

# GiGAtopia

kt Integrated Report 2015



## ABOUT THIS REPORT

This report is kt's 10th integrated sustainability report to communicate with stakeholders more transparently and develop performances for sustainable management.

### Reporting Time Frame and Boundary

#### • Reporting Time Frame

This report outlines kt's achievements, initiatives, and data that span from January to December 2014. Its reporting period is one year, and the previous report was published in June 2014. This scope extends to April 2015 for major business activities, and in cases of some quantitative data, three year's worth data is presented to help readers identify relevant trends.

#### • Reporting Boundary

The report cover 510 business sites including the head office and branches in the country as a major reporting target. "kt" in this report refers to kt's separate company, except for subsidiaries which are targets for connection in accordance with K-IFRS. In cases of reporting performances by subsidiaries and overseas branches, a relevant explanation was included in the report. The business boundary for each material issue was presented on page 23 of this report in accordance with the GRI G4 Guidelines.

### Reporting Principles and Assurance

#### • Reporting Principles

To comply with the internationally accredited reporting standards, this report followed comprehensive GRI (Global Reporting Initiative) G4 guidelines, the international guideline for sustainability reporting, and was written in accordance with the "IR" Framework of the International Integrated Reporting Council (IIRC).

#### • Assurance

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

### Characteristics of This Report

This report connects material issues regarding sustainability to business strategy and focuses on kt's shared value to promote the people's convenience. The report also shares the company's strategic directions on the current and future business through major business activities, achievements, and planning reports based on management strategies. To increase the effectiveness of the performance report, the report presents issues for stakeholders in major sectors and KPI (Key Performance Indicators). In addition, matters that have high importance in terms of sustainability and are mainly carried out by kt were reported in depth as "Special Issues."

Information and statements for prediction based on management goals such as mid and long-term goals and future benefits were written on the basis of investment plans and future market analysis, but due to the uncertainty in the management environment, there might be some differences.

### For More Information

Please contact us for additional information or to send inquiries about this report.

- Address : kt CSV Center, Public Relations Office, 178, Sejong-daero, Jongno-gu, Seoul
- Tel +82-2-732-5055



# CONTENTS

04	Chairman of Board of Directors' Message
05	CEO's Message

## I. Overview of kt's Sustainability

06	Company Overview
13	Governance
17	Stakeholder Engagement
18	Ethics Management
20	Risk Management
22	Materiality Test
24	Special Issue

## II. GiGAtopia\_Create the Future

32	Leading the Wired and Wireless Communications Market
42	Leadership for Future Technology
50	Enhancement of Customer Value
58	Creating Shared Value through GiGA Story

## III. Sustainable Value

68	Expansion of Win-win Growth
73	Creation of Value for the Local Community
80	Talent Management
91	Eco-friendly Management

## Appendix

101	Sustainability Indicators
106	Third-Party Assurance Statement



### Cover Story

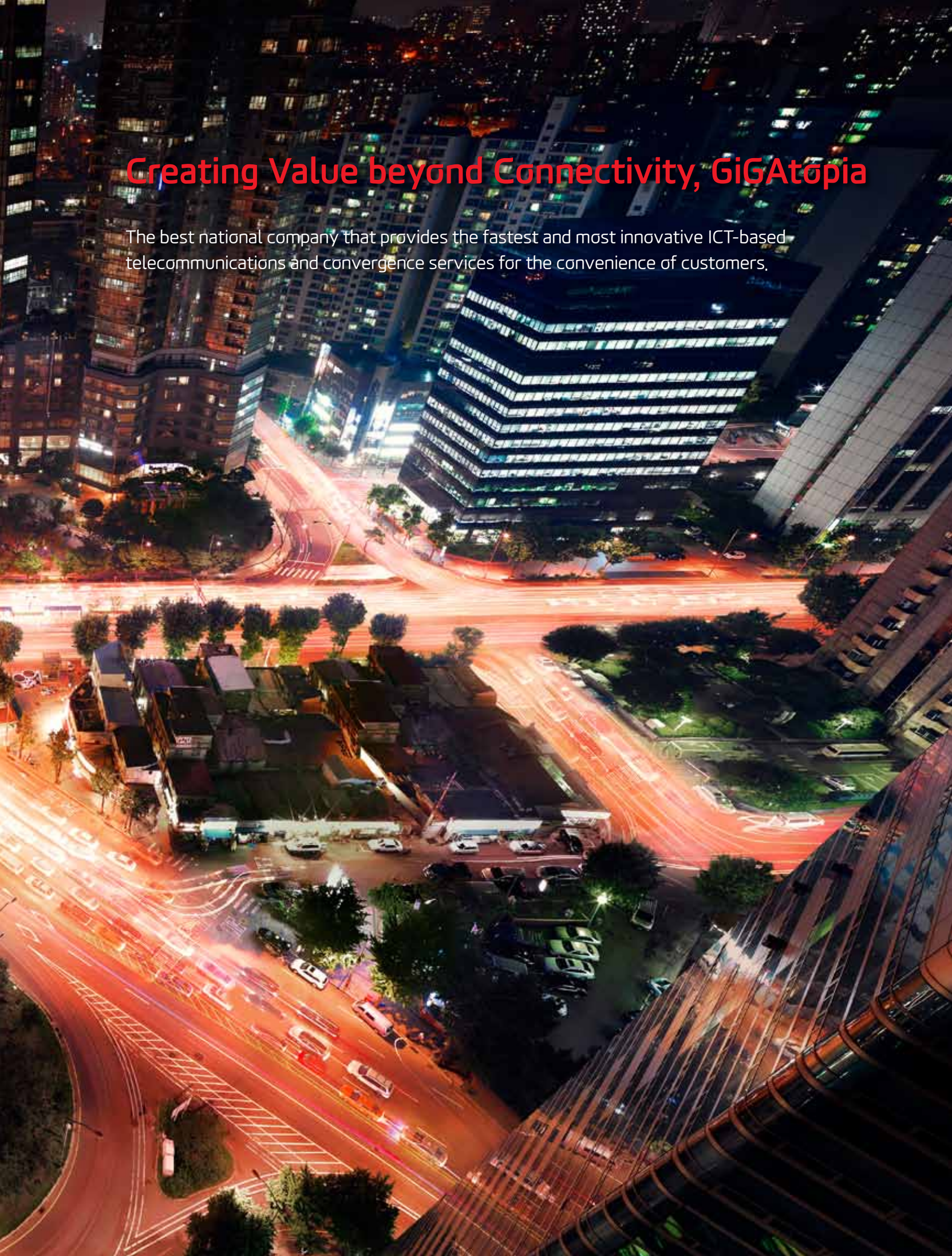
Making Korean communications history, kt has presented a new paradigm in the communications market with "GiGAtopia." The vivid color expressing the high speed on the cover depicts kt realizing "GiGAtopia" through innovative ICT services.





# Creating Value beyond Connectivity, GiGAtopia

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





## Chairman of Board of Directors' Message

Jeremy Rifkin, a futurologist, emphasized the importance of telecommunications technology with the role of the Internet and Internet of Things (IoT) in the future society in his writings, "The Third Industrial Revolution" and "The Zero Marginal Cost Society." As telecommunications technology has become a necessity that creates new added value in all sectors in our lives, kt has continuously led Korea's telecommunications market since its foundation as Korea Telecom in 1981.

kt opened the era of having one telephone in each household by supplying ten million wire telephone lines in 1987 and has continuously led high-speed Internet technology with innovative technology since the company began Korea's first Internet commercial service in 2000. We also led smart innovation by launching the first iPhone in Korea in 2009 and commercialized GiGA-level high-speed Internet for the first time in Korea in 2014 to demonstrate kt's strength and capability.

With GiGA infrastructure and ICT technology, kt has laid the foundation for providing the world's fastest and most innovative communications and convergence service. We will contribute to the prosperity of our country and the human race through our telecommunications technology.

kt will present new services in every area in our lives from the media and content sectors to energy, security, environment, culture, and art. These efforts will lead to new opportunities to create new shared value.

With GiGA Island as a model for creating new shared value, kt received the 1st CSV Porter Prize in 2014 and was included in DJSI World for five consecutive years in recognition for its performance in sustainable management. Based on our competitiveness for sustainability, kt will make the leap forward, becoming not only the top company in our field in Korea, but also a global IT leader.

The year of 2015 will be a year when kt will lead with its telecommunications capability to make great achievements. All members of the Board of Directors, including me, will provide proactive support to help kt contribute to developing the country and become a respected and trusted company for the people.

Thank you.



kt will enrich our lives through innovative  
telecommunications technology.

A stylized signature in black ink, consisting of several loops and strokes, representing the name Do-Kyun Song.

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

## CEO's Message

In 2014, kt made various efforts for management innovation to prepare for the upcoming future with renewed determination.

When it comes to internal matters, we have established a communication and collaboration system to improve corporate culture and amplify synergy. The new culture is geared towards realizing empowerment of field employees, so they could work with more authority and responsibility, and thus enhance business performances.

Externally, with the aim of leaping forward as "Global No. 1," kt proclaimed "GiGAtopia" as its new goal and presented a new paradigm in the wired and wireless communications market through five future business areas such as IoT, big data, healthcare, next generation media, and integrated safety.

"GiGAtopia" is a world with greater safety, comfort, and happiness through various convergence services based on GiGA infrastructure. To achieve this goal, kt is fostering small but strong companies in Korea that we call K-Champ, like the hidden champions, the main source of Germany's economic growth.

In March 2015, we opened the Creative Economy Innovation Center in Pangyo, the cradle for K-Champ. The center will not only contribute to creative economy by leading the global standardization of new technologies, but also target the global market by creating an ICT ecosystem where large companies and small but strong companies grow together.

Furthermore, as the representative company and with the desire to contribute to the improvement of the world through ICT, kt has carried out various activities for creating shared value based on GiGA service.

Last year, the first GiGA Island was launched at Imjado Island in Korea, while GiGA School was opened at Daeseongdong Elementary School in the demilitarized zone (i.e. highly restricted area between North and South Korea). Through these efforts, kt enabled residents to enjoy the benefits of innovative ICT including smart agriculture, healthcare, and education.

Also, the second GiGA Island was launched at Baengnyeongdo Island in March, and additional GiGA projects will follow within this year such as in Cheonghakdong.

