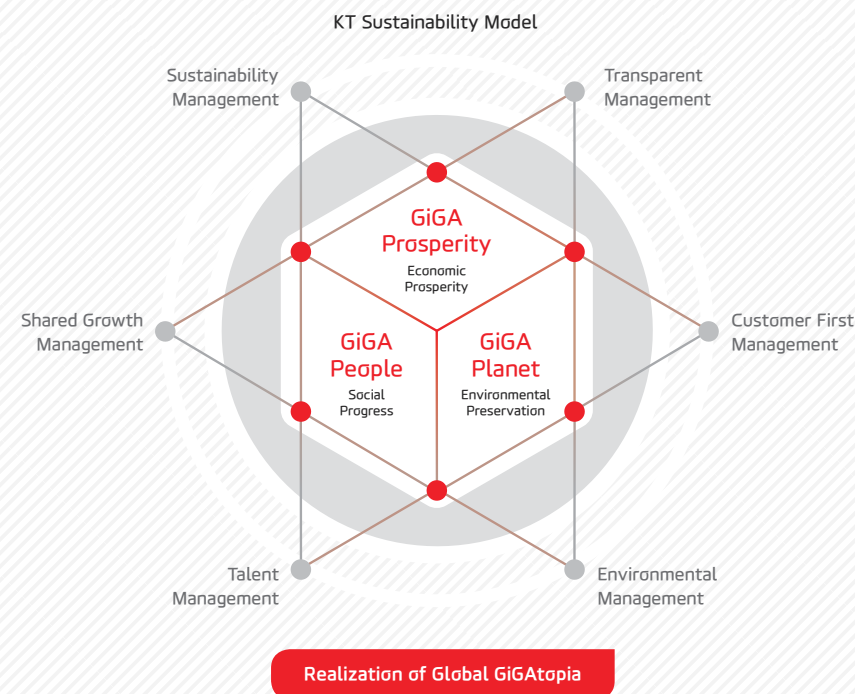**kt**

GiGAtopia

KT Integrated Report 2016

kt

ABOUT THIS REPORT

This report is KT's 11th integrated report consisting of corporate sustainability management strategies as well as sustainability management activities and performances to deliver the strategies.

Overview of This Report

In order to improve the understanding of stakeholders about KT's sustainability goals, strategies, and system, KT has reflected the "KT Sustainability Model" to this report. Under the long-term sustainability goal, 'Realizing Global GiGAtopia,' we have been promoted the corporate-wide sustainability management in three dimensions and six areas aiming to accomplish the economic prosperity (GiGA Prosperity), environmental preservation (GiGA Planet), and social progress (GiGA People). In addition, the KT Sustainability Model has been established in accordance with the "UN Sustainable Development Goals (SDGs)" that are mid- to long-term global development plans of United Nations (UN) for making a better planet. For more information, please refer to p.28-29 of this report.

KT Sustainability Model

Sustainability Management
Transparent Management

GiGA Prosperity
Economic Prosperity

Shared Growth Management
Customer First Management

GiGA People
Social Progress

GiGA Planet
Environmental Preservation

Talent Management
Environmental Management

Realization of Global GiGAtopia

Characteristics of This Report

This report has been planned regarding the value creation process. It also addresses the material sustainability issues identified through the materiality test and KT's long-term sustainability goals established by integrating the business and the material sustainability issues. Furthermore, KT shares its strategies for the present and the future through defining the six megatrends of the communications industry and presenting key business activities, performances, and plans in accordance with the strategies. KT Sustainability Index (KSI) and issues of each area which stakeholders are interested in are also delivered while value creation cases by KT's sustainability management are introduced in detail. Therefore, the effectiveness of the report as a communication channel has been substantially increased.

GiGAtopia - Create the Future

KT is taking a significant leap into tomorrow through the fastest and most innovative GiGA Infrastructure and ICT Convergence services.

CONTENTS

Cover Story

Standing at the forefront of the Korean communications history,
KT presents a new paradigm of the communications market
through GiGAtopia. The cover expresses KT who realizes the Global
GiGAtopia by spreading the fastest and most innovative ICT services
in the world beyond the border of Korea.

GiGAtopia – Create the Future

KT is taking a significant leap into tomorrow

through the fastest and most innovative

GiGA Infrastructure and ICT Convergence services.

Message from
the Chairman of the Board of Directors

KT will create an abundant future through the sustainability management.

Message from the CEO

Through GiGA Infrastructure and ICT Convergence technology, KT will advance the world.

Since the opening of Hanseong Telegraph Bureau, KT has led the Korean communications history for 131 years as the representative company of the country. With a strong will to become a firm foundation of the industrial development of Korea, we are substantially contributing to the development of the ICT market.

Past success, however, does not necessarily guarantee future success which has made it never easy to attain the sustainable growth. Recently, we have watched large enterprises of the world losing trust of customers for their dishonesty; KT is fully recognizing that the corporate value can be sunk in a moment of time as well as that the managerial risk is constantly increasing.

Hence, KT has reinforced its sustainability management system in order to preoccupy new business opportunities and to turn into a company overcoming economic, environmental, and social risks. As a consequence, we were selected as the Industry Leader of the wire and wireless communications industry in the 2015 Dow Jones Sustainability Index (DJSI), the most authoritative sustainability index in the world. We have stood tall as the global leading company in the sustainability management.

KT will step forward to lead new trends of the sustainability management in Korea through devoting diverse efforts; a committee with the exclusive responsibility for the sustainability management has been newly founded in the Board of Directors. We will continue to concentrate on establishing the sustainable future of KT.

'Sustainability Management Committee' will present methods to maximize the corporate value of KT as well as will persistently excavate ways to become an international company who faithfully delivers the social responsibility.

2016 will be a year for KT to consolidate a foothold to take a new challenging leap for further advanced sustainability management. Every director of the Board of Directors including myself will do the best to assist KT in fulfilling its duty as a responsible global enterprise.

Thank you.

In 2015, KT proclaimed that it will lead the 4th Industrial Revolution of Korea through GiGA Infrastructure and ICT convergence. In other words, KT will innovate the industry and the life of humankind by integrating various industries with intelligent GiGA Infrastructure. We have successfully established the most advanced Infrastructure with our world-class technology, such as GiGA LTE, GiGA Wire, LTE-M, and Private LTE. In addition to this, we are creating new convergences that increase the value of the industry by competitive capability in Big Data sector as well as IoT, cloud, and security control technologies.

KT, the Korea's representative company, pursues to contribute to creating a better world with its innovative technology. Through our network infrastructure that connects the entire world, we will present GiGAtopia which all humankind can enjoy while guiding the sustainable development and growth of the humankind.

In 2015, The United Nations (UN) defined 17 Sustainable Development Goals (SDGs) with an aim to accomplish the goals by 2030; the UN SDGs are significant challenges to KT as well for they correspond with the realization of GiGAtopia. The corporate social responsibility is not an option but a must; the role of a company is most critical in establishing a better future. Hence, KT has been constantly devoting itself to identifying solutions for the earth.

By providing GiGA Infrastructure and solutions to remote regions like Imja Island, Daeseongdong, Baengnyeong Island, and Cheoghak-dong, KT has greatly improved the quality of life of local residents. We will aim to spread the abundance and prosperity by ICT into the entire world by building additional GiGA Island in Maheshkhali Island, Bangladesh.

Dear respected KT customers and shareholders,
KT will endeavor for more people to enjoy a better quality of life at lower cost by utilizing its GiGA Infrastructure and capability in ICT solution. Moreover, we will concentrate our efforts on assisting the humankind to resolve problems of disease, poverty, and isolation. Every single employee of KT promises to cooperate to deliver the abundance of GiGAtopia to the world.

Thank you.

Chairman of the Board of Directors
Do-Kyun Song

CEO, KT Corporation
Chang-Gyu Hwang

Company Overview

Current Condition and Key History

Established as Korea Telecom in 1981, KT has been Korea's largest comprehensive communications operator. It merged with its subsidiary, KTF, in 2009 and is leading the smart era by introducing smartphones in Korea. By identifying and cultivating ICT convergence services in various industrial sectors through its GiGA wire and wireless network infrastructure and outstanding IT technology, KT is turning into the global No. 1 communications company beyond the domestic market as the main driver of the 4th Industrial Revolution.

Company Name: KT
Date of Establishment: 10 December, 1981
CEO: Chang-Gyu Hwang
Headquarters: 90, Bulljeong-ro, Bundang-gu, Seongnam City, Gyeonggi-do
http://www.kt.com/eng/main.jsp

Number of Users by Services in 2013-2015

(Unit: thousand persons)

Category		2013	2014	2015
Wireless Communications*		16,454	17,328	18,038
Wire Telephone	PSTN**	14,513	13,849	13,268
	VoIP	3,505	3,411	3,413
High-speed Internet		8,067	8,129	8,328
IPTV		4,968	5,859	6,552
Total		47,507	48,576	49,599

*Wireless Communications: CDMA+WCDMA+LTE.
**PSTN: Data combining general calls (excluding enterprise calls), internal communications, ISDN, and DID

Financial Performance

Sales from Service/Goods

(Unit: KRW billion)

Category	2013	2014	2015
Provision of Service	19,663.0	19,059.4	19,455.6
Sales of Goods*	4,147.6	3,252.2	2,825.5
Total	23,810.6	22,311.6	22,281.1

*Including contracts of the real estate construction of which the profit is defined based on the progress of the consolidated K-IFRS standard

Sales by Businesses

(Unit: KRW billion)

Category	2013	2014	2015
Wireless	6,976.5	7,316.1	7,370.7
Wire	5,965.5	5,540.0	5,158.7
Media contents	1,354.5	1,508.4	1,662.3
Financial rental	3,859.9	3,221.4	3,411.0
Products	3,966.5	3,250.5	2,767.4
Others	1,687.7	1,475.3	1,911.0
Total	23,810.6	22,311.7	22,281.1

*In accordance with the performance announcement

Current Condition of Group Companies

(As of December 2015)

Information and Communications Technology

kt m&s
Sales and rental of communications devices
www.ktmns.com

kt cs
Operation of call center; 114 service
www.ktcs.co.kr

kt is
Operation of call center; 114 service
www.ktis.co.kr

kt ds
Provision of IT services (ITO, SI)
www.ktds.com

kt telecop
Provision of security services
www.telecop.co.kr

kt service South
Wire communications/AS
www.ktservice.co.kr

kt sat
Rental of satellite repeater
www.ktsat.net

kt service North
Wire communications/AS
www.ktservice.co.kr

kt linkus
Operation and maintenance of public phone
www.ktlinkus.co.kr

kt powertel
Distribution of TRS/IP-PTT terminals
www.ktpowertel.co.kr

kt submarine
Construction/maintenance of submarine communications cable and electrical cable
www.ktsubmarine.co.kr

INITECH
Development of IT service and solution
www.initech.com

kt M mobile
MVNO business
www.ktmmobile.co.kr

Autopion
Operation of brand taxi service

kt NexR
Development of Big Data platform/ analysis solution
www.ktnexr.com

kt-SB data service
Provision of data center service for Japanese customers
www.kt-sb.com

Media/Content

kt skylife
Satellite broadcasting
www.ktskylife.co.kr

kth
T Commerce; distribution of contents and ICT business
www.kthcorp.com

kt music
Provision and distribution of music service
www.ktmusic.co.kr

skylife TV
Operation of broadcasting channel (development of contents included)
www.skylifetv.co.kr

nasmedia
Advertisement marketing agency
www.nasmedia.co.kr

kt mhows
Sales/distribution of mobile-based gift card
www.mhows.com

Financial

BC card
Purchase and issue of credit card
www.bccard.com

Smartro
Agency for purchasing/verifying credit/debit card
www.smartro.co.kr

H&C Network
Subcontract business
www.hncnet.co.kr

VP
Online credit card transaction verification
www.vp.co.kr

Real Estate/Others

kt commerce
B2B purchasing agency
www.ktcommerce.kr

kt estate
Development/rental of real estate
www.ktestate.com

kt sports
Operation of sports events
www.kt-sports.co.kr

kt innoedu
Education business for adults/companies
www.ktinnoedu.com

*kt M mobile, kt service North, and kt service South have been newly included to the consolidated standard

KT EMBRACES KOREA

The fixed-line telephone
opened a new era of '1 Telephone for 1 Household.'

People to People

Connect between People

ERA 01.

The Era of Telegraph and Magneto Telephone

1885 – 1961

ERA 02.

Household to Household

Communicate among Households

The Era of '1 Telephone for 1 Household'

1962 – 1993

Time and Space

Transcendence beyond Time and Space

ERA 03.

The Era of the Internet

1994 – 2008

ERA 04.

ICT Convergence

Smart through Convergence

The Era of ICT Convergence

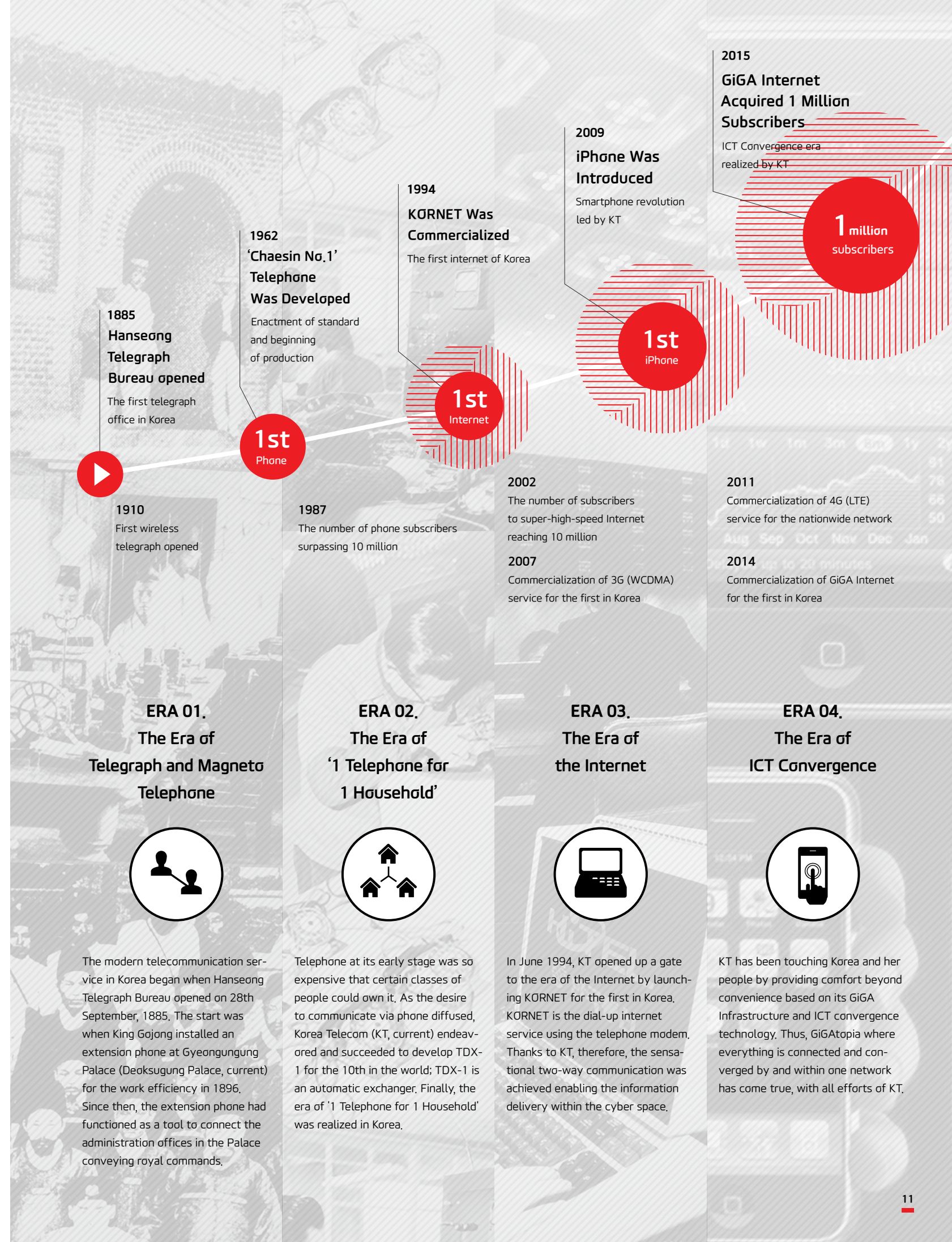2009 – 2015

'Innovation' Starts When KT Embraces Korea

First electronic exchanger opened a new era of '1 Telephone for 1 Household.'
First internet service pioneered the cyber territory of Korea.
First introduction of iPhone waved a flag of smartphone revolution.
First ICT Convergence Services geared with super-high-speed GiGA Infrastructure.

KT has been the 'First' company of Korea writing new chapters at every corner of the history of 'Innovation.'

131 Years of Korea
Telecommunications

131 Years of Korea Telecommunications
Since the opening of Hanseong Telegraph Bureau in 1885, the first telecommunication office of Korea, the telecommunication has been leading Korea's economic development and life innovation. Throughout the history, KT has become the driving force of the era of '1 Telephone for 1 Household' and internet commercialization as well as the 'smart-phone revolution.' We have walked a long path of the past 131 years with Korea and her people. Now we stand tall looking forward to the upcoming 131 years. KT will realize vibrant and bright future of Korea.

1885
Hanseong Telegraph Bureau opened
The first telegraph office in Korea

1910
First wireless telegraph opened

1962
'Chaesin No.1' Telephone Was Developed
Enactment of standard and beginning of production

1st Phone

1987
The number of phone subscribers surpassing 10 million

1994
KORNET Was Commercialized
The first internet of Korea

1st Internet

2002
The number of subscribers to super-high-speed Internet reaching 10 million

2007
Commercialization of 3G (WCDMA) service for the first in Korea

2009
iPhone Was Introduced
Smartphone revolution led by KT

1st iPhone

2015
GiGA Internet Acquired 1 Million Subscribers
ICT Convergence era realized by KT

1 million subscribers

2011
Commercialization of 4G (LTE) service for the nationwide network

2014
Commercialization of GiGA Internet for the first in Korea

ERA 01.
The Era of Telegraph and Magneto Telephone

The modern telecommunication service in Korea began when Hanseong Telegraph Bureau opened on 28th September, 1885. The start was when King Gojong installed an extension phone at Gyeongungung Palace (Deoksugung Palace, current) for the work efficiency in 1896. Since then, the extension phone had functioned as a tool to connect the administration offices in the Palace conveying royal commands.

ERA 02.
The Era of '1 Telephone for 1 Household'

Telephone at its early stage was so expensive that certain classes of people could own it. As the desire to communicate via phone diffused, Korea Telecom (KT, current) endeavored and succeeded to develop TDX-1 for the 10th in the world; TDX-1 is an automatic exchanger. Finally, the era of '1 Telephone for 1 Household' was realized in Korea.

ERA 03.
The Era of the Internet

In June 1994, KT opened up a gate to the era of the Internet by launching KORNET for the first in Korea. KORNET is the dial-up internet service using the telephone modem. Thanks to KT, therefore, the sensational two-way communication was achieved enabling the information delivery within the cyber space.

ERA 04.
The Era of ICT Convergence

KT has been touching Korea and her people by providing comfort beyond convenience based on its GiGA Infrastructure and ICT convergence technology. Thus, GiGAtopia where everything is connected and converged by and within one network has come true, with all efforts of KT.

KT ADVANCES WITH KOREA

KT Super-high-speed GiGA WiFi
opened a new horizon of mobile communications in Korea.

Ultra-high-speed Network
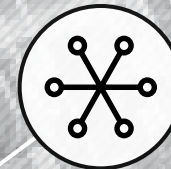
100 Times Faster than Before

INFRASTRUCTURE

FEB 2016
Demonstration of 25Gbps 5G wireless transmission for the world's first

NOV 2015
Demonstration of LTE-M-based Internet of Small Things service for the world's first

OCT 2014
Launch of GiGA Internet 10 times faster for the Korea's first

COMPETENCE

Big Data Competence

Leading the 4th Industrial Revolution

3rd Industrial Revolution
'Automation through computer'

2nd Industrial Revolution
'Mass production through electric power'

1st Industrial Revolution
'Machinery revolution through steam engine'

Smart Technology

Connecting Humans & Things

PLATFORM

Smart Energy

Intelligent Transportation

Integrated Security

Life-enhancing Care

Next-generation Media

Korea Becomes Smarter when KT Advances with Korea

KT has been always on the closest side of Korea and her people leading the innovation. Beyond successes we have accomplished, we are more than eager to watch dreams come true. We will realize the world where connection between human and things while everyone enjoys not only convenience but comfort. In the midst of the ICT environment that changes at every second, KT is creating the fastest and newest era of innovation as the leader of the convergence industry and global No. 1 Telecommunication Company.

The World's First 5G

OLYMPICS

kt
korea telecom | PyeongChang 2018

OFFICIAL TELECOMMUNICATIONSPARTNER

Pyeongchang Winter Olympic 2018

KT, as the official partner for the telecommunication services of 2018 Pyeongchang Winter Olympics, has been preparing innovative services that have never been before. Through our 360 degree Virtual Reality (VR) and real-time hologram based on 5G mobile communication technology, audiences will be able to enjoy games as if they are indeed in Olympics stadium. With world's first 5G realization of Olympic Games, KT will develop into the ICT Company that leads the 5G age.
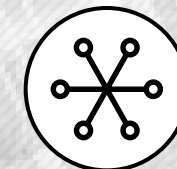
GOAL

Realization of GiGAtopia

KT creates the ICT-based world where GiGA Infrastructure connects human and things delivering convenience and comfort.

GiGA NETWORK

GiGA IoT

GiGA BIG DATA

INFRASTRUCTURE
GiGA NETWORK

KT has provided world class network including the broadband LTE service in responding to the drastic increase of data traffic followed by the launch of smartphones. It is forecasted that the new Big Bang in data traffic will break out when the IoT world begins. Therefore, KT has been proposing standards for the global 5G world in order to lead the age of GiGA convergence.

COMPETENCE
GiGA BIG DATA

As the development of ICT technology proceeds, the world is experiencing the new industrial revolution. Through its 'Soft Power,' KT is standing at the forefront of the 4th industrial revolution where intelligent factories are run and cutting-edge products are made. We will devote to further advance the ICT environment with our top-notch ICT technology as well as the capability in big data analysis.

PLATFORM
GiGA IoT

IoT (Internet of Things) is a key technology of GiGAtopia, the dream of KT, by connecting various things with wired/wireless networks thus sharing information. KT has established an abundant GiGA IoT Alliance through encouraging participation of diverse developers as the IoT Global No. 1 business operator who presents differentiated services based on open IoT platform (IoTMakers).

KT

MAKES

A BETTER WORLD

Sustainable GiGAtopia world
geared with GiGA Infrastructure and ICT Convergence.

Secure Society

Realization

ICT CONVERGENCE 01.

Establishing a public disaster safety platform for the first in Korea

Providing Social Overhead Capital (SOC) disaster safety services and residential safety services

Smart Transport

Realization

ICT CONVERGENCE 02.

Initiating the Usage Base Insurance (UBI) service, the Korea's first IoT-based insurance utilizing information on car usage

Accomplishing a record of the top business operator for Big Data-based movable platform service

Energy Depletion

Responds

ICT CONVERGENCE 03.

Operating KT-MEG Center, the world's first complex energy efficiency center

Saving USD 56.5 billion a year through 10% energy reduction

Preventive Healthcare

Advancement

ICT CONVERGENCE 04.

Analyzing 16,000 cancer genes through Genomecloud, the largest-scale genome databank in Korea

Offering healthcare services using wearable devices for general health, chronic diseases and teenagers

Contents & Education

Improvement

ICT CONVERGENCE 05.

Opening the Korea's first hologram concert hall, K-Live

Delivering Virtual Reality (VR) contents that are quality and realistic

Beyond Korea, KT Is about to Change for a Better World

Through the ICT convergence based on the IoT, we will stand tall in the world as a global ICT company who provides innovative 'solutions' for numerous 'problems' the world is confronting. KT solutions cover a variety of services: Smart Energy for the environment, Networked Transportation revolutionizing the mobility, Life-enhancing Care to protect the health of humankind, and integrated Safety guaranteeing the society's safety.

GiGAtopia towards UN SDGs

UN Sustainable Development Goals (UN SDGs)

UN Sustainable Development Goals are the global mid- to long-term development plan of the United Nations consisting of total 17 goals. It is being executed in order to solve economic, environmental, and social problems around the globe for the upcoming 15 years, from 2016 to 2030. Faithfully endorsing the UN SDGs for a better future of the Earth, KT has been concentrating all of efforts participating in the realization of the Goals through the GiGA Infrastructure and ICT Convergence.

ICT CONVERGENCE 01.

Integrated Safety

Realizing safe society by integrating Big Data and image analysis technology

ICT CONVERGENCE 02.

Intelligent Transportion

Building smart traffic environment by converging ICT with automobile industry

ICT CONVERGENCE 03.

Smart Energy

Responding to energy depletion through energy and ICT

ICT CONVERGENCE 04.

Life-enhancing Care

Providing cutting-edge healthcare service using ICT technology through wearable devices

ICT CONVERGENCE 05.

Next-generation Media

Connecting TV and smart devices to improve customized contents, commerce service, and education

Providing Innovative ICT Solutions

Realization of Global GiGAtopia

GiGA Prosperity

New Era of Prosperity Created by GiGA Infrastructure

2020 Goal

Investing total KRW 13 trillion into GiGA Infrastructure and ICT Convergence by 2020

GiGA Planet

New Era of Innovation Opened up by GiGA Infrastructure

2020 Goal

Offering annual environmental benefits worth of KRW 3 trillion in 2020

GiGA People

New Era to Humankind Presented by GiGA Infrastructure

2020 Goal

Accomplishing annual social values worth more than KRW 4 trillion in 2020

GOAL 11 Sustainable Cities & Communities

GOAL 13 Climate Action

GOAL 7 Affordable & Clean Energy

GOAL 3 Good Health and Well-being

GOAL 4 Quality Education

Fulfillment of UN Sustainable Development Goals

GiGAtopia World Created by KT

ICT Convergence

KT provides the humankind and the environment with the advanced and ingenious ICT services by connecting people and things with cutting-edge IoT technology and realizing the ICT convergence between industries.

08:50 AM

"Father controls electric power in his office after monitoring last night's energy consumption status on KT-MEG."

Smart Energy

Thanks to the ICT technology, a pleasant and convenient energy environment has been established. KT, for the first in the world, developed KT-MEG (Micro Energy Grid) that is the total energy management solution. Moreover, we provide about 2,500 sites with the integrated monitoring services such as efficiency improvement in generating renewable energy, efficient energy consumption, trading of demand-side resource, and management of EV charging stations.

03:55 PM

"Mother talks to a doctor about health information sent via her wearable device."

Life-enhancing Care

Along with the emergence of various wearable devices, the healthcare paradigm is moving toward the preventive healthcare. KT has initiated the innovation of the healthcare service by establishing a comprehensive healthcare platform that covers the Cloud-based human genome analysis, IoT-based biometric platform, technology to connect wearable devices, and health record management solution.

07:30 PM

"Grandfather smiles brightly while video calling with his granddaughter in driverless car heading home."

Intelligent Transportation

By global automobile manufacturers and IT companies, the convergence of automobile and IT has been accelerated. Moreover, the importance of telecommunication technology has greatly increased in order to provide IT service while traveling. KT endeavors to create the smart traffic environment by creating a driverless car through the GiGA IoT network.

11:00 AM

"Mother has comfort time watching her daughter having fun at a field trip via security monitor."

Integrated Safety

For a series of accidents and events occur around us, it is more than necessary to secure the safety of living space. Hence, KT has provided a comprehensive Safety & Comfort service through its ICT technology such as Big Data analysis. Besides, we have strived for the safe society by offering various Integrated Safety services based on our integrated control platform technology.

01:50 PM

"Son enjoys class through customized education service using realistic media technology."

Next-generation Media

As the data speed has been significantly increased, abundant brand-new media services have become available. KT, the No. 1 operator of pay TV in Korea, has been leading the next-generation media market by delivering differentiated and realistic media services through its outstanding assets and capability.

GiGAtopia towards UN SDGs
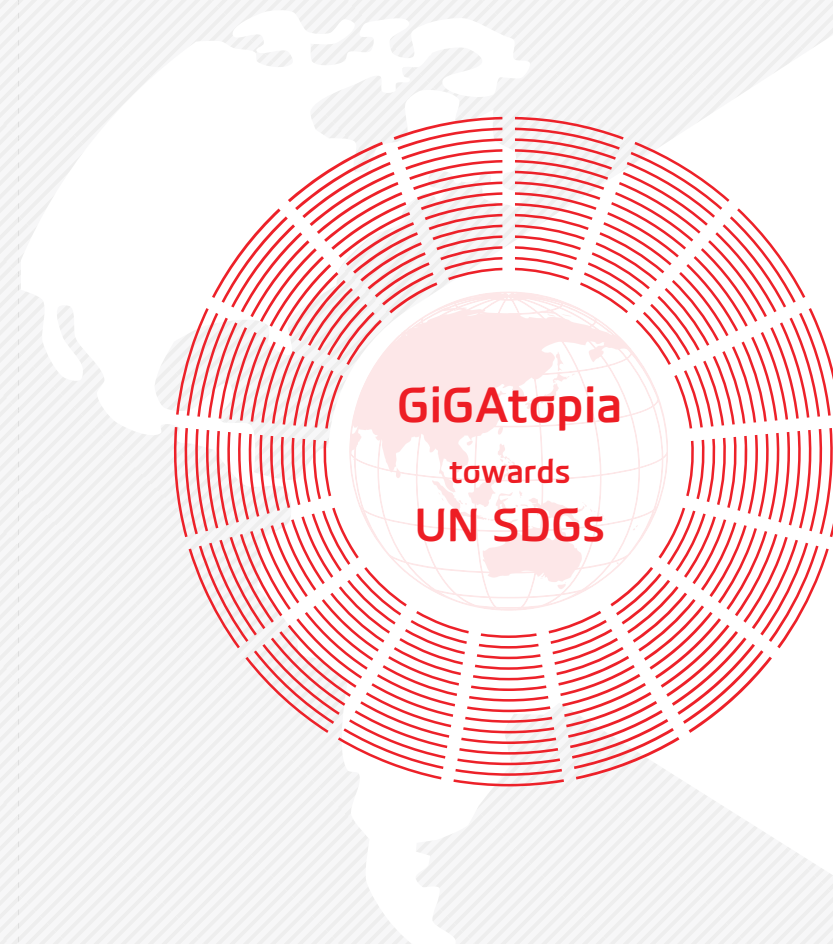
Business Value Creation

" **Realization of UN Sustainable Development Goals through Creating Business Value** "

Establishing Foundation for GiGAtopia through GiGA Infrastructure and ICT Convergence

In GiGAtopia, everyone deserves comfort far beyond convenience. By taking a full advantage of its GiGA Infrastructure and future convergence technology, KT will devote to become the Global No. 1 ICT Company who brings forward the fulfillment of UN SDGs, the common goal of the entire humankind.

GiGAtopia World
Created by KT

GIGA Story

KT executes GiGA Story, the social contribution project to create shared values, in order to present the comfort as well as convenience to remote and isolated regions through the GiGA Infrastructure and future convergence technology.

**2014
Oct.**

"Through GiGA Infrastructure,
smart life begins in Imja Island
located in archipelago."

Imja GiGA Island

For it is surrounded by the ocean, there are 3,237 islands in Korea that are separated from the land. KT has carried out activities for the GiGAtopia in separated and under-developed regions. In Imja Island in Jeollanam-do Province's archipelago, we have made substantial changes to lives of Imja Isalnd's people by improving the environment to the level of cities through innovative ICT technology.

**2015
Jul.**

"Traditional village in Cheoghakdong
has been transformed
into complex ICT village."

Cheonghak GiGA Creative Village

Cheoghakdong is a traditional village that is mountainous and isolated. KT found out that Cheoghakdong has a difficulty in communicating with outside regions and thus needs an overall renovation in life style. In July 2015, accordingly, KT applied ICT solutions specialized for the area and revolutionized the village into a complex ICT village enabling the smooth communication and cultural exchange with cities.

**2016
Oct.**

"GiGAtopia delivering convenience
and comfort is being disseminated
into the world."

Bangladesh GiGA Island

KT will take a challenging leap into the world through its experiences and know-hows achieved by providing GiGA Infrastructure and ICT convergence technology to remote and isolated regions in Korea. Starting from Bangladesh, KT is establishing a new development model of developing countries while striving for the global GiGAtopia where the world citizens can enjoy not only the convenience but comfort as well.

**2014
Nov.**

"At Daeseongdong Elementary School
in the DMZ, students study with next-
generation media and Edu Solution."

Daeseongdong GiGA School

Daeseongdong Elementary School is located in the world's sole demilitarized zone (DMZ), where an access to the area is strictly controlled causing an extremely poor educational environment. In November 2014, KT introduced the Smart Edu Solution (an ICT convergence education system) into Daeseongdong and thus created a school where children can grow with dream and hope communicating with the world.


**2015
Mar.**

"Everyone in Baengnyeong Island,
the northernmost part of West Sea, enjoys
safe life with integrated security service."

Baengnyeong GiGA Island

Baengnyeong Island is bordering North Korea located in the northernmost part of the West Sea. Due to its geographical condition, there had been always an unrest for a long time. KT, therefore, established a safe environment in this island in March 2015 with its cutting-edge Triple GiGA network technology. Thanks to KT, people of Baengnyeong Island can live a safe life even during disasters and incidents.

GiGAtopia
towards
UN SDGs
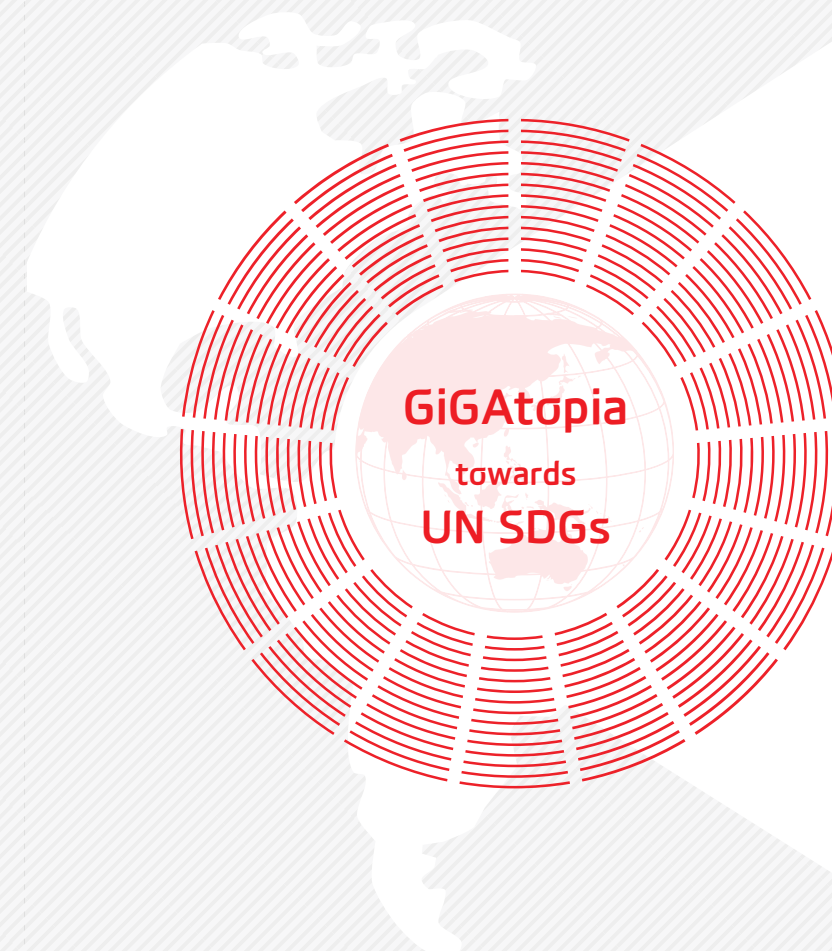
Social Value Creation

" **Realization of
UN Sustainable Development Goals
through Creating Social Value** "

**Founding Global GiGAtopia through
Social Contribution Creating Shared Value**

GiGAtopia embraces every corner of Korea. KT advances and benefits the world far beyond the border of Korea and thus becomes the pioneer who aims at realizing the UN SDGs, the common goal of the entire humankind.

GiGA Prosperity

New Era of Prosperity Created by GiGA Infrastructure

GOAL 2020 | Investing total KRW 13 trillion into GiGA Infra and ICT Convergence by 2020

Sustainability Management

Transparent Management

GiGA Prosperity

GiGA People   GiGA Planet

Sustainability Management

Vision & Strategy

KT strongly believes that protecting the environment and devoting to the development of the society as a responsible corporate citizen can maximize the corporate values as well as realize the sustainable future.

