

# PEOPLE. TECHNOLOGY.

KT Integrated Report 2017

KT Integrated Report 2017 English



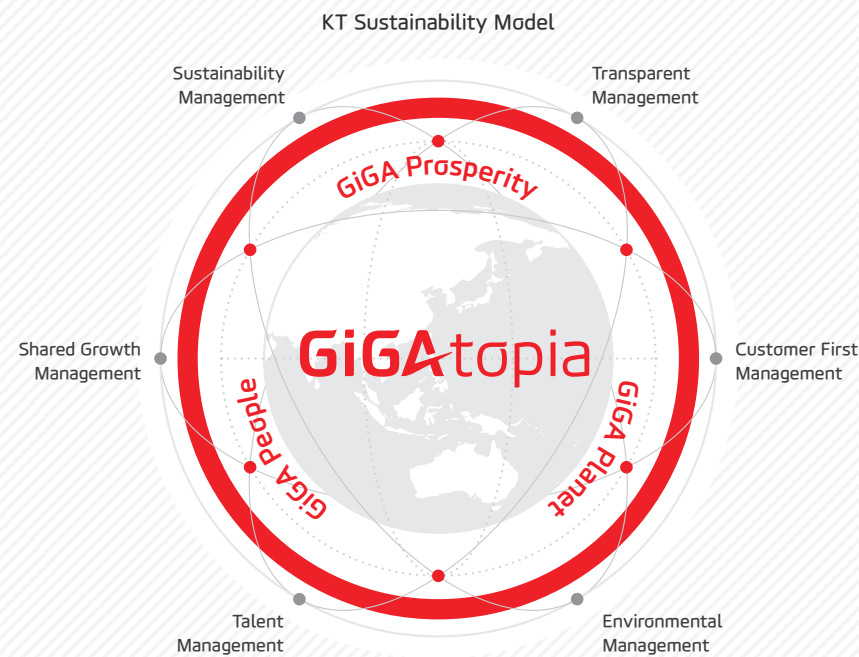
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## ABOUT THIS REPORT

This report is KT's 12<sup>th</sup> integrated report consisting of corporate sustainability management strategies as well as sustainability management activities and performances to deliver the strategies. The integrated report refers to a way of sustainability reporting that covers both financial and non-financial performances. KT has been publishing its integrated report since 2006 to disclose the economic, environmental, and social values in a balanced way.

### Characteristics of This Report

In order to improve the understanding of stakeholders about KT's sustainability goals, strategies, and systems, 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).



### Reporting Period & Boundary

This report covers performances of total 517 sites including the headquarters and branches, from January 2016 to December 2016; meaningful activities until the end of May 2017 are partially included as well. Besides, data of the recent 3 years are provided enabling the comparison between yearly performances.

### Reporting Standards

This report complies with the Comprehensive option of the Global Reporting Initiative (GRI) Standards 100-400 and 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).

## PEOPLE.

A warm-hearted innovative technology with a human face.

The world of GiGAtopia, where humans and all things are connected by the GiGA infrastructure providing comfort and happiness. It is the sustainable future KT creates.

## TECHNOLOGY.

The world of innovative technology where 5G presents,

The era of infinite possibilities that goes beyond the bounds of time and space, and everyone in the world is connected.

KT leads the Fourth Industrial Revolution.

# GiGAtopia - Create the Future

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



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### Cover Story

'PEOPLE, TECHNOLOGY,' is delivering KT's willingness to lead the global ICT innovation through a warm-hearted Innovative technology with a human face. The cover expresses KT, the Korea's representative company who has advanced together with the communications history of the country is now advancing into the global by bringing the better future forward based on 5G innovative technology.

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The era of infinite possibilities that goes beyond the bounds of time and space, and everyone in the world is connected.  
KT leads the Fourth Industrial Revolution.



## Message from the Chairman, Board of Directors

**“KT will do its best to create a better future for humanity through sustainability management!”**

The year 2016 was a year of confirming the feasibility of the implementation of the UN's Sustainable Development Goals (SDGs). We have discussed the sustainable future of humankind in many countries, businesses and social communities around the world. KT has also announced the implementation of SDGs through ICT convergence technology.

As a representative Korean corporation, KT has contributed to the resolution of the information gap in Korea for a long time. The IT supporters, which started in 2007 and celebrated their 10<sup>th</sup> anniversary last year, are typical activities. The number of beneficiaries from elderly, low-income, handicapped, and multicultural families is over 3 million over 10 years.

In addition, KT has been promoting the 'GiGA Story' project, which has bridged the information gap in remote areas through ICT technology since 2014. In April, we not only opened 'Kyodong GiGA Island' in Ganghwa-gun, but also created a 'Global GiGA Island' in Mohejkali Island, Bangladesh, and have received praises from many interested parties both at home and abroad.

As a Chairman of the Board of Directors, I also attended the opening ceremony of 'Kyodong GiGA Island' and have seen KT's creative and innovative ICT technology.

KT has built a solid sustainability management system at the base of these social contributions. KT firmly believes that not only creating economic value but also accomplishing benefits for the people and protecting the environment are the company's responsibility and way to enhance corporate value.

This year's Board of Directors has ordered the strengthening of human rights management and ethical management, as well as enhancement of environmental management to cope with climate change, in resolving the 2017 sustainability management plan. Through these activities, KT will contribute to the implementation of the UN's SDGs while improving corporate sustainability.

2017 will be a meaningful year in which sustainability management and SDGs will spread thanks to new government policies. The KT Board of Directors will actively support the corporation as a leading company in sustainability management so that it can contribute to Korea's development as well as the better future of humanity.

Thank you.

Chairman, Board of Directors **Do-Kyun Song**



## Message from the CEO

**“KT - Making the future with innovative technology for the people. People. Technology.”**

It is the age of the Fourth Industrial Revolution. Since KT's declaration in 2015 that it will lead the Fourth Industrial Revolution with GiGA Infrastructure and ICT convergence, KT has been striving to show various innovative technologies for people. Now, the Fourth Industrial Revolution is not only a global trend, but also Korea's growth engine, and KT is making change in the center of the Revolution. As an engineer and KT's CEO, I am truly excited, having been thinking about how to transform society and bring about economic development through technological innovation.

However, looking at those around us there are still many who are alienated from ICT benefits and suffering from diseases worldwide. I believe that encouraging companies to participate in the UN Sustainable Development Goals (SDGs) with innovative solutions is a creative solution to the challenges facing humanity.

At the UNGC Leaders Summit in New York in June 2016, KT proposed a plan to prevent the spread of infectious diseases using Big Data. Until now, solutions for infectious diseases have mainly been made by pharmaceutical companies and bio companies.

However, using ICT technology, KT proposed a countermeasure against infectious diseases from a totally different perspective. KT's proposal received a lot of attention and thus, KT promoted for the participation of world leaders at the G20 Multi Stakeholder Conference held in Germany this year.

As a result of cooperation between the Bangladesh government and the International Organization for Migration (IOM) in the past two years, in April 2017, GiGA Island, which provides remote medical and education services based on high-speed Internet network, was built in Mohejkali. GiGA Island will not only become a new development model for developing countries using ICT technology, but will also be a leading model for the implementation of SDGs.

As such, KT constantly strives to overcome the limitations of humankind and solve global problems with innovative technologies for people such as 5G, Big Data, and AI. KT and all its employees will do their best for sustainable development around the world as well as services that provide convenience and comfort in the future. Your affection and interest in this would be much appreciated.


Thank you.

CEO **Chang-Gyu Hwang** **황창규**

# Company Overview

## Current Status and Key History

Established as Korea Telecom in 1981, KT has been Korea's largest comprehensive communications operator. KT is leading the era of innovations and has been advancing with Korea. KT merged with its subsidiary, KTF, in 2009 and is leading the smart era by introducing smartphones in Korea. KT is identifying and cultivating ICT convergence services in diverse industries through GiGA-class wire & wireless network infrastructure and cutting-edge information & communication technology. Based on its innovative technology capabilities, KT is advancing into the global No. 1 telecommunication company.



**Company name** KT Corp.

**Date of establishment** 10 December 1981

**CEO** Chang-Gyu Hwang

**Headquarters** 90, Bulljeong-ro, Bundang-gu, Seongnam City, Gyeonggi-do, Korea  
www.kt.com/eng/main.jsp

|   |  |  |
|---|--|--|
| <p><b>1981</b> Korea Telecom was founded</p> <p><b>1994</b> KORNET was commercialized for the first time in Korea</p> | <p><b>2009</b> Merged with its subsidiary, KTF</p> <p><b>2014</b> GiGA Internet was commercialized for the first time in Korea</p> | <p><b>2017</b> GiGA Internet surpassed 3 million subscribers</p> |
|---|--|--|

## Number of Users by Services

(Unit: thousand persons)

| Category                 | 2014          | 2015          | 2016          |
|--------------------------|---------------|---------------|---------------|
| Wireless Communications* | 17,328        | 18,038        | 18,892        |
| Wire Telephone           | PSTN**        | 13,849        | 13,268        |
|                          | VoIP          | 3,411         | 3,413         |
| High-speed Internet      | 8,129         | 8,328         | 8,516         |
| IPTV                     | 5,859         | 6,552         | 7,042         |
| <b>Total</b>             | <b>48,576</b> | <b>49,599</b> | <b>50,677</b> |

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

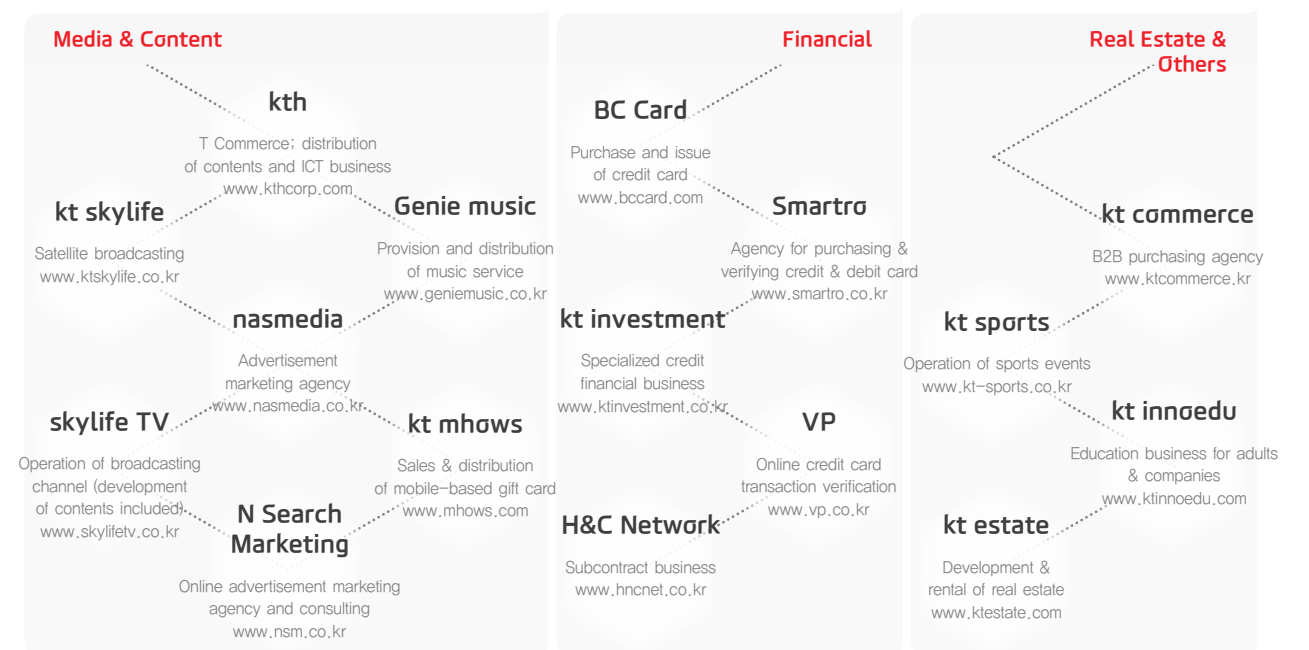
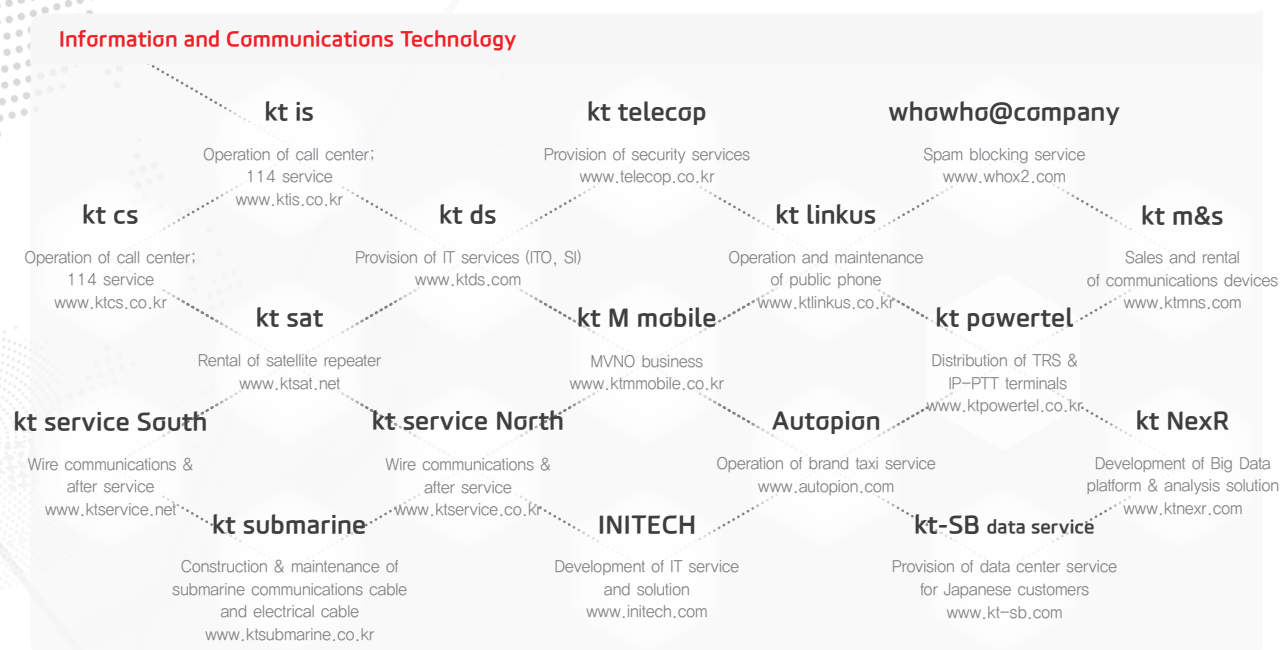
## Sales by Businesses

(Unit: KRW billion)

| Category         | 2014            | 2015            | 2016            |
|------------------|-----------------|-----------------|-----------------|
| Wireless         | 7,316.1         | 7,370.7         | 7,418.3         |
| Wire             | 5,540.0         | 5,158.7         | 5,064.9         |
| Media Contents   | 1,508.4         | 1,662.3         | 1,921.6         |
| Financial Rental | 3,221.4         | 3,411.0         | 3,427.8         |
| Products         | 3,250.5         | 2,767.4         | 2,736.6         |
| Other Services   | 1,475.3         | 1,911.0         | 2,174.5         |
| <b>Total</b>     | <b>22,311.7</b> | <b>22,281.2</b> | <b>22,743.7</b> |

\* In accordance with performance announcement and K-IFRS

## Current Status of Group Companies (As of December 2016)



# PEOPLE. TECHNOLOGY.

KT Advances and Benefits the World  
Through an Innovative Technology with a Human Face



## TECH LEADERSHIP

### Innovative Technology for Future

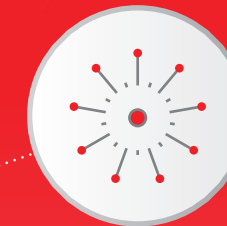
Innovative technology of the Fourth Industrial Revolution, developed by KT, Korea's representative corporation and has been leading and growing with the ICT industry of Korea



## GLOBAL GiGAtopia

### Realization of Global GiGAtopia

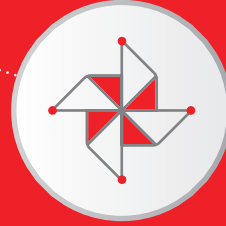
The world without limits introduced by the global leader, KT. The challenge for future of KT that the whole world watches



## INNOVATION

### Innovative Platform Service

Realization of diverse platform services and new world of ICT technology through KT's innovative technology



## SUSTAINABILITY

### UN Sustainable Development Goals

Quantum leap and soaring of KT, the sustainable company that provides innovative solutions against problems that the world is facing

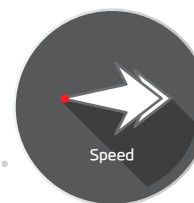
Waving the banner of innovation vigorously, KT has been leading the ICT industry of Korea and has advanced with Korea and her people.

Now KT is opening up the new era of innovation once again. KT is presenting the innovative technology that will drastically change the life of humankind through the Fourth Industrial Revolution.

## TECH LEADERSHIP



5G network refers to the next-generation mobile communication technology characterized by high-speed, seamless connection, and large capacity. KT has secured about 90 core technologies on 5G, and is leading the international standards since we have succeeded in the demonstration of the world's first 256Gbps 5G wireless transmission in 2016. In the era of the Fourth Industrial Revolution, the 5G will evolve into 'Intelligent Network' by mutually integrating IoT, Big Data, AI, etc. Furthermore, the 'Intelligent Network' will be the key to resolve problems that humankind is facing including environmental issues, diseases, etc.



### 5G Mobile Communication

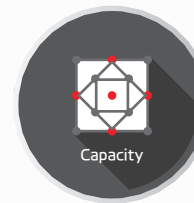
Succeeded the First Call\* based on 5G standard the first in the world (October 2016)

\* First call: 'End-to-End' data communication in connection with all components covering device, base station and infrastructure network



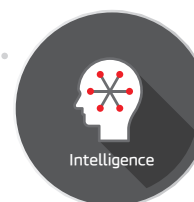
### GiGA IoT

KT's IoT Platform, IoT Makers Qualified the International Standard Certification (November 2016)



### GiGA Big Data

Advocated the World's First Project on Global Infectious Disease Prevention Project by using on Big Data (June 2016)



### GiGA AI

Launched the world's first AI set-top box, GiGA Genie (January 2017)

5G Networks



Intelligent 5G Network

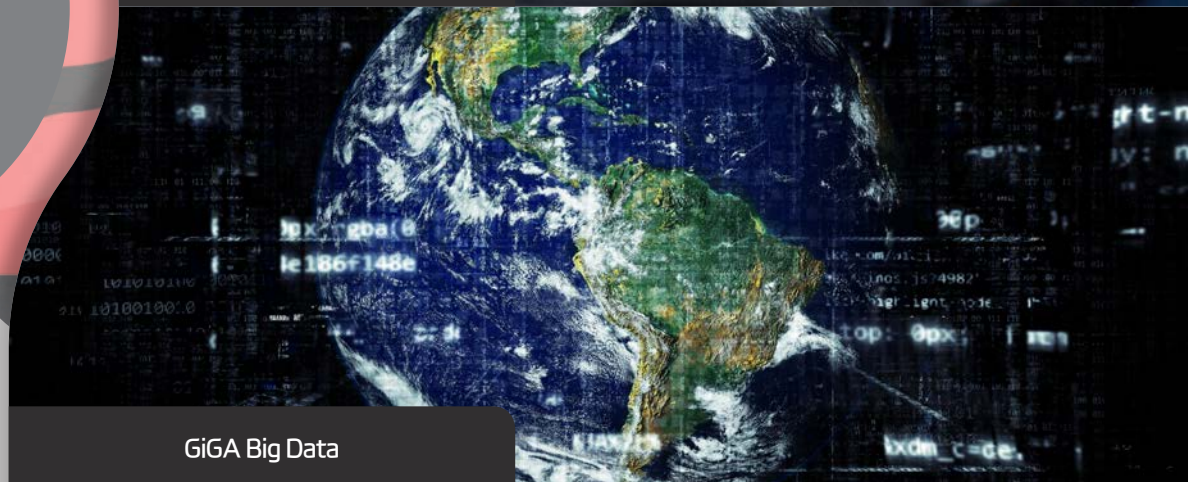
TECH LEADERSHIP



5G Mobile Communication



GiGA IoT



GiGA Big Data

인공지능 TV  
**GiGA Genie**



GiGA AI

  
Leading the International  
Standard for Intelligent  
5G Network

**Technology to Communicate 100 Times Faster than 4G**

5G network refers to an innovative mobile communication technology which can connect 1 million devices within 1km with the maximum download speed of 20Gbps. Since succeeding 5G data communication for the world's first in February 2016, KT is planning to introduce the world's first 5G service at 2018 Pyeongchang Winter Olympics as well as commercializing the 5G in 2019. Hence, KT is concentrating the corporate capability in developing 5G technology and for global standardization.

**Smart Technology that Connects Between Human and Things**

Internet of Things (IoT) is the core technology to realize KT's dream of GiGAtopia, where information is shared via wire & wireless network connection among diverse things in daily life. KT establishes IoT Data Ecosystem (IDE) with Global system for Mobile communications Association (GSMA) to excavate various ICT convergence service with IoT network based on our top-class Big Data analysis competency.

**Technology to analyze a huge amount of data**

The world is currently facing an era of a new industrial revolution due to ICT technology advancement. KT is standing tall leading the Fourth Industrial Revolution where intelligent factories are emerging through 'Soft Power' and cutting-edge products are released. Hence, KT is endeavoring to enlarge its ICT regions of Korea based on its top-class Big Data analysis capability and ICT technology.

**Technology for Intelligent Network**

Artificial Intelligence (AI) and robot technologies are the key technologies of the Fourth Industrial Revolution and for the new generation future technology which can innovate our lives. KT has opened a new market by launching GiGA Genie, the world's first AI IPTV based on voice recognition. Also KT is striving to secure an integrated AI technology covering language, voice, prediction and image.

5G Networks



Technology

Intelligent  
5G Network



The world is the stage for our business.

KT will widely open a new era of innovative technology to the world that has never been before.

The era of high-speed and hyper-connected that KT is presenting. The KT's challenge towards world without limits is in progress.

# GLOBAL GiGAtopia



Realizing Global GiGAtopia

GiGAtopia which KT pursues is a world without limits where everyone deserves comfort far beyond convenience based on intelligent network infrastructure. KT has caused sensations in the world by introducing the future that the next-generation intelligent network will bring at international stages such as UN Global Compact and Harvard Business School. In fact, We have been contributing to improving the quality of life for humankind based on ICT capability such as providing innovative solutions using Big Data to prevent infectious diseases that threaten humankind. KT's challenge for sustainable future that the whole world watches will be continued.



## Intelligent Network Infrastructure

Realization of GiGAtopia through the intelligent network infrastructure



## Infectious Disease Prevention Project

Global Infectious Disease Prevention Project by using Big Data



## 5G Pyeongchang

Realization of innovative technology through 5G Pyeongchang



## GiGA Story Project in Bangladesh

Expansion of world without limits through global GiGA Story projects



Management Goal



Accomplishment of Management Goal



Intelligent Network Infrastructure



Infectious Disease Prevention Project



5G Pyeongchang



GiGA Story Project in Bangladesh

### Realization of GiGAtopia through Intelligent Network Infrastructure

In September 2016, KT showcased 'Intelligent Network' as a next-generation network at the speech in Harvard Business School. The intelligent network is characterized by high-speed, large capacity, and seamless connection by providing convergence solution in its own network beyond simple delivery of information such as voice and data. Through the intelligent network, KT will realize 'GiGAtopia', which provides safer and more convenient life of humankind and creates new opportunities.

### Promotion of Global Infectious Disease Prevention Project by using Big Data

Analyzing roaming information of mobile phone users all around the world enable us to track the accurate dissemination route of infectious diseases threatening humankind. This is a proactive way of preventing the dissemination of the disease. At the end of 2016, KT has installed smart quarantine system based on loaming Big Data with Korea Centers for Disease Control and Prevention, and has been establishing 'Big Data Initiative on Disease Diffusion Mapping' system with major global communication operators. Thanks to those efforts, KT has received positive responses from the world as it was introduced at 'G20 Multi Stakeholder Conference' in 2017 as well as mentioned as one of agendas in Health area at 'G20 Summit Declaration.'

### Realization of Innovative Technology through 5G Pyeongchang

KT is preparing to demonstrate the world's first 5G network test bed and to provide a new and innovative technology that has never been before at Pyeongchang in 2018. Especially, KT will present the charms of 5G at Pyeongchang through diverse services based on 5G intelligent network such as 360 degree VR live, real-time hologram live, 5G security service and 5G automatic driving bus. To achieve this, KT successfully developed the world's first common standard of 5G, 'Pyeongchang 5G standard' in June 2016. We plan to complete the network construction optimized for 5G service by September 2017.

### Expansion of World without Limits through Global GiGA Story

GiGA Story is a next-generation shared value creation project to advance the living environment by providing GiGA Infrastructure and customized solutions at remote regions and areas where information gap is intensified. Since 2014, KT has promoted community-based projects in nation such as Imja Island, Baengnyeong Island, Cheonghaktong Village, and Kyodong Island. Based on the accumulated experiences, KT has successfully launched the first overseas GiGA Story project in Bangladesh in April 2017 and is implementing KT's dream for a world without limits.



Management Goal



Accomplishment of Management Goal

## GLOBAL GiGAtopia



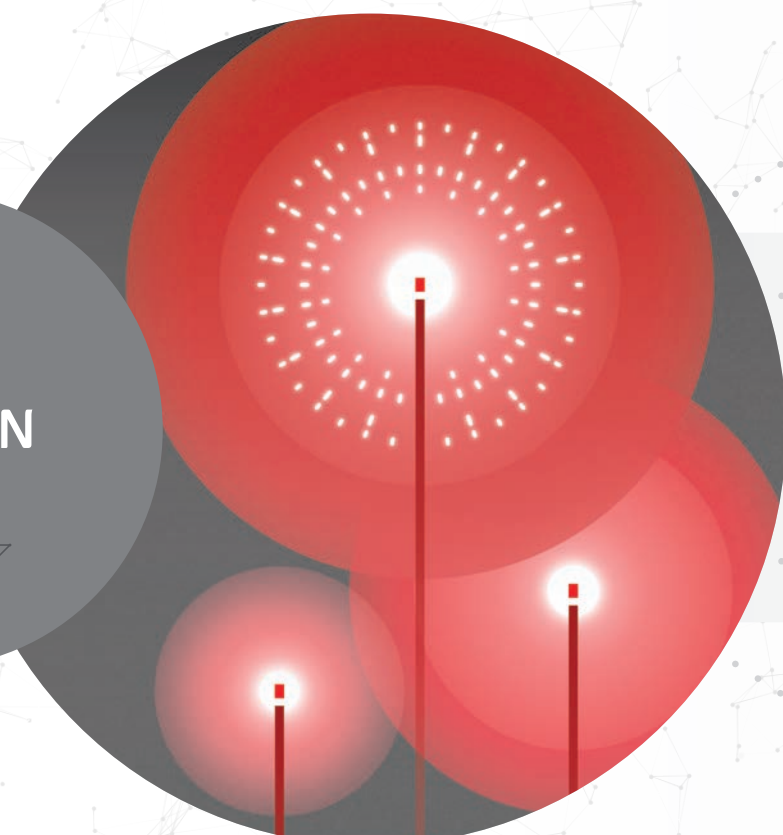
Realizing Global GiGAtopia

The limit of communication is fading away.

KT is overcoming limits of time and space, while creating GiGAtopia where everyone deserves comfort far beyond convenience.

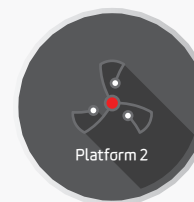
KT is opening a new horizon of ICT through a drastic challenge of providing diverse platform services beyond its communication services, while expanding its business territory from Korea to the global.

# INNOVATION



## Media Platform

Launched 'TV Soak,' the World's First IPTV Hyper VR Service (May 2017)



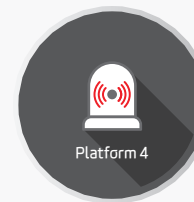
## Smart Energy Platform

Opened KT-MEG Center, the World's First Integrated Energy Management Platform (December 2015)



## Financial Trade Platform

Launched K Bank, the Korea's First Internet Bank (April 2017)



## Disaster, Safety and Security Platform

Promoted Projects for Public Safety Network including National Emergency Network, LTE-Railway, and LTE-Maritime.



## Value Empowerment Platform

Resolved Customer's needs by cooperating with partners

### The Five Platforms



### Cultivating the Five Platforms



Cultivating the Five Platform Services

A platform is a system for providing various services or products. As a result of drastic development of IT technology such as IoT and Big Data, new innovative services are releasing in the form of AI technology convergence. Hence, the role of platform has become more important than ever, as it can create and lead a new market.

KT is advancing into the platform operator based on its 5G intelligent network and providing differentiated services by defining the five future platforms: media, smart energy, financial trade, disaster, safety & security and value empowerment.

# INNOVATION



Cultivating the Five Platform Services



Media Platform

**A platform business providing new media consumption experience and leading the next-generation media based on Korea's No. 1 IPTV**

Major services - AI TV 'GiGA Genie,' realistic media including VR and AR.



Smart Energy Platform

**A business which creates new energy market based on the KT-MEG, the world's first integrated energy management platform**

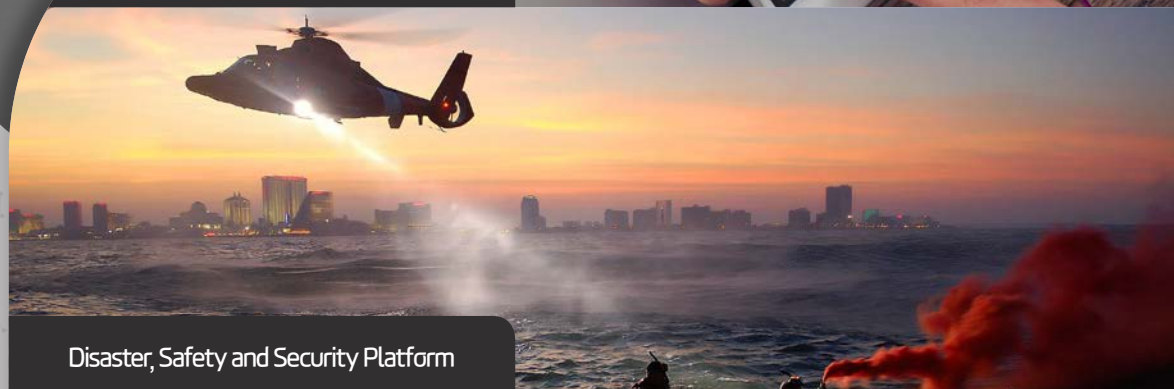
Major services - Provision of intelligent service throughout the entire sectors: production-consumption-trade including renewable energy, energy efficiency, demand response (DR) and EV charging.



Financial Trade Platform

**A platform business which provides customized financial trade service for customers based on its fintech capability such as verification and payment**

Major services - On- and offline integrated payment, next-generation verification, financial intermediation, and financial intelligence (credit rating information and financial big data).



Disaster, Safety and Security Platform

**Intelligent Safety business which delivers service and infrastructure for 'safety and reliable' for people based on intelligent analysis and monitoring platform**

Major services - Intelligent video service ('GiGAeyes'), information security solution, fire and environmental safety solution and next-generation public safety network.

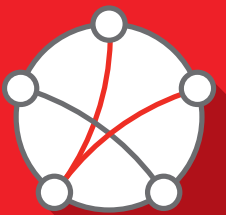


Value Empowerment Platform

**A business system for value empowerment by integrating KT Group's technology capability and know-how**

Major services - Empowerment of differentiated customer values through systematized and specialized Total Pull Marketing.

## The Five Platforms



New Growth Engine

## Cultivating the Five Platforms

The world of GiGAtopia, which KT dreams of, is the era of new innovative technology that considers and benefits people.

A wider world through innovation.

Happiness through the innovative technology.

KT is opening a new era of prosperity through 5G intelligent network and platform convergence services.

# SUSTAINABILITY



## Quality Education

Providing quality education tools through next-generation media technology and digital service



## Affordable & Clean Energy

Expanding Smart Energy Business through the environmental ICT service



## Industry, Innovation & Infrastructure

Realizing value empowerment through innovative 5G technology



## Sustainable Cities & Communities

Realizing new 5G Safety services through intelligent 3D, and drone controlling technology



## Decent Work & Economic Growth

Providing financial service based on Big Data, K Bank, the Korea's first Internet bank

Transforming Our World



Implementing UN SDGs



Implementing UN Sustainable Development Goals

The UN Sustainable Development Goals are the global mid- to long-term development plan of the United Nations consisting of 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. In order to create a better world, KT actively supports and participates in the UN Sustainable Development Goals through the 5G intelligent network and provision of the five platform services. To realize a sustainable plan of the UN, KT executes multidimensional efforts to implement the core goals closely related to communication business.

SUSTAINABILITY



Implementing  
UN Sustainable  
Development Goals



Quality Education

**Providing quality education tools through next-generation media technology and digital service**

**UN Goal** - Ensuring inclusive and quality education for all and promote lifelong learning by 2030.

**Major activities** - KT is providing quality education tools through next-generation media technology and digital service. In addition, KT has established the communication infrastructure for the accessibility of information and knowledge through a series of channels such as mobile phones, tablets and computers via internet.



Affordable & Clean Energy

**Expanding Smart Energy Business through environmental ICT services**

**UN Goal** - Ensuring access to sustainable energy by increasing the share of renewable energy and doubling the energy efficiency by 2030.

**Major activities** - Since KT has opened the world's first open-type complex energy management platform, KT-MEG in December 2015, we have provided about 16,000 sites with real-time integrated monitoring services such as energy efficiency, operating of demand-side resource, EV charging and renewable energy plants.



Industry, Innovation & Infrastructure

**Realizing value empowerment through innovative 5G technology**

**UN Goal** - Promoting sustainable industrialization through energy efficiency improvement, environment-friendly technology development, and innovation by 2030.

**Major activities** - In 2013, KT promoted route optimization for late-night bus in Seoul through wireless communication Big Data. KT is endeavoring to enhance value empowerment. In March 2017, we succeeded demonstration on automatic driving bus based on 5G network at Pyeongchang, the next Winter Olympics site.



Sustainable Cities & Communities

**Realizing a new 5G Safety service through intelligent 3D, drone controlling technology**

**UN Goal** - Making sustainable cities by supplying houses, improving transportation systems, and expanding urbanization by 2030.

**Major activities** - In February 2017, KT has newly opened the Korea's first 'Cyber Security Center,' combined security control system of network and IT. Hence we are realizing a safe society through intelligent 3D locating technology, mobile security platform (Wizstick) and drone controlling technology.



Decent Work & Economic Growth

**Providing financial service based on Big Data, K Bank, the Korea's first Internet bank**

**UN Goal** - Pursuing peaceful and inclusive society and system for sustainable development by 2030.

**Major activities** - KT has faithfully fulfilled its role as the main driver to develop the economy and make progress in the financial industry of Korea by launching K Bank in April 2017. K Bank is the Korea's first internet bank, which provides credit rating, medium interest rate, and easy loan based on Big Data

Transforming  
Our World



Implementing  
UN SDGs

# 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



Transparent Management

Sustainability Management

Focal Area 01

## Sustainability Management

### Management Approach

Beyond communication between people and people, and connections between people and things; a world where everyone can enjoy comfort beyond convenience. KT will improve the economy, protect the environment, and lead the way for our society to progress through a warm-hearted innovative technology with a human face.

Strategy Driver

Accomplishing  
Global No. 1  
Competitiveness

Objective Driver

Realizing  
Sustainable  
Future

Strategy Driver

Improving  
Corporate  
Transparency

Objective Driver

Pursuing  
Healthy  
Economic Growth

Focal Area 02

## Transparent Management

### Management Approach

Transparent and ethical corporate management is the first step toward building trust. As a trustworthy representative Korean corporation, KT has established a transparent corporate governance structure, established a healthy corporate culture through ethical management activities, and endeavored to secure management stability through integrated risk management.

# Corporate Philosophy & Strategy

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



**Driving Forces** Today, the world is experiencing the most rapid changes in human history due to the emergence of new technologies such as Artificial Intelligence, Big Data, and the Internet of Things and the spread of confluence among industries. In order to achieve sustainable growth in such a business environment, it is essential to establish a new level of corporate goals and to mobilize innovation capabilities to lead the market.

**KT's Approach** KT is advancing beyond telecom carriers in the traditional sense to become platform operators based on intelligence networks with advanced ICT (Information, Communication, Technology) capabilities. KT is the No. 1 innovative technology company to lead innovation that raises the competitiveness of the industry as a whole.