Dear customers and stakeholders,  
at the Mobile World Congress 2015, kt proclaimed 5G leadership by delivering the keynote address as the only Asian operator among the presenters. For the upcoming 2018 PyeongChang Olympic Winter Games, we will showcase a whole new experience to seven billion people in the world through advanced ICT services. We believe it will be the strong driver for kt to become "Global No.1."

kt will continue to strive for enriched life for everyone through ICT.

Thank you.

With the pride of representing Korea,  
kt will lead the global ICT market.

*Chang Gyu Hwang*  
**Chang-Gyu Hwang**  
CEO, kt Corporation



# Company Overview

## Current Corporate Condition and Major History

Established as Korea Telecom in 1981, kt is Korea's largest comprehensive communications operator. It merged with its subsidiary, KTF, in 2009 and is leading the smart era by introducing smartphones in Korea. kt focuses its capability in establishing GIGA wire and wireless network infrastructure and differentiating the Media/IoT platform by utilizing its core technology. Based on its advanced infrastructure, the company also finds and nurtures ICT convergence service in various industrial sectors. kt will become the global No. 1 communications company beyond the domestic market based on these ICT capabilities.

Number of users for each service in 2012 - 2014

(Unit: 1,000 persons)

Category	Wireless communications*	Wire telephone**		High-speed Internet	IPTV	Total
		PSTN**	VoIP			
2012	16,502	15,318	3,348	8,037	4,030	47,234
2013	16,454	14,513	3,505	8,067	4,968	47,507
2014	17,328	13,849	3,411	8,129	5,859	48,576

\* Wireless: CDMA+WCDMA+LTE

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



**Company name** kt

**Date of establishment** December 10, 1981

**CEO** Hwang Chang-Gyu

**Head office** 90, Bulljeong-ro, Bundang-gu, Seongnam City, Gyeonggi-do

## kt's Assets/Capabilities

**1<sup>st</sup>**

**Subscribers to pay TV service**  
(olleh tv, kt skylife)  
(5.86 million people)

**1<sup>st</sup>**

**T-commerce**  
(kth, kt skylife)

**1<sup>st</sup>**

**Amount of use/ Number of franchises**  
(BC card)

**2<sup>nd</sup>**

**UV(Unique Visitor)**  
(genie, kt music)  
(2.77 million people)

**2<sup>nd</sup>**

**Giftishow (Mobile gift certificate)**  
(kt mhows)

**3<sup>rd</sup>**

**Security business**  
(kt telecop)

**1<sup>st</sup>**

**Internet Media Lab**  
(nasmedia)

**150**  
trillion won

**Purchases by BC Card**

**5**

**Service for five sports games**  
(kt sports)  
※ Baseball, Basketball, E-sports, Hockey, Shooting

## Current Condition of Subsidiaries

(As of the late 2014, Unit: 100 million won, person)

Subsidiary	Major business (type of business)	Sales	Total capital	Number of employees
kt powertel	Telecommunications	1,049	1,273	198
kt linkus	Telecommunications	1,063	67	648
kth	IT service, multimedia content business, e-commerce	1,361	1,956	345
kt submarine	Construction for each professional	767	954	68
kt commerce	E-commerce	5,158	220	111
kt mhow	Other service (Mobile advertisement production and agency, software development)	228	54	75
kt rental	Comprehensive rental business	10,098	3,008	914
kt telecop	Security for facilities and machines	2,570	1,448	2,829
kt capital	Financial business	1,734	2,801	131
kt m&s	Sales and rental of communications devices	8,854	606	2,911
nasmedia	Online advertisement agency	299	626	212
kt music	Online music service, development, production, and distribution of digital contents	863	563	190
sofnics	Software development and sale	3	2	3
kt ds	Integrated establishment, operation and maintenance of IT system	3,533	340	1,256
kt cs	Operation and establishment of a call center	4,380	1,419	10,968
kt is	Operation and establishment of a call center	4,507	1,480	10,205
kt skylife	Satellite broadcasting, media industry	6,228	4,356	308
skylife TV	Film, broadcast and performance industry	457	192	91
kt estate	Real estate business	2,802	13,350	285
kt WIC	Rental and sales of high-speed wireless communications devices and equipment	12	2,612	6
BC card	Financial business	32,746	8,623	821
CENTIOS	System integration and management business	148	140	42
ksds	Computer programming, system integration, and management business	25	237	22
Ustream Korea	Live video streaming and media content production	17	3	2
kt sat	Satellite broadcasting and communications	1,392	4,457	157
kt media hub	Portal and Internet information media service business	3,352	998	235
best partners	Business support service	4	8	3
kt sports	Sports and leisure service business	422	75	58
Autopion Co., Ltd.	Location information service business	99	26	126

※ Refer to the 2014 business report for more detailed information about the current condition of affiliates except for subsidiaries of subsidiaries, securities available for sale, private equity, and five companies with impaired capital (Smart Channel, ENSWERS, Tion Telecom, kt NexR, and kt innoedu)

# Management Philosophy and Strategy

## Vision & Core Values

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

Vision \_\_\_\_\_ Global No.1 **kt**

Goal \_\_\_\_\_ Realizing GiGAtopia

## Core Values



### Number 1 kt

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



### Single kt

Act in union through borderless communication and cooperation among departments



### Customers First

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



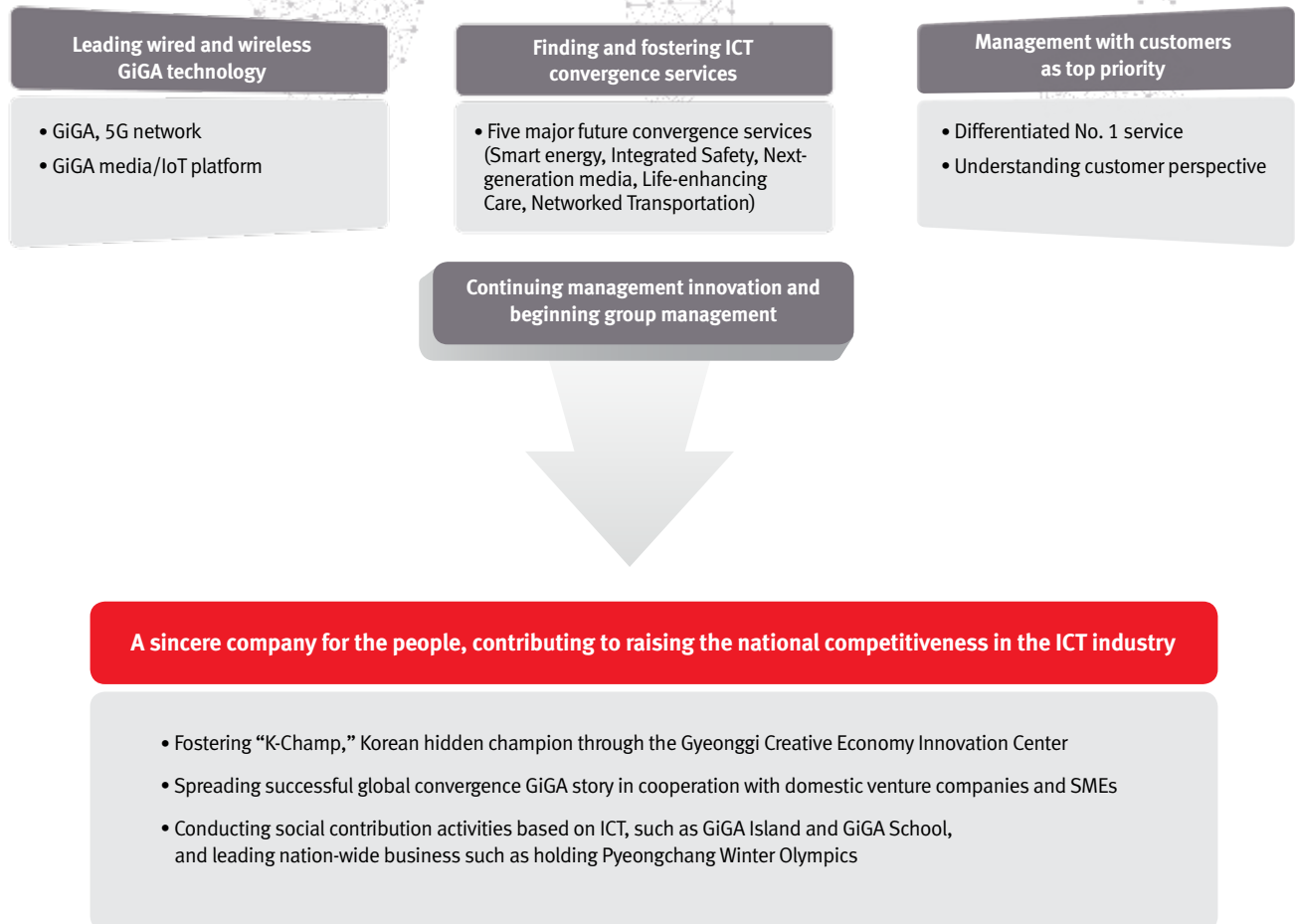
### Right-Path Management

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



# GiGAtopia?

GiGAtopia refers to the world where humans and all the things are connected by GiGA infrastructure to enjoy comfort beyond convenience. kt will leap forward and become the **Global No. 1 kt** by realizing GiGAtopia.



# Global No.1 kt

Providing innovative global service based on kt's high competitiveness in communications

kt - Leading GiGAtopia by developing the convergence ICT sector and pioneering the overseas market through joint cooperation with SMEs for win-win growth



## Global ICT

Establishing and providing global IT solution and global communications network



## Global data

Providing global communications business (International, broadcasting, VPN, IP, global IDC, etc.)



## Global traffic wholesale

Providing international voice traffic communication service by utilizing kt's network

## Leading wired and wireless GiGA technology

By proactively leading the realization of GiGAtopia, kt operates communications businesses such as mobile communications, Internet, wired telephone, corporate infrastructure, and has a business portfolio encompassing Big Data-based IoT (Internet of Things), Cloud, corporate solution, and convergence ICT, which will be new engines for creative innovation and growth.



### Wireless LTE

Providing voice, text message, and data service based on broadband LTE-A (4G) network on smart devices  
Leading 5G technology connecting everything on a real-time basis and sending massive quantities of data



### GiGA WiFi

Providing wireless service in which 512 customers at maximum can simultaneously connect at a speed three times faster than existing Wi-Fi  
Launching "GiGA WiFi Home" will enable users to use economical and fast wireless data at home.