Additionally, we endorse the UN Sustainable Development Goals (UN SDGs) of the United Nations; we have established plans to promote activities for the UN SDGs and complied with the 10 principles of the UN Global Compact (UNGC). Hence, KT will develop into the leader who guides the global sustainability management.
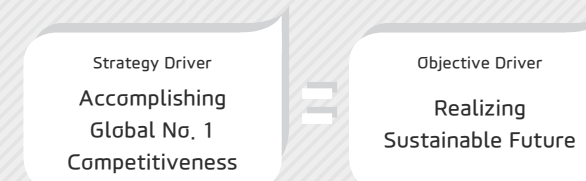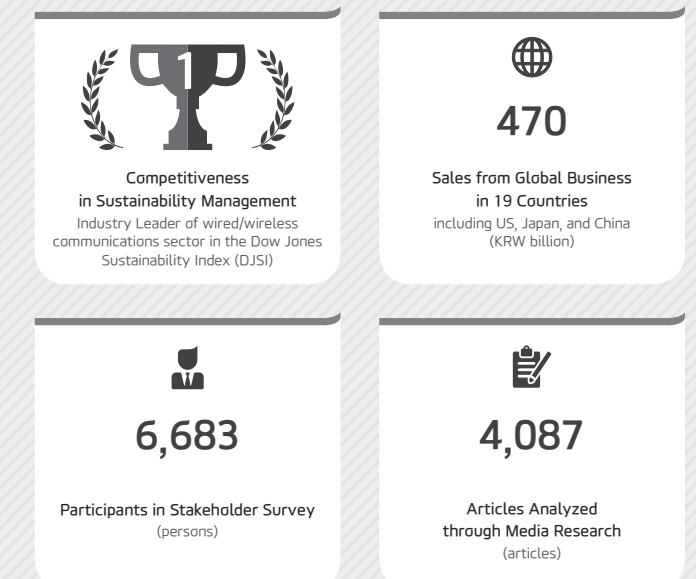
Sustainability Aspect

Sustainability Management

Transparent Management

GiGA Prosperity

GiGA People   GiGA Planet

Customer First Management

Shared Growth Management

Environmental Management

Talent Management

Long-term Sustainability Goals

KRW 13 trillion
Sustainability Goal in Economic Area
Investing total KRW 13 trillion in GiGA Infrastructure and ICT convergence by 2020

KRW 3 trillion
Sustainability Goal in Environmental Area
Offering annual environmental benefits worth of KRW 3 trillion in 2020

KRW 4 trillion
Sustainability Goal in Social Area
Accomplishing annual social values worth more than KRW 4 trillion in 2020

KRW 62.9 trillion
Profit from Dissemination of GiGA Internet
KRW 62.9 trillion by 2020

Sustainability Drivers

Strategy Driver
Accomplishing Global No. 1 Competitiveness

Objective Driver
Realizing Sustainable Future

Key Performances 2015

Competitiveness in Sustainability Management
Industry Leader of wired/wireless communications sector in the Dow Jones Sustainability Index (DJSI)

470
Sales from Global Business in 19 Countries
including US, Japan, and China
(KRW billion)

6,683
Participants in Stakeholder Survey
(persons)

4,087
Articles Analyzed through Media Research
(articles)

Sustainability Issues

❶ Generation of economic outcome,
❷ Establishment of vision and goal, ❸ Fostering new growth business,
❹ Quality of life improved through ICT technology,
❺ Law compliance, ❻ Contribution to national economy,
❼ Overseas advancement

(in the order of importance based on the 2016 materiality test)

Corporate Philosophy & Strategy

http://www.kt.com/eng/corp/vision.jsp

KT's Approach

Advancing with the Korean history of telecommunication, KT has significantly contributed to the national economy and improved the quality of life of Koreans. Through its outstanding capability in the cutting-edge ICT sector, KT is standing tall leading Korea to the new future.
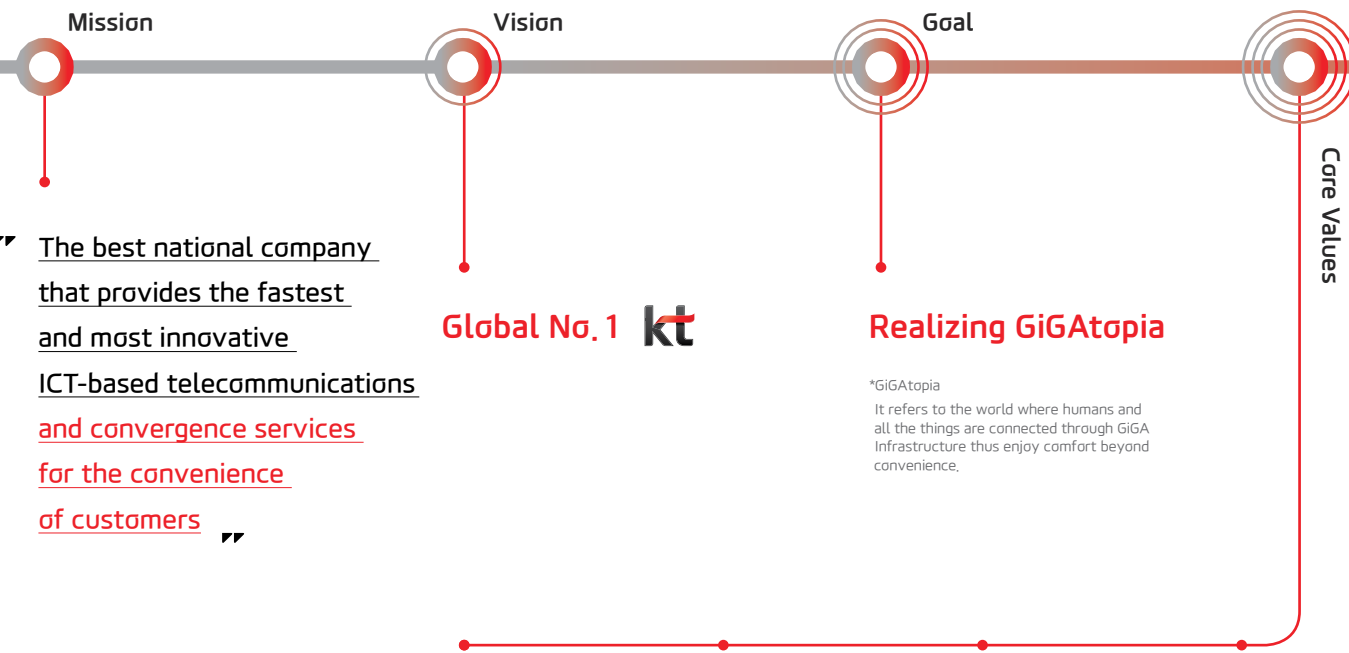
Corporate Philosophy

Mission and Vision

KT explicitly announces its reason for existence and corporate philosophy through the corporate mission: the best national company that provides the fastest and most innovative ICT-based telecommunications and convergence services for the convenience of customers. In order to realize the mission by the management, we established the vision of "Global No.1 KT" consolidating a foundation to create the future.

Core Values

The core values of KT presents detailed code of conduct to all employees functioning as standards of behavior and decision-making to accomplish the corporate vision, "Global No. 1 KT." We aim to become the global No. 1 with the best quality and differentiated services while advancing altogether through borderless communication and cooperation between departments. Furthermore, not merely will we mobilize all our resources and capacities to provide the best service to our customers but we will promote a brighter future for the company with the right decision-making and business ethics as well. Hence, KT will take one step further toward promising tomorrow with strong conviction and passion of its people.

Mission   **Vision**   **Goal**   Core Values

"The best national company that provides the fastest and most innovative ICT-based telecommunications and convergence services for the convenience of customers"

Global No. 1 kt

Realizing GiGAtopia

*GiGAtopia
It refers to the world where humans and all the things are connected through GiGA Infrastructure thus enjoy comfort beyond convenience.

Number 1 KT
Aim to become the global number 1 with the best quality and differentiated services

Single KT
Advance altogether through borderless communication and cooperation between departments

Customers First
Mobilize all our resources and capacities to provide the best service to our customers

Right-Path Management
Promote a brighter future for the company with the right decision-making and business ethics

Management Strategy

Three Strategies for Realization of GiGAtopia

In 2014, KT established a management goal, "Realizing GiGAtopia," for successfully achieving the corporate mission and vision; GiGAtopia refers to the world where humans and all the things are connected through GiGA Infrastructure thus enjoy comfort beyond convenience. Based on abundant experiences and capabilities accumulated over the past 131 years leading the telecommunication industry of Korea, we will develop into the global No. 1 telecommunication company standing at the forefront to greet the upcoming 131 years while executing the three corporate strategies: leading wire/wireless infrastructure, excavating and fostering ICT convergence services, and implementing the customer first management.

Management Strategy
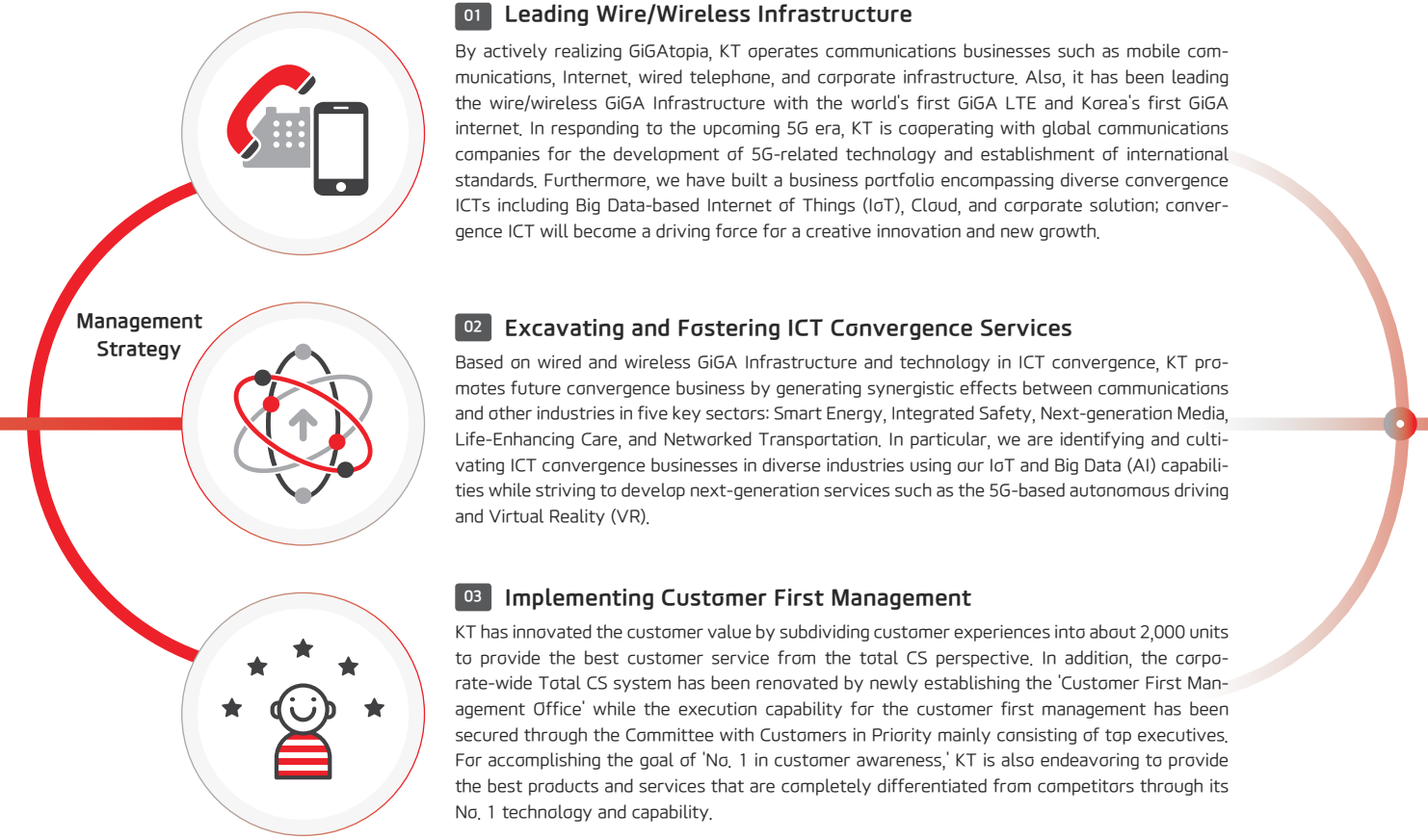
01 Leading Wire/Wireless Infrastructure

By actively realizing GiGAtopia, KT operates communications businesses such as mobile communications, Internet, wired telephone, and corporate infrastructure. Also, it has been leading the wire/wireless GiGA Infrastructure with the world's first GiGA LTE and Korea's first GiGA internet. In responding to the upcoming 5G era, KT is cooperating with global communications companies for the development of 5G-related technology and establishment of international standards. Furthermore, we have built a business portfolio encompassing diverse convergence ICTs including Big Data-based Internet of Things (IoT), Cloud, and corporate solution; convergence ICT will become a driving force for a creative innovation and new growth.

02 Excavating and Fostering ICT Convergence Services

Based on wired and wireless GiGA Infrastructure and technology in ICT convergence, KT promotes future convergence business by generating synergistic effects between communications and other industries in five key sectors: Smart Energy, Integrated Safety, Next-generation Media, Life-Enhancing Care, and Networked Transportation. In particular, we are identifying and cultivating ICT convergence businesses in diverse industries using our IoT and Big Data (AI) capabilities while striving to develop next-generation services such as the 5G-based autonomous driving and Virtual Reality (VR).

03 Implementing Customer First Management

KT has innovated the customer value by subdividing customer experiences into about 2,000 units to provide the best customer service from the total CS perspective. In addition, the corporate-wide Total CS system has been renovated by newly establishing the 'Customer First Management Office' while the execution capability for the customer first management has been secured through the Committee with Customers in Priority mainly consisting of top executives. For accomplishing the goal of 'No. 1 in customer awareness,' KT is also endeavoring to provide the best products and services that are completely differentiated from competitors through its No. 1 technology and capability.

"KT Stands Tall as the Most Sustainable Telecommunication Company in the World"

In September 2015, KT was selected as the Industry Group Leader of the global telecommunication service in the Dow Jones Sustainability Index (DJSI) which is the most authoritative index for the corporate sustainability. Following 2011, 2012, and 2013, we have accomplished the fourth momentous fruit again with our corporate values recognized as the Global No. 1 communications company by the whole world.

The DJSI was developed by Dow Jones of the USA, the largest financial information company, and RobecoSAM of Swiss, the international assessment company. The largest 2,500 companies are evaluated for their economic, environmental, and social sustainability; every year, the evaluation result is announced and provided to international investing institutions and Pension and Fund departments helping the companies to secure the liquidity. KT will further endeavor to stand at the forefront of the sustainability management as the global leader representing the telecommunications industry.

ROBeCOSAM Sustainability Award Industry Leader 2016

RobecoSAM Sustainability Yearbook 2016

http://yearbook.robecosam.com/industry/telecommunication-services.html

Sustainability Management System

http://www.kt.com/eng/sustainability/overview.jsp

KT's Approach

KT is endeavoring to build the sustainable GiGAtopia with the world by establishing the corporate-wide sustainability management system that is based on the Creating Shared Value model; we have also set long-term sustainability management goals for 2020 and KT Sustainability Index(KSI) to deliver the corporate-wide sustainability management.

Strategy and Organization for Sustainability Management

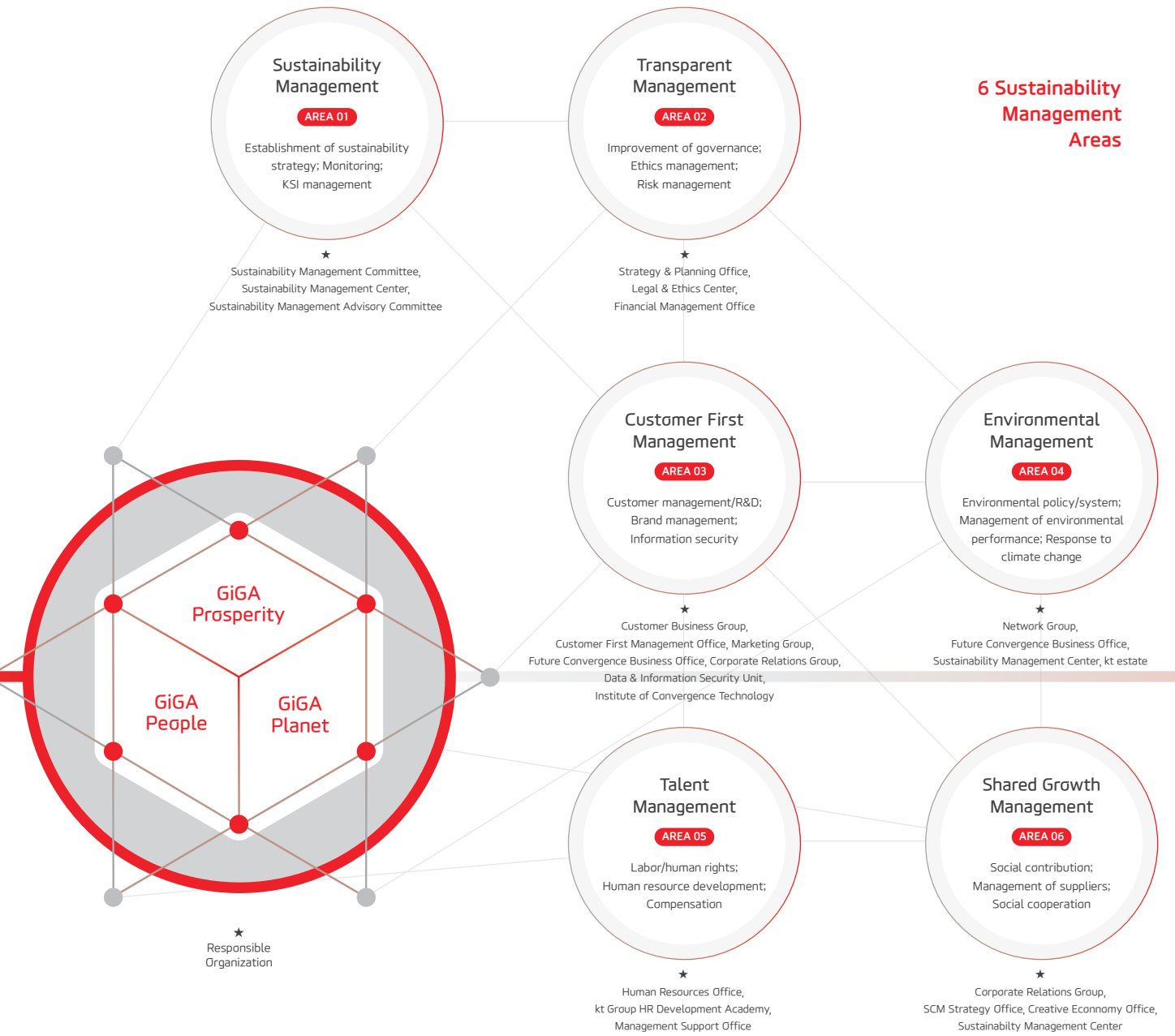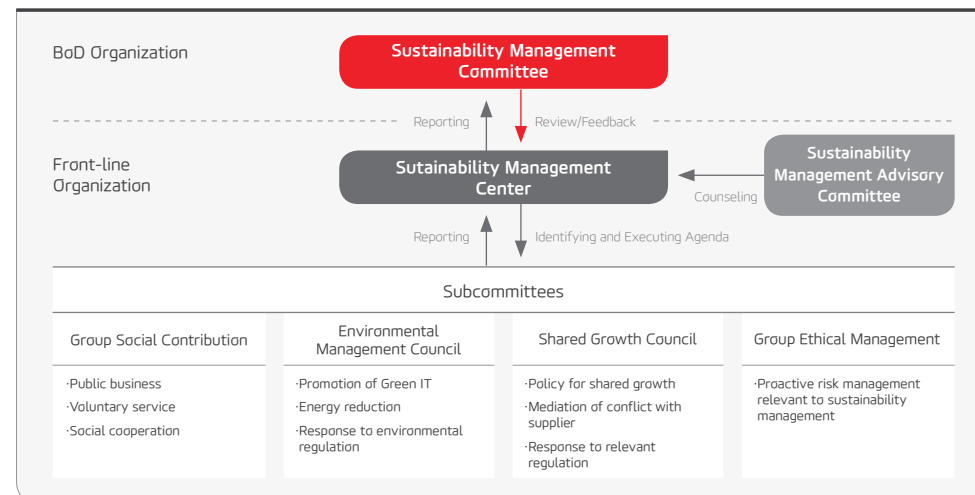### Establishment of Corporate-wide Sustainability Management Strategy

The world is currently facing the most challenging era throughout the history, which has been caused by various factors such as the global climate change, demographic change, worsening resource depletion, and technology development. Therefore, KT, as the representative telecommunication company, has concentrated its IT technology and capability to establish the long-term sustainability management strategy for improving the sustainability of the humankind and the world. The strategy is based on the Creating Shared Value model which is to generate economic value and social value simultaneously. Also, it includes the three sustainability management goals for 2020 as well as the KT Sustainability Index (KSI) in six management areas.

Corporate-wide Sustainability Management Goal — **Realizing Global GiGAtopia**

Intensification of Sustainability Management Organization

KT has been delivering the corporate-wide sustainability management by founding the Sustainability Management Committee under the Board of Directors in April 2016. Moreover, the Sustainability Management Center, a responsible practical body, has been established for the promotion of sustainability management strategy and active execution of activities. On the other hand, the 'Sustainability Management Advisory Committee' delivers advices for the sustainability management. Since 2011, KT has established and operated a system where the top management supervises the sustainability management by articulating it on relevant regulation that performance and plan of sustainability management are to be regularly reported to the Board of Directors for the decision making.

BoD Organization

Sustainability Management Committee

Reporting / Review/Feedback

Front-line Organization

Sustainability Management Center ← Sustainability Management Advisory Committee

Counseling

Reporting / Identifying and Executing Agenda

Subcommittees

Group Social Contribution	Environmental Management Council	Shared Growth Council	Group Ethical Management
·Public business ·Voluntary service ·Social cooperation	·Promotion of Green IT ·Energy reduction ·Response to environmental regulation	·Policy for shared growth ·Mediation of conflict with supplier ·Response to relevant regulation	·Proactive risk management relevant to sustainability management

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6 Sustainability Management Areas

Sustainability Management
AREA 01
Establishment of sustainability strategy; Monitoring; KSI management
★
Sustainability Management Committee, Sustainability Management Center, Sustainability Management Advisory Committee

Transparent Management
AREA 02
Improvement of governance; Ethics management; Risk management
★
Strategy & Planning Office, Legal & Ethics Center, Financial Management Office

Customer First Management
AREA 03
Customer management/R&D; Brand management; Information security
★
Customer Business Group, Customer First Management Office, Marketing Group, Future Convergence Business Office, Corporate Relations Group, Data & Information Security Unit, Institute of Convergence Technology

Environmental Management
AREA 04
Environmental policy/system; Management of environmental performance; Response to climate change
★
Network Group, Future Convergence Business Office, Sustainability Management Center, kt estate

Talent Management
AREA 05
Labor/human rights; Human resource development; Compensation
★
Human Resources Office, kt Group HR Development Academy, Management Support Office

Shared Growth Management
AREA 06
Social contribution; Management of suppliers; Social cooperation
★
Corporate Relations Group, SCM Strategy Office, Creative Economy Office, Sustainabilty Management Center

GiGA Prosperity · GiGA People · GiGA Planet

★ Responsible Organization

3 Sustainability Management Goals

GiGA Properity	GiGA Planet	GiGA People
Realizing New Era of Prosperity Created by GiGA Infrastructure	Realizing New Era of Innovation Opened up by GiGA Infrastructure	Realizing New Era to Humankind Presented by GiGA Infrastructure
Investing total KRW 13 trillion in GiGA Infrastructure and ICT convergence by 2020	Offering annual environmental benefits worth of KRW 3 trillion in 2020	Accomplishing annual social values worth more than KRW 4 trillion in 2020

Material Sustainability Issues

http://www.kt.com/eng/sustainability/disclosure.jsp

KT's Approach

KT selected material sustainability issues regarding the International <IR> Framework of the International Integrated Reporting Committee (IIRC) based on the GRI G4 guidelines that is the international guidelines for the sustainability reporting. For acquiring the accountability of the issue selection process and evaluation result, in addition, we have reflected the three principles of inclusiveness, materiality, and responsiveness which AA1000 requires; AA1000 is the international sustainability reporting assurance standard.

STEP 01

Identifying Sustainability Issues

Identifying sustainability issues through the analysis of internal and external environment

KT created a list of 325 sustainability issues by the benchmarking of international guidelines, industry analysis, media research, and review on internal/external managerial materials. Reflecting the internal and external importance, a total of 40 issues in 6 areas have been selected.

STEP 02

Prioritizing Sustainability Issues

Prioritizing material issues excavated through the materiality test

Total 6,683 internal and external stakeholders participated in the online survey about KT's sustainability issues; the importance of each issue was analyzed in aspects of external interest and internal impact.

STEP 03

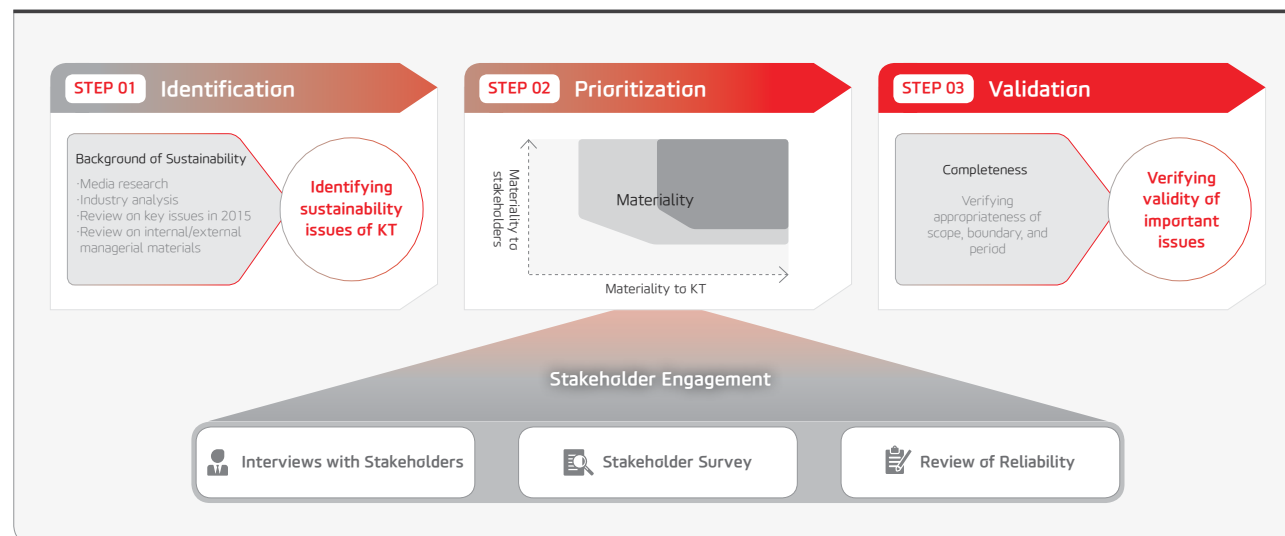#### Validating Material Issues

Validating and selecting material issues

KT conducted an in-depth internal review on whether the issues identified have a significant influence on the company. Moreover, the issues have been subdivided into three categories regarding the correlation with corporate strategies and validity: 20 core sustainability issues, 30 material issues, and general issues. They have been reflected to the integrated report according to the level of reporting by issues.

General Issues   Material Issues   Core Sustainability Issues
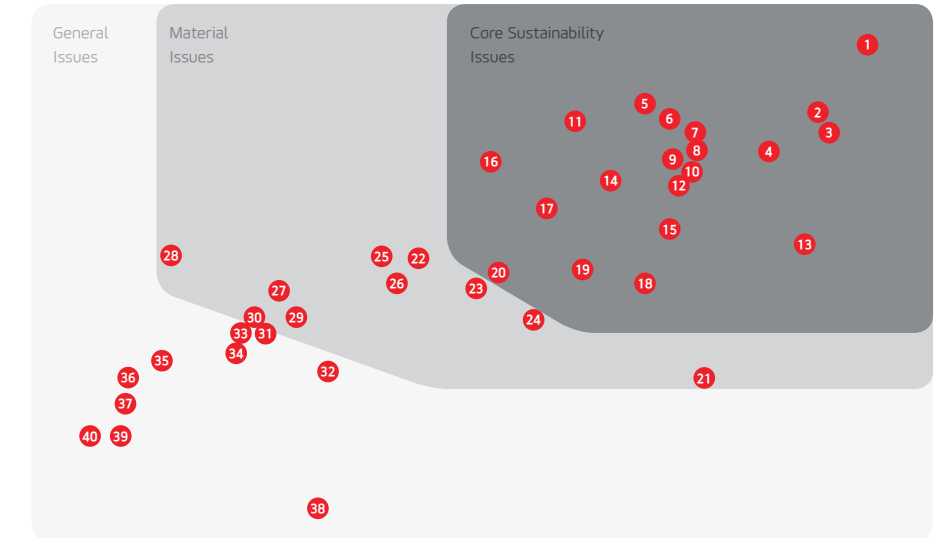
Core Sustainability Issues:
Issues that interest and influence of the entire stakeholder group are extremely high

Material Issues:
Issues that interest of external stakeholders or influence of employees is high

General Issues:
Other sustainability issues that are included in KT's management activities

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Benchmarking of international guidelines
Conducted benchmarking on international standards and index such as GRI G4, ISO 26000, and DJSI

Industry analysis
Identified issues material in the industry through analyzing sustainability issues that domestic and overseas communications companies report

Media research
Analyzed total 4,087 articles reported by domestic press in 2015

Review on internal/external managerial materials
Reflected external trends surrounding KT as well as internal material issues

Purpose: To recognize material interests and expectations of diverse stakeholders

Utilization: To review approach of sustainability management and use as reference in planning KT Integrated Report 2016

Period: 15 February, 2016 - 19 February, 2016 (7 days)

Survey channel: Survey email, KT website

Materiality Test Process

STEP 01 Identification

Background of Sustainability
·Media research
·Industry analysis
·Review on key issues in 2015
·Review on internal/external managerial materials

Identifying sustainability issues of KT

STEP 02 Prioritization

Materiality to stakeholders

Materiality

Materiality to KT

STEP 03 Validation

Completeness
Verifying appropriateness of scope, boundary, and period

Verifying validity of important issues

Stakeholder Engagement

Interviews with Stakeholders   Stakeholder Survey   Review of Reliability

Analysis of Material Sustainability Issues

Sustainability Aspect	GRI G4 Aspect	Sustainability Issues	Reporting
Sustainability Management	Strategy and Analysis*, Organizational Profile*, Identified Material Aspects And Boundaries*, Stakeholder Engagement*, Economic Performance*, Indirect Economic Impacts*	③ Generation of economic outcome, ④ Establishment of vision and goal, ⑦ Fostering new growth business, ⑩ Quality of life improved through ICT technology, ㉜ Law compliance, ㉞ Contribution to national economy, ㊳ Overseas advancement	p. 06 - 23 p. 24 - 32
Transparent Management	Governance*, Ethics and Integrity*, Anti-corruption, Public Policy, Anti-competitive Behavior	② Business ethics, ⑥ Transparent corporate governance, ⑨ Risk management and response, ⑪ Fair competition and trade, ⑭ Management of mid- to long-term strategic risk, ⑰ Independent Board of Directors	p. 33 - 41
Customer First Management	Products and Services, Marketing Communications, Customer Privacy	① Customer first management, ⑤ Information protection and enhanced security, ⑧ Communication with customers, ⑩ Innovative management and R&D, ㉑ Brand management, ㉙ Customer health and safety	p. 42 - 52
Environmental Management	Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste	⑯ Expansion of environment-friendly ICT service, ㉕ Energy, ㉝ Environmental policy and system, ㉟ Electromagnetic wave, ㊱ GHG, ㊲ Climate change strategy, ㊴ Waste	p. 53 - 61
Talent Management	Employment, Labor/Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Equal remuneration for women and men	⑫ Human resource and capability development, ⑬ Appraisal and compensation, ⑮ Employee health and safety, ⑱ Employee benefits, ⑳ Human right protection, ㉓ Diversity and equal opportunity, ㉔ Work-life balance	p. 62 - 72
Shared Growth Management	Supplier, Local Communities	㉒ Supplier management policy, ㉖ Online security, ㉗ Social contribution, ㉘ Narrowing the gap of information access, ㉚ Shared growth policy, ㉛ Engagement with local communities and aid for disaster relief, ㊵ Employee volunteer activities	p. 73 - 85

*General Standard Disclosure Aspects of GRI G4 Aspect that are applied to all organizations

Stakeholder Engagement

http://www.kt.com/eng/sustainability/overview.jsp

KT's Approach

KT has defined stakeholders as individuals or a group of individuals who influence or are influenced by the corporate business directly/indirectly and thus have a stake in the company. Stakeholders are divided into 8 different groups regarding the business and functional aspects. Through various communication channels for each group, interests and needs of stakeholders are actively gathered and reflected to the corporate management.

Definition and Engagement of Stakeholders

Group	Interest	Type and Frequency of Engagement	Relevant Key Sustainability Area
Customers	• Service quality • Customer health and safety • VOC	• 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 (10 members, eight months) • Household Panel • Customer Product Evaluation Panel (177 customers, one year)	Customer First Management
Employees	• Work-life balance • HR development • Career management	• Labor-Management Council (Quarterly) • Local LM Council, Unit LM Council, LM Policy Council (Permanent, year-round) • Management Conference (Held in various formats for full-time and contracted employees respectively) • Grievance Handling Center, KT 119 (Offline) • Company newspaper/in-house news/in-house online forum/frequent messaging	Talent Management
Suppliers	• Shared growth • Vitalization of ICT ecosystem	• Partner's Camp (Year-round) • Information Sharing Council (Year-round) • On-site Shared Growth Discussion (Year-round) • KT Partner's Conference (Year-round)	Shared Growth Management
Local Communities	• Vitalization of local economy • Communications welfare • Social contribution	• Discussion with local communities, survey, SNS, website • Supporting local children center (Dream Center) • IT Education (Year-round) • College Student Volunteers (105 students, 1 year)	Shared Growth Management
Shareholders · Investors	• Management strategies for growth in sales/profits • Regulations and competition environment • Shareholder return policy	• General shareholders' meeting (Annually) • CEO Management Information Session (Annually) • Earnings announcement (Quarterly disclosures, conference calls) • IR News (Once/twice a month) • Domestic/Overseas NDR (Year-round)　• IR website	Transparent Management
Government · Media	• Compliance with laws • Participation in government policy • Information disclosure through media	• Press release (Year-round) • Press conference and public hearing (Year-round) • PR channel on website	Transparent Management
Academia	• Development of ICT technology • Academic-industrial cooperation • Open innovation	• KT Economic and Managerial Research Institute (Year-round) • ICT research website 'DigiEco' (Year-round) • Joint research with university/research institute • 'Future On' (Year-round) • Gyeonggi Creative Economy Innovation Center (Year-round)	Sustainability Management
Environment	• Environmental conservation • Development of eco-friendly service	• Environmental Management Committee (Year-round) • Verification of GHG emissions (Twice a year, Scope 1,2 and Scope 3)	Environmental Management

Distribution of Stakeholder Value

Employees — KRW **1,931.1** trillion
Total annual wages; total retirement payment and employee benefits

Suppliers — KRW **2,916.9** trillion
Total procurement from suppliers and service cost

Local Communities — KRW **62.67** billion
Total investment in community, donation, and sponsorship

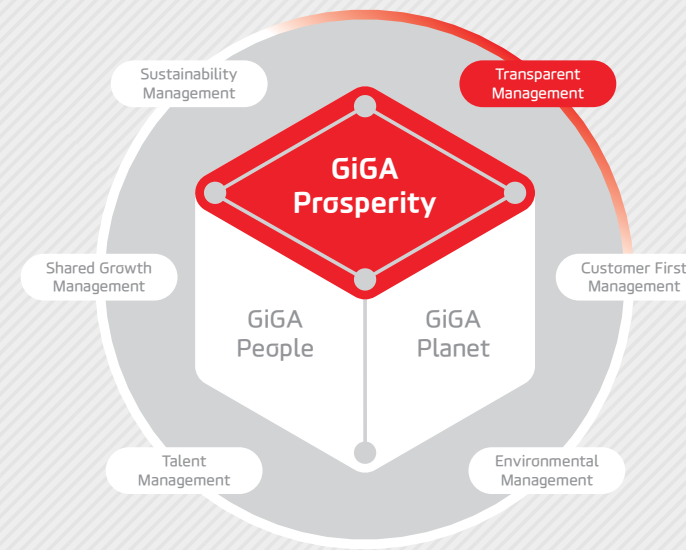**Shareholders ·Investors** — KRW **122.43** billion
Cash dividends

Transparent Management

Vision & Strategy

A transparent and ethical management functions as a foundation for building trust of various stakeholders of the company. For this reason, KT is establishing a transparent governance as a trustworthy representative company of Korea and settling a healthy corporate culture through ethical management activities.