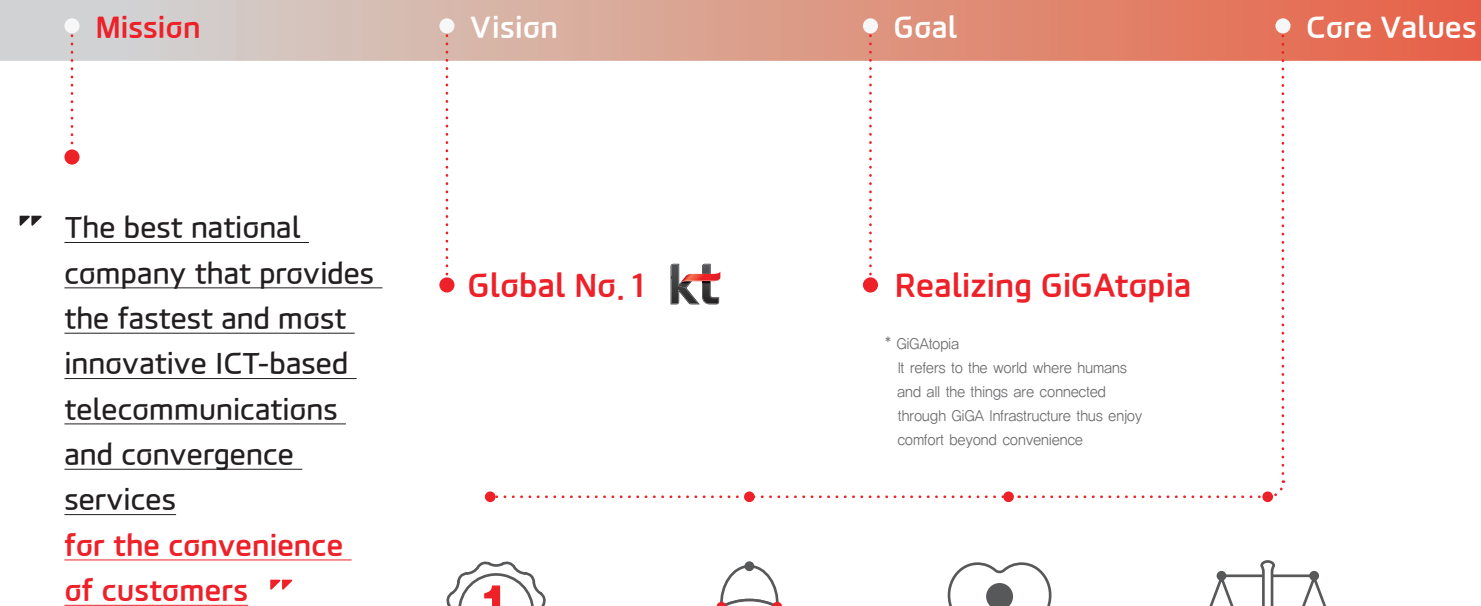
## Corporate Philosophy

### Mission and Vision

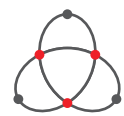
KT explicitly announces its reason for existence and corporate philosophy through the corporate mission: the best national company that provides the fastest and most innovative ICT-based telecommunications and convergence services for the convenience of customers. In order to realize the mission successfully, we have established the vision of 'Global No. 1 KT' and have been leading innovative technologies. We are highly valued from the world for expanding future convergence ICT, presenting global GiGA solutions and leading the international 5G standard.

### 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 and breaking through the limits. KT is also striving to break walls between departments through listening and collaborating centered on the 'Top Rank Workshop,' a unique innovation platform of KT. Furthermore, we will not merely 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. KT starts taking one step further toward promising tomorrow with the strong conviction and passion of its people.



**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

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

## Three Management Strategies for Innovative Technology

We are fully committed to achieve the corporate mission and vision successfully through the establishment of a management goal, the 'Realizing GiGAtopia' in 2014. GiGAtopia refers to the world where humans and all the things are connected through GiGA Infrastructure thus enjoy comfort beyond convenience. KT will realize GiGAtopia and advance into a company with No. 1 innovative technology leading the Fourth Industrial Revolution by driving the three corporate strategies: 5 platform business development, delivering differentiated value through intelligent network and customer first management.

### 01 The Five Platform Business Development

Based on intelligent network and technology in ICT convergence, KT has selected the five platform business and promoted as the future core businesses: Media, Smart Energy, Financial Trade, Disaster, Safety & Security and Value Empowerment. The five platform businesses can utilize KT's existing asset and capability in the most efficient way based on its competitiveness of main business. KT will be the Global No. 1 Company leading the Fourth Industrial Revolution through the five platform businesses.

Establishment of KT-MEG Center (December 2015), Completion of major demonstration projects for public safety LTE (June 2016), The number of subscribers to IPTV reaching 7 million (November 2016), Launched internet bank 'K Bank' (April 2017), The number of subscribers to GiGA Internet reaching 3 million (May 2017)

### 02 Delivering Differentiated Value Through Intelligent Network

KT is leading the wire & wireless GiGA Infrastructure such as the world's first GiGA LTE and Korea's first GiGA Internet to realize GiGAtopia. In responding to the upcoming 5G era, KT is not only providing simple connection & fast speed but also KT's differentiated network value by integrating intelligence capability such as Cloud, Big Data, AI and IoT.

Commercialization of GiGA Internet for the nationwide (October 2014), Commercialization of GiGA LTE (June 2015), Completion of Pyeongchang 5G standard (June 2016), Achievement of 5G first call (October 2016)

### 03 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 Headquarter' while the execution capability for the customer first management has been secured through the Committee with Customers in Priority mainly consisting of top executives. Furthermore, KT will advance into a company with No. 1 innovative technology beneficial to people by establishing a customer awareness of 'telecommunications is an innovative technology.'

The Grand Prize of Korea Service Grand Prix 2016 (July 2016), The Grand Prize for customer satisfaction of KMAC 2016 (December 2016)

## KT Explicitly Announces its Advancement into a Company with No. 1 Innovative Technology

In March 2017, KT held the 'Group Management Strategy Day in the First Half of 2017,' with 400 employees of KT and the Group companies. Starting the second management term, Chang-Hyu Hwang, CEO of KT, declared that KT will concentrate the Group-wide capability to become a platform business operator and take one step forward to be a group with No. 1 innovative technology leading the global market. Moreover, employees are asked to internalize the 'communication and cooperation' as the KT's unique corporate culture. In order to be the innovative leader to enhance competitiveness of all industries, KT will fortify the 'Five Platforms' as core businesses for the future, and the platforms are as following: media, smart energy, financial trade, disaster & safety, and value empowerment.



Group Management Strategy Day



# Sustainability Management System

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



**Driving Forces** The world is currently facing the most challenging era throughout human history, caused by various factors such as the global climate change, demographic changes and worsening resource depletion. These demands of the times provide companies with the momentum of change to solve the problems that humankind is facing through the development and application of innovative technologies while gaining momentum for new growth.

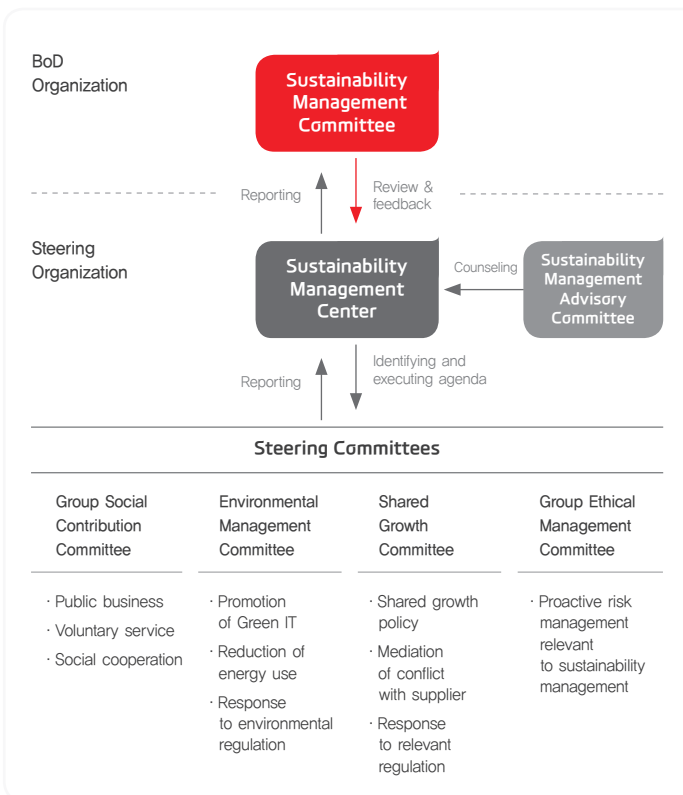
**KT's Approach** KT has led the era of innovation at every corner of Korean history, and is now advancing into a sustainable world through innovative technology for humankind. KT has established 'Global GiGAtopia' as a vision of corporate-wide sustainable management for the whole world and established long-term goals and key sustainability indicators in 2020 to promote sustainable management throughout the company.

## Strategy and Organization for Sustainability Management

KT, as the global 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. In April 2016, KT has established the 'Sustainability Management Committee' under the Board of Directors to deliver the strategy corporate-wide effectively, which was the first time in the Korean industry. Moreover, the Sustainability Management Center, a responsible practical body, has 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. Hence, KT has established sustainability management strategy which includes the three sustainability management goals for 2020 as well as the KT Sustainability Index (KSI) in six management areas based on the model of creating shared value which creates corporate and social value at the same time.

Long-term Sustainability Management Goal: Realizing Global GiGAtopia

### Corporate-wide Sustainability Management Organization



GiGAtopia refers to a world where humankind and things are connected through GiGA Infrastructure and thus everyone enjoy comfort far beyond convenience. KT is devoting to realize GiGAtopia throughout the world by executing and spreading its corporate-wide sustainability management.

3 Sustainability Management Areas

**GiGA Prosperity**

New Era of Prosperity Created by GiGA Infrastructure

6 Sustainability Management Areas

**Sustainability Management**

**AREA 01**

Sustainability strategy establishment, Monitoring, KSI\* management  
\* KSI: Key Sustainability Indicators

**Transparent Management**

**AREA 02**

Governance, Ethical management, Risk management

3 Sustainability Management Areas

**GiGA Planet**

New Era of Innovation Opened Up by GiGA Infrastructure

**Customer First Management**

**AREA 03**

Customer management/R&D, Brand management, Information security

**Environmental Management**

**AREA 04**

Environmental policy & system, Environmental performance management, Response to climate change

3 Sustainability Management Areas

**GiGA People**

New Era for Humankind Presented by GiGA Infrastructure

**Talent Management**

**AREA 05**

Labor & human rights, Human resource development, Compensation

**Shared Growth Management**

**AREA 06**

Social contribution, Supplier management, Social cooperation

## Long-term Sustainability Target & Performance Indicators

**Long-term Target**  
**Investing KRW 13 Trillion by 2020**

Realizing the global economic prosperity through promotion of the Fourth Industrial Revolution by investing total KRW 13 trillion in GiGA Infrastructure and ICT convergence sectors



| Performance Indicator  | Goal 2020 (KRW 100 million) |
|--|-----------------------------|
| Investment in GiGA Infrastructure and ICT convergence technology & service | 130,000                     |
| Revenues of ICT convergence business                                       | 26,462                      |
| Revenues of global business  | 20,000                      |
| Profit from dissemination of GiGA Internet                                 | 629,000                     |

**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   | Goal 2020 (KRW 100 million) |
|---|-----------------------------|
| Environmental benefit due to environment-friendly ICT service and energy efficiency | 31,411                      |
| Customer benefit due to Smart Energy service  | 12,393                      |
| Customer benefit due to Networked Transportation service                            | 8,300                       |

**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   | Goal 2020 (KRW 100 million) |
|---|-----------------------------|
| Social value created through social ICT, social contribution, and shared growth | 41,561                      |
| Revenues of Next-generation Media service                                       | 1,348                       |
| Contribution to health promotion through Life-enhancing Care service            | 2,730                       |
| Contribution to social progress through Integrated Safety service               | 1,691                       |

## Material Sustainability Issues

KT has selected material sustainability issues and applied to its management regarding the International <IR> Framework of the International Integrated Reporting Committee (IIRC) based on the GRI (Global Reporting Initiative) Standards 100-400 and G4 guidelines that are the international guidelines for the sustainability reporting every year. 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 340 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 33 issues in 6 areas have been selected.

#### 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 5,448 articles reported by domestic press in 2016

#### Review on Internal & External Managerial Materials

Reflected external trends surrounding KT as well as internal material issues

### STEP 02 Prioritizing Sustainability Issues

#### Prioritizing material issues excavated through the materiality test

Total 10,073 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.

#### 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 2017

#### Period

20 March 2017 - 29 March 2017 (10 days)

#### Survey channel

Survey email, KT website

### Distribution of Stakeholder Value

|                                     |  |
|-------------------------------------|--|
| <b>Employees</b>                    | <b>KRW 2,016 billion</b><br>Total annual salary; total retirement payments and employee benefits |
| <b>Suppliers</b>                    | <b>KRW 2,402.2 billion</b><br>Total procurement from suppliers and service costs                 |
| <b>Local Communities</b>            | <b>KRW 81.11 billion</b><br>Total investment in community, donation, and sponsorship             |
| <b>Shareholders &amp; Investors</b> | <b>KRW 195.98 billion</b><br>Cash dividends  |

### 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: 15 core sustainability issues, 25 material issues, and general issues. They have been reflected to the integrated report according to the level of reporting by issues.

#### Core Sustainability Issues

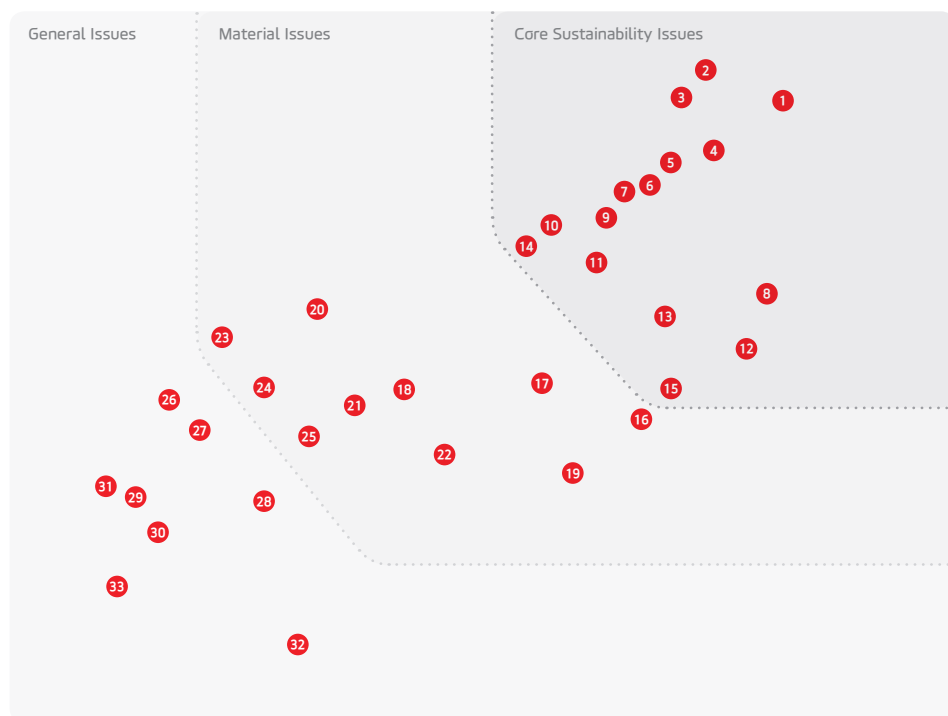
Issues that interest and influence of the entire stakeholder group are extremely high

#### 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



[www.kt.com/eng/sustainability/disclosure.jsp](http://www.kt.com/eng/sustainability/disclosure.jsp)

## GiGA Prosperity

**Sustainability Aspect**  
**Sustainability Management** p. 20-25

**GRI Aspect**  
\* Strategy and Analysis, \* Organizational Profile, \* Identified Material Aspects and Boundaries, \* Stakeholder Engagement, Economic Performance, Indirect Economic Impacts

**Sustainability Issues**  
① Enhancing capability in communications, ⑦ Establishment of vision and goal, ⑨ Fostering new growth business, ⑫ Generation of economic outcome, ⑳ Contribution to national economy, ㉓ Overseas advancement

**Transparent Management** p. 26-33

**GRI Aspect**  
\* Governance, \* Ethics and Integrity, Anti-corruption, Public Policy, Anti-competitive Behavior

**Sustainability Issues**  
③ Transparent corporate governance, ⑥ Business ethics and law compliance, ⑫ Fair competition and trade, ⑮ Risk management and response, ⑰ Management of mid- to long-term strategic risk

**Customer First Management** p. 36-43

**GRI Aspect**  
Products and Services, Marketing Communications, Customer Privacy

**Sustainability Issues**  
② Information protection and enhanced security, ④ Customer first management, ⑤ Innovative Management and R&D, ⑩ Online security, ⑰ Brand management

**Environmental Management** p. 44-53

**GRI Aspect**  
Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste

**Sustainability Issues**  
② Energy, ⑬ Electromagnetic wave, ⑰ Environmental policy and system, ⑳ Greenhouse gas (GHG), ㉑ Climate change strategy, ㉓ Waste

**Talent Management** p. 56-63

**GRI Aspect**  
Employment, Labor & Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Equal Emuneration for Women and Men

**Sustainability Issues**  
⑧ Appraisal and compensation, ⑪ Human resource and capability development, ⑮ Work-life balance, ⑰ Employee health and safety, ㉒ Human rights protection and diversity

**Shared Growth Management** p. 64-75

**GRI Aspect**  
Suppliers, Local Communities

**Sustainability Issues**  
⑰ Law compliance of suppliers, ㉒ Sustainable suppliers management, ㉓ Engagement with local communities and aid for disaster relief, ㉔ Narrowing the gap of information access, ㉕ Shared growth policy, ㉖ Social contribution

## Definition and Engagement of Stakeholders

**Group**  
**Academia & Experts**

**Type and Frequency of Engagement**

- 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)

**Shareholders & Investors**

- General Shareholders' Meeting (Annually)
- CEO Management Information Session (Annually)
- Earnings Announcement (Quarterly disclosures, conference calls)
- IR News (Once or twice a month)
- Domestic & Overseas NDR (Year-round)
- IR Website

**Government & Media**

- Press Release (Year-round)
- Press Conference and Public Hearing (Year-round)
- PR Channel on Website

**Customers**

- 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)

**Environment**

- Environmental Management Committee (Year-round)
- Verification of GHG Emissions (Twice a year, scope I, II and III)

**Employees**

- 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 Center, KT 119 (Offline)
- Company Newspaper, In-house News, In-house Online Forum, and Frequent Messaging

**Suppliers**

- Partner's Camp (Year-round)
- Information Sharing Council (Year-round)
- On-site Shared Growth Discussion (Year-round)
- KT Partner's Conference (Year-round)

**Local Communities**

- Discussion with Local Communities, Survey, SNS, Website
- Supporting Local Children Center (Dream Center)
- IT Education (Year-round)

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

# Transparent Corporate Governance

www.kt.com/eng/ir/governance.jsp



**Driving Forces** Establishment of transparent corporate governance is the foundation for sustainable development. By establishing a sound and efficient governance structure based on balance and containment, a management environment that enables rational decision-making can be created. This enables companies to execute successful business practices to drive innovation and growth.

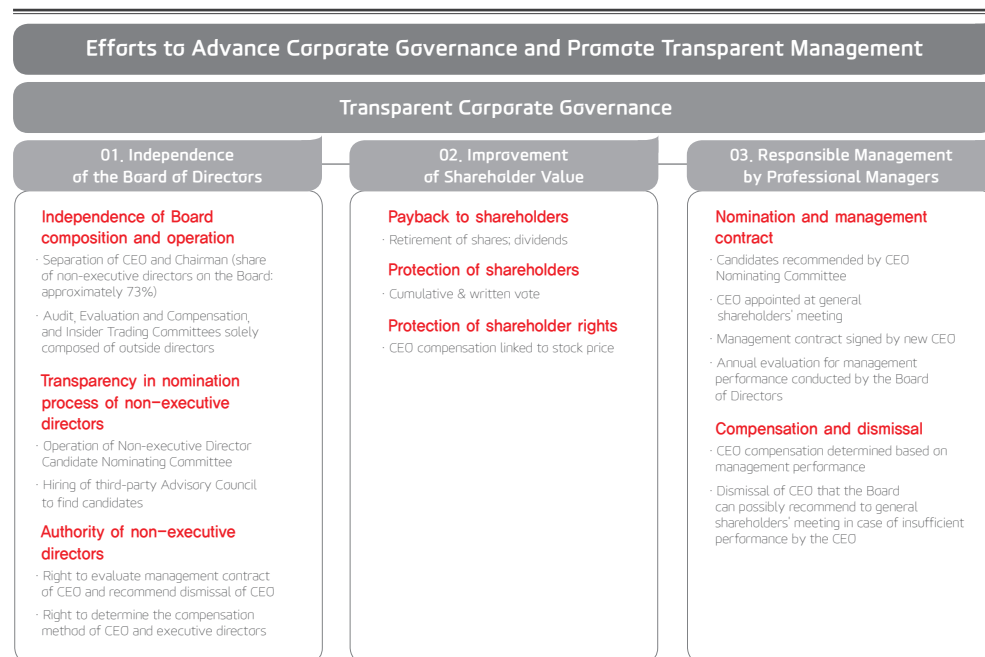
**KT's Approach** In order to ensure transparency in corporate governance, KT adopts corporate governance best practices recommendations, in line with international standards and promotes responsible management by professional managers. In addition, the independent Board of Directors contributes to the enhancement of corporate value through effective checks and professional advices in the decision-making process.

## Corporate Governance Principles

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

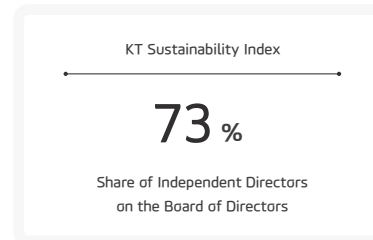
We have selected the Korea Exchange (KRX) Social Responsibility Investment (SRI) Governance Index that satisfies the Global Standard. Thus, we have consolidated the management by professional managers and transparent corporate governance system by the independent Board of Directors. Particularly, the 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. In 2016, KT received the A level on the Environmental, Social, and Governance (ESG) Evaluation of the Korea Corporate Governance Service (CGS).

### KT's Corporate Governance Model



## Independence and Diversity of the BoD

Data Analysis, Retrieval and Transfer System (DART), Financial Supervisory Service  
dart.fss.or.kr



## Operation of Committees in the BoD

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, the share of non-executive directors on the Board is 73% and the Chairman of the Board is selected among non-executive directors and appointed by the resolution of the BoD. The authorities of non-executive directors have the rights to evaluate management contract of CEO, to recommend dismissal of CEO, and to determine the compensation method for CEO and 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 each field who can give professional advices to the shareholders meeting for the development of KT. 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.

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

### Current Status of Committees in the BoD

(As of March 2017)

| 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  |
| Related-party Transactions 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 Recommendation Committee                         | All non-executive directors; 1 executive director  | Research and review about CEO candidates and recommendation to general shareholders' meeting   |
| Outside Director Candidates Recommendation Committee | All non-executive directors*; 1 executive director | Research and review about non-executive director candidates and recommendation to general shareholders' meeting                                    |

\* Excluded the non-executive directors whose term had been expired

## Current Status of the BoD

(As of March 2017)

|   |  |   |   |  |  |  |  |  |   |  |
|---|--|---|---|--|--|--|--|--|---|--|
| <p>• Executive director<br/><b>Chang-Gyu Hwang</b></p> <p>CEO &amp; President<br/>Chairperson of Management Committee<br/>(Current) CEO, KT<br/>(Former) President &amp; National CTO,<br/>Office of Strategic R&amp;D Planning</p> | <p>• Executive director<br/><b>Heon-Moon Lim</b></p> <p>Member of Sustainability Management Committee<br/>Member of Management Committee<br/>(Current) Head, Chief Marketing Office, KT<br/>(Former) Head, Customer Business Group, KT</p> | <p>• Executive director<br/><b>Hyeon-Mo Ku</b></p> <p>Member of Corporate Governance Committee<br/>Member of Management Committee<br/>(Current) Head, Chief Operating Office, KT<br/>(Former) Head, Chief Secretary, KT</p> | <p>• Non-executive director<br/><b>Do-Kyun Song</b></p> <p>Board Chairman<br/>Member of Evaluation and Compensation Committee<br/>Member of Corporate Governance Committee<br/>Member of Related-Party Transactions Committee<br/>(Current) Advisor, Bae, Kim &amp; Lee LLC</p> | <p>• Non-executive director<br/><b>Sang-Kyun Cha</b></p> <p>Director of Sustainability Management Committee<br/>Member of Audit Committee<br/>(Current) Professor, College of Electrical Engineering &amp; Computer Science, Seoul National University</p> | <p>• Non-executive director<br/><b>Jong-Goo Kim</b></p> <p>Director of Audit Committee<br/>Member of Corporate Governance Committee<br/>(Current) Corporation lawyer, New Dimension Law Group<br/>(Former) 46<sup>th</sup> Minister of Justice</p> | <p>• Non-executive director<br/><b>Suk-Gwan Chang</b></p> <p>Director of Corporate Governance Committee<br/>Member of Evaluation and Compensation Committee<br/>Member of Sustainability Management Committee<br/>(Current) Dean of School of Business, Hanyang University</p> | <p>• Non-executive director<br/><b>Dae-Keun Park</b></p> <p>Director of Related-Party Transactions Committee<br/>Member of Audit Committee<br/>(Current) Professor, College of Economics and Finance, Hanyang University</p> | <p>• Non-executive director<br/><b>Dong-Waok Chung</b></p> <p>Director of Evaluation and Compensation Committee<br/>Member of Audit Committee<br/>Member of Sustainability Management Committee<br/>(Current) Senior Counsel, Law Firm Kim, Choi &amp; Lim</p> | <p>• Non-executive director<br/><b>Gae-Min Lee</b></p> <p>Member of Corporate Governance Committee<br/>Member of Related-Party Transactions Committee<br/>(Former) Advisor, Korea News Editors' Association Fund<br/>(Former) Editor-in-chief, The Korea Economic Daily</p> | <p>• Non-executive director<br/><b>Il Im</b></p> <p>Member of Evaluation and Compensation Committee<br/>Member of Related-Party Transactions Committee<br/>Member of Sustainability Management Committee<br/>(Current) Professor, Business Administration, Yonsei University</p> |
|---|--|---|---|--|--|--|--|--|---|--|

### Operation and Assessment of the BoD

In 2016, KT held 9 Board meetings to deliberate and resolve on a total of 44 agendas including 'Establishment and Composition of Sustainability Management Committee (draft).' Moreover, KT has reinforced communication by holding 7 advance conferences for BoD and 2 management information sessions for newly appointed directors. 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. The result of BoD evaluation in 2016 is 4.24 out of 5.

#### Current Status of BoD Activities

| No. | Date              | Agendas  | Number of attending non-executive directors (Maximum number) |
|-----|-------------------|--|--|
| 1   | 28 January 2016   | Approval of the 34 <sup>th</sup> (separate and consolidated) financial statements (draft) and 4 other agendas  | 8 (8)  |
| 2   | 3 March 2016      | Partial changes in the articles of association (draft) and 13 other agendas                                    | 8 (8)  |
| 3   | 25 March 2016     | New frequency assignment plan (draft) and 1 another agenda   | 8 (8)  |
| 4   | 28 April 2016     | Establishment and Composition of Sustainability Management Committee (draft) and 6 other agendas               | 8 (8)  |
| 5   | 22 May 2016       | 2.1GHz frequency re-assignment plan (draft)  | 8 (8)  |
| 6   | 28 July 2016      | Reporting of financial statements (separate and consolidated) for first half of FY 2016 and 5 other agendas    | 7 (7)  |
| 7   | 23 September 2016 | Revision of the BoD rules (draft)  | 6 (7)  |
| 8   | 28 October 2016   | Reporting of financial statements (separate and consolidated) for third-quarter of FY 2016 and 4 other agendas | 7 (7)  |
| 9   | 8 December 2016   | Management plan for 2017 (draft) and 2 other agendas   | 7 (7)  |

\* An executive director Jung-Tae Park resigned on 31 December 2015  
 \* A non-executive director Dai-Won Hyun resigned on 8 June 2016

### 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 of KT 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 2016 performance evaluation, the CEO remuneration was 18.87 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 the Remuneration of BoD Members

(As of 31 December 2016, Unit: KRW 100 million)

| Category   | Limit approved by the general shareholders' meeting | Total remuneration | Average remuneration per person |
|--|---|--------------------|---------------------------------|
| Executive directors (3 persons)                                      |   | 42.92              | 14.31                           |
| Non-executive directors who serve Audit Committee (4 persons)        | 59  | 3.42               | 0.85                            |
| Non-executive directors who do not serve Audit Committee (3 persons) |   | 3.00               | 1.00                            |

\* The number of directors: As of 31 December 2016, the amount of total remuneration is the total remuneration made in 2016 and it includes the amount of remuneration of retired and resigned directors.  
 \* Average remuneration per person is the amount of total remuneration simply divided by the number of registered directors at the end of fiscal year.

## Reinforcement of Ethical Management

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



**Driving Forces** Ethical management is the basis for maximizing the efficiency of the market and the people, and for maintaining corporate sustainability from regulatory risks. Ethical management is becoming increasingly more important as the 'The Improper Solicitation and Graft Act' is being enforced, and the level of corporate ethics has become more relevant to the formation of reputation among consumers through social media channels.

**KT's Approach** As a responsible national corporation, KT is committed to internalizing ethical management, establishing fair competition, and complying with tax obligations. By strengthening the ethical management system centering on the company code of ethics, we are raising the ethical minds of all employees and Group companies. As a participant in the 'Fair Player Club' led by the UN Global Compact, we are taking the lead in establishing ethical management culture for our cooperative companies and business partners.

### Ethical Management System

KT acknowledges that the ethical management is a basis to fulfill its social responsibility and to establish the foundation for customer first management. Hence, we have identified the five major behavioral practices based on 'New Ethical Business Principles.' Furthermore, KT has been trying its best to reinforce the ethical culture within the organization by implementing a series of activities: execution of the ethical management, lectures & campaigns and operation of communication channels.

#### Ethical Management Principle and System

**No. 1 KT's New Ethical Business 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.

|  |  |
|--|--|
| <b>Principle 1.</b><br>Customer First            | <b>Customers are our top priority.</b><br>1-1. We respect and thoroughly protect the value and information of our customers.<br>1-2. We ceaselessly create differentiated value that assists our customers.  |
| <b>Principle 2.</b><br>Law-compliance Management | <b>We fully comply with all regulations and standards.</b><br>2-1. We act fairly and transparently in accordance with the law and business ethics.<br>2-2. We secure and maintain management transparency and strictly protect trade secrets.  |
| <b>Principle 3.</b><br>Fulfilling the Basics     | <b>We stick to the basics and principles.</b><br>3-1. We value the interest of the entire company in making reasonable and objective decisions and in responsibly representing the company.<br>3-2. We separate private matters from those of work life activities and take the lead in creating a sound and ethical corporate culture.  |
| <b>Principle 4.</b><br>Ownership                 | <b>We believe in our own solidarity as a company with a self-initiated sense of ownership.</b><br>4-1. We do not fear failure: we continuously push ourselves to reach higher.<br>4-2. We seek efficiency gains through autonomy and empowerment.  |
| <b>Principle 5.</b><br>Social Responsibility     | <b>We fulfill our social responsibility and obligation as a people's company.</b><br>5-1. We protect the rights and interests of shareholders and improve the quality of life for our employees.<br>5-2. We value and respect the environment, safety, and human rights.<br>5-3. We commit ourselves to social contribution initiatives and forge shared-growth partnerships with business partners. |



**Ethical Management System**

| Ethical Management Practices  | Ethical Management Education & Campaign   | Ethical Management Communication Channels  |
|---|---|--|
| <b>Standards</b><br>- Signed the pledge to abide by the New Ethical Management Principles<br>- Distributed 'Code of Conducts by Executives and Employees for Management of Corporate-wide Risks'<br>- Revised and announced Practical Guideline for Ethical Management Principle<br>- Revised and executed a special stipulation Ethical Practices<br><b>Monitoring</b><br>- Launched year-round and special initiatives to monitor Ethical Practices | <b>Education</b><br>- Conducted ethical management education for employees (monthly)<br>- Provided direct lecturing on ethical management (by departmental heads)<br><b>Campaign</b><br>- Promoted Clean 365 campaign for employees<br>- Implemented integrity obligation for employees | <b>Preventive channels</b><br>- Ethical Management FAQ<br>- Clean 365 Center<br>- Risk Consultation Channels<br><b>Post-reporting channels</b><br>- Reports of violation cases against business ethics<br>- Hotline to the Chairman of the Board of Audit and Inspection |

**Reinforcement of Ethical Management System**

**Enhancement of Ethical Management Standard**

For efficient execution of New Ethical Management Principles, KT has established 'Guideline for New Ethical Management Principles.' It stipulates decision making, standards of behavior and reporting procedures about ethical issue that employees face in work. In September 2016, to comply with 'The Improper Solicitation and Graft Act' in a corporate-wide level, KT has intensified the standards of ethical management. Hence, we revised and materialized the guideline for principles to reinforce the ethical management standards. Furthermore, all employees have expressed willingness and responsibility to comply with the law faithfully by writing certificate of compliance.

**Education System for Ethical Management**

Direct lectures on the ethical management have been representative KT's education program since 2014: on a monthly basis, heads of every department provide employees with lectures according to the 'New Ethical Management Principles,' such as concept and system of the ethical management as well as about the current status of KT's ethical management, thus helping to foster the ethical consciousness of employees. Moreover, the Head of Ethics Center offered lectures to newly-appointed management executives including senior managers; the Head of Ethics Center is the chief of the ethical management within the company. Besides, a mandatory education is being executed for all employees with the e-learning ethical management contents so that employees can be given the education at any time. In 2016, prior to the enforcement of 'The Improper Solicitation and Graft Act,' KT published and distributed 15 types of 'Casebook for The Improper Solicitation and Graft Act in each Division' which defines precautions for each task. In 2017, we have provided systematic offline job specific education to the ethical management staffs.



Ethical Management Page on KT's Intranet

**Expansion of Ethical Management into Group Companies**

In order to fortify the 'Single KT,' at the ethical management level, we have also provided the Group companies with workshops and ethical management educations for responsible personnel on a quarterly basis. We are sharing the best and problematic cases of the ethical management with the Group companies through the regular education. In addition, we provide support by posting education materials and reference cases on the bulletin board of Group companies so that they can reform their ethical management infrastructure at any time. Since 2015, we have been providing in-depth practical education for Group company's ethical management staffs through 'Management Diagnosis Academy,' which consists of internal or external experts.

**Breach Reporting and Ethical Improvement**

For the sound corporate culture, we have been operating a 24-hour reporting channel for ethical violation cases, such as bribery and entertainment for compensation, unfair pressure, and information leakage; reports are accepted and processed in real time in a transparent manner. In addition, all submitted reports are kept confidential in order to protect the anonymity of informants while reference numbers are given to informants enabling the real-time status check. Reported cases that concluded to punishments due to violations on business ethics in 2016 are total 27 cases, reduced by 20.6% compared to the previous year.

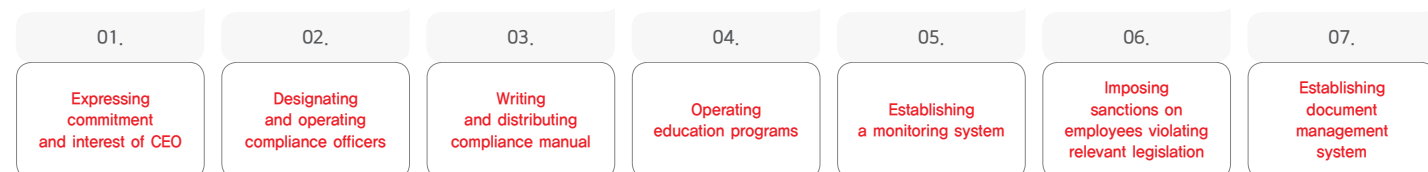
**Fair Competition Autonomous Compliance Program (CP)**

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. The program is being conducted by professional lawyers while establishing fair competition organizations for regular examination.

**Settlement of Fair Competition**

Reporting Channel of Violation Against Business Ethics  
[www.kt.com/corp/sinmun\\_01.jsp](http://www.kt.com/corp/sinmun_01.jsp)

**Seven Elements of Autonomous Compliance Program**



**Enhancing Autonomous Compliance of Fair Competition**

KT has made efforts to settle the fair competitive culture within the industry and to reduce regulation risks by operating the Fair Competition Autonomous Compliance Program: reporting center for unfair behaviors, prior examination for the fair competition, and online education for employees. We also conducted total 235 prior examinations for the fair competition in 2016. The employees' awareness of the compliance has been reinforced as well through online education about the fair competition and offline education half yearly. In 2017, we conducted internal audits in a regular basis to check the compliance of the Fair Competition Autonomous Compliance Program within the Group, thus minimized the possibility of legal violation while reinforcing the fair competition system.