### GiGA internet

Commercializing GiGA internet service that is 10 times faster than the existing 100bps internet for the first time in Korea  
(Recruiting 100,000 subscribers within two months from its commercialization)



### olleh TV

Korea's top IPTV service providing the largest number of full-HD channels and VODs  
Launching "olleh GiGA UHD TV", providing UHD channels that are four times more vivid than HD channels



### IoT

Providing various IoT services, such as GiGA IoT Home Fitness that can track your physical exercise on TV, GiGA IoT Home Cam for monitoring home safely, and GiGA IoT Home Manager that can control major home terminals from a distance

## Finding and fostering ICT convergence services

kt prepares future convergence business by creating synergy effects in different industries from communications in five major sectors—Smart Energy, Integrated Safety, Next-generation Media, Life-Enhancing Care, and Networked Transportation—based on wired and wireless GiGA infrastructure and convergence ICT technology.



### Smart Energy

Managing energy demands based on Big Data through energy and ICT convergence  
Providing the environment for efficient energy development/trade



### Integrated Safety

Providing an integrated ICT-based system with communications, security, building control, etc. beyond simple security  
Establishing a response system for national disasters as well as safety for individuals and industrial sites



### Next-generation Media

Providing various convergence services such as child education and commerce based on competitiveness in IPTV  
Leading the media industry by seeking future content such as holograms



### Life-enhancing Care

Providing customized care services by collecting and managing health-related information by utilizing capability for IoT, Big Data  
Developing customized treatment for characteristics of the human genome



### Networked Transportation

Providing a safe and convenient transportation environment through real-time based data analysis with vehicles and road infrastructure and contributing to advanced logistics transportation and reduction of expenses for transportation congestion

## Management with customers as top priority

Innovating value in the customer experience by subdividing customer experiences into 650 units to provide the best customer service from the total CS perspective  
Reforming the system for company-wide total CS by launching "Management Office with Customers in Priority" and securing the executive capability for management with customers as the top priority, operating the "Committee with Customers in Priority" based on executives.



### CS

Enhancing service satisfaction in all sectors that are experienced by customers from subscription to products, as well as installation, after service and cancellation



### Product

Realizing kt as No. 1 by providing products and services without defects



### Network

Making the basis for GiGAtopia by improving the quality of wired and wireless communications service



### Channel

Enhancing the quality of customer experience in sales channels in and out of the company and online non-face-to-face channels

# Realizing GiGAtopia

kt will lead 5G technology as a core future engine by continuously securing core technology for the GiGA Network and constantly work to achieve technological leadership by securing the global eco-system to realize the era of GiGAtopia by 2020.

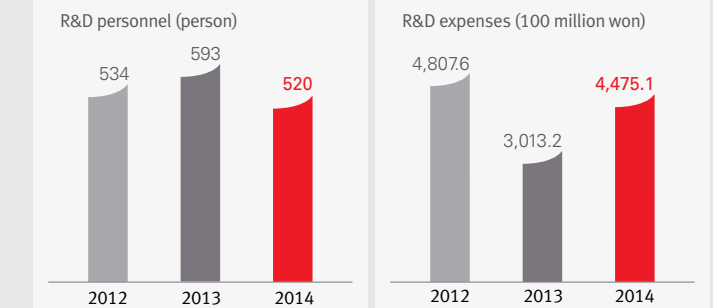
## R&D Core Sectors

GiGA Access	Technology for providing maximized 500 Mbps Internet based on one-pair line
In-building Solution	In-building solution technology converging with wired and wireless network for building ICT business
FTTH Overlay	1Gbps multi-line solution technology for FTTH Overlay
Mass-storage OLT	Corporate mass-storage OLT 1G/10Gbps technology
NFV/SDN	Securing SDN controller, switch, soft-based UTM technology
LTE VPN	Comet 2.0 LTE VPN technology provides corporate premium service

Category	Major content	Note
1	Developing GiGA Wire core technology to transmit at the speed of 200 Mbps per one pair for traffic	Securing five relevant patents Preparing commercialization at home and abroad
2	Improving the speed of wireless network by three times compared to the existing broadband LTE by developing MPTCP-based LTE+Wi-Fi consolidation technology	Demonstrating commercial test networks
3	Developing GiGA UTP core technology providing the speed of 500 Mbps by two pairs of LAN cable	Commercialization at home

\* Securing domestic and overseas patents  
- Total registered patent cases (As of December 31, 2014): 5,045 cases in Korea, 867 cases in foreign countries  
- Number of registered cases for the year: 381 cases in Korea, 62 cases in foreign countries

## R&D Infrastructure





# Company Overview

## Economic Performance

### Sales Revenue

The following sales information is based on the K-IFRS connection Sales Revenue.

(Unit: 1 billion won)

Category	2012	2013	2014
Provision of service	19,266.6	19,663.0	19,991.7
Sales of goods (*)	4,589.8	4,147.6	3,430.0
Total	23,856.4	23,810.6	23,421.7

※ Including contracts for construction of real estate which recognizes profits based on progress of K-IFRS connection (\*)

### Sales of Each Business

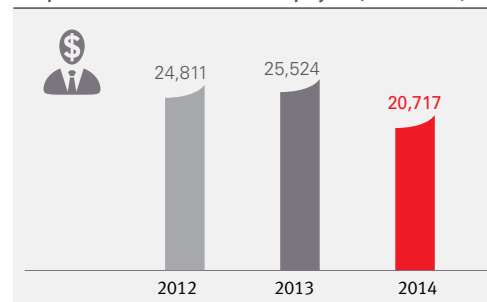
(Unit: 1 billion won)

Category	Wireless sales	Wire sales	Sales of media content	Sales of financial rental	Sales of products	Other sales	Total
2012	6,913.4	6,392.3	1,067.9	3,574.3	4,600.9	1,307.6	23,856.4
2013	6,976.5	5,965.5	1,354.5	3,859.9	3,966.5	1,687.7	23,810.6
2014	7,314.8	5,538.3	1,508.2	4,169.7	3,460.6	1,430.0	23,421.6

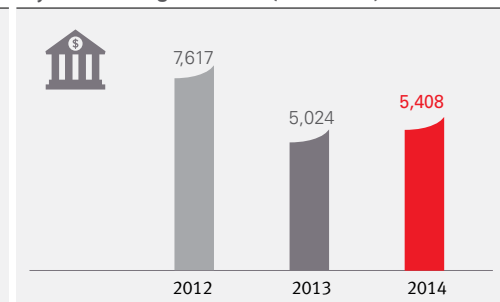
\* As of materials for announcing performances

### Value Distribution for Each Stakeholder

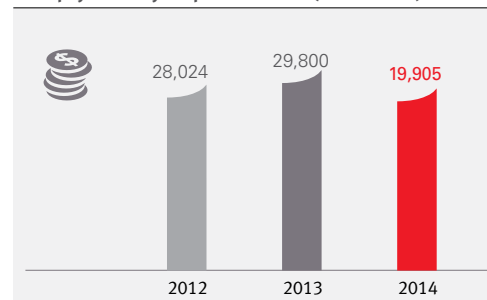
#### Compensation for executives and employees (1 billion won)



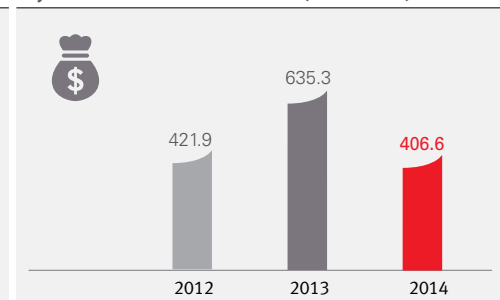
#### Payments for the government \* (1 billion won)



#### Cash payments by cooperative firms (1 billion won)



#### Payments for social contribution \*\* (1 billion won)



※ To lead the communications market, kt has invested in wired and wireless infrastructure and new profit projects rather than distributing dividends to shareholders. Through these efforts, kt has created a structure with a virtuous cycle for achieving long-term profits.

\* Payments for the government: Total sum of corporate tax, other taxes, and public utilities' charge

\*\* Payments for social contribution: Total sum of investment in the local community, charitable contribution and donation, sponsorship, and support

### Financial Support by the Government

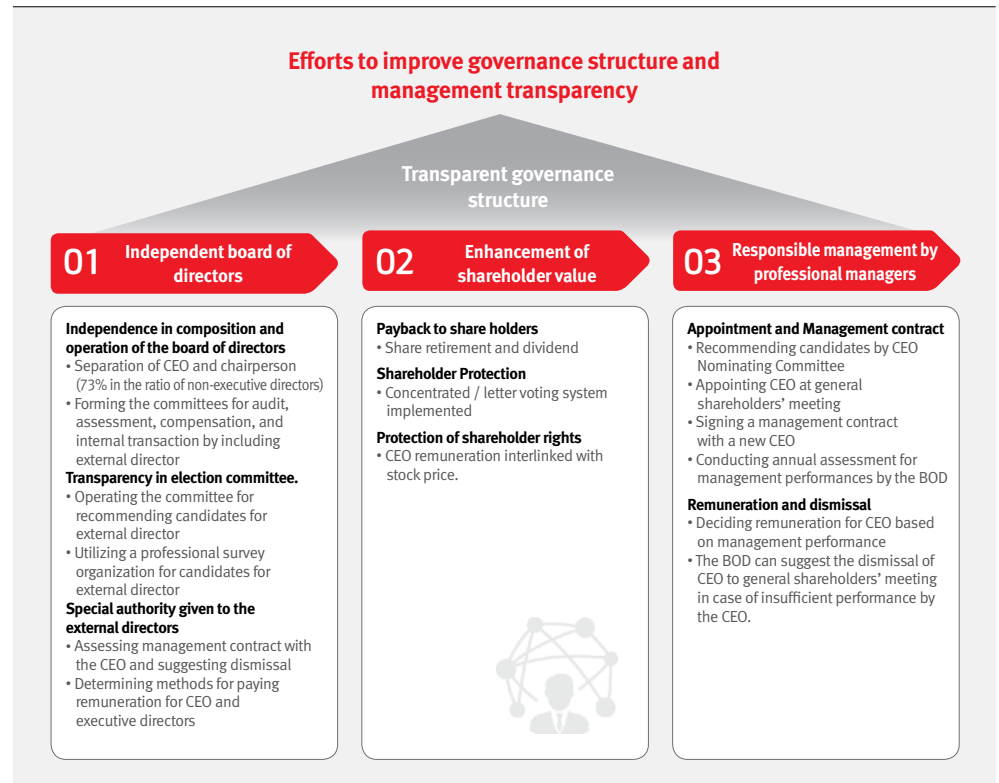
The amount of deduction from the year's corporate tax and other tax amounts to be paid was 42 billion won due to R&D expenses, facility investment for productivity improvement, investment in safety facilities and energy saving, etc. This amount, however, was carried forward by the year's loss. It will be deducted in issuing taxable income, and the total amount with the existing tax amount that was carried forward is 238 billion won. kt will proactively utilize this deducted tax amount and execute expenses efficiently for R&D and corporate management.