Additionally, the stability in the corporate management has been secured by the integrated risk management. Hence, KT is now taking a challenging leap to become the best practice of the healthy economic growth.
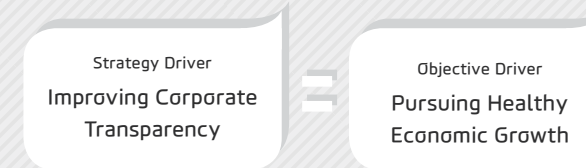
Sustainability Aspect

Sustainability Management · Transparent Management · Shared Growth Management · Customer First Management · Talent Management · Environmental Management

GiGA Prosperity · GiGA People · GiGA Planet

Key Performances 2015

A⁺

Competitiveness of Transparent Management
Achieving A+ in Corporate Governance sector on ESG Evaluation by Corporate Governance Service (CGS) for 5 consecutive years

4.5
Board Evaluation Score
(points / out of 5 points)

73
Share of Independent Directors on the Board of Directors
(%)

91
Average Board Meeting Attendance
(%)

18
Ethical Management Education for Employee
(cases / annual)

10.44
Ratio of Average Compensation between Employee and CEO
(times)

335
Prior Examination for Fair Competition
(cases)

83
Prior Risk Evaluation before Product Launch
(cases)

Sustainability Drivers

Strategy Driver
Improving Corporate Transparency

=

Objective Driver
Pursuing Healthy Economic Growth

Sustainability Issues

❶ Business ethics, ❷ Transparent corporate governance,

❸ Risk management and response, ❹ Fair competition and trade,

❺ Management of mid- to long-term strategic risk,

❻ Independent Board of Directors

(in the order of importance based on the 2016 materiality test)

Sound Corporate Governance

Governance Regulations

🔗 KT Governance Charter
http://file.kt.com/kthome/ir/finance/
irinfo01/constitution.pdf

🔗 ESG Evaluation Result of Corporate
Governance Service (CGS)
http://www.cgs.or.kr/esge/
CGS_esgGradeCom2015.asp

Acquired the Highest Level

A⁺ in Corporate Governance sector
on ESG Evaluation of CGS
for 5 consecutive years

Independence and Diversity of the BoD

🔗 KT Website (Investor Relations)
http://www.kt.com/eng/main.jsp

🔗 Financial Supervisory Service's Data
Analysis, Retrieval and Transfer
System (DART)
http://dart.fss.or.kr

KT's Approach

It should be the first to establish the sound and transparent corporate governance for the stable managerial environment and successful business. Therefore, KT is doing its best to generate sustainable shareholder values through the responsible management by professional managers based on the independent Board of Directors.

We selected the Korea Exchange (KRX) Social Responsibility Investment (SRI) Governance Index that satisfies the Global Standard. Thus, we have consolidated the management by professional managers and transparent corporate governance system by the independent Board of Directors. Particularly, the objective and independent governance system was established by separating the CEO and the chairman of the Board in 2002. Through the enactment and announcement of "KT Governance Charter" in 2007, the corporate-wide transparent management has been actively promoted as well. Thanks to these diverse efforts, KT has been maintaining the A+ level, the highest level, for 5 consecutive years in the corporate governance sector on the Environment, Social, and Governance (ESG) Evaluation of the Corporate Governance Service (CGS). Hence, we have defined and further enhanced the model of a transparent and healthy company.

KT's Corporate Governance Model

Efforts to Advance Corporate Governance and Promote Transparent Management

Transparent Corporate Governance

01 Independence of the Board of Directors

Independence of Board composition and operation
• Separation of CEO and chairman (share of non-executive directors on the Board: 73%)
• Audit, Evaluation and Compensation, and Insider Trading Committees solely composed of outside directors

Transparency in nomination process of non-executive directors
• Operation of Non-executive Director Candidate Nominating Committee
• Hiring of third-party Advisory Council to find candidates

Authority of non-executive directors
• Right to evaluate management contract of CEO and recommend dismissal of CEO
• Right to determine the compensation method of CEO and executive directors

02 Improvement of Shareholder Value

Payback to shareholders
• Retirement of shares; dividends
Protection of shareholders
• Cumulative/written vote
Protection of shareholder rights
• CEO compensation linked to stock price

03 Responsible Management by Professional Managers

Nomination and management contract
• Candidates recommended by CEO Nominating Committee
• CEO appointed at general shareholders' meeting
• Management contract signed by new CEO
• Annual evaluation for management performance conducted by the Board of Directors

Compensation and dismissal
• CEO compensation determined based on management performance
• Dismissal of CEO that the Board can possibly recommend to general shareholders' meeting in case of insufficient performance by the CEO

The corporate governance model of KT is based on 'Independent board of director.' For the transparent decision making through the efficient monitoring and professional advices, KT's Board of Directors are composed of total 11 directors: 8 non-executive directors and 3 executive directors. Moreover, the CEO is recommended by the CEO Nominating Committee and nominated by the chairman of the Board by the resolution of the general shareholders meeting. The Chairman recommends executive directors excluding the Chairman with the consent of the BoD. The Non-executive Director Candidate Nominating Committee recommends non-executive directors to the general shareholders meeting regarding the Board Diversity and the complementarity of skills. According to the strict recommendation standards, the Committee excavates experts in various fields who can give professional advices to the shareholders meeting for the development of KT. The Chairman of the Board is selected among non-executive directors for higher independence of the Board and appointed by the resolution of the BoD; the term of the Chairman is 1 year. Information regarding the Board's articles of association, responsibilities, and resolutions can be found on KT website. In addition, we regularly report the BoD-related information which we have a duty to disclose through the Data Analysis, Retrieval, and Transfer System (DART) of the Financial Supervisory Service.

Operation of Committees in the BoD

Current Status of the BoD
(As of April 2016)

Category	Name (Gender)	Major Career	Responsibility (Attending Committee)
Executive Directors	Chang-Gyu Hwang (Male)	(Current) CEO, KT (Former) President & National CTO, Office of Strategic R&D Planning (Former) President & CTO, Samsung Electronics	CEO & President Chairperson of Management Committee
	Heon-Moon Lim (Male)	(Current) Head, Chief Marketing Office, KT (Former) Head, Customer Business Group, KT	Member of Sustainability Management Committee Member of Management Committee
	Hyeon-Mo Ku (Male)	(Current) Head, Chief Operating Office, KT (Former) Head, Chief Secretary, KT	Member of Corporate Governance Committee Member of Management Committee
Non-executive Directors	Do-Kyun Song (Male)	(Current) Advisor, Bae, Kim & Lee LLC (Former) Committee member, Korea Communications Commission	Board Chairman Member of Evaluation and Compensation Committee Member of Corporate Governance Committee
	Sang-Kyun Cha (Male)	(Current) Professor, College of Electrical Engineering & Computer Science, Seoul National University (Current) President, Big Data Institute, Seoul National University	Director of Evaluation and Compensation Committee Member of Audit Committee Member of Sustainability Management Committee
	Jong-Goo Kim (Male)	(Current) Corporation lawyer, New Dimension Law Group (Former) 46th Minister of Justice	Director of Audit Committee Member of Internal Transaction Committee
	Suk-Gwon Chang (Male)	(Current) Dean of School of Business, Hanyang University (Former) President of Korean Operations Research and Management Science Society	Director of Corporate Governance Committee Member of Evaluation and Compensation Committee Member of Sustainability Management Committee
	Dae-Keun Park (Male)	(Current) Professor, College of Economics and Finance, Hanyang University (Current) President, Korea International Finance Association	Director of Sustainability Management Committee Member of Audit Committee Member of Corporate Governance Committee
	Dong-Wook Chung (Male)	(Current) Senior Counsel, Law Firm Kim, Choi & Lim (Former) Prosecutor, Seoul High Prosecutors' Office	Director of Internal Transaction Committee Member of Audit Committee Member of Sustainability Management Committee
	Dai-Won Hyun (Male)	(Current) Professor, College of Mass Communication, Sogang Communication Center (Current) President, Korea Virtual Reality Industry Association	Member of Evaluation and Compensation Committee Member of Internal Transaction Committee
	Dae-Ho Kim (Male)	(Current) Professor, Department of Communications and Information, Inha University (Current) Policy advisory member, The Korea Federation of ICT Organizations	Member of Corporate Governance Committee Member of Internal Transaction Committee

In order to increase the professionalism and efficiency, KT is operating 6 standing committees and 2 temporary committees in the BoD. At the end of April 2016, moreover, the Sustainability Management Committee was newly established in the Board for implementing the corporate-wide sustainability management. If necessary, the BoD can found additional committees.

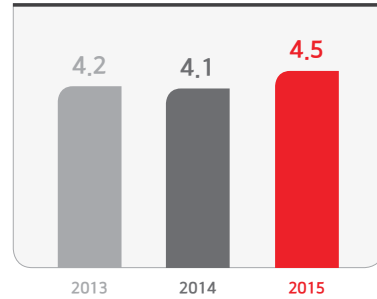## Current Status of Committees in the BoD
(As of April 2016)

Category	Composition	Objective and Authority
Corporate Governance Committee	4 non-executive directors; 1 executive director	Improvement of corporate governance
Audit Committee	4 non-executive directors	Auditing of accounting and tasks
Evaluation and Compensation Committee	4 non-executive directors	Management contract for the CEO and relevant assessment
Internal Transaction Committee	4 non-executive directors	Transaction between special parties as an approval by the BoD in accordance with the 'Monopoly Regulation and Fair Trade Act' and 'Commercial Act'
Sustainability Management Committee	4 non-executive directors; 1 executive director	Sustainability management performance, plan, and strategy
Management Committee	3 executive directors	Matters entrusted by the BoD for general management issues
CEO Nominating Committee	All non-executive directors; 1 executive director	Research and review about CEO candidates and recommendation to general shareholders' meeting
Non-executive Director Candidate Nominating Committee	All non-executive directors; 1 executive director	Research and review about non-executive director candidates and recommendation to general shareholders' meeting

Operation and Assessment of the BoD

In 2015, KT held 12 Board meetings to deliberate and resolve on a total of 44 agendas including "Performance of sustainability management in 2014 and Plan for 2015 (draft)." Resolution of the BoD is made by the attendance and majority vote of the majority of registered directors if not stated otherwise in the Korean Commercial Law or the Article of Association. To ensure the efficient operation of the BoD and the accountability of the directors, the Board evaluates its members on their BoD activities and individual performance each year; the results are voluntarily disclosed through our annual accounts.

Result of BoD Evaluation
(Unit: points / Out of 5 points)

2013	2014	2015
4.2	4.1	4.5

Current Condition of BoD Activities

No.	Date	Agendas	Number of Attending Non-executive Directors (Maximum Number)
1	7 January, 2015	Merger with kt media hub Co., Ltd. (draft) and 1 another agenda	8(8)
2	29 January, 2015	Approval of the 33rd (separate and consolidated) financial statements (draft) and 1 another agenda	7(8)
3	24 February, 2015	Approval of the merger with kt media hub Co., Ltd. (draft) and 11 other agendas	8(8)
4	11 March, 2015	Project Ulsan (draft) and 1 another agenda	8(8)
5	27 March, 2015	Project R (draft) and 1 another agenda	7(8)
6	1 April, 2015	Report and announcement about the completion of merger with kt media hub Co., Ltd. and 2 other agendas	7(8)
7	30 April, 2015	Disposal of treasury stock and stock compensation for 2014 (draft) and 4 other agendas	7(8)
8	22 May, 2015	Approval of court's mediation relevant to SMRT Mall business (draft) and 2 other agendas	6(8)
9	30 June, 2015	Project Cheonan (draft) and 1 another agenda	7(8)
10	30 July, 2015	Reporting of financial statements (separate and consolidated) for first half of FY 2015 and 4 other agendas	7(8)
11	29 October, 2015	Participation in Internet bank (draft) and 1 another agenda	7(8)
12	10 December, 2015	Management plan for 2016 (draft) and 3 other agendas	8(8)

Management of Professional Executives with Responsibility and Performance Compensation System

To establish a management system where the CEO as a professional manager is accountable for the business operation, the BoD determines the terms and conditions of the management contract with the CEO.

For the fair evaluation of the CEO's performance, the Evaluation and Compensation Committee consisting of only non-executive directors determines the management goals of CEO based on the annual goals set by the BoD while executing quantitative and qualitative evaluations at the end of the each business year and reporting the results to the general shareholders' meeting. According to the 2015 performance evaluation, the CEO remuneration was 10.44 times the median value of all KT employees. Every year, the BoD determines and reports the remuneration criteria and methods for the CEO in accordance with business performances. To improve the fairness of the BoD resolution concerning the remuneration of the CEO and executive directors, the CEO and executive directors are prohibited from participating in the decision-making process as stipulated by the Article of Association.

Limit and Status of Remuneration of BoD Members
(As of 31 December, 2015 / Unit: KRW 100 million)

Category	Limit Approved by the General Shareholders' Meeting	Total Remuneration	Average Remuneration per Person
Executive directors (3 persons)		22.98	7.66
Non-executive directors who serve Audit Committee (4 persons)	59	3.50	0.87
Non-executive directors who do not serve Audit Committee (4 persons)		3.00	0.75

* The number of directors: as of 31 December, 2015; average remuneration per person is the amount of total remuneration divided by the number of registered directors.

Reinforcement of Ethics Management

http://www.kt.com/eng/social/ethics.jsp

Establishment of Ethics Management

KT's Approach

As a responsible company for the people, KT has endeavored to turn into a trustworthy company through ethical management activities and compliance with fair trade. By establishing the corporate-wide ethics policy and enhancing the ethics management system, we are standing at the forefront in advancing the ethical corporate culture that covers not merely our employees but group companies, suppliers, and partners.

We believe that a right decision making and ethical judgement are necessary to fulfill the corporate social responsibility and duty as well as to settle the customer first management. In March 2014, we identified the five major behavioral practices by enacting 'New Ethics Management Principles,' the corporate-wide code of ethics. KT has been trying its best to consolidate the ethics management within the organization by implementing systematic activities: constant execution of the ethics management, lectures and campaigns on business ethics, and regular operation of communication channels.

Ethics Management System

Establishment and Enactment of New Ethics Management Principles

Ethics Management Practices	Ethics Management Education·Campaign	Ethics Management Communication Channels
Standards · Signed the pledge to abide by the New Ethics Management Principles · Distributed 'Code of Conducts by Executives and Employees for Management of Corporate-wide Risks' **Monitoring** · Launched year-round and special initiatives to monitor ethical practices	**Education** · Conducted ethics management education for employees (monthly) · Provided direct lecturing on business ethics (by departmental heads) **Campaign** · Promoted Clean 365 campaign within the company · Implemented Clean KT national holiday campaign	**Preventive channels** · Ethics Management FAQ · Clean 365 Center **Post-reporting channels** · Reports of violation cases against business ethics · Hotline to the Chairman of the Board of Audit and Inspection

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 behavioral principles for the ethics management that all KT employees share, live by, and vow to practice in their everyday work lives.

Principle	Description
Principle 1. Customer First	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. Law-compliance Management	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. Fulfilling the Basics	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. Ownership	We believe in our own solidarity as 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. Social Responsibility	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.

Reinforcement
of Ethics Management

Intro   Special Feature   GiGA Prosperity   GiGA Planet   GiGA People   Appendix

Sustainability   Transparent
Management   Management

KT Integrated Report 2016

Internalization of Ethics Management

Education about Ethics Management

Direct lectures on the ethics management have been KT's representative ethics management education program since 2014: on a monthly basis, heads of every department provide employees with lectures about the concept and system of the ethics management as well as about the current condition of KT's ethics management. Provided through departmental meetings, it aims to foster the ethical practice and attitude of employees according to the "New Ethics Management Principles." In 2015, moreover, the Head of Ethics Management Department offered lectures to newly-appointed management executives including senior managers; the Head of Ethics Management Department is the chief of the ethics management within the company. Hence, KT has further stabilized its management while enhancing the ethics management education as well by connecting it with the in-house education system so that employees can be given the education at any time. Besides, a mandatory education is being executed for all employees with the e-learning ethical management contents.

Diffusion of Ethics Management into Group Companies

In order to fortify the ethics management at the Group level and constantly pursue the identity as 'Single KT,' we have also provided the group companies with workshops and ethics management education for responsible personnel on a quarterly basis. Also, we are sharing best and problematic cases of the ethics management with the group companies through the regular education. By posting education materials and reference cases on the bulletin board (Synovation) of group companies, they can reform their ethics management infrastructure. With these various efforts, KT has strived to diffuse the ethics management into the group companies. In 2015, furthermore, we founded 'Management Diagnosis Academy' to reinforce the job competence by inviting experts within and outside of the company and carried out education for Group company's staff members who are responsible for the ethics management.

🔗 Reporting Channel of Violation against Business Ethics
http://www.kt.com/corp/sinmun_01.jsp

Report of Ethical Violation and Follow-up Measure

For the sound corporate culture, we have been operating a 24-hour reporting channel of ethical violation cases, such as bribery and entertainment for compensation, unfair pressure, and information leakage; reports are accepted and processed in real time with transparency. In addition, all reports submitted are kept confidential in order to protect the anonymity of informants while reference numbers are given to informants enabling the real-time status check. KT has been also continuously devoting to establishing a further ethical organization by intensifying the reporting system of unethical behaviors. For example, the Compliance Audit is being conducted bi-annually to check the compliance status of all business sites. Reported cases that concluded to punishments due to violations on business ethics in 2015 are total 34 cases, including 4 cases of dismissal.

Topics of Monthly Director Lecture on Ethics Management in 2015

| March	April	May	June	July-August	September	October	November	December
Negligent Management of Customer Information	Law Compliance Management		Code of Conduct in Case of Risk	Unauthorized Search/Utilization/Provision of Customer Information	Guidelines for New Ethics Management Principles			
	Distortion of performance	Unfair marketing			Relations with customers	Relations between employees and company	Relations between employees	Relations with other stakeholders such as suppliers

"KT Establishes a Model of Ethics Management with UN Global Compact"

Since 2008 when joined the UN Global Compact, the international agreement for the corporate social responsibility, KT has actively strived to comply with the ten principles of the Compact in four areas: human rights, labor, environment, and anticorruption. Additionally, we joined 'Fair Player Club' in March 2016, which is the public-private forum for the compliance and business ethics led by the UN Global Compact. KT's status of the compliance and ethics management has been evaluated as well according to international ethics management standards, such as OECD Convention on Combating Bribery of Foreign Public Official in International Business Transactions as well as Bribery Act 2010 of England. We will continue to deliver our responsibility in internalizing and diffusing the ethics management into the communications industry.

🔗 Fair Player Club :
http://www.fairplayerclub.kr/index_e.html

Pledge Ceremony of Fair Player Club
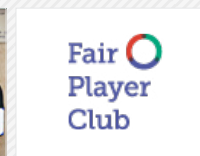
Fair Player Club

Logo of Fair Player Club

Settlement of Fair Competition

Seven Elements of Autonomous Compliance Program

01	Expressing willingness and interest of CEO
02	Designating and operating compliance officers
03	Writing and distributing compliance manual
04	Operating education programs
05	Establishing a monitoring system
06	Imposing sanctions on employees violating relevant legislation
07	Establishing a system for document management

Observance of Taxation

🔗 Financial Supervisory Service's Data Analysis, Retrieval and Transfer System (DART)
http://dart.fss.or.kr

Fair Competition Autonomous Compliance Program (CP)

As a Korea's representative communications company who owns the national network, KT is fully aware of its responsibility to improve the convenience of people by leading the fair competition in the market. Therefore, we have introduced and operated the Fair Competition Autonomous Compliance Program since 2001 to settle the transparent and fair trading culture. Also, as part of the program, the prior examination center was opened in 2005; an autonomous professional is always stationed at the center. Regular inspection is being implemented as well through fair competition organizations in each region. Through these diverse efforts, KT is focusing on complying with laws and regulations including the Monopoly Regulation and Fair Trade Act, Mobile Device Distribution Improvement Act, Telecommunications Business Act, and Act on Promotion of Information and Communications Network.

Enhancing Autonomous Compliance of Fair Competition

Preventing legal violations through the Fair Competition Autonomous Compliance Program, we have established an organic response system in order to detect infringements at an early stage. Besides, we have strived to reduce regulation risks through a range of efforts as a part of the Program: a reporting center for unfair behaviors, prior examination for the fair competition, and online education for employees. We also conducted total 335 prior examinations for the fair competition in 2015 and thus minimized legal violations in operating business. The employees' awareness of the compliance has been reinforced as well through the in-house and external education.

Status of Judgment by Regulatory Institutions

In 2015, the Korea Communications Commission imposed three sanctions against KT with a penalty of about KRW 1.2 billion for legal violation cases including 'violation of Mobile Device Distribution Improvement Act.' The Fair Trade Commission also levied about KRW 2 billion on KT for 'excluding competitive enterprisers in the biz messaging market.' KT faithfully implemented corrective measures according to orders of regulatory institutions. Hence, we are trying our best to prevent the reoccurrence of infringement by improving policies for better compliance with relevant laws as well as by conducting education.

Status of Judgment by Regulatory Institutions	Date	Result of Judgment	Administrative Agency
Exclusion of competitive enterprisers in the biz messaging market (Abuse of market-dominating enterprise position)	25 February, 2015	Penalty: KRW 2 billion; corrective order	Korea Fair Trade Commission
Violation of Mobile Device Distribution Improvement Act for 'Prior Compensation System for Used Phone'	12 March, 2015	Penalty: KRW 0.87 billion; corrective order	Korea Communications Commission
Violation of Personal Information Protection Act; doing considerable harm to the interests of consumers	24 June, 2015	Penalty: KRW 52 million; corrective order	Korea Communications Commission
Doing considerable harm to the interests of consumers for false advertising of bundled commodities with broadcasting communication	31 July, 2015	Penalty: KRW 0.35 billion; corrective order	Korea Communications Commission

To perform the taxation duty paying taxes efficiently, KT has established and monitored taxation policies and strategies while disclosing all relevant information in a transparent manner. We maintain an honest and positive relationship with the tax authorities of each country including the National Tax Service and pay taxes faithfully in accordance with each country's tax laws. We also fully recognize that the company and tax authorities can have different legal interpretations during the business execution. Therefore, KT is preventing any conflicts with the National Tax Service by drawing reasonable results through the proactive consultation.

Transparent External Announcement

Through annual audit reports as well as the Data Analysis, Retrieval, and Transfer System (DART) of the Financial Supervisory Service, KT reports and publicly discloses information about the corporate tax, deferred corporate tax, and effective tax rate. In particular, temporary differences of each item caused by differences between accounting assets/liabilities and taxation assets/liabilities are provided with relevant information; KT's effective tax rate in 2015 disclosed through the audit report was 23.8% where the figure is lower than the maximum corporate tax rate (including local income tax rate), 24.2%. The difference between tax rates occurs because the difference between profit and loss in accounting and those in taxation was adjusted and reflected. Moreover, KT never tolerates any tax evasion practices such as tax avoidance, illegal practices on the tax law, and fake report. We promise to faithfully deliver the tax obligations.

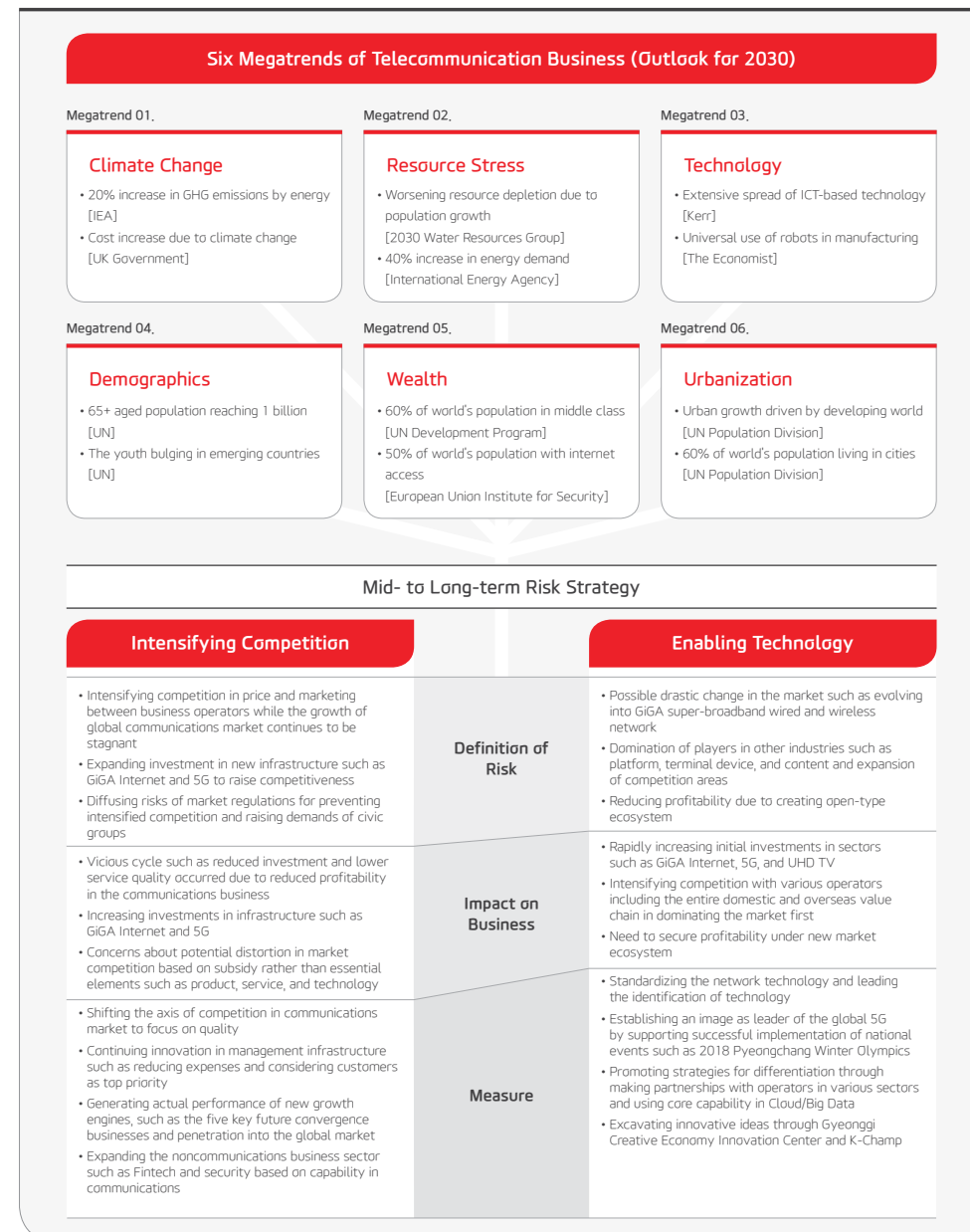# Risk Management

Management of Mid- to Long-term Risk Strategy

KT's Approach

KT prevents risks by proactively identifying potential risk factors through the integrated risk management. Conducting the analysis of the mid- to long-term outlook, in addition, we are excavating new business opportunity and turn it into a real business thus devoting to the sustainable business.

The sustainability of the world has been threatened by various megatrends such as the global climate change, increasing population, scarcity of energy and water, and resource depletion. KT strongly believes that the information and communication technology will solve the problems the earth is facing and realize an era of new opportunity. Besides, through carrying out the analysis of 2030 outlook, we identified the six megatrends that are closely related to the telecommunication business defining key risk/opportunity factors; thus, we have been concentrating on applying the opportunities to our business.

Mid- to Long-term Strategy System

Six Megatrends of Telecommunication Business (Outlook for 2030)		
Megatrend 01.	**Megatrend 02.**	**Megatrend 03.**
Climate Change	**Resource Stress**	**Technology**
• 20% increase in GHG emissions by energy [IEA] • Cost increase due to climate change [UK Government]	• Worsening resource depletion due to population growth [2030 Water Resources Group] • 40% increase in energy demand [International Energy Agency]	• Extensive spread of ICT-based technology [Kerr] • Universal use of robots in manufacturing [The Economist]
Megatrend 04.	**Megatrend 05.**	**Megatrend 06.**
Demographics	**Wealth**	**Urbanization**
• 65+ aged population reaching 1 billion [UN] • The youth bulging in emerging countries [UN]	• 60% of world's population in middle class [UN Development Program] • 50% of world's population with internet access [European Union Institute for Security]	• Urban growth driven by developing world [UN Population Division] • 60% of world's population living in cities [UN Population Division]

Mid- to Long-term Risk Strategy

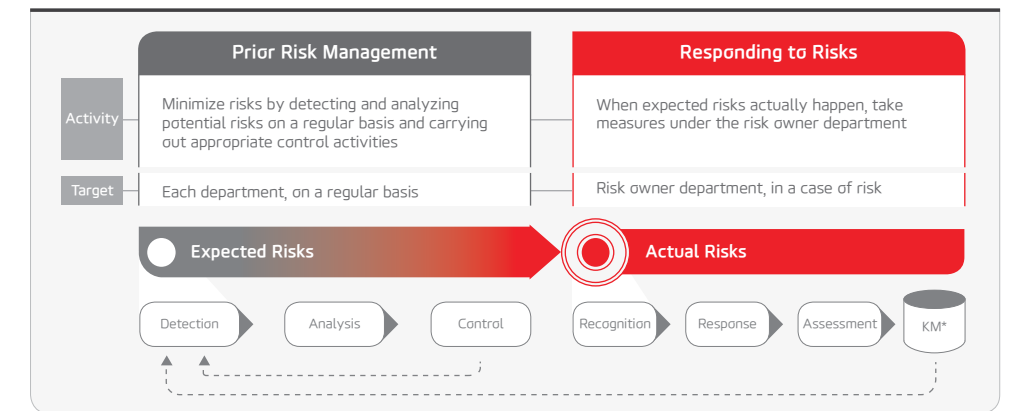| Intensifying Competition		Enabling Technology
• Intensifying competition in price and marketing between business operators while the growth of global communications market continues to be stagnant • Expanding investment in new infrastructure such as GiGA Internet and 5G to raise competitiveness • Diffusing risks of market regulations for preventing intensified competition and raising demands of civic groups	**Definition of Risk**	• Possible drastic change in the market such as evolving into GiGA super-broadband wired and wireless network • Domination of players in other industries such as platform, terminal device, and content and expansion of competition areas • Reducing profitability due to creating open-type ecosystem
• Vicious cycle such as reduced investment and lower service quality occurred due to reduced profitability in the communications business • Increasing investments in infrastructure such as GiGA Internet and 5G • Concerns about potential distortion in market competition based on subsidy rather than essential elements such as product, service, and technology	**Impact on Business**	• Rapidly increasing initial investments in sectors such as GiGA Internet, 5G, and UHD TV • Intensifying competition with various operators including the entire domestic and overseas value chain in dominating the market first • Need to secure profitability under new market ecosystem
• Shifting the axis of competition in communications market to focus on quality • Continuing innovation in management infrastructure such as reducing expenses and considering customers as top priority • Generating actual performance of new growth engines such as the five key future convergence businesses and penetration into the global market • Expanding the noncommunications business sector such as Fintech and security based on capability in communications	**Measure**	• Standardizing the network technology and leading the identification of technology • Establishing an image as leader of the global 5G by supporting successful implementation of national events such as 2018 Pyeongchang Winter Olympics • Promoting strategies for differentiation through making partnerships with operators in various sectors and using core capability in Cloud/Big Data • Excavating innovative ideas through Gyeonggi Creative Economy Innovation Center and K-Champ

Establishment of Integrated Risk Management System

For the corporate-wide integrated risk management, we founded an organization in 2004 that has the exclusive responsibility for the risk management; risk management organizations for each business department and site have been set up as well. In 2014, particularly, the risk management system was further reinforced through establishing a comprehensive measure to minimize corporate risks. Also, we have been integrated the management of the five risks: strategy, finance, operation, regulation, and event.

In order to efficiently respond to risk that can possibly occur, KT has actively promoted risk prevention activities and set the follow-up process by risk types. Additionally, by assigning risk owners, prior and follow-up measures have been executed under relevant owner departments. When a risk critical to the entire company occurs, KT organizes a Task Force (TF) for the prompt treatment of the risk. By expanding the scope of the risk management to the group companies, we will concentrate on implementing the integrated risk management.

Risk Management and Response Processes

	Prior Risk Management	Responding to Risks
Activity	Minimize risks by detecting and analyzing potential risks on a regular basis and carrying out appropriate control activities	When expected risks actually happen, take measures under the risk owner department
Target	Each department, on a regular basis	Risk owner department, in a case of risk

Expected Risks → Actual Risks

Detection → Analysis → Control   Recognition → Response → Assessment → KM*

*KM (Knowledge Management): Making knowledge database with information produced in the entire process of risk recognition, response, and assessment to utilize in risk management and response

Management of Key Risks

Corporate-wide Risk Assessment

KT is operating the self-diagnosis system for risks, which is to inspect risks related to business, system, and work process on a regular basis. Restraining the occurrence of risk through the system, we are enhancing the competency of each business department so that it can identify relevant risk and respond at early stages by itself. Especially, key corporate-wide risks as well as risks repeatedly occurring have been listed, carefully managed, and reported to the top management on a regular basis. Hence, KT has been able to further secure the execution capability in problem solving. Through the cooperation of relevant departments, on the other hand, activities to prevent key risks are being conducted throughout the entire company.

Enhancement of Risk Education

In order to fortify the risk response competency of employees and diffuse the risk management culture into the company, we are implementing regular risk educations and campaigns. For all employees, the risk response education for legal and corporate-wide risks is being provided; the handbook of "Code of Conducts by Executives and Employees for Management of Corporate-wide Risks" has been distributed to support employees to promptly respond to risks that may occur during work. For business departments as well as responsible personnel for the risk management in on-site departments, KT is operating offline education courses to share each department's risks as well as prevention/management measures. Consequently, the risk management culture has been successfully spread through out the company.

Proactive Review for Service Risk

Since 2010, KT has been promoting the 'Prior Risk Review before Launching Service' to avoid damage to customers and company caused by insufficient services. Besides, each professional department conducts in-depth reviews for risks in four aspects: operation, law, fair competition, and information protection. Through impeccable services, KT will continuously deliver differentiated values to customers while endeavoring to minimize risk factors such as VOC.

GiGA Planet

New Era of Innovation Opened up by GiGA Infrastructure

GOAL 2020 — Offering annual environmental benefits worth of KRW 3 trillion in 2020

GiGA Prosperity

GiGA People

GiGA Planet

Customer First Management

Environmental Management

Customer First Management

Vision & Strategy

Customers are the most important stakeholder as well as the nearest partner of KT.

As the Korea's representative company who has advanced together with the communications history of the country, KT is providing ingenious services innovating the era and lives of customers. We will continue to take further steps thus develop into the Best Service Provider that delivers deep impression to customers by presenting new experiences through our services.

Sustainability Aspect

Sustainability Management

Transparent Management

GiGA Prosperity

Shared Growth Management

GiGA People

GiGA Planet

Customer First Management

Talent Management

Environmental Management

Sustainability Drivers

Strategy Driver
Innovation of Product/Service

=

Objective Driver
Realization of Customer Satisfaction

Sustainability Issues

❶ Customer first management,
❷ Information protection and enhanced security,
❸ Communication with customers, ❹ Innovative management and R&D,
❺ Brand management, ❻ Customer health and safety

(in the order of importance based on the 2016 materiality test)

Key Performances 2015

Competitiveness in Customer First Management
1st rank in wired phone, internet phone, and high-speed internet sectors of National Customer Satisfaction Index (NCSI)

Satisfaction for Customer Center
1st rank in wire/wireless communications sectors of Korean Standard Contact Service Quality Index (KS-CQI)

139
Product Evaluation Activities (cases)

Generation of Brand Values
1st rank in LTE service brand value sector of Korea Brand Star 2015

185.1
R&D Cost (KRW billion)

15.7
Cost Reduction by In-house Consulting (KRW billion)

15.2
Customer Benefits by Smart Energy Service (KRW billion)

24.1
Customer Benefits by Intelligent Transportation (KRW billion)

Best Customer Service

http://www.kt.com/eng/social/customer.jsp

Customer First Management System

KT's Approach

The customer satisfaction starts from the innovation of service. Being fully aware of this, KT provides the best customer experience and generates the best customer values through constantly innovating its services based on the corporate culture where the customer is the top priority. Therefore, KT is striving to stand tall as the most preferred company with 'No. 1 brand awareness.'

Vision of Customer First Management

For the vision, 'world's top class company realizing customer satisfaction (CS) by heartful communication and trust,' KT is implementing the management for the customer satisfaction regarding its customers as the first among everything. For instance, we continue to advance wire/wireless communications products and services while offering services that can care customers' emotional aspect. In particular, the scope of activities to improve the quality of customer experience has been expanded to include corporate customers as well since 2015. Also, multilateral activities are being promoted to proactively improve possible complaint factors before customers recognize. Through these continuous improvement activities, we will consolidate the corporate culture which considers the quality of customer experience material and thus will become a sincere Customer First Company.

Total Customer Satisfaction in Customer-first Perspective

The customer satisfaction is a key factor which defines the current corporate value as well as the sustainable future. Strongly believing that the value creation for customers realizes the growth of KT, we are implementing corporate-wide improvement activities through establishing the four key areas (CS, network, product, and channel) and subdividing the customer experiences into about 2,000 stages. To further actively promote the improvement activity, besides, KT is operating a Customer First Council mainly composed of directors and executing the performance evaluation system with the practical indicators in the customer's perspective.

