirmed that kt identified its major stakeholders to be comprised of six different types of customers, which included shareholders, suppliers, employees, local communities and the environment, and that the company was gathering feedback from these six stakeholder types by clearly understanding their specific engagement type and interaction frequency, so as to more proactively communicate with them. Specifically, it is highly noteworthy that kt regularly gathers feedback from its group of 200 customers and engages its stakeholders through customized communication channels (SCM Council).

Materiality: Selection and Reporting of Major Issues

Materiality means that an organization should determine issues that are relevant and material to major stakeholders surrounding that organization. KPC verified that kt adopted a reasonable materiality analysis process to select issues that were significant and material to both the company and its major stakeholders. kt complied with the principles of sustainability context, materiality and completeness in identifying major issues related to sustainability management and in conducting the materiality test. Through this process, kt identified 30 key issues. KPC also verified that kt's initiatives and major achievements concerning the identified key issues were presented in each section of the Report in a balanced manner.

Responsiveness : Organizational Response to Issues

Responsiveness means that an organization should respond to issues that may impact the performance of its stakeholders. KPC confirmed that kt understood major expectations that impacted the performance of its stakeholders, undertook initiatives to respond to such issues and appropriately described such endeavors in the Report. kt categorized the identified key issues into six areas to present relevant initiatives and outcomes. Specifically, kt disclosed the status of its GHG-related activities and performance management over the past several years to concisely communicate and convey the improvements it made. Another point worth mentioning is the fact that kt continues to extend the scope of its management into Scope 3 emissions.

Recommendations

KPC found the wide-ranging endeavors and achievements made by kt in improving its sustainability very positive and presents the following recommendations to improve its future reporting and sustainability management:

- 1. Establishment of an integrated sustainability management performance management system:** kt discloses its diverse initiatives and achievements related to sustainability management through sustainability reports. Any increase in the data of future reports could lead to issues with the reliability and management of the information contained in its current report and therefore, the company is advised to take an integrated approach to data management.
- 2. Expansion of comprehensiveness in the industrial ecosystem:** Presently, kt offers various training courses and support measures to help its suppliers fulfill their social responsibility. It is recommended that kt consider the characteristics of its material suppliers and construction services respectively in providing assistance. Specifically, it is advised that kt review the social responsibility initiatives of its sales stores and monitor these stores in this regard.
- 3. Long-term review of sustainability management branding:** kt is establishing its brand identity and disseminating this identity into wider group affiliates. kt will benefit from developing its sustainability management initiatives into a brand in its own right to further increase its corporate value and offer a consistent communication channel for employees and external stakeholders.



May 2014

Chairman, Korea Productivity Center

Jin Hyg

Dong-Su Kim, Director

Gi-Hwan Lee, Team Leader

Tae-Ho Park, Team Leader

Seung-Sang Lee, Researcher

The Korea Productivity Center's Sustainability Center is an authorized assurance provider certified by AccountAbility, a global stakeholder engagement and assurance evaluator and the primary creator of the international AA1000 standards, and is qualified to carry out independent assurance engagements. The assurance team is composed of experts who have received professional training in assurance consultation and with extensive experience in sustainability management advice and assurance engagements.

* AA1000AS(2008) : AA1000 Assurance Standard(2008)

The global assurance standards established by AccountAbility that provide methodology to report sustainability management issues through the evaluation of organizational operation concerning business performance, compliance with principles and the reliability of performance data

* AA1000APS(2008) : AA1000 AccountAbility Principles Standard(2008). The global standard principles established by AccountAbility that provide the basis for the AA1000 standards

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES			
General Standard Disclosure		Page	Omissions External Assurance
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	4-5	p106-107
G4-2	Provide a description of key impacts, risks, and opportunities.	16, 22	p106-107
Organizational Profile			
G4-3	Report the name of the organization	6	p106-107
G4-4	Report the primary brands, products, and services.	9	p106-107
G4-5	Report the location of the organization's headquarters.	6	p106-107
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	38-39	p106-107
G4-7	Report the nature of ownership and legal form.	6	p106-107
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	6-10	p106-107
G4-9	Report the scale of the organization, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided 	10, 75	p106-107
G4-10	A. Report the total number of employees by and gender. B. Report the total number of permanent employees by employment type and gender. C. Report the total workforce by employees and supervised workers and by gender. D. Report the total workforce by region and gender. E. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. F. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	75-76	p106-107
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	83	p106-107
G4-12	Describe the organization's supply chain.	43	p106-107
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	11 (Changes in ownership structure)	p106-107
Organizational Profile: Commitments to External Initiative			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	16	p106-107
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	112	p106-107
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic 	112	p106-107
Identified Material Aspects and Boundaries			
G4-17	A. List all entities included in the organization's consolidated financial statements or equivalent documents. B. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	103	p106-107
G4-18	A. Explain the process for defining the report content and the Aspect Boundaries. B. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	20-21	p106-107
G4-19	List all the material Aspects identified in the process for defining report content.	20-21	p106-107
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none"> A. Report whether the Aspect is material within the organization B. If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> a. The list of entities or groups of entities included in G4-17 for which the Aspect is not material or b. The list of entities or groups of entities included in G4-17 for which the Aspects is material C. Report any specific limitation regarding the Aspect Boundary within the organization 	21	p106-107