# Governance

## Transparent Governance Structure

kt aggressively adopted best practice recommendations for corporate governance in accordance with global standards that emphasize professional executive management systems and an independent board of directors (BOD). This resulted in a corporate governance system that befits kt's status as a global company. Leadership of management (CEO) and BOD is isolated to establish a governance structure that is objective and independent from management. Furthermore, the "kt Governance Charter" was introduced to establish the Corporate Governance Committee as a way to improve its governance structure. This policy paid off as we have maintained the highest rating (A+) in corporate governance, according to the EGS (Environmental Social Governance) evaluation organized by the Korean Corporate Governance and Sustainability Center (CGS) for four consecutive years since 2011.

### kt's Governance Structure Model



## Independence and Diversity of Composition of the BOD

The CEO & Chairman is appointed through a voting process at the general shareholders' meeting from the pool of candidates recommended by the CEO Nominating Committee. The current CEO & Chairman Hwang Chang-gyu was appointed at the general shareholders' meeting on January 27, 2014. Executive directors except for the CEO are recommended through a shareholders' meeting with consent from the BOD by the CEO among management executives each year. Lim Heon-moon was appointed as the Head of the Customer Business Group, and Park Jeong-tae was made Head of Ethics Management Department (March 27, 2015).

In consideration of the diversity and complementarity of skills of the BOD, non-executive directors are recommended by the Non-executive Director Candidate Nominating Committee through a general shareholders' meeting. As the committee recommended best experts who can give professional advice in various sectors for the development of kt, the general shareholders' meeting (March 27, 2015) appointed three non-executive directors: Chang Suk-gwon, Dean of the School of Business at Hanyang University, Chung Dong-wook, Senior Counsel at Law Firm Kim, Choi & Lim, and Hyun Dai-won, Professor of Mass Communication & Director of Sogang Communication Center. The chairman of the BOD is appointed by the decision by the BOD among non-executive directors to enhance its independence, and its term of office is one year. As of March 2015, the chairman of kt's BOD is Song Do-kyun, one of the non-executive directors.



# Governance

Current Condition of the BOD

(as of March, 2015)

Category	Name (Gender)	Major Career	Responsibility (Attending Committee)
Executive directors	Hwang Chang-Gyu (Male)	(Current) kt CEO (Former) President & CTO, Office of Strategic R&D Planning at the Ministry of Knowledge Economy (Former) President & CTO, Samsung Electronics	CEO & President Chairperson of Management Committee
	Lim Heon-Moon (Male)	(Current) Head of Customer Business Group, kt (Former) COO, Telecom & Convergence Group, kt	Member of Management Committee
	Park Jeong-Tae (Male)	(Current) Head, Legal & Ethics Office, kt (Former) Head, Group Shared Service Group, kt	Member of Governance Structure Committee Member of Management Committee
Non-executive directors	Song Do-Kyun (Male)	(Current) Advisor of Bae, Kim & Lee LLC (Former) Committee member, Korea Communications Commission	Board Chairman Member of Evaluation and Compensation Committee Member of Governance Structure Committee
	Cha Sang-Kyun (Male)	(Current) Professor of Electrical Engineering & Computer Science, Seoul National University	Member of Audit Committee Member of Governance Structure Committee
	Kim Jong-Goo (Male)	(Current) Corporation lawyer, New Dimension Law Group (Former) 46th Minister of Justice	Director of Audit Committee Member of Internal Transaction Committee
	Yim Chu-Hwan (Male)	(Current) Director of Korea Information & Communication Industry Institute (Former) Member of Presidential Advisory Council on Science & Technology	Director of Evaluation and Compensation Committee Member of Internal Transaction Committee
	Chang Suk-Gwon (Male)	(Current) Dean of School of Business, Hanyang University (Former) President of Korea Association for Telecommunications Policy	Director of Governance Structure Committee Member of Internal Transaction Committee
	Park Dae-Keun (Male)	(Current) Professor of the College of Economics and Finance, Hanyang University (Former) Committee member of Korea Finance Corporations	Member of Audit Committee Member of Governance Structure Committee
	Chung Dong-Wook (Male)	(Current) Senior Counsel of Law Firm Kim, Choi & Lim (Former) Prosecutor of Seoul High Prosecutors' Office	Director of Internal Transaction Committee Member of Audit Committee
	Hyun Dai-Won (Male)	(Current) Professor of Mass Communication & Director of Sogang Communication Center (Former) Chairman, Internet-based Broadcasting Service Promotion Forum	Member of Evaluation and Compensation Committee Member of Internal Transaction Committee

## Operation of Committees in the BOD

To improve expertise and agility in decision-making, our BOD operates five standing subcommittees and two temporary subcommittees. If necessary, the BOD can additionally establish separate committees.

Current Condition of Committees in the BOD

(as of March, 2015)

Category	Composition	Objective and Authority
Standing	Governance Structure Committee	Four non-executive directors, One executive director
	Audit Committee	Four non-executive directors
	Evaluation and Compensation Committee	Four non-executive directors
	Internal Transaction Committee	Four non-executive directors
	Management Committee	Three executive directors
Temporary	CEO Nominating Committee	All non-executive directors, One executive director
	Non-executive Director Candidate Nominating Committee *	All non-executive directors, One executive director

※ For further details, please refer to the Investor Relations section of our website ([www.kt.com](http://www.kt.com)).

## Operation and Assessment of the BOD

kt held a total of 11 BOD meetings in 2014 to deliberate and decide on a total of 37 agendas items including the “2014 sustainability management plans (draft).” Any decision made by the BOD requires more than a majority of the current directors with voting rights to be in attendance, along with the consent of a majority of the attending directors, if not stated otherwise in the Korean Commercial Law or the Article of Association. To ensure the efficient operation of the BOD and the accountability of the directors, our BOD evaluates their members on their BOD activities and individual performance each year, and the results are voluntarily disclosed in our business reports.

### Overview of Operation of the BOD

No. of BOD meetings

11

Average attendance

98%

BOD performance evaluation outcome (on a scale of one to five)

4.1

### Current Condition of BOD Activities

No.	Date of meeting	Agenda details	No. of attending non-executive directors (Maximum number)
1	Jan. 27, 2014	Approved the 32 <sup>nd</sup> non-consolidated financial statements (draft) and three other items	7(7)
2	Feb. 20, 2014	kt management plan (draft) for 2014 and 12 other items	7(7)
3	Mar. 18, 2014	Reported and announced (plan) the completion of separation merging of investment sector of kt capital	6(7)
4	Mar. 21, 2014	Composition (draft) for the appointment of BOD director and committee and one other item	8(8)
5	Apr. 24, 2014	Disposing (draft) treasury stock for stock compensation for 2013 and two other items	8(8)
6	Apr. 30, 2014	Change (draft) of kt management plan for 2014 and two other items	8(8)
7	Jun. 27, 2014	Participation (draft) in the communications sector of Pyeongchang Winter Olympics 2018 as the official sponsor	7(8)
8	Jul. 24, 2014	Reported non-consolidated financial statements (separate and connected) for the first half of 2014 and two other items	8(8)
9	Oct. 1, 2014	Seoul Project (draft)	8(8)
10	Oct. 30, 2014	Reported non-consolidated financial statements (separate and connected) for the third quarter of 2014 and two other items	8(8)
11	Dec. 11, 2014	Mid-term strategy and kt management plan (draft) for 2015 and two other items	8(8)

\* At the regular shareholders' meeting on March 21, 2014, Kim Jong-Goo, Yim Chu-hwan, Yu Pil-hwa, Chang Suk-gwon, and Park Dae-keun were appointed as non-executive directors.

## Management of Professional Executives with Responsibility and Performance Compensation System

To establish a management system in which the CEO—as a professional manager—is held accountable for business operations, our BOD determines the terms and conditions of the management contract with the CEO. To fairly evaluate the CEO's performance, the Evaluation and Compensation Committee (which consists of only non-executive directors) sets the CEO management goals on the basis of the annual goals set by the BOD, makes quantifiable and qualitative evaluations at the end of the each business year, and reports the outcomes at the general shareholders' meeting. In 2014, our CEO remuneration was 16.18 times the median value of all kt employees according to the 2014 performance evaluation.

The remuneration criteria and methods for the CEO and other executive directors are determined by the BOD, in accordance with business results, and are reported at the general shareholders' meeting each year. To improve the fairness in the BOD decisions 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 December 31, 2014) (Unit: 100 million won)

Category	Limit approved by the general shareholders'	Total remuneration	Average remuneration per person
Executive directors (three directors)	59	12.9	4.3
Non-executive directors who serve on the Audit Committee (four directors)		3.45	0.86
Non-executive directors who do not serve on the Audit Committee (four directors)		2.71	0.68

\* The number of members is based on the situation as of December 31, 2014. The total remuneration is the payment actually granted in 2014, while the average remuneration per person is the amount dividing the total remuneration by the number of members in office.