Customer First Management System

Vision for Customer Satisfaction (CS)

World's Top Class Company Who Realizes Customer Satisfaction (CS) by Heartful Communication and Trust

▼

Model of Customer Satisfaction (CS)

We Will Become "KT Being Respectful and Favorable to Its Customers" as Customers Have Believed Us.

▼

Promoting Total CS in Perspective Pursuing Customer First

1 Quality of Customer Experience

[Quality First]

Starting from quality of detailed customer experience that satisfies hidden needs

2 Turning to Customer First Mindset

[Customer Needs]

Increasing simplicity and convenience and solving Pain Point for higher quality of on-site/customer experience

3 Differentiated Customer Service

[Competitive Performance]

Developing into the Global No. 1 and 1st and winning the quality competition

Product with No. 1 Customer Awareness

Welcome Day Event of Customer Product Evaluation Panel

Customer Product Evaluation Panel

For offering customized services for customers, the top priority of KT, we have operated the Customer Product Evaluation Panel since 2011; customers of the Customer Product Evaluation Panel participate in the product evaluation process. It is composed of diverse groups of people with varied interests, such as housewives, college students, workers, and employees at customer contact points. By reflecting the voice of customers to the product development, the Customer Product Evaluation Panel has been devoting for Customer First products that satisfy customer needs.

Composition of Customer Product Evaluation Panel

Category	Persons (337 in total)	Key Responsibility
Customer Product Evaluation Panel (Customers)	177	• Excavating and improving complaint factors through product evaluation before launch
On-site Customer Product Evaluation Panel (On-site employees)	160	• Upgrading and optimizing complaint factors through follow-up verification after launch
Super Conan (Experts of each field)	88 (included in total 337 persons)	• Providing differentiated customer/site-focused product ideas

Key Activities of Customer Product Evaluation Panel

In 2015, the Customer Product Evaluation Panel promoted a range of activities in all areas related to a product, such as verifying new products, improving existing products, and proposing product ideas; it conducted 139 product evaluations which is a 53% increase compared to the previous year (91 cases). Especially, an 'On-site Customer Product Evaluation Panel' has encouraged the execution of activity by analyzing the customer need for key trend products in the market. As a result, for example, it contributed to new customer-first products through the intense usability verification before the launch of services such as 'special rate system for servicepersons' and 'Kakao Friends for olleh tv.' In 2016, KT will further reinforce supporting activities for a higher product competitiveness by developing new products in the perspective of actual sites through a 10% larger Customer Product Evaluation Panel.

Key Activities of Customer Product Evaluation Panel in 2015

Category	Key Activities	Major Performance
Evaluation of New Product	• GiGA WiFi Home, olleh tv UHD STB, Kakao Friends for olleh tv, and diverse plans & combination products	• Improving speed and coverage of GiGA Wi-Fi Home • Improving errors relevant to olleh tv UHD STB general viewing • Improving errors relevant to the launch of 'Kakao Friends for olleh tv' service • Improving customer complaints for other rate systems and combination products
Improvement of Existing Product	• olleh.com, olleh membership, olleh navi, smart STB, olleh TV Mobile (OTM), and etc.	• Improving the main page of olleh.com and raising competitiveness of olleh membership • Improving performance for enhancing customer convenience of olleh navi • Improving customer-friendly UI/UX for Genie, OTM, and smart STB
Proposition of Product Idea	• Identifying new ad ideas for GiGA Internet • Excavating new K-Live contents • Use-based deferred payment model of kt music, 'Genie'	• Identifying customer communication method that allows customers to experience outstanding speed of GiGA Internet and reflecting it to advertisements • Excavating key improvement factors and providing ideas after the visiting of 'SCIENCE SHOW THE BODY' that is the K-Live content • Launching a new kt music 'Genie' product of flat rate deferred payment system with additional charge for the number of music streaming

"KT Stands Tall as a Leader in Creating Product with No. 1 Customer Awareness"

In order to create 'product with No. 1 Customer-awareness,' we are operating a Customer Product Evaluation Panel with the willing engagement of customers. This year, we launched the sixth Customer Product Evaluation Panel which implemented total 139 product evaluations; it verified the usability of new products such as GiGA Internet, GiGA Wifi Home, and GiGA IoT terminal while excavating innovative ideas to improve the convenience of customers. Aiming to develop products with No.1 customer-awareness and achieve zero VOC, KT will continuously focus all its efforts on delivering the best quality as well as differentiated ingenious services.

Service with No. 1 Customer Awareness

No. 1 KT Wire/Wireless Call Center
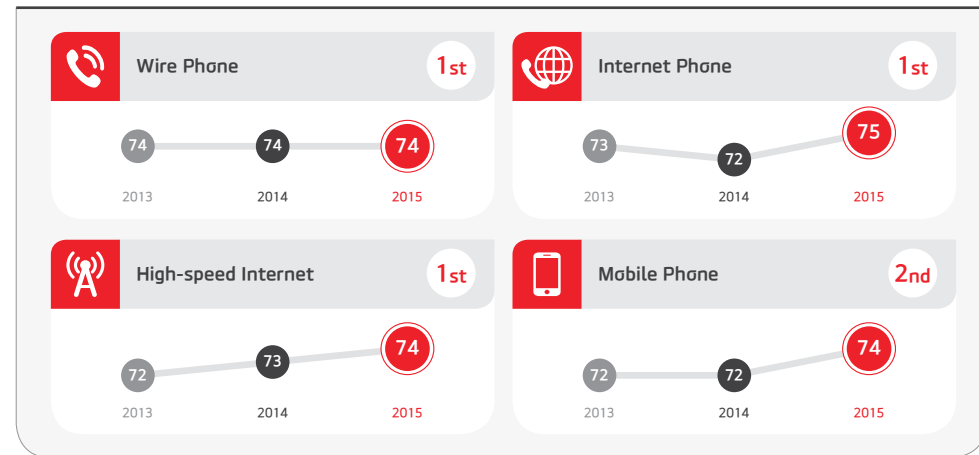

2015 KS-CQI 콜센터품질지수 인증수여식

Communication with No. 1 Customer Awareness

96%   VOC Response Rate

KT accomplished outstanding performances on the National Customer Satisfaction Index (NCSI) by the Korea Productivity Center (KPC): 1st rank in wire phone sector (17 consecutive years), 1st rank in internet phone sector (6 consecutive years), and 1st rank in high-speed internet sector. Moreover, on the Korean Standard Contact Service Quality Index (KS-CQI) by the Korean Standards Association (KSA), we were selected as the 1st rank in both wire and wireless communications sectors as the first in Korea. Hence, our sincere efforts for the highest brand awareness have been proven.

Result of National Customer Satisfaction Index (NCSI)
(Unit: points)

Wire Phone — 1st
2013: 74   2014: 74   2015: 74

Internet Phone — 1st
2013: 73   2014: 72   2015: 75

High-speed Internet — 1st
2013: 72   2014: 73   2015: 74

Mobile Phone — 2nd
2013: 72   2014: 72   2015: 74

To always listen to our customers, we operate the "Responsibility System to Improve Customer Opinions" enabling all executives and employees of the entire company to share Voice of Customers (VOC) recorded by the call center. Thus, we are striving for establishing improvement plans for each department as well as advancing customer services. For instance, we greatly decreased VOC regarding micropayments via mobile phones by providing a service that customers can check their micropayment status so that they can avoid excessive spending unrecognized.

Establishment of Infrastructure for Prompt Customer Center

Since established the Integrated Call Center System by investing KRW 40 billion in October 2014, KT is running the Korea's grandest integrated customer center of about 11,000 employees covering wire/wireless/collection. By improving the infrastructure of customer consultation in 2015, we have decreased the waiting time of the Auto Response System (ARS), diversified the ARS service types, and simplified the identification process. These multidimensional efforts of KT have been concentrated on improving the service quality in the perspective of customers. Consequently, we maintained the VOC response rate at 96% thus accomplished significant successes such as being selected as the 1st rank in wire/wireless sectors on KS-CQI and achieving certifications in KSQI wire/wireless sectors.

Moreover, in 2016, we further improved the design of our 'ARS on Smartphone' service which we developed for the first among communications companies. Maximizing the convenience of customers, therefore, KT will fortify its foothold as the Korea's representative communications company who realizes the customer satisfaction.

Communication with Customers
■ **2015**   ■ 2014

Average Talk Time and Follow-up Process Time (seconds)

Average Talk Time (ATT): 2015 — 197; 2014 — 174
Follow-up Process Time: 2015 — 87; 2014 — 129 (1Q)

Monthly Response Rate of Customer Center and Service Level (%)

Response Rate: 2015 — 96.2; 2014 — 96.3
Service Level within 20 Seconds: 2015 — 82.9; 2014 — 82.9 (Monthly average)

VOC Regarding Response Delay/Inconvenience in Auto Response System (ARS) (cases)

VOC Regarding Response Delay/Inconvenience in Auto Response System (ARS): 2015 — 11,600; 2014 — 19,000 (1Q)

Rate of Self-processing for Customer Complaint (%)

Self-processing Rate: 2015 — 27.5; 2014 — 19.1 (1Q)

Stable Service with No. 1 Customer Awareness

Commendation from President and the Ministry of the Science, ICT and Future Planning

4 Consecutive Years   2012-2015 Communication and Disaster Sector

Network Monitoring System

KT is fulfilling its responsibility as the communications company who owns the national network in a faithful manner by establishing an environment optimized for the efficient cutting-edge network monitoring system for the provision of stable services. Through the Network Monitoring Center, we monitor the nation-wide network comprehensively and direct activities for the prevention and prompt recovery of national and social emergencies as well as breakdowns/disasters. In addition, the network monitoring system is being consistently operated by regional monitoring centers while the nation-wide wire/wireless operation centers are responsible for the stable operation and repair/maintenance of communications facilities. For further organized network monitoring system, we also redefined roles of each network monitoring bodies in 2015.

By newly building a Cyber Security Center under the Network Monitoring Center, we will found an expeditious and effective response system for cyber attacks and hackings that are rapidly increasing. Thus, we will focus all our capabilities on preventing damages on our customers due to phishing scams such as SMS phishing and pharming.

Emergency Recovery Training

In preparation for cases when the communications service is disrupted because of general breakdown and disasters such as a typhoon and earthquake, KT has established the emergency recovery plan by damage types in advance conducting regular trainings. Especially, a back-up system where an automatic alternative communications is available has been operated minimizing damages caused by communication disruption.

On 19 May, 2015, KT also held the "Safe Korea Training" for disaster response in the communications area jointly with the Ministry of Science, ICT and Future Planning and the Ministry of Public Safety and Security. Furthermore, in August 2015 when North Korea bombarded South Korea, the government executed an inspection for the operational stability of the communications industry; KT accomplished a substantial performance at the inspection for establishing such an impeccable communication support system.

Since received the presidential citation in 2012, KT's outstanding capability in disaster response has been highly recognized with meaningful achievements such as winning institutional citations of the Ministry of Science, ICT, and Future Planning for 2 consecutive years in 2014 and 2015. For consolidating the foundation of the safe national network, KT will actively respond to threats to communications as well as thoroughly prepare for the data traffic that skyrockets in cases of major events of the country (e.g. the general election in April 2016).

Emergency Recovery Training

Conference about Public Safety-LTE

"KT Delivers Deep and Sincere Impression to Customers through Customer First Management"

Since declared the 'Customer First Management' in 2015, KT has been at the forefront leading the communications paradigm. As a consequence, we were selected as the 1st rank in wire and wireless communications sectors on the '2015 Korean Standard Contact Service Quality Index (KS-CQI)' that is an authoritative evaluation about customer centers. In order to realize the customer impression, furthermore, various emotion care services based on the Big Data are being provided. As the first in the communications industry, we are providing a customer service in sign language for the hearing-impaired who have a difficulty in the voice communication.

KT Customer Center Celebrating Its Performance on KS-CQI

Generation of Brand Value

http://www.kt.com/eng/pr/design_product.jsp

Integrated Marketing Communication with Consumer Engagement

'GiGA Era Be upon Korea' Campaign
(Campaign Launching, GiGA Internet for One Million People)

Strategic Brand Management and Operation

KT's Approach

To deliver differentiated services overcoming the limit of communications, we are advancing forward to generate brand values through its ingenious marketing communication activities. Consolidating the foothold as the representative communications brand of Korea, KT will lead the market by constantly innovating the communication with customer engagement.

Customers are not fascinated any more by companies that implement one-way communications. For this reason, companies now should attract interests and generate sympathy of customers to create meaningful message and further enlarge and evolve it. Hence, KT has introduced the Integrated Marketing Communication (IMC) method to comprehensively utilize all customer contact channels, which has been highly recognized as a representative best practice in the marketing. In particular, we are promoting KT's unique 'campaign with consumer engagement' where our customers are voluntarily expanding and reproducing contents. As a consequence, we have created a new compound, 'consume-dia' (consumer and media), guiding trends of the marketing.

Era of GiGAtopia Opened through GiGA Campaign

In 2014, we initiated the corporate PR advertisement under the slogan of "Between You and the Future" and thus proclaimed that the era of GiGAtopia has arrived which can be realized by peer-less GiGA Infrastructure and convergence ICT technology of KT; a series of GiGA campaigns have been sequentially promoted.

In 2015, additionally, we executed the business to analyze gene in children as well as implemented the KT-MEG (Micro Energy Grid), the world's first complex energy efficiency solution. Therefore, we further raised the understanding of customers about Intelligent GiGA Infrastructure that provides advanced values based on IoT/Cloud/Big Data technology. Consequently, we have been reinforcing our corporate image as the company for the people rooted from the tech leadership.

Upgraded Campaign with Consumer Engagement

KT has devoted to sympathizing with customers by diverse efforts such as constantly advancing and promoting 'GiGA-ro' campaigns with customer engagement based on the GiGA WiFi Home Service since March 2015. While an advertising jingle that altered an aria of 'The Marriage of Figaro' became a smash hit, we also performed the first street opera in Korea and Below the Line (BTL) advertisement campaigns for customers to participate in and experience GiGA WiFi. Furthermore, in the ad campaign of 'GiGA LTE Gives Time to You' in last July, KT showed how the high speed of GIGA LTE can present a leisure time to people in the modern society who are living hectic moments. As a result, we attracted great attention encouraging active discussions about the value of technology. In 2016, we declared the 'GiGA era' with our competitiveness and confidence proven by the record of one million subscribers of GiGA Internet. We effectively visualized and presented innovative changes due to our service by comparing lives before and after the introduction of GiGA service. The ad campaign proposes the future KT will lead through combining sensuous video, narration, and pleasant BGM delivering a message: 'Now in 2016, GiGA customers in Korea are enjoying a preeminent communications life.' In addition, diverse events to experience the GiGA speed using drone and VR are being promoted to form a consensus with customers in their twenties and thirties stimulating a desire for KT services.

Established the management system for the group brand in 2011, relevant activities such as brand and internal/external communications are managed primarily by the Group Brand Committee. Also, we have established objective standards and foundation to protect the brand, 'KT,' by executing the "System to Impose Royalty on Brand Name" for group companies since 2014. The Brand Performance Index (BPI) survey was conducted for group companies in 2015 settling the brand management system as well. For 2016, KT is planning to extend the number of group companies subject to the BPI survey from 5 to 10; an in-depth review for the "System to Impose Royalty on Brand Name" will be carried out. Therefore, we will further enhance the strategic brand management.

Establishment of KT's Design Identity

Phone Series
(Phone-diary, Phone-brella, Phone-mouse)

wiz-stick

Efforts to establish the design identity of KT's own have generated substantial performances in 2015 as well throughout various categories such as brand, product, space, and graphics. For the recent 7 years, numerous products of KT have been awarded at Red Dot Award and iF Design Award that are notably authoritative in the world. Hence, we are solidifying the foothold of the KT design on the international stage.

Phone Series (Design Product)

KT has constantly launched products of 'Phone+OOO Series' which is the world's first to combine the IT with necessary items in customers' daily life. Our unique and differentiated design identity has been highly recognized by our customers. Phone-brella, especially, started from a design that takes customer's convenience as the first priority and was notably valued in the world as a result. Furthermore, it consolidated the global status of KT design by being exhibited at the headquarters of GSM Association (GSMA) for the first among domestic communications companies. We will continue to excavate items for the Phone Series which are IT-convergence items closely related to the daily life in the era of GiGA.

Phone Series No. 1 - Phone-diary

The Phone-diary is designed for its users to able to place their smartphones on the diary; it achieved such an honor to be awarded in the Communication Publishing category as well as in the Consumer Products category on iF Design Award. Furthermore, we linked the Phone-diary to CLiP (smartphone app), our mobile digital wallet service, and conducted a promotion to give out 20,000 free Phone-diaries. As a result, more than 280,000 people applied to the event and we were able to attract more than 100,000 new subscribers of CLiP service.

Phone Series No. 2 - Phone-brella

Phone-brella, a compound of phone and umbrella, is an umbrella with a C-shaped handle which enables users to move two hands freely even in rains. Thanks to its innovative design, the Phone-brella won two Best of Best awards in Fashion and Smart categories on Red Dot Award as the first in the global communications industry; the Red Dot Award is the award all designers around the globe are keen to attain. In addition, it was introduced for more than 20 times by various international press in 30 countries such as Fortune of the USA, CNET, and BBC of the UK. Through SNS channels such as Facebook and YouTube, on the other hand, it acquired such a compelling performance of 1,500,000 views.

Phone Series No. 3 - Phone-mouse

The Phone-mouse is a device with a new concept, a mouse of a slim shape that functions as an external battery. It is ergonomically designed considering the height of wrist and the width of palm. Thanks to its compact size, users can use it even on a small table of a cafeteria while the usability in a daily life is also guaranteed for it can be used as a power station for mobile devices. The Phone-mouse achieved the Winner at the 2016 Red Dot Award with its exciting design.
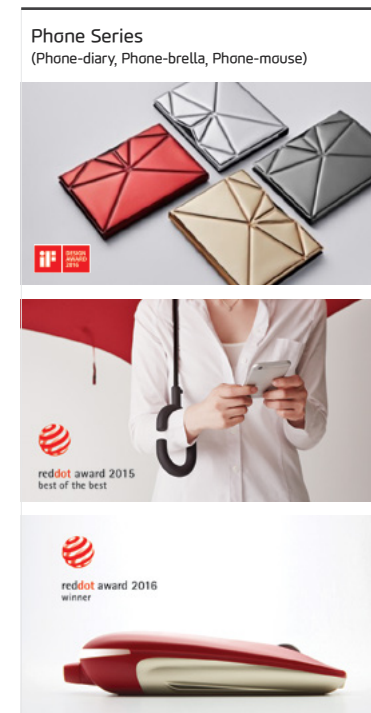
wiz-stick

The wiz-stick to be launched in 2016 is the world's first portable platform device for the security. In September 2015, the CEO of KT introduced the wiz-stick at 'Press Conference on KT Future Strategy'; reflecting the product identity of KT's own, the device has a shape of necklace so that it can be used as an employee ID card. At a global design award, the wiz-stick accomplished the Winner of 2016 as well. Through its advanced design concept meeting customer desires for the security and comfort, the wiz-stick will become a solid foundation for the cyber security of the future.

Development of GiGA · 5G Identity

In order to increase the brand awareness and preference about the 5G and GiGA, KT has developed its design identity; the design identity has been widely applied to window graphics, shopping bag, and clerk uniforms of about 3,300 customer contact points such as retail stores. As a result, the awareness and preference of customers about KT has been greatly improved against competitors. In 2016, we will continue striving to develop designs for diverse applications to acquire further higher brand awareness.

Protection of Customer Information

http://inside.olleh.com/html/privacy.asp

Customer Information Protection Management System
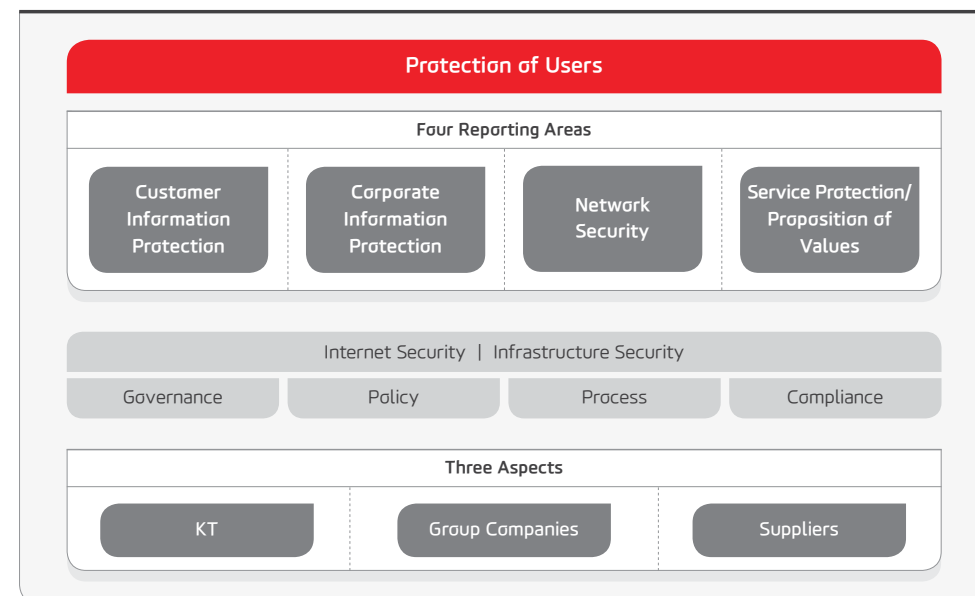
KT's Approach

To KT who considers its customers as the top priority, the protection of customer information is the first principle in realizing the corporate values. In order to proactively and efficiently respond to security threats that are becoming advanced and more intelligent, accordingly, we have intensified the management system for protecting the customer information and strived for guaranteeing the right of the subject of information.

Since acquired the Information Security Management System (ISMS) certification in 2013, the national information protection management system, we are annually conducting the reauthorization and thus operating a customer information protection management system according to the national standard. The level of technical and administrative measures to protect customer information has been constantly improved through the regular check on the security status of systems and suppliers that handle with the customer information.

Technical·Administrative Measures to Protect Customer Information

Category	Detail
Technical Protection Measures	Integrated Security Control System to monitor suspicious behaviors that seem to be hacker's attack
	Enhancement of the approval and authentication process of the Access Control System
	Establishment of Firewall/Intrusion Detection System/Access Control System
	Encryption of privacy
	Digital Right Management (DRM) and Data Loss Prevention (DLP) Solutions
	Further application of DB Access Control System and enhancement of privacy control
	Response to APT attacks
Administrative Protection Measures	Security Coding required during the software development
	Compliance with security review process before launching a service
	Destruction of social security number gathered
	Regular inspection and improvement activity conducted for loopholes
	Simulation tests for infringement accidents with relevant organizations such as the government
	Information destruction of customers not using KT's service for more than 1 year
	Destruction of personal information on PC

Information Protection and Security System

Protection of Users

Four Reporting Areas

Customer Information Protection	Corporate Information Protection	Network Security	Service Protection/ Proposition of Values

Internet Security | Infrastructure Security

Governance	Policy	Process	Compliance

Three Aspects

KT	Group Companies	Suppliers

Furthermore, we thoroughly observe the customer information protection management system by executing the security check for new service before the launch. The "White Hacker" group also routinely simulates hacker attacks to the website for proactively responding to attacks any time. Thus, we have successfully established a system to identify and improve weak points of the security system. In 2016, KT will advanced the security status inspection for customer contact points such as retail stores. In addition, the prediction·identification·analysis·response system will be founded through the Big Data analysis platform, which will lead to the consolidation of the information security system.

Education about Customer Information Protection

In order to predict and prevent security threats that are becoming more advanced and intelligent, KT has reinforced its security system by utilizing the cutting-edge security technology and professional talents. On the other hand, all employees, group companies, and suppliers are cooperating to establish an environment that everyone voluntarily protect the customer information with a sense of responsibility. For example, all employees are to make a pledge on the personal information protection every year while the information protection training is constantly fortified; in 2015, every employee received online trainings about the personal information protection. Furthermore, training specialized for each position and work type are provided to employees who deals with the customer information and thus have a high risk in protecting information for the higher efficiency. While sharing the action plan for the security through the distribution of information security posters and PC wallpapers, KT is operating an in-house reporting center of security violations and promoting Clean Office activities to encourage the voluntary participation of employees.

Enhancement of Customer Information Protection Activity

We prevent the leakage of personal information by analyzing the entire life cycle from the gathering to destruction of information and thus applying technical and administrative protection measures optimized for each stage. In 2015, for instance, we introduced the response system against APT attacks in order to proactively block websites and emails with malicious codes included. The information leakage risk due to storing excessive information has been averted through the privacy destruction on PC as well as information destruction of customers who have not used KT services for more than 1 year. As the Bring Your Own Device (BYOD) trend is being widely spread in 2016, on the other hand, smart devices are being increasingly utilized for work leading to the increase of security threats. Therefore, KT will further enhance the security level for PC and mobile devices for the effective response to the threats.

Dissemination of Culture to Protect Customer Information

Information Protection Poster

Customer Service for Information Protection

🔗 Inquiry about Information Protection
privacy@KT.com

KT is protecting its customers from SMS phishing scams and preventing the information leakage due to the loss of smartphones through its diverse information protection services. Moreover, our customers can view their information and status of information use and submit inquiries about the personal information to an email address solely responsible for the information protection.

Major Services for Customer Information Protection

olleh Anti-smishing App	For cases in which apps with malicious code or potential malicious code are installed, users are advised to delete the apps (Link: http://smartblog.olleh.com/2780)
Customer Damage Aid Center	Consulting by experts is provided for smishing damage and fraud with micropayment (View history of personal information usage: http://inside.olleh.com/html/olleh_clean_sub12.asp)
olleh Relief SMS Service	For cases in which an MMS text message from a company with an announcement, information, and advertisement by company is sent, the "Relief" mark is added to indicate that the text message has no illegal elements (Link: http://smartblog.olleh.com/4581)

Innovative Management

http://www.digieco.co.kr/

Innovation through Empowerment

Empowerment Programs

No. 1 Teaming

KT's Approach

Thanks to the development of information and communication technology, the ICT convergence industry has been greatly advanced changing the industrial paradigm. In order to lead the IT market rapidly changing as well as to deliver differentiated customer values, KT defined "Empowerment" as its unique corporate culture in 2014. Hence, we have developed into the global No. 1 KT by constantly promoting innovation activities throughout the company.

KT has been innovating the work environment through the empowerment so that employees can work efficiently and actively based on their creativity and passion. For prompt and exact service, in particular, KT has allowed the autonomy to on-site departments such as branches and centers where customers contact with KT employees; detailed guidelines have been established and operated accordingly. In 2016, we will continue our efforts to realize the management with customers as the top priority by simplifying relevant systems and decision-making processes so that every single KT customer can enjoy the best service.

We are operating diverse programs for the diffusion of the innovation through the empowerment. 'Top Rank Workshop' is the most representative communication and cooperation channel of KT that innovates the way of working by identifying and improving basic problems at sites. It has significantly contributed to settling the empowerment as the part of KT's unique corporate culture. 'Building No. 1 Team' is a program for KT employees who work with passion and energy based on the effective teamwork. It has become a foundation of encouraging on-site employees and helping them to deliver innovative customer services through the advanced teamwork and active communications.

Programs to Strengthen Empowerment

	Key Performance	Future Plan	Effect
Top Rank Workshop	• Since September 2014, excavated 717 tasks and carried out in-depth discussions with 10,483 employees • Cultivated 470 Empowering Facilitators (EFT) who lead discussions encouraging employees as catalysts for change and innovation	• In 2016, EFT capability training will be reinforced so that EFTs can grow into innovation professionals • In 2016, discussion topics will be mainly increase of customer awareness and cost innovation that are closely related to corporate strategy; in 2016, an efficient execution system of the Workshop will be established for performance generation	• Reinforcing execution ability for CEO's management philosophy, vision, and core value • Contributing to performance improvement by enhancing cross-departmental cooperation and execution ability
No. 1 Teaming	• Since April 2015, formed sympathy with empowerment through total 101 seminars with 3,350 employees • In October 2015, encouraged teams and helped communications of 1,623 employees of 149 teams by a trail program, 'KT Teaming-Up'	• 'No. 1 Teaming' is an advanced program for the entire KT Group being currently operated in an integrated form; through the program, detailed team-building activities will be promoted for performance generation. • By implementing the program for departments contacting customers, it will contribute to encouraging on-site employees and offering better customer service as a result.	• Building strong teamwork by enhancing interdepartmental communications and trust • Securing foundation for performance generation by encouraging teams • Attaining a basis for No. 1 customer awareness by inspiring customer-contact departments

[Value Creation Activity] "Value Creation through In-house Consulting"

Nomad Consulting Group (NCG) is an in-house consulting group of KT that is composed of experts of various fields. Since its foundation in 2011, it has provided professional solutions for projects and cross-functional issues of each business department. Expanded the scope of the project to cover not simply within the company but sites in 2014, KT executed total 66 in-house consulting projects in 2015 while including the group companies to the scope as well. By promoting a project to innovate the corporate cost structure, the NCG was able to reduce costs by KRW 15.7 billion. Moreover, we designed and established a data-based Target Tool for marketing and thus won new contracts, which led to the sales increase of KRW 1.8 billion; the contracts are to supply 4,378 lines annually. In 2016, KT will further diversify its work scope into new growth businesses such as future convergence and platform by cooperating with external management consultancy.

Status of NCG Project in 2015

Business Departments	34 cases	Establishing measures for efficiency of Big Data-based SCN system
Group Companies	9 cases	Conducting management diagnosis and developing growth index for group companies
Sites	23 cases	Setting up improvement plan for building share by housing types/markets
Total	66 cases	

KRW 15.7 billion
Cost Reduced by In-house Consulting

KRW 1.8 billion
Sales Increased by In-house Consulting

Environmental Management

Vision & Strategy

Environmental issues that the world is facing, such as the climate change, energy depletion, and resource scarcity, are emerging as new challenges and business opportunities.

Under the vision of our environmental management, 'Green KT, Green KOREA,' we will turn into a Convergence Builder who contains the global climate change through environmental ICT convergence services while increasing the environmental efficiency in every process of corporate activity.

Sustainability Aspect

Sustainability Management | Transparent Management
Shared Growth Management | Customer First Management
GiGA Prosperity | GiGA Planet
GiGA People
Talent Management | Environmental Management

Sustainability Drivers

Strategy Driver
Increasing Environmental Efficiency

=

Objective Driver
Containing Climate Change

Sustainability Issues

❶ Expansion of environment-friendly ICT service,
❷ Energy, ❸ Environmental policy and system,
❹ Electromagnetic wave, ❺ Greenhouse Gas,
❻ Climate change strategy, ❼ Waste

(in the order of importance based on the 2016 materiality test)

Key Performances 2015

Competitiveness in Environmental Management
2015 CDP Global Carbon Management Inclusion in CDP Honors Club for 3 Consecutive Years

2,472,342
Energy Consumption (Mwh)

1,064
Sales of Environmental Service (KRW billion)

8,800
Cost Reduction by Energy Savings (KRW million)

1,096,053
GHG Emissions (tCO₂eq)

4,883
Waste Generation
16.7% reduced compared to 2014 (tons)

1,108,740
Reduction of Social GHG Emissions (tCO₂eq)

2,766,418
Water Usage (tons)

Consolidation of Environmental Management System
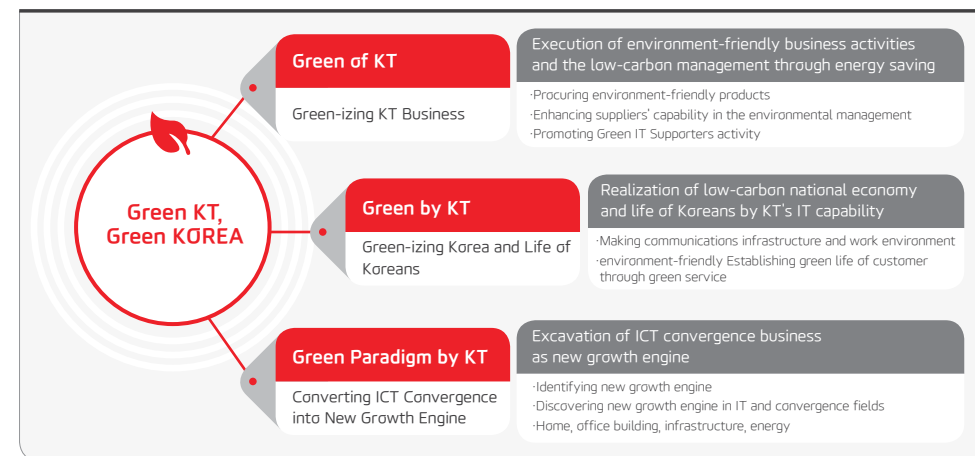
http://www.kt.com/eng/social/environment.jsp

Vision and System of Environmental Management
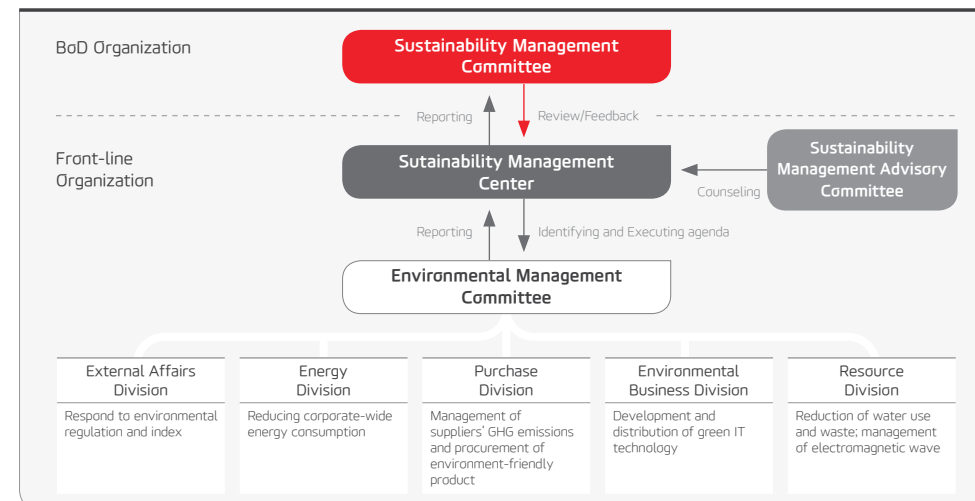
KT's Approach

The environmental management does not simply mean saving energy any more; it is now the future growth engine which generates new business. Accordingly, KT is doing its best within the company to minimize environmental impacts to energy, GHG, water, and waste which are caused by KT's business. On the other hand, new environmental businesses relevant to the climate change are being constantly identified and fostered.

In 2009, KT proclaimed a vision of 'Green KT, Green KOREA' in order to identify new opportunity in the green ICT convergence field by defining the environmental management as the new growth engine of the company. In particular, we have also established the three strategies for areas of the environmental management: Green-izing KT Business, Green-izing Korea and Life of Koreans, and Converting ICT Convergence into New Growth Engine. Hence, a variety of activities for the environment-friendliness of the entire supply chain as well as business activities of KT are being actively implemented. Additionally, a far stable and more powerful environmental management has been realized and systematically executed by founding a 'Sustainability Management Committee' under the Board of Directors at the end of April 2016. 'The Environmental Management Committee' is being also operated for accelerating the execution of the corporate-wide environmental management. The Committee holds regular meetings all year round and consists of five different divisions: external affairs division, energy division, purchase division, environmental business division, and resource division. Moreover, it discusses material issues related to the environmental management at the perspective of the entire company while establishing implementation strategy.

Vision of Environmental Management

Green of KT Green-izing KT Business	Execution of environment-friendly business activities and the low-carbon management through energy saving ·Procuring environment-friendly products ·Enhancing suppliers' capability in the environmental management ·Promoting Green IT Supporters activity
Green KT, Green KOREA	
Green by KT Green-izing Korea and Life of Koreans	Realization of low-carbon national economy and life of Koreans by KT's IT capability ·Making communications infrastructure and work environment ·environment-friendly Establishing green life of customer through green service
Green Paradigm by KT Converting ICT Convergence into New Growth Engine	Excavation of ICT convergence business as new growth engine ·Identifying new growth engine ·Discovering new growth engine in IT and convergence fields ·Home, office building, infrastructure, energy

Organization for Environmental Management

BoD Organization — **Sustainability Management Committee**

Reporting / Review/Feedback

Front-line Organization — **Sutainability Management Center** ← Counseling — Sustainability Management Advisory Committee

Reporting / Identifying and Executing agenda

Environmental Management Committee

External Affairs Division	Energy Division	Purchase Division	Environmental Business Division	Resource Division
Respond to environmental regulation and index	Reducing corporate-wide energy consumption	Management of suppliers' GHG emissions and procurement of environment-friendly product	Development and distribution of green IT technology	Reduction of water use and waste; management of electromagnetic wave

Establishment of Carbon Management System

Long-term GHG Reduction Goal

35% Reducing GHG Emissions by 2030 Compared to 2007

Performance of Carbon Management in 2015 (Unit: tCO₂eq)

2007 GHG Emissions	2015 Goal	2015 GHG Emissions
1,276,872	1,131,257	1,096,053

Response to Climate Change

Climate change caused by the constant emissions of GHG has been intensified due to the drastic industrialization in emerging countries. It is anticipated that the GHG emissions of 2030 will be skyrocketed by more than 20% compared to the emissions of 2010. Therefore, the corporate competitiveness is now determined by the capability to improve the energy efficiency and reduce the GHG emissions in most industries. For understanding impacts of the climate change and proactively responding to them, KT is voluntarily complying with the national policy for the GHG emissions and thus enhancing its leadership in the global carbon management through diverse efforts: setting carbon management goals in accordance with the national GHG reduction goal, promoting GHG reduction activities, and leading the "GHG and Energy Target Scheme."