**Status of Judgement by Regulatory Institutions**

In 2016, the Korea Communications Commission imposed two sanctions against KT with a penalty of about KRW 590 million for legal violation cases including 'Telecommunications Business Act.' The Fair Trade Commission also sentenced corrective orders on KT for 'Broadband LTE coverage and advertisement of unreasonable comparison of quality' KT faithfully implemented corrective measures according to orders of regulatory institutions. Furthermore, we are trying our best to prevent the reoccurrence of infringement and to comply related regulations by tightening the prior reviews throughout the business activities and sharing the regulation trends.

| Category   | Date            | Result of Judgement       | Administrative Agency           |
|--|-----------------|---------------------------|---------------------------------|
| Doing considerable harm to the interests of consumers for false advertisement of bundled commodities with broadcasting communication                                   | 19 January 2016 | Penalty: KRW 560 million  | Korea Communications Commission |
| Concluding a contract of use in violation of the procedures set forth in the Terms of Use, such as discounts different against the terms, exemption of discount return | 8 March 2016    | Penalty: KRW 31.9 million | Korea Communications Commission |
| Unreasonable comparison advertisement on Broadband LTE coverage and quality  | 21 October 2016 | Corrective Order          | Korea Fair Trade Commission     |

**Observance of Taxation Duty**

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

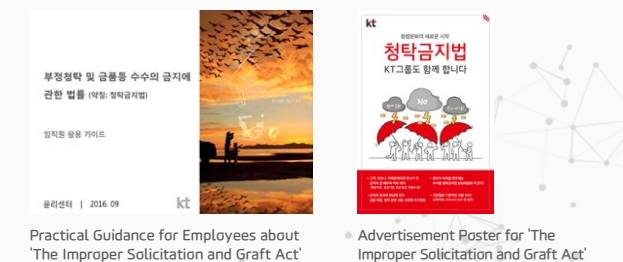
In order to comply with the tax obligation and to pay taxes in a efficient way, KT has established and monitored taxation policies and strategies while disclosing all relevant information in a transparent manner. We maintain a relationship based on honesty and trust, with the tax authorities of each country including the National Tax Service and pay taxes faithfully in accordance with each country's 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 2016 disclosed through the audit report was 21.8% 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.

**KT Establishes a Fair Society Without the Improper Solicitation**

To observe 'The Improper Solicitation and Graft Act' actively, KT has revised and enforced 'Guideline for Ethical Management Principles' and 'Special Clause for Ethical Practices' in 2016. The prohibited matters defined by laws have been applied to the practical guideline regarding the ethical issues that employees and suppliers face in work. In addition, we have driven to raise internal awareness by encouraging all employees to sign the pledge to comply the law and distributed education and promotional materials for all employees.



Practical Guidance for Employees about 'The Improper Solicitation and Graft Act' Advertisement Poster for 'The Improper Solicitation and Graft Act'

# Proactive Risk Management

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



**Driving Forces** The company's ability to respond to risks that arise both internally and externally has a significant impact on its own existence and development. Technological advances, intensified competition, and socio-environmental changes are accelerating and preemptive risk management is becoming more important. This enables us to identify potential hazards in advance, minimize potential losses, and identify opportunities for mid- to long-term development.

**KT's Approach** KT builds a mid- to long-term strategic risk system to define megatrends and identify potential risks that may arise during operation. Through these efforts, we will strive for stable operation by preventing crisis situations preemptively. We are also strengthening our future competitiveness and sustainability by identifying new opportunities and commercializing them based on systematic mid- to long-term future prospect analysis.

## Establishment of Integrated Risk Management System

For the corporate-wide integrated risk management, we founded a dedicated organization in 2004 that has the exclusive responsibility for the risk management. In 2014, the risk management system was further reinforced through establishing a comprehensive measure to minimize corporate risks. Also, we are trying our best to integrated management of the five risks: strategy, finance, operation, regulation, and event. In order to effectively respond to risk that can possibly occur, KT has actively promoted risk prevention activities and set the follow-up process by risk types. Additionally, prior and follow-up measures have been executed under risk owner departments, and when a critical risk occurs, KT organizes a Task Force (TF) for the prompt treatment of the risk. In 2016, to reinforce the risk management system, we newly established 'Current Issue of Management Day,' the enterprise-wide risk management council so that senior executives including head of departments share the status of key risks and setting the direction of a response. In addition, we newly founded and expanded risk management organizations within the business and operation division. In 2017, we are establishing the 'self-management process for risks,' so that employees can manage their own risks in their work.

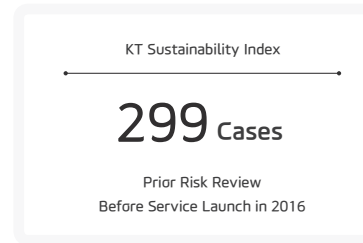
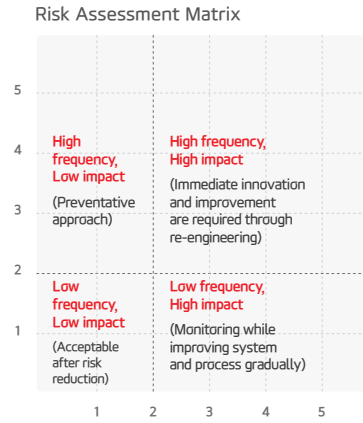
## Management of Mid- to Long-term Risk Strategy

The economic, environmental and social issues of the world have been drastically spread such as the global climate change, increasing population, scarcity of energy and resource. KT believes that advancement of innovative technology is the key to solve the problems that the earth is facing and to realize the era of new opportunity. Besides, through carrying out the analysis of 2030 outlooks, 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 strategy.

Six Megatrends of Telecommunication Business (Outlook for 2030)

|  |  |   |
|--|--|---|
| <p><b>Megatrend 04 Demographics</b></p> <ul style="list-style-type: none"> <li>-65+ aged population reaching 1 billion [UN Population Division]</li> <li>-The youth bulging in emerging countries [UN Population Division]</li> </ul>                    | <p><b>Megatrend 01 Climate Change</b></p> <ul style="list-style-type: none"> <li>-20% increase in GHG emissions by energy [IEA]</li> <li>-Cost increase due to climate change [UK Government]</li> </ul>   | <p><b>Megatrend 03 Technology</b></p> <ul style="list-style-type: none"> <li>-Extensive spread of ICT-based technology [Kerr]</li> <li>-Universal use of robots in manufacturing [The Economist]</li> </ul>                               |
| <b>Economic Aspect</b>   | <b>Environmental Aspect</b>  | <b>Social Aspect</b>  |
| <p><b>Megatrend 05 Wealth</b></p> <ul style="list-style-type: none"> <li>-60% of world's population in middle class [UN Development Program]</li> <li>-50% of world's population with internet access [European Union Institute for Security]</li> </ul> | <p><b>Megatrend 02 Resource Stress</b></p> <ul style="list-style-type: none"> <li>-Worsening resource depletion due to population growth [2030 Water Resources Group]</li> <li>-40% increase in energy demand [International Energy Agency]</li> </ul> | <p><b>Megatrend 06 Urbanization</b></p> <ul style="list-style-type: none"> <li>-Urban growth driven by developing world [UN Population Division]</li> <li>-60% of world's population living in cities [UN Population Division]</li> </ul> |

## Proactive Risk Management



## Reinforcement of Corporate-wide Risk Assessment

In order to engage each division to actively identify and respond to the potential risks, KT is operating the corporate-wide self-diagnosis system for corporate-wide risks, which is to inspect risks related to business, system, and work process on a regular basis. Since 2014, in order to fortify the diagnosis and response against risks, we have expanded the system from once a year to twice a year. In 2016, to intensify self-diagnosis of the standardized risk, we have distributed 'Risk Self-assessment Manual.' Each task managers can analyze the risks frequency and impact as well as establish detailed response measures by using correspondence strategies generated from the risk assessment matrix. In addition, we encourage employees to participate the assessment implementing 'Exemption System for Voluntary Engagement.' With the system, employees can be exempted from disciplinary action or punishment relief regarding the risks identified by the risk diagnosis.

## Risk Education and Operation of Consultation Channel

We are implementing regular educations for risk to fortify the risk response competency of employees and internalizing the risk management culture into the company. For all employees and responsible personnel for the risk management, the customized education for risk response 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 effectively respond to risks that may occur during work. In 2016, particularly, KT newly established the 'Risk Consultation Channel' ensures the anonymity. This Channel is to provide consultation for employees about their worry, conflict and problematic awareness about work, thus identify and solve the potential risks.

## Prior Risk Review Before Service Launch

Since 2010, KT has been promoting the 'Prior Risk Review before Launching Service' for every new service prior to launch in order to avoid damage to customers and the 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.

In 2016, we defined 69 Key Risk Indicators through quantification by risk characteristics. In addition, we have been identifying the signals of loss incurring events proactively by monitoring risks variation for the 43 key risks index of new core business.

## Mid- to Long-term Risk Strategy

|   |   |  |  |
|---|---|--|--|
| <p><b>Intensifying Competition</b></p> <ul style="list-style-type: none"> <li>- Intensifying competition in price and marketing between business operators while the growth of global communications market continues to be stagnant</li> <li>- Expanding investment in new infrastructure such as GiGA Internet and 5G to reinforce competitiveness</li> <li>- Diffusing risks of market regulations for preventing intensified competition and raising demands of civic groups</li> </ul> | <p><b>Enabling Technology</b></p> <ul style="list-style-type: none"> <li>- Possible drastic change in the market such as evolving into GiGA super-broadband wired and wireless network</li> <li>- Domination of players in other industries such as platform, terminal device, content, and expansion of competition areas</li> <li>- Reducing profitability due to creating open-type ecosystem</li> </ul> | <p><b>Definition of Risk</b></p> <ul style="list-style-type: none"> <li>- Vicious cycle such as reduced investment and lower service quality occurred due to reduced profitability in the communications business</li> <li>- Increasing investments in infrastructure such as GiGA Internet and 5G</li> <li>- Concerning about potential distortion in market competition based on subsidy rather than essential elements such as product, service, and technology</li> </ul>  | <p><b>Impact on Business</b></p> <ul style="list-style-type: none"> <li>- Shifting the axis of competition in communications market to focus on quality</li> <li>- Continuing innovation in management infrastructure such as reducing expenses and considering customers as top priority</li> <li>- Generating actual performance of new growth engines, such as the five key future convergence businesses and penetration into the global market</li> <li>- Expanding the noncommunications business sector such as Fintech and security based on capability in communications</li> </ul> |
|   |   | <p><b>Measurement</b></p> <ul style="list-style-type: none"> <li>- Standardizing the network technology and leading the identification of technology</li> <li>- Establishing an image as leader of the global 5G by supporting successful implementation of national events such as 2018 Pyeongchang Winter Olympics</li> <li>- Promoting strategies for differentiation through making partnerships with operators in various sectors and using core capability in Cloud &amp; Big Data</li> <li>- Excavating innovative ideas through Gyeonggi Creative Economy Innovation Center and K-Champ</li> </ul> |  |

# 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 Planet

GiGA Prosperity

GiGA People

Customer First Management

Environmental Management

Focal Area 03

## Customer First Management

### Management Approach

KT has transformed the lives of its customers dynamically through innovative services that pioneer the era as a representative Korean corporation that has been working with Korea's communications history. We will continue to do our best to become the 'No. 1 customer recognition company' that is loved by the people by providing the best customer experience through continuous service innovation.

Strategy Driver

Innovation of Product & Service

Objective Driver

Realization of Customer Satisfaction

Strategy Driver

Minimizing Environmental Impact

Objective Driver

Maximizing Environmental Benefit

Focal Area 04

## Environmental Management

### Management Approach

Environmental management is now becoming increasingly important as a future growth engine that creates new business beyond merely reducing energy. Accordingly, KT focuses on enhancing environmental efficiency throughout its business activities and improving its global environment through innovative and environment-friendly services.

GiGA Planet. Customer First Management

# Best Customer Service

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



**Driving Forces** Being able to provide the 'Best Customer Experience' in a rapidly changing business environment is the essence of our competitiveness. Creation of customer value through continuous service innovation leads to trust and choice of customers, and it is the path that enables continuous growth of the company.

**KT's Approach** Based on our corporate culture of 'customer-first', KT is making every effort to become the 'No. 1 Customer Recognition Company' that the people love the most. In particular, we are striving to provide the best customer experience and customer value through continuous service innovation, and to secure the safety of the communication network as a telecommunications carrier with national network.

## Reinforcement of Customer First Management

### Vision of Customer First Management

For the CS vision, KT has set 'the World's top class company realizing customer satisfaction (CS) by heartfelt communication and trust,' and is implementing the management for the customer satisfaction regarding its customers as the first among everything. For instance, we continue to innovate customer contact channels, wire & wireless communications products and services while offering services that can care customers' emotional aspect.

### Total Customer Satisfaction in Customer-first Perspective

Believing that the value creation for customers is a key factor which realizes the growth of KT as well as the sustainable future. Thus we are implementing corporate-wide improvement activities by defining the four key areas (CS, network, product and channel) and subdividing the customer experiences into about 2,000 phases. To further actively promote the improvement activity, beside, KT is operating the 'Customer First Management Office,' which enables KT to execute the performance evaluation system with the practical indicators in the customer's perspective. In 2016, KT has settled the 'No. 1 brand awareness' as the top priority task and concentrated its corporate-wide capability through customer first execution committee to innovate quality of customer experiences, expert in customer connections point and customer centers.

### Customer First Management System

#### Vision for Customer Satisfaction (CS)

World-class CS company through continual communication and trust between KT and its customers

#### Model of Customer Satisfaction (CS)

KT will continue to be a trustworthy company to its valued customers who have trusted and relied on KT over the years

#### Promoting Total CS in Perspective for 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 & 1<sup>st</sup> and winning the quality competition



Customer First Management Poster

## Communication with No. 1 Customer-awareness

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. In 2016, particularly, we have improved convenience of customer center and have provided differentiated customer services such as anniversary celebration letter, hand letter, and white clover for new house celebration for call center users. As a result, complimentary VOC was increased by 38.4% from the previous year.

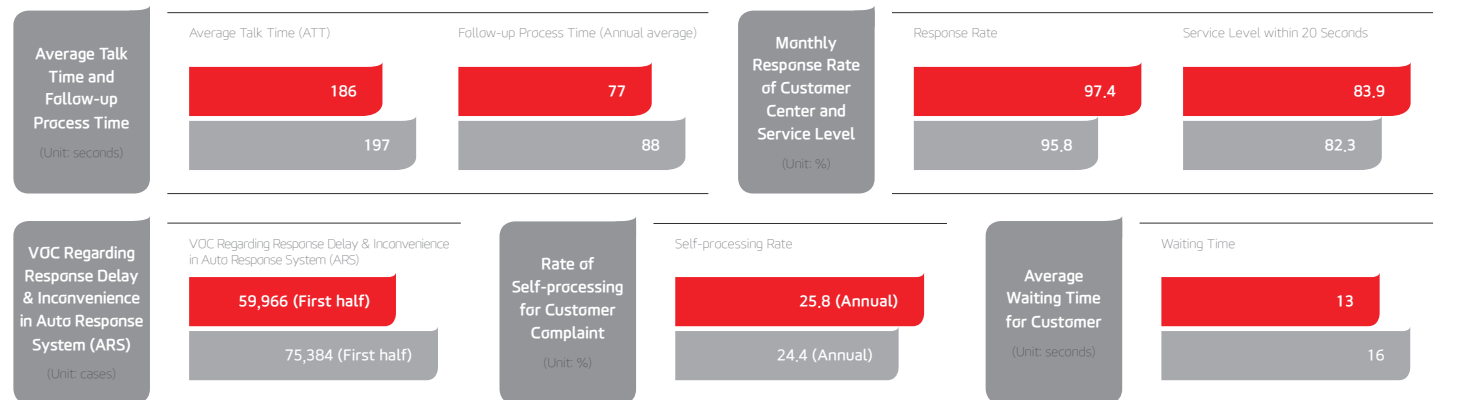
### Establishment of Prompt Infrastructure for Customer Center

Since established the Integrated Call Center System in 2014, KT is running the Korea's grandest integrated customer center of about 11,000 employees covering wire, wireless, and collection. We have strived to provide the highest standard of service accessibility through touchable ARS, visible ARS, voice recognition ARS, SMS ARS, and cyber consultation (e.g. 24 hours SNS consultation), the largest number of ARS type in Korea. In 2016, under the 'Improvement Project for ARS Convenience', we have simplified the initial menu and ARS tree. Hence, we have achieved to reduce the greeting and initial message from 20 to 12 seconds. In addition, wire products customer center reduced its menu from 58 menus of 4 stages to 48 menus of 3 stages, and the wireless products call center simplified its service from 103 menus of 5 stages to 78 menus of 4 stages. Moreover, we have improved the response rate by 1.6%p through collaboration with 'kt is' and 'kt cs' by executing daily forecast for inbound call, standardization of labor input, real-time inbound call management system. In 2017, we will develop a 'Customer Customized (Intelligent type) ARS' service based on big data while reducing the average waiting time for customers to provide better customer services.

### Internalization of Customer's Perspective

For 'Communication with No. 1 Customer Awareness,' KT has been constantly improving the level of internalization of customer's perspective. In 2016, we have executed Critical To Quality (CTQ), and improved by systematically defining complaint factors of products and services in the perspective of users rather than suppliers. Also, we acknowledged the customer center is the starting point for innovation as 94% of VOC is processed by the center. Therefore, KT has promoted cultivation of site professionals at the customer contact point. Furthermore, through the three projects to improve N-VOC, we have made efforts to resolve customer's complaints regarding human error, quality and areas of policy & system. Thanks to our efforts, the N-VOC was reduced by 15.5% from the previous year.

### Key Indicators for Communication with Customers



## KT Stands Tall as the Customer First Oriented Company

We were selected as the 1<sup>st</sup> rank in wire and wireless communications sectors for 2 consecutive years on the '2016 Korean Standard Contact Service Quality Index (KS-CQI)' that is an authoritative evaluation about customer centers. Thus, our sincere efforts for the highest brand awareness have been proven. In order to realize the customer impression, KT has improved convenience of customer contact channels: call center, store, homepage, mobile applications, and SNS. Furthermore, under the goal of 'Reduce customers' waiting time even one second,' KT has been accomplishing substantial achievements such as reducing customers' waiting time through simplifying the ARS menus and applying a visible ARS service.



Visible ARS

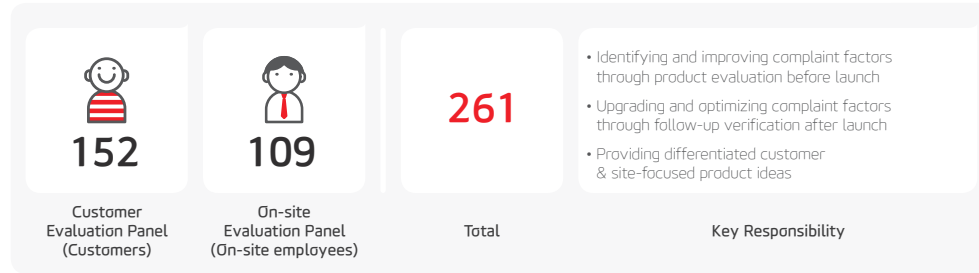


**Product with No. 1 Customer-awareness**

**Product Evaluation with Customers**

KT conducts product verification constantly with customers prior to launch a product by pursuing technology for people. In particular, the 'Customer Product Evaluation Panel' is a specialized product evaluation process of KT, who regarding customers as the top priority. Since 2011, the customers and experts of 'Customer Product Evaluation Panel' have been contributing to develop the best product by making various opinions in the perspective of customers prior to launch for seven years.

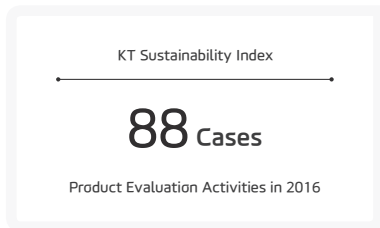
**Composition of Customer Product Evaluation Panel**



Welcome Day Event of Customer Product Evaluation Panel

**Key Activities of Customer Product Evaluation Panel**

In 2016, total of 261 panels including housewives, college students, workers, and employees of customer contact points made efforts to develop customized products for customers' needs by reflecting the voice of customers. 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 88 product evaluations in 2016. Especially, we have done an online survey and it has encouraged the execution of activity by analyzing the customer needs 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 'GiGA Genie,' 'GiGA IoT Air Doctor,' 'Wiz Stick,' and 'CLiP 2.0.' In 2017, we will elaborate the Customer Product Evaluation Panel centering experts while developing new products and reinforce the competitiveness of the products in the perspective of sites, thus, KT will strive to listen more carefully to the ideas from customers and sites.



**Key Activities of Customer Product Evaluation Panel (2014~16)**

| Direction of Activity                  | 2014   | 2015   | 2016  |
|--|--|--|---|
| <b>Evaluation of New Product</b>       | <p><b>Expanded the scope of activities to the entire product sector</b></p> <ul style="list-style-type: none"> <li>Improving GiGA Wi-Fi AP speed and coverage</li> <li>Addressing showed areas for Wibro egg and transition of LTE network</li> <li>Improving customer complaints for other rate systems and combination products</li> </ul> | <p><b>Analyze customer needs for major trend products in the market through online surveys and operations to enhance the execution of activities through 'On-site Evaluation Panel'</b></p> <ul style="list-style-type: none"> <li>Improving speed and coverage of GiGA Wi-Fi Home</li> <li>Improving errors relevant to olleh tv UHD STB general viewing</li> <li>Improving errors relevant to the launch of Kakao Friends for olleh tv service</li> <li>Improving customer complaints for other rate systems and combination products</li> </ul> | <p><b>Analyze customer needs for major trend products in the market through online surveys and operations to enhance the execution of activities</b></p> <ul style="list-style-type: none"> <li>Applying customer feedback on launch of GiGA Genie</li> <li>Improving error and app usability of GiGA IoT Air Doctor</li> <li>Improving error and quality of Wiz Stick through user experience</li> <li>Improving inconvenient details of other rate plans and combined products based on customer perspective</li> </ul> |
| <b>Improvement of Existing Product</b> | <ul style="list-style-type: none"> <li>Improving the main page of olleh.com and raising competitiveness of olleh membership</li> <li>Improving performance for enhancing customer convenience of olleh navi</li> <li>Improving customer-friendly UI/UX for Genie, OTM, and smart set-top</li> </ul>  | <ul style="list-style-type: none"> <li>Improving the main page of olleh.com and raising competitiveness of olleh membership</li> <li>Improving performance for enhancing customer convenience of olleh navi</li> <li>Improving customer-friendly UI/UX for Genie, OTM, and smart set-top</li> </ul>  | <ul style="list-style-type: none"> <li>Improving customer convenience, UI &amp; UX of CLiP 2.0</li> <li>Improving customer-friendly UI &amp; UX of Olleh TV mobile and smart set-top</li> </ul>   |

**KT Was Highly Recognized for an Innovative Rate System**

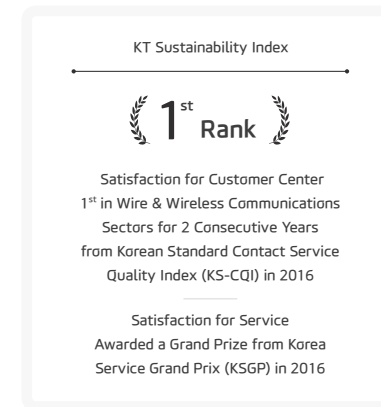
In November 2016, KT won the 'Most Disruptive Pricing Strategy' for the Y24 and Yteen rate system by the Global Telecoms Awards 2016, the notably authoritative awards in the world for communication sector. Those two rate systems are highly recognized as it reflected customized needs for teenagers and twenties such as 'Unlimited Data for three-hours every day,' 'Data Doubling' and 'Data Swap.' KT has proved that the superiority of its mobile rate systems by winning the global prize two years in a row. Last year, KT has become the Korea's first communication operator receiving a global award in market strategy sector by winning the 'Mobile Pricing Innovation' for 'Data Push and Pull' by the same Award.



The Global Telecoms Awards 2016

**Service with No. 1 Customer-awareness**

[www.ncsi.or.kr/ncsi/ncsi\\_new/winner01.asp](http://www.ncsi.or.kr/ncsi/ncsi_new/winner01.asp)



**Service Stability with No. 1 Customer-awareness**

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

**Citation**

2012, 2014~2016 Communication and Disaster Sector

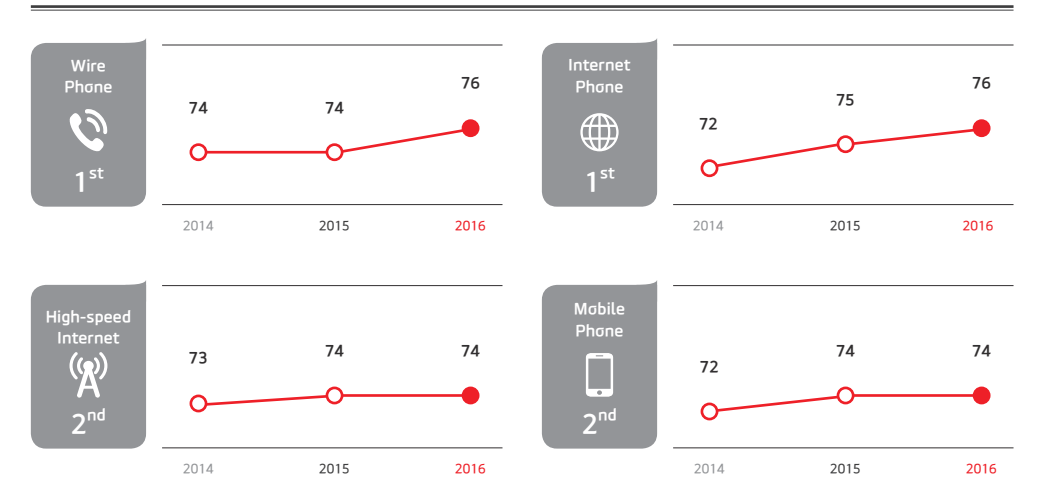


Emergency Recovery Training

KT's services, which regard customers as the top priority has been highly recognized with meaningful achievements in representative customer satisfaction evaluations in Korea. In 2016, KT accomplished outstanding performances on the National Customer Satisfaction Index (NCSI) by the Korea Productivity Center (KPC): 1<sup>st</sup> rank in wire phone sector (18 consecutive years), 1<sup>st</sup> rank in internet phone sector (7 consecutive years). On the Korean Standard Contact Service Quality Index (KS-CQI) by the Korean Standards Association (KSA), we were selected as 1<sup>st</sup> rank in wire communications (3 consecutive years) and 1<sup>st</sup> rank in wireless communications sectors (2 consecutive years). Moreover, we achieved 1<sup>st</sup> rank in IPTV and international phone call (KS-SQI), 1<sup>st</sup> rank in mobile phone and internet (KS-QEI), 1<sup>st</sup> in high-speed internet, IPTV, internet phone and wire phone (KCSI) by KMAC, and the best customer center in wire and wireless customer sector (KSQI). Likewise, our sincere efforts for the highest brand awareness have been proven.

**Results of National Customer Satisfaction Index (NCSI)**

(Unit: points)



**Advanced Network Monitoring System**

As the communications company who owns the national network, KT operates the cutting-edge network monitoring system to provide stable services under any circumstances. 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 or 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. By newly building a Cyber Security Center under the Network Monitoring Center in 2016, we have enhanced our capability of the response system against cyber-attacks and hackings that are rapidly increasing. Also, we have founded a system to prevent damages on our customers due to SMS phishing and pharming. In 2017, KT newly established a platform controlling center to develop the future cutting-edge network technology by controlling and operating KT's future business based on ICT platform such as smart energy, IoT, image safety and security service.

**Communication Service Emergency Recovery**

The significance of stable communication service has been increased due to rapid climate change and earthquake in Korea. 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 and conducted regular trainings. Furthermore, in order to minimize damages, KT conducts comprehensive safety inspections for communication facilities in vulnerable period such as thaw, rainy and winter season. In 2016, particularly, KT has consolidated the stability of national network by actively responding to the threats to communications as well as thoroughly prepare for the data traffic that skyrockets in cases of major events of the country such as the 20<sup>th</sup> presidential election, Olympic, North Korea's nuclear missile launches, and grand scale candlelight demonstrations. Therefore, 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 3 consecutive years since 2014.

GiGA Planet. Customer First Management

# Protection of Customer Information

inside.olleh.com/html/privacy.asp



**Driving Forces** With the development of information and communication, security threats related to personal information are becoming more sophisticated. Leakage of customer information leads to a decline in corporate credibility and customer detachment. In addition, legal sanctions such as punitive damages and statutory damages compensation have been strengthened recently. As such, continuous monitoring and improvement of the customer information protection system and security awareness in the supply chain are critical issues that directly affect the sustainability of the corporation.

**KT's Approach** For KT, who regards customer-first management as its core value, customer information protection is the first principle of corporate value. In order to preemptively and structurally respond to increasingly intelligent security threats, KT will make every effort to strengthen its customer information protection management system and practice culture throughout the Life Cycle of customer information and to guarantee customer rights as information subjects.

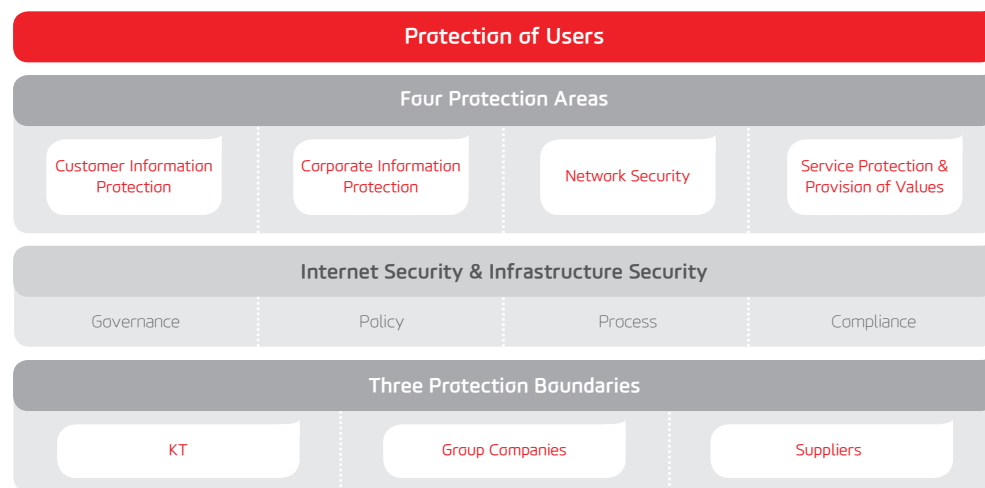
## Reinforcement of Management System for Customer Information Protection

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. In 2016, KT has advanced the security status inspection for customer contact points such as retail stores. In addition, prediction, detection, analysis and response system was founded based on the Big Data analysis platform, which leads to the consolidation of the information security system.



ISMS Certificate

### Information Protection and Security System



### Technical Administrative Measures to Protect Customer Information

| Technical Protection Measures   | Administrative Protection Measures   |
|---|--|
| <ul style="list-style-type: none"> <li>Integrated Security Control System to monitor suspicious behaviors that seem to be hacker's attack</li> <li>Enhancement of the approval and authentication process of the Access Control System</li> <li>Establishment of Firewall, Intrusion Detection System, and Access Control System</li> <li>Encryption of privacy</li> <li>DRM (Digital Right Management) and DLP (Data Loss Prevention) Solutions</li> <li>Further application of DB Access Control System and enhancement of privacy control</li> <li>Response to APT attacks</li> <li>Prediction, detection, analysis and response system based on the Big Data analysis platform</li> </ul> | <ul style="list-style-type: none"> <li>Security Coding required during the software development</li> <li>Conduct the Privacy Impact Assessment</li> <li>Destruction of social security number gathered</li> <li>Regular inspection and improvement activity conducted for loopholes</li> <li>Simulation tests for infringement accidents with relevant organizations such as the government</li> <li>Information destruction of customers not using KT's service for more than 1 year</li> <li>Destruction of personal information on PC &amp; server</li> </ul> |

Achieved the the Highest Rank for the First Time in Korea  
Security Assessment for Readiness of Ministry of Science, ICT and Future Planning, 2016  
**AAA+**



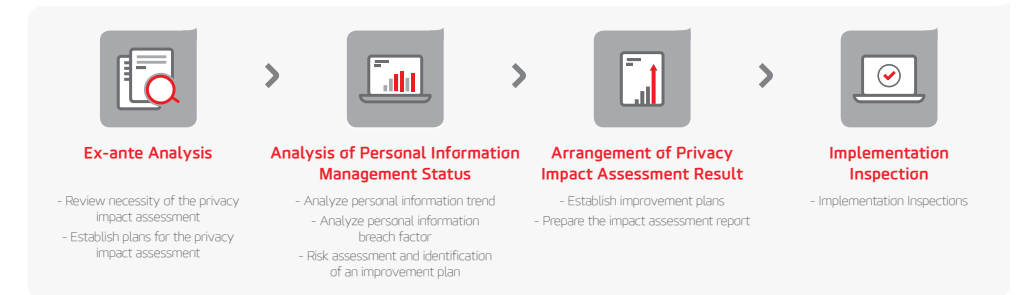
KT, Acquired 'Certificates for Cloud Security' of Korea Internet & Security Agency for the First Time in Korea

## Enhancement of Customer Information Protection

### Protection Activity for Each Stage of Customer Information Life Cycle

We prevent the leakage of personal information by analyzing the entire life cycle from the gathering to destruction of information by applying technical and administrative protection measures optimized for each stage. 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 by deleting personal information of customers who have not been using for more than 1 year and personal information stored on PC. The 'White Hacker' group also routinely simulates hacker attacks to the website in order to identify and improve weak points. Through the Privacy Impact Assessment, we identify and improve infringement factors of personal information prior to change or introduction of the new system which utilizes personal information.

#### Privacy Impact Assessment



### Establishment of Cyber Security Center

In 2017, KT opened the IT and network integrated Cyber Security Center for the first time in Korea. Thus, we established a comprehensive response system covering device, network and server. Also, we are reinforcing the security for PC and mobile device in order to deal with the security threats in Bring Your Own Device (BYOD) environment, where smart devices are utilized in work.

## Dissemination of Culture to Protect Customer Information



Meetings for Representatives of Suppliers Dealing Customer Information

To reinforce the customer information protection throughout the value chain, all employees, Group companies, and suppliers are cooperating to establish a culture that everyone participates in protecting the customer information with a sense of responsibility. Hence, all employees are to make a pledge on the personal information protection every year while the information protection training is constantly provided. Every employee is receiving online trainings about the personal information protection. Furthermore, we have made efforts to improve the efficiency of training by implementing customized education tailored to each job and task for employees who handle customer information with a high risk of information security. In addition, KT is establishing an environment where employees are voluntarily participate in protecting information by operating an in-house reporting center for security issues and Clean Office, while sharing practice measures through information protection poster, PC wallpaper. In 2016, we have raised security awareness of suppliers by holding 'Meetings for Representatives of Suppliers Dealing Customer Information.' Through the meeting, KT has shared the following agendas; laws to comply in a case of entrustment and consignment of personal information, results & plans for information security examination and the best practices for the information protection.

## Customer Service for Information Protection

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. We are operating 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), Information protection notification (informs various cyber threats through SMS), personal information usage check service, and information protection channel to enable to reply promptly about inquiries on the personal information.

Inquiry on Information Protection  
privacy@kt.com

#### Service Link for Major Customer Information Protection

|  |  |
|--|--|
| olleh Anti-smishing App                  | smartblog.olleh.com/2780                             |
| Information Protection Notification      | product.olleh.com/wDic/productDetail.do?itemCode=485 |
| Personal Information Usage Check Service | inside.olleh.com/html/olleh_clean_sub12.asp          |

## Brand Value Creation

www.kt.com/eng/pr/film.jsp



**Driving Forces** It is an age when the value of a brand is recognized as the value of goods and services. In addition, due to the expansion and diversification of customer contact channels, communication between companies and customers has become more direct. As a result, the importance of brand value creation is increasing in order to gain competitive advantage in the industry and to ensure continuous customer satisfaction and reliability from customers.

**KT's Approach** KT is a leader in innovative technology that surpasses the limitations of existing communications, and is leading the way in creating brand value by introducing new and innovative marketing communication activities every year. KT will continue to lead the market through customer-participatory communication and raise its position as Korea's leading innovative company brand.

### Integrated Marketing Communication

In order to attract interests and generate sympathy of customers to create meaningful message and further enlarge and evolve it, KT has introduced the Integrated Marketing Communication (IMC) method to comprehensively utilize all customer contact channels.

## PEOPLE. TECHNOLOGY.

Brand Slogan

### Introduction of New Brand Slogan

KT introduced a new brand slogan, 'PEOPLE. TECHNOLOGY.' in March 2017. Through the slogan, KT has fortified its corporate identity of 'the company who advances and benefits the world through an innovative technology with a human face.' The 'People, Technology,' brand campaign began with 2 advertisements with themes of 'Korea' and 'Human.'