G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization 	21		p106-107
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About this Report		p106-107
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	—	No significant changes	p106-107
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization.	17		p106-107
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	17		p106-107
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	17		p106-107
G4-27	Report 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. Report the stakeholder groups that raised each of the key topics and concerns.	17		p106-107
Report Profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report		p106-107
G4-29	Date of most recent previous report (if any).	About this Report		p106-107
G4-30	Reporting cycle (such as annual, biennial).	About this Report		p106-107
G4-31	Provide the contact point for questions regarding the report or its contents.	About this Report		p106-107
Report Profile: GRI Content Index				
G4-32	A. Report the 'in accordance' option the organization has chosen. B. Report the GRI Content Index for the chosen option (see tables below). C. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	About this Report		p106-107
Report Profile: Assurance				
G4-33	A. Report the organization's policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. C. Report the relationship between the organization and the assurance providers. D. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	About this Report		p106-107
Governance				
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	12		p106-107
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	13		p106-107
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	11-13		p106-107
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	13		p106-107
G4-38	Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation 	11-12		p106-107
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	11		p106-107
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	11-13		p106-107

G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> • Cross-board membership • Existence of controlling shareholder • Related party disclosures • Cross-shareholding with suppliers and other stakeholders 	11-13	p106-107
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	12-13	p106-107
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	11-12	p106-107
G4-44	A. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	11-12	p106-107
G4-45	A. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. B. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	11-13	p106-107
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	12-13	p106-107
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	12	p106-107
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	13	p106-107
G4-49	Report the process for communicating critical concerns to the highest governance body.	12-13	p106-107
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	12	p106-107
G4-51	A. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> • Fixed pay and variable pay: <ul style="list-style-type: none"> a. Performance-based pay b. Equity-based pay c. Bonuses d. Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees B. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	11-12	p106-107
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	12	p106-107
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	12	p106-107
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	12	p106-107
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—	Cannot be reported as the relevance of the ratio of percentage increase cannot be established due to the appointment of a new CEO
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	14, 43	p106-107
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	14-15	p106-107
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	14	p106-107

SPECIFIC STANDARD DISCLOSURES					
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	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	91-93		p106-107
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	G4-EC4	Financial assistance received from government	100		p106-107
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Sub-Category: Labor Practice and Decent Work			Page	Omissions	External Assurance
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	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	80-81		p106-107
	G4-LA3	Return to work and retention rates after parental leave, by gender	76		p106-107
Occupational Health and Safety	G4-LA5	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	84		p106-107
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	84-85		p106-107
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	G4-LA8	Health and safety topics covered in formal agreements with trade unions	84		p106-107
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Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	—	No such incidents of discrimination occurred	
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Local community	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	44-47, 56-57, 101		p106-107
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	—	No such operations exist	
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	G4-SO4	Communication and training on anti-corruption policies and procedures	15		p106-107
	G4-SO5	Confirmed incidents of corruption and actions taken	15		p106-107
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	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	—	No such incidents of non-compliance occurred	
Product and Service Labeling (Customer Satisfaction)	G4-PR3	"Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements"	9		p106-107
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	—	No such incidents of non-compliance occurred	
	G4-PR5	Results of surveys measuring customer satisfaction	61		p106-107
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MEMBERSHIP

Domestic

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

Overseas

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

AWARDS 2013

Award	Awarded By	Date
The Most Admired Companies, All Star	Korean Management Association Consulting	Feb. 1
2013 Korea's Best Employers	Aon Hewitt	Feb. 16
GSMA Chairman's Award at the Mobile World Congress 2013	Global System for Mobile Communications Association (GSMA)	Feb. 17
Top 50 Telecoms Operator Brands 2013-ranked 1 st in brand value among Korea's telecommunications companies	Brand Finance Global	Mar. 14
NCSI(National Customer Satisfaction Index)- ranked 1 st in the local/ long-distance call, internet call and international call sectors	Korea Productivity Center	Mar. 25
INNO STAR 2013-Best Innovation award in the 'Smart Home(Networking)'	Korea Management Association	April 1
2013 Korea Management Award	Korea Management Association	May 16
Transparent Accounting Awards 2013- Grand Prize	Korean Accounting Association, Korean Institute of Certified Public Accountants	May 31
2013 Excellence in Corporate Governance Award	Corporate Governance Service	Jun. 21
2013 Korea Standard-Service Quality Index- ranked 1 st in the ultra high-speed internet and IPTV sectors	Korean Standards Association	Jun. 27
Social Responsibility Leader for Co-Existence Award	JTBC, JoongAng Daily	Sep. 11
Corporate Social Responsibility Award	Korea Chamber of Commerce & Industry, Forbes Korea	Sep. 24
2013 KCSI (Korean Customer Satisfaction Index)- ranked 1 st in the ultra-high speed internet, local/long-distance call, internet call and international call sectors	Korean Management Association Consulting	Sep. 30
Industry Group Leader in the telecoms sector of the DJSI World	DowJones(US)/RobecoSAM (Swiss-based investment company)	Oct. 31
Joined the CDP (Carbon Disclosure Project) Global Carbon Management Leaders Club	CDP in the U.K., CDP Korea,	Nov. 1
Korea's Great Work Place Award (Three consecutive years)	GWP Korea	Nov. 11
'WiFi Industry Award 2013'- Best Next Generation Wi-Fi Device/ Application Award	WBA(Wireless Broadband Alliance, a global alliance of ultra-high speed wireless operators)	Nov. 21
Green Ranking - ranked the 1 st in the software/communication/ media sector (3 rd in Korea)	JoongAng Daily	Dec. 19



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