## Leading Sustainability Management

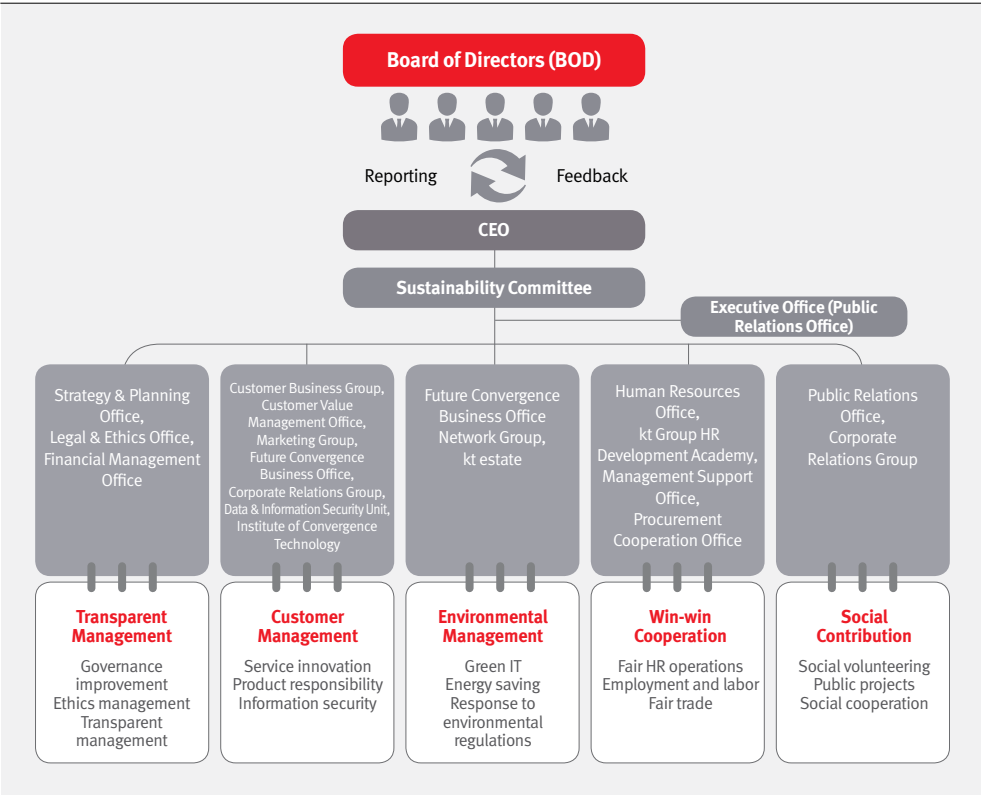
kt firmly believes that a company can only maximize its value and realize sustainable growth when it fulfills its societal duty of environmental protection, strives to advance our society, and achieves management performance. kt makes great efforts to support the UN’s new “goals for sustainability growth,” plan activities to realize this goal, and lead global sustainability management by complying with the ten major principles of UN Global Compact.



Thanks to these efforts, kt acquired “Gold Class” certification in 2014; this certificate is granted only to the top 1% in the DJSI assessment, one of the most distinguishable global sustainability assessment reports. As well as being included in DJSI Asia-Pacific and DJSI Korea in 2009, kt has been included in DJSI World for five consecutive years since 2010. As the company surpassed other remarkable companies for three consecutive years from 2011 to 2013, kt earned the top rank in the global wired and wireless communications sector and proved itself to be a global sustainability company.

### Decision-making System for Sustainability Management

To reflect sustainability management issues in actual management activities and guarantee executive ability of relevant activities, kt operates its Sustainability Committee. The committee selects and prioritizes five major tasks—transparent management, customer management, environmental management, win-win cooperation, and social contribution—and appoints relevant staff members (directors) in each sector as relevant committee members to enable the efficient execution of each task. Since 2011, our sustainability management outcomes and plans are regularly reported to the BOD as stipulated by relevant corporate policies so that executives directly manage sustainability management and can enact a swift decision-making process. The BOD, which was held in April 2015, approved sustainability management performance in 2014 and the plan for 2015.



# Stakeholder Engagement







## Definition of Stakeholders

Stakeholders are defined as individuals and groups who are affected by or can have an impact on kt's business. kt divides major stakeholder groups depending on business and function sectors. Major stakeholder groups include customers, shareholders, executives and employees, cooperative firms, and local communities, and the company performs its management activities by considering the environment, which does not directly express an opinion as another important stakeholder.

## Enhancement of Value through Stakeholder Engagement

kt believes that mutual relations with stakeholders based on trust are valuable assets which can have a significant impact on successful business. Through various communication channels, kt strives to reflect stakeholders' value, needs, and interests to internal decision-making, relevant processes, management plans, and business activities and specifies this information in the guidelines.

### Definition of Stakeholders and Engagement Type

Category	Interest	Type and Frequency of Engagement
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Service quality</li> <li>• Customer health and safety</li> <li>• VOC</li> </ul>	<ul style="list-style-type: none"> <li>• Pool of customers (200 customers, three regular surveys per year, four to five special surveys per year)</li> <li>• Regular online surveys (10,000 respondents, twice a year)</li> <li>• Product Trial Student Team (60 members, six months)</li> <li>• Household Panel</li> <li>• Customer Product Evaluation Panel (100 customers, one year)</li> </ul>
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>• Management strategies for growth in sales/profits</li> <li>• Regulations and competition environment</li> <li>• Shareholder return policy</li> </ul>	<ul style="list-style-type: none"> <li>• General shareholders' meeting (Once a year)</li> <li>• CEO Management Information Session (Once a year)</li> <li>• Earnings announcement (Quarterly disclosures, conference calls)</li> <li>• IR News (1-2 times a month)</li> <li>• Domestic/Overseas NDR (Year-round)</li> <li>• IR website</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>• Win-win growth</li> <li>• Vitalizing ICT ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier CEO Meeting (Once a year)</li> <li>• Satisfaction Survey, Supplier Conference (Once a half-year)</li> <li>• SCM Council (Monthly)</li> <li>• Product Meeting (Year-round)</li> <li>• Technology Exchange Meeting (Monthly)</li> <li>• Online/Offline Win-win Growth Center (Permanent)</li> <li>• Supplier Comment Forum (Year-round)</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Balance between work and life</li> <li>• HR development</li> <li>• Career management</li> </ul>	<ul style="list-style-type: none"> <li>• Labor-Management Council (Quarterly)</li> <li>• Local LM Council, Unit LM Council, LM Policy Council (Permanent, Year-round)</li> <li>• Management Conference (Held in various formats for regular and contractual employees respectively)</li> <li>• Grievance Handling Center kt 119 (Offline)</li> <li>• Company newspaper/in-house news/in-house online forum/ongoing messaging</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>• Vitalization of local economy</li> <li>• Communications welfare</li> <li>• Social contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion with local communities (Year-round)</li> <li>• Sharing Love (Sisterhood ties with local child care centers)</li> <li>• Sharing IT(Phone, Website)</li> <li>• Sharing Culture (Surveys, Social network services, Website)</li> <li>• College Student Volunteers (105 students, one year)</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>• Environmental conservation</li> <li>• Developing eco-friendly service</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Management Committee (Year-round)</li> <li>• Verification of GHG emissions (Twice a year, Scope 1,2 and Scope 3)</li> </ul>

# Ethics Management

## Internalizing 『New Ethics Management Principles』

With a strong will to “promote the company’s future based on right decision-making and ethical judgment to grow into a global No. 1 company,” kt enacted our “New Ethics Management Principles” in 2014. To allow all executives and employees to conduct these pledges in their actual works, the company clarifies the five major behavior practices for ethics management and strives to take root ethics management in the company through providing direct lectures on business ethics and operating regular communication channels.

### No. 1 kt’s New Ethics Management Principles

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



#### Customer First

#### Principle 1. Customers are our top priority.

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

#### Law-compliance Management

#### Principle 2. We fully comply with all regulations and standards.

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

#### Fulfilling the Basics

#### Principle 3. We stick to the basics and principles.

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

#### Ownership

#### Principle 4. We believe in our own solidarity as a company with a self-initiated sense of ownership.

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

#### Social Responsibility

#### Principle 5. We fulfill our social responsibility and obligation as a people’s company.

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

## Ethics Management Initiatives Undertaken

Established and announced the New Ethics Management Principles		
Signed the pledge to abide by the New Ethics Management Principles		
Launched the Clean kt national holiday campaign—Clean 365 Center		
Launched year-round and special initiatives to monitor ethical practices		
Offered ethics training, delivered directly by department heads (executives) to employees (direct lecturing on business ethics)		
Operated diverse ethics management communication channels for each scenario	Preventive channels	Ethics Management FAQ,
		Clean 365 Center
	Post-reporting channels	Reports of violation cases of business ethics
		Hotline to the Chairman of the Board of Audit and Inspection

## Lectures on Ethics Management

kt writes materials introducing regular information such as the concept and system of ethics management and current condition of kt’s ethics management on a regular basis and distributes them to all institutions in the group, as well as providing a lecture by the director of an institution to all employees. Direct lectures on ethics management conducted in 2014 include education for laws regarding ethics management and risk sectors under the theme of New Ethics Management Behavior Principles, which were enacted in March. Through these efforts, the company encouraged executives and employees to naturally foster ethical mindsets and attitudes based on the ethics management principles.

### Topics for Monthly Director Lectures on Ethics Management in 2014

May	Jun.	Jul.	Aug.	Sept. ~ Nov.	Dec.
Legal risk sector	Comprehensive measures for minimizing company-wide risks	New Ethics Management Principles			
		Customer First	Law-compliance Management	Fulfilling to the Basics (Chapter 1~3)	Ownership





Education for staff members in charge of ethics management

## Internalizing Ethics Management by Group Company

To secure unification of aim and direction for the group's ethics management, kt implements education for staff members in charge of ethics management and operates workshops on a quarterly basis. Through group ethics education, best and problematic cases for ethics management are shared with the group companies so that the ethics management system is reinforced. We posted education materials and other reference cases to the affiliates' bulletin board (synovation) to allow the group companies to reform their ethics management infrastructure. Through these efforts, kt strives to spread ethics management to all companies in the entire group.

## Violation on Ethics Management in 2014

kt enacts continuous efforts for purification by operating communication channels to present the right solutions for ethical dilemmas which can be faced by employees in the course of work and establishing a system for reporting illegal cases, including conducting the audit (Compliance Audit) for checking whether all business sites comply with the legislations on a half-yearly basis. In 2014, a total of 12 cases for punishment including two cases for dismissal was reported due to violation on ethics management. Thanks to the continuous efforts for clean management, such as reinforcing ethics management education and improving work process, the number of investigation and punishment caused by personal corruption has been reduced.

To comply with taxation duty and pay tax efficiently, kt establishes strategies and a policy for taxation, reviews them on a regular basis, and discloses all information on taxation in a transparent manner. kt has paid taxes faithfully in accordance with the National Tax Service policy on corporate taxation and prevented any possibility of having any conflict with the National Tax Service by recognizing the fact that the company and tax authorities can have different legal interpretations of business and drawing reasonable results through preemptive consultation.