In addition, we will promote our image of leading 5G based the Fourth Industrial Revolution with the theme of people using innovative technology and service such as 5G based realistic service, GiGA Genie (AI service), and connected car.

### Leading the Era of 5G Through GiGA Campaign

In 2016, we delivered messages about GiGA LTE and GiGA internet in a friendly manner through the corporate PR advertisement under the slogan of 'GiGA Era Be upon Korea.' In addition, we delivered our corporate image as a 5G leader by using cinematic techniques and produced GiGAtopia brand film which brought a fresh emotion from the customers.

The follow up campaign of 'Towards 5G with GiGA', has clearly delivered our efforts on innovative technology and value creation such as autonomous driving network and leading global standard for 5G. Also we have delivered our image as a technology leader, young and active through the world's first VR baseball live broadcast and the international drone racing contest for the first time in Korea.

### Expansion of Customer Engagement Campaign

In 2016, KT has enriched communication with customers through active campaigns with customer participation. We held GiGA legend match and technology convergence film festival with VR and drone, so that customers were able to experience our advanced technology.

The 'Y24 plan' is the Korea's first plan for customers with age under 24. KT has promoted advertisement with preferred models targeting customer's age group: models, idols, and hip hop musicians. Also the events such as Y24 campus attack, launching showcase and student dance contest brought many issues and spread in online as well as offline.

Furthermore, KT has actively utilized social media channels such as webtoon that linked to the Rio Olympic and a viral video with the 'Catty,' a cat as the main model, thus, KT was loved by customers. Especially, the advertisement series of 'Answer 1988,' which contains the behind-story of the soap drama 'Reply 1988,' attracted a lot of attentions and selected as the TOP 10 advertisements on Youtube in 2016.

Received Social Media Grand Prize



Grand Prize

'Answer 1988,' from the Minister of the Science, ICT and Future Planning

## Innovation Management

www.digieco.co.kr



**Driving Forces** With the development of information and communication technology, social and economic activities through smart phones and the internet are increasing, ICT industry is changing the paradigm and facing a new era of advancement. In order to respond to such a rapidly changing business environment and provide products and services that are selected by consumers, innovation must be a routine task.

**KT's Approach** In order to provide differentiated customer value, KT is constantly implementing programs to define 'Communication, Cooperation and Empowerment' in 2014 as a unique corporate culture and to establish the entire company in order to lead the rapidly changing information and communication market. 'Communication, Cooperation and Empowerment' programs play an important role in developing innovative products and services by promoting communication and collaboration within and among departments.

### Innovation through Communication, Cooperation and Empowerment

KT has been innovating the work environment through the communication, cooperation and empowerment to establish corporate culture where employees take new challenges based on their passion and endurance. In order to provide prompt and exact customer service. In particular, KT has allowed the autonomy to on-site departments such as branches and centers where customers contact with KT employees while creating environment where employees take new challenges with different view point.



Innovate Meeting Culture! 'Top Rank Workshop of KT'

### Communication, Cooperation and Empowerment Programs

'Top Rank Workshop' is the most representative communication, cooperation and empowerment program of KT that innovates the way of working by identifying basic problems at sites. 'No. 1 Teaming' has become a foundation of encouraging employees and helping them to deliver satisfactory customer services through the advanced teamwork and active communications. In 2017, leveraging the 'Top Rank Workshop' as a performance creation tool, KT will reinforce the initiative of executives and leaders for changes and innovation. In addition, we will advance No. 1 Teaming for communication and cooperation among contacting customers, staff, growing industry for future departments and supporting departments.

### Programs to Strengthen Communication, Cooperation and Empowerment

|                   | Key Performance   | Future Plan   | Effect   |
|-------------------|---|---|--|
| Top Rank Workshop | <ul style="list-style-type: none"> <li>Since September 2014, excavated 1,889 tasks and identified performance creation and problem solving measures through in-depth discussions with 25,370 employees until 2016</li> <li>KT service southern branch, selected as the best task in Top Rank Workshop in 2016, has accomplished more than 99% of customer satisfaction. The branch utilized the Top Rank Workshop to execute standardization, to adopt manual for opening &amp; after service, to establish Field Data integrated management system and to expand on-site maintenance team</li> </ul> | <ul style="list-style-type: none"> <li>In 2017, established a goal of 'Hange Booster, take new challenge and promote practical performance'</li> <li>Operated flexible methods in accordance with diverse discussion topics such as establishment of entirely different goal, breaking stereotype ideas and open theme subjects</li> <li>Planning to enhance initiative of executives and leaders against change and innovation by operating the divisional 'Top Rank Workshop' as a performance generating tool</li> </ul> | <ul style="list-style-type: none"> <li>Contributing to realization of group philosophy and core values by discussing and implementing regarding subjects aligned to the management direction such as No. 1 brand awareness and cost innovation</li> <li>Contributing to performance improvement by enhancing cross-departmental cooperation and execution ability</li> </ul> |
| No. 1 Teaming     | <ul style="list-style-type: none"> <li>Since April 2015, 'team work empowering program' started as 'Empowering Seminar' recorded high increase rate in organization atmosphere and willingness to achieve the goal while total 640 teams with 6,900 employees and participated</li> </ul>   | <ul style="list-style-type: none"> <li>In 2017, planning to further advance and execute the program that leads an entirely different communication and cooperation among customer-contact department, staff department, future growing business department and supporting department.</li> <li>Participated departments will excavate requirements on their own to establish a challenging atmosphere based on passion and endurance, and the various obstructing processes will be improved</li> </ul>                     | <ul style="list-style-type: none"> <li>Building strong teamwork by enhancing interdepartmental communications and trust</li> <li>Establishing foundation for performance generation by encouraging teams</li> <li>Contributing in encouraging for site by focusing on the customer-contact department to accomplish No. 1 brand awareness</li> </ul>                         |

### [Value Creation Activity]

#### Value Creation Through Expansion of Consulting Business

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. In 2016, we have reformed a project execution in a Value Creating way, which is based on the importance and necessity of corporate-wide strategies. Also, in order to contribute to society as a Korea's representative company, we have expanded the scope of the project to cover outside of group including small and medium sized companies and executed total of 33 projects. Particularly, we have reduced costs by KRW 54.2 billion by promoting the corporate cost innovation projects. Furthermore, we have supported companies in the Creative Economy Innovation Center to accomplish new investments worth of KRW 970 million and enter the overseas markets through a commercialization consulting.

| Category | Case            | Major project  |
|----------|-----------------|--|
| External | 10 cases        | Management consulting  |
| Internal | Strategy        | Corporate-wide cost innovation project                                       |
|          | New Biz         | Sophisticate BM for Start-up companies in Creative Economy Innovation Center |
|          | Group Companies | Current status and differentiating plan for KT Service MOT                   |
| Total    | 33 cases        |  |

# Environmental Management System

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



**Driving Forces** Due to global climate change and energy depletion, the ability to efficiently manage energy in most sectors is becoming a core competitiveness for the company. As customers' demands for new environmental services and products increase, its significance as the future growth engine is growing.

**KT's Approach** KT will present a new paradigm for the environmental ICT industry by identifying and fostering new environment-friendly businesses in order to solve the environmental issues facing humankind through the development and provision of innovative technologies. In addition, we will grow to become a sustainable company by minimizing the environmental impacts of energy, GHG, water, and waste generated by its business operations.

## Mid- to Long-term Analysis of Environmental Trends

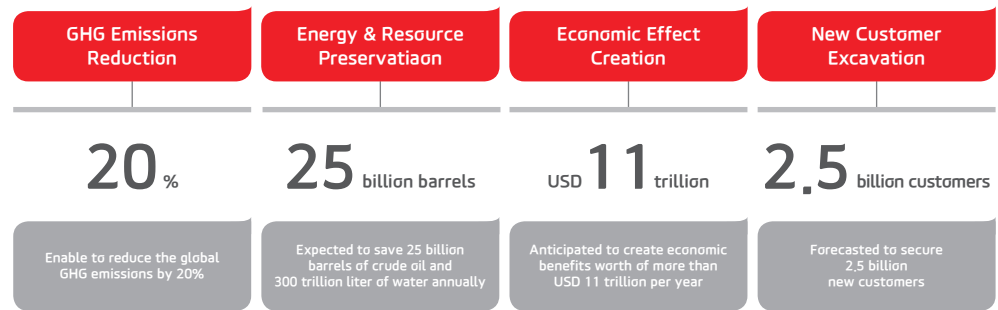


www.smarter2030.gesi.org

By 2030, it is expected that the ICT industry will be playing a leading role in responding to the global climate change. According to the Global e-Sustainability Initiative\*, the global research organization for sustainability, 20% of global GHG emissions could be reduced by 2030 through ICT technology development and services. Thus it is anticipated that the global GHG emissions could be reduced to the emissions level in 2015. Converting it to fossil fuel, it is a equivalent amount to saving 25 billion barrels of crude oil per year.

\* Global e-Sustainability Initiative: Representative sustainability initiatives mainly consist of the global telecommunications companies such as BT, Verizon, AT&T, Deutsche Telekom and Swisscom

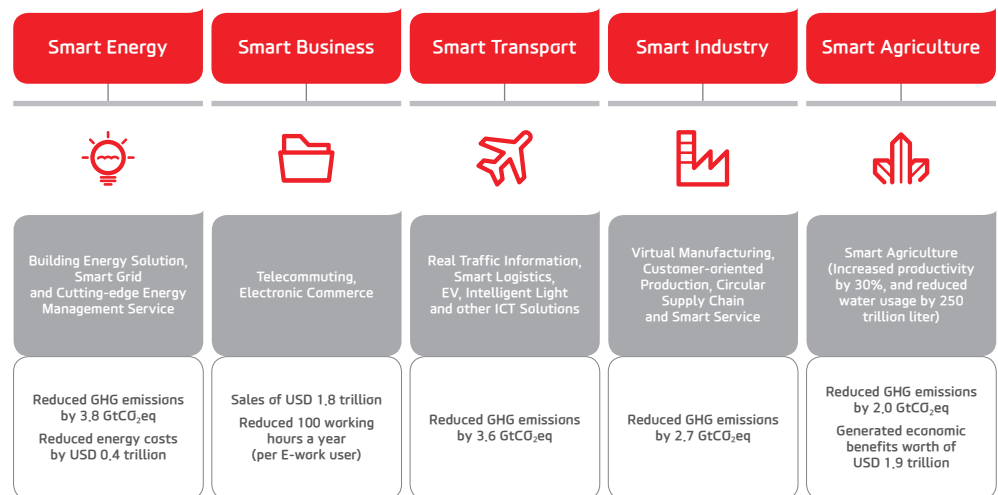
### Business Outlooks by Environmental ICT Against 2030



### Reinforcement of Portfolio for Environmental ICT Services

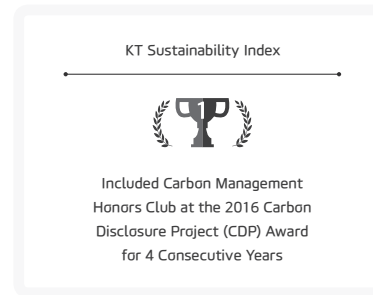
Smart Energy business (smart grid, energy analysis solution, building & factory energy solution and cutting-edge energy management service) is attracting attentions as a core industry that can have a direct impact on energy efficiency. In addition, Smart Transportation business such as real-time traffic information, smart logistics and intelligent lightings has been emerging as a new growth business as it suppresses use of fossil fuel and reduces fine dust.

### Benefit Analysis by Environmental ICT Industry Against 2030



Carbon Impact Outlook in Environmental ICT  
gesi.org/portfolio/report/84

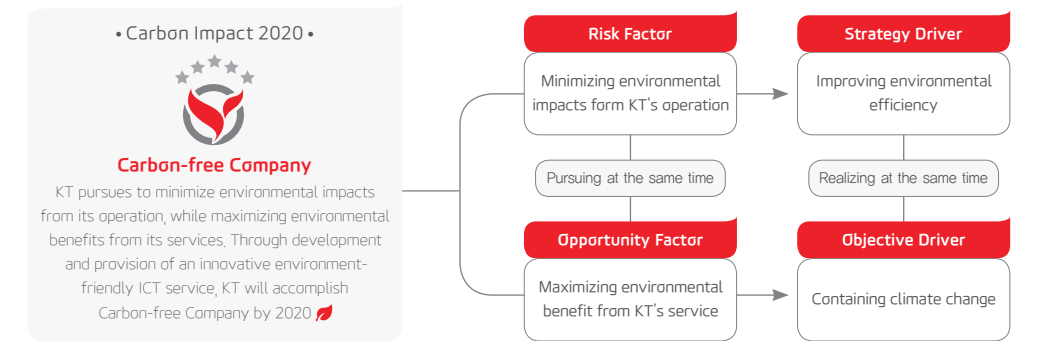
## Strategy and System for Environmental Management



## Re-establishment of Environmental Management Strategy

KT believes that environmental management policy of a company shall act beyond the traditional level of 'Do Not Harm' that simply not harming environment, but need to take a big step forwards to the level of 'Do Good', where actively improving environment by developing environment-friendly technology and service. In June 2017, KT proclaimed a strategy of 'Carbon Impact 2020,' expressing its willingness to advance into the environmental ICT field by defining the environmental management as the new growth engine of the company. Furthermore, in order to protect and improve environment in a systematic way, KT has introduced 'KT Environmental Management Policy', and strived to create a sustainable foundation for humankind by realizing the co-existence between nature & human and preservation of environment & economic development through innovative technology.

### Management Strategy



## Enlargement of Organization for Environmental Management

A far stable and more strategic environmental management has been realized and systematically executed by founding a 'Sustainability Management Committee' under the Board of Directors in April 2016. 'The Environmental Management Committee' is being also operated for accelerating the execution of the corporate-wide environmental management. Furthermore, in order to realize the 'Carbon Impact 2020' strategy effectively, in April 2017, KT has expanded the Committee into 4 different divisions: response to climate change, energy & resource efficiency, environment-friendly SCM and energy ICT services. The Committee holds regular meetings twice a year while holding departmental meetings frequently. The departmental meetings play a role to discuss and establish implementation strategy about material environmental management issues in the perspective of the corporate-wide.

### Organization for Environmental Management



## Reinforcement of Portfolio for Environmental ICT Services

Through mid- to long-term trend analysis, KT has expanded its environmental ICT services in to 5 divisions according to the business areas: Smart Energy, Smart Business, Smart Transport, Smart Industry and Smart Agriculture. KT will expand its service boundaries beginning with the Smart Energy division which has been operating business for several years based on the KT-MEG Center, KT's energy platform.

Environmental Management System

Customer First Management | Environmental Management

**Major Environmental Agendas**

The global climate change and associated risks such as energy, exhaustion of resource, water scarcity have emerged as a serious threat to the humankind. As a corporate citizen of society, company takes responsibility basically to protect the environment that provides the basis for all business.

Under the strategy of 'Carbon Impact 2020' and KT Environmental Policy, KT will minimize negative environmental impacts while maximizing positive environmental impacts through KT's business. Hence, KT has defined five environmental agendas and endeavored to manage it effectively.

**Agenda 1.**  
**Climate Change Adaptation**

- Carbon Neutral Management
- Carbon Footprint Management
- Reinforcement of Carbon Offsets
- Carbon Reduction Objectives and Monitoring

**Agenda 2.**  
**Energy Efficiency**

- Energy Efficiency Improvement
- Application of Energy Reducing Items
- Expansion of Renewable Energy

**Agenda 3.**  
**Resource Efficiency**

- Reinforcement of Waste Management
- Excavation and Adoption of Waste Reducing Items
- Reduction of Water Usage
- Excavation and Adoption of Water Usage Reducing Items

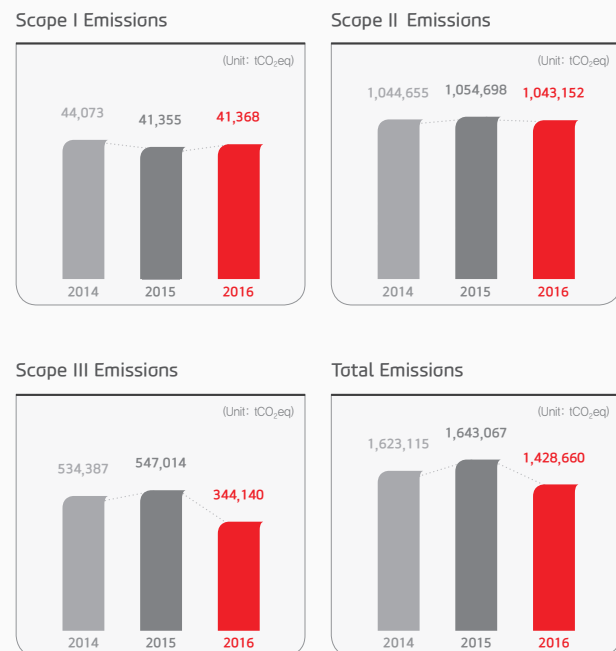
**Agenda 4.**  
**Environment-friendly SCM**

- Operation of Environmental Management System
- Reinforcement of Environmental Performance Management
- Evaluation, Audits and Follow-up Measures
- Execution of Environmental Education
- Expansion of Procurement for Environment-friendly Products

**Agenda 5.**  
**Environmental ICT Services**

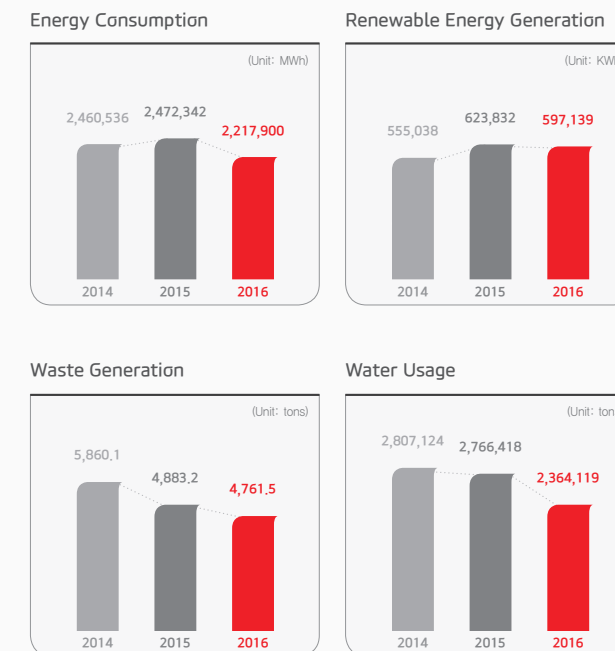
- Smart Energy
- Smart Business
- Smart Transport
- Smart Industry
- Smart Agriculture

**Key Performance Index for Environmental Management**



**Scope III Emissions Breakdown (Unit: tCO<sub>2</sub>e)**

| Category  | 2014           | 2015           | 2016           |
|---|----------------|----------------|----------------|
| <b>Emissions from the Supply Chain Management (SCM) Stage</b> |                |                |                |
| Wire Devices  | 251            | 106            | 98             |
| Wireless Devices  | 1,472          | 1,595          | 1,294          |
| Communications Service-based Facilities                       | 47,240         | 30,798         | 18,411         |
| <b>Total</b>  | <b>48,963</b>  | <b>32,499</b>  | <b>19,803</b>  |
| <b>Emissions from the Service Use Stage</b>                   |                |                |                |
| Home Terminals  | 35,026         | 32,883         | 161,009        |
| Mobile Terminals  | 199,790        | 153,673        | 19,361         |
| Internet Terminals  | 226,692        | 295,517        | 111,414        |
| <b>Total</b>  | <b>461,508</b> | <b>482,073</b> | <b>291,784</b> |
| <b>Other Scope III Emissions</b>                              |                |                |                |
| Water Use   | 932            | 918            | 785            |
| Waste Treatment   |                |                |                |
| Household Waste   | 357            | 686            | 2,854          |
| Recyclable Waste  | 650            | 1,297          | 830            |
| Construction Waste  | 113            | 847            | 215            |
| Within Downtown   | 296            | 215            | 331            |
| Business Trips  |                |                |                |
| Long Distance   | 669            | 714            | 524            |
| Overseas  | 1,677          | 4,072          | 3,215          |
| By Bus (Local, Express)                                       | 877            | 747            | 728            |
| By Subway   | 57             | 59             | 69             |
| Commuting   |                |                |                |
| By Private Vehicles   | 17,828         | 22,397         | 22,622         |
| By Train  | 22             | 24             | 25             |
| Mixed (Bus & Subway)  | 438            | 464            | 355            |
| <b>Total</b>  | <b>23,916</b>  | <b>32,442</b>  | <b>32,553</b>  |

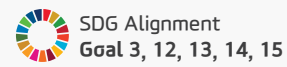


**KT Leads the World Environmental Management**

**Inclusion in CDP Carbon Management Honors Club for 4 Consecutive Years**  
In November 2016, KT was selected as one of the best companies who are awarded 'Carbon Management Honors Club' at the 2016 Carbon Disclosure Project (CDP) Award, the most authoritative environmental management index; the CDP Award is to nominate companies with outstanding attainments in responding to the climate change. Achieving 100 points on the all sector, KT accomplished the 1<sup>st</sup> rank in the global communications sector and its efforts and performances for the environmental management have been highly valued.

# Response to Climate Change

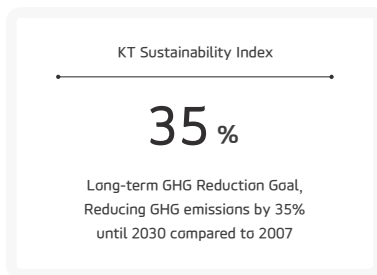
www.kt.com/eng/social/csr\_08.jsp



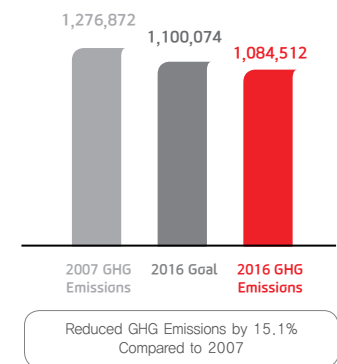
**Driving Forces** Environmental issues such as global climate change and the resulting energy, resource depletion and water scarcity pose a serious threat to humankind, and companies must protect the environment as the basis of all business activities as a member of society. There is a fundamental responsibility to do so.

**KT's Approach** KT recognizes and responds to the impacts of climate change on a proactive basis. We are strengthening our global carbon management leadership by participating actively in national greenhouse gas (GHG) policies, such as establishing carbon management targets linked to national GHG reduction targets, promoting GHG emissions reduction activities, and leading the GHG emissions trading system.

## Carbon Management System



Performance of Carbon Management in 2016 (Unit: tCO<sub>2</sub>eq)



## Carbon Management Strategy & Goal

In order to accomplish the strategy of 'Carbon Impact 2020' 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 accelerating the achievement of the mid- to long-term GHG reduction goal.

## Leadership in Carbon Management

KT, who established the GHG inventory system in 2010 for the first time among domestic communications companies, 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 complying with legal obligations faithfully by submitting energy and GHG reports as well as monitoring plans to the government.

## Performance of Carbon Management

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. The total GHG emissions (Scope I, II) of 2016 is 1,084,520tCO<sub>2</sub>eq while the total energy consumption is 22,179TJ; we reduced the emissions by 15.1% compared to 2007. Through the provision of environment-friendly and low-carbon products and services, the social GHG emissions were reduced by 1,090,343tCO<sub>2</sub>eq in 2016; the figure is 99.5% of KT's total GHG emissions.

## KT Has Enhanced its Carbon Management Competency Through GHG Inventory Advancement

In 2016, KT has implemented system advancement for GHG inventory. GHG inventory system is the management system to manage KT's corporate-wide energy consumption and GHG emissions and it has been leading the industry since establishment in 2010. Through the system advancement for GHG inventory, KT has improved to flexibly synchronize between e-power system and GHG inventory which manage the in-house energy consumption. Thus, we can manage the energy consumption and GHG emissions more systematically and efficiently. Moreover, KT has upgraded its GHG management competency by including Scope III management function in the inventory system.

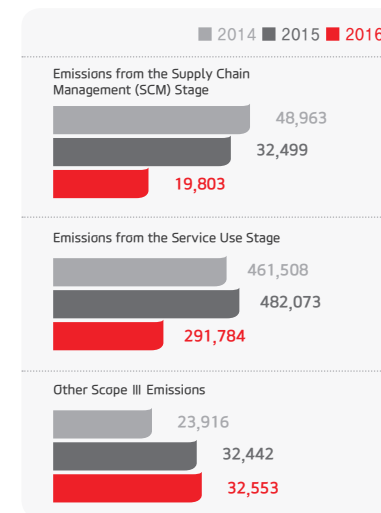


GHG Inventory System

## GHG Management



Scope III Emissions (Unit: tCO<sub>2</sub>eq)



GHG Verification Statement

## Management of Scope I and II Emissions

We calculate the GHG emissions and report the results to the government annually 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 emissions 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.

## 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 emissions 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 2016 were 19,803tCO<sub>2</sub>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. The emissions from the service use stage in 2016 were 291,784tCO<sub>2</sub>eq.

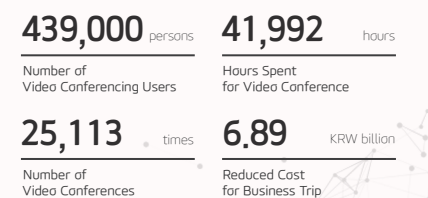
### 3) Other Scope III Emissions

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 2016 were 32,553tCO<sub>2</sub>eq.

## [Value Creation Activity] Value Creation Through Video Conference System

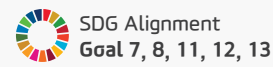
KT's video conference system based on its own ICT capability has generated diverse positive effects such as cutting the cost for business trip, decreasing time spent for decision making and travel, and curbing the GHG emissions. Video conferencing also significantly contributes to the settling of a smart working environment of a company; the number of users has been skyrocketing every year: starting 348,000 in 2013 and 439,000 in 2016. KT not only reduced the cost for business trip by KRW 6.89 billion but also decreased the GHG emissions by 3,713tCO<sub>2</sub>eq in 2016. To expand the video conferencing, KT has advanced the system to 2.0 version, thus, the number of users are expected to be further increased. In 2017, KT will expand the video conference to the Group-wide level by developing Group account management system.

Performance of Video Conference System in 2016



# Energy & Resource Efficiency

www.kt.com/eng/social/csr\_08.jsp



**Driving Forces** Environmental issues have long been classified as 'extra-financial,' but the limitation of fossil fuels continues to increase energy costs, which has a significant impact on the cost side of the enterprise. In addition, the rapid growth of the global market is expected to increase the cost of purchasing natural resources and raw materials in the future.

**KT's Approach** KT is strengthening its energy efficiency capabilities through ICT technology innovation and pursuing diverse energy saving projects, thereby becoming a leading ICT company of the future. In addition, we have established a management and measurement system to improve resource efficiency in order to conserve resources and reduce costs.

## Energy Efficiency Improvement

The wire & wireless data traffic has gone through a drastic increase as the smart devices such as smart phone and smart pad are 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 expanding cutting-edge technology such as network energy efficiency technology, green IDC, and energy saving technology as well as introducing electric cars for business-use.

### Network Energy Efficiency

KT has established and operated hundreds of thousands of communication equipments such as front-line facility, base station, and repeater for the provision of stable services. The equipments consume 80% of KT's overall energy use. In order to reduce the energy consumption and GHG emissions from the KT's communication equipment, KT is conducting diverse activities to reduce energy consumption such as master cooling system, air intake, network optimization, and temperature scientification of communication room based on IoT. Also, in order to reduce GHG emissions at telegraph offices all over the nation effectively, KT has constantly promoted energy reducing activities such as replacing light with high-efficiency LED, high-efficient boiler, and replacing cooling system.

### Introduction of Electric Car for Business-use

KT is planning to replace its 1,000 business-use vehicles to electronic vehicles in 2017 to significantly reduce GHG emissions caused by business-use vehicles and to contribute in resolving the nation-wide issue of fine dust. Hence, KT is planning to expand environment-friendly transportation infrastructure by installing charging stations for electronic vehicles at office buildings throughout the country. We are actively considering a scheme to replace all business-use vehicles at replacement period to electric vehicles. KT Group is currently operating approximately 10,000 business cars and is planning to expand use of electric cars into the whole Group.



KT Electric Cars for Business Use

### Expansion of Green IDC

In order to reduce energy consumption at Internet Data Center (IDC), KT excavates and applies items to reduce energy consumption such as air conditioning by air intake and high-efficiency temperature chamber. As a result, KT Bundang IDC and Mokdong IDC received the green data center certification in 2016. Green data center certification of Korea Information Technology Service Industry Association is to certify an IDC that consumes energy efficiently and operates environmental friendly. KT has received certification as a green data center for 5 consecutive years since 2012. KT is maintaining the highest standard of PUE, and achieved A\* for Mokdong IDC and A\*\* for Bundang IDC.

## KT Has Opened Korea's First Intelligent Data Center

As the largest Internet Data Center (IDC) operator in Korea, KT has opened a new era of data center by opening Mokdong IDC center 2, the Korea's first intelligent data center in October 2016. Mokdong IDC center 2 has secured stability at the global level and reinforced the level of service quality by four times than existing IDC centers. Therefore, the Mokdong IDC center 2 has advantage that the maintenance cost is 20% lower than other IDC centers located in metropolitan areas. Especially, it applied the air condition which automatically intakes outside air into the server room if the outside temperature is low. As a result, Mokdong IDC center has electricity efficiency of PUE 1.4, which is 30% more efficient than the average of domestic data center of PUE 2.0.

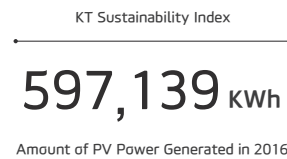


Mokdong IDC Center 2

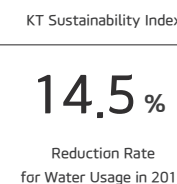
## Energy Diversification



Gangneung PV Plant



## Management of Resource Efficiency



## Renewable Energy Business

KT promotes production and utilization of renewable energy while striving to expand production of energy such as PV power generation. Starting Establishment of a PV plant with 7.5 MW capacity in Daechek in 2014, we are implementing various types of PV businesses: rooftop PV installed on the roof and floating PV on idle surface of reservoir. Furthermore, we are applying energy reducing items to save energy such as geothermal energy facilities for the office building, where energy consumption is high.

### Expansion of Photovoltaic (PV) Power

For the past 5 years since it constructed a PV plant within the land of Gangneung receiving station (19,720m<sup>2</sup>) in 2011, we have constantly invested in the renewable energy facility. We also built additional PV plants at Jangseong and Icheon in 2016 as well as in Taehwa Mountain, Gwangju in 2012. A PV plant is a highly critical facility since it generates electricity without consuming fossil fuel and thus practically reduces GHG emissions. In 2016, the total amount of the electricity generated at the 5 PV Plants in nation was 597,139 KWh. Moreover, we sold the generated electricity according to the Renewable Energy Portfolio Standard (RPS) achieving the profit of KRW 223,17 million as a result.

#### PV Power Generation

| Category                            | Gangneung PV Plant | Gwangju PV Plant | Cheonan CDC | Jangseong PV Plant | Icheon PV Plant | Total   |
|-------------------------------------|--------------------|------------------|-------------|--------------------|-----------------|---------|
| Electricity Generated in 2016 (KWh) | 542,365            | 36,691           | 17,514      | 373                | 196             | 597,139 |
| PV (KW)                             | 423                | 27               | 21          | 255                | 350             | 1,076   |

### 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 2016, 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.

### Waste Management

For the environment conservation and cost reduction, KT has established and operated management and measurement systems improving resource efficiency. 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 2016 is total 4,761.5 tons which has been reduced by 2.5% compared to 4,883.2 tons of 2015.

#### Definition of Waste

| Household Waste              | Recyclable Waste                       | Telecommunication Material Waste     | Construction Waste   |
|------------------------------|--|--------------------------------------|--|
| Unrecyclable household waste | Waste paper, bottle, plastic, and etc. | Cable, equipment, generator and etc. | Construction waste by telecommunication construction contractors |

### Water Management

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. The amount of water used within KT buildings in 2016 is 2,364,119 tons that decreased by about 14.5% compared to 2,766,418 tons of 2015.

# Expansion of Environmental ICT Services

www.kt.com/eng/social/csr\_08.jsp



**Driving Forces** Protecting and improving the environment is an indispensable critical issue for human happiness and global economic development. As recent technological advances and industrial convergence are accelerating, new environmental ICT services are emerging that can contribute to improving the global environment.

**KT's Approach** Since 2014, KT has secured an environment-friendly ICT service foothold by concentrated investment on smart energy sector. Based on this, KT intends to expand its business portfolio in all areas of smart business, smart transport, smart industry, and smart agriculture. Through innovative technology, KT seeks to create a sustainable future that coexists with nature, people, environmental protection and economic development.

## Environmental ICT Services



Enereyes

KT is considering the business environment changes related to environment as an opportunity rather than a crisis. Hence, KT has been fostering the environmental issues 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-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. In 2016, particularly, KT launched 'Enereyes Free' version, a service that analyzes the energy consumption pattern of the building based on the big data. In 2017, it is planned to launch a light version that provides professional consulting for energy cost reduction and a premium version that includes real-time monitoring and installation & replacement of equipment.

### Expansion of Smart Grid Business

It is determined that Korea is required to reduce the GHG emissions by 37% compared to the Business As Usual (BAU) until 2030. Therefore, energy efficiency for factories was selected as a method to achieve the goal. The industrial complex is a representative high energy consuming region since numerous factories are concentrated in. However, most of companies in the complex were SMEs and under budget constraint. Hence, in 2016, KT was certified as an operator of 'Smart Grid Spreading Business' by the Ministry of Trade, Industry and Energy and has been providing consultation and establishing energy reducing facilities & FEMS for companies in the complex. Therefore, we are responding against 'Guideline for GHG Target Management,' and 'Cap and Trade Scheme' by reducing GHG emissions and energy consumption level (approximately from 20% to 50%) compared to the pre-existing facilities.

### Demand Response (DR) Business

KT has been contributing to reducing the electricity by expanding the demand response (DR) business constantly since 2012. The demand response (DR) business refers to the business where customers who consume a large amount of electricity (e.g. factory and building) are registered as the participant and receive financial rewards for reducing the electricity as the Korea Power Exchange determines.

### Expansion of Environment-friendly ICT Services

Through expansion of environment-friendly ICT service, KT has contributed to responding against air pollution such as fine dust as well as reducing electricity consumption. In April 2017, KT has applied 'Smart Air Quality Management Solution' to 'Central Park Prugio, Okjeong' for the first time. The air quality of inside and outside of the apartment can be checked in real time based on the IoT technology. In addition, KT has signed a contract with Jeju Island and is planning to set a prompt response system for air quality management by establishing the 'Smart Air Quality Management Solution' all across the Jeju Island.



KT and Daewoo E&C, 'Smart Air Quality Management Solution'



KT and Jeju Island, 'Air Quality Improvement Business Contract Ceremony'

# Compliance with Electromagnetic Limits

www.kt.com/eng/environment/electromagnetic.jsp



**Driving Forces** As mobile communication services become wider and more diverse, the installation of base stations and repeaters continues to expand and customers are becoming more anxious about the effects of electromagnetic waves. It is necessary to strive for industry-wide efforts to comply with laws and conduct related research to provide a mobile communication service environment that customers can use with confidence.

**KT's Approach** KT measures and manages the electromagnetic waves of mobile phones and complies with government standards to provide a mobile communication service environment that considers the customer's health as the top priority. It also conducts industry-university cooperation research with other mobile communication companies and the Korea Institute of Electromagnetic Engineering and Science, working to reduce the electromagnetic wave's effect on humans.

## Compliance with Electromagnetic Wave Standards & Strength Measurements

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

In order to proactively prevent negative impacts of electromagnetic wave on the human body, KT ensures full compliance with electromagnetic limits. Also 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 2016, we carried out inspections of the electromagnetic wave at 27,040 base stations nationwide. As a result, 100% of the stations were found to be in the 1<sup>st</sup> class, which means the electromagnetic level is lower than 50% of the standard level. Hence, it has been proved that all areas are maintaining the safe electromagnetic level.

\* Specific Absorption Rate (SAR): Expressed in numeric value for the electromagnetic waves that generated and absorbed to human body by the use of electronic devices (mobile phone, computer, microwave)

## Offering Electromagnetic Information and Gathering Stakeholder Feedbacks

KT EMF Measurement Service  
www.ktemf.co.kr

Not merely does KT provide safe mobile telecommunication service through check-up and management but diverse efforts have been concentrated on building the safe environment for customers. Additionally, KT is striving to protect customer health by measuring the electromagnetic waves of all mobile phones it sells in order to select models with the level of below 1.6w/kg. KT has always attained the prior consent of all residents 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. Also, we have posted the measurement result of our base stations & repeaters on the KT EMF Measurement Service website.