Carbon Management Strategy

In order to accomplish the vision of 'Green KT, Green KOREA' and contribute to the achievement of the national GHG reduction target, we are actively executing the carbon management strategy with an aim to reduce the GHG emissions by 35% compared to the emissions of 2007 until 2030; KT's goal has been set to proactively correspond to the Intended Nationally Determined Contribution (INDC) for Korea determined by the Conference Of the Parties (COP21) in December 2015, which is to reduce the GHG emissions by 37% compared to the BAU (Business As Usual) until 2030. Moreover, we will contribute to curbing the estimated temperature increase of the earth by 2 degrees. Thus, KT has established the reduction goal by excavating annual tasks for each organization through the Environmental Management Committee as well as defined the departmental role and responsibility (R&R) about the energy saving. Thanks to the active promotion of these reduction activities, we are significantly assisting to meet the mid- to long-term GHG reduction goal.

Leadership in Carbon Management

KT, who established the GHG inventory system in 2010 for the first among domestic communications companies, is developing into the global No. 1 environment-friendly company by greatly expanding the scope of managing the GHG to the Scope III emissions. Especially, the credibility of the data has been acquired through the annual third-party verification about the Scope Ⅰ, Ⅱ, and Ⅲ emissions and calculation methodology. We are also discussing with the government to adjust the carbon management goal and level of execution based on the corporate-wide energy consumption, GHG emissions report, and GHG monitoring plan. In 2016, KT will further advance the efficiency by innovating the GHG management system in order to respond to the Cap & Trade Scheme in advance.

Performance of Carbon Management

The total GHG emissions of 2015 is 1,096,053tCO₂eq while the total energy consumption is 2,472,342 Mwh; we reduced the emissions by 14.2% compared to 2007. For attaining the GHG reduction goal, the energy consumption by wire/wireless communications, electricity of IDC, and building operation has been persistently reduced. Thanks to this, moreover, we are accomplishing positive financial performances by decreasing the energy saving cost. Through the provision of environment-friendly and low-carbon products and services, the social GHG emissions were reduced by 1,108,740tCO₂eq in 2015; the figure is a 101.2% of KT's total GHG emissions.
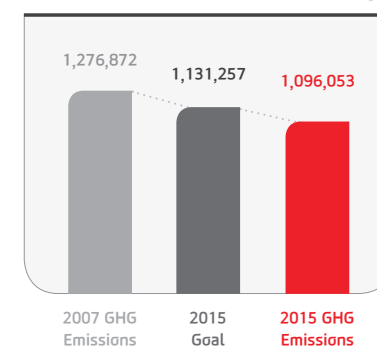
"KT Takes a Challenging Leap to Become the Global Leading Environment-friendly Company"

Inclusion in CDP Carbon Management Honors Club for 3 Consecutive Years

In November 2015, KT was selected as one of the five best companies who are awarded "Carbon Management Honors Club" at the 2015 Carbon Disclosure Project (CDP) Award; the CDP Award is to nominate companies with outstanding attainments in responding to the climate change. Furthermore, it is the most authoritative environmental management index that evaluates climate change response, environmental management, and carbon emissions of the world's major enterprises. Achieving 100 points on the Carbon Disclosure Leadership Index (CDLI), KT accomplished the 1st rank in the global communications sector and its efforts and performances for the environmental management have been highly valued.
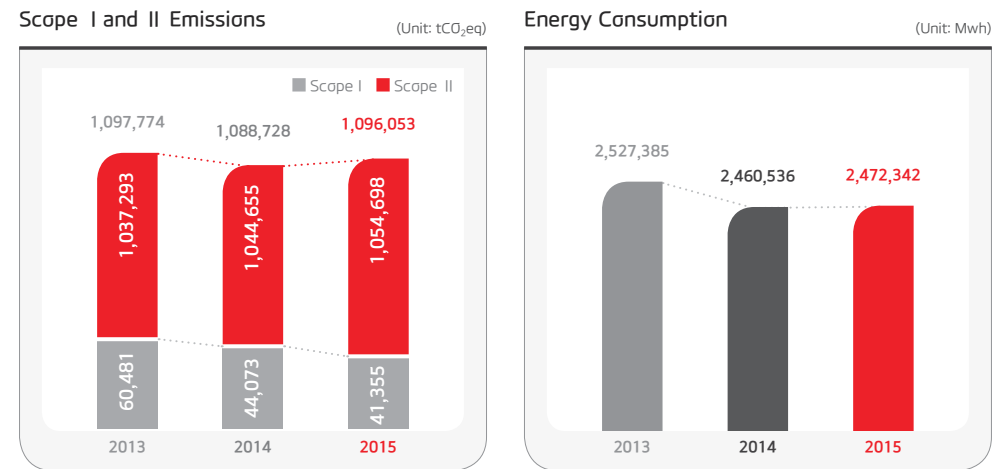

2015 CDP Korea Carbon Management Honors Club Award

Consolidation
of Environmental
Management System

Intro | Special Feature | GIGA Prosperity | GIGA Planet | GIGA People | Appendix

Customer First Management / Environmental Management

KT Integrated Report 2016

Management of Scope I and II Emissions

We calculate the GHG emissions and report the results to the government every year in order to fulfill the corporate responsibility in managing the Scope I and II emissions according to the "Framework Act on Low Carbon, Green Growth." The reporting scope includes all facilities that are under the managerial control of KT covering every communications facility such as buildings, front-line sites, base stations, and relay stations. For the accurate calculation of emissions, in addition, KT has strictly complied with the "Guideline for GHG Emissions Calculation" and "Guideline for GHG Target Management." There are various emission sources such as diesel, gasoline, kerosene, fuel oil, LNG, electricity, and heat (steam). Electricity for the wire/wireless communications equipment and operation of IDC server accounts for the largest portion, which is more than 95% of the total emissions.

Scope I and II Emissions
(Unit: tCO$_2$eq)

1,097,774 | 1,088,728 | 1,096,053

2013	2014	2015
1,037,293	1,044,655	1,054,698
60,481	44,073	41,355

Scope I | Scope II

Energy Consumption
(Unit: Mwh)

2013	2014	2015
2,527,385	2,460,536	2,472,342

Management of Scope III Emissions

Scope III emissions, other indirect emissions, refer to the indirectly emitted GHG due to the business activity. KT subdivides the Scope III emissions by emission sources into three categories: emissions from the supply chain management (SCM) stage, emissions from the service use stage, and other Scope III emissions.

1) Emissions from the Supply Chain Management (SCM) Stage
It is the emissions caused by suppliers during manufacturing products that are to be supplied to KT. The methodology has been developed according to the 'Corporate Value Chain (Scope III) Accounting and Reporting Standard' of World Resources Institute (WRI). The emissions from the SCM stage in 2015 were 32,499tCO$_2$eq.

2) Emissions from the Service Use Stage
It refers to the emissions generated when customers use KT products and services; we calculate the emissions of the B2C services for ordinary customers. The calculation scope is limited to the electricity consumed by modems and set-top boxes installed at home for services like the internet and IPTV as well as the electricity for charging mobile phones. The emissions from the service use stage in 2015 were 482,073tCO$_2$eq.

3) Other Scope III Emissions
It is defined as the emissions due to the use of water and waste treatment within the company and business trips/commuting by KT employees. KT calculates the emissions following the methodology of "Guideline for Low-carbon Events (Ministry of Environment)," "Standard for Carbon Footprint Labelling Certification (Korea Environmental Industry & Technology Institute)," and methodology presented by Life Cycle Inventory Database (LCI DB). The other Scope III emissions in 2015 were 32,442tCO$_2$eq.

GHG Verification Statement

Management of Resource Efficiency

Scope III Emissions
(Unit: tCO$_2$eq)

Category			2013	2014	2015
Emissions from the Supply Chain Management (SCM) Stage	Wire Devices		472	251	106
	Wireless Devices		1,269	1,472	1,595
	Communications Service-based Facilities		48,197	47,240	30,798
	Total		49,938	48,963	32,499
Emissions from the Service Use Stage	Home Terminals		40,783	35,026	32,883
	Mobile Terminals		168,621	199,790	153,673
	Internet Terminals		237,846	226,692	295,517
	Total		447,249	461,508	482,073
Other Scope III Emissions	Water		997	932	918
	Waste	Domestic Waste	349	357	686
		Recycled Waste	750	650	1,297
		Construction Waste	114	113	847
	Business trips	Within Downtown	380	296	215
		Long Distance	659	669	714
		Overseas	8,551	1,677	4,072
	Commuting	Bus (Local, Express)	762	877	747
		Subway	76	57	59
		Private Vehicles	22,495	17,828	22,397
		Train	25	22	24
		Bus & Subway	210	438	464
	Total		35,368	23,916	32,442

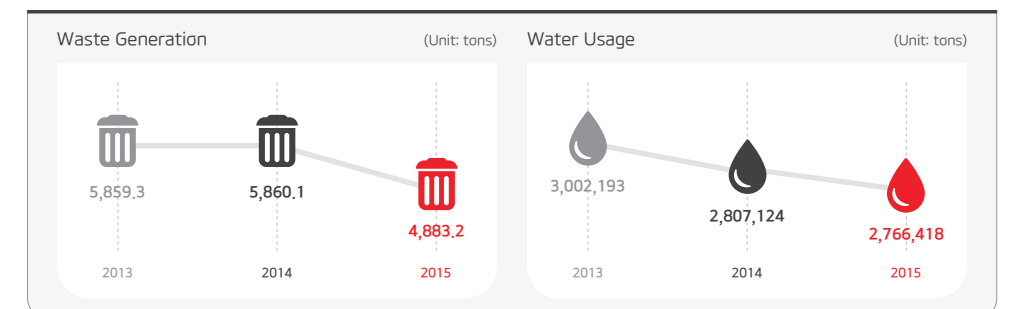### Waste Management
For the active circulation of resources through the recycling and reduction of the resource consumption, KT has reinforced the management of waste and water. For example, the advanced waste management system was established through the project of 2012 to settle the process in managing waste. Moreover, the role and responsibility (R&R) between departments on the management of waste resources has been defined. Wastes generated by KT are classified into the household waste, recycled waste, communications material waste, and construction waste while recyclable wastes are all reused. The amount of waste in 2015 is total 4,883.2 tons which has been reduced by 16.7% compared to 5,860.1 tons of 2014.

Water Management
The amount of water used within KT buildings in 2015 is 2,766,418 tons that decreased by about 1.5% compared to 2,807,124 tons of 2014. For further reducing the water use, KT has installed a variety of water-saving devices such as automated flushing bidet and bubble foam-typed faucet at the office building while the water purification system is being operated at KT buildings such as Namcheongju Office and thus recycling effluents of cable tunnels.

Waste Generation
(Unit: tons)

2013	2014	2015
5,859.3	5,860.1	4,883.2

Water Usage
(Unit: tons)

2013	2014	2015
3,002,193	2,807,124	2,766,418

*Amount of waste generated has been recalculated due to the change of an internal standard for the waste management.

Fortification of Energy Strategy

http://www.kt.com/eng/social/environment.jsp

Energy Efficiency Strategy

Environment-friendly Master Cooling System

8,800

Cost Reduction by Energy Savings in 2015 (KRW million)

KT's Approach

As the global climate change has been intensified and the energy consumption has been increasing, a new era where the capability of the energy efficiency determines the corporate competitiveness has started. KT has constantly enhanced its capability of the energy efficiency based on its cutting-edge ICT technology. Additionally, we are turning into an ICT company that will lead the future by promoting multidimensional energy saving businesses.

The wire/wireless data traffic has gone through a drastic increase as the smartphone is becoming widely used; the IoT will be the starting point of the era of communications by things where the data traffic will skyrocket accordingly. Therefore, KT is doing its best to reduce the energy consumption by introducing cutting-edge technology such as the high-efficient energy saving technology, network efficiency technology, and green IDC.

Reducing Electricity for Air Conditioning by Master Cooling System

The interior temperature in the KT's communications room is high for the wire/wireless data is being continually processed. Fully aware of the fact that a slight temperature increase may cause a communications disorder, KT is operating a cooling system for 24 hours a day. Moreover, we are devoting to reducing the electricity use by realizing the low-power cooling system in the communications room. Since 2014, for example, we have significantly decreased the energy for the air conditioning by the air intake which has a low temperature due to the cold weather in winter. A cooling tower at the rooftop is also contributing to the consistent reduction of the electricity use.

Saving Power through High-efficiency Temperature Chamber

The Internet Data Center (IDC) is a data facility that provides the server computer and network line. A proper temperature in the server room is necessary for the stable operation of the servers; the temperature is being controlled by the temperature chamber which requires a great amount of energy. Hence, KT substantially reduced the electricity use by replacing regular fans/motors of temperature chambers and double-lined condensers consuming a large amount of power with brazing condensers which use high-efficiency inverter fans/motors.

Installing High-efficiency LED Lights

KT is currently operating its business at about 500 buildings throughout the country; the energy used for lighting has been persistently reduced through the project to replace lights within the buildings with high-efficiency LED lights. In 2015, for instance, we changed lights of server rooms, corridors, and offices in Mokdong and Bundang IDC buildings which consume a significant amount of electricity. With new high-efficiency LED lights, we have been able to significantly reduce the electricity use at IDC buildings.

Decreasing Electricity with Wider Network

In order to minimize the electricity consumed for the network operation, we have further expanded regions where communications stations are located while increasing the transmission distance by 5 times, from 4km to 20km, through the establishment of the efficient access network. It has been actively promoted as a long-term project achieving meaningful performances in reducing electricity and GHG emissions with the installation of high-efficiency equipment at new facilities.

Establishment of Efficient Access Network

Increasing the transmission distance by advancing light-based FTTH (4km → 20km)	50km	20km	10km	Communications Station
	ONT	RN	ONT — RN	OLT
	ONU	RN		Ntopia SW
				SER
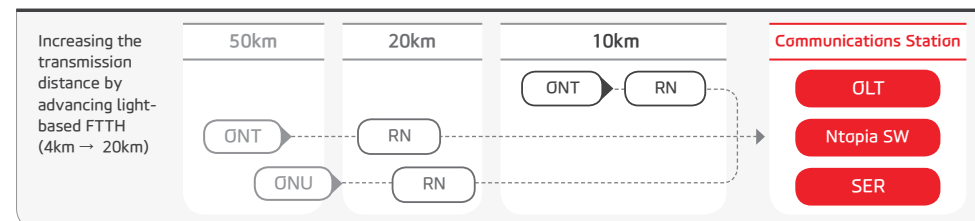
Strategy for New Growth Energy
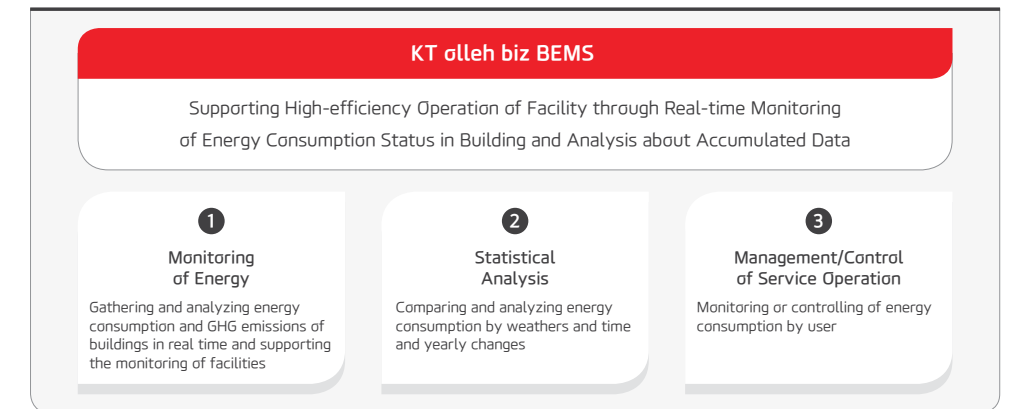
Factory Energy Management System (FEMS)

KT-MEG Center

Considering the climate change as an opportunity rather than a crisis, KT has been fostering the energy business integrated with ICT as one of its new growth engines for the future. In 2014, the Smart Energy Division was newly founded in order to take the responsibility for executing the new energy business which is now a solid basis for multilateral energy businesses KT has been promoting since 2015.

KT olleh biz BEMS, Energy Optimization Solution

KT olleh biz Building Energy Management System (BEMS) is a solution for the energy optimization at buildings that enables to analyze the energy consumption status in real time and to control the consumption reducing the energy use and GHG emissions through the smart management of energy. Through the system, the energy use at buildings is monitored in real time as well as optimized at the same time by controlling conditioning equipment, refrigerators, and lights. KT is currently developing the Factory Energy Management System (FEMS) which is an energy optimization solution for factories; after the development will be completed in 2016, the FEMS will be supplied to customers.

KT olleh biz BEMS

Supporting High-efficiency Operation of Facility through Real-time Monitoring of Energy Consumption Status in Building and Analysis about Accumulated Data

1 Monitoring of Energy
Gathering and analyzing energy consumption and GHG emissions of buildings in real time and supporting the monitoring of facilities

2 Statistical Analysis
Comparing and analyzing energy consumption by weathers and time and yearly changes

3 Management/Control of Service Operation
Monitoring or controlling of energy consumption by user

KT-MEG Center, Integrated Monitoring of Energy

In December 2015, KT opened the KT-MEG Center in Gwacheon Network Control Center. At the KT-MEG Center, experts in the energy field are managing the renewable energy, energy efficiency of clients, and demand-side resource service in an efficient manner. Furthermore, through the integrated monitoring of the Center, we support various services: improving the efficiency of renewable energy power facility, generating energy, monitoring the reduced amount, operating facility stably, and responding to disorder of facility.

Energy Efficiency Business

We have been implemented energy efficiency businesses for a range of clients such as factories, hospitals, and hotels with large GHG emissions; the energy efficiency business is to establish an energy saving facility and FEMS for client through the proactive investment by KT. Through the business, our clients have achieved an additional 20-50% energy reduction compared to the energy consumption of previous facilities. In particular, energy saving solutions customized for each client have been provided through the free energy diagnosis by KT's internal energy experts. In 2015, we assisted the reduction of energy consumption and GHG emissions of clients by executing the energy efficiency business for about 60 factories, hospitals, and buildings.

Demand Response (DR) Business

Since 2012, quality services are provided to various clients such as supermarkets, public institutes, factories, and buildings through KT's electric demand side management service. The electric demand side management business refers to the business where customers who consume a large amount of electricity (e.g. factory and building) are registered as the participant through the demand side management company and receive financial rewards for reducing the electricity as the Korea Power Exchange determines. As one of the demand side management companies, KT has been significantly contributed to the reduction of the national electricity consumption. We will persistently increase the number of participating customers.

Strategy for Energy Diversification

Future Energy World Realized by KT

Gangneung PV Plant

Corporate-wide Energy Saving Campaign

Promotion of Renewable Energy Business

Cooperating with outstanding SMEs that own key renewable energy technology, KT has been promoting diverse renewable energy businesses. Established a PV plant with 7.5MW capacity in Daecheon in 2014, we are implementing various types of PV businesses: rooftop PV installed on the roof and floating PV on idle surface of reservoir. In addition, about 20 PV projects were executed in 2015 while the renewable power generation project using building and idle land of KT is currently being promoted.

Expansion of PV Power

For the past 5 years since it constructed a PV plant within the land of Gangneung receiving station (19,720m^2) in 2011, we have constantly invested in the renewable energy facility. We also built additional PV plants in Gangneung and Taehwa Mountain, Gwangju. A PV plant is a highly critical facility since it generates electricity without consuming fossil fuel and thus practically reduces GHG emissions. In 2015, the total amount of the electricity generated at Gangneung and Gwangju PV Plants was 623.8Mwh while the GHG emissions were reduced by 291tCO$_2$eq as well. Moreover, we sold the generated electricity according to the Renewable Energy Portfolio Standard (RPS) achieving the profit of KRW 190 million as a result.

PV Power Generation
(Unit: Kwh)

Category	Q1	Q2	Q3	Q4	Total
Gangneung PV Plant	129,999	178,913	154,073	123,130	586,115
Gwangju PV Plant	8,990	11,611	9,930	7,186	37,717
Total	138,989	190,524	164,003	130,316	623,832

Use of Geothermal Energy

Beyond the PV power, KT has been actively expanding the scope of renewable energy to the geothermal energy. Since the underground water in the cable tunnel which is up to 30m deep maintains its temperature within the range of 16 and 17 degrees, we are taking it as the energy source using a thermal heat pump. In 2015, air conditioning and hot water were provided to 3 office buildings including Banghak Office by the thermal energy; we also accomplished the reduction of the energy cost which is worth about KRW 100 million.

Due to the drastic climate change, the global temperature is becoming abnormal making the electricity supply a key issue of the country. Hence, KT has implemented regular energy saving campaigns in order to realize the corporate-wide energy saving by improving the awareness of employees about the issue. Guidelines for energy saving have been established and distributed to the entire office building with the campaign poster. Also, we encourage the participation of employees by awarding offices with outstanding performance. In March 2016, we participated in an environmental movement campaign, Earth Hour of World Wild Fund (WWF), and promised to save energy and curb the climate change by turning off lights of all 472 offices for 60 minutes.

[Value Creation Activity] "Value Creation through Video Conferencing"

Video conferencing has generated diverse positive effects such as cutting the cost for business trip, decreasing time spent for decision making and travel, and curbing the GHG emissions. Video conferencing also significantly contributes to the settling of a smart working environment of a company; the number of users has been skyrocketing as well: 348,000 in 2013, 410,000 in 2014, and 437,000 in 2015. KT not only reduced the cost for business trip by KRW 6.86 billion but also decreased the GHG emissions by 4,520tCO$_2$eq in 2015. Furthermore, we will implement video conferencing for more affiliates in 2016 enlarging the number of subject companies from 11 to 16.

Performance of Video Conferencing in 2015

437,000 persons
Number of Video Conferencing Users

41,736 hours
Hours Spent for Video Conference

24,168 times
Number of Video Conferences

6.86 KRW billion
Reduced Cost for Business Trip

Compliance with Electromagnetic Limits

http://www.kt.com/environment/electromagnetic.jsp

Measuring Strength of Electromagnetic Wave

🔗 Ministry of Science, ICT, and Future Planning
www.ekcc.go.kr

Offering Electromagnetic Information and Gathering Stakeholder Feedback

🔗 KT EMF Measurement Service
http://www.KTemf.co.kr

Electromagnetic Research

KT's Approach

As the telecommunication service becomes diversified, areas where base stations and repeaters are installed are being expanded. Accordingly, customers are increasingly concerned about the effect of electromagnetic wave. In order to realize the safe service environment for customers, KT measures and manages the electromagnetic wave of mobile phones. We have also promoted various activities to reduce the electromagnetic wave's effect on human body: compliance with the governmental standards, joint researches with major mobile carriers and the Korean Institute of Electromagnetic Engineering and Science.

When installing base stations for mobile communication, KT voluntarily measures the electromagnetic intensity according to the Radio Waves Act as well as reports the result to the relevant governmental department, the Ministry of Science, ICT, and Future Planning. By conducting strict inspections on a regular basis, moreover, we are trying our best to maintain the electromagnetic level below the limitation of Specific Absorption Rate (SAR) exposure set by the government. In 2015, inspections of the electromagnetic wave were carried out at all 20,966 base stations of KT. As a result, 20,955 base stations (99.8% of the total) were found to be in the 1st class, which means the electromagnetic level is lower than 50% of the standard level. Hence, it has been proved that most areas are maintaining the safe electromagnetic level. For base stations with higher than 50% of the standard level, on the other hand, we promptly changed equipment and antennas and thus restored to the normal level. As the government announced, KT has measured the electromagnetic waves and attached rank stickers to 29,000 base station according to the result of the measurement. Furthermore, we voluntarily attached the stickers to base stations whose electromagnetic waves were measured before the announcement of the government (1st August, 2014). In 2016, it is planned to measure the electromagnetic waves of about 36,000 base stations. We will keep endeavoring to create the electromagnetic-free environment by developing an environment-friendly installation method of base stations by cooperating with the Ministry of Science, ICT, and Future Planning as well as the three major mobile carriers.

Not merely does KT provide safe mobile telecommunication service thorough check-up and management but diverse efforts have been concentrated on building the safe environment for customers. Additionally, KT is measuring the electromagnetic waves of all mobile phones it sells in order to select models with the level of below 1.6w/kg, the limitation of exposure. The electromagnetic wave levels by mobile phone types are publicly disclosed on the KT website while a brochure, 'Electromagnetic Wave in Daily Life,' has been published and distributed as well. Thus, we have conveyed appropriate information about the electromagnetic wave to our customers.
KT has always attained the prior consent of all residents and signed the lease contract before installing new transmission antennas in residential or commercial areas; when the electromagnetic level is measured according to the Radio Waves Act, we are reporting the result to the Ministry of Science, ICT, and Future Planning. If residents require the additional measurement, a separate precise examination is implemented. Also, we have posted the measurement result of our base stations/relay stations on the KT EMF Measurement Service website. Through the transparent disclosure of information, we will continuously strive for guaranteeing customers' right to know and building the safe mobile communication environment.

KT is focusing its capability as well as investments in the R&D on minimizing the impact of electromagnetic wave on the human body. For example, we invested KRW 3 billion for 10 years since 2000 collaborating with professional research institutes: Electronics and Telecommunications Research Institute (ETRI), Korean Institute of Electromagnetic Engineering and Science. Consequently, we promoted a research project "Research on Impact of Electromagnetic Wave on Human Body," which consisted of 1st (2000-2004) and 2nd (2007-2012) rounds. Furthermore, we have been investing additional KRW 1.5 billion since 2014 for the "Research on Safety of Electromagnetic Wave for Human Body" project; the investment for the project will continue for 5 years. KT is also operating the Mobile EMF Forum composed of experts in the field as well as contributing to the government-led research on electromagnetic wave as an advisory member. Therefore, we have realized the public-private cooperation for the environment-friendly mobile communication.

GiGA People

New Era to Humankind Presented by GiGA Infrastructure

GOAL 2020 | Accomplishing annual social values worth more than KRW 4 trillion in 2020

GiGA Prosperity

GiGA People

GiGA Planet

Shared Growth Management

Talent Management
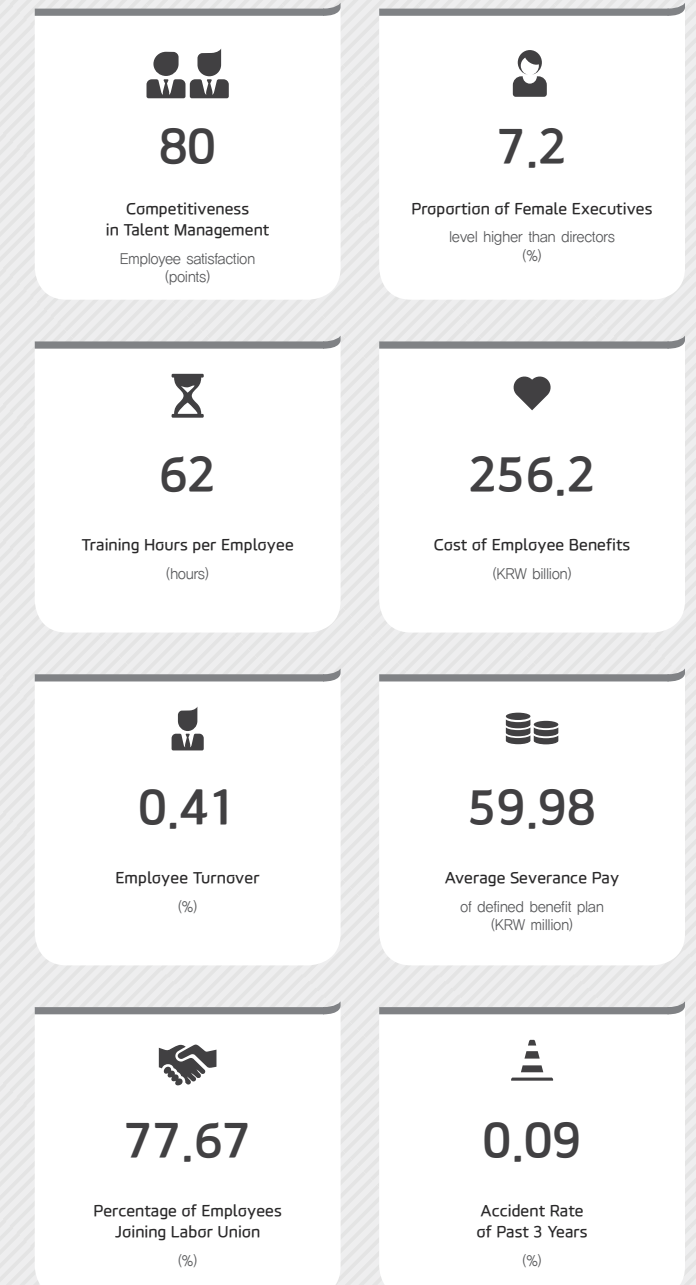

Talent Management

Vision & Strategy

KT employees are the ones who will walk along till the end realizing the corporate vision and goals.

Assisting our employees to grow into the global talents through the systematic human resource development, we are providing diverse benefit programs for the work-life balance. Therefore, KT will be continuously striving for the establishment of Great Work Place which contributes to the increase of corporate values and advancement of the quality of life.

Sustainability Aspect
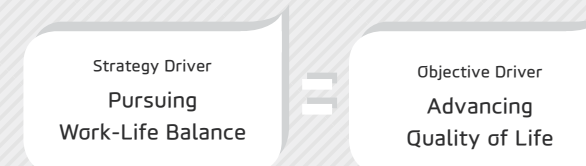
Sustainability Management

Transparent Management

GiGA Prosperity

Shared Growth Management

GiGA People

GiGA Planet

Customer First Management

Talent Management

Environmental Management

Sustainability Drivers

Strategy Driver		Objective Driver
Pursuing Work-Life Balance	=	Advancing Quality of Life

Sustainability Issues

❶ Human resource and capability development,
❷ Appraisal and compensation, ❸ Employee health and safety,
❹ Employee benefits, ❺ Human right protection,
❻ Diversity and equal opportunity, ❼ Work-life balance

(in the order of importance based on the 2016 materiality test)

Key Performances 2015

80
Competitiveness in Talent Management
Employee satisfaction (points)

7.2
Proportion of Female Executives
level higher than directors (%)

62
Training Hours per Employee (hours)

256.2
Cost of Employee Benefits (KRW billion)

0.41
Employee Turnover (%)

59.98
Average Severance Pay
of defined benefit plan (KRW million)

77.67
Percentage of Employees Joining Labor Union (%)

0.09
Accident Rate of Past 3 Years (%)

Nurturing of Global Talents

http://www.kt.com/recruit/rpolicy.jsp

Ideal Employee of KT

Equal Opportunities in Employment
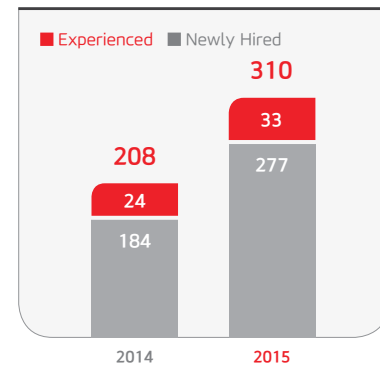
KT's Approach

To KT, it is highly critical to secure global talents who possess expertise and passion in the midst of the managerial environment which is swiftly changing due to internal and external factors such as advancing technology, globalizing market, and diversifying customer need. We have been devoting all of efforts to accomplishing the corporate vision of 'Global No. 1 KT' through the cultivation of global talents by acquiring capable human resources as the driving force of our growth and development.

KT strongly believes that fostering of human resources has a direct influence on the corporate competitiveness. For this reason, we have defined the ideal employee of KT as those who "fulfill the basics and principles, communicate continuously to realize customer value, and face challenges with perseverance" and hiring appropriate talents with passion. Employees hired through the fair personnel system are assigned to suitable positions while a detailed performance evaluation is implemented. Moreover, the corporate culture where employees can maximize his or her capability with educations of the human resource development program has been consolidated.

Ideal Employee of KT

The talent continuously takes on challenges	The talent communicates without barriers	The talent respects customers	The talent complies with the basics and principles
Achieving the best results by not yielding to hardship and adversity and continuing to challenge goals. Realizing differentiated services by leading changes and innovation.	Continuously striving to ensure mutual growth and development by communicating with colleagues. Creating synergistic effects by cooperating with each other for the success of KT.	Considering interests and satisfaction of customers in conducting all tasks. Respecting customers and fulfilling promises with customers.	Conducting tasks with the pride of being the owner of a company. Acting based on ethical decisions and assuming responsibility for the results.

Recruitment of Capable Talents

In order to hire qualified employees to the ideal employee of KT, we operate the fair and transparent recruiting process and provide equal opportunities to all applicants. Thus, we hired 277 new employees and 33 experienced employees in 2015 and the total number of KT employees is 23,648. Also, contracted workers are hired regarding the characteristic of work; the proportion of contracted workers is 1.2% (excluding senior managers and professional and experienced part-timers) as of the end of 2015. We fairly treat our contracted workers complying with relevant laws.

Status of Recruitment (Unit: persons)

- ■ Experienced ■ Newly Hired

2014	2015
208 (24 / 184)	310 (33 / 277)

Status of KT Employees (As of 31 December, 2015)

Category			2013	2014	2015
Employment Type (persons)	Full-time	Male	26,599	19,085	19,117
		Female	4,993	3,661	3,744
	Temporary	Male	413	64	365
		Female	219	8	216
	Others	Male	213	389	71
		Female	14	28	18
	Total	Male	27,225	19,538	19,553
		Female	5,226	3,697	3,978
Social Minority (persons)	Female		5,226	3,697	3,978
	People with Disabilities		809	477	469
Ratio of Female workers by Positions (%)	Employee		15.7	17.6	24.0
	Manager*		8.0	6.7	7.2

*Manager: Top executives, executives, senior managers above team directors

Employee Diversification

Securing the diversity of employees is a key factor of the corporate competitiveness to KT who is to advance into the global market. We respect individual diversity while providing equal opportunities to all employees so that a discrimination on the grounds of personal or academic connections, gender, religion, or physical hardship never occurs. Moreover, the culture respecting employees has been built by executing policies for work-life balance and equal opportunities. Minors and maternity are protected by the system as well. In addition, pregnant employees are not allowed to work overtime and offered reduced workloads while 90-day pre/postnatal leave while one-day non-paid menstruation leave are also provided. At the same time, KT offers diverse caring packages operating a leave system by life cycles of female workers.

Commitment to Hiring the Disabled

KT never discriminates or sets limitations against employees with disability in the entire personnel system such as recruitment, work assignment, and promotion. Currently, the number of employees with disability is 469 while the rate of employment of the disabled is 2.19% as of 2015. Also, KT encourages the disabled employees to be respected and exert their capability. Consequently, the rate of directors among the disabled, such as team directors and executives, has reached 10%.

Creation of Jobs

KT Star Audition

In spite of the severe managerial environment, KT is faithfully executing its social responsibilities for relieving the youth unemployment and creating jobs by expanding the scale of recruitment. Particularly, for solving the regional imbalance of jobs which are mostly available in metropolitan areas and promoting the balanced development of community, we increased the rate of employment for applicants from rural areas. Additionally, KT is actively supporting the employment policy of the government by implementing 'Creative Job Fair' and 'Foundation for Employment' project as the representative company of Korea. Through open recruitment programs such as nationwide 'KT Star Audition,' we are establishing a culture where employees can be hired based on their capability rather than careers. Hence, we have assisted the youth to minimize the cost to develop unnecessary skills.

Protection of Human Rights and Compliance with International Standards

As a responsible global communications company, KT publicly endorses global standards on human and labor rights such as the United Nations' Universal Declaration of Human Rights, ILO Conventions, OECD Guidelines for Multinational Enterprises, and UN Guiding Principles on Business and Human Rights. Since joined the UN Global Compact in 2008, which is an international agreement on the corporate social responsibility, we have actively delivered the ten principles in the four areas of human rights, labor, the environment, and anticorruption. Also, we strictly prohibit the child and forced labor according to the Labor Standard Act. By developing the human right risk framework based on the UN Guiding Principles on Business and Human Rights, we analyze the exposure level to the human rights risk for all businesses on an annual basis to prevent human right violations. Thanks to these multiple efforts of KT, neither restrictions nor accusations in regard to human rights occurred in 2015.