## Compliance with Taxation

### kt's Taxation Strategy



- 1 Managing a corporate image by strictly complying with tax law and relevant regulations
- 2 Preventing conflicts with the tax authorities to enjoy sustainable business
- 3 Operating the company's financial operation and supporting customer service effectively through efficient tax payment

### Transparent External Announcement

kt reports detailed information in regard to corporate tax, deferred corporate tax and effective tax rate, through annual audit report and discloses the result on the electronic announcement system (dart.fss.or.kr). The company opens temporary differences for each item due to differences between accounting assets/ liabilities and taxation assets/ liabilities and provides relevant information. kt's effective tax rate in 2014, which was disclosed through the audit report, was 22.5%; this is lower than 24.2%, the maximum tax rate of corporate tax (including local income tax rate). The difference between tax rates is caused by adjusting and applying the difference between profits and loss in accounting and taxation. The company does not tolerate any tax evasion practices such as illegal tax evasion, illegal practices on the tax law, fake report, etc., and will comply with tax obligations honestly.

## Current Condition of Legal Compliance Judgment

kt has a fair competition autonomous compliance program (CP) to prevent economic loss to society and the company by autonomously complying with legislation and preventing illegal practices. Through this program, the company has carried out various activities for legal compliance such as the Telecommunications Business Act, Mobile Device Distribution Improvement Act, Monopoly Regulation and Fair Trade Act, Unfair Competition. Prevention Act, etc.

## Current Condition of Judgment by Regulatory Institutions

In 2014, kt had the penalty of about 17 billion won imposed by the Korea Communications Commission due to four legal violation cases such as "violation on users' interests in regard to supplying subsidies for cell phones" and had the penalty of about 2 billion won imposed by the Fair Trade Commission due to a "case for illegal subcontract transaction." kt conducted corrective measures under corrective orders from regulatory institutions and will reinforce efforts to comply with the relevant legislation, implement duties faithfully, and strive to prevent recurrence.

(Unit: 1 million won)

Category	Date	Result of Judgment	Administrative Agency
"Violation on users' interests in regard to supplying subsidies for cell phones.	2014.03.13	55.5 million won as penalty Corrective order	Korea Communications Commission
Case for illegal subcontract transaction by kt	2014.06.12	20.8 million won as penalty Corrective order	Korea Fair Trade Commission
Violation on users' interests in regard to supplying subsidies for cell phones.	2014.08.21	10 billion and 760 million won as penalty Corrective order	Korea Communications Commission
Violation on users' interests in regard to supplying subsidies for cell phones.	2014.12.04	800 million won as penalty Corrective order	Korea Communications Commission

# Risk Management

## Establishing Long-term Strategy for Risks

Companies face threats against sustainability due to various megatrends such as global climate change, increasing population, lack of energy and water, resource depletion, etc. kt believes that the development of information communications technology will not only solve the current problems, but also open a new era with new opportunities for humanity. Through analyzing megatrends, kt defines mid and long-term risk strategy directly connecting to the communications business and strives to integrate business with drawn risks and opportunistic elements.

Mid and Long-term Risk Strategy	Definition of Risk	Impact on Business	Measure
Intensifying Competition	<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>Beginning investment in new infrastructure such as GiGA Internet and 5G to raise competitiveness</li> <li>Spread risks of market regulations and reinforce demands for civic groups to prevent intensified competition</li> </ul>	<ul style="list-style-type: none"> <li>Causing a vicious cycle such as reduced investment and undermined service quality due to deteriorated profitability in the communication business</li> <li>Increasing investment expenses in infrastructure such as GiGA Internet and 5G</li> <li>Concern about potential distortion in market competition based on subsidy rather than essential elements such as product, service, and technology</li> </ul>	<ul style="list-style-type: none"> <li>Shifting the axis of competition in the 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>Realizing actual performance in new growth engines, such as the five major future convergence businesses, and expanding the scope of pioneering the global market</li> <li>Expanding the non-communications business sector based on capability for communications such as Fintech and security</li> </ul>
Enabling Technology	<ul style="list-style-type: none"> <li>Possible to undergo a short-term change in the market such as evolving into GiGA super-broadband wired and wireless network</li> <li>Being dominated by players in other industries such as platform, terminal device, content, etc. and expanding the scope of competition</li> <li>Reducing profitability due to making open-type ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Rapidly increasing initial investments such as GiGA Internet, 5G, UHD TV, etc.</li> <li>Intensifying competition for winning the initiatives with various operators, including the entire value chain at home and abroad</li> <li>Need to secure stability in profits under the new market ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Standardizing the GiGA sector and securing leadership by seeking the top technology</li> <li>Establishing an image of leading the global 5G by supporting the success of national events such as Pyeongchang Winter Olympics 2018</li> <li>Making partnerships with operators in various sectors and using differentiated strategies based on core capability in Cloud/Big Data</li> <li>Finding innovative ideas by utilizing Gyeonggi Creative Economy Innovation Center and K-Champ</li> </ul>

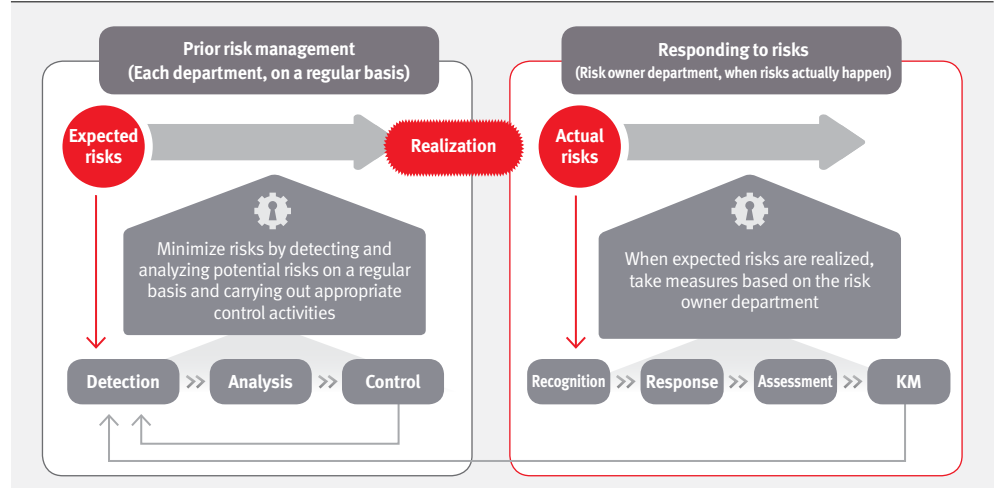
## Integrated Risk Management

kt systemically performs integrated risk management activities from the perspective of the entire company by responding to not only financial risks, but also other strategies, operations, and regulations to prevent potential risks and continue growth. With this aim, the company has operated a company-wide risk organization and reinforced risk prevention activities and follow-up responses by forming the relevant business departments and on-site risk management groups since 2010.

### Reestablishing the Risk Management System

In 2014, kt prepared comprehensive measures to minimize company-wide risks and reestablished its risk management system to promote and implement the principle of risk management and response. The company categorized risks and set the process for prevention activities and follow-up activities. We determine a "risk owner" so that prior and follow-up measures are handled under the responsibility of relevant department, and in case of large-size risks which can have an impact on the entire company, we make the TF and take swift measures. Experience and knowledge in the process of risk response is organized in a database and reflected in risk prevention activities to enhance the capability of risk management.

## Process of Risk Management and Response



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

## Prior Risk Prevention

### Prior Risk Prevention Activity

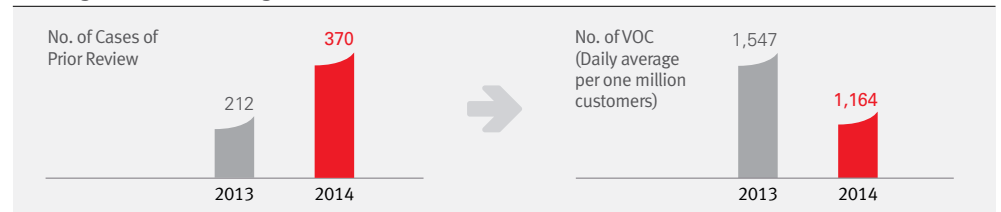
Selecting risks for intensive management, which continuously and repeatedly happen and undermine management activities, and establishing and operating risk response scenario based on relevant departments  
When carrying out business and tasks for relevant risks, reinforce prior review and follow-up checks to minimize loss from risks



### Prior Risk Review before Launching Service

Operating "Prior Risk Review before Launching Service" system from 2010 to prevent damage on customers and company due to insufficient service  
Launching service after reviewing risks in depth by each professional department from the perspective of operation, law, fair competition, and information protection  
– Providing differentiated value through perfect service  
– Minimizing risk elements such as having VOC  
– Contributing to improving executives and employees' capability to carry out self-diagnosis for risks and enhancing awareness of risk

## Reducing Risk Elements through Prior Review



\*(VOC: Materials except for cancellation)

## Strengthening Capability of Risk Management

### Self-diagnosis for Risks

Checking risks regarding business, system, and work process on a regular basis  
• Finding risks by each department and taking early measures  
**2010~2013**  
• Identified and improved 1,141 cases of risk elements  
**2014**  
• Conducted self-diagnosis for risk on a semi annual basis to continuously find risks, take measures for risks, and reinforce capability of management, and drawn 885 cases of risks  
① Assessed the possibility and influence, and selected 49 cases of company-wide core risks  
② Intensively managed core risks by relevant departments and improved some of them through diagnosis of management and accounting to address fundamental issues