## Electromagnetic Research

KT is focusing its capability as well as investments in the R&D to minimize 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), and 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 1<sup>st</sup> (2000-2004) and 2<sup>nd</sup> (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 and private cooperation for the environment-friendly mobile communication. In February 2017, KT base station information have disclosed to academia and industry so that they can use the information for their electromagnetic research.

## Guidelines to Use Mobile Phone Safely

Mobile Phone is a low-power wireless transceivers, so that the intensity of the electromagnetic waves changes by the user environment. Specific Absorption Rate (SAR) can be reduced by referring to the following aspects:

1. The level of electromagnetic wave exposure rapidly decrease correspond to the distance of the mobile phone from the human body increases. Therefore, it is better to use hands free items (earphone and bluetooth) rather than to call directly.
2. In region where the received signal is indicated low, the intensity of electromagnetic waves increases. Therefore it is suggested not to use for long time in such a region.
3. Specific Absorption Rate (SAR) can be reduced by using the mobile phone touching the left and right face in turns.
4. Since the influence to growing child on the electromagnetic waves is bigger than adults, it is better to refrain child from using mobile phone.





# GiGA People.

New Era to Humankind Presented by GiGA Infrastructure

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



Shared Growth Management

Talent Management

## Management Approach

Through systematic human resource development, KT helps employees to grow into innovative talents, and operates a variety of welfare programs to maintain work and life balance. In addition, we are striving to realize human rights protection and enhancement for humanity through innovative technology.

Strategy Driver

Pursuing Work-life Balance

Objective Driver

Advancing Quality of Life

Strategy Driver

Expanding Shared Value Creation

Objective Driver

Realizing Shared Growth Society

## Management Approach

KT reflects the characteristics of telecommunications companies and pursues systematic social contribution activities centered on people, society and culture, while also promoting various shared growth programs and strengthening the capabilities of the entire value chain pursuing human development and social progress.

# Fostering Innovative Talents

www.kt.com/recruit/rpolicy.jsp



**Driving Forces** In the modern society, the internal and external management environment is rapidly changing, such as rapid technological advancement, emerging global market, and diversification of demands of various customers. Today, securing innovative talents that combine professional competence and enthusiasm is increasingly important as a way that determines the company's future competitiveness.

**KT's Approach** By securing excellent talents and fostering innovation as a driving force for corporate growth and development, KT is doing its best to realize its corporate mission of being 'the best national company that provides the fastest and most innovative ICT-based telecommunications and convergence services for the convenience of customers.'

## Ideal Employee of KT

Excavation and cultivation of innovative talents are the driving force for growth and development of a company. 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 are hired based on their capability through the fair and open process. Therefore, KT has established a corporate culture of capability based, where employees can maximize his or her capability by themselves through educations in accordance with KT Expert Program.

### Ideal Employee of KT

|  |   |
|--|---|
| The talent continuously takes on challenges        | <ul style="list-style-type: none"> <li>Achieving the best results by not yielding to hardship and adversity and continuing to challenge goals</li> <li>Realizing differentiated services by leading changes and innovation</li> </ul>       |
| The talent communicates without barriers           | <ul style="list-style-type: none"> <li>Continuously striving to ensure mutual growth and development by communicating with colleagues</li> <li>Creating synergistic effects by cooperating with each other for the success of KT</li> </ul> |
| The talent respects customers                      | <ul style="list-style-type: none"> <li>Considering interests and satisfaction of customers in conducting all tasks</li> <li>Respecting customers and fulfilling promises with customers</li> </ul>  |
| The talent complies with the basics and principles | <ul style="list-style-type: none"> <li>Conducting tasks with the pride of being the owner of a company</li> <li>Acting based on ethical decisions and taking responsibility for the results</li> </ul>                                      |

## Expanding 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. Furthermore, we actively excavate capable talents who will be the new growth engine for the future of KT through open recruitment programs such as nationwide 'KT Star Audition.' Thus, in 2016, we hired 332 new employees and 74 experienced employees, which is increased approximately twice compared to the previous year of 208. Also contracted workers are hired regarding the characteristic of work. We fairly treat our contracted workers complying with relevant laws.

### Status of KT Employees

(As of 31 December 2016)

| Category                                  |                       | 2014   | 2015   | 2016   |        |
|---|-----------------------|--------|--------|--------|--------|
| Employment Type (persons)                 | Full-time             | Male   | 19,085 | 19,117 | 19,436 |
|   |                       | Female | 3,661  | 3,744  | 3,827  |
|   | Temporary             | Male   | 64     | 365    | 31     |
|   |                       | Female | 8      | 216    | 12     |
|   | Others                | Male   | 389    | 71     | 66     |
|   |                       | Female | 28     | 18     | 23     |
| Total                                     | Male                  | 19,538 | 19,553 | 19,533 |        |
|   | Female                | 3,697  | 3,978  | 3,862  |        |
| Social Minority (persons)                 | Patriots and Veterans | 1,154  | 1,153  | 3,862  |        |
|   | People with handicaps | 477    | 469    | 480    |        |
| Ratio of Female Workers by Positions (%)* | Employee              | 15.91  | 16.26  | 16.51  |        |
|   | Manager               | 13.09  | 14.25  | 13.96  |        |
|   | Top executives        | 6.71   | 7.18   | 7.40   |        |

\* Employee: Exclusion of exchanged employees and dispatched contract employees from full-time employees  
Top executives: Top executives, executives, senior managers above team directors

## Enhancing Innovative Capability

www.kt.com/recruit/system.jsp



Change and Innovation Academy

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

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



Education for Smart Energy (KT-MEG Center)

In order to identify and dominate new growth opportunity in the telecommunications market rapidly changing, fortifying the employee capability as well as the corporate competitiveness have become more important than ever. For this reason, KT is 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.' Hence, KT has established and executed the following three education systems: education about core values, education for fostering leaders, and education for fostering job experts, Group Institute of HRD Resource, the headquarter of Group education, has been leading efficient design of organization, development & upgrade of education contents, and evolution of education infrastructure. Especially, we manage and use HRD efficiently through an education portal established to improve capability of all Group companies. In addition, we provide E-learning education, Trend insight penetrating Fourth industrial revolution, book sum-up video, and education video made by the best expert in the company.

### KT Value Shared Program: Cultivating Members with Initiative and Endurance Based On Core Values

KT conducts education on the Group's value so that all employees within the Group advance forward in one direction in accordance with the 'Single KT,' one of the core values. We have reinforced the pride as a KT person and the sense of belonging by internalizing the case oriented four core values ('Number 1 KT,' 'Single KT,' 'Customers First,' and 'Right-path Management'). Also, we provide educations such as strengthening the sense of belonging and sharing KT's value for newly appointed and promoted employees. Since 2016, by operating promotion education as a Group education, we have enhanced required capabilities for each position. Also, through Change and Innovation Academy, we have cultivated employees as a catalyst for change and innovation. We have also made efforts to actively cultivate a 'No. 1 KT person' who has core capabilities through Work Smart Academy with a keyword of 'Innovation the way of work.' As a result, in 2017, KT will further enhance cultivation of talents for KT Group's sustainable growth through diffusing educations on the Group's value and reinforcing customized education course for sites.

### KT Leadership Program: Fostering Leaders Leading Change and Performance

KT conducts leadership education to develop leadership of Group leaders and cultivate management leader. Especially, to systematically train the next-generation leaders of the Group, KT has completed the Group leader 'cultivation track,' which cultivates director assistants, executives and senior executives. Furthermore, we have regularized Group-wide directors' education and are leading organization management, talents cultivation, and leadership development. 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 and grow into the global No. 1 leaders. In 2017, we will accomplish a leader cultivation system of KT through advancement in the global highest executive course, early implementation of cultivating for management leaders, expansion of action learning, extension of Group companies for training directors and cultivation program for team 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 is operating a customized education program that suggests an appropriate education course according to the evaluation results, that enables individual to supplement its own capabilities by themselves. In 2016, especially, the program practically contributed to improving the performance of KT by enhancing connectivity between the existing education for capability improvement and the business strategy direction. Thus, in 2017, we will reinforce training for innovative technology and ICT based capability educations such as Smart Energy, IoT and AI, while establishing cultivation system based on task assessment through the corporate-wide capability modeling by task unit.

## Site-oriented Education Culture

KT has introduced an informal learning program called 'No. 1 Education Organization' and settled as a KT's unique education culture. The 'No. 1 Education Organization' enables our employees to learn by working at sites. The activation of learning at sites has been continued such as expansion of academic organization convergence which creates synergies among positions and organizations, and encouragement in the organizational level based on the performance of the education organization. Furthermore, in order to support strategic tasks in the view of HRD, we have developed and used infrastructures which share various knowledge & information utilized at sites. This will allow us to connect to the future business strategy such as IoT, Big Data, AI. Thus, it brings academic motivation for employees and creates performance for each division.

### Hours and Expenses of Employee Education (As of 2016)

| Category          | Offline Education | e-Learning | Hours of Education per Person (hours) | Education Expenses per Person (KRW thousand) |
|-------------------|-------------------|------------|---------------------------------------|--|
| Course (courses)  | 1,034             | 1,519      | 63.5                                  | 718  |
| Trainee (persons) | 82,158            | 201,378    |                                       |  |

### Fair Appraisal and Compensation

[www.kt.com/recruit/system.jsp](http://www.kt.com/recruit/system.jsp)



KT is constantly excavating measures for mutual growth of the organization as well as individuals by operating a personnel system that fortifies the fairness of appraisal and compensation system and promotes long-term performance improvement. Hence, KT is striving to maximize its corporate capability through transparent and fair appraisal of employees' performance and providing appropriate compensations corresponding to the appraisal.

#### Enhancement of Fairness for Appraisal and Compensation System

We conduct an annual performance evaluation and provide a fair compensation such as an increase of wage, promotion, and reward assisting to encourage 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, calibration between primary and secondary appraisers, acceptance of an objection about the result, and afterward monitoring. 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. 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. In 2017, we will enhance evaluation capability through a practice-oriented coaching education for performance management and re-education for managers with low satisfaction score of the evaluation. Furthermore, KT will improve the fairness and acceptance of the evaluation by reinforcing the monitoring for 'one takes all excellent evaluation' practice.

| Year | Wage   | Severance Pay* | Welfare & benefits | Total  |
|------|--------|----------------|--------------------|--------|
| 2016 | 15,833 | 1,689          | 2,638              | 20,160 |
| 2015 | 15,215 | 1,534          | 2,562              | 19,311 |
| 2014 | 16,282 | 1,477          | 2,958              | 20,717 |

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

#### Multidimensional Performance Appraisal

In order to secure the fairness and to promote improvement of job specialty, KT conducts a Job Competency Assessment for performance evaluation, which enables a 360 degree appraisal for all employees in an annual basis - i.e. him or 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 level' but 'specific job level' which is an indicator for individual job.

#### Transparent Promotion System

KT has introduced the rank & promotion system since 2014 to motivate employees to improve their performances. 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 internal & external activities. Thus, we have established an organizational culture where everyone pursues long-term performances.

#### Encouragement and Reward

KT pursues a talent who continuously takes on challenges, thus, we have been actively leading a corporate culture to praise and encourage employees whenever necessary. 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 recipients 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 improving interests and engagement level of employees.



No. 1 KT Employee Award

## Human Rights Protection and Promotion

[wwwdev.kt.com/eng/social/ethics\\_08.jsp](http://wwwdev.kt.com/eng/social/ethics_08.jsp)



**Driving Forces** Since the declaration of the UN's 'Guiding Principles on Business and Human Rights' in 2011, the international community is increasingly demanding respect for human rights, protection and relief. Responsible global corporations are responding to these demands in an effort to minimize the negative effects of human rights on its business operations.

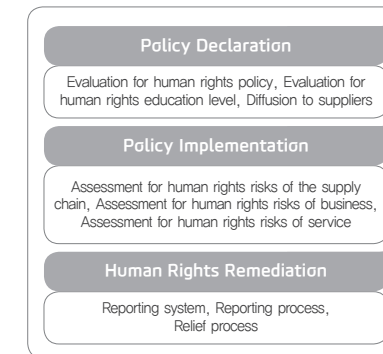
**KT's Approach** KT is committed to respecting and protecting at the highest level of human rights in every region in which it operates, while fulfilling its social responsibilities and roles. KT will achieve sustainable growth by proactively preventing possible violation of human rights within its business and throughout the value chain, while contributing human rights promotion through ICT.

### KT Human Rights Policy and Compliance with International Standards

UN Global Compact Communication on Progress (COP)  
[www.unglobalcompact.org/what-is-gc/participants/5955-KT#cop](http://www.unglobalcompact.org/what-is-gc/participants/5955-KT#cop)

### Human Rights Protection System

KT Human Rights Risk Exposure Evaluation Areas



### Human Rights Promotion System

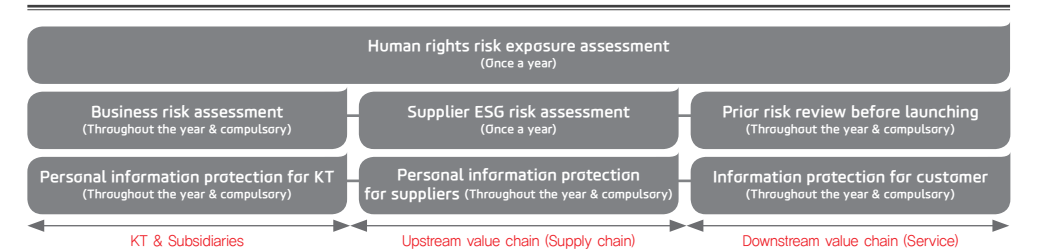


Human Rights Promotion Activity Through Social Contribution Program

KT believes that corporate human rights policy shall act beyond the traditional way of protecting human rights and take a big step towards promises and commitments to promote human rights. Hence, KT has established 'KT Human Rights Policy,' it reflects KT's strong will and effort to protect and promote human rights, while striving to accomplish the world where every human being is enjoyable the modern conveniences and pursues happiness through innovative technologies. In addition, as a responsible global communications company, KT publicly endorses global standards on human and labor rights such as the UN 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 anti-corruption.

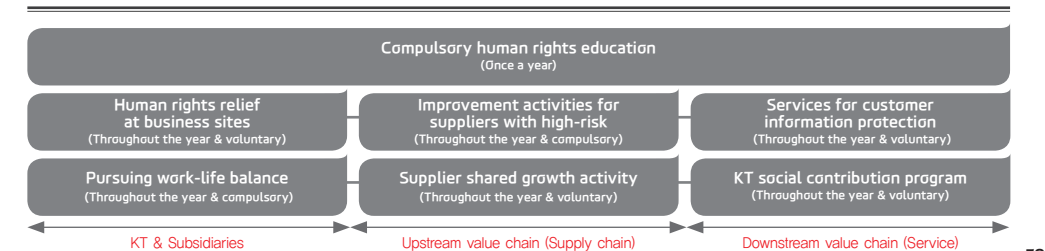
In order to minimize negative human rights impacts, KT proactively identifies the potential issues regarding human rights violations within its business operations or the entire value chain. Hence, we have established and implemented an organization, operation structure, monitoring, correction and internal & external reporting process in accordance with the human rights due diligence process defined by the UN Guiding Principles on Business and Human Rights. Therefore, in 2013, KT has developed 'KT Human Rights Assessment Framework' based on the UN Guiding Principles on Business and Human Rights, as well as conducted human rights risk assessment for all sites every year. In addition, in order to protect human rights, we have developed and operated human rights risk assessment and due diligence process for the entire business areas.

#### Human Rights Risk Assessment and Due Diligence Process



In order to promote and improve human rights, KT realizes an integrated human rights management throughout the entire value chain, which covers not only KT and the Group companies, but also suppliers, distribution channel (upstream), service distribution, and customers (downstream). In order to minimize negative human rights impacts while maximizing positive human rights impacts throughout the value chain, it is necessary for suppliers, sub-contractors and business partners to cooperate with KT based on mutual trust. KT has actively applied the best practices and shared knowledge across the entire value chain, aimed for human rights protection and promotion.

#### Human Rights Remediation Process



GiGA People Talent Management

# Pursuing Work-life Balance

www.kt.com/recruit/benefits.jsp



**Driving Forces** In the era of low fertility and aging society, social demands for work and life balance are intensifying. Supporting employees to enjoy a stable family life and to design a stable second life not only increases social benefits, but also enhances the company's competitiveness by improving work concentration and securing talented personnel.

**KT's Approach** KT creates an innovative work environment that helps employees to work and live harmoniously, and to engage in work based on creativity and enthusiasm. KT's diverse efforts, including flexible and efficient use of working hours, care programs for women's lifecycles, support planning after retirement, and resolving grievances, are leading to mid- to long-term productivity increases.

## Innovative Working Environment

### Expansion of Flexible Working Scheme

In order to realize the work-life balance, we have operated the flexible working scheme expanding the scope to cover all employees. The flexible working scheme 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. Besides, KT is operating various flexible working schemes by reflecting work characteristics: since 2014, employees in the R&D and IT departments distribute working hours by themselves through the discretionary working system. On the other hand, the CoreTime working scheme is being operated at customer contact points so that employees can care customers not bound by their work time. Since 2015, we have strived for supporting the flexible working scheme in the perspective of the virtuous circle to improve employee's capability as well as customer satisfaction.

### Female Life Cycle Caring Program

KT is providing a caring program by life cycles of female (stage of pregnancy, childbirth and child rearing) 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 provides various supporting activities by cutting working hours, allowing to use nursery facilities at the workplace, and granting scholarships. Thanks to the efforts, KT has proved the excellence of the working environment for female by receiving the grand prize for Female Talents Management from the Minister of Strategy & Finance and the grand prize for Asia Female Index from the Minister of Gender Equality & Family.



Use of Women Talents and Gender Equality of KT

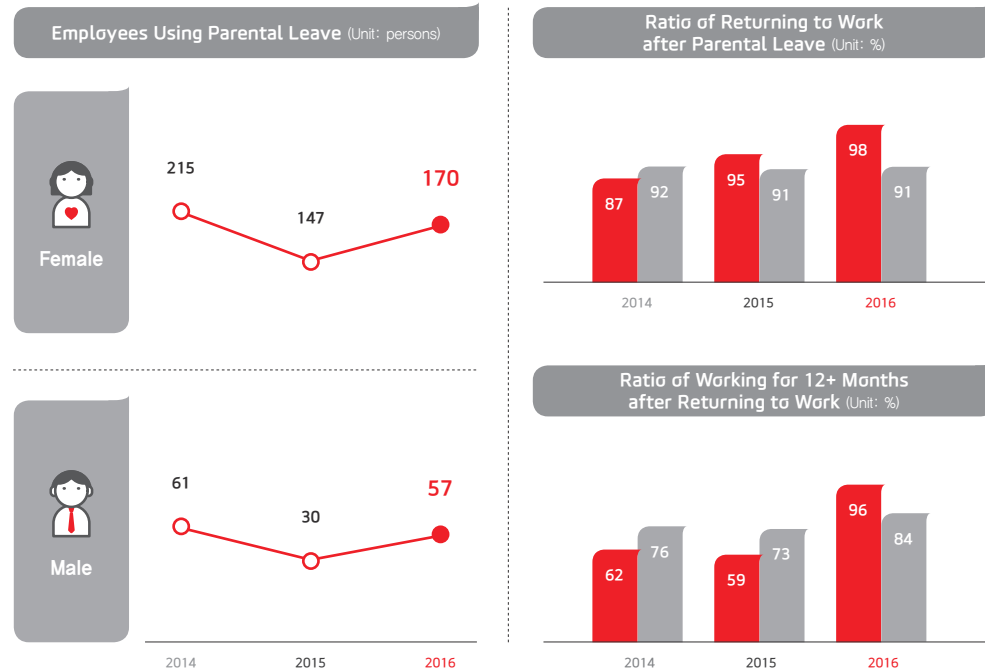
Awarded the Grand Prize from Female Talents Management



Grand Prize

2016, Corporate Sector

#### Ratio of Returning to Work after Parental Leave



## Self-realization of Employee



Support Program for Outplacement

## Refresh Leave Program

KT provides an incredible refresh leave program for employees with more than 10 years of service with outstanding performance. The selected employees receive a 6-months paid vacation and KT presents them opportunities for the self-development and recharge. Benefitting employees thus can have diverse options what they wanted to do, such as self-improvement activity, travel and 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

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 their second half of 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 for Supporting to Start Business

In order to provide an opportunity for employees to switch their career and to activate start-up ecosystem, KT has supported registered employees who challenge for start their business since 2009 when introduced a leave system to assist the start of a business for the first in Korea. 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 second half of life.

## Family-oriented Corporate Culture



In-house Recreational Facility

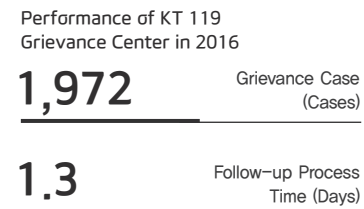
For helping employees reduce work-family conflict and thus achieve the work-life balance, KT has defined every Wednesday as a 'family day' encouraging all employees to leave the office on time. On the family day, heads of each department voluntarily become a model by leaving the office on time so that other employees can follow. Moreover, 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 have additionally conducted family-friendly programs in 2016 such as 'invitation of employee family' event.

#### Welfare and Benefit Programs

| Support for Life Stability  | Education for Children   | Support for Medical Check-up & Expenses   | Support for Leisure, Culture & Well-being   | Support for Family Events & Disaster Relief   | Support for Pension Plan  |
|---|--|---|---|---|---|
| <ul style="list-style-type: none"> <li>Support for housing funds to buy or rent a house for employees who do not own their own homes</li> <li>Providing a dormitory and company housing for employees living alone or from other regions</li> <li>Lending funds for stabilizing living condition</li> </ul> | <ul style="list-style-type: none"> <li>Operating 8 nursery facilities for employees' children</li> <li>Granting scholarships to employees' children who go to high school</li> </ul> | <ul style="list-style-type: none"> <li>Supporting medical expenses for employees, their spouses, and children</li> <li>Application for group insurance by the company</li> <li>Supporting medical check-ups for employees and their spouse</li> </ul> | <ul style="list-style-type: none"> <li>Operating in-house recreational facilities at 6 offices (Gyeongju, Geosje, Jiri Mountain, Muju, Dogo, and Daegwanryeong) on a regular basis</li> <li>Operating R&amp;R facilities for summer</li> <li>Providing selective welfare points for self-help, culture &amp; leisure, healthcare, and etc.</li> </ul> | <ul style="list-style-type: none"> <li>Support expenditures for congratulations &amp; condolences and funeral supplies &amp; condolence flowers</li> <li>Support insurance for mutual protection policy and funeral service (in matching grant method)</li> </ul> | <ul style="list-style-type: none"> <li>Support for pension savings</li> </ul> |

Pursuing Work-life Balance

**Corporate Culture for Communications**



The 'communication' is a foundation of corporate culture for KT. A corporate culture of an open communication is necessary in order to promote the sustainable growth of the company and employee benefits. Consequently, KT is actively handling employee's grievances proactively to improve the work satisfaction so that employees are able to immerse in their work. Furthermore, we have consolidated the labor & management relations for a mutual growth through the operation of various communications channels.

**Grievance System**

KT is currently operating diverse grievance channels for preventing employee grievances and addressing them swiftly. At 252 offices, the 'Grievance Committee' has been installed which consists of labor & management representatives. Also, through 'KT 119,' a website for reporting grievances as well as the 'Labor & Management Mutual Growth Center,' the corporate-wide grievance control tower has been operated 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, so that providing convenient reporting channels. 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 as well as promoting the improvement cases through newsletters every week. In 2016, in order to improve the quality of grievance for sites, KT has revised and distributed the Standard Operating Procedure (SOP) for grievance work, while conducting educations customized for site visits aimed to enhance the capability for the members of 'Grievance Committee.' In 2017, we will support grievance works for retirees and will enhance professional knowledge for the members of 'Grievance Committee.' Furthermore, we will promote active communications between the central organization and the 'Grievance Committee' by distributing monthly newsletters.

**Labor & Management Mutual Growth Committee**

- Division for 'Respected No. 1 KT'**  
Addressing grievances health and safety 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 and providing scope expanded one-stop process for retirees

**Labor & Management Relations for Mutual Growth**

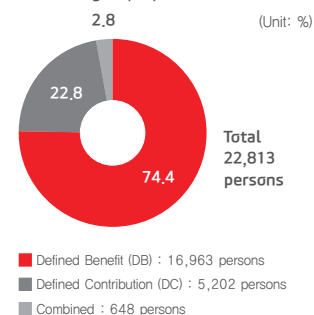
KT guarantees an employee's freedom to join or withdraw from the Labor Union in accordance with Article 5 of the Trade Union and Labor Relations Adjustment Act and Article 3 of the Collective Agreement in the Labor Union Act. Besides, KT is operating the Union Shop system where all employees join as a member of the Labor Union upon entering the company by the collective agreement. As of December 2016, the ratio of members of the Labor Union is 79.6% of KT's total employees, which is increased by 1.9%p from the previous year. KT is operating Labor & Management Council in accordance with Act On The Promotion Of Works' Participation and Cooperation. We have been leading the labor & management culture of Korea by operating the regular Labor & Management Mutual Growth Committee, which is the creative and active communications body between the Labor Union and the management. The Committee and Council held total of 15 meetings in 2016 to discuss and resolve measures to encourage employees and promote the employee welfare. KT will constantly develop the communication organization between the labor union and the management. Thus, the Labor Union and the company can communicate about the current status of business and major policies, improve working environment and handling grievances for employees as well as promote mutual cooperation and value creation of labor & management.

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 in Defined Benefit (DB), Defined Contribution (DC) plans and combination of these two; 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 2016, the amount of retirement payments of the DB plan is KRW 67.39 million while that of the DC plan is KRW 6.06 million.

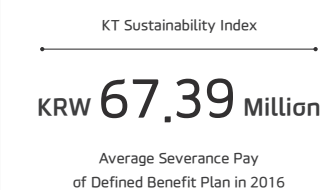
**Retirement Pension Plans (As of 31 December 2016)**

| Category                  | System 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)             | 16,963 persons (74.4%) |
| 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      | 5,202 persons (22.8%)  |
| 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 | 648 persons (2.8%)     |

**Benefiting Employees of Pension Plans**



**Stable Pension Plans**



**GiGA People Talent Management**

Talent Management | Shared Growth Management

**Health and Safety for Employees**



**Driving Forces** Establishing a healthy and safe workplace is a starting point for securing sustainable corporate competitiveness. Occurrence of safety accidents and employee stresses lead to loss of human and economic losses and morale. And with the frequency of domestic earthquakes increasing, it is the more important for corporate disaster response capabilities to become more competent.

**KT's Approach** In order to provide a healthy and safe working environment for its employees, KT has reinforced the health and safety system. Especially, since 2016, KT has concentrated its efforts in order to improve the integrated response competency of the Group against disaster and safety risks, thus, we have expanded the Safety Conference to the Group-wide and held on a quarterly base.

**Establishment of Preventive Health and Safety System**



CPR Skills Education

To realize a safe work place, 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 & car accidents. In particular, KT strives to prevent severe disasters by sending a safety message in a case of emergency including heavy snow, rain and frozen road. In addition, we are encouraging our employees to establish the safe corporate culture through the annual Occupational Health and Safety Contest where sites are awarded for their excellent safety performance and zero accident records. In 2017, we will gather opinions at sites as well as reinforce safety measures 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 healthy and safe corporate culture will be established and further consolidated.

**Reinforcement of Health & Safety 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 health and safety educations. Also, KT employees participate in the CPR education regularly so that they can execute first-aid measures in emergency. In 2016, we made 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 have increased 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, so that reinforced support to save life from unexpected accidents. Since 2017, we have advanced education level for the emergency preparedness training reflected that the significance of disaster correspondence has been escalated due to frequent earthquake in Korea recently.

**Performance of Psychological Consultation Center in 2016**

| Personal Consultation | Group Consultation |
|-----------------------|--------------------|
| 434                   | 1,034              |
| Visit & Consultation  | Healing Camp       |
| 186                   | 334                |
| Education             | Stress Test        |
| 4,794                 | 17,157             |

(Unit: persons)

**Healthcare for Employees and Prevention of Diseases**

The joyful corporate culture starts from healthy employees. Thus, we are endeavoring for the early diagnosis and treatment of disease by conducting comprehensive medical check-ups for all employees and their spouses at least once a year even though the National Health Insurance Act regulated to conduct medical check-ups for office-job once every two years. 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. In 2017, we will realize 'automatic guidance SMS sending function three days before the check-ups' within the ERP medical check-up system and promote comprehensive medical check-ups by sending card-type emails to all employees.

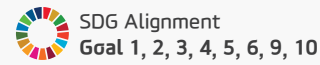
**Performance of Safety Management**

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 industrial accidents decreased by 23% and we achieved zero critical accident in 2016. Consequently, KT's accident rate of the past 3 years has recorded at 0.07% which is 30% lower than the industry average of 0.10%. The Lost Time Injury of 2016 is 0.16, improved from the previous year of 0.22 (in 200,000 man hours). With the aim to decrease the accident rate by 50% compared to the previous year, KT has established the 2017 Disaster Safety Plan and actively promoted activities against industrial accidents.



# Social Contribution Strategy

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



**Driving Forces** Society is the driving force of corporate growth that provides a platform for business activities and at the same time provides new customers and consumption. As a member of a responsible society, global corporations faithfully fulfill their social responsibilities for mutual coexistence outside the local community, while taking various measures to identify and address social needs.

**KT's Approach** KT is considering ways to contribute to the local community in line with the development of rapidly changing technologies and changes in the social environment. To this end, KT has been diversifying its social contribution divisions around people, society, and culture in order to create an equal world in which everyone is connected and enjoys the benefits of GiGAtopia.

**KT's Mission**

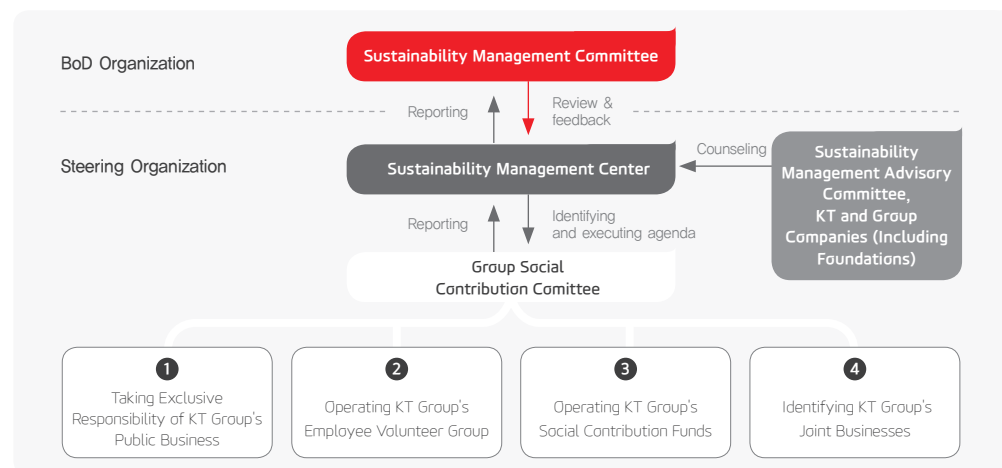
KT Social Contribution Goals

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



KT has been growing with Korea and her people expanding its management philosophy, 'the best national company that pursues the convenience of customers based on ICT' to the social contribution. Therefore, diverse activities to narrow the gap are being actively executed in areas of people, society, and culture with our key capabilities such as GiGA Infrastructure and ICT technology. We will advance the life of people through the cooperation with Group companies 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 and operates the Group employee volunteer group & social contribution fund as well as plans & monitors the identification of mutual projects of Group companies.

Social Contribution Organization



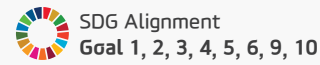
Implementation of UN SDGs Through Social Contribution Activities of KT Group

| PEOPLE   | PLANET   | PROSPERITY   | PEACE  |
|--|--|--|--|
| <b>01 No Poverty</b><br><br>· Supporting independence and self-supporting for poor region through Dongja Hope Sharing Center (KT Group)  | <b>06 Clean Water and Sanitation</b><br><br>· Improving the health of residents in poor regions through cultural support and operation of public bath (KT Group) | <b>07 Affordable and Clean Energy</b><br><br>· Improving energy efficiency by installing photovoltaic facility at community service (KT Group)   | <b>16 Peace, Justice and Strong Institutions</b><br><br>· Donating by establishing a fund to protect the Dokdo (Island) through 'Dokdo Keeper' plan (kt telecop)   |
| <b>02 Zero Hunger</b><br><br>· Operating the Red Food Truck for underprivileged (BC Card)  | <b>12 Responsible Consumption and Production</b><br><br>· Holding Flea Market for social companies (kt commerce)   | <b>08 Decent Work and Economic Growth</b><br><br>· Supporting circulation activation by organizing SMEs' product broadcasting (kth)  | <b>17 Partnerships for the Goals</b><br><br>· Helping community through 3-color sharing activities for vulnerable class (tickets revenue, seats and talents of players) (kt sports)<br>· Manufacturing and donating products in collaboration with NGO (N Search Marketing)<br>· Promoting NGO campaign on Giftshow banner screen (kt mhows)<br>· Raising fund from revenue of in-house cafe (nasmedia)<br>· Operating Give Square that employees volunteer services converted into donations (KT Group Hope Sharing Foundation) |
| <b>03 Good Health and Well-being</b><br><br>· Conducting Healing Hearing Impairment Campaign for rehabilitation of hearing-impaired children (KT)  | <b>13 Climate Action</b><br><br>· Conducting climate change prevention campaign (kt m&s)   | <b>09 Industry, Innovation and Infrastructure</b><br><br>· Creating social value through telephone booths (kt linkus)<br>· Operating Antenna of Love to provide UHD TV and satellite broadcasting free of charge (kt skylife)<br>· Implementing GiGA Story that improve living standard by providing GiGA Infrastructure and customized solutions at remote areas (KT Group) |  |
| <b>04 Quality Education</b><br><br>· Supporting education for underprivileged children through Dream Center at underused space in office building (KT)<br>· Supporting online and offline learning for underprivileged children with Dream School platform based on video conferencing system (KT)<br>· Addressing information gap through IT knowledge sharing by IT Supporters (KT Group)<br>· Inviting children and teenagers to a satellite control center providing experiencing program (kt sat)<br>· Providing special IT education for employment cooperating with vocational high schools (kt ds) | <b>14 Life below Water</b><br><br>· Volunteer activity for healthy marine activity (kt submarine)  | <b>10 Reduced Inequalities</b><br><br>· Realizing a classic culture sharing through operation of KT Chamber Hall (KT)<br>· Conducting volunteer service for hearing-impaired elderly through sign language volunteer group with infrastructure of sign language customer center (kt is)<br>· Providing LTE walkie-talkie (RADGER) to support NGOs (kt powertel)              |  |
| <b>05 Gender Equality</b><br><br>· Supporting vocational education, childcare, and cultural experience of single moms for their independence (kt cs)   | <b>15 Life on Land</b><br><br>· Promoting campaign to manage city parks (kt engcore)   | <b>11 Sustainable Cities and Communities</b><br><br>· Opening Fixing House with Love that improves living environment for vulnerable class (kt estate)   |  |



# The Three Social Contribution Activities

www.kt.com/eng/social/it\_01.jsp



**Driving Forces** Despite recent advances in information and communication technologies, ICT accessibility and information gaps among regions, strata, and generations are intensifying. In addition, loss of education opportunities for low-income people, lack of quality jobs for the elderly, and the incidence of women with career disruptions are factors that weaken the national and corporate growth engines as well as the income level of the people.

**KT's Approach** KT is continuously expanding its social contribution activities in three areas: people, society, and culture in order to create a better future through connections and dissemination. In particular, we are enhancing the benefits of our citizens by utilizing the strengths of KT's GiGA Infrastructure and ICT technology. We are creating shared value by strengthening our business base as well as solving social problems from a mid- to long-term perspective.

## Better People

The better future is brought by people. KT, as the Korea's representative company, creates the world where everyone is guaranteed with equal opportunities and dreams of new dreams. Thus, we will continue to expand IT Supporters, Dream School, Global Mentoring, Employee Volunteer Platform, scholarship programs and Labor & Management Sharing activities.

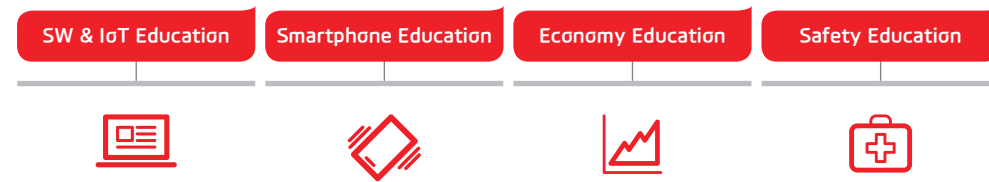
### 10<sup>th</sup> anniversary of IT Supporters

In February 2017, KT celebrated its 10th anniversary with the launch of 'IT Supporters,' the first Pro Bono\* in Korea. The current and former KT employees of IT Supporters have strived to fill the information gap by providing more than 300 thousand IT educations for approximately 3.2 million people. The IT Supporters, began with IT educations has provided a foundation for 'KT GiGA Story' and development of the local community with network. Moreover, the IT Supporters expand its scope of activity by applying IT solutions in order to improve the quality of life for those regions with underprivileged in information.