"KT Devotes for Protecting Human Rights with UN Guiding Principles on Business and Human Rights"

Based on the UN Guiding Principles on Business and Human Rights adopted at the 17th UN Human Rights Council (UNHRC) in June 2011, KT excavates potential human rights issues at all domestic and overseas sites every year and thus contributes to the improvement of human rights of the world by identifying the vulnerable groups in the aspect of human rights. To provide the relief to refugees in the world, KT signed a memorandum of understanding (MOU) with International Organization for Migration (IOM) in October 2015 while building a cooperative relationship with Bangladesh through a MOU in February 2016. KT will strive to advance the life of people in Bangladesh by the cooperation for the national communications infrastructure beyond merely conducting relief activities.

MOU Signing Ceremony of Bangladesh, KT, and IOM

Fortification of Employee Capability

http://www.kt.com/recruit/system.jsp

Group Education System and Innovation of Infrastructure

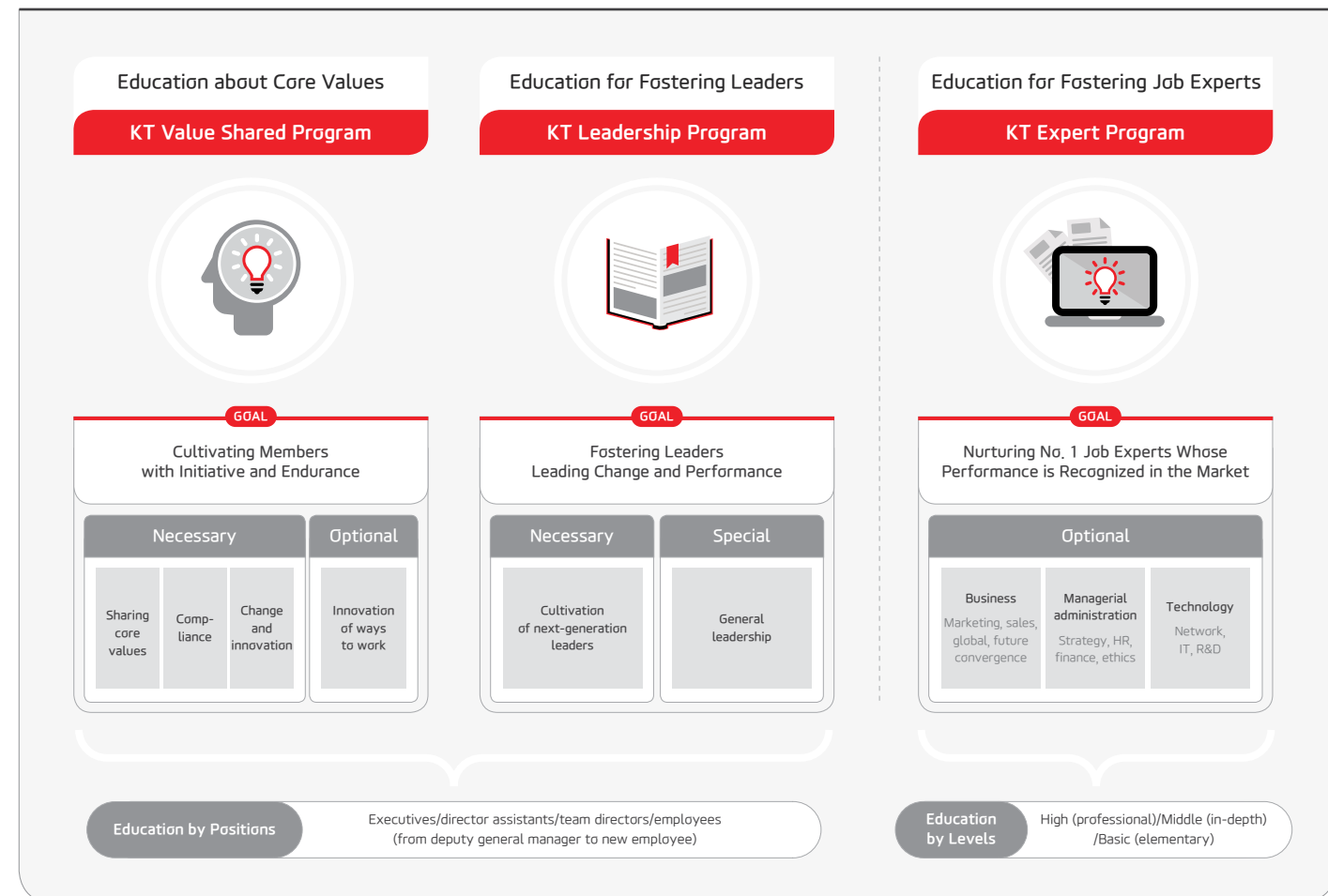KT Group Bundang Academy

KT's Approach

In order to identify and dominate new growth opportunity in the communications market rapidly changing, fortifying the employee capability as well as the corporate competitiveness has become more important than ever. For this reason, KT provides various and systematic programs to develop employees into global No. 1 KT people who can concentrate all capabilities of the company for customers.

Aiming to nurture employees who are 'members with initiative and endurance,' 'leaders leading change and performance,' and 'experts whose performance is recognized in the market,' KT has established and executed the three education systems: education about core values, education for fostering leaders, and education for fostering job experts. In 2015, we newly founded a 'Group Talent Development Academy' that is responsible for the education of KT Group and thus greatly innovated the educational organization to further enhance the synergy within the Group. In addition, by intensifying the educational infrastructure such as a portal for the Group education and the Group's training facility, we accomplished significant progresses in the aspect of educational methods. Based on the KT Group's ICT capability, moreover, the paperless and two-way interactive education has been realized by smart devices, which leads to the increase of the employee engagement. Aiming to stimulate the education of group companies, the KT Group Bundang Academy that is capable of 600 people on 1 day was newly established and has been functioning as a space for employees to gather any time sharing opinions about and discussing the Group history and future, far beyond simply providing a place for education.

Program for Enhancing Employee Capability

Education about Core Values	Education for Fostering Leaders	Education for Fostering Job Experts
KT Value Shared Program	**KT Leadership Program**	**KT Expert Program**

GOAL

Cultivating Members with Initiative and Endurance	Fostering Leaders Leading Change and Performance	Nurturing No. 1 Job Experts Whose Performance is Recognized in the Market

Necessary		Optional	Necessary	Special	Optional		
Sharing core values	Compliance	Change and innovation	Innovation of ways to work	Cultivation of next-generation leaders	General leadership	Business — Marketing, sales, global, future convergence	Managerial administration — Strategy, HR, finance, ethics	Technology — Network, IT, R&D

Education by Positions — Executives/director assistants/team directors/employees (from deputy general manager to new employee)

Education by Levels — High (professional)/Middle (in-depth)/Basic (elementary)

Key Programs for Enhancing Employee Capability

Change and Innovation Academy

Status of Domestic & International MBA/Master's Course Supported by KT

Course	Institute
MBA in Korea	Major universities including Seoul National University
MBA in Foreign Countries	Universities among the top 30 in United States
Full-time Course	Major universities including KAIST in technology management and Master of Engineering sectors
Part-time Course	Master course such as EMBA and Media and Information major

Education Culture for Site

No. 1 Education Organization

KT Value Shared Program: Cultivating Members with Initiative and Endurance based on Core Values

We are implementing the 'Education for Change and Innovation' for employees to internalize the four core values of 'Number 1 KT,' 'Single KT,' 'Customers First,' and 'Right-Path Management' as well as to advance forward in one direction. Hence, the pride as a KT person and the sense of belonging have been strengthened through the understanding of the CEO's management philosophy and diffusion of mind for 'change and innovation.' While thoroughly executing education about new appointment and promotion for newly hired employees and managers, we are contributing to the cultivation of No. 1 KT talents through the Work Smart Academy for the better work performance. Moreover, the right-path management has been actively internalized by providing proactive educations about topics such as the information security and legal the occurrence of risks is being prevented.
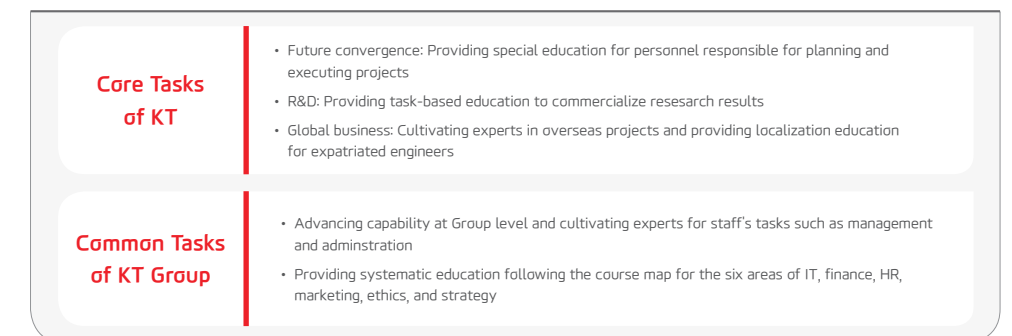
KT Leadership Program: Fostering Leaders Leading Change and Performance

For securing the next-generation leaders of the Group, KT has expanded the existing education for candidates of director assistants by providing additional education to cultivate director assistants among team directors; the trainees participate in the online e-MBA first and carry out an in-depth study through offline education. Through the Action Learning method which is to resolve the actual business agendas, trainees can further actively accomplish and execute tasks. Besides, opportunities to study MBA and other master's courses in Korea and other countries are constantly provided to KT employees so that they can acquire outstanding capability to generate corporate performance and grow into the global No. 1 leaders.

KT Expert Program: Nurturing No. 1 Job Experts Whose Performance is Recognized in the Market

Through the job capability evaluation to cultivate job experts based on capabilities, KT selects trainees by training courses of each level according to the evaluation result and thus implements the customized talent development. In 2015, especially, we contributed to the enhancement of the competitiveness of the entire KT group by expanding the scope of trainees to the Group from KT itself.

KT Expert Program

Core Tasks of KT	• Future convergence: Providing special education for personnel responsible for planning and executing projects • R&D: Providing task-based education to commercialize research results • Global business: Cultivating experts in overseas projects and providing localization education for expatriated engineers
Common Tasks of KT Group	• Advancing capability at Group level and cultivating experts for staff's tasks such as management and administration • Providing systematic education following the course map for the six areas of IT, finance, HR, marketing, ethics, and strategy

To enable our employees to learn working at sites and to increase the effect of diverse education, we have introduced an informal learning program called 'No. 1 Education Organization' and thus settled it as KT's own education culture contributing to the performance of each task. By building 509 organizations for the education covering various agendas from on-site sales activity to business strategy, a positive cycle has been successfully consolidated: enhancement of personal capability→active communications→generation of organizational performance. Therefore, KT cultivated total 222 'No. 1 Professional Lecturers' who possess job expertise and loyalty. In addition, we encouraged our employees to actively participate in the in-house offline education as leaders of 'No. 1 Education Organization'; employees are sharing diverse best practices and work know-hows and thus assisting to improve the managerial performance.

Hours and Expenses of Employee Education

(As of 2015)

Category	Offline Education	e-learning	Hours of Education per Person (hours)	Education Expenses per Person (KRW thousand)
Course (courses)	1,558	1,425	62	716
Trainee (persons)	57,242	167,652		

Work-life Balance

http://www.kt.com/recruit/benefits.jsp

KT's Approach

KT believes that employees can enjoy a happy life as well as the corporate profitability can increase when an ideal balance between the work and life of an individual employee is guaranteed. Consequently, we have built an environment where employees can possess a sense of ownership and work with creativity and passion. Furthermore, we are striving to provide the working condition that assists employees to pursue happiness and excitement in life and home.

Innovative Working Environment

Status of Flexible Working System in 2015 (Unit: persons)

429   Selective Working

58   Discretionary Working

992   Core-time Working

Expansion of Flexible Working System

In order to realize the work-life balance by innovating the way of work, we have operated the flexible working system expanding the scope to cover all employees. The flexible working system refers to a smart working system that breaks a traditional concept of working time allowing employees to efficiently adjust the time to start and end work regarding circumstances and characteristics of individuals. It will impose positive impacts on the work efficiency and work-life balance of our employees as well as will increase the productivity and customer satisfaction.

Besides, KT is operating various flexible working systems by reflecting work characteristics: since November 2014, employees in the R&D and IT departments distribute working hours by themselves through the discretionary working system. On the other hand, the core-time working system is being operated at customer contact points so that employees can care customers not bound by their work time. In 2015, we strived for improving the system to further encourage these diverse flexible working systems. Through the vitalization of the discretionary working system, it is expected that the R&D capability of KT will be reinforced while the virtuous cycle to deliver differentiated values to customers will be expanded as well.

Female Life Cycle Caring Program

With a deep interest in the low birth rate of the Korean society, KT is providing a caring program by life cycles of female for the happy work environment where female employees can achieve the self-realization through the balance between work and home.

For the pregnancy stage, we provide financial supports for medical expenses, leave for fetus check-up, and shortened working hours. A leave before and after childbirth is also offered with a subsidiary for childbirth. Moreover, emotional care programs for childbirth are also available. At the stage of child rearing, KT gives institutional and financial supports by cutting working hours, allowing to use nursery facilities at the workplace, and granting scholarships. Thanks to these efforts, we were re-certified as the family-friendly company in 2015 as well as received a commendation from the Ministry of Gender Equality and Family.

Ratio of Returning to Work after Parental Leave

Use of Women Talents and Gender Equality of KT

Employees Using Parental Leave (Unit: persons)

Female: 164, 215, 147 (2013, 2014, 2015)

Male: 28, 61, 30 (2013, 2014, 2015)

Ratio of Returning to Work after Parental Leave (Unit: %) ■ Female ■ Male

	2013	2014	2015
Female	99	87	95
Male	93	92	91

Ratio of Working for 12+ Months after Returning to Work (Unit: %) ■ Female ■ Male

	2013	2014	2015
Female	99	62	59
Male	86	76	73

Family-friendly Programs

For helping employees reduce conflicts between work and life and thus achieve the work-life balance, KT has defined every Wednesday as a 'family day' encouraging all employees to leave the office on time. On the family day, heads of each department voluntarily become a model by leaving the office on time so that other employees can follow. Moreover, meetings and work orders after the quitting time are prevented. With the rule of not having company gatherings and meetings for drinking after the working hour, we are striving to settle the family day as a part of the organizational culture. In addition, employees can leave work early on their or their spouses' birthdays and wedding anniversary contributing to the firm balance between work and home.

In order to realize a work place where families are happy, we will additionally conduct family-friendly programs in 2016 such as 'invitation of employee family' event.

Welfare and Benefit Programs

In-house Recreational Facility

Support for a Stable Life
· Support for housing funds to buy or rent a house for employees who do not own their own homes
· Providing a dormitory and company housing for employees living alone or from other regions
· Lending funds for stabilizing living condition

Education for Children
· Operating 8 nursery facilities for employees' children
· Granting scholarships to employees' children who go to high school

Support for Medical Expenses/Medical Check-up
· Supporting medical expenses for employees, their spouses, and children
· Application for group insurance by the company
· Supporting medical check-ups for employees and their spouse

Support for Leisure/Culture/Living
· Operating in-house recreational facilities at 6 offices (Gyeongju, Geoje, Jiri Mountain, Muju, Dogo, Daegwanryeong) on a regular basis
· Operating R&R facilities for summer
· Providing selective welfare points for self-help, culture/leisure, healthcare, and etc.

Support for Family Events/Disaster Relief
· Support for expenditures for congratulations and condolences and supplies for funeral/condolence flowers
· Support for application for mutual protection policy and funeral service (in matching grant method)

Support for Pension
· Support for pension savings

Self-development Program

Refresh Leave Program

KT provides an incredible refresh leave program for employees who have served the company for a long period of time; KT presents them opportunities for the self-development and recharge; employees with more than 10 service years and outstanding performance receive a 6-months paid vacation. Benefitting employees thus can have diverse options to do what they wanted to do, such as self-improvement activity, travel, or language study. The vacation period, in particular, is counted as the service year for it is considered as ordinary working year, which also means all benefits for employees are remained still. Besides, we have applied the income increase rate during the leave as well while preventing any possible disadvantages in the promotion from occurring.

Support Program for Outplacement

Support Program for Outplacement

By operating our own "KT Life Plan," we are assisting employees to adapt to the social environment rapidly changing as well as to prepare for the 2nd life after the retirement. For instance, the "Change Management Program" for all current employees consists of value enhancement courses, vocational development courses, capability enhancement for start-ups courses, and career development & management courses. Additionally, employees who are subject to the regular retirement in a near future can participate in the "Professional Education Program"; it supports a successful outplacement by maximizing one's career and capability. It is composed of programs to support professional start-up/job placement/return to farming village and achievement of professional certifications while providing a 1-to-1 consultation service for starting business.

Leave System to Support Starting Business

Since 2009 when introduced a leave system to assist the start of a business for the first in Korea, KT has supported registered employees who challenge for opening a start-up. Particularly, we conduct an evaluation for applicants who have served the company for a long period of time and are subject to the retirement. Through the evaluation, we provide a leave that is up to 3.5 years at its maximum and wages of a certain level. Hence, the selected employees can successfully plan their 2nd life.

Corporate Culture for Communications

A corporate culture of an open communication is necessary in order to respond to the rapidly changing market environment as well as to promote the sustainable growth of the company and employee benefits. Consequently, KT has improved the work satisfaction of employees by actively handling grievances and consolidated the labor-management relations for a mutual growth through the operation of various communications channels.

Grievance Handling System

KT is currently operating diverse grievance handling channels for preventing employee grievances and addressing them swiftly. At 252 offices, the "Grievance Handling Committee" have been installed which consists of labor-management representatives. Also, through "KT 119," a website for reporting grievances, we have greatly improved the convenience for employees to use the system realizing the expedient handling of grievances. The "Labor-Management Mutual Growth Center" has been operated as well for 24 hours a day to provide an integrated solution to accept and resolve employee grievances in a swift manner. The Center is operated with a strict confidentiality for the protection of users; by diversifying the reporting channels such as phone, email, text message, and website, the convenience of users has been significantly increased. KT will further devote to solving the basic problem of grievances by a range of efforts such as submitting key topics to the Labor-Management Mutual Growth Committee as meeting agendas.

Labor-Management Relations for Mutual Growth

KT guarantees an employee's free join or withdrawal from the Labor Union in accordance with Article 5 of the Trade Union and Labor Relations Adjustment Act and Article 3 of the Collective Agreement in the Labor Union Act. Besides, we encourage employees to join the labor union through the Union Shop system where employees join as a member of the labor union upon entering the company by the collective agreement. As of December 2015, the ratio of members of the Labor Union who are subject to the protection by the right of a collective bargaining is 77.67% of KT's total employees. Additionally, we have been leading the labor-management culture of Korea by operating the regular Labor-Management Mutual Growth Committee since 2015, which is the creative and active communications body between the labor union and the management. The Committee held total 18 meetings in 2015 with division for "Respected No. 1 KT" and division for "Making Advanced Labor Management Culture" and discussed and resolved measures to encourage employees and promote the employee welfare. Through the communications organization, KT can share the managerial status of the company and key policies with the labor union in advance and thus can improve the working condition of employees. Also, shared values of the labor and management can be generated while the cooperation is further enhanced. We will solidify the labor-management communications through in-depth discussions about grievances of employees.

Performance of KT 119 Grievance Handling Center in 2015

2,378 — Grievance Case (cases)

95.6 — Satisfaction (points)

Labor-Management Mutual Growth Committee

Division for "Respected No. 1 KT"

Addressing grievances safety and health issues; innovating working conditions; improving the quality of life

Division for "Making Advanced Labor-Management Culture"

Finding and spreading the best cases; fulfilling social responsibility; finding role models for Labor-Management culture; taking the global lead

Labor-Management Mutual Center

Accepting reports regarding grievances, safety, and health 24 hours a day; processing reports in possible promptest time (Diversification of report channels such as ARS, SMS, email, OC, and messenger)

Stable Pension Plans

By introducing retirement pension plans in 2011, we have supported a stable later life of our employees. KT's retirement pension plans are being operated combining Defined Benefit (DB) and Defined Contribution (DC) plans; employees can select their own pension plan. In addition to the retirement payments from KT, furthermore, the amount employees pay to the individual retirement pension account is deducted as well guaranteeing the finance for later. As of December 2015, the amount of retirement payments of the DB plan is KRW 59.98 million while that of the DC plan is KRW 5.85 million.

Retirement Pension Plans

Category	Operation of Retirement Pension Plan	Pension Holder
Defined Benefit (DB)	Company operates retirement payments by saving at a financial institute; employees receive designated amount (average wage x service years)	16,858 persons (75.3%)
Defined Contribution (DC)	Company saves retirement payments for 1 year to DC account; employees operate retirement payments thus the final amount is determined by employees	4,934 persons (22.1%)
Combined	Considering advantages of DB and DC plans, a retirement payment is operated in DC type before changing the plan and in DB plan after the changing point.	584 persons (2.6%)

Benefitting Employees of Pension Plans
(Unit: %)

- Defined Benefit (DB) : 16,858 persons — 75.3
- Defined Contribution (DC) : 4,934 persons — 22.1
- Combined : 584 persons — 2.6

Fair Appraisal and Compensation

http://www.kt.com/recruit/system.jsp

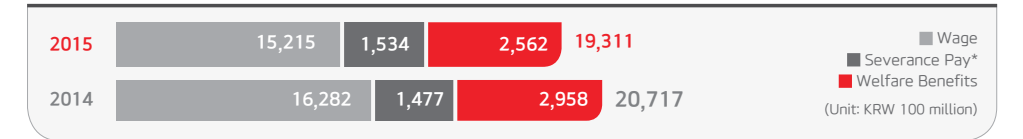## Rational HR Policy

KT's Approach

A company can use its full capability when a transparent and fair evaluation of employees' performance is conducted and appropriate compensation corresponding to the evaluation is provided. KT has been flexible in responding to the labor market that is swiftly changing as well as operated the HR policy regarding an importance of works and employees' capability and performance. Hence, KT are persistently excavating measures for both the organization and individuals to grow further.

Compensation based on Appraisal

We conduct an annual performance evaluation and provide a fair compensation such as an increase of wages, promotion, and reward assisting to generate a better performance; the standard and process of evaluation are clearly disclosed to all employees. Moreover, the fairness of the evaluation has been reinforced through an education for appraisers, acceptance of an objection about the result, and afterward monitoring. By the calibration between primary and secondary appraisers, it is possible to prevent dogmatic assessment errors. On the other hand, KT applies the differential rate of the income increase based on the individual performance; evaluation ranks are divided into S, E, G, N, and U and the ratio of employees at G-level has been maintained above 90%. Based on relevant regulations, employee wages are paid in a fair manner according to work, performance, and service year; there is no wage difference between genders. The wage level of newly-hired employees of KT is 163% of the legal minimum wage.

Compensation for Employees

*KT offers both Defined Benefit (DB) and Defined Contribution (DC) plans.

Year	Wage	Severance Pay*	Welfare Benefits	Total
2015	15,215	1,534	2,562	19,311
2014	16,282	1,477	2,958	20,717

(Unit: KRW 100 million)

Multidimensional Performance Appraisal

In order to secure the fairness of the performance evaluation, a Job Competency Assessment that is a 360 degree appraisal is implemented for all employees annually - i.e. him/herself, co-workers (up to three people), and seniors (up to three people). The evaluation result is used as a reference for the promotion of first line managers, employee relocation, and performance/competency appraisal. This evaluation is applied to assessments of not only 'common job competency' but 'specific job competency' which is an indicator for individual jobs. Therefore, it has contributed to an objective assessment being used as a reference for securing the fairness of the evaluation.

Fair Promotion System

KT abolished the single band/name system, which had been executed since 2009, and reintroduced the rank/promotion system in 2014 to motivate employees to achieve performance. Employees' positions are subdivided into five categories: employee, assistant manager, manager, deputy general manager, and head of department. In a case of promotion, we apply an income increase rule of quantum-jump corresponding to the pay-band for each position. Employees subject to the promotion are selected in the order of scores they have acquired by adding mileages granted each year based on the personal performance/capability and in/external activities. Thus, we have been able to establish a transparent promotion system and an organizational culture where everyone pursues a long-term and outstanding performance.

Encouragement and Reward

"Top-down Compliment Culture" of KT has been actively spread throughout the company with an aim to praise and encourage employees at any time. Furthermore, we are operating the "Branch Manager Commendation" enabling immediate rewards without being bound by procedures. For increasing the pride and loyalty of awarded employees, a special awarding ceremony is conducted as well where team leaders visit the recipient or recipient's family is invited to the company; "Presents Encouraging Family" are also provided so that recipents and families can share the impression and joy of the rewards. Moreover, we disclose the detailed achievements of those honored with the CEO Citation or the KT Award on the website. Accordingly, the transparency of rewards has been secured while interests and engagement level of employees have been improved as well.

No. 1 KT Employee Award

Employee Health and Safety

Establishment of Preventive Safety and Health System

KT's Approach

KT has reinforced the health and safety system in order to build a working environment where the safety and health of all employees are secured. Also, an organic cooperation has been realized between offices and divisions while the Safety Conference has been continuously held on a quarterly basis. Therefore, we will further advance the healthy corporate culture to respond to safety risks.

For settling the corporate culture where the safety of employees are the first priority, we have established annual occupational health and safety plans and executed detailed plans at the level of on-site departments. While promoting the four-stage daily safety activity for the zero accident by on-site departments, we hold a Safety Check Day on a monthly basis; the Safety Check Day has various themes by seasons such as cardiopulmonary resuscitation (CPR), health check-up, and prevention of food poisoning and car accidents. In particular, KT sends a safety message in a case of emergency including a heavy snow or rain and frozen road striving to prevent severe disasters.

In addition, we are encouraging our employees to establish the safe corporate culture through the annual Occupational Safety and Health Contest where sites are awarded for their excellent safety performance and zero accident records. In 2016, it will be advanced by holding the video conference of departmental managers before the event. KT will also improve contents of the safety education by themes and CPR skills education. Hence, the safe and healthy corporate culture will be established and further consolidated.

Reinforcement of Safety·Health Education

The safety education is necessary in order to prevent unexpected accidents. Being fully aware of this, KT is delivering knowledge about safety regulations and the promotion of health through regular safety and health educations. Also, KT employees participate in the CPR education so that they can execute first-aid measures in emergency. In 2016, we will make it compulsory for employees to receive the CPR education at least once a year. Additionally, the annual number of beneficiaries of supports for CPR and AED Certificate will increase to 600 from 400. Group companies and suppliers that are stationed within the KT headquarters will be also supported with educational equipment and joint educations. Consequently, we will constantly focus corporate-wide efforts on diffusing the culture to actively promote the healthy life.

Healthcare for Employees and Prevention of Diseases

The joyful corporate culture starts from healthy employees. Thus, we are endeavoring for the early diagnosis of disease and regular health care by conducting comprehensive medical check-ups for all employees and their spouses at least once a year. When an employee is found to have a disease such as a cancer, the employee can receive medical costs through the group health insurance KT employees have joined. In addition, KT operates the psychological consultation center for the stress management of employees while measuring their stress level cooperating with a professional agency to offer the customized stress management service.

By advancing our ERP medical check-up system, employees will be able to view the relevant information by their own becoming more interested in their health. KT will continue to promote the health of employees and improve the employee satisfaction through the development and introduction of specialized psychological consultation program.

Performance of Safety Management

KT has retained the low accident rate by operating the comprehensive safety management system and establishing the preventive safety·health system. Thanks to our diverse efforts, the number of critical accidents occurred at sites in 2015 were decreased. Consequently, KT's accident rate of the past 3 years has recorded at 0.09% which is 19% lower than the industry average, 0.11%. The Lost Time Injury of 2015 is 0.22 case (in 200,000 man hours) as well. With the aim to decrease the accident rate by 10% compared to the previous year, KT has established the 2016 Disaster Safety Plan and actively promoted activities against industrial accidents.

CPR Skills Education

Performance of Psychological Consultation Center in 2015 (Unit: persons)

348	1,680
Personal Consultation	Group Consultation¹
145	**319**
Visit & Consultation	Healing Camp
2,115	
Education	

Shared Growth Management

Vision & Strategy

While the local community is a base for KT to execute corporate activities, suppliers are the partners of KT who will accomplish the shared growth.

Reflecting the characteristics of the communications industry, we promote corporate-wide social contribution activities in areas of people, society, and culture. Through various shared growth programs, the capability of the entire value chain is being advanced as well. Hence, KT will continue doing its best to realize the human development and the social progress and enlarge the Shared Value Chain.
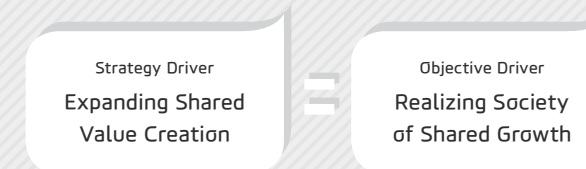
Sustainability Aspect

Key Performances 2015

62.67	**168.48**
Social Contribution Expense (KRW billion)	Amount of Rate Reduction for the Disabled and Low Income Class (KRW billion)
59.3	**1.5**
Contribution to Social Progress through Integrated Security Service (KRW billion)	Contribution to Social Progress by Next-generation Media Service (KRW billion)
21.54	**2,916.9**
Amount of Social Values Generated by Shared Growth of Value Chain (KRW billion)	Products/Service Procurement from Suppliers (KRW billion)
91.9	**2015 CSV Poter Award**
Result of Sustainability Management Assessment for Suppliers Average (points)	Won CSV Poter Award for 2 consecutive years in Process and Project sectors

Sustainability Drivers

Strategy Driver	Objective Driver
Expanding Shared Value Creation	= Realizing Society of Shared Growth

Sustainability Issues

❶ Supplier management policy, ❷ Online security,

❸ Social contribution, ❹ Narrowing the gap of information access,

❺ Shared growth policy,

❻ Engagement with local communities and aid for disaster relief,

❼ Employee volunteer activities

(in the order of importance based on the 2016 materiality test)

Strategies for Social Contribution Activities

http://www.kt.com/eng/social/csr.jsp

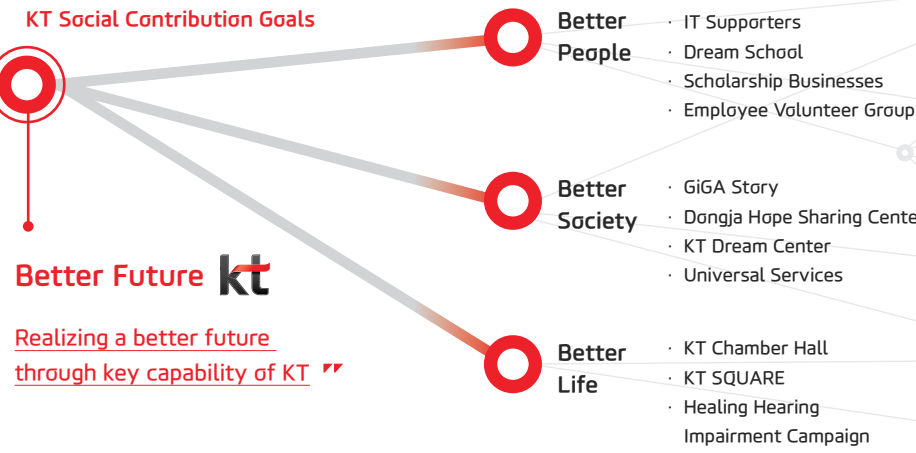## Social Contribution Vision and System

KT's Approach

The communications industry starts from 'to connect' and KT is best at connecting each other. To establish a fair world where everyone is connected and enjoys benefits of GiGAtopia, KT is implementing multidimensional activities in people, society, and culture areas to reduce the social gap.
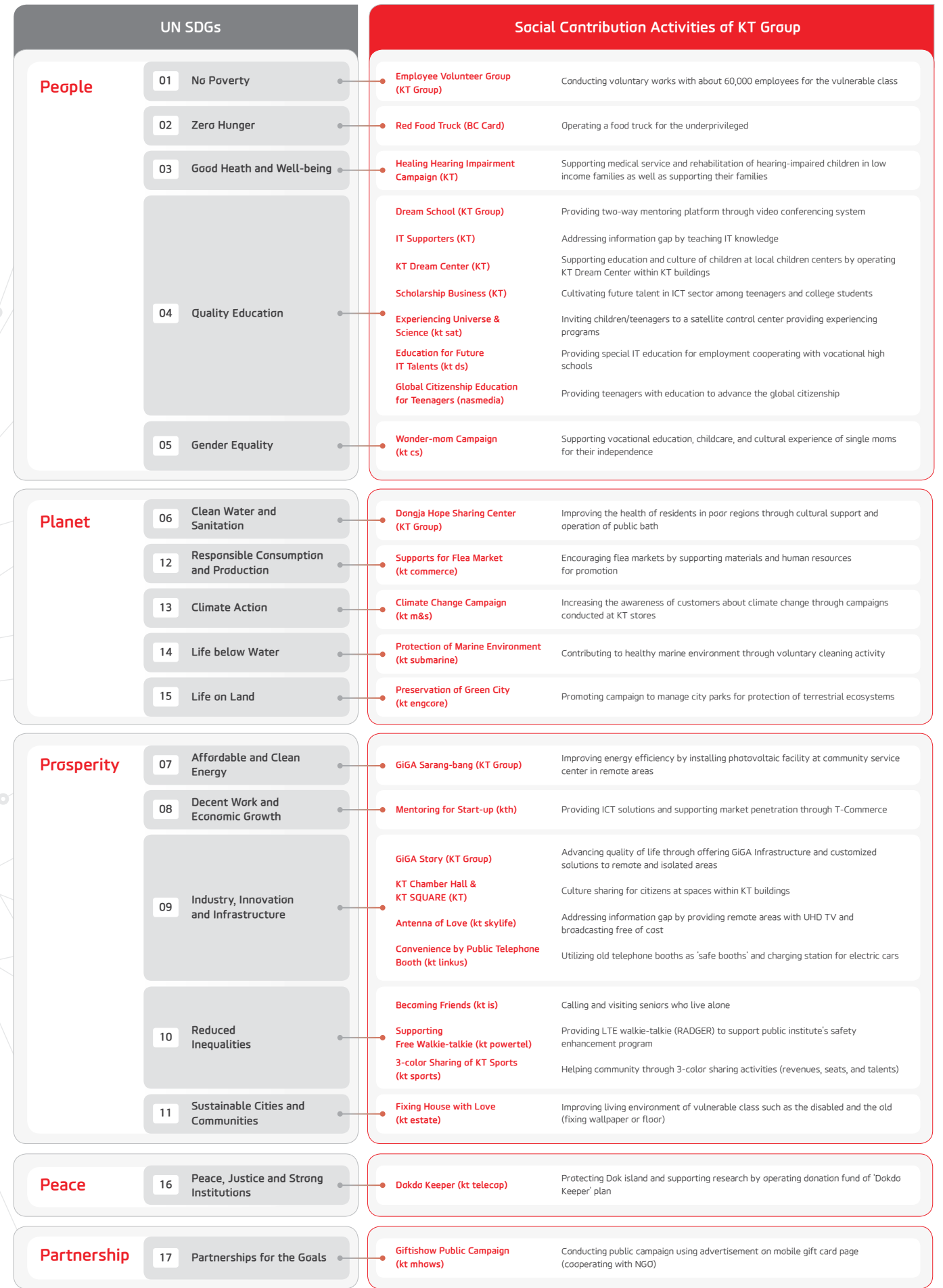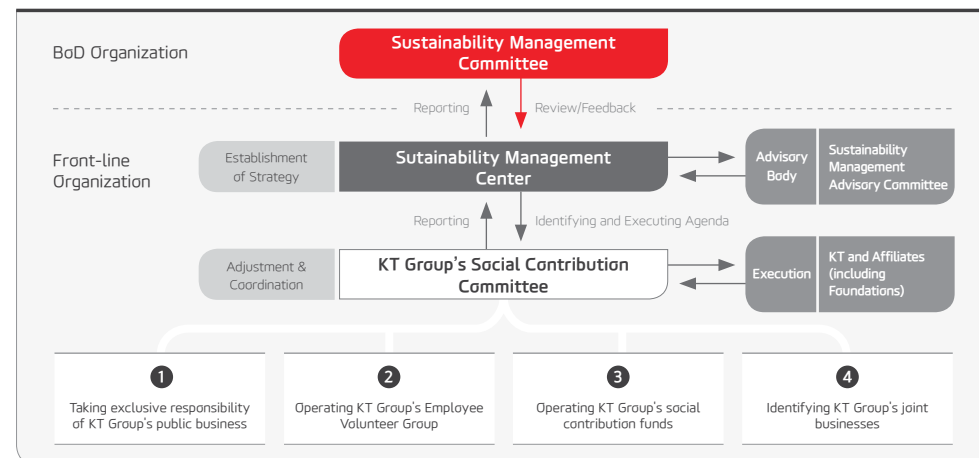
The social contribution of KT focuses on establishing a sustainable society by activities to address the social through key capabilities such as GiGA Infrastructure and ICT technology. KT is also aiming to realize a management philosophy in the social contribution area which is to become "the best national company that pursues the convenience of customers based on ICT." Therefore, diverse activities to narrow the gap are being actively executed in areas of people, society, and culture with characteristics of the communications industry reflected. We will advance the life of people through the cooperation with affiliates as well as will try our best to accomplish the UN SDGs.