### Reinforcing Risk Education

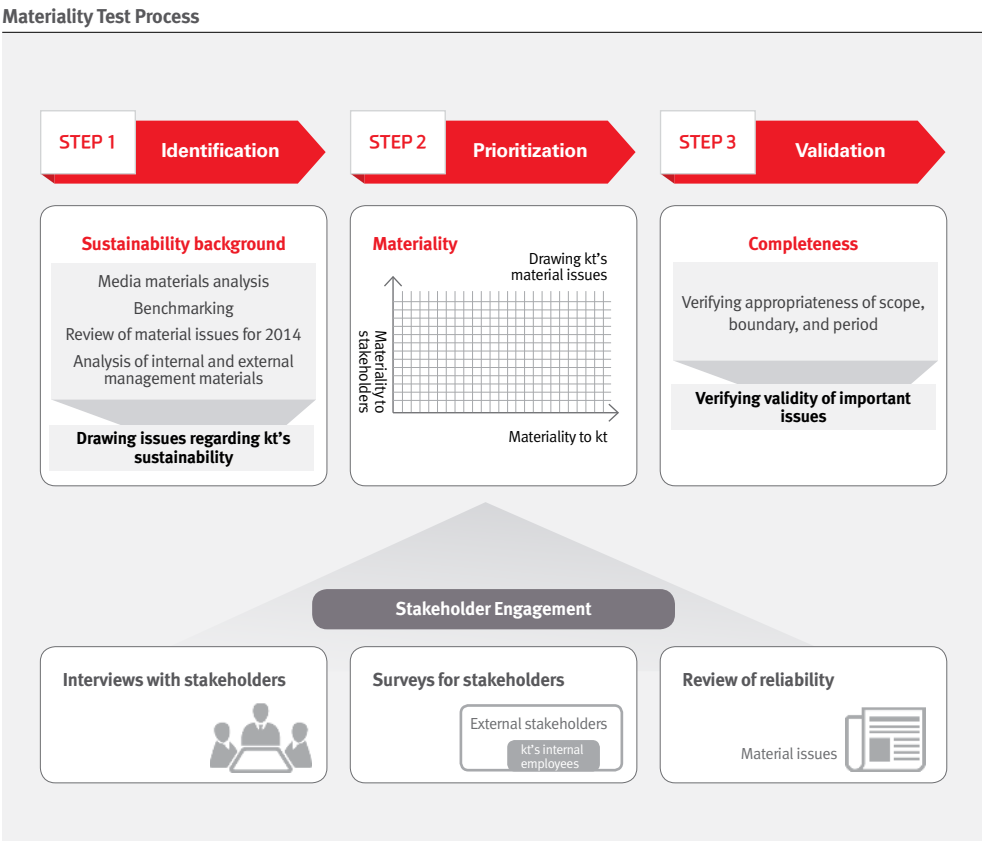
Operating offline education process, annually sharing measures for managing and preventing risks by each business department based on the on-site business department and staff members in charge of managing risks  
**2014**  
• Conducted education for responding to legal risks and company-wide risks for all employees  
• Published and distributed "Legal Compliance for Business Operation" handbook to prevent frequent risks related to contracts  
**2015**  
• Preparing education and workshops for responding to risks for executives and staff members in charge of managing ethical issues and reinforcing company-wide capability of risk management  
• Publishing and distributing a handbook for "Code of Conducts by Executives and Employees for Management of Company-wide Risks" to deal with potential risks swiftly



# Materiality Test

## Principle of Materiality Test

kt selected material issues for sustainability management by considering methods presented in the IR Framework of the International Integrated Reporting Committee (IIRC) based on the materiality test standards by GRI G4, the internationally accredited report guidelines. To enhance credibility in the process and results of issue selection, the company conducted analysis of the internal and external environment and a materiality test on the basis of Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.



### STEP 1

### Identify Issues Related to Sustainability Management Through the Analyses of Internal/External Environments

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

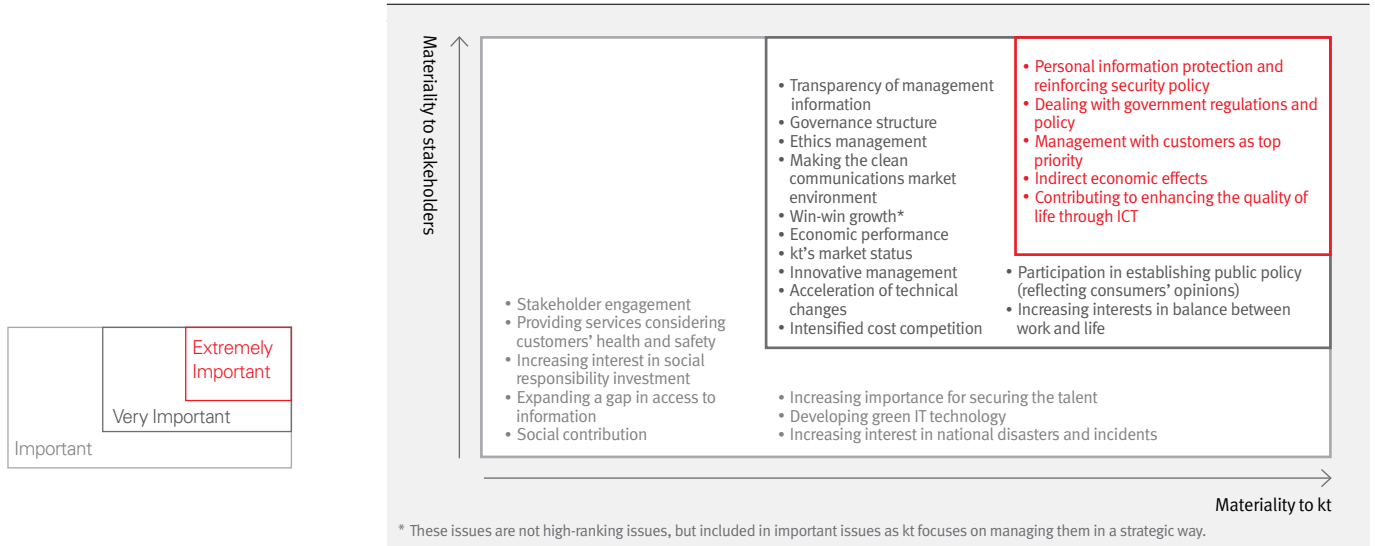
- [Media Materials Analysis]** Identifying major issues through the analyses of 6,076 valid articles published by domestic media outlets in 2013-2014 to understand and respond to social demands for kt's sustainability management
- [Industry Peer Analysis]** Identifying overall issues that are considered material in related industries by understanding issues reported in the sustainability reports published by domestic and overseas industry peers
- [Analysis of Internal and External Management Materials]** Reflecting external trends and important internal issues surrounding kt's management environment
- [Stakeholder Interviews]** Conducting in-depth interviews with six representative stakeholders in accordance with ISO26000's stakeholder identification criteria and kt's own definition of stakeholders to identify major and additional issues

## STEP 2

### Draw Material Issues Through the Materiality Test

kt conducted an online survey for the company's sustainability issues for 5,469 stakeholders, selected 28 issues whose average in the materiality test is 3.70 and over, and added two more issues ("Win-win growth" and "Increasing interests in the national disasters and incidents") that are intensively managed in sustainability and social responsibility sectors. Selected material issues were divided into three sectors depending on importance, and trends and impact issues with similarity in response and management were categorized into one issue.

#### Drawing Material Issues



## STEP 3

### Identify Validity

kt reviewed whether core issues are material issues to the company through internal report and reflected them in planning and writing the report after comprehensively considering association and appropriateness with kt's strategies and determining the reporting standards for core issues such as scope, boundary, period, etc.

#### Reporting Material Issues

	Material Issues	Aspects	Reporting Boundary		Reporting page
			Internal	External	
Extremely Important	Personal information protection and reinforcing security policy	Customer Privacy	○	○ (Cooperative firms)	28
	Dealing with government regulations and policy		○	○ (Government)	27
	Management with customers as top priority	Product and Service Labeling	○		50
	Indirect economic effects	Indirect Economic Impacts	○		32
	Expanding the IoT market		○		42
Very Important	Contributing to enhancing the quality of life through ICT				42, 59
	Transparency of management information, Governance structure	Governance	○		13
	Ethics management	Anti-corruption	○		18
	Making the clean communications market environment	Marketing Communications	○		27
	Win-win growth	Market Presence	○	○ (Cooperative firms)	38, 68
	Economic performance, kt's market status, Innovative management	Economic Performance, Indirect Economic Impacts	○		26, 32
	Acceleration of technical changes		○		32
	Intensified cost competition		○		27
	Participation in establishing public policy	Public Policy	○		58
Important	Increasing interests in balance between work and life		○		86
	Stakeholder engagement	Stakeholder Engagement	○		17
	Providing services considering customers' health and safety	Customer Health and Safety	○		29, 99
	Increasing interests in social responsibility investment		○		58
	Expanding a gap in access to information	Local Communities	○		58, 73
	Increasing importance for securing the talent	Employment	○		80
	Developing green IT technology	Environmental(Products and Services) , Energy	○		44, 94
	Increasing interest in the national disasters and incidents		○		25, 45

#### New Material Issues

- Expanding the IoT market
- Contributing to enhancing the quality of life through ICT
- Innovative management
- Increasing interest in the national disasters and incidents

# Respected Company for the People

## Context

kt firmly believes that the company's core competitiveness in sustainability management lies in its status as a company which is trusted and respected by the people. As a company that acquires a significant amount of capital for corporate activities from society, kt's business activities and core capability should make people's lives more convenient and contribute to developing the entire nation. With this aim, kt strives to carry out research and commercialize technology, promoting public convenience as well as converging it in various sectors of our society.