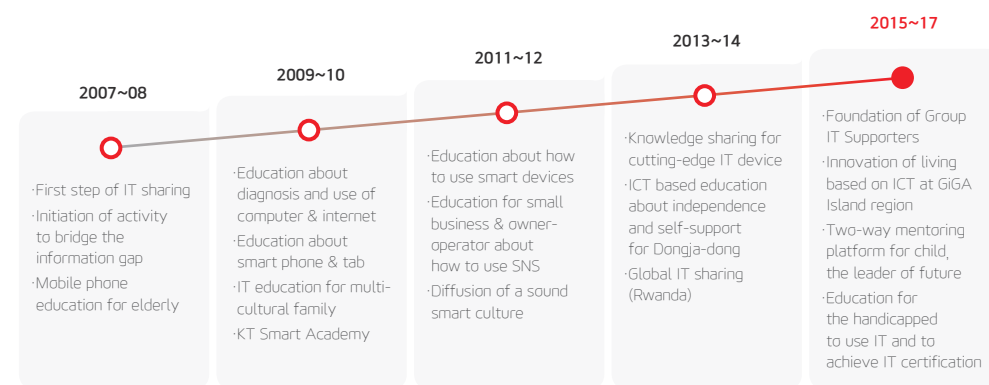
\* Pro Bono refers to an activity for experts in various fields to help the social minority and the vulnerable through their expertise.

### Establishment of KT Group IT Supporters

Since 2017, KT has provided wider and professional IT sharing through education program by actively reflecting the characteristics of 11 Group companies.



### Milestone, 10th anniversary of IT Supporters



Is it difficult for elderly to use smartphone? I became a smart phone teacher at the age of 80.

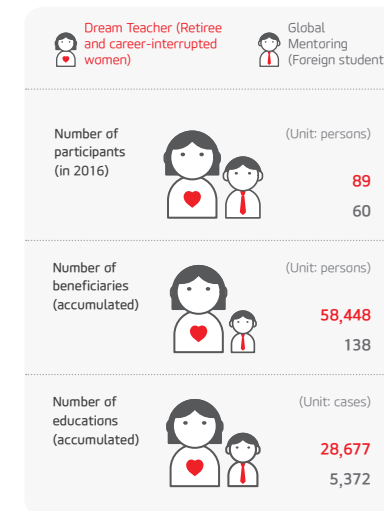
Happy IT sharing life for 80 years old grandfather who became teacher

I found a hope at the end of despair with KT IT Supporters.

Multicultural home housewife has turned into an IT visiting teacher



### Status of Dream School



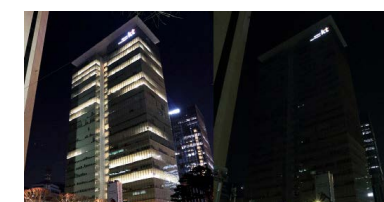
Dream School Website  
www.ktdreamschool.org

### Key Performance of Scholarship Programs in 2016

| Category  | Number of beneficiaries (persons) | Scholarship Amount (KRW 100 million) |
|---|-----------------------------------|--------------------------------------|
| Scholarship for Creative and Innovative Leader (Future Creative Talent)   | 325                               | 6.6                                  |
| Scholarship for Creative and Innovative Leader (Social Innovation Talent) | 60                                | 2.1                                  |
| Labor & Management YOUTH Scholarship                                      | 220                               | 3.3                                  |
| Total   | 605                               | 12                                   |



Labor & Management Volunteer Activity



Earth Hour

### 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 career-interrupted women; Dream Teachers are mainly retirees and career-interrupted women by sharing their talents. They provide ICT, art, and physical education as well as personality education to those socially vulnerable class such as child, handicapped person, seniors who live alone.

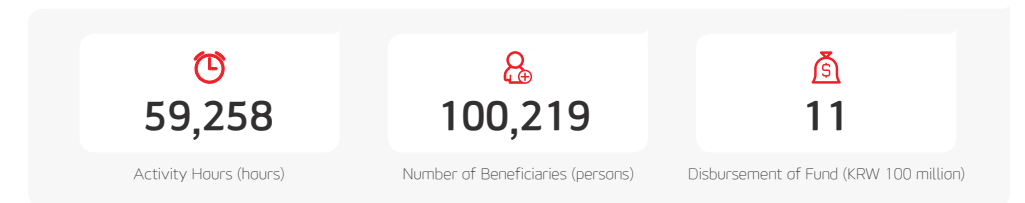
### Global Mentoring

'Global Mentoring' is a program for elementary school students to teach foreign language and provide education about the global culture by connecting foreign students and elementary school students, who live in remote areas. KT has continuously expanded supporting regions within the GiGA Story region; students in Pyeongchang in Gangwon Province are included in 2016.

### 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 inspecting the facilities at welfare centers, and offering experience-based training through KT's facilities. In 2016, we have encouraged employees by opening 'Give Square,' which is a ICT based volunteer activity platform synchronized with Korea's largest volunteer activity database.

### Status of Employee Volunteer Group in 2016



### Scholarship Programs

Since 1988, KT has operated a variety of scholarships such as 'Scholarship for Creative and Innovative Leader' and 'Labor & Management YOUTH Scholarship.' KT's scholarship programs are not a simple scholarship delivery but are to support the dreams of youth by providing mentoring through 'Dream School,' an online education platform.

### 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.

In 2016, in order to encourage the sharing activities, we have introduced the 'Sharing Mileage' of Labor & Management Together that grants one mileage for one hour of volunteer activity. Thus, 18 thousand employees actively participated for the eight hours volunteer activity. In 2017, we will expand the sharing activities with Labor & Management by increasing the practice committees by 159 from 149 as well as promoting common activities with the UCC, Labor & Management Sharing Committee.

### 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 20 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 addition, UCC officially supports an environmental movement campaign, Earth Hour of World Wild Fund (WWF), and promoted participation for the all office buildings in country and the family of employees in 2016.

The Three Social Contribution Activities

Better Society



Kyodong GiGA Island



Bangladesh GiGA Island

GiGA Island

As IT devices such as smartphone and the Internet have been widely generalized, the world is becoming more closely connected; however, regional gaps (information, culture, education and income) 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 create the better society 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, GiGA Story is a social contribution model that is in line with GiGAtopia, KT's goal for new growth in the future where humankind and things are connected through GiGA Infrastructure and 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, since 2014, GiGA Story is being operated in types of GiGA Island (for remote areas) and GiGA Creative Village (for isolated areas) and the project scope has expanded to the nationwide starting with Imja-Island in Sinan-gun, Jeollanam-do. In 2017, we have established Kyodong GiGA Island and further applied GiGA Story model to the global community contributing to the accomplishment of UN SDGs, Bangladesh GiGA Island.

Performance of GiGA Story Project

**KT GiGA Story**  
Creating the Social Value Based On ICT, Bridging the Regional Social Gap

Korea

Expanded Application

---

**Development Model for Developing Countries**  
Developing Local Communities Based On ICT, Addressing the Global Gap

Bangladesh

|   |   |                        |
|---|---|------------------------|
| <p><b>Imja GiGA Island</b></p> <p>01</p>                    | <ul style="list-style-type: none"> <li>Selected as 'developing farming village through ICT convergence' benchmarking model by the Ministry of Agriculture, Food and Rural Affairs</li> <li>Introduced as the best practice in diffusing broadband on UN Broadband Annual Report</li> <li>Introduced as the best practice in diffusing broadband on GSMA '2016 Mobile Industry Impact Report'</li> <li>Highly valued as an innovative CSV case by Professor Michael Porter of Harvard University and received CSV Porter Award for 3 consecutive years</li> <li>Opened Korea's only experiencing smart farm for children and GiGA IoT experience center</li> </ul>   | <p>(October 2014)</p>  |
| <p><b>Daeseongdong GiGA School</b></p> <p>02</p>            | <ul style="list-style-type: none"> <li>Established Smart Learning system and next-generation classroom for global leaders of future Korea unified</li> <li>Daeseongdong GiGA Elementary School children's short film played as the opening film at DMZ International Documentary Film Festival</li> <li>Applied Smart Disc EDU class, Career experience class with KT experts, IoT health class</li> <li>Signed a contract of 'First Village for Reunification' with the Ministry of Government Administration and Home Affairs; established an ICT-based complex cultural space</li> <li>Simplified overall administrative works (e.g. admission to village, video telephony) through ICT Provided IoT programming education with Korea Creative Economy Federation</li> </ul>   | <p>(November 2014)</p> |
| <p><b>Baengnyeong GiGA Island</b></p> <p>03</p>             | <ul style="list-style-type: none"> <li>Accomplished ICT-based development of the local community through the public-private cooperation with Incheon City</li> <li>The first smart farm in Baengnyeong Island 'PLANT FACTORY' launched and cultivating strawberry in all seasons</li> <li>Arduino SW class for children in Baengnyeong Island, IoT experience class</li> <li>The Minister of Government Administration visited and held national security experience education and exhibition of the Government 3.0 Fair</li> </ul>   | <p>(March 2015)</p>    |
| <p><b>Cheonghakdong GiGA Creative Village</b></p> <p>04</p> | <ul style="list-style-type: none"> <li>Activated farming village and shed new light on traditional culture through ICT, in cooperation with the Ministry of Agriculture, Food and Rural Affairs</li> <li>Improved life of local residents with ICT for beacon, remote lectures, safe use of drone, and mobile medical check up</li> <li>Activated exchanges and diffused traditional cultures among urban-rural through ICT such as remote lectures</li> <li>Video lectures about tradition courtesy for urban children by village teacher in Cheonghakdong</li> <li>The 2<sup>nd</sup> IT test at Cheonghakdong and GiGA creative camp for children at Cheonghakdong</li> <li>Held site forums (5 times) with Hadong-gun local governments, excavated measures to increase productivity of agriculture and to create income</li> <li>Establishment of farming association corporation for economic stimulation at Cheonghakdong</li> </ul> | <p>(July 2015)</p>     |
| <p><b>Kyodong GiGA Island</b></p> <p>05</p>                 | <ul style="list-style-type: none"> <li>The best practice in resident engagement government 3.0 and KT's public-private cooperation with government and local government such as Ministry of Government Administration and Home Affairs, Ministry of Unification, City of Incheon, and Ganghwa-gun</li> <li>Promoted vitalization of isolated regional economy with 'Kyodong Swallow's Nest for local residents and visitors and village enterprise,' community market (establishment of Kyodong villager farming association corporation)</li> <li>Developed tourism solution based on beacon for vitalizing ICT tour</li> <li>Established a high-quality video conference system for remote 'culture sharing'</li> </ul>   | <p>(March 2017)</p>    |
| <p><b>Pyeongchang 5G Village</b></p> <p>06</p>              | <ul style="list-style-type: none"> <li>Established villages utilizing 5G technology in the public interest for the area of Olympic Winter Games PyeongChang 2018</li> <li>Promote Boom-up in advance to the Olympic by developing mountain village through future 5G technology</li> </ul>  | <p>(Forthcoming)</p>   |
| <p><b>Bangladesh GiGA Island Moheshkhali</b></p> <p>01</p>  | <ul style="list-style-type: none"> <li>ICT based regional development model for developing countries with an open cooperation method with various institutions including KT, KOICA, Bangladesh Government (ICT Division), and International Organization for Migration (IOM)</li> <li>Promoted educational, medical, and economic improvement for better living of residents in Moheshkhali Island, Bangladesh</li> <li>Introduced as the best practice as a model of international development cooperation among overseas government-enterprise-IPD at ITU broadband committee, 'The State of Broadband 2016'</li> </ul>   | <p>(April 2017)</p>    |

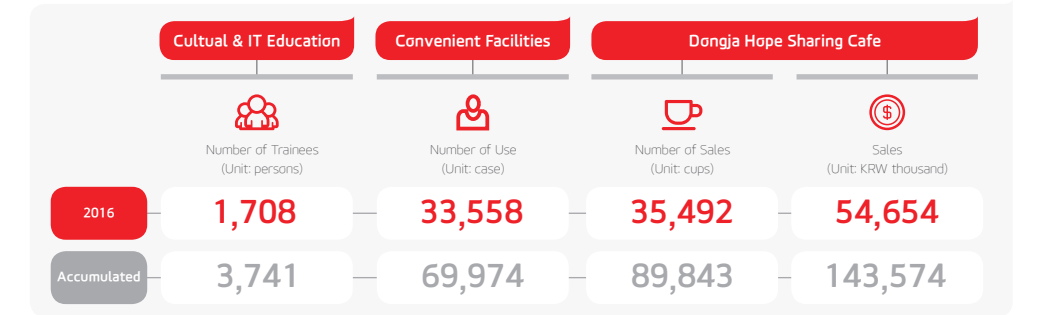


Cafeteria within Dongja Hope Sharing Center

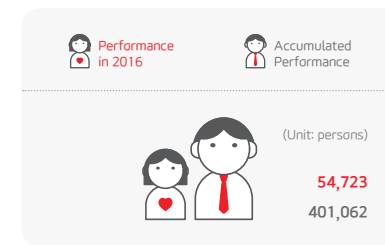
Dongja Hope Sharing Center

Since 2013, KT has implemented IT educations and volunteering works for 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. We have employed local residents for the 15 operating staffs and 4 Dongja Hope Sharing Cafe baristas, and have strived for self-support, while narrowing cultural gaps by frequently providing IT education, handcraft course, and culture & art education. In 2016, KT promoted volunteer activities by providing electric fans and mosquito nets for residents at the five dosshouse regions. In addition, we have supported self-reliance and self-support by holding flea market selling self-supporting products made by local self-support agencies and local residents at Saekum Children's Park at Dongja-dong.

Performance of Dongja Hope Sharing Center



Beneficiary of KT Dream Center



Maritime Safety Communication Facility

Rate Reduction by Beneficiary Groups

| Category  | Annual Total in 2016                 |                                |
|---|--------------------------------------|--------------------------------|
|   | Number of Recipients (1,000 persons) | Reduction Amount (KRW million) |
| Individuals   | The Handicapped                      | 1,168 / 100,122                |
|   | Low-income Bracket Pensioner         | 382 / 46,358                   |
|   | Lower income Class                   | 66 / 7,576                     |
|   | Patriots and Veterans                | 96 / 8,316                     |
| Organizations (e.g. welfare institutes for the handicapped) | 11                                   | 372                            |
| <b>Total</b>  | <b>1,723</b>                         | <b>162,744</b>                 |

KT Dream Center

We are operating the KT Dream Center in cooperating with community children centers by key regions for supporting children in the disadvantaged class to grow into leaders of the future. For 8 years since launch in 2010, the KT Dream Center has installed IT devices, such as IPTV, beam projector, smart pad, and e-book in underused spaces within 21 KT office buildings conducting various educational activities including software, English, music, and integrated culture and arts education. In 2016, KT operated experience program for children of Dream Center and their parents. In addition, we held the 3<sup>rd</sup> Dream Center exhibition at KT Square, so that children could show off their skills that they have learned. In 2016, as a result, we were able to support total 54,723 children throughout the nation.

Bridging Information Gap through Digital Inclusion

Digital inclusion 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.

**Wire Telephone Service**

As of the end of 2016, KT provided the local call service to total 12,690,000 subscribers while operating 62,000 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.

**Telephone Service for Emergency Communications**

In order to maintain the social order and protect safety of the people, KT provides free telephone service for special emergency numbers, such as crime report (112) and fire and distress report (119), transmitted by wire & wireless subscribers. In addition, the company has also provided a vessel wireless phone service for about 3,000 vessels contributing to the vessel safety by immediately delivering distress reports to relevant institutions on a real-time basis.

**Rate Reduction Service**

We have assisted the enhancement of the welfare of 1,720,000 persons who have a handicap or are in the socially vulnerable class through the rate reduction by KRW 162.7 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.



The Three Social Contribution Activities

Better Life

Disseminating the culture through music is closely related to our corporate identity. 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

As the communications company who conveys voice via signal, KT is contributing to the wide diffusion of 'sound' by operating KT Chamber Hall, a concert hall for the classical music since 2009. In 2016, we held total 24 performances and attracted 9,139 audiences and the revenues from the performance at the KT Chamber Hall are used for KT's social contribution program to help hearing-impaired children, the 'Healing Hearing Impairment Campaign.' To popularize the classical music, it is expanding the cultural activities by holding various musical programs such as special performance by orchestra of KT Chamber Hall as well as 'Classic Experiencing Program' for students. 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.



KT Chamber Hall

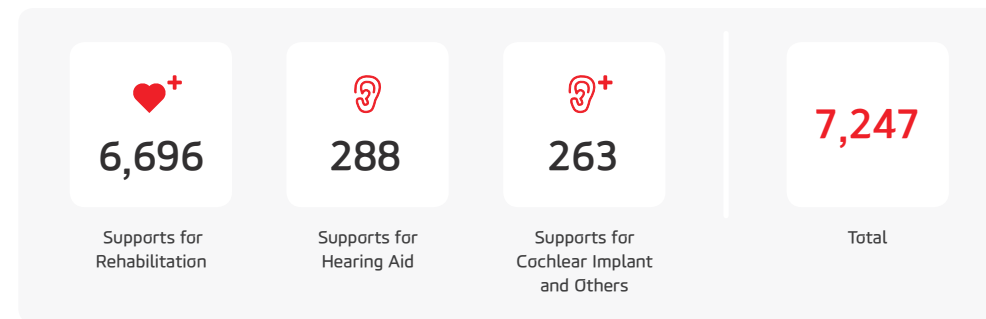
Healing Hearing Impairment Campaign

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 2016, KT supported the rehabilitation of 6,696 children by operating a hearing rehabilitation center, 'KT Dream Class,' within Severance Hospital. KT also has provided supports through the 'Healing Hearing Impairment Campaign': 288 children received the hearing aids and 146 children received supports for their surgery for the cochlear implant.



Cultural Festival for Day of the Handicapped

Performance of Healing Hearing Impairment Campaign (2003~16, accumulated) (Unit: cases, yearly basis)



Smart Farm for the Handicapped

In 2016, KT established smart farm customized for the handicapped for the first time in Korea. The smart farm enables to cultivate house crops for the handicapped at the rehabilitation facility. Consequently, we anticipate that the smart farm will promote emotional improvement of the handicapped with environment-friendly condition and create jobs as they harvest crops in smart farm.



Establishment of Smart Farm for the Handicapped

KT, Cheers the Young Generation with Talk Concert '#Do Youth,'

'#Do Youth' is a talk concert for cheering the young generation. Since March 2016, the concert was coming to youth throughout the nation with new topics, casts and diverse events. '#Do Youth' means 'Cheering for Youth,' and the title of the talk concert 'I do youth you' can be interpreted as 'I am cheering for your youth' In order to raise up the energy of the young generation, KT will expand the talk concert as a festival while listening to the young generations about their worries and communicating with them.



Talk Concert for Youth, '#Do Youth'

GiGA People Shared Growth Management

Talent Management | Shared Growth Management

Sustainable Supply Chain Management

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



**Driving Forces** Supply chain management considering economic, environmental, and social factors is a prerequisite for minimizing risk and promoting mid- to long-term growth. By promoting the value of sustainability management throughout the supply chain, companies can prevent losses and effectively spread corporate culture of social responsibility.

**KT's Approach** KT has established a sustainable supply chain management policy, systematically conducts sustainability management evaluations for suppliers, and reflects them in the selection process of suppliers. In addition, we are enhancing the competitiveness of our supply chain by securing partner companies with superior capabilities through fair and transparent process of selecting suppliers.

Sustainable Supply Chain Management System

Policy

For the first among domestic communications companies, KT enacted the 'KT Sustainability Guideline for Suppliers' in December 2012 to diffuse its responsible and sustainable management into the entire supply chain. Thus, we have realized a systematic management of the sustainable supply chain. In May 2017, KT conducted the second revision of the Guideline to reflect global trends such as the environment, human rights. It consists of four sections: principles of business execution, environmental management, corporate social responsibility and role, and product stewardship. Throughout the total 18 areas, 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. In 2016, we have intensively founded education programs to improve suppliers' sustainable management practices. Furthermore, in 2017, we will fortify internalization of sustainable management within the supply chain through diverse education programs planning by discussing with suppliers.

Sustainability Management Assessment for 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 regularly measured and managed the level of negative economic, environmental, and social risks that can occur within the supply chain. 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. In 2016, the result of assessments for electronic equipment and construction suppliers in 2016 was 92.4 on average, which indicates that the sustainability level of our supplier is increased from the previous year of 91.9.



Results of Sustainable Management Assessment for Suppliers in 2016

| Category                       | Number of Participants in Assessment | Assessment Indicators               | Result          |
|--------------------------------|--------------------------------------|-------------------------------------|-----------------|
| Electronic Equipment Suppliers | 111 suppliers                        | ESG + Product: 40 items             | 84.3 on average |
| Construction Contractors       | 269 suppliers                        | ESG + Construction Safety: 32 items | 95.7 on average |

Sustainability Management Assessment Framework for Suppliers

| Shared Growth   |  |
|---|--|
| Economy   | Environment  |
| 15 indicators<br>including ethics management and managerial risks | 13 indicators<br>including ISO14001 and CO <sub>2</sub> reduction management         |
| Product & Construction  | Society  |
| 2 indicators<br>including safety of product & construction        | 10 indicators<br>including income, discrimination, and compliance with the labor act |

Selection and Management of Suppliers Based On Capability

In order to select suppliers in a fair manner, we have publicly disclosed the registration and selection processes while operating the procurement 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

**Driving Forces** KT is engaged in business with many partners in various fields ranging from technology development to providing products and services. In the rapidly changing telecommunications market, it is essential to grow together with suppliers in order to lead the future innovation technology and to provide differentiated service value.

**KT's Approach** KT is constantly strengthening its shared-growth system and supplier communication so that it can improve corporate competitiveness and lead to the proliferation of shared growth culture. To this end, we are expanding the range of suppliers' business stabilization and environment-friendly system support to secondary suppliers and strengthening the innovative ecosystem by developing various shared value creation programs.

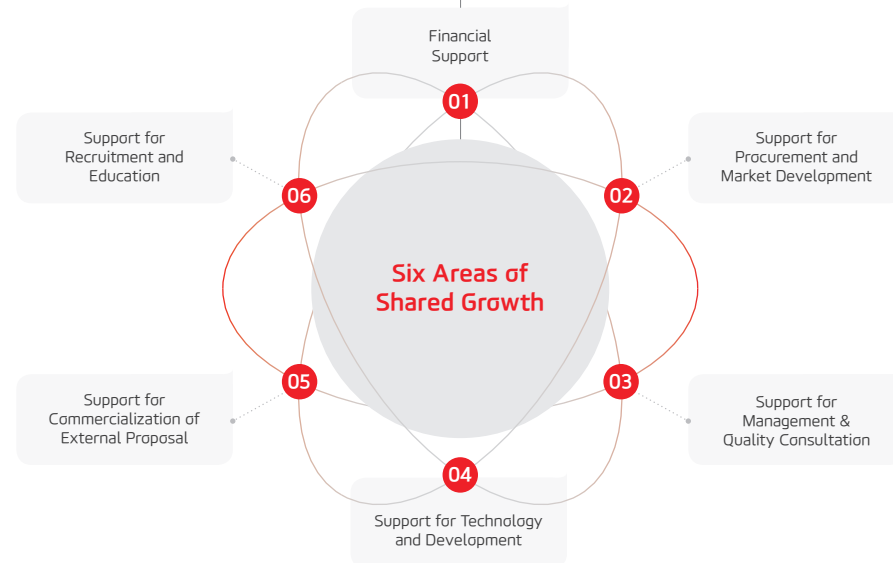
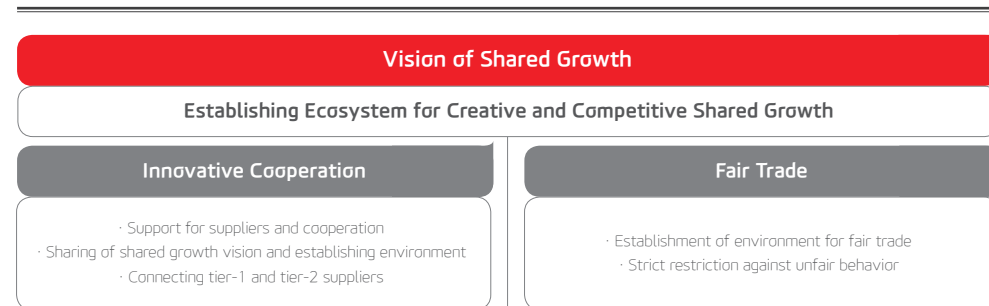
www.kt.com/eng/social/supplier.jsp



## Organization and Policy for Shared Growth

As a responsible corporate citizen, KT endeavors to lead the shared growth culture in order to enhance the ecosystem of the creative and competitive communications industry in Korea. KT has founded an organization responsible for the shared growth in 2010, and carried out various programs generating shared value of suppliers, thus achieved innovative cooperation and fair trade with suppliers.

### Shared Growth Program



- 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)
  - System to check supplied equipment
  - Plural price for one product recognizing cost difference
- 03 Support for Management & Quality Consultation**
  - Vendor Coaching for suppliers (2nd-tier electronic equipment suppliers)
  - Consultation for supplier SCM and suppliers (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
  - Open S/W Verification Lab
- 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

## Financial Support

KT supports small and medium-sized suppliers with relatively low financial base to secure liquidity and stabilize their business. In particular, 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 2.17 billion for enhancing the R&D capability of suppliers supporting their overseas advancement. In addition, we are supporting production facilities by participating in the Industrial Innovation Program of the Ministry of Trade, Industry and Energy with a budget of KRW 2.5 billion for five years.

## Support for Procurement and Market Development

### Inclusive Procurement System

KT has complied with the 'Four Practices Guideline for Establishment of Fair Subcontract Trade Order' enacted by the Fair Trade Commission. Also, KT has enhanced ecosystem for shared growth by operating an inclusive procurement process. 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. The target price is being adjusted by reflecting factors that make costs fluctuate, such as exchange rate and material prices. We strictly observe the volume contracted and thus minimize the discrepancy between the supplied volume and contracted volume while supporting suppliers' through the intermediate payment system so that sound capital circulation of suppliers can be ensured.

### Support for Overseas Advancement of Outstanding Start-ups

KT has helped promising start-ups to enhance the global competency and attract investments through the alliance with major overseas start-up centers as well as venture capitals. Hence, those promising companies accomplished signing export contracts and MOU through our efforts on the expanded suppliers' overseas advancement program and best products exhibitions, and our support on global investment expo. In addition, KT has been selected by the Fair Trade Commission as the best practice of support for global advancement of 'The 10 Best Practices of Implementing the Fair Trade Agreement between Major Company and SMEs'. In 2017, to increase overseas advancement for suppliers, KT will fortify its follow-up supports: registration for global crowd funding, participation in global exhibition and global promotion.



ITU Telecom World 2016

### Support for Global Exhibition of Suppliers in 2016

| Global Exhibition                           | Country & Period            | Participants                      | Detail   |
|---|-----------------------------|-----------------------------------|--|
| MWC 2016 (Mobile World Congress)            | Spain (22 ~ 25 February)    | 7 suppliers including ulalaLAB    | Provided space for booth within KT's exhibition hall; supported suppliers to advance overseas by placing KT Partnership sign |
| CommunicAsia 2016                           | Singapore (31 May ~ 3 June) | 7 suppliers including koreaoptron |  |
| MWCS 2016 (Mobile World Congress Shanghai)  | China (29 June ~ 1 July)    | 3 suppliers including esmlab      |  |
| Global Sources Mobile Electronics Show 2016 | Hong Kong (18 ~ 21 October) | 10 suppliers including zoit       |  |
| ITU Telecom World 2016                      | Thailand (14 ~ 17 November) | 22 suppliers including neofect    |  |

## Support for Management & Quality Consultation

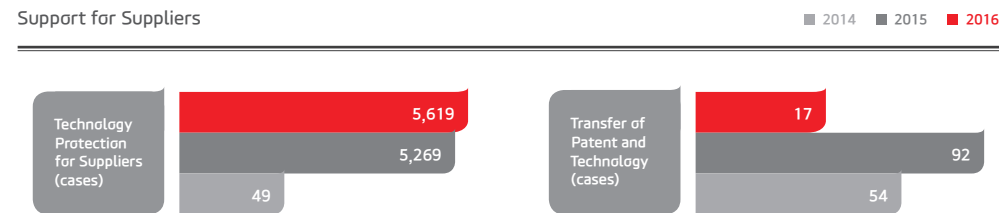
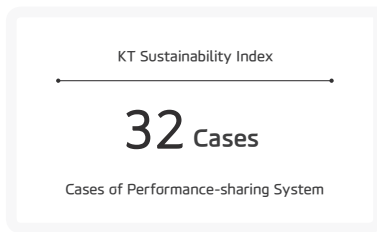
In order to intensify the competitiveness of the entire supply chain, KT has executed the shared growth programs expanding the scope of subject suppliers to include not only primary suppliers but also secondary suppliers. In particular, in order to enhance the environmental management capability and improve the environment-friendly extent 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.

Besides, KT have participated in the Industrial Innovation Program of the Ministry of Trade, Industry and Energy. Hence, we have consulted total 9 suppliers and accomplished a substantial improvement of suppliers in the process by 91% on average and created financial improvement effect about KRW 500 million.

### Support for Technology and Development

KT pursues to create creative and competitive shared growth ecosystem through sharing performances 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 2016, we conducted a total of 32 performance-sharing tasks: concentrated on the theme-based tasks. Therefore, KT and suppliers shared performances worth about KRW 640 million.

Besides, KT continues to support its suppliers' mid- to long-term competitiveness by supporting improvements in development capabilities. In 2016, we have supported 402 cases of infrastructure development and S/W quality improvement by opening the laboratory for S/W verification for suppliers.



### Support for Commercialization of External Proposal

In order to settle the shared growth culture and to create shared performances, KT endeavors to establish the new shared growth system and to fortify the cooperation with 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 ICT 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.

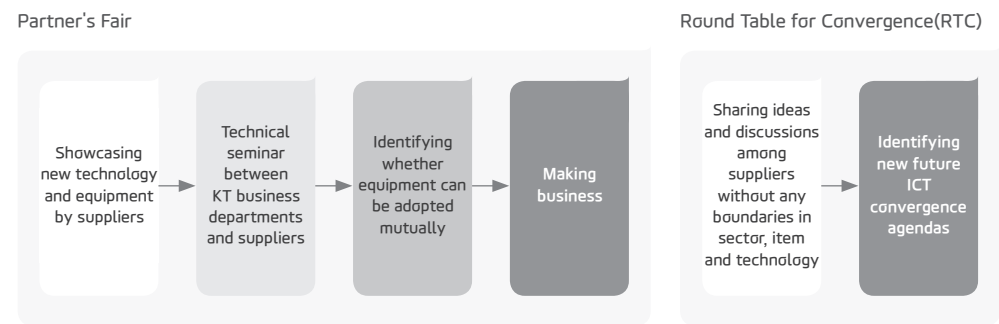
At the Partner's Fair, KT suppliers not only exhibit new technology and equipment but turn them into real business. Moreover, Biz Talks of each item are implemented enabling R&D and other business departments of KT can exchange opinions with suppliers for the commercialization, which leads to an increase of opportunities for actual business. Round Table for Convergence (RTC) is a program to identify new future ICT 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 thus commercialize ideas excavated through the RTC sharing the performance.



Partner's Fair



RTC



### KT Introduces a Leading Model of Open Innovation

In 2017, we have executed 'Biz Collaboration Program' which is aimed to excavate ventures and SMEs and conduct joint businesses with KT. The qualified 7 start-ups are carrying out joint development with KT in a various fields such as facial recognition and smart farm. The 'Biz Collaboration Program' is differentiated from the other start-up contests since it has substantially increased the possibility of commercialization into a real business by matching a KT's department for the joint business from the idea proposal stage. Furthermore, for those qualified companies, KT provides budget up to KRW 70 million for R&D, patent application, prototype production, marketing and promotion.



Biz Collaboration Program



Speed Dating

### Establishment of Platform for New Business

In addition to our suppliers, we are looking for and nurturing capable venture companies to build an open innovative ecosystem which creates new business opportunity and job. 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 KT. Hidden champion is small or medium-sized companies that have global competitiveness and foundation for sustainable growth although they are not well known by the public.

The Gyeonggi Creative Economy Innovation Center of KT is a start-up incubating platform aimed to excavate a new business and for shared growth. Since the establishment of one-stop start-up supporting facilities for IoT, 5G, Fintech, and game sectors in 2015, we have achieved sales of KRW 25 billion and investment of KRW 100 billion through business cooperation and investment support for 93 companies. Also, since April 2016, we have actively created opportunities for business cooperation by operating the 'Speed Dating,' which is the meeting that KT executives immediately make decision to turn them into real business when the start-ups suggest an idea and technology. In 2017, we will solidify our competitiveness as a global No. 1 company through cooperation for new business such as voice recognition, public disaster safety and logistics, while expanding the start-up assistance services for joined companies: mentoring, prototype manufacturing and educations.

### Start-up Assistance for Creative Economy

| IoT  | 5G  | Fintech*   | Game  |
|--|---|--|---|
| <ul style="list-style-type: none"> <li>Selecting promising SMEs and ventures in IoT field and providing working space, global mentoring, and test bed</li> <li>Supporting every process from identification start-up idea to commercialization and overseas advancement through establishing and operating 'GiGA IoT Alliance' which is Korea's first and largest business alliance</li> </ul> | <ul style="list-style-type: none"> <li>Promoting the foundation of '5G 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</li> <li>Holding a contest to excavate ideas about next-generation mobile communications</li> </ul> | <ul style="list-style-type: none"> <li>Founding the only 'Fintech Support Center' in Korea where financial experts are stationed providing technological advisory support and one-to-one mentoring service</li> <li>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</li> </ul> | <ul style="list-style-type: none"> <li>Cultivating venture start-ups in game industry through connection to large game companies and relevant institutes</li> <li>Establishing and operating '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</li> </ul> |

\* Fintech: New financial technology whose name is a combination of the words 'financial' and 'technology'

### Support for Recruitment and Education

KT supports qualitative growth of suppliers by helping recruitment and education. In addition, we promoted trainings to cultivate responsible personnel for the efficient internalization and enhancing operational capability of the environmental management. Accordingly, total 273 personnel completed the training in 2016. Furthermore, we support secondary suppliers by providing quality & environment education program free of cost. A total of 953 employees of suppliers who provided free education in 2016 increased by 31.3% over the previous year.

### KT Realizes Open Communication with Suppliers

KT has constantly enhanced the communication with suppliers and built a foundation for cooperation through various communication channel: Information Sharing Council, On-site Shared Growth Discussion, Partner's Camp and Early Technology Sensing (ETS). In addition, 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. In 2017, we will increase the number of visits to suppliers, and generate a stronger sympathy with suppliers as well as to fortify the mutual trust.