In April 2016, moreover, we newly established the 'Sustainability Management Committee' under the Board of Directors enabling a further efficient and stable social contribution activities. Comprehensive social contribution activities at the level of the KT Group are implemented by the 'Group Social Contribution Committee' under the Sustainability Management Committee; the Group Social Contribution Committee is responsible for public services of the Group, operates the Group employee volunteer group and social contribution fund, and plans and monitors the identification of mutual projects of affiliates.

KT Mission

The best national company that provides the fastest and most innovative ICT-based telecommunications and convergence services for the convenience of customers

KT Social Contribution Goals

Better Future kt

Realizing a better future through key capability of KT

Better People
· IT Supporters
· Dream School
· Scholarship Businesses
· Employee Volunteer Group

Better Society
· GiGA Story
· Dongja Hope Sharing Center
· KT Dream Center
· Universal Services

Better Life
· KT Chamber Hall
· KT SQUARE
· Healing Hearing Impairment Campaign

Social Contribution Organization

BoD Organization	**Sustainability Management Committee**	
	Reporting ↑ Review/Feedback	
Front-line Organization	Establishment of Strategy → **Sustainability Management Center** → Advisory Body / Sustainability Management Advisory Committee	
	Reporting ↑ Identifying and Executing Agenda	
	Adjustment & Coordination → **KT Group's Social Contribution Committee** → Execution / KT and Affiliates (including Foundations)	

❶ Taking exclusive responsibility of KT Group's public business
❷ Operating KT Group's Employee Volunteer Group
❸ Operating KT Group's social contribution funds
❹ Identifying KT Group's joint businesses

UN SDGs | Social Contribution Activities of KT Group

People

UN SDG	Activity	Description
01 No Poverty	Employee Volunteer Group (KT Group)	Conducting voluntary works with about 60,000 employees for the vulnerable class
02 Zero Hunger	Red Food Truck (BC Card)	Operating a food truck for the underprivileged
03 Good Health and Well-being	Healing Hearing Impairment Campaign (KT)	Supporting medical service and rehabilitation of hearing-impaired children in low income families as well as supporting their families
04 Quality Education	Dream School (KT Group)	Providing two-way mentoring platform through video conferencing system
	IT Supporters (KT)	Addressing information gap by teaching IT knowledge
	KT Dream Center (KT)	Supporting education and culture of children at local children centers by operating KT Dream Center within KT buildings
	Scholarship Business (KT)	Cultivating future talent in ICT sector among teenagers and college students
	Experiencing Universe & Science (kt sat)	Inviting children/teenagers to a satellite control center providing experiencing programs
	Education for Future IT Talents (kt ds)	Providing special IT education for employment cooperating with vocational high schools
	Global Citizenship Education for Teenagers (nasmedia)	Providing teenagers with education to advance the global citizenship
05 Gender Equality	Wonder-mom Campaign (kt cs)	Supporting vocational education, childcare, and cultural experience of single moms for their independence

Planet

UN SDG	Activity	Description
06 Clean Water and Sanitation	Dongja Hope Sharing Center (KT Group)	Improving the health of residents in poor regions through cultural support and operation of public bath
12 Responsible Consumption and Production	Supports for Flea Market (kt commerce)	Encouraging flea markets by supporting materials and human resources for promotion
13 Climate Action	Climate Change Campaign (kt m&s)	Increasing the awareness of customers about climate change through campaigns conducted at KT stores
14 Life below Water	Protection of Marine Environment (kt submarine)	Contributing to healthy marine environment through voluntary cleaning activity
15 Life on Land	Preservation of Green City (kt engcore)	Promoting campaign to manage city parks for protection of terrestrial ecosystems

Prosperity

UN SDG	Activity	Description
07 Affordable and Clean Energy	GiGA Sarang-bang (KT Group)	Improving energy efficiency by installing photovoltaic facility at community service center in remote areas
08 Decent Work and Economic Growth	Mentoring for Start-up (kth)	Providing ICT solutions and supporting market penetration through T-Commerce
09 Industry, Innovation and Infrastructure	GiGA Story (KT Group)	Advancing quality of life through offering GiGA Infrastructure and customized solutions to remote and isolated areas
	KT Chamber Hall & KT SQUARE (KT)	Culture sharing for citizens at spaces within KT buildings
	Antenna of Love (kt skylife)	Addressing information gap by providing remote areas with UHD TV and broadcasting free of cost
	Convenience by Public Telephone Booth (kt linkus)	Utilizing old telephone booths as 'safe booths' and charging station for electric cars
10 Reduced Inequalities	Becoming Friends (kt is)	Calling and visiting seniors who live alone
	Supporting Free Walkie-talkie (kt powertel)	Providing LTE walkie-talkie (RADGER) to support public institute's safety enhancement program
	3-color Sharing of KT Sports (kt sports)	Helping community through 3-color sharing activities (revenues, seats, and talents)
11 Sustainable Cities and Communities	Fixing House with Love (kt estate)	Improving living environment of vulnerable class such as the disabled and the old (fixing wallpaper or floor)

Peace

UN SDG	Activity	Description
16 Peace, Justice and Strong Institutions	Dokdo Keeper (kt telecop)	Protecting Dok island and supporting research by operating donation fund of 'Dokdo Keeper' plan

Partnership

UN SDG	Activity	Description
17 Partnerships for the Goals	Giftishow Public Campaign (kt mhows)	Conducting public campaign using advertisement on mobile gift card page (cooperating with NGO)

The Three Social Contribution Activities

http://www.kt.com/eng/social/csr.jsp

Better People

Launch Ceremony of IT Supporters

2,318	Number of Activities
387	Benefiting Institutes
30,795	Benefiting Persons

Global Mentoring of Dream School

KT's Approach

KT is actively promoting social contribution activities in addressing gaps of people, society, and culture to build a better future through the connection and dissemination; KT connects person with person, home with home, and city and rural area while disseminating knowledge to where in need for knowledge and culture where in short of cultural advantages.

Strongly believing there should not be the youth giving up dreams, we are operating IT Supporters, Dream School, Employee Volunteer Group, and diverse scholarship businesses for creating the world where everyone is guaranteed with equal opportunities and dreams of new dreams.

IT Supporters

IT Supporters are Korea's first Probono activity which were launched in 2007. A probono refers to an activity for experts in various fields to help the social minority and the vulnerable through their expertise. KT employees are utilizing their IT capability to provide a nation-wide IT education to the vulnerable in information through IT Supporters. We select IT Supporters throughout the nation on an annual basis and the selected members receive an education to cultivate IT professionals which is conducted by regions: metropolitan region, Chungcheong region, Honam region, and Yeongnam region. After completing the course, IT Supporters initiate the activity to address the information gap by education about IT knowledge. In 2015, KT offered total 2,318 IT educations to 30,795 persons throughout the country.

Category	Key Activity
The underprivileged in Information	Utilizing the Internet; basic OA; smart devices; education about SNS Target: The disabled, farmers and fishermen, the elderly, the low income people
Multi-culture	Basic computing skills; utilizing internet; supporting the adaptation to Korea through IT (e.g. education about Korean) Supporting stable settling in Korea through IT, economic independence, and child education
Small and Medium Businessman/Owner-operator	Supporting basis for marketing through blog/web community and SNS Increasing productivity through practical O/A work and various S/W educations
Reduction of Smart Information Gap	Resolving smart information gap through smart education for all Koreans Visiting Lectures: Lectures about smart devices and use of SNS for each institute/organization
Education to Prevent Side Effect of IT	Education about side effect of internet (game) and smartphone for teenagers, parents, and others Cultivation of professional lecturers teaching side effect of internet

Dream School

Dream School Mentoring is a two-way mentoring platform established in 2013 using the video conferencing system of KT. It is a representative program that reduces the education gap by Dream mentors consisting of retirees and foreign students; Dream Teachers are mainly retirees and participate in the society by sharing their talents. They contribute to addressing the education gap of the socially vulnerable class through ICT, art, and physical education as well as personality education for about 40,000 teenagers and 100 social welfare facilities every year. Along with mentoring by Dream Teachers, KT has expanded areas subject to 'Global Mentoring' within the GiGA Story regions since 2014 in order to teach foreign language and provide education about the global culture to elementary school students in remote areas where have a poor educational infrastructure. The Dream School Project has been highly recognized for it has proposed a new social contribution model where the company provides an ICT-based mentoring platform to the society.

Status of Dream School Mentoring in 2015

Dream Mentor	Number of Participants	Number of Beneficiaries (accumulated)	Number of Educations
Dream Teacher (Retiree)	89 persons	40,901 persons	4,732 cases
Global Mentor (Foreign student)	58 persons	2,092 persons	2,092 cases

Key Performance of Scholarship Businesses

(Unit: KRW 100 million)

- 🔴 Scholarship for Creative and Innovative Leader (636 persons) — 7.3
- ⚪ Scholarship for Social Innovation Talent (58 persons) — 1.5
- ⬜ Labor-management YOUTH (233 persons) — 3.5
- 12.3

Activity of Employee Volunteer Group

Labor-Management Together Activity

UCC Environmental Campaign

Scholarship Businesses

Since 1988, KT has operated a variety of scholarships such as 'Scholarship for Creative and Innovative Leader' and 'Labor-management YOUTH Scholarship.' In 2014, we strived to support dreams of teenagers by extending the scope of scholarships through a launch of 'Scholarship for Social Innovation Talent' as well as by carrying out a mentoring program by Dream School, an online education platform. Especially, foreign college students from 28 countries such as Portugal and China were selected in 2015 to participate in providing an one-to-one online mentoring to elementary school students in Imja Island, Baengnyeong Island, and Cheonghakdong where GiGA Story projects of KT are being operated.

Employee Volunteer Group

KT has been operating an 'employee volunteer group' of which the leader is CEO for systematically and efficiently implementing the corporate-wide volunteering activities: supporting local children's centers, helping the underprivileged in local communities, assisting disaster recoveries, offering helps to farming and fishing households through the One Company One Village campaign, checking the facilities at welfare centers, and offering experience-based training through KT's facilities.

Employee Participation in Employee Volunteer Group in 2015

⧗ 58,566	♥ 180,029	🗄 11.6
Activity Hours (hours)	Number of Beneficiaries (persons)	Disbursement of Fund (KRW 100 million)

Labor-Management Together

Labor-Management Together is a sharing campaign that systemizes the mutual cooperation activity of the KT Group's labor and management in order to fulfill the social responsibility through the labor-management culture based on the coexistence and cooperation. Total 149 corporate-wide practice committees are being operated for disseminating the sharing activity by employees while encouraging employees to participate in the social contribution activity for more than 8 hours a year. We will strive for developing Labor-Management Together into a representative social contribution activity conducted by a national company by attracting the participation of employee families as well.

UCC as Labor-Management Sharing Committee

For a greater sharing, KT is standing at the forefront in diffusing the labor-management culture of the mutual cooperation and sharing activities through leading the UCC, an intercompany labor-management sharing committee consisting of labor unions from 18 companies. Key activities of UCC include promoting the reunion of about 400 Vietnamese in multi-cultural families using KT's IT technology and providing medical service free of cost; we execute activities in both Korea and Vietnam assisting the prompt assimilation of immigrant females into the Korean society while advancing the status of Korean companies in the world.

In 2015, KT promoted 'No Automobile Day' event for delivering UN SDGs at the level of UCC; total 82,000 employees of KT and UCC member companies participated in the event commuting by public transportation. An environmental clean-up activity, 'Green Earth' campaign, was also executed at 12 national parks and reservoirs throughout the nation by employees of UCC member companies.

The Three Social
Contribution Activities

Intro   Special Feature   GIGA Prosperity   GIGA Planet   GIGA People   Appendix

Talent   Shared Growth
Management   Management

KT Integrated Report 2016

Better Society

As IT devices such as smartphone and the Internet have been widely generalized, the world is becoming more closely connected; however, regional gaps are continuously increasing. Hence, KT is devoting to addressing the imbalance caused by regional gaps and helping everyone enjoy benefits of ICT by conducting activities to reduce the gaps between regions through GiGA Story, Dongja Hope Sharing Center, and KT Dream Center.

GiGA Story Project

GiGA Story is KT's representative social contribution project being actively promoted by creativity and innovative ideas; the world has been paying an attention to this next-generation value creating project of KT. Furthermore, it is a social contribution model that is in line with GiGAtopia, KT's future network strategy in order to secure a new growth engine through the 'speed' of GiGA network and 'convergence' of ICT solution. By providing GiGA Infrastructure and appropriate solutions to remote and isolated regions with a relatively large information gap, we have been advancing the living environment of local residents in diverse aspects such as the education, culture, economy, and environment. According to regional characteristics, GiGA Story is being operated in types of GiGA Island (for remote areas) and GiGA Creative Village (for isolated areas); Following Imja GiGA Island and Daeseongdong GiGA School launched in 2014, Baengnyeong GiGA Island and Cheonghakdong GiGA Creative Village were successfully established in 2015. In October 2016, moreover, we will further apply our GiGA Story model to the global community contributing to the accomplishment of UN SDGs; we will establish a GiGA Island in Bangladesh utilizing our experiences and know-hows accumulated in Korea.

GiGA Island in Bangladesh

Performance of GiGA Story Project

GiGA Story 01 - Vitalizing the Local Community Utilizing ICT

Imja GiGA Island
(October 2014)

· Selected as 'creative village' benchmarking model by the Ministry of Agriculture, Food and Rural Affairs
· Introduced as the best practice in diffusing broadband on UN Broadband Annual Report
· Highly valued as an innovative CSV by Professor Michael Porter of Harvard University receiving CSV Porter Award

GiGA Story 02 - Establishing the Environment for Smart Learning

Daeseongdong GiGA School
(November 2014)

· Established Smart Learning system and next-generation classroom for global leaders of future Korea unified
· Signed a contract of 'First Village for Reunification' with the Ministry of Government Administration and Home Affairs; established an ICT-based complex cultural space
· Simplified overall administrative works (e.g. admission to village, video telephony) through ICT Provided IoT programming education with Korea Creative Economy Federation

GiGA Story 03 - Building the Safe Environment Network

Baengnyeong GiGA Island
(March 2015)

· Accomplished ICT-based development of the local community through the public-private cooperation with Incheon City Hall
· Presidents of Korea Communications Commission and the Ministry of Science, ICT and Future Planning visiting the site and conducting benchmarking
· Supported local residents based on ICT solutions in communications, safety, and education areas

GiGA Story 04 - Exchanging Traditional Culture through Online Venues

Cheonghakdong GiGA Creative Village
(July 2015)

· Promoted creative village project through ICT cooperating with the Ministry of Agriculture, Food and Rural Affairs
· Supported local residents with ICT for beacon, remote lectures, safe use of drone, and mobile medical check up

GiGA Story 05 - Promoting the First International GiGA Story Model

Bangladesh GiGA Island
(Forthcoming)

· Selected Moheshkhali Island of Bangladesh as target region of GiGA Story Project
· Signed an MOU with International Organization for Migration (IOM) for global GiGA Island Project

Bangladesh

GiGA Story

Cafeteria within Dongja Hope Sharing Center

Beneficiary of KT Dream Center (Unit: persons / Accumulated)

228,895 (2013)
288,028 (2014)
346,339 (2015)

Dongja Hope Sharing Center

Since 2013, KT has implemented IT educations and volunteering works for 1,099 local residents in Dongja-dong, Yongsan Province that is one of poor regions in Seoul. Providing social contribution activities, we recognized that the local residents need a space where they can resolve the inconvenience in basic life and take a rest. In June 2014, therefore, the Dongja Hope Sharing Center was established as an ICT-based complex cultural space. For the past 1 year since the launch of the Center, KT has generated various positive changes in the region; for instance, Dongja-dong used to have many accidents and crimes. Thanks to KT, however, the number of crimes broken out in the area has significantly decreased. Compared to the previous year, the number of gambling cases decreased by 91% while violence/theft cases were decreased by 22%.

Performance of Dongja Hope Sharing Center

Category	Key Activities	
Education (October 2014 - December 2015)	Cultural education	1,358 trainees
	Education about smartphone and use of PC	675 trainees
Cafeteria (September 2014 - December 2015)	Accumulated customers visiting the cafeteria: 54,351 persons (Monthly average: about 3,397 persons)	

KT Dream Center

We are operating the KT Dream Center in cooperating with local children centers by key regions for supporting children in the disadvantaged class to grow into leaders of the future. Launched since 2010, the KT Dream Center has installed IT devices, such as IPTV, beam projector, smart pad, and e-book in idle spaces within 21 KT office buildings conducting various educational activities including English, music, and integrated culture and arts education. Through cooperating with various institutes, KT is helping children receive a quality education at the KT Dream Center. In 2015, as a result, we were able to offer the personality education and art&physical education to total 58,311 children throughout the nation.

"KT Addresses Information Gap through Universal Services"

Universal services refer to basic communications services that every user can be provided at proper price regardless of time and space. For faithfully delivering the responsibility as the national company by operating the social network, KT is providing basic communications services including local and public phone, communications for remote regions, and vessel wireless phone.

01 Wire Telephone Service

As of the end of 2015, KT provided the local call service to total 13,150,000 subscribers while operating 70,000 public telephone booths throughout the country. In order to advance the public benefit, moreover, we have replaced the telephone booths with 'safe booths' by cooperating with local governments such as Seoul City Hall and financial institutes. Also, we offer communications services to connect residents in about 440 remote and isolated islands through the connection between the land and island or between islands.

02 Telephone Service for Emergency Communications

In order to maintain the social order and protect Koreans safe, KT provides free telephone service for special emergency numbers, such as crime report (112) and fire and distress report (911), transmitted by wire/wireless subscribers. In addition, the company has also provided a vessel wireless phone service for about 4,000 vessels contributing to the vessel safety by immediately delivering distress reports to relevant institutions on a real-time basis.

03 Rate Reduction Service

We have assisted the enhancement of the welfare of 1,840,000 persons who have a disability or are in the socially vulnerable class through the rate reduction by KRW 168.5 billion for services such as local calls, mobile calls, and high-speed internet. Besides, we engaged in a "Providing High-speed Internet to Children from Low-income Families" project as well as "IT Sharing" business by the Ministry of Education. Hence, we greatly supported the informatization of the education.

Rate Reduction by Beneficiary Groups

Category		Annual Total in 2015	
		Number of Recipients (1,000 persons)	Reduction Amount (KRW million)
Individuals	Disabled	1,263	105,879
	Low-income Bracket Pensioner	393	46,004
	Lower Income Class	68	7,633
	Patriots and Veterans	100	8,525
Organizations (e.g. welfare institutes for the disabled)		11	435
Total		1,835	168,476

Better Life

Disseminating and advancing the culture through music is closely related to our corporate identity. As the communications company who conveys voice via signal, KT is contributing to the wide diffusion of 'sound.' For example, we are actively promoting activities to reduce the cultural gap by operating KT Chamber Hall and KT SQUARE and donating the entire revenues from the admission fee of performance for the KT's 'Healing Hearing Impairment Campaign.'

KT Chamber Hall

KT Chamber Hall

KT Chamber Hall, opened in 2009, is a concert hall to popularize the classical music. With professional facilities and total 403 seats, it is leading the spread of culture by holding various musical programs such as performances by an orchestra or a choir, a chamber music, and recital. In 2015, we held total 24 performances and attracted 9,811 audiences; the figure is an increase of 17% from 8,131 audiences in 2014. KT Chamber Hall was built with an aim to diffuse a beautiful 'sound' to the public. Revenues from the performance at the KT Chamber Hall are used for KT's social contribution program to help hearing-impaired children, 'Healing Hearing Impairment Campaign.' Additionally, KT makes all performances into visual contents to distribute them through the olleh tv real-time live streaming and Video On Demand (VOD) services. By doing so, everyone including those who have a difficulty in moving or cannot come to the Chamber Hall due to a geographical condition can enjoy beautiful music.

'Culture Day' Event at KT SQUARE

KT SQUARE

KT SQUARE opened in May 2010 on the 1st floor of a KT building at Gwanghwamun with a size of 3,300m². As a complex cultural space for experiencing IT, the KT SQUARE allows customers to try cutting-edge IT devices and services as well as provides a space for enjoying culture and taking rest; in addition to operating a cafeteria, KT provides a variety of programs such as performances at Dream Hall, Korea Telecommunications Museum, 5G Technology Exhibition. In particular, we also held 'Experience Pyeongchang Winter Olympic 2018' and 'Event with DreamWorks Character' presenting a range of cultural opportunities for citizens. KT will continue to expand the use of KT SQUARE that is located at the center of downtown.

Exhibition of Healing Hearing
Impairment Campaign

Healing Hearing Impairment Campaign

Reflecting the characteristics of the communications industry, we have been promoting the 'Healing Hearing Impairment Campaign' since 2003 to help hearing-impaired children from low income families to recover their hearing; the Campaign consists of supports for medical treatment, supports for rehabilitation, and supports for family. As of the end of 2015, KT supported the rehabilitation of 5,515 children by operating a hearing rehabilitation center, 'KT Dream Class,' within Severance Hospital. KT provided total 5,940 cases of supports through the 'Healing Hearing Impairment Campaign': 279 children received the hearing aids and 146 children received supports for their surgery for the cochlear implant.

Performance of Healing Hearing Impairment Campaign in 2015   (Unit: cases)

5,515	279	146	5,940
Supports for Rehabilitation	Supports for Hearing Aid	Supports for Cochlear Implant	Total

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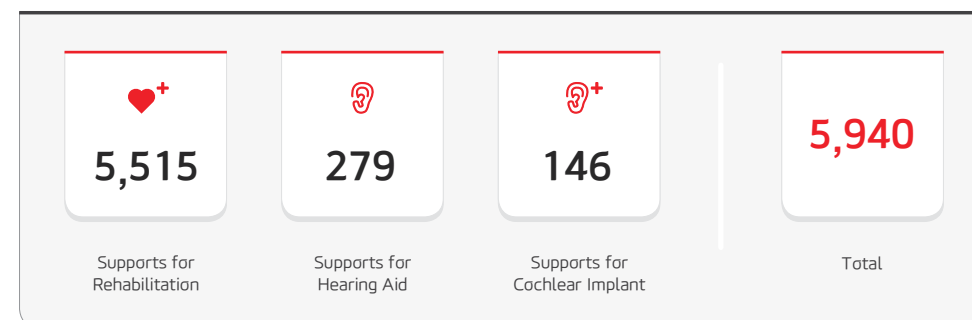
Management of Sustainable Supply Chain

http://www.kt.com/eng/social/supplier.jsp

Management System of Sustainable Supply Chain

KT Sustainability Guideline for Suppliers

■ Section   ☐ Sustainability Management Area

Principles of Business Execution
- Corporate governance
- Ethics management
- Sustainability management
- Management of subcontractors

Environmental Management
- Environmental management system
- Environmental performance evaluation
- Climate change
- Management of toxic substance
- Water   • Waste recycling

Corporate Social Responsibility and Role
- Labor   • Human rights
- Safety management
- Voluntary announcement and external communication

Product Stewardship
- Product safety
- Product environmental footprint
- Product efficiency
- Product recycling

Assessment System for Sustainability Management of Suppliers

Shared Growth

Economy	Environment
15 items including ethics management and management risks	13 items including ISO14001 and CO₂ reduction management

Product/ Construction	Society
2 items including safety of product/ construction	10 items including income, discrimination, and compliance with the labor act

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KT's Approach

In order to reduce the corporate loss and sustain the business, it is necessary to manage the supply chain considering economic, environmental, and social factors. Based on the policy for the supply chain sustainability, KT conducts the sustainability assessment to minimize risks within the supply chain and promote the shared growth in a long-term perspective.

Policy

For the first among domestic communications companies, KT enacted the 'KT Sustainability Guideline for Suppliers' in December 2012. Thus, we have realized a systematic management of the sustainable supply chain. The Guideline reflects KT's strong will to diffuse its responsible and sustainable management into the entire supply chain. It consists of four sections: principles of business execution, environmental management, corporate social responsibility and role, and product stewardship. Throughout the total 18 areas, additionally, the Guideline presents standards of the sustainability management that KT expects of suppliers.

Education

Since 2014, we have been providing the sustainability management education for responsible personnel of suppliers so that they can share their knowledge about the sustainability management fulfilling it into practice. Besides reinforcing the execution ability through optimizing the management system of the sustainable supply chain, we will operate diverse education programs for suppliers to internalize the sustainability management.

Assessment for Sustainability Management of Suppliers

With the enactment of the 'KT Sustainability Guideline for Suppliers,' KT introduced the assessment system for the sustainability management of suppliers in 2013. Accordingly, we have measured the level of negative economic, environmental, and social risks that can occur within the supply chain to regularly manage the risks. The assessment result is reflected to the annual evaluation of each supplier, which influences key selection processes such as re-selection and appointment of best suppliers. As a result of assessments for electronic equipment suppliers and construction contractors in 2015, the average was 91.9 proving that the sustainability level of our suppliers is satisfactory.

2015 Assessment Result for Sustainability Management of Suppliers

Category	Number of Participants in Assessment	Assessment Index	Assessment Result
Electronic Equipment Suppliers	116 companies	ESG + Product (Product) : 40 items	81.3 on average
Construction Contractors	271 companies	ESG + Construction (Construction safety) : 32 items	96.0 on average

Selection and Management of Suppliers

In order to select suppliers in a fair manner, we have publicly disclosed the registration and selection processes while operating the purchase process with the quality as the top priority. After the quality rank is defined through the quantitative evaluation, suppliers with the outstanding quality are selected and sign a contract with KT. Therefore, our suppliers can endeavor for the technology development while we can optimize the Total Cost of Ownership (TCO) by trading with excellent suppliers.
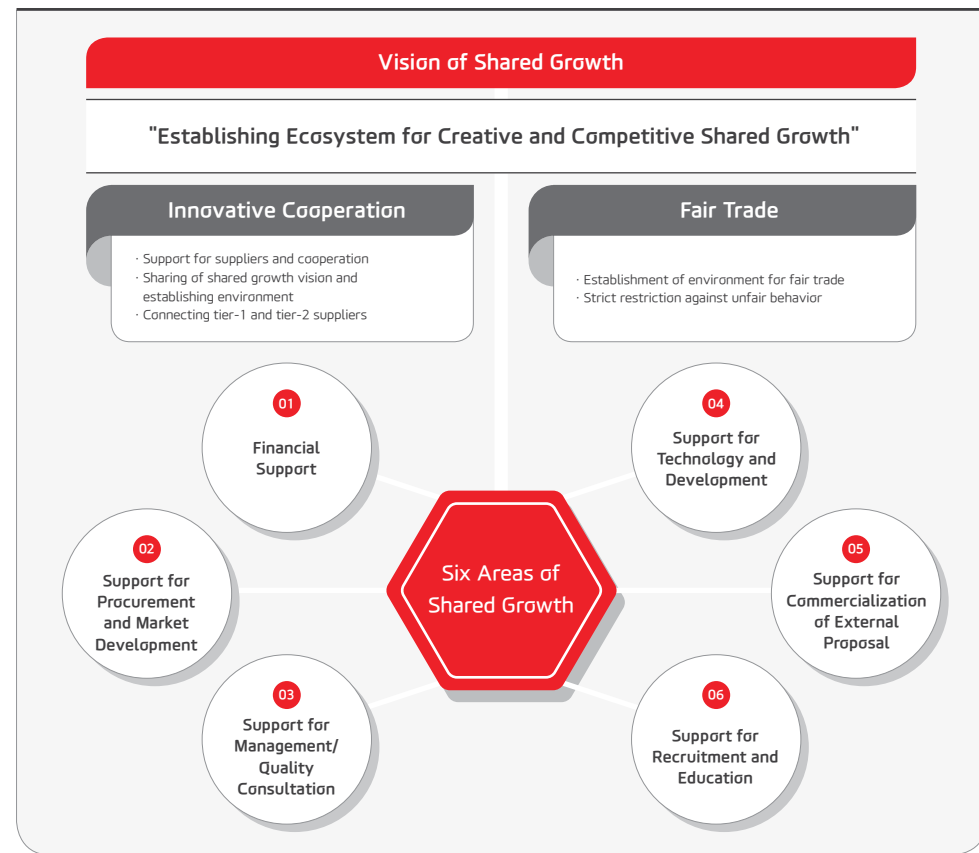
Shared Growth System

Organization and Policy for Shared Growth

KT's Approach

In the midst of the communications market rapidly changing, the shared growth through the close cooperation with suppliers is necessary to secure the competitiveness for leading the future technology as well as to deliver differentiated service values. Thus, KT is striving to establish the shared growth system through the communication and cooperation where KT and suppliers can coexist.

Since founded an organization responsible for the shared growth in 2010, KT has constantly executed diverse activities to fortify the competitiveness of suppliers beyond simply communicating with them. Through a range of programs generating shared values of suppliers, we are leading the shared growth culture that is to respect suppliers and advance together. Therefore, KT has solidified the foothold to enter the global market has by enhancing the ecosystem of the Korean communications industry.

Shared Growth Program

Vision of Shared Growth

"Establishing Ecosystem for Creative and Competitive Shared Growth"

Innovative Cooperation
· Support for suppliers and cooperation
· Sharing of shared growth vision and establishing environment
· Connecting tier-1 and tier-2 suppliers

Fair Trade
· Establishment of environment for fair trade
· Strict restriction against unfair behavior

Six Areas of Shared Growth

01 Financial Support
02 Support for Procurement and Market Development
03 Support for Management/ Quality Consultation
04 Support for Technology and Development
05 Support for Commercialization of External Proposal
06 Support for Recruitment and Education

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01 Financial Support
· Cash payments in full
· Network loan
· Financial support for retail stores
· Win-win Cooperation Supporting System (WinC)
· Financial support for contents suppliers
· Investment into projects of SMEs/ventures
· Investment into start-ups of creative economy

02 Support for Procurement and Market Development
· Demand Forecasting System (electronic equipment suppliers)
· Support for suppliers' overseas exhibition
· Joint advancement into international market
· Global Partner's Day
· Global Business Fair (electronic equipment suppliers/ construction contractors)
· Supporting center for entering Japanese market
· System to check supplied equipment

03 Support for Management/ Quality Consultation
· Vendor Coaching for suppliers (2nd-tier electronic equipment suppliers)
· Consultation for supplier SCM and supports (electronic equipment suppliers)
· Consultation for advancing development capability of suppliers (SW development area)
· Support for achieving certifications in quality and environment
· Industrial innovation campaign
· Management Doctor System

04 Support for Technology and Development
· Support for technology transfer
· Free patent transfer
· Non Disclosure Agreement (NDA)
· Escrow for technological data
· Support for Certification of Original Document of Trade Secrets

05 Support for Commercialization of External Proposal
· Support for commercializing external ideas
· Support for trial of external ideas
· Partners Fair, RTC (Round Table of Convergence)
· Conditional development of new product
· Performance Sharing System
· Mentoring on venture/developer ideas (SW/app development area)

06 Support for Recruitment and Education
· Support for Job Fair
· Support for education within SMEs

Environment for Shared Growth
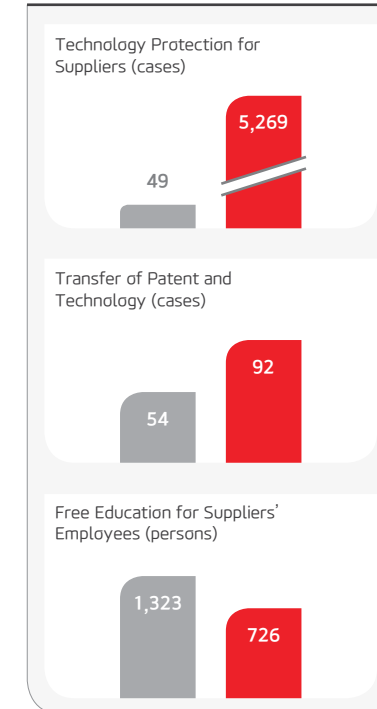
For attaining the future growth and sustainable development, it is necessary for KT to increase the competitiveness of suppliers as well as to stabilize their management. Accordingly, KT has complied with the "Four Guidelines for Mutual Cooperation between Large-sized companies and SMEs" enacted by the Fair Trade Commission. Also, diverse programs to support suppliers are being executed for the improvement of their managerial environment.

Increase of Supports for Suppliers

In order to intensify the competitiveness of the entire supply chain, KT has executed the shared growth programs expanding the scope of subject suppliers to include not only primary suppliers but secondary suppliers. We have participated in the Industrial Innovation program of the Ministry of Trade, Industry and Energy with a budget of KRW 2.5 billion for five years. Hence, we are providing the consultation for a better process and support production facilities of primary and secondary suppliers. In 2015, as a result, we consulted total 19 suppliers and thus the suppliers accomplished a substantial increase in the productivity by 104% on average. Furthermore, KT signed a contract to donate total KRW 4.46 billion for 3 years since 2013 to the Large & Small Business Cooperation Foundation; we donated KRW 3.06 billion for enhancing the R&D capability of suppliers supporting their overseas advancement.

Support for Establishment of Green Ecosystem

To enhance the environmental management capability and improve the productivity of the whole supply chain, we are consistently assisting primary and secondary suppliers to acquire ISO 14001 (Environmental Management System); 91% of KT suppliers achieved the environmental certificates as a consequence. In addition, we promoted trainings to cultivate responsible personnel for the efficient internalization and practical execution of the environmental management. Accordingly, total 726 personnel completed the training. KT will strive to minimize negative environmental impacts by establishing the green ecosystem with suppliers.

Improvement of Procurement System

Through the effective procurement system, KT has significantly contributed to the settlement of fair trade. Also, we have applied the whole bidding system to prevent insolvency within the supply chain due to the participation in the bidding with the lowest price. By reflecting factors that make costs fluctuate, such as exchange rate and material prices changing, the target price is being flexibly adjusted as well. We strictly observe the volume contracted and thus minimize the discrepancy between the supplied volume and contracted volume while making a full cash payment for small and medium-sized suppliers.

Supplier Satisfaction

By implementing the regular supplier satisfaction survey, KT actively identifies requests of suppliers devoting to the shared growth. The supplier satisfaction survey is executed in three aspects: the trade, level of cooperation, and shared growth system. KT will keep focusing on accepting and reflecting suppliers' requests as much as possible through a range of communication channels including the satisfaction survey.

Support for Suppliers   ■ 2015 ■ 2014

Technology Protection for Suppliers (cases)
49
5,269

Transfer of Patent and Technology (cases)
54
92

Free Education for Suppliers' Employees (persons)
1,323
726

* KT significantly increased the number of technology protection cases for suppliers in 2015 by newly introducing the Certification System of Original Document of Trade Secrets.

### "KT Expands the ICT Ecosystem through Shared Growth"

For a culture that respects and coexists with suppliers, KT held a 'Shared Growth Ceremony' with the participation of about 70 people including Chang-Gyu Hwang, the CEO of KT, Chung-Young Ahn, the president of the Korea Commission for Corporate Partnership, and representatives of 57 suppliers. KT, the Korea Commission for Corporate Partnership, and KT's suppliers proclaimed their will to promote the shared growth and settle and disseminate the shared growth culture. We will continuously strive to expand the global IoT ecosystem with our suppliers.

동반성장 상생협력 협약식 및 kt파트너스협의회 총회

Shared Growth Ceremony

Shared Growth System

Reinforcement of Communication with Suppliers
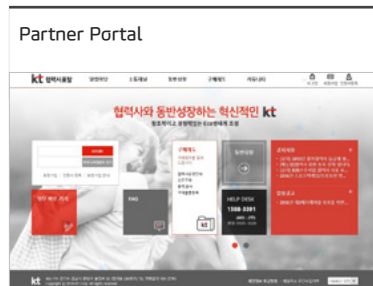
KT is realizing the open communication with suppliers through a variety of communication channels: Early Technology Sensing (ETS), Information Sharing Council, and On-site Shared Growth Discussion. In particular, two-way communication programs such as Partner's Camp were introduced in 2015. Therefore, we have endeavored to generate a stronger sympathy with suppliers as well as to fortify the mutual trust.

Partner Portal

partner.kt.com

Key Communication Channels

(As of 2015)

Category	Detail	Performance
Partner's Camp	Promoting Skin-ship Program to reinforce strategic partnership and mutual cooperation between KT and suppliers	54 suppliers participated.
Information Sharing Council	Implementing improvement activities by gathering opinions of suppliers in each sector about shared growth and mutual cooperation	The council met 14 times.
On-site Shared Growth Discussion	Accepting grievances and executing one-stop resolution activity through visiting suppliers by responsible personnel of procurement department	KT visited 120 suppliers.
KT Partner's Conference	Supporting KT Partner's Conference, an association of electronic equipment suppliers, for interactive communication between KT and suppliers	51 suppliers participated.

Operation of Grievance Handling System

We accept and handle grievances of suppliers in real time through the Partner Portal where all of our suppliers can submit their opinions. For the prompt resolution, KT starts an investigation as soon as a grievance case is submitted. Therefore, KT can proactively avoid risks related to labor and human rights that can possibly occur within the supply chain.