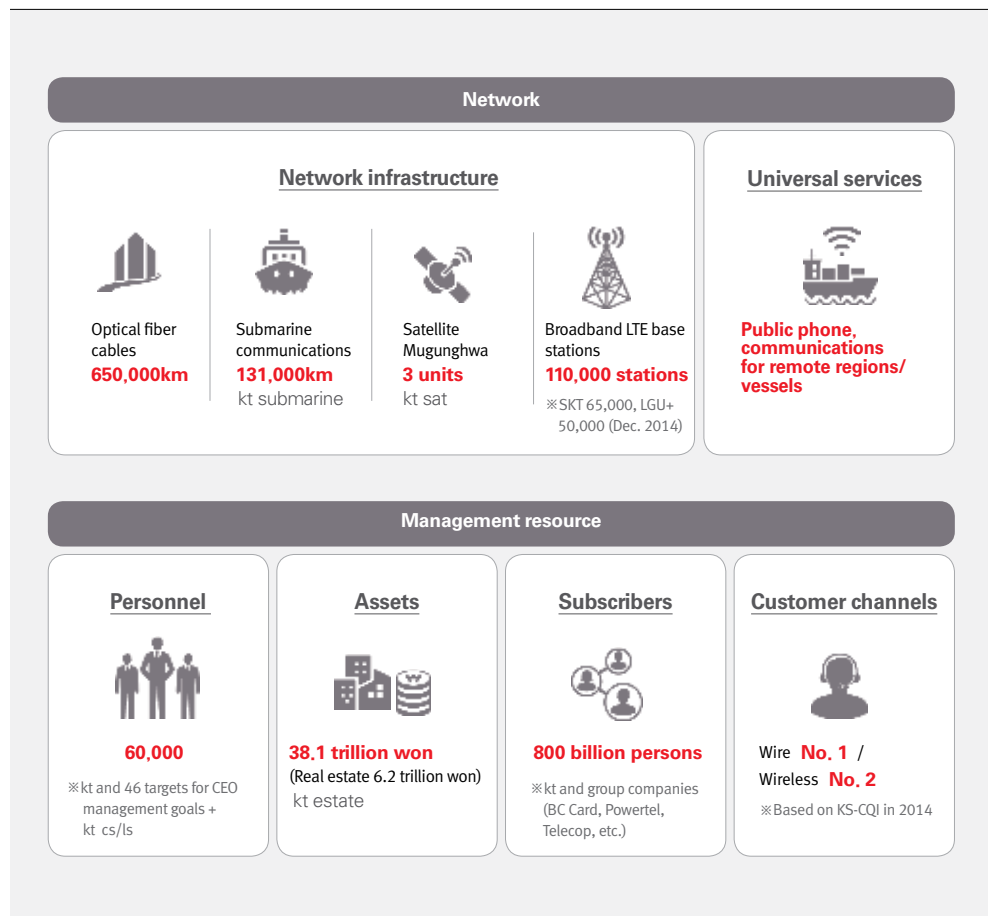
## Progress

### Country's Representative Communications Company

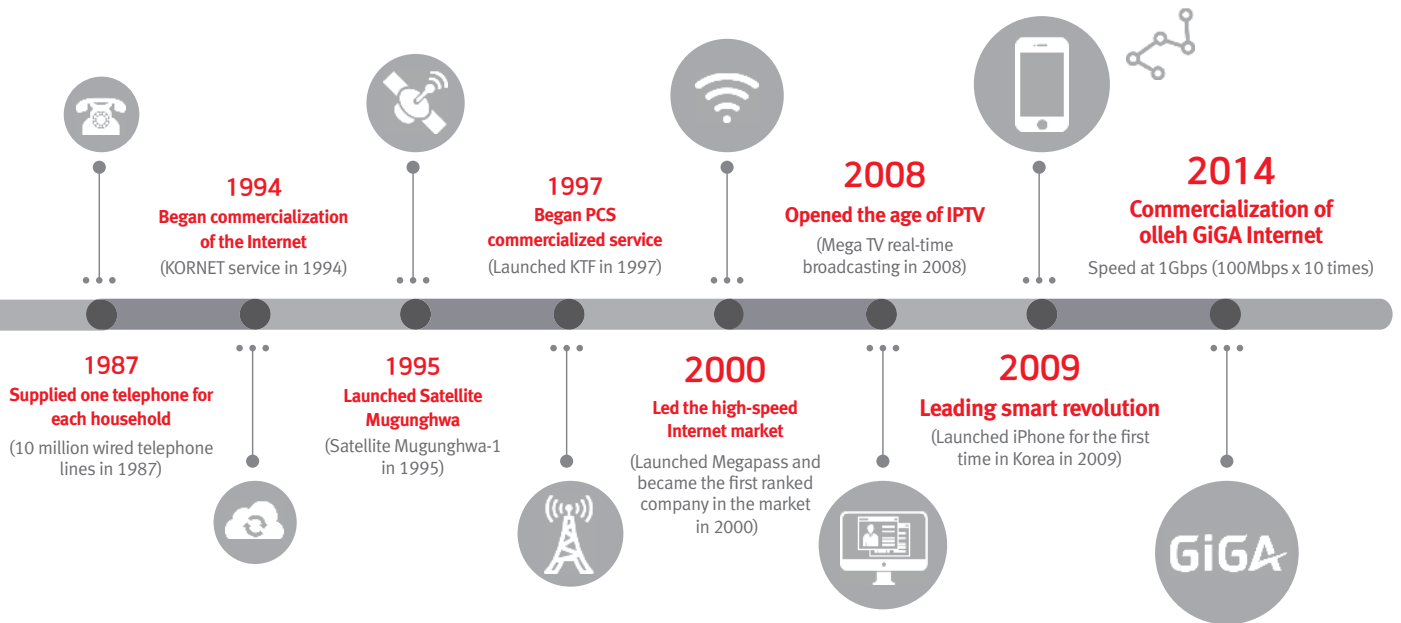
kt is Korea's representative communications company, a key figure in the history of Korea's communications industry. From supplying one telephone for each household when people primarily used wired communications means to pioneering the Internet market and leading Smart Innovation kt has led the communications market and brought various changes in our daily lives.

### kt's Competitiveness as a Company for the People

With 54.9% of shares held by the people and 63.5% of shares by small shareholders, kt is a company in which the people are the real owner. Competitiveness in kt's network and management resources has created nationwide added value and contributed to social integration through support for unification businesses such as Kaesong Industrial Complex. It has also laid the foundation for holding important national events successfully.







### Future Created by kt as a Company for the People

With the belief that kt group's achievements go beyond the company's development and directly lead to public convenience and national development, kt changes people's lives for the better and is creating a future with new growth engines for the national economy. kt will become the most trusted and respected company by focusing every company-wide capability to share the value of GiGAtopia, contribute to successfully holding Pyeongchang Winter Olympics, and solidify the national safety system.

GiGAtopia	Pyeongchang Winter Olympics	Leading response to national disasters and incidents
<ul style="list-style-type: none"> <li>Leading creative economy through GiGA infrastructure</li> <li>Leading wired and wireless communications market by providing future convergence services</li> </ul>	<ul style="list-style-type: none"> <li>Providing innovative services with utilizing 5G technology</li> <li>Creating a festival venue where people from all around the world can enjoy Olympics</li> </ul>	<ul style="list-style-type: none"> <li>Establishing the national safety network and system for joint response to disasters in cooperation with Korea National Red Cross</li> </ul>



Kim Sung Joo | Governor of Korea National Red Cross



### Interview with stakeholder

"Corporate social contribution has recently changed from a simple structure that only creates and returns profits to CSV that creates shared value. The establishment of the public safety system based on ICT jointly conducted by kt and the Korea National Red Cross reflects kt's efforts to proactively respond to national issues and contribute to public safety. This can be seen as the same as the meaning of CSV to create common value, leading company-stakeholders-society. As Korea's largest information and communications company that began operation as a public company, kt should carry out corporate activities to maximize profits based on a sense of duty and responsibility to the people. I hope that kt will not only create shared value, enhancing the national status by globalizing information and communications technology, but also contribute to social development by exploring new businesses and continuously creating common value.

# Innovative Management

## Context

Innovation should be a daily task to meet consumer needs and find new opportunities for growth in the rapidly changing IT market. To become the global No. 1 kt providing differentiated customer value and lead the future, kt has defined “empowerment” as part of its unique corporate culture and carried out innovative activities in daily work from 2014 by continuing consultation with internal experts.

## Progress

### Empowerment

kt’s empowerment includes granting authority to branches and centers, which are on-site departments that meet with customers, and providing services for customer satisfaction quickly and accurately. With these activities for empowerment, kt creates an environment where executives and employees can immerse in their works in a voluntary and proactive manner based on responsibility, creativity, and passion. In this way, kt realizes customer-focused value so that every customer can enjoy best-quality services.

### Top Rank Workshop

Through the communication and cooperation channel for empowerment, “Top Rank Workshop,” kt has identified and improved chronic on-site problems and promoted changes and innovation in work methods. In 2015, kt will spread “Top Rank Workshop” to the entire group as a trigger for innovation of corporate culture. kt will contribute to accelerating innovative management among the entire group, departments, and employees.

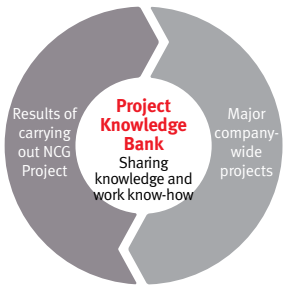
#### Programs for Strengthening Empowerment

	Top Rank Workshop	Visiting Empowering Seminar	Yellow Card System
Overview	<ul style="list-style-type: none"> <li>Operating a workshop where 594 persons participated in 33 tasks for about three months (Sept.-Nov.) in 2014</li> <li>Selecting and fostering 130 EFTs (Empowering Facilitators) to accelerate changes and innovation</li> <li>Expected to increase ETS to 300 persons in order that all employees have a chance to participate in ‘Top Rank Workshop’ in 2015</li> </ul>	<ul style="list-style-type: none"> <li>Providing each executive and employee with the opportunity to understand each other’s characteristics</li> <li>Through effective communication based on this activity, establish the principle of behavior for empowerment for “me” and “our department</li> </ul>	<ul style="list-style-type: none"> <li>Removing fundamental hurdles</li> <li>Presenting a yellow card to hurdles in the process of work by employees and replying whether issues can be improved within five days by the relevant department</li> </ul>
Effect	<ul style="list-style-type: none"> <li>Reinforcing executive ability for CEO management philosophy, vision, and core value</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening communication and trust among executives and employees</li> <li>Establishing empowerment principles in line with characteristics of each team and department</li> </ul>	<ul style="list-style-type: none"> <li>Removing on-site hidden hurdles</li> <li>Securing on-site executive ability through smooth communication between work sites and business departments</li> </ul>

### Strengthening Innovation through In-house Consulting

As an in-house consulting group consisting of experts in various sectors of kt, NCG (Nomad Consulting Group) has presented professional solutions for projects and cross-functional issues for each department since its foundation in 2011. The group expanded the scope of projects in 2014 to the actual business site and promoted innovation by conducting a total of 72 projects and saving expenses worth a total of 22.8 billion won compared to external consulting subcontracts. Based on accumulated know-how for conducting projects and lessons learned, the NCG will conduct consulting practices to create company-wide profits and save costs. As part of these efforts, the NCG plans to strengthen the on-site sales power of 100 experts and materialize future convergence projects in 2015.

#### Current Condition of Conducting NCG Project in 2014

Domain	Case	Major Project	<p>The results of carrying out projects are collected in a database with major company-wide projects (research institute, new employees, results by external subcontracts, etc.) and shared through the internal system “Project Knowledge Bank.” These project results contribute to innovating working methods through sharing knowledge and work know-how.</p> 
Communication services	48 cases	Selecting strategic regions for GiGA Internet and presenting sales directions	
New business	18 cases	Finding and vitalizing Smart Energy convergence BM	
Media/Content	2 cases	Analyzing VOD service market and preparing entry strategies	
IT solution	4 cases	Establishing measures for Connected Space business	
Total	72 cases		

# Efforts for Fair Competition