### Communication Channels for Key Suppliers

| Category                         | Description   | Performance               |
|----------------------------------|---|---------------------------|
| Partner's Camp                   | Promoting Skinship Program to reinforce strategic partnership and mutual cooperation between KT and suppliers                                 | 52 suppliers participated |
| Information Sharing Council      | Implementing improvement activities by gathering opinions of suppliers in each sector about shared growth and mutual cooperation              | Monthly                   |
| On-site Shared Growth Discussion | Accepting grievances and executing one-stop resolution activity through visiting suppliers by responsible personnel of procurement department | 14 suppliers participated |
| KT Partner's Conference          | Supporting KT Partner's Conference, an association of electronic equipment suppliers, for interactive communication between KT and suppliers  | 51 supplier participated  |

# APPENDIX

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## Major Financial Indicators

### Economic Performance

|   | Unit        | 2012       | 2013       | 2014       | 2015       | 2016              |
|---|-------------|------------|------------|------------|------------|-------------------|
| <b>Consolidated Financial Statement</b>                                 |             |            |            |            |            |                   |
| Current Assets  | KRW million | 10,517,419 | 9,968,449  | 8,750,934  | 8,583,176  | <b>9,643,306</b>  |
| Non-current Assets  | KRW million | 24,040,489 | 24,878,084 | 25,024,568 | 20,758,009 | <b>20,944,427</b> |
| Total Assets  | KRW million | 34,557,908 | 34,846,533 | 33,775,502 | 29,341,185 | <b>30,587,733</b> |
| Current Liabilities   | KRW million | 11,266,766 | 11,187,738 | 9,992,244  | 8,639,906  | <b>9,466,147</b>  |
| Non-current Liabilities   | KRW million | 10,073,167 | 10,793,885 | 11,992,970 | 8,535,814  | <b>8,326,807</b>  |
| Total Liabilities   | KRW million | 21,339,933 | 21,981,623 | 21,985,214 | 17,175,720 | <b>17,792,954</b> |
| Capital   | KRW million | 1,564,499  | 1,564,499  | 1,564,499  | 1,564,499  | <b>1,564,499</b>  |
| Premium on Common Stock   | KRW million | 1,440,258  | 1,440,258  | 1,440,258  | 1,440,258  | <b>1,440,258</b>  |
| Retained Earnings   | KRW million | 10,646,383 | 10,046,883 | 8,571,130  | 9,059,305  | <b>9,656,544</b>  |
| Accumulated Other Comprehensive Income                                  | KRW million | 1,325      | 24,538     | 25,790     | 13,870     | <b>-1,432</b>     |
| Other Capital Component   | KRW million | -1,343,286 | -1,320,943 | -1,260,709 | -1,232,863 | <b>-1,217,934</b> |
| Non-controlling Interests   | KRW million | 908,796    | 1,109,675  | 1,449,320  | 1,320,396  | <b>1,352,844</b>  |
| Total Equities  | KRW million | 13,217,975 | 12,864,910 | 11,790,288 | 12,165,465 | <b>12,794,779</b> |
| Total Liabilities and Equities  | KRW million | 34,557,908 | 34,846,533 | 33,775,502 | 29,341,185 | <b>30,587,733</b> |
| <b>Consolidated Income Statement</b>                                    |             |            |            |            |            |                   |
| Operating Revenue   | KRW million | 23,856,375 | 23,810,599 | 22,311,666 | 22,281,221 | <b>22,743,665</b> |
| Operating Expenses  | KRW million | 22,647,142 | 22,971,256 | 22,718,256 | 20,988,277 | <b>21,303,686</b> |
| Operating Profit  | KRW million | 1,209,233  | 839,343    | -406,590   | 1,292,944  | <b>1,439,979</b>  |
| Shares for New Profits and Loss by Related Companies and Joint Ventures | KRW million | 18,079     | 6,601      | 18,697     | 6,143      | <b>6,143</b>      |
| Income Before Taxes   | KRW million | 1,414,842  | -5,258     | -1,328,558 | 719,452    | <b>2,599</b>      |
| Income Taxes  | KRW million | 277,869    | 54,993     | -275,982   | 229,239    | <b>329,184</b>    |
| Net Profit from Continuing Operations                                   | KRW million | 1,136,973  | -60,251    | -1,052,576 | 490,213    | <b>797,844</b>    |
| Operating Profit (Loss) from Discontinued Operations                    | KRW million | 31,534     | -          | 86,400     | 141,075    | <b>-</b>          |
| Net Profit  | KRW million | 1,105,439  | -60,251    | -966,176   | 631,288    | <b>797,844</b>    |

### Shareholder Composition

|   | Unit  | No. of Shares | Equity Ownership |
|---|-------|---------------|------------------|
| <b>Shareholder Composition (As of 31 December 2016)</b> |       |               |                  |
| Treasury Stock  | share | 16,140,165    | 6.2%             |
| Foreign Investors                                       | share | 126,576,326   | 48.5%            |
| National Pension Fund                                   | share | 26,994,170    | 10.3%            |
| Employee Stockholders                                   | share | 1,387,655     | 0.5%             |
| Other Entities & Individual Investors                   | share | 90,013,492    | 34.5%            |
| Total Number of Shares Issued                           | share | 261,111,808   | 100.0%           |

# KT Environmental Profit & Loss

## Environmental Loss Evaluation

FY 2016

### Building impacts

As of May 2017, KT operates total of 517 sites including the headquarters and branches in nation where energy consumption, heating and cooling, waste disposal and water use occur.

### Network impacts

KT operates data center, office building for communication and unmanned communication equipment. Wire & wireless network communication equipment and operation of IDC server consume a large amount of energy.

### Employee impacts

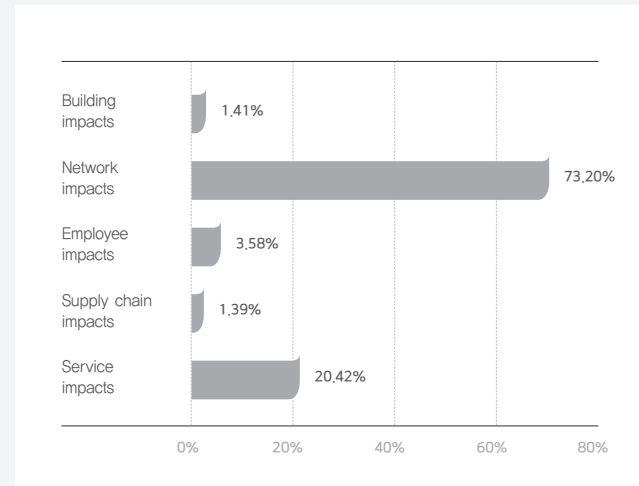
GHGs are emitted by the use of water, waste disposal within the company as well as business trip and commuting by KT employees. KT conducts external verification on these scope III emissions every year.

### Supply chain impacts

The emissions are caused when suppliers manufacture products that are to be supplied to KT. In order to measure GHG emissions, the methodology has been developed according to the 'Corporate Value Chain (Scope III) Accounting and Reporting Standard' of World Resources Institute (WRI).

### Service impacts

GHGs are emitted when customers use KT products and services; we calculate the emissions of the B2C services for ordinary customers.



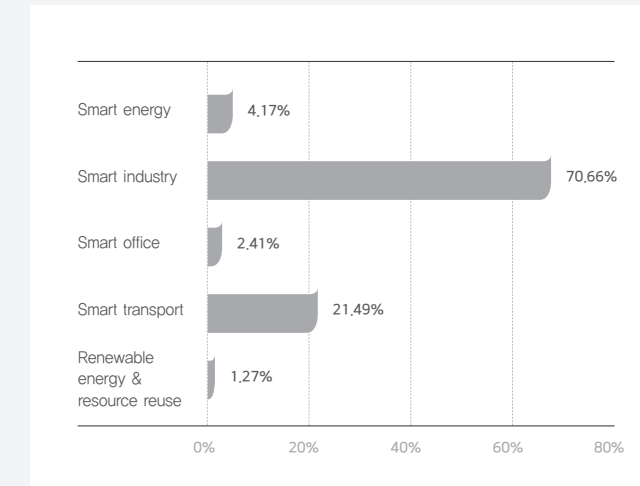
|              |                      |  |             |                           |                | FY 2016 |
|--------------|----------------------|--|-------------|---------------------------|----------------|---------|
| No           | Externalities        | Environmental Impacts                                | Unit        | GHG (tCO <sub>2</sub> eq) | Result P&L     | %       |
| L1           | Building impacts     | Heating (boiler, emergency generator, etc.)          | KRW         | 3,442                     | 66,427,898     | 0.24%   |
|              |                      | Electricity (office, lights, air conditioning, etc.) | KRW         | 16,717                    | 322,643,605    | 1.17%   |
|              |                      | Sub-total  | KRW         | 20,159                    | 389,071,503    | 1.41%   |
| L2           | Network impacts      | IDC  | KRW         | 123,939                   | 2,392,021,483  | 8.68%   |
|              |                      | Office building for communication                    | KRW         | 439,192                   | 8,476,405,600  | 30.74%  |
|              |                      | Unmanned communication equipment                     | KRW         | 482,613                   | 9,314,430,900  | 33.78%  |
|              |                      | Sub-total  | KRW         | 1,045,744                 | 20,182,857,983 | 73.20%  |
| L3           | Employee impacts     | Business trips                                       | KRW         | 4,070                     | 78,550,512     | 0.28%   |
|              |                      | Commuting  | KRW         | 23,798                    | 459,302,416    | 1.67%   |
|              |                      | Vehicles   | KRW         | 18,555                    | 358,117,444    | 1.30%   |
|              |                      | GHG emissions from waste treatment                   | KRW         | 3,900                     | 75,265,099     | 0.27%   |
|              |                      | GHG emissions from use of water                      | KRW         | 785                       | 15,148,331     | 0.05%   |
| Sub-total    | KRW                  | 51,108   | 986,383,803 | 3.58%                     |                |         |
| L4           | Supply chain impacts | Wire devices   | KRW         | 98                        | 1,885,502      | 0.01%   |
|              |                      | Wireless devices                                     | KRW         | 1,294                     | 24,983,618     | 0.09%   |
|              |                      | Communications service-based facilities              | KRW         | 18,411                    | 355,325,218    | 1.29%   |
|              |                      | Sub-total  | KRW         | 19,803                    | 382,194,338    | 1.39%   |
| L5           | Service impacts      | Internet service terminals                           | KRW         | 111,414                   | 2,150,291,526  | 7.80%   |
|              |                      | Media service terminals                              | KRW         | 161,009                   | 3,107,477,091  | 11.27%  |
|              |                      | Wireless service terminals                           | KRW         | 19,361                    | 373,666,657    | 1.36%   |
|              |                      | Sub-total  | KRW         | 291,784                   | 5,631,435,274  | 20.42%  |
| <b>Total</b> |                      |  | KRW         | 1,428,598                 | 27,571,942,900 | 100.00% |

\* Valuation factor: Price criteria for KAU16 GHG emissions trading of Korea Exchange at the end of December 2016 (KRW 19,300/CO<sub>2</sub>eq)

\*\* The GHG Scope I, II and III emissions and environmental offset amount are verified by a third party

## Environmental Profit Evaluation

FY 2016



### Smart energy

KT delivers positive environmental impacts through a series of smart energy services. We improve efficient use of a building energy based on smart energy service and reduce electricity usage through server efficiency.

### Smart industry

KT reduces GHG emissions from moving combustion through video conference and telephone conference services. In addition, we provide music, movie and various contents on online which reduce GHG emissions compared to the production and transportation of CD & DVD.

### Smart office

KT provides diverse E-Services to digitize the information that was delivered in the form of existing prints. Thus, KT minimizes GHG emissions from printing and transportation.

### Smart transport

KT improves driving efficiency by delivering optimized driving route to drivers through intelligent navigation services.

### Renewable energy & resource reuse

Since the establishment of PV plant for the first time in Korea's communication industry in 2011, KT has expanded investment for renewable energy and reused all communication material wastes.

|                      |                                   |   |                |                           |                | FY 2016 |
|----------------------|-----------------------------------|---|----------------|---------------------------|----------------|---------|
| No                   | Externalities                     | Environmental Impacts                   | Unit           | GHG (tCO <sub>2</sub> eq) | Result P&L     | %       |
| P1                   | Smart energy                      | BEMS                                    | KRW            | 3,304                     | 63,766,000     | 0.30%   |
|                      |                                   | Energy efficiency business              | KRW            | 15,792                    | 304,792,232    | 1.43%   |
|                      |                                   | Co-location                             | KRW            | 2,813                     | 54,286,744     | 0.25%   |
|                      |                                   | On demand IDC                           | KRW            | 127                       | 2,459,696      | 0.01%   |
|                      |                                   | ICS                                     | KRW            | 317                       | 6,117,705      | 0.03%   |
|                      |                                   | Server hosting                          | KRW            | 1,889                     | 36,453,951     | 0.17%   |
|                      |                                   | Groupware                               | KRW            | 21,728                    | 419,346,572    | 1.97%   |
|                      |                                   | IP hosting service                      | KRW            | 114                       | 2,207,419      | 0.01%   |
|                      |                                   | Sub-total                               | KRW            | 46,084                    | 889,430,319    | 4.17%   |
|                      |                                   | P2                                      | Smart industry | Video conference          | KRW            | 563     |
| Telephone conference | KRW                               |   |                | 1,277                     | 24,646,527     | 0.12%   |
| Genie Music          | KRW                               |   |                | 149,063                   | 2,876,922,325  | 13.50%  |
| olleh TV             | KRW                               |   |                | 629,043                   | 12,140,534,725 | 56.96%  |
| olleh TV Now         | KRW                               |   |                | 371                       | 7,165,661      | 0.03%   |
| Sub-total            | KRW                               | 780,318                                 | 15,060,131,174 | 70.66%                    |                |         |
| P3                   | Smart office                      | Computerization request of healing cost | KRW            | 58                        | 1,114,433      | 0.01%   |
|                      |                                   | Electronic prescriptions                | KRW            | 196                       | 3,784,765      | 0.02%   |
|                      |                                   | Cash receipt                            | KRW            | 25,480                    | 491,757,105    | 2.31%   |
|                      |                                   | Social Insurance EDI                    | KRW            | 759                       | 14,658,294     | 0.07%   |
|                      |                                   | Electronic tax invoice                  | KRW            | 88                        | 1,706,759      | 0.01%   |
|                      |                                   | Cyber statement                         | KRW            | 71                        | 1,372,230      | 0.01%   |
| Sub-total            | KRW                               | 26,653                                  | 514,393,584    | 2.41%                     |                |         |
| P4                   | Smart transport                   | Navigation                              | KRW            | 237,288                   | 4,579,659,526  | 21.49%  |
|                      |                                   | Sub-total                               | KRW            | 237,288                   | 4,579,659,526  | 21.49%  |
| P5                   | Renewable energy & resource reuse | Renewable energy (PV power)*            | KRW            | -                         | 223,173,370    | 0.81%   |
|                      |                                   | Waste recycling**                       | KRW            | -                         | 48,132,000     | 0.17%   |
|                      |                                   | Sub-total                               | KRW            | -                         | 271,305,370    | 1.27%   |
| <b>Total</b>         |                                   |   | KRW            | 1,090,343                 | 21,314,919,973 | 100.00% |

\* Renewable Energy (PV power): 597,139 Kwh

\*\* Waste Recycling: 6,876 tons

# KT Social Profit & Loss

## Social Loss Evaluation

FY 2016

### Social donations

In order to deliver its social responsibility and promote social progress, KT donates comprehensively for sports, R&D, social organizations, etc.

### Social contribution costs

KT operates a series of social contribution programs based on its industrial characteristics including IT sharing and GiGA Story, creating shared value type of social contribution project.

### Digital inclusion costs

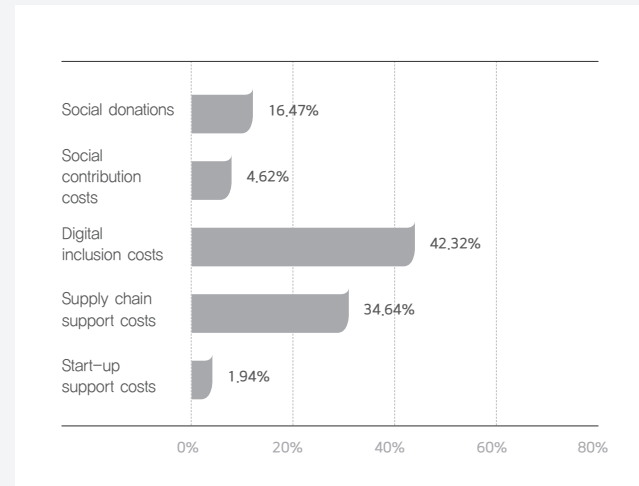
KT assists the enhancement of the welfare of handicapped person and lower-income group through the rate reduction for services such as local calls, mobile calls and high-speed internet.

### Supply chain support costs

KT contributes to the financial stability within the supply chain by operating direct financial support, mixed support and special support for suppliers.

### Start-up support costs

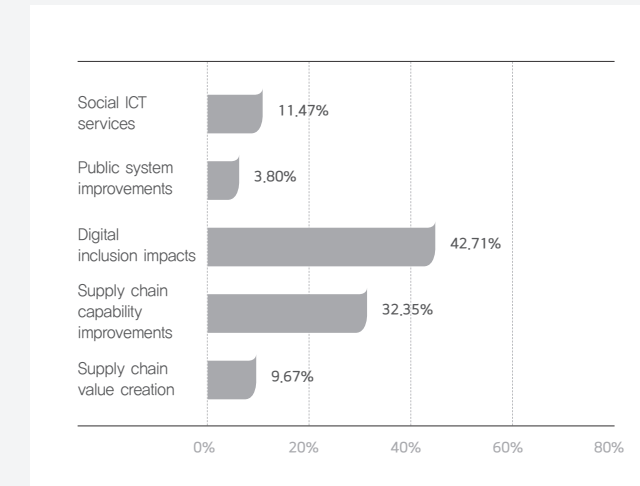
KT operates 2 Creative Economy Innovation Centers for excavating capable start-ups, assigns working spaces and offering testbed-based infrastructures.



| KT Social Loss – Impact Valuation        |                            |  |                         |                                    | FY 2016 |
|--|----------------------------|--|-------------------------|------------------------------------|---------|
| No                                       | Externalities              | Environmental Impacts                                    | Unit                    | Result P&L                         | %       |
| L1                                       | Social donations           | Employee welfare fund                                    | KRW                     | 31,600,000,000                     | 8.22%   |
|  |                            | Designated donation                                      | KRW                     | 20,009,201,470                     | 5.20%   |
|  |                            | Legal donation   | KRW                     | 11,396,284,430                     | 2.96%   |
|  |                            | Undesignated donation                                    | KRW                     | 104,751,360                        | 0.03%   |
|  |                            | Others   | KRW                     | 230,066,000                        | 0.06%   |
|  |                            | Sub-total  | KRW                     | 63,340,303,260                     | 16.47%  |
| L2                                       | Social contribution costs  | IT Sharing for local community                           | KRW                     | 4,002,000,000                      | 1.04%   |
|  |                            | GiGA Story   | KRW                     | 2,996,000,000                      | 0.78%   |
|  |                            | Support children and vulnerable class                    | KRW                     | 2,273,000,000                      | 0.59%   |
|  |                            | Culture, art, and sports                                 | KRW                     | 6,195,000,000                      | 1.61%   |
|  |                            | Love sharing fund  | KRW                     | 1,100,000,000                      | 0.29%   |
|  |                            | Scholarship business                                     | KRW                     | 1,204,000,000                      | 0.31%   |
|  |                            | Sub-total  | KRW                     | 17,770,000,000                     | 4.62%   |
|  |                            | L3   | Digital inclusion costs | Rate reduction for the handicapped | KRW     |
| Rate reduction for low-income bracket    | KRW                        |  |                         | 53,934,000,000                     | 14.03%  |
| Rate reduction for patriots and veterans | KRW                        |  |                         | 8,316,000,000                      | 2.16%   |
| Rate reduction for welfare facilities    | KRW                        |  |                         | 372,000,000                        | 0.10%   |
| Sub-total                                | KRW                        |  |                         | 162,744,000,000                    | 42.32%  |
| L4                                       | Supply chain support costs | Direct financial support for suppliers                   | KRW                     | 56,392,000,000                     | 14.67%  |
|  |                            | Mixed financial support for suppliers                    | KRW                     | 59,500,000,000                     | 15.47%  |
|  |                            | Special financial support for suppliers                  | KRW                     | 17,322,000,000                     | 4.50%   |
|  |                            | Sub-total  | KRW                     | 133,214,000,000                    | 34.64%  |
| L5                                       | Start-up support costs     | Donation for Gyeonggi Creative Economy Innovation Center | KRW                     | 6,111,000,000                      | 1.59%   |
|  |                            | Donation for Incheon Creative Economy Innovation Center  | KRW                     | 1,350,000,000                      | 0.35%   |
|  |                            | Sub-total  | KRW                     | 7,461,000,000                      | 1.94%   |
| Total                                    |                            |  | KRW                     | 384,529,303,260                    | 100.00% |

## Social Profit Evaluation

FY 2016



### Social ICT services

KT diffuses positive social impacts across the country through social ICT services such as safety & security services and care service for seniors who live alone.

### Public system improvements

KT increases sales by receiving derivative businesses based on the relationship with local governments established by 'GiGA Story,' the community-based social contribution project.

### Digital inclusion impacts

KT assists the enhancement of the welfare of the handicapped and lower-income group through the rate reduction for services such as local calls, mobile calls and high-speed internet.

### Supply chain capability improvements

KT diffuses positive social impacts across the supply chain through technical support, quality improvement and technology protection for suppliers.

### Supply chain value creation

KT operates diverse supporting programs for suppliers and start-ups to advance into the overseas markets. In addition, successful overseas advancement cases and sales have increased.

| KT Social Profit – Impact Valuation   |                                      |   |                            |  |                 | FY 2016 |
|---|--------------------------------------|---|----------------------------|--|-----------------|---------|
| No  | Externalities                        | Environmental Impacts   | Unit                       | Valuation Factor                         | Result P&L      | %       |
| P1  | Social ICT services                  | Safety & security services  | KRW                        | Sales increase                           | 33,700,000,000  | 8.84%   |
|   |                                      | Caring service for seniors who live alone   | KRW                        | Sales increase                           | 10,000,000,000  | 2.62%   |
|   |                                      | Sub-total   | KRW                        |  | 43,700,000,000  | 11.47%  |
|   |                                      | P2  | Public system improvements | Expansion of regional ICT infrastructure | KRW             |         |
| Local publicity, tour and population inflow   | KRW                                  |   |                            |  | 1,190,000,000   | 0.31%   |
| Improvement of regional education, culture, economy, medical treatment, and environment | KRW                                  |   |                            |  | 1,147,000,000   | 0.30%   |
| Creation of similar business from government  | KRW                                  |   |                            | Sales increase                           | 3,700,000,000   | 0.97%   |
| IoT test bed complex project order  | KRW                                  |   |                            | Sales increase                           | 7,500,000,000   | 1.97%   |
| Sub-total   | KRW                                  |   | 14,487,000,000             | 3.80%                                    |                 |         |
| P3  | Digital inclusion impacts            | Rate reduction for the handicapped  | KRW                        | Cost reduction                           | 100,122,000,000 | 26.27%  |
|   |                                      | Rate reduction for low-income bracket   | KRW                        | Cost reduction                           | 53,934,000,000  | 14.15%  |
|   |                                      | Rate reduction for patriots and veterans  | KRW                        | Cost reduction                           | 8,316,000,000   | 2.18%   |
|   |                                      | Rate reduction for welfare institutes   | KRW                        | Cost reduction                           | 372,000,000     | 0.10%   |
|   |                                      | Sub-total   | KRW                        |  | 162,744,000,000 | 42.71%  |
| P4  | Supply chain capability improvements | Condition development of new product  | KRW                        |  | 6,000,000       | 0.00%   |
|   |                                      | Performance sharing system  | KRW                        |  | 1,945,000,000   | 0.51%   |
|   |                                      | Provision of patent and technology  | KRW                        |  | 104,000,000     | 0.03%   |
|   |                                      | Joint R&D with SMEs and develop a new product   | KRW                        |  | 19,496,000,000  | 5.12%   |
|   |                                      | Provision of technology development infrastructure free of cost                             | KRW                        |  | 1,129,000,000   | 0.30%   |
|   |                                      | Partner's Fair commercialization of new technology  | KRW                        |  | 6,057,000,000   | 1.59%   |
|   |                                      | Indirect financial support for suppliers  | KRW                        |  | 94,527,000,000  | 24.81%  |
| Sub-total   | KRW                                  |   | 123,264,000,000            | 32.35%                                   |                 |         |
| P5  | Supply chain value creation          | Assistance for suppliers to penetrate global market through supporting overseas exhibitions | KRW                        | Sales increase                           | 17,441,000,000  | 4.58%   |
|   |                                      | Increase revenue through joint participation of 'CommunicAsia 2016' in Singapore            | KRW                        | Sales increase                           | 6,000,000,000   | 1.57%   |
|   |                                      | Increase revenue through joint participation of 'ITU Telecom World 2016'                    | KRW                        | Sales increase                           | 5,477,000,000   | 1.44%   |
|   |                                      | Advancement into overseas markets through consortium  | KRW                        | Sales increase                           | 6,442,000,000   | 1.69%   |
|   |                                      | Support suppliers for market penetration through Group open market                          | KRW                        | Sales increase                           | 1,500,000,000   | 0.39%   |
|   |                                      | Sub-total   | KRW                        |  | 36,860,000,000  | 9.67%   |
| Total   |                                      |   | KRW                        | 381,055,000,000                          | 100.00%         |         |

# Sustainability Performance of Group



Since joined the UN Global Compact in 2015, BC card has faithfully complied with the ten principles in the four areas of human rights, labor, the environment and anti-corruption. We will endeavor to develop into a corporate citizen who fulfills the international ethical standards by delivering the principles of UN Global Compact throughout its entire business activities.

BC card CEO Jong-Jin Chae

채정진



kt skylife increases its value as a sustainable company based on the core values: customer first, shared growth management and right-path management. Since joined the UN Global Compact in 2016, kt skylife has faithfully complied with the ten principles in the four areas of human rights, labor, the environment and anti-corruption. Furthermore, we are endeavoring to apply the ten principles throughout the entire business activities. Thank you.

kt skylife CEO Nam-ki Lee

이남기 namki



## Human Rights Principles

- **Certification of excellent company with work-life balance of Seoul Regional Ministry of Employment and Labor (December 2015)**
- **Family day**  
Support employees to reduce conflict between work and family by encouraging to leave the office on time every Wednesday
- **Psychological consultation for employees**  
Support problem solving and mental health promotion for employees
- **Knock Consultation (Grievance handling)**  
Listen actively and resolve employee's grievance
- **Education to prevent sexual harassment in the workplace (once a year)**

## Labor Principles

- **Guarantee labor union activity and collective bargaining**
- **Operate full-time labor union employee system**
- **Operate diverse communication channels such as labor & management council (quarterly), labor & management sharing workshop, labor & management harmony training**
- **Enforce forty-working hours a week**
- **Enforce shortened working hour for a pregnant woman**

## Environment Principles

- **Paperless business**  
Use the reduced cost of not issuing paper receipt for credit card by turning into environmental fund for environment protection and expansion of foundation for environment-friendly consumption and for tree planting activity to prevent desertification
- **Operate and release the Green Card**  
Raise environmental fund through the Green Card and promote environment-friendly activities such as reducing GHG while accumulating ecomoney points when purchasing environment-friendly products
- **Sponsorship of the Greenplugged Festival**  
Diffusion of our willingness to protect environment through sponsorship of music concert aimed for environment protection every year

## Anti-corruption Principles

- **Revision of the guideline for behavioral practices and a swearing-in ceremony to comply with 'The Improper Solicitation and Graft Act'**
- **Education for anti-corruption**  
Distribute Q&A of 'The Improper Solicitation and Graft Act' and an explanation booklet
- **Revision of practical guideline for code of ethics**
- **Ethics letter for suppliers**  
For the season of New Year and Thanksgiving day of Korea, explicitly announces the willingness of ethical management and encourage to report unethical behavior (twice a year)
- **Conduct survey to inspect unethical behavior for suppliers**
- **Take an oath of practice for autonomous compliance of fair trade**



2016 Paperless Donation Ceremony



Tree Planting Activity to Prevent Desertification

## Human Rights Principles

- **Protect human rights under the principle of ethical management, 'Fulfill Our Social Responsibility and Duty as a Korea's Representative Company'**
- **Support digital inclusion and isolated neighborhood through 'Together skylife' campaign by newly established social contribution dedicated team**  
[Antenna of Love] Provide UHD TV and skylife UHD set-top box for free to and support monthly bill to the residents in the remote place and cultural underprivileged groups  
[Children of Love] Conduct child supporting business through donating fund for hospital construction, volunteer activity for caring child patient, cultural experience for neglected children  
[Volunteer Group of Love] Conduct regular volunteer activity more than once a month by launching an employee volunteer group

## Labor Principles

- **Admit the establishment of labor union and guarantee the autonomy and independence of union activity and operation in accordance with Article 8 of the collective bargaining**
- **Stipulate articles regarding gender equality and maternity protection in the collective bargaining to create equal organizational culture without discrimination on employment and work**
- **Reinforce shared growth relationship between labor and management by operating labor & management council for continuous cooperation and communication regard company's sensible operation and benefits of labor**
- **Provide diverse welfare systems for employees' beautiful life**  
Provide recreational facilities, support medical cost, grant scholarship for education and medical check-ups
- **Create work environment that balances work and life through various vacation system**  
Offer various vacation system such as long-term vacation, family caring vacation, reward vacation for 10 or 20 years of service period

## Environment Principles

- **Apply environment protection, prevention of pollution and efficient resource usage to ethical management principle**
- **Reduce electricity cost through turning off lights at lunch time campaign**
- **Purify environment near by the headquarter through the Green Earth campaign with labor and management**
- **Deliver donation and Love Environment Campaign through alliance with Green Korea United, an environmental organization**  
Encourage e-receipt rather than paper receipt to minimize environmental damage

## Anti-corruption Principles

- **Promote to create a sound and clean organizational culture based on company regulation such as duty of integrity (Article 36 of the personnel policy), ethical management principles and guideline**
- **Education for 'The Improper Solicitation and Graft Act' annually and all employees take an oath of compliance for the Act**
- **Conduct 'clean campaign' during the national holiday period for transparent relationship with stakeholders such as suppliers**
- **Internalize anti-corruption awareness of employees through online education for ethical management once a week**
- **Receive complaints and corruption behaviors of employees and external stakeholders in a real-time base, and process transparently through 'clean365,' the reporting channel for ethical management**



Love Antenna (Kyodong Island)



Children of Love (MOU with the Purme Foundation)

# Sustainability Performance of Group



kt estate joined UNGC to fortify its foundation through sustainability management. kt estate is striving to diffuse corporate-wide sympathy about the ten principles of UNGC: human rights, labor, the environment and anti-corruption. Thank you.

kt estate CEO Il-sung Choi



kt sat supports the ten principles: human rights, labor, the environment and anti-corruption of UNGC. kt sat, considering the customer satisfaction as their core value, will fulfill its social responsibility and reinforce the trust with customer.

kt sat CEO Won-sic Hahn



## Human Rights Principles

- **'Invitation of Employee Family' event for excellent employee at the local headquarter**  
Reinforce belonging and realize family love by inviting employees' family
- **Family Day on every Wednesday**  
Support employees to reduce conflict between work and family by encouraging to leave the office on time
- **Implement the flexible working system**  
intended for efficient work and family harmony by letting employees to choose their working hours between (08:00~17:00 or 09:00~18:00)
- **Retirement age extension system**  
inspire employee's working motivation and to meet the social needs by extending the retirement age from 58 to 60 with labor & management agreement
- **Encourage parental leave system**  
100% of applicants in 2016 are using parental leave

## Labor Principles

- **Reinforce communication and cooperation with labor union**  
Newly founded management conference (once a month)
- **Signed wage negotiations and collective bargainings without any conflict for 4 consecutive years**  
Wage, welfare and system improvement and 8 other agendas
- **Implement social contribution activities associated with labor, management and government**  
Gangnam-gu Office received appreciation plaques for 2 consecutive years and selected as the excellent social contributing affiliate of KT group for 2 consecutive years



Conclusion of Collective Bargaining in 2016

## Environment Principles

kt estate Environmental Policy  
[www.ktestate.com/Company/Environmental\\_Management](http://www.ktestate.com/Company/Environmental_Management)

- **Renewal of 'ISO 14001,' which is an international standard for environmental management**  
Reinforce gathering environmental data and management such as reduction of building energy usage, the ledger of asbestos waste, status of measured rate system, data of household waste and major recycle management  
Conduct improvement for unprepared subjects through ISO internal auditing and due diligence monitoring  
Accomplished certificate renewal (re-certification every 3 years) with comment that the environmental management system is implemented properly and effectively
- **Declaration of environmental policy as the name of CEO**  
Establish an environmental management system appropriate for international environmental standard in order to realize the environmental goal of 'Green Space Value Creator' as an environment-friendly partner of customers. Also, CEO declared environment policy for environment-friendly next generation through constant environment conservation and improvement activities



ISO14001 Certification

## Anti-corruption Principles

- **Integration of 'The Improper Solicitation and Graft Act' into 'The Ethical Management Pledge,' which all employees have participated since 2013**
- **Revision of 'Special Clause for Ethical Practices'**  
Revised the 'Special Clause for Ethical Practices,' which has established and operated since 2013 to supplement regarding anti-bribery and graft in accordance with the enforcement of 'The Improper Solicitation and Graft Act' to create sound and fair environment with suppliers  
In order to prevent overusing power and to build cooperation relationship, the duty of respect suppliers and other stakeholders are added
- **Carried out survey of 'integrity level of company'**  
To improve and maintain the integrity level of company at domestic benchmark level, surveys are conducted twice a year for suppliers and our employees, thus insufficient sectors will be improved

## Human Rights Principles

- **Conduct corporate-wide education to prevent sexual harassment for gender equality in the work place**
- **Operate satellite center tour and experience program**  
Approximately 600 visitors in 2016
- **Yongin center experience activity for Gandnam Dreamvil children**
- **kt sat labor & management volunteer group, signed MOU to support Beautiful Child Welfare Center and carried out Cheerful Sport Day**



kt sat Labor & Management Volunteer Group, Cheerful Sport Day with Beautiful Child Welfare Center

## Labor Principles

- **Labor & management cooperation program**  
Labor & management Harmony sports day (bi-annually)  
Labor & management watch 'kt baseball team game' (bi-annually)  
Labor & management join 'marathon tournament' (annually)  
Labor & management a New Year's Eve party (annually)
- **Open Management**  
Labor & management council (quarterly)  
Management conference (bi-annually)  
Management result analysis conference (monthly)  
Family day (monthly)



Labor & Management Harmony Sports Day

- **Improvement of Working Environment**  
Introduce and operate the flexible working hours  
Support residential expenditure and round-trip transportation expense for employees in remote location  
Support medical expense and grant scholarship to employees' child
- **Fair Human Resource Management**  
Pay-Band unification for high school graduates and university graduates  
Conduct evaluations of satisfaction for Human resource system in a regular base (bi-annually) and applied to the system

## Environment Principles

- **Participate in Earth Hour campaign, and save energy by turning off lights of offices**
- **Save energy to reduce GHG emissions**  
Save energy by turning off lights of offices (lunch time, after PM)  
Reduce energy cost by replacing with LED lights at satellites center

## Anti-corruption Principles

- **Enact practical guideline for ethical management principles**  
Establish ethical decision making, behavior practices and reporting procedure
- **Provide education about 'The Improper Solicitation and Graft Act' for all employees**
- **Operate compliance system and TFT for response to 'The Improper Solicitation and Graft Act'**  
Pre-assessment for risks and modify the internal policy  
Establish a monitoring system and a regular audit system
- **Write a pledge of practice for ethical management for all employees (annually)**
- **Provide education and guidance about 'The Improper Solicitation and Graft Act'**  
Write a pledge of compliance for 'The Improper Solicitation and Graft Act'  
Conduct education for 'The Improper Solicitation and Graft Act' and announce the violation cases  
Distribute Q&A and explanation booklets about 'The Improper Solicitation and Graft Act'  
Establish an intensive management period and manage check list  
Introduce an internal monitoring system (SAP)



# Sustainability Performance of Group



kth complies with the ten principles of human rights, labor, the environment and anti-corruption of UNGC. kth will establish a sound corporate culture where we respect stakeholders as our partners based on shared growth and right-path management.



kth CEO Se-yeong Oh 오 세영

## Human Rights Principles

- **Reflect human rights protection articles in code of ethics**  
Respect personal dignity and diversity, and prohibit of discrimination (the 6 clause of article 2)  
Duty to report unethical behavior, protect and exempt responsibility reporter (the 3 clause of article 3)  
Respect members in the organization and treat respectfully (the 5 clause of article 6)  
Duty to respect suppliers and stakeholders (the 6 clause of article 7)
- **Education to prevent sexual harassment in the workplace (annually)**
- **Participate the world vision of NGO, the 'sharing project'**  
Donate for education activity to low income class
- **Donate KRW 2 million for Dongjak Isu community welfare center**
- **Deliver appreciation plaques twice for 'Thank you campaign' for suppliers**



'Thank You' Campaign for Suppliers

## Labor Principles

- **Reflect articles of protective labor legislation in the employment contract**  
Comply with working and resting hour (the 8 clause of article 2)  
Protect women and pregnant women (the 20 and 21 clauses of article 7)  
Prohibit gender discrimination (the 27 clauses of article 8)
- **Reflect disciplinary action related to unfair work order and execution, stipulated in the code of ethics (the 2 clauses of article 6)**
- **Operate labor union and sign collective bargaining**
- **Certified labor consultant and lawyer in company**
- **Implement forty-working hours a week**
- **Implement 'Love Family Day' on every Wednesday**  
Day of leaving the office on time, 6 o'clock
- **Group vacation through labor & management agreement**  
Execute when holidays interspersed with workdays, before and after national holiday, a month without any holiday

## Environment Principles

- **Reflect laws related to environment protection in code of ethics (the 7 clause of article 7)**
- **Trade and sell collections among employees or donate to save resource**  
Held K-market total 3 times, saved resource worth of KRW 1.93 million
- **Turn off lights for office buildings at lunch time**
- **Sales of 16 environment-friendly products based on the 'environment-friendly agriculture promotion act'**
- **Turn off computers and electronic devices through system announcement**
- **Participate in Earth Hour campaign, and save energy by turning off lights of office**



Participation in Earth Hour Campaign

## Anti-corruption Principles

- **Apply anti-corruption in code of ethics**  
Prohibition of solicit gift and bribery (the 3 clause of article 2)  
Prohibition of accepting providing bribery with stakeholders (the 1 clause of article 7)  
Prohibition of improper solicitation and excessive demand with stakeholders (the 2 clause of article 7)
- **Apply obligation to comply with fair trade act in the fair trading autonomous compliance program (the 1 clause of article 5)**
- **Educate about 'The Improper Solicitation and Graft Act' for all employees annually**
- **Write a pledge of compliance for 'The Improper Solicitation and Graft Act' annually**
- **Write an ethical meeting minute when holding a meeting with job-related person**
- **Educate about 'Act on Fair Transactions in Large Franchise and Retail Business' annually for employees working at department vulnerable for corruption**

# GHG Verification Statement

- **Verification No.** KQA-T1702
- **Company** KT Corporation
- **Representative** Hwang Chang-Gyu
- **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 of above company is proper.**

## Regulation Applied

The GHG and Energy Target Scheme Guidelines Verification Guidelines for GHG Emissions Trading Scheme

## Verification Scope

GHG emissions and energy consumption reports (in the year of 2016)

## GHG emissions & Energy Consumption

|                                     | Scope 1 | Scope 2   | Total     |
|-------------------------------------|---------|-----------|-----------|
| GHG emissions (tCO <sub>2</sub> eq) | 41,368  | 1,043,152 | 1,084,520 |
| Energy consumption (TJ)             |         |           | 22,179    |

## Verification Term

3 March 2017 ~ 31 March 2017

## Date of issue

31 March 2017



Korea Quality Assurance  
(GHG · Energy verification body 2011-3rd  
accredited by Ministry of Environment)

※ The details regarding the rage 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, Manan-gu, Antang-si, Gyeonggi-do, 140304, Republic of Korea

# Third Party Assurance

## To the Management of the 'KT Integrated Report 2017'

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 2017" (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)<sup>1</sup> (2) Global Reporting Initiative's (GRI) Standards and G4 Sustainability Reporting Guidelines<sup>2</sup>.