Performance Creation through Shared Growth

KT endeavors to establish the innovative shared growth system which creates performances of both KT and suppliers; through the active communication, suppliers can propose and commercialize creative ideas. Since introduced new programs such as the Partner's Fair and Round Table for Convergence (RTC) in 2014, we have launched new services and products in the ITC field; KT develops suppliers' outstanding technology into business as well as shares ideas with suppliers from the start of a project. Hence, the shared growth of KT and its suppliers has leaped into the level of cooperation far beyond the simple co-working.

Partner's Fair & RTC

Partner's Fair

RTC

Partner's Fair

At the Partner's Fair, KT suppliers can not only exhibit new technology and equipment but turn them into real business. Moreover, Biz Talks of each item are implemented enabling R&D and other business departments of KT can exchange opinions with suppliers for the commercialization, which leads to an increase of opportunities for actual business.

Round Table for Convergence (RTC)

Round Table for Convergence (RTC) is a program to identify new future convergence agendas led by KT and suppliers of various sectors including technology, equipment, software, and solutions. Suppliers and relevant departments of KT carry out open discussions to commercialize ideas excavated through the RTC sharing the performance.

### [Value Creation Activity] "Value Creation through Performance-sharing System"

KT's devotion for the shared growth has turned into meaningful fruits generating shared performance with suppliers. Having operated the Performance-sharing System since 2006, KT is co-developing equipment and services with its suppliers as well as achieving and sharing performances such as cost reduction and quality improvement. In 2015, we conducted a total of 25 performance-sharing tasks: 21 theme-based and 4 regular performance-sharing tasks. Therefore, KT and suppliers shared performances worth about KRW 650 million.

Results of Performance-sharing System

(Unit: cases / Accumulated)

2013	2014	2015
24	64	113
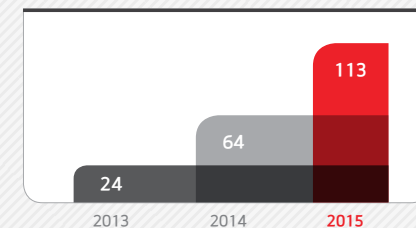
Overseas Advancement through Shared Growth

Gyeonggi Creative Economy Innovation Center
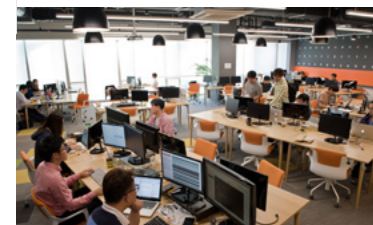
Overseas Advancement through Shared Growth

Communic Asia 2015

In addition to our suppliers, we are looking for and nurturing capable venture companies expanding opportunities to advance overseas. Opened the Creative Economy Innovation Center in Pangyo, Korea in March 2015, particularly, KT has been accelerating to cultivate the hidden champions of Korea, 'K-Champs,' who own the creativity of ventures and small enterprise as well as infrastructure and know-hows of large enterprise.

Start-up Assistance for Creative Economy

The Gyeonggi Creative Economy Innovation Center of KT is an incubator of start-ups to realize the creative economy. In 2015, we identified 46 start-ups through a contest; we provided the start-ups with diverse supports such as assigning working spaces in the Center, offering testbed-based infrastructure and one-to-one mentoring service, and introducing them to investors. Furthermore, KT has raised a fund of KRW 15 billion with the KT Group to invest in the game, IoT, Fintech, and 5G sectors while providing investments and loans with a fund of KRW 105 billion cooperating with the Small and Medium Business Administration and Gyeonggi Metropolitan City Government. In addition, KT is planning to support domestic start-ups by attracting overseas investment funds worth KRW 200 billion which KT has invested.

Start-up Assistance for Creative Economy

Category	Detail
Game	• Cultivating venture start-ups in the game industry through connection to large game companies and relevant institutes • Establishing and operating a 'Game SW Lab' for everyone to use game production tools and 'Mobile Lab' to play a trial version of the developed game within the actual distribution network
Fintech*	• Founding the only 'Fintech Support Center' in Korea where financial experts are stationed providing technological advisory supports and one-to-one mentoring service • Playing a leading role for fostering innovative Fintech start-ups in all aspects, from securing marketability and possibility to enter the finance market to financing and attaining sales channels * Fintech: New financial technology whose name is a compound word of "financial" and "technology"
IoT	• Selecting promising SMEs and ventures in the IoT field and providing working space, global mentoring, and test bed • Supporting every process from identification start-up idea to commercialization and overseas advancement through establishing and operating a 'GiGA IoT Alliance' which is Korea's first and largest business alliance
5G	• Promoting the foundation of 'Open Innovation Lab' that has relevant facilities such as terminals and relay stations; cooperating with large global communications facility companies to foster 5G ventures and SMEs • Holding a contest to excavate ideas about next-generation mobile communications

Support for Overseas Advancement of Outstanding Start-up

KT has helped start-ups to advance into overseas markets and attract investments through the alliance with major overseas start-up centers as well as venture capitals. For further supports, we are annually holding a 'Global Startup Korea,' the global investment expo, and inviting overseas venture capitals and thus providing start-ups with opportunities to acquire new investments. Besides, excellent suppliers and start-ups receive KT's supports to participate in overseas Demo Day event and fairs. In 2016, KT will establish a foundation for global capable start-ups to interact with each other through 'Global Bootcamp.' Also, we plan to take a further step to enhance the capability of suppliers and start-ups in advancing overseas by programs to cooperate with business incubation institutes.

Support for Global Exhibition of Suppliers

Category	Country	Period	Participants	Detail
MWC 2015 (Mobile World Congress)	Spain	2 March, 2015 - 5 March, 2015	NEONEXSoft and 6 other suppliers	Provided space for booth within KT's exhibition hall; supported suppliers to advance overseas by placing KT Partnership sign
Communic Asia 2015	Singapore	2 June, 2015 - 5 June, 2015	Mercury and 5 other suppliers	
MWCS 2015 (Mobile World Congress Shanghai)	China	15 July, 2015 - 17 July, 2015	Carvi and and 5 other suppliers	
ITU Telecom World 2015	Hungary	12 October, 2015 - 15, October, 2015	IRIENCE and 5 other suppliers	

APPENDIX

Key Sustainability Indicators

Economic Performance

	Unit	2011	2012	2013	2014	2015
Consolidated Financial Statement						
Current Assets	KRW million	9,790,659	10,517,419	9,968,449	8,750,934	8,583,176
Non-current Assets	KRW million	22,294,750	24,040,489	24,878,084	25,024,568	20,758,009
Total Assets	KRW million	32,085,409	34,557,908	34,846,533	33,775,502	29,341,185
Current Liabilities	KRW million	8,745,125	11,266,766	11,187,738	9,992,244	8,639,906
Non-current Liabilities	KRW million	10,802,475	10,073,167	10,793,885	11,992,970	8,535,814
Total Liabilities	KRW million	19,547,600	21,339,933	21,981,623	21,985,214	17,175,720
Capital	KRW million	1,564,499	1,564,499	1,564,499	1,564,499	1,564,499
Premium on Common Stock	KRW million	1,440,258	1,440,258	1,440,258	1,440,258	1,440,258
Retained Earnings	KRW million	10,219,633	10,646,383	10,046,883	8,571,130	9,059,305
Accumulated Other Comprehensive Income	KRW million	-22,865	1,325	24,538	25,790	13,870
Other Capital Component	KRW million	-1,497,289	-1,343,286	-1,320,943	-1,260,709	-1,232,863
Non-controlling Interests	KRW million	833,573	908,796	1,109,675	1,449,320	1,320,396
Total Equities	KRW million	12,537,809	13,217,975	12,864,910	11,790,288	12,165,465
Total Liabilities and Equities	KRW million	32,085,409	34,557,908	34,846,533	33,775,502	29,341,185
Consolidated Income Statement						
Operating Revenue	KRW million	21,272,033	23,856,375	23,810,599	22,311,666	22,281,221
Operating Expenses	KRW million	19,523,624	22,647,142	22,971,256	22,718,256	20,988,277
Operating Profit	KRW million	1,748,409	1,209,233	839,343	-406,590	1,292,944
Shares for New Profits and Loss by Related Companies and Joint Ventures	KRW million	-3,038	18,079	6,601	18,697	6,143
Income Before Taxes	KRW million	1,603,371	1,414,842	-5,258	-1,328,558	719,452
Income Taxes	KRW million	315,946	277,869	54,993	-275,982	229,239
Net Profit from Continuing Operations	KRW million	1,287,425	1,136,973	-60,251	-1,052,576	490,213
Operating Profit (Loss) from Discontinued Operations	KRW million	164,594	31,534	-	86,400	141,075
Net Profit	KRW million	1,452,019	1,105,439	-60,251	-966,176	631,288

Shareholder Composition

	Unit	Number of Shares	Equity Ownership
Shareholder Composition (2015)			
Treasury Stock	share/%	16,262,008	6.2%
Foreign Investors	share/%	126,383,224	48.4%
National Pension Fund	share/%	19,150,489	7.3%
Employee Stockholders	share/%	1,484,611	0.6%
Domestic Institutions (Excluding the National Pension Fund)	share/%	24,734,296	9.5%
Other Entities	share/%	4,343,989	1.7%
Individual Investors	share/%	68,753,191	26.3%
Total Number of Shares Issued	share/%	261,111,808	100.0%

Key Sustainability Indicators

Long-term Sustainability Target & Performance Indicators

Long-term Sustainability Target	
KT's Long-term Sustainability Target	Realization of Global GiGAtopia* *GiGAtopia refers to a world where humankind and things are connected through GiGA Infrastructure and thus everyone deserves comfort far beyond convenience.

Three Sustainability Areas	Category	Detail	Unit	Goal 2020
GiGA Prosperity New Era of Prosperity Created by GiGA Infrastructure	Long-term Target	Investing KRW 13 Trillion by 2020 Realizing the global economic prosperity through promotion of the 4th Industrial Revolution by investing total KRW 13 trillion in GiGA Infrastructure and ICT convergence		
	Performance Indicator	Investment in GiGA Infrastructure and ICT convergence technology/service	KRW 100 million	130,000
		Revenues of ICT convergence business	KRW 100 million	26,462
		Revenues of global business	KRW 100 million	20,000
		Profit from dissemination of GiGA Internet	KRW 100 million	629,000
	UN Sustainable Development Goals	Goal 8 Decent Work and Economic Growth Goal 9 Industry, Innovation and Infrastructure Goal 10 Reduced Inequalities Goal 11 Sustainable Cities and Communities Goal 12 Responsible Consumption and Production		
GiGA Planet New era of Innovation Opened Up by GiGA Infrastructure	Long-term Target	Offering Annual Environmental Benefits Worth of KRW 3 Trillion in 2020 Offering annual environmental benefits worth of KRW 3 trillion in 2020 through environment-friendly ICT product/service		
	Performance Indicator	Environmental benefit due to environment-friendly ICT service and energy efficiency	KRW 100 million	31,411
		- Customer benefit due to Smart Energy service	KRW 100 million	12,393
		- Customer benefit due to Networked Transportation service	KRW 100 million	8,300
	UN Sustainable Development Goals	Goal 6 Clean Water and Sanitation Goal 7 Affordable and Clean Energy Goal 13 Climate Action Goal 14 Life below Water Goal 15 Life on Land		
GiGA People New Era for Humankind Presented by GiGA Infrastructure	Long-term Target	Accomplishing Annual Social Values Worth More than KRW 4 Trillion in 2020 Accomplishing annual social values worth more than KRW 4 trillion in 2020 by expanding social ICT product/service, social contribution, and shared growth		
	Performance Indicator	Social value created through social ICT, social contribution, and shared growth	KRW 100 million	41,561
		- Revenues of Next-generation Media service	KRW 100 million	1,348
		- Contribution to health promotion through Life-enhancing Care service	KRW 100 million	2,730
		- Contribution to social progress through Integrated Safety service	KRW 100 million	1,691
	UN Sustainable Development Goals	Goal 1 No Poverty Goal 2 Zero Hunger Goal 3 Good Health and Well-being Goal 4 Quality Education Goal 5 Gender Equality		

GHG Verification Statement

Verification No.	KQA-T1601
Company	KT Corporation
Representative	Chang-Gyu Hwang
Business Registration No.	102-81-42945
Address	90, Buljeong-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea

KQA confirms that the verification result of GHG emissions and energy consumption reports of above company is proper.

Regulation Applied	The GHG and Energy Target Scheme Guidelines
Verification Scope	GHG emissions and energy consumption reports (in the year of 2015)

GHG Emissions & Energy Consumption

	Scope 1	Scope 2	Total
GHG Emissions (tCO$_2$eq)	41,355	1,054,698	1,096,053
Energy Consumption (TJ)			22,427

Verification Term	10 March, 2016 - 31 March, 2016
Date of Issue	31 March, 2016

Korea Quality Assurance

(GHG Energy verification body 「2011-3rd」 accredited by the ministry of environment.)

* The details regarding the range of this Verification Statement and requirement of the GHG and Energy target scheme guidelines can be obtained by requesting to the relevant organization.
KQA Address : 2Fl., Hojeong Bldg., 49, Manan-ro, Anyang-si, Gyeonggi-do, 14034, Republic of Korea

Third Party Assurance

To the Management of the 'KT Integrated Report 2016,'

The Institute for Industrial Policy Studies (hereafter the "Auditor") was engaged by KT to provide an independent third-party assurance statement on the contents of the "KT Integrated Report 2016"(hereafter the "Report"), and hereby presents the following third party statement of assurance.

Responsibility and Objective

KT is responsible for all information and claims contained in the Report regarding the establishment of its sustainability management goals, performance management etc. The responsibility of the Auditor is to deliver the findings from its assurance undertaking to the management of KT. The key objective of the assurance is to check whether there are any material bias or errors present in the Report; assess whether the underlying data collection system is in proper working order; while undertaking in an overall review of the Company's process for identifying issues of material importance to sustainability management as well as the produced results so that the Auditor may deliver recommendations that can help improve the quality of future reporting.

Assurance Type and Level

The Report was reviewed against the following criteria and guidelines:
(1) AA1000 Assurance Standards(2008)*, (2) Global Reporting Initiative's(GRI) G4 Sustainability Reporting Guidelines** and (3) B.E.S.T Sustainability Reporting Guidelines***

- Assurance Scope: Contents of the "KT Integrated Report 2016" by KT
- Assurance Type & Level: Type II, Moderate level
- Assurance Criteria: - "IPS Assurance Manual" to verify compliance against AA1000AS (2008) standard's three core principles
      - "IPS Performance Indicators Assurance Criteria™" to assess the reliability of performance indicators
      - GRI Guideline's "in accordance" options   - B.E.S.T Guideline's "reporting level"

Work Undertaken and Scope

The Auditor confirmed 1) the inclusivity, materiality, and responsiveness of the reported content; 2) the reliability of the reported performance data; 3) the Report's level of compliance against GRI's G4 Sustainability Reporting Guidelines; and 4) the level of compliance relative to the B.E.S.T Reporting Guidelines through the process outlined below.

- Review of the KT's processes for identifying material issues and outcomes
- Review of the Company's stakeholder engagement processes
- Interviews with persons responsible for each performance dimension and the collection of performance data to determine the adequacy of the reported content
- On-site review of KT's Head Office to assess "raw" sustainability performance data as well as systems and processes for data collection and reporting
- Review of underlying reference data on key economic, environmental and social performance
- Sample testing of materiality issues to ascertain the completeness and accuracy of information contained in the Report
- Review of the Report's compliance against GRI/ B.E.S.T reporting guidelines

Limitations

- Interviews with individuals responsible for different performance dimensions and the collection of performance data; review of the adequacy of the reported data
- On-site review of KT's Head Office
- Assurance based on relevant data and information available for the relevant reporting period
- Review of the reliability of reported performance data
- This undertaking does not include data on green-house gas emissions, which is subject to a separate review

Assurance Findings

The Auditor finds the Report to be free from any material misstatements or bias.

[Inclusivity]
Are strategy-setting and related processes for stakeholder engagement adequate at KT?
It is the Auditor's view that KT acknowledges the importance of engaging stakeholders in its sustainability management initiatives, putting in place various processes for stakeholder participation to better reflect relevant findings toward its business management activities. The Auditor took note of efforts by the Company to segment its stakeholders into eight sub-groups factoring in both the functional dimension as well as a business perspective to assess the interests and concerns of the different groups through diverse stakeholder-specific communication channels to better reflect key engagement findings in its management activities with the overall goal of reinforcing its sustainability management and business transparency activities - consistent with the principle of inclusivity.

[Materiality]
Does the Report contain information of the highest material importance to KT stakeholders across the economic, social, and environmental dimensions?
It is the Auditor's view that KT has not omitted or excluded any issues of key importance concerning its sustainability management activities. The Company has established a three-step process (identifying sustainability-related issues through an analysis of internal/external environment; generating issues of material concern via materiality testing; selection of material issues by validating feasibility) to identify the Company's top 20 core issues of material concern as well as the top 30 main and general reporting items. Moreover, once identified, all issues were categorized and reported upon in accordance with the "KT Sustainability Management Model" reflecting the Company's commitment to genuinely provide a fuller account of how it is handling those issues concerned as well as its achieved outcomes - in line with the principle of materiality.

[Responsiveness]
Does the Report provide an adequate response to stakeholder demands and interests?
The Auditor found KT to be providing an adequate response to issues of interest and concern to its stakeholders. It has established various channels of communication targeting different stakeholder groups, while also working to reflect its engagement results in the Report. The Auditor noted efforts by KT to explore the future direction of sustainability management as it seeks to be improve its responsiveness, i.e. carrying out surveys on sustainability management-related issues as well as targeted stakeholder surveys specific to its eight segmented sub-category groups to collect their feedback to provide a more adequate response, while also documenting its policies on stakeholder engagement to ensure that all engagement channels that have been introduced continue to be utilized in a systematic way - aligned to the principle of responsiveness.

[GRI "In Accordance" Criteria]
The Auditor found the Report to be consistent with the "in accordance" Comprehensive option of the GRI G4 Guidelines with respect to its General Standard Disclosures and Additional Disclosures (materiality aspects, DMA, performance indicators) as indicated in the G4 Guidelines.

[Reliability of Performance Indicators]
Upon reviewing the performance data stated in the Report, which are derived based on KT's "Sustainability Management Model", the Auditor found the underlying data collection system adequate and failed to find any material errors that may either bias the Company's judgment or compromise the reliability of any reported data. For the purpose of this assurance, the following performance indicators were reviewed.

KT Sustainability Management Model	Core Issue	Performance Indicator	
GIGAtopia	Sustainability management goals in the economic dimension	Investment into GiGA Infrastructure and ICT Convergence by 2020	KRW 13 trillion
	Sustainability management goals in the environmental dimension	Annual environmental benefits achieved, 2020	KRW 3 trillion
	Sustainability management goals in the social dimension	Annual social values created, 2020	KRW 4 trillion
GIGA Prosperity	Sustainability management	Overall benefits delivered through spread of GIGA Internet	KRW 62.9 trillion
	Transparent Management	BOD evaluation results	4.5 pts (out of 5)
GIGA Planet	Customer First Management	Product validation activities	139 times
	Environmental Management	GHG emissions (direct/indirect)	1,097,038tCO₂eq
GIGA People	Talent management	Employee/management satisfaction	79.8 pts
	Shared Growth Management	Suppliers' sustainability evaluation	91.6 pts

*Only a partial sub-set of indicators pertaining to KT's Sustainability Management Model and core issues that have been reviewed are presented above.

[Level of B.E.S.T Guideline Application]
In view of the coverage and reliability of the information provided, the Auditor finds the Report to qualify for a Level 4 Report (Levels 1 to 5) relative to the B.E.S.T Guidelines, which is indicative of a level of sustainability consistent with the "anchoring" phase.

Recommendations

The Auditor found the "KT Integrated Report" by KT highly commendable in the following regard. The Report (1) highlights the importance the Company places on sustainability management, showing how sustainability management-related issues identified through its Sustainability Management Committee, which was newly established as a permanent body under the BOD are treated as a priority within KT; (2) reflects the Company's commitment to offer a concrete and innovative solution toward achieving the UN Sustainable Development Goals, which envisions the convergence of ICT with various industries backed by the strength of KT's core competencies; and (3) in the interest of providing a more integrated report, provides information outlining the Company's future objectives, including those concerning future industries, such as its planned investments, expected benefits, social values to be created, etc., broken down across the respective economic, social, and environmental dimensions.

For the purpose of future reporting, the Auditor recommends considering the following.

- Strengthen application of the integrated reporting framework and content elements, i.e. report on the Company's short, mid, and long-term goals specific to KT's Sustainability Management Model and respective business models including respective processes that are intended to create value;
- Provide a fuller account of time-series trend data on key issues of concern and major activities; and
- Promote the increased use of stakeholder engagement channels, and operate stakeholder-specific channels more systematically.

Independence

Apart from this independent assurance undertaking, the Auditor was not involved in the preparation of any part of the Report, and has no commercial affiliation with KT that might compromise our independence.

Qualifications of the Auditor

Commissioned by KT as the Auditor for this assurance undertaking, the Institute for Industrial Policy Studies (IPS) was established in 1993 and has since developed into a specialized institution with broad expertise in the areas of business ethics, CSR, and sustainability management since 2002.

IPS   AA1000 Licensed Assurance Provider 000-24
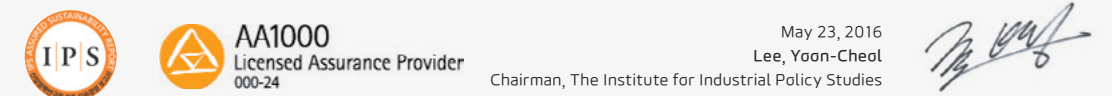
May 23, 2016
Lee, Yoon-Cheol
Chairman, The Institute for Industrial Policy Studies

GRI
Content Index

GRI G4	Index	Contents	Page	BEST 2.0	Remarks
Strategy & Analysis	G4-1	Statement from the most senior decision-maker of the organization	4-5	A_1	
	G4-2	Provide a description of key impacts, risks, and opportunities.	4-5,40-41	A_2	
Organizational Profile	G4-3	Name of the organization	6	A_3	
	G4-4	Primary brands, products, and/or services	6-7	A_4	
	G4-5	Location of organization's headquarters	6	A_7	
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	25	A_7	
	G4-7	Nature of ownership and legal form	6	A_8	
	G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	6-7	A_9	
	G4-9	Scale of the reporting organization	6,32,64	A_10	
	G4-10	a. Total number of employees by employment contract and gender b. Total number of permanent employees by employment type and gender c. Total workforce by employees and supervised workers and by gender d. Total workforce by region and gender e. 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. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	64	EM1	
	G4-11	Percentage of employees covered by collective bargaining agreements	70	EM12	
	G4-12	Describe the organization's supply chain	84	-	
	G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain	7	B_8	
	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	40-41	GR11	
	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	38	GR10	
	G4-16	Memberships in associations	96	A_11	
Identified Material Aspects & Boundaries	G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	87	A_5, A_6	
	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	30-31	-	
	G4-19	List all the material Aspects identified in the process for defining report content	31	-	
	G4-20	The Aspect Boundary within the organization	31	B_1, B_2	
	G4-21	The Aspect Boundary outside the organization	31	B_1, B_2	
	G4-22	Explanation of the effect of any re-statements	97	-	
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	57	B_5	
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	32	C_1	
	G4-25	Basis for identification and selection of stakeholders with whom to engage	32	C_1	
	G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	32	C_2	
	G4-27	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	32	C_3	
Report Profile	G4-28	Reporting period	97	B_3	
	G4-29	Date of most recent previous report	92	-	July 2015
	G4-30	Reporting cycle	92	B_6	Annual
	G4-31	Contact point for questions regarding the report or its contents	97	B_9	
	G4-32	a. 'In accordance' option the organization has chosen b. GRI Content Index for the chosen option (see tables below) c. 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	30,90-91	B_10	
	G4-33	a. 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. Relationship between the organization and the assurance providers d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	90-91	B_7	
Governance	G4-34	Governance structure of the organization	28,34-35,54,74	GR1	
	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.	28	-	
	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.	34-35	-	
	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	28,54,74	GR12	
	G4-38	Report the composition of the highest governance body and its committees	34-35	GR2, GR3	

GRI G4	Index	Contents	Page	BEST 2.0	Remarks
Governance	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)	34	GR1	
	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	34	GR4	
	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	34	GR13	
	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.	34-36	GR6	
	G4-43	Report the measures taken to develop and enhance the highest overnance body's collective knowledge of economic, environmental and social topics.	35	-	
	G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	36	GR5	
	G4-45	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	36	GR8	
	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.	41	GR8	
	G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	41	GR8	
	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.	35	-	
	G4-49	Report the process for communicating critical concerns to the highest governance body.	41	GR12	
	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.	70	-	
	G4-51	Report the remuneration policies for the highest governance body and senior executives	36	GR7	
	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.	36	GR7	
	G4-53	Report how stakeholder's views are sought and taken into account regarding remuneration	32	-	
	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 in the same country.	36	-	
	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 in the same country.	36	-	
Ethics & Integrity	G4-56	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	37	EM26	
	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.	37-38	-	
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	37-38	-	
2. Specific Standard Disclosures					
Disclosures on management approach (DMA)	G4-DMA	a. Why the Aspect is material. Report the impacts that make this Aspect material b. How the organization manages the material Aspect or its impacts c. Evaluation of the management approach	30-31	DMA	
Economic					
Economic Performance	G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government	32	EC1	
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	40,55	EC2	
	G4-EC3	Coverage of the organization's defined benefit plan obligations	69	EC3	
	G4-EC4	Financial assistance received from government	-	EC5	Not applicable
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	71	EM4	
	G4-EC6	Propertion fo senior management hired from the local community at significat locations of operation	-	EC4	Not reported
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	32,83	EC6	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	32	EC7	
Procurement Procedures	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	82-85	-	
Environmental					
Materials	G4-EN1	Materials used by weight or volume	-	EV10	Not applicable
	G4-EN2	Percentage of materials used that are recycled input materials	57	EV11	
Energy	G4-EN3	Energy consumption within the organization	55-56	EV7	
	G4-EN4	Energy consumption outside of the organization	57		
	G4-EN5	Energy intensity	56		
	G4-EN6	Reduction of energy consumption	58-60	EV5	
	G4-EN7	Reductions in energy requirements of products and services	58-60		

GRI
Content Index

GRI G4	Index	Contents	Page	BEST 2.0	Remarks
Water	G4-EN8	Total water withdrawal by source	57		
	G4-EN9	Water sources significantly affected by withdrawal of water	57		
	G4-EN10	Percentage and total volume of water recycled and reused	57		
Biodiversity	G4-EN11	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	-	EV22	Not applicable
	G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	EV22, EV26	Not applicable
	G4-EN13	Habitats protected or restored	-	EV6, EV27	
	G4-EN14	Total number of IUCN RED list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	EV28	Not applicable
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	55-56	EV12	
	G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	55-56	EV12	
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope3)	57	EV13	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	56	-	
	G4-EN19	Reduction of Greenhouse gas (GHG) emissions	55-56	EV4	
	G4-EN20	Emissions of ozone-depleting substances (ODS)	-	EV14	Not applicable
	G4-EN21	NOx, SOx and other significant air emissions	-	EV15	Not applicable
Effluents & Waste	G4-EN22	Total water discharge by quality and destination	57	EV17	
	G4-EN23	Total weight of waste by type and disposal method	57	EV16	
	G4-EN24	Total number and volume of significant spills	-	EV21	Not applicable
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the BASEL Convention Annex I, II, III, AND VIII, and percentage of transported wasted shipped internationally	57	EV29	
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	57	EV19	
Products & Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	55	EV23, EV25	
	G4-EN28	Percnetage of products sold and their packaging materials that are reclaimed by category	-	EV24	Not applicable
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	61	EV31	
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	56	EV30	
Environmental Investments	G4-EN31	Total environmental protection expenditures and investments by type	60		
Supplier Environmental	G4-EN32	Percentage of new suppliers that were screened using enivronmental criteria	81	PN3	
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	81	PN4	
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	61	-	
Society					
Labor Practices & Decent Work					
Employment	G4-LA1	Total workforce by employment type, employment contract and region	63-64	EM5	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	68-69	EM20	
	G4-LA3	Return to work and retention rates after parental leave, by gender	68	-	
Labor/ Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	70	EM13	
Occupational Health & 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	70	EM14	
	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	72	EM19	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	72	-	
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	72	EM15, EM17	
Training & Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	67	EM27	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	52,66-69	EM28	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	67-69	EM29	
Diversity	G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	64-65	EM2	
Equal Pay for Women & Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	71	EM3	
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	81	PN3	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	81	PN4	

GRI G4	Index	Contents	Page	BEST 2.0	Remarks
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	84	PN5	
Human Rights					
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	81	PN3	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	81	PN4	
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	84	PN5	
Human Rights Investments	G4-HR1	Total number and percentage of significant invesetment agreements and contracts that include human rights clauses of that underwent human rights screening	81	PN2	
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	65	EM30	
Non-discrimination	G4-HR3	Total number of incidents of discrimination and actions taken	65	EM7	
Freedom of Association	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	81	EM8	
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	65	EM9	
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	65	EM10	
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-	EM31	Not reported
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken	61	CO2	
Human Rights Assessments	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	65	-	
Supplier Human Rights Assessments	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	81	PN3	
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	81	PN4	
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	70	-	
Society					
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	74-75,78-79	CO1, CO2	
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	61	-	
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	40	CO5	
	G4-SO4	Communication and training on anti-corruption policies and procedures	38	CO5	
	G4-SO5	Confirmed incidents of corruption and actions taken	38-39	CO5	
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	-	CO7	Not applicable
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	39	CS3	
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	38-39	CO9	
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	81	PN3	
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	81	PN4	
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	82	-	
Product Responsibility					
Customer Health & Safety	G4-PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	45,47,49,61	CS4	
	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	61	CS11	
Product & Service Labeling	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	39	CS5	
	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	38-39	CS13	
	G4-PR5	Results of surveys measuring customer satisfaction	46-47	CS6, CS9	
Marketing & Communications	G4-PR6	Sale of banned or disputed products	39	CS10	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	39	CS14	
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	38	CS10, CS15	
Product Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	39	CS12	

Major Awards
and Membership

Major Awards

Award	Host / Provider	Date
The Most Admired Companies, All Star	Korea Management Association Consulting	February 2015
Winner of 2015 iF Design Award in Corporate Identity, Consumer Products, Communication Publishing Categories as GiGAtopia PR Image and olleh Membership Diary	iF Design Exhibition Hamburg	February 2015
INNO STAR 2015-Best Innovation Awards in the IPTV and Ultra-high-speed Internet Sectors	Korea Management Association	February 2015
2015 NCSI (National Customer Satisfaction Index)-ranked 1st in the PSTN, Internet Call and Ultra-high-speed Internet Sectors	Korea Productivity Center	March 2015
Winner of Grand Prize of Korea CSR Corporation in the CSV Sector	The Dong-a Ilbo	February 2015
Selected to Be Included In the Best Index at Win-Win Index	Korea Commission for Corporate Partnership	June 2015
Winner of Grand Prize of Sustainability Management Sector at Korea Management Awards 2015	The Dong-a Ilbo	June 2015
2015 KS-SQI (Korea Standard-Service Quality Index)-ranked 1st in the IPTV Sector	Korea Standard Association	June 2015
Korea Service Quality Index Certifications for Wire/Wireless Call Center	Korea Management Association Consulting	June 2015
Ranked 2nd in the Asian Telecommunication Sector at Asia CSR Ranking	Asia CSR Ranking Conference	July 2015
2015 NBCI (National Brand Competitiveness Index)-ranked 1st in Ultra-high-speed Internet Service and IPTV.	Korea Productivity Center	August 2015
Ranked 1st in the Telecommunication Sector and Selected to Be Included at DJSI World Index for the 6 Straight Year	DowJones (US) / RobecoSAM (Swiss-based Investment Company)	September 2015
Winner of Integrated Report 2015 in Korea Reader's Choice Awards 2015	Korea Standards Association	September 2015
Won Two Best of the Best Awards at Red Dot Design Awards as Phone-brella	Design Zentrum Nordrhein-Westfalen	September 2015
Winner of Global Standard Management Awards in the Sustainability Management and Sustainability Report Sectors	Korea Management Association	October 2015
KCSI (Korean Customer Satisfaction Index)-ranked 1st in the Local/Long-distance Call and Internet Call Sectors	Korea Management Association Consulting	October 2015
Winner of Grand Prize at Korea Customer Award 2015 - 'KT's Global No. 1 Service through Innovating Quality of Customer Experience'	Korea Society of Cunsumer Studies	October 2015
2015 CPLI (Climate Performance Leadership Index)_ranked 1st in the Telecommunication Sector	CDP in the U.K., CDP Korea	November 2015
Winner of Korea PR Awards as GiGA Island	Korea PR Association	November 2015
2015 KSSI (Korea Sales Service Satisfaction Index)-ranked 1st in Mobile Telecom Service Sector	Korea Management Association Consulting	November 2015
Korea Standard Contact Service Quality Index	Korea Standard Association	November 2015
Winner of 'Process' Sector at the 1st Porter Prize for Excellence in CSV	The Institute for Industrial Policy Studies	December 2015
Customer Satisfaction Survey 2015-ranked 1st in Ultra-high-speed Internet Sector	Korea Consumer Agency	December 2015

Membership

Domestic
Open Standards and Internet Association, Online Privacy Association, Spatial Information Industry Promotion Institute, Safe-Net Forum, Network Security Forum, Korea Industrial Safety Association, Korea Chamber of Commerce & Industry, Korea Housing Builders Association, D-AD Forum, Korea Bigdata Forum, Internet of Things Forum, Korea IoT Association, Success Economy Forum, Seongnam Chamber of Commerce & Industry, Demand-Response Management Association, Smart TV Forum, Spectrum Engineering Forum, Korea Association of Energy Service Company, UN Global Compact Network Korea, Incheon Employers Federation, Federation of Korean Industries, Korea Electrical Contractors Association, Korea Electric Engineers Association, Information Sharing & Analysis Center, Korea Business Council for Sustainable Development, Location Based Services Industry Council, Korea 3D Printing Association, Korea Building Energy Management System, Korea Chief Privacy Officers' Forum, Korea IDC Association, Korea IPTV Broadcasting Association, Korea Investor Relations Service, Korea IT Business Promotion Association, Korea Virtual Reality Industry Association, Korea Employers Federation, The Korean Academic Society of Business Administration, Fair Competition Federation, Korea Advertisers Association, Korea Association of Network Industries, Korea Association of ICT Convergence in the Agriculture and Food Business, Korea Mecenat Association, Korea Mobile Internet Business Association, Korea International Trade Association, Korea Biotechnology Industry Organization, Korea Bigdata Society, Korea Industrial Technology Association, Korea Listed Company Association, Korea Fire Safety Association, Korea Software Industry Association, Korea Smart Grid Association, Korea Food Industry Association, Korea New & Renewable Energy, Korea Engineering & Consulting Association, Korea Foreign Company Association, Korea Internet Service Promotion Association, Korea Electric Vehicle Association, Korea Radio Promotion Association, Korea Phone Bill Industry Association, Korea Institute of Information Security & Cryptology, Korea Information & Communication Contractors Association, Telecommunications Technology Association, Korea Institute of Information & Telecommunication Facilities Engineering, Korea Association for ICT Promotion, The Korea Institute of Information & Communication Engineering, Korea Intellectual Property Association, Consortium of CERT (CONCERT), Korea Cloud Service Association, Consortium of Cloud Computing Research, Korea Telecommunications Operators Association (KTOA), Korean Standards Association, Korea Hosting Domain Association, 5G Forum, Hightech Marketing Group (HMG), Korea Marketing Club, Korean Association for Supporting SDGs for the UN, SDN/NFV Forum, Korea National Assembly UN SDGs Forum

Overseas
3rd Generation Partnership Project, Asia Pacific Telecommunity, Global Certification Forum (GCF), Global System for Mobile communications Association, International Telecommunication Union, Next Generation Mobile Networks (NGMN), oneM2M, OPNFV, Wireless Broadband Alliance (WBA), Wi-Fi Alliance, WiMAX Forum

Reporting Period & Boundary
This report covers performances of total 510 sites including the headquarters and branches, from January 2015 to December 2015; meaningful activities until the end of April 2016 are partially included as well. Besides, data of the recent 3 years are provided enabling the comparison between yearly performances.

Reporting Standard
This report complies with the Comprehensive option of the Global Reporting Initiative (GRI) G4 guidelines, the international guideline for the sustainability reporting. Also, it was prepared in accordance with the <IR> framework of International Integrated Reporting Council (IIRC). Financial performances are reported based on the Korean International Financial Reporting Standards (K-IFRS).

Assurance
For the reliability and transparency of the writing process and contents of the report, a third-party assurance was conducted by an independent external assurance service provider. The assurance report is available on p. 90-91 of this report.

For More Information
KT Integrated Report is also available on the website (http://www.kt.com). Please contact us for additional information or to send inquiries about this report.

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