- Assurance Scope: Contents of the 'KT Integrated Report 2017' 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

### 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 Standards and G4 Sustainability 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 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 on the performance of group-companies not included.

### 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?**

The Auditor believes that KT appreciates the importance of engaging stakeholders in its sustainability management initiatives, putting in place various processes for stakeholder engagement with the goal of reflecting engagement findings in its business activities. KT has segmented its stakeholders into eight sub-groups, in line with the dimensions of sustainability as defined in its 'KT Sustainability Management Model,' making diverse channels of communication available to the respective groups, to better reflect relevant input in its management practices - 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 to the sustainability management activities of the Company. Notably, KT has established a three-step process for its reporting purposes - scoping of sustainability-related issues; identification of issues of material concern; followed by validation of feasibility. The Auditor noted efforts by the Company to provide more substantive reporting by providing links to the Categories and Aspects of the GRI Guidelines among others - in line with the principle of materiality.

<sup>1</sup> AA1000AS is a sustainability assurance standard developed by the UK-based Institute of Social and Ethical Accountability (AccountAbility) in November 1999 to assure organization-wide sustainability performance and accountability by improving the quality of accounting, auditing and reporting practices in the social and business ethics domain. The revised 2008 version has been in effect since 2010.

<sup>2</sup> The GRI G4 Guideline was established by the GRI, convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. After the first universal GRI sustainability reporting guidelines for multinationals was released in 2000, the latest G4 version was introduced in May 2013, with enhancements in supply chain, governance, ethics & integrity, anti-corruption, GHG emissions & energy disclosures. GRI Standards were announced in Oct. 2016, with recommendations to apply to reports published after July 2018.

#### [Responsiveness]

**Does the Report provide an adequate response to stakeholder demands and interests?**

The Auditor believes KT has provided an adequate response to issues of interest and concern to its stakeholders. Various channels of communication for collecting stakeholder views have been made available, accompanied by efforts to better reflect the collected views throughout its reporting. The Company has also carried out surveys on various sustainability issues to explore the future direction for its sustainability initiatives while identifying issues requiring greater a greater response by the Company - aligned to the principle of responsiveness.

#### [GRI 'In Accordance' Criteria]

The Auditor confirmed that the Report is 'in accordance' with the GRI Standards and GRI G4 guidelines under the 'Comprehensive option,' as it reported on General Standard Disclosures and Additional Disclosures.

#### [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 | Dimensions of Sustainability Management | Sustainability Management Issues                            | Performance Indicators                                |                                    |
|------------------------------------|---|---|---|------------------------------------|
| GIGA Prosperity.                   | Sustainability Management               | Strengthening Competencies in Telecommunications            | Number of Wireless Users                              | <b>18,892,000</b>                  |
|                                    | Transparent Management                  | Transparent Corporate Governance                            | BoD Evaluation Score                                  | <b>4.24 pts (out of 5)</b>         |
| GIGA Planet.                       | Customer-first Management               | Managing Business with Customers as the Number One Priority | Monthly Average Customer Response Rate                | <b>97.4 %</b>                      |
|                                    | Environment-friendly Management         | Energy Management   | GHG Emissions (direct and indirect)                   | <b>1,084,520 tCO<sub>2</sub>eq</b> |
| GIGA People.                       | Human Talent Management                 | Fostering Human Talent and Developing Competencies          | Training Hours per Person                             | <b>63.5 hours</b>                  |
|                                    | Win-win Management                      | Sustainable Supply Chain Management                         | Sustainability Management Evaluation Score of Vendors | <b>92.4 pts</b>                    |

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

### Recommendations

The Auditor found the '2017 Integrated Report' by KT commendable in the following respects. The Report (1) highlights the top five core goals of the Company, which aim to tie the strategic direction of its sustainability management practices to the UN Sustainable Development Goals while taking into account environmental conditions, and the underlying characteristics of its business, while also reporting on its implementation efforts to date for each the respective dimensions of sustainability management; and (2) reflects the Company's work to establish a strategic management framework centered on its top three innovative technologies, which are the culmination of the Company's innovative capabilities aiming to establish its goal of 'Realizing a Global GiGAtopia'.

For future reports, the Auditor recommends considering the following.

- Build a representative channel for collecting stakeholder views and strengthen ongoing management and response to channel findings
- Set key quantitative performance indicators for each of the six respective dimensions of sustainability management in line with the 'KT Sustainability Management Model,' while reinforcing management and reporting
- Strengthen reporting on short-to-long term strategies for resolving social challenges through KT's business capabilities in the interest of leading mega-trends in telecommunications technologies and creating shared value.

### 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.



26 May 2017  
**Lee, Yoon-Cheol**  
 Chairman, The Institute for Industrial Policy Studies



# Global Sustainability Partnerships

## UN Global Compact



To fulfill its role and responsibility as a sound corporate citizen, KT signed the UN Global Compact in 2010. KT proactively upholds the ten major principles in four major sectors including human rights, labor, environment, and anti-corruption throughout overall management practices and strives to create socially shared value such as the mutual cooperation, job creation, and protection of the socially vulnerable.

### UN GLOBAL COMPACT 10 PRINCIPLES

#### Human Rights

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.

#### Labor Standards

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.  
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.  
Principle 5. Businesses should uphold the effective abolition of child labor.  
Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7. Businesses should support a precautionary approach to environmental challenges.  
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.  
Principle 9. Businesses should encourage the development and diffusion of environment-friendly technologies.

#### Anti-corruption

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

## UN Sustainable Development Goals



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 every effort participating in the realization of the Goals through the innovative technology and convergence service. KT supports the new UN Sustainable Development Goals by striving to accomplish the five key goals closely related to the ICT industry.

### THE FIVE KEY UN SUSTAINABLE DEVELOPMENT GOALS

| UN SDGs 04<br>Quality Education  | UN SDGs 07<br>Affordable and Clean Energy  | UN SDGs 08<br>Decent Work and Economic Growth  | UN SDGs 09<br>Industry, Innovation and Infrastructure   | UN SDGs 11<br>Sustainable Cities and Communities   |
|--|--|--|---|--|
| Ensuring inclusive and quality education for all and promote lifelong learning by 2030 | Ensuring access to sustainable energy by increasing the share of renewable energy and doubling the global rate of improvement in energy efficiency by 2030 | Pursuing peaceful and inclusive society and system for sustainable development by 2030 | Upgrading industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and sound technologies and industrial processes by 2030 | Making sustainable cities and human settlements by ensuring access to housing, providing access to transport systems, and enhancing urbanization by 2030 |

## UN Guiding Principles on Business and Human Rights



KT has proclaimed its endorsement of UN Guiding Principles on Business and Human Rights that was adopted at the 17<sup>th</sup> UN Human Rights Council (UNHRC) in June 2011; based on the Principles, KT developed a 'KT Human Rights Exposure Assessment Framework' in 2013 and thus has analyzed the exposure to human rights risks at all domestic and overseas sites every year preventing human rights violations. The Framework includes the due diligence process for three pillars of Policy Commitment, Operational Requirements, and Remediation; the due diligence process covers the identification of potential human rights issues, identification of vulnerable groups, and mitigation actions. The 2016 results of human rights exposure assessment for total 14 countries where KT generated revenues, conducted sales activity, and procured products and services are as following:

- 1) Proportion of revenues from high-risk countries: 0.90% of total revenues – Uzbekistan 0.51%, Bangladesh 0.23%, Angola, 1.2%, Turkey 0.02%, Singapore 0.01%, China 0.01%, etc
- 2) Proportion of product procurements from high-risk countries: 5.37% of total revenues – China 5.37%
- 3) Proportion of service procurements from high-risk countries: 1.94% of total service procurement – China 1.11%, Bangladesh 0.83%
- 4) Proportion of revenues from countries with violent conflicts: 0% of total revenues

# GRI Standards Index

| GRI                                    | GRI G4                                   | GRI Standards                          | Contents   | Page & Remarks   | UN SDGs Alignment |  |
|--|--|--|--|--|-------------------|--|
| <b>1. General Standard Disclosures</b> |  |  |  |  |                   |  |
| Strategy & Analysis                    | G4-1                                     | GRI 102-14                             | Statement from the most senior decision-maker of the organization  | 4-5  |                   |  |
|  | G4-2                                     | GRI 102-15                             | Provide a description of key impacts, risks, and opportunities.  | 4-5, 32-33   |                   |  |
| Organizational Profile                 | G4-3                                     | GRI 102-1                              | Name of the organization   | 6  |                   |  |
|  | G4-4                                     | GRI 102-2                              | Primary brands, products, and/or services  | 6-7, 15  |                   |  |
|  | G4-5                                     | GRI 102-3                              | Location of organization's headquarters  | 6  |                   |  |
|  | G4-6                                     | GRI 102-4                              | 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  | 6  |                   |  |
|  | G4-7                                     | GRI 102-5                              | Nature of ownership and legal form   | 6  |                   |  |
|  | G4-8                                     | GRI 102-6                              | Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)   | 6-7  |                   |  |
|  | G4-9                                     | GRI 102-7                              | Scale of the reporting organization  | 6, 24, 56  |                   |  |
|  | G4-10                                    | GRI 102-8                              | a. Total number of employees by employment contract and gender<br>b. Total number of permanent employees by employment type and gender<br>c. Total workforce by employees and supervised workers and by gender<br>d. Total workforce by region and gender<br>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<br>f. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries) | 56   | UNGC 6, SDG 8     |  |
|  | G4-11                                    | GRI 102-41                             | Percentage of employees covered by collective bargaining agreements  | 62   | UNGC 3, SDG 8     |  |
|  | G4-12                                    | GRI 102-9                              | Describe the organization's supply chain   | 71-75  |                   |  |
|  | G4-13                                    | GRI 102-10                             | Significant changes during the reporting period relating to size, structure, or ownership or its supply chain  | 6-7  |                   |  |
|  | G4-14                                    | GRI 102-11                             | Explanation of whether and how the precautionary approach or principle is addressed by the organization  | 32-33  |                   |  |
|  | G4-15                                    | GRI 102-12                             | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses   | 30, 59   |                   |  |
|  | G4-16                                    | GRI 102-13                             | Memberships in associations  | 91   |                   |  |
|  | Identified Material Aspects & Boundaries | G4-17                                  | GRI 102-45   | a. List all entities included in the organization's consolidated financial statements or equivalent documents<br>b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report | 77                |  |
|  |  | G4-18                                  | GRI 102-46   | a. Explain the process for defining the report content and the Aspect Boundaries<br>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content   | 24-25             |  |
| G4-19                                  |  | GRI 102-47                             | List all the material Aspects identified in the process for defining report content  | 24   |                   |  |
| G4-20                                  |  | GRI 103-1                              | The Aspect Boundary within the organization  | 25   |                   |  |
| G4-21                                  |  | GRI 103-1                              | The Aspect Boundary outside the organization   | 25   |                   |  |
| G4-22                                  |  | GRI 102-48                             | Explanation of the effect of any re-statements   | About this report  |                   |  |
| G4-23                                  |  | GRI 102-49                             | Significant changes from previous reporting periods in the Scope and Aspect Boundaries   | N/A  |                   |  |
| Stakeholder Engagement                 |  | G4-24                                  | GRI 102-40   | List of stakeholder groups engaged by the organization   | 25                |  |
|  |  | G4-25                                  | GRI 102-42   | Basis for identification and selection of stakeholders with whom to engage   | 25                |  |
|  |  | G4-26                                  | GRI 102-43   | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group   | 25                |  |
|  | G4-27                                    | GRI 102-44                             | 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   | 25   |                   |  |
| Report Profile                         | G4-28                                    | GRI 102-50                             | Reporting period   | About this report  |                   |  |
|  | G4-29                                    | GRI 102-51                             | Date of most recent previous report  | June 2016  |                   |  |
|  | G4-30                                    | GRI 102-52                             | Reporting cycle  | Annual   |                   |  |
|  | G4-31                                    | GRI 102-53                             | Contact point for questions regarding the report or its contents   | 97   |                   |  |
|  | G4-32                                    | GRI 102-54<br>GRI 102-55<br>GRI 102-56 | a. 'In accordance' option the organization has chosen<br>b. GRI Content Index for the chosen option (see tables below)<br>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  |                   |  |
|  | G4-33                                    | GRI 102-56                             | a. Organization's policy and current practice with regard to seeking external assurance for the report<br>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided<br>c. Relationship between the organization and the assurance providers<br>d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report   | 90-91  |                   |  |
| Governance                             | G4-34                                    | GRI 102-18                             | Governance structure of the organization   | 22, 26-27, 45, 64  |                   |  |
|  | G4-35                                    | GRI 102-19                             | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.   | 22   |                   |  |
|  | G4-36                                    | GRI 102-20                             | 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.   | 26-27  |                   |  |

# GRI Standards Index

| GRI   | GRI G4                        | GRI Standards                       | Contents  | Page & Remarks  | UN SDGs Alignment |
|---|-------------------------------|-------------------------------------|---|---|-------------------|
| <b>1. General Standard Disclosures</b>          |                               |                                     |   |   |                   |
| <b>Governance</b>                               | G4-37                         | GRI 102-21                          | 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                                   | 22, 45, 64  | SDG 16            |
|   | G4-38                         | GRI 102-22                          | Report the composition of the highest governance body and its committees  | 26-27   | SDG 5, 16         |
|   | G4-39                         | GRI 102-23                          | 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)  | 27  | SDG 16            |
|   | G4-40                         | GRI 102-24                          | 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  | 27  | SDG 5, 16         |
|   | G4-41                         | GRI 102-25                          | 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  | 27  | SDG 16            |
|   | G4-42                         | GRI 102-26                          | 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.                 | 26-28   |                   |
|   | G4-43                         | GRI 102-27                          | Report the measures taken to develop and enhance the highest overnance body's collective knowledge of economic, environmental and social topics.  | 26-27   |                   |
|   | G4-44                         | GRI 102-28                          | Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics  | 28  |                   |
|   | G4-45                         | GRI 102-29                          | 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                             | 28  | SDG 16            |
|   | G4-46                         | GRI 102-30                          | Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.   | 33  |                   |
|   | G4-47                         | GRI 102-31                          | Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.   | 33  |                   |
|   | G4-48                         | GRI 102-32                          | Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.   | 26-27   |                   |
|   | G4-49                         | GRI 102-33                          | Report the process for communicating critical concerns to the highest governance body.  | 33  |                   |
|   | G4-50                         | GRI 102-34                          | 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.  | 62  |                   |
|   | G4-51                         | GRI 102-35                          | Report the remuneration policies for the highest governance body and senior executives  | 28  |                   |
|   | G4-52                         | GRI 102-36                          | 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. | 28  |                   |
|   | G4-53                         | GRI 102-37                          | Report how stakeholders' views are sought and taken into account regarding remuneration   | 25  | SDG 16            |
|   | G4-54                         | GRI 102-38                          | 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.   | 28  |                   |
|   | G4-55                         | GRI 102-39                          | 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.             | 28  |                   |
|   | <b>Ethics &amp; Integrity</b> | G4-56                               | GRI 102-16  | 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 | 29                |
| G4-57   |                               | GRI 102-17                          | 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.  | 29-30   | UNGC 10, SDG 16   |
| G4-58   |                               | GRI 102-17                          | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity  | 29-30   | UNGC 10, SDG 16   |
| <b>2. Specific Standard Disclosures</b>         |                               |                                     |   |   |                   |
| <b>Disclosures on management approach (DMA)</b> | G4-DMA                        | GRI 103-1<br>GRI 103-2<br>GRI 103-3 | a. Why the Aspect is material. Report the impacts that make this Aspect material<br>b. How the organization manages the material Aspect or its impacts<br>c. Evaluation of the management approach  | 24-25   |                   |
|   | <b>Economic</b>               |                                     |   |   |                   |
|   | <b>Economic Performance</b>   | G4-EC1                              | GRI 201-1   | Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government               | 32                |
| G4-EC2  |                               | GRI 201-2                           | Financial implications and other risks and opportunities for the organization's activities due to climate change  | 24  | UNGC 7, SDG 13    |
| G4-EC3  |                               | GRI 201-3                           | Coverage of the organization's defined benefit plan obligations   | 62  |                   |
| G4-EC4  |                               | GRI 201-4                           | Financial assistance received from government   | N/A   |                   |
| <b>Market Presence</b>                          | G4-EC5                        | GRI 202-1                           | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation  | 58  |                   |
|   | G4-EC6                        | GRI 202-2                           | Proportion to senior management hired from the local community at significant locations of operation  | N/A   | UNGC 6            |
| <b>Indirect Economic Impacts</b>                | G4-EC7                        | GRI 203-1                           | Development and impact of infrastructure investments and services supported   | 25, 68, 75  | SDG 2, 5, 7, 9    |
|   | G4-EC8                        | GRI 203-2                           | Significant indirect economic impacts, including the extent of impacts  | 24  | SDG 8, 10, 17     |
| <b>Procurement Procedures</b>                   | G4-EC9                        | GRI 204-1                           | Proportion of spending on local suppliers at significant locations of operation   | 72-75   | SDG 12            |

| GRI                                       | GRI G4  | GRI Standards | Contents   | Page & Remarks | UN SDGs Alignment                      |
|---|---------|---------------|--|----------------|--|
| <b>Environmental</b>                      |         |               |  |                |  |
| <b>Materials</b>                          | G4-EN1  | GRI 301-1     | Materials used by weight or volume   | N/A            |  |
|   | G4-EN2  | GRI 301-2     | Percentage of materials used that are recycled input materials   | 46-47          |  |
| <b>Energy</b>                             | G4-EN3  | GRI 302-1     | Energy consumption within the organization   | 47             | UNGC 7, 8, SDG 7, 8, 12, 13            |
|   | G4-EN4  | GRI 302-2     | Energy consumption outside of the organization   | 47             | UNGC 7, 8, SDG 7, 8, 12, 13            |
|   | G4-EN5  | GRI 302-3     | Energy intensity   | 47             | UNGC 8, SDG 7, 8, 12, 13               |
|   | G4-EN6  | GRI 302-4     | Reduction of energy consumption  | 48-51          | UNGC 8, 9, SDG 7, 8, 12, 13            |
|   | G4-EN7  | GRI 302-5     | Reductions in energy requirements of products and services   | 48-51          | UNGC 8, 9, SDG 7, 8, 11, 12, 13        |
| <b>Water</b>                              | G4-EN8  | GRI 303-1     | Total water withdrawal by source   | 47             | UNGC 7, 8, SDG 6                       |
|   | G4-EN9  | GRI 303-2     | Water sources significantly affected by withdrawal of water  | 47             | UNGC 7, 8, SDG 6                       |
|   | G4-EN10 | GRI 303-3     | Percentage and total volume of water recycled and reused   | 47             | UNGC 8, SDG 6, 8, 12                   |
| <b>Biodiversity</b>                       | G4-EN11 | GRI 304-1     | Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas  | N/A            |  |
|   | G4-EN12 | GRI 304-2     | Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas                                      | N/A            |  |
|   | G4-EN13 | GRI 304-3     | Habitats protected or restored   | N/A            | UNGC 8, SDG 6, 14, 15                  |
|   | G4-EN14 | GRI 304-4     | Total number of IUCN RED list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk  | N/A            |  |
| <b>Emissions</b>                          | G4-EN15 | GRI 305-1     | Direct greenhouse gas (GHG) emissions (Scope 1)  | 46             | UNGC 7, 8, SDG 3, 12, 13, 14, 15       |
|   | G4-EN16 | GRI 305-2     | Indirect greenhouse gas (GHG) emissions (Scope 2)  | 46             | UNGC 7, 8, SDG 3, 12, 13, 14, 15       |
|   | G4-EN17 | GRI 305-3     | Other indirect greenhouse gas(GHG) emissions (Scope3)  | 46             | UNGC 7, 8, SDG 3, 12, 13, 14, 15       |
|   | G4-EN18 | GRI 305-4     | Greenhouse gas(GHG) emissions intensity  | 46             | UNGC 8, SDG 13, 14, 15                 |
|   | G4-EN19 | GRI 305-5     | Reduction of Greenhouse gas(GHG) emissions   | 48-49          | UNGC 8, 9, SDG 13, 14, 15              |
|   | G4-EN20 | GRI 305-6     | Emissions of ozone-depleting substances(ODS)   | N/A            | UNGC 7, 8, SDG 3, 12                   |
|   | G4-EN21 | GRI 305-7     | NOx, SOx and other significant air emissions   | N/A            | UNGC 7, 8, SDG 3, 12, 14, 15           |
| <b>Effluents &amp; Waste</b>              | G4-EN22 | GRI 306-1     | Total water discharge by quality and destination   | 47, 51         |  |
|   | G4-EN23 | GRI 306-2     | Total weight of waste by type and disposal method  | 47, 51         | UNGC 8, SDG 3, 6, 12                   |
|   | G4-EN24 | GRI 306-3     | Total number and volume of significant spills  | N/A            | UNGC 8, SDG 3, 6, 12, 14               |
|   | G4-EN25 | GRI 306-4     | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the BASEL Convention Annex I, II, III, AND VIII, and percentage of transported waste shipped internationally | 47, 51         | UNGC 8                                 |
|   | G4-EN26 | GRI 306-5     | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff                                    | N/A            |  |
| <b>Products &amp; Services</b>            | G4-EN27 | NA            | Extent of impact mitigation of environmental impacts of products and services  | 48-51          | UNGC 7, 8, 9, SDG 6, 8, 12, 13, 14, 15 |
|   | G4-EN28 | GRI 301-3     | Percentage of products sold and their packaging materials that are reclaimed by category   | N/A            | UNGC 8, SDG 8, 12                      |
| <b>Compliance</b>                         | G4-EN29 | GRI 307-1     | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations  | 53             | UNGC 8, SDG 8, 16                      |
| <b>Transport</b>                          | G4-EN30 | NA            | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce  | 46, 49         | UNGC 8, SDG 11, 13                     |
| <b>Environmental Investments</b>          | G4-EN31 | NA            | Total environmental protection expenditures and investments by type  | 51             |  |
| <b>Supplier Environmental</b>             | G4-EN32 | GRI 308-1     | Percentage of new suppliers that were screened using environmental criteria  | 71             | UNGC 8                                 |
|   | G4-EN33 | GRI 308-2     | Significant actual and potential negative environmental impacts in the supply chain and actions taken  | 71             | UNGC 8, SDG 15                         |
| <b>Environmental Grievance Mechanisms</b> | G4-EN34 | GRI 103-2     | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms  | 53             | UNGC 8                                 |

# GRI Standards Index

| GRI                                      | GRI G4  | GRI Standards | Contents   | Page & Remarks | UN SDGs Alignment |
|--|---------|---------------|--|----------------|-------------------|
| <b>Labor Practices &amp; Decent Work</b> |         |               |  |                |                   |
| Employment                               | G4-LA1  | GRI 401-1     | Total workforce by employment type, employment contract and region   | 56             | UNGC 6, SDG 5, 8  |
|  | G4-LA2  | GRI 401-2     | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation  | 60-62          | SDG 8             |
|  | G4-LA3  | GRI 401-3     | Return to work and retention rates after parental leave, by gender   | 60             | UNGC 6, SDG 5, 8  |
| Labor/ Management Relations              | G4-LA4  | GRI 402-1     | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements   | 62             | UNGC 3, SDG 8     |
| Occupational Health & Safety             | G4-LA5  | GRI 403-1     | 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                       | 62             | SDG 8             |
|  | G4-LA6  | GRI 403-2     | 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  | 63             | SDG 3, 8          |
|  | G4-LA7  | GRI 403-3     | Workers with high incidence or high risk of diseases related to their occupation   | 63             | SDG 3, 8          |
|  | G4-LA8  | GRI 403-4     | Health and safety topics covered in formal agreements with trade unions  | 63             | UNGC 1            |
| Training & Education                     | G4-LA9  | GRI 404-1     | Average hours of training per year per employee by gender, and by employee category  | 57             | UNGC 6, SDG 8     |
|  | G4-LA10 | GRI 404-2     | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings  | 43, 57         | SDG 8             |
|  | G4-LA11 | GRI 404-3     | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category   | 58             | UNGC 6, SDG 5, 8  |
| Diversity                                | G4-LA12 | GRI 405-1     | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity                                   | 56             | UNGC 6, SDG 5, 8  |
| Equal Pay for Women & Men                | G4-LA13 | GRI 405-2     | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation   | 56             | UNGC 6, SDG 8, 10 |
| Supplier Assessment for Labor Practices  | G4-LA14 | GRI 414-1     | Percentage of new suppliers that were screened using labor practices criteria  | 71             | SDG 5, 8, 16      |
|  | G4-LA15 | GRI 414-2     | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken  | 71             | SDG 8, 16         |
| Labor Practices Grievance Mechanisms     | G4-LA16 | GRI 103-2     | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms  | 62, 74         |                   |
| <b>Human Rights</b>                      |         |               |  |                |                   |
| Human Rights Investments                 | G4-HR1  | GRI 412-3     | Total number and percentage of significant investment agreements and contracts that include human rights clauses of that underwent human rights screening  | 59, 71         | UNGC 2            |
|  | G4-HR2  | GRI 412-2     | 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              | 57             | UNGC 1            |
| Non-discrimination                       | G4-HR3  | GRI 406-1     | Total number of incidents of discrimination and actions taken  | 59             | UNGC 6            |
| Freedom of Association                   | G4-HR4  | GRI 407-1     | 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 | 59, 71         | UNGC 3, SDG 8     |
| Child Labor                              | G4-HR5  | GRI 408-1     | 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                                | 59, 71         | UNGC 5, SDG 8, 16 |
| Forced or Compulsory Labor               | G4-HR6  | GRI 409-1     | 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   | 59, 71         | UNGC 4, SDG 8     |
| Security Practices                       | G4-HR7  | GRI 410-1     | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations   | 59             | UNGC 1, SDG 16    |
| Indigenous Rights                        | G4-HR8  | GRI 411-1     | Total number of incidents of violations involving rights of indigenous people and actions taken  | 53             | UNGC 1            |
| Human Rights Assessments                 | G4-HR9  | GRI 412-1     | Total number and percentage of operations that have been subject to human rights reviews or impact assessments   | 59             | UNGC 1            |
| Supplier Human Rights Assessments        | G4-HR10 | GRI 414-1     | Percentage of new suppliers that were screened using human rights criteria   | 59, 71         | UNGC 2            |
|  | G4-HR11 | GRI 414-2     | Significant actual and potential negative human rights impacts in the supply chain and actions taken   | 71             | UNGC 2            |
| Human Rights Grievance Mechanisms        | G4-HR12 | GRI 103-2     | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms   | 62             | UNGC 1            |

| GRI   | GRI G4  | GRI Standards            | Contents  | Page & Remarks | UN SDGs Alignment |
|---|---------|--------------------------|---|----------------|-------------------|
| <b>Society</b>                              |         |                          |   |                |                   |
| Local Communities                           | G4-SO1  | GRI 413-1                | Percentage of operations with implemented local community engagement, impact assessments, and development programs  | 64-65, 68-69   | UNGC 1            |
|   | G4-SO2  | GRI 413-2                | Operations with significant actual and potential negative impacts on local communities  | 53             | UNGC 1            |
| Anti-corruption                             | G4-SO3  | GRI 205-1                | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified   | 32-33          | UNGC 10, SDG 16   |
|   | G4-SO4  | GRI 205-2                | Communication and training on anti-corruption policies and procedures   | 30             | UNGC 10, SDG 16   |
|   | G4-SO5  | GRI 205-3                | Confirmed incidents of corruption and actions taken   | 30-31          | UNGC 10, SDG 16   |
| Public Policy                               | G4-SO6  | GRI 415-1                | Total value of political contributions by country and recipient/beneficiary   | N/A            | UNGC 10, SDG 16   |
| Anti-competitive Behavior                   | G4-SO7  | GRI 206-1                | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes  | 31             |                   |
| Compliance                                  | G4-SO8  | GRI 419-1                | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations   | 31             | SDG 16            |
| Supplier Assessment for Impacts on Society  | G4-SO9  | GRI 414-1                | Percentage to new suppliers that were screened using criteria for impacts on society  | 71             |                   |
|   | G4-SO10 | GRI 414-2                | Significant actual and potential negative impacts on society in the supply chain and actions taken  | 71             |                   |
| Grievance Mechanisms for Impacts on Society | G4-SO11 | GRI 103-2                | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms  | 72             |                   |
| <b>Product Responsibility</b>               |         |                          |   |                |                   |
| Customer Health & Safety                    | G4-PR1  | GRI 416-1                | 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                                     | 38, 39, 53     |                   |
|   | G4-PR2  | GRI 416-2                | 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   | 53             |                   |
| Product & Service Labeling                  | G4-PR3  | GRI 417-1                | 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 | 31             | SDG 12            |
|   | G4-PR4  | GRI 417-2                | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes   | 30-31          | SDG 16            |
|   | G4-PR5  | GRI 102-43<br>GRI 102-44 | Results of surveys measuring customer satisfaction  | 39             |                   |
| Marketing & Communications                  | G4-PR6  | GRI 102-2                | Sale of banned or disputed products   | 31             |                   |
|   | G4-PR7  | GRI 417-3                | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes  | 31             |                   |
| Customer Privacy                            | G4-PR8  | GRI 418-1                | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data   | 40-41          |                   |
| Product Compliance                          | G4-PR9  | GRI 419-1                | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services  | 31             | SDG 16            |

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# Major Awards & Memberships

## Major Awards

| Award  | Host / Provider  | Date           |
|--|--|----------------|
| The Most Admired Companies, All Star and 1 <sup>st</sup> in the IPTV sector  | Korea Management Association Consulting                      | February 2016  |
| Winner of 2016 iF Design Award in Professional concept category as Wiz Stick   | iF Design Exhibition Hamburg                                 | February 2016  |
| INNO STAR 2016-Best Innovation award in the 'IPTV,' 'Giga Wifi,' and 'Ultra high speed internet' sectors                               | Korea Management Association                                 | March 2016     |
| NCSI (National Customer Satisfaction Index)-ranked 1 <sup>st</sup> in the local & long-distance call and internet call sectors         | Korea Productivity Center                                    | March 2016     |
| Winner of 2016 Red Dot Design Awards in computer & IT, industry machinery & robotics categories as Wiz Stick and Phone-mouse           | Design Zentrum Nordrhein-Westfalen                           | March 2016     |
| Winner of Korea Business Administration Prize  | The Dong-a Ilbo  | June 2016      |
| Ranked 1 <sup>st</sup> in the telecommunication sector at 2016 Evaluation of Korean Large Company Contributions to Country and Society | Korea Institute for Firm Contribution                        | June 2016      |
| Winner of Asia Mobile Awards 2016 in the vest mobile music app categories  | Global System for Mobile Communications Association          | June 2016      |
| Winner of LTE & 5G World Awards 2016 in the best service of LTE & Broadcasting categories  | Informa Telecom&Media  | July 2016      |
| Winner of Korea Service Grand Prix in telecommunication and internet categories  | Korea Standards Association                                  | July 2016      |
| Selected to be included at DJSI World index for the 7 straight year  | DowJones (U.S.A), RobecoSAM (Swiss-based investment company) | September 2016 |
| Winner of Korea Sustainability Report Awards in the service sector   | Korea Standards Association                                  | September 2016 |
| Selected to be included as A grade at ESG ratings  | Corporate Governance Service                                 | September 2016 |
| Winner of Global ICT Excellence Award 2016 in Mobile Excellence categories   | World Information Technology and Services Alliance           | October 2016   |
| Winner of KGCCI Innovation Awards 2016 in Chairman awards categories   | Korean German Chamber of Commerce and Industry               | October 2016   |
| Ranked 1 <sup>st</sup> in the Korean telecommunication corporation at Asia CSR Ranking   | Asia CSR Ranking Conference                                  | November 2016  |
| 2016 CPLI (Climate Performance Leadership index) ranked 1 <sup>st</sup> in the telecommunication sector                                | CDP in the UK, CDP Korea                                     | November 2016  |
| Winner of Global Telecom Awards 2016 in most disruptive pricing strategy categories  | Informa Telecom & Media                                      | November 2016  |
| Winner of WBA Industry Awards 2016 in the best wireless service innovation categories  | Wireless Broadband Alliance                                  | November 2016  |
| Inducted into Hole of Fame at the Porter Prize in Excellence in CSV  | The Institute for Industrial Policy Studies                  | December 2016  |

## Memberships

### Domestic

Open System Interconnection Association, Online Privacy Association, Safe-Net Forum, Global Competitiveness Empowerment Forum, Network Security Forum, Korean Society for Atmospheric Environment, Korean Society of Transportation, Korea Industrial Safety Association, Korea Chamber of Commerce & Industry, Korea Housing Builders Association, D-AD Forum, Big Data Technology Forum, Success Economy Forum, Korean Academic Society of Business Administration, Korea Association of Cloud Industry, Demand-Response Management Association, Smart TV Forum, Smart Media Promotion Association, Spectrum Engineering Forum, Korea New & Renewable Energy, The Association of Energy Future Forum, Korea Engineering & Consulting Association, Korea Electrical Contractors Association, Korea Electric Engineers Association, IT Information Sharing & Analysis Center, Korea Information & Communication Contractors Association, Artificial Intelligence Industry Association, Codegate Security Forum, Korea Association of Chief Information Security Officer, Korea FIDO Forum, Korean Institute of Blockchain, Korea 3D Printing Association, Korea Building Energy Management System, Korea IDC Association, Korea IPTV Broadcasting Association, Korea Investor Relations Service, Korea IT Business Promotion Association, Korea Information Technology Service Industry Association, Korea Virtual Reality Industry Association, Korea Employers Federation, Fair Competition Federation, Korea Advertisers Association, Korea Money and Finance 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 IOT Forum, Korea IOT Association, Korea Industrial Technology Association, Korea Listed Company Association, Korean Society of Manufacturing Technology Engineers, Korea Fire Safety Association, Korea Software Industry Association, Korea Smart Grid Association, Korea Food Industry Association, Korea Foreign Company Association, Korea Internet Service Promotion Association, Korean Institute of Electromagnetic Engineering and Science, Korea Radio Promotion Association, Korea Phone Bill Industry Association, Korea Information Security Industry Association, Korea Institute of Information Security & Cryptology, Korea Information Electron Communication Technology, Telecommunications Technology Association, Korea Institute of Information & Telecommunication Facilities Engineering, Korea Association for ICT Promotion, Korea Intellectual Property Association, Korean Society for Railway, Consortium of CERT, Korea Telecommunications Operators Association, Korea Chief Privacy Officers' Forum, Korea Association of ESCO, Intelligent Transport System, Local Based Service Business Industry Council, Defense Network Centric Warfare Forum, OCF(Open Connectivity Forum), SDN NFV Forum, Korea National Assembly UN SDGs Forum

### Overseas

The International Function Point Users Group, 3GPP, 5G Forum, FIDO Alliance, GCF (Global Certification Forum), ITU, NGMN (Next Generation Mobile Networks), oneM2M, OPEN-O, OPNFV, UN Global Compact, Wi-Fi Alliance, WiMAX Forum, Z-Wave Alliance

## For more information

KT Integrated Report is also available on the website ([www.kt.com/eng/main.jsp](http://www.kt.com/eng/main.jsp)). Please contact us for additional information or send inquiries about this report.

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Published : June 2017

Publisher : Chang-Gyu Hwang

Publishing Entity : KT Sustainability Management Center

Planning & Design : Nstein Co., Ltd, 82-2-336-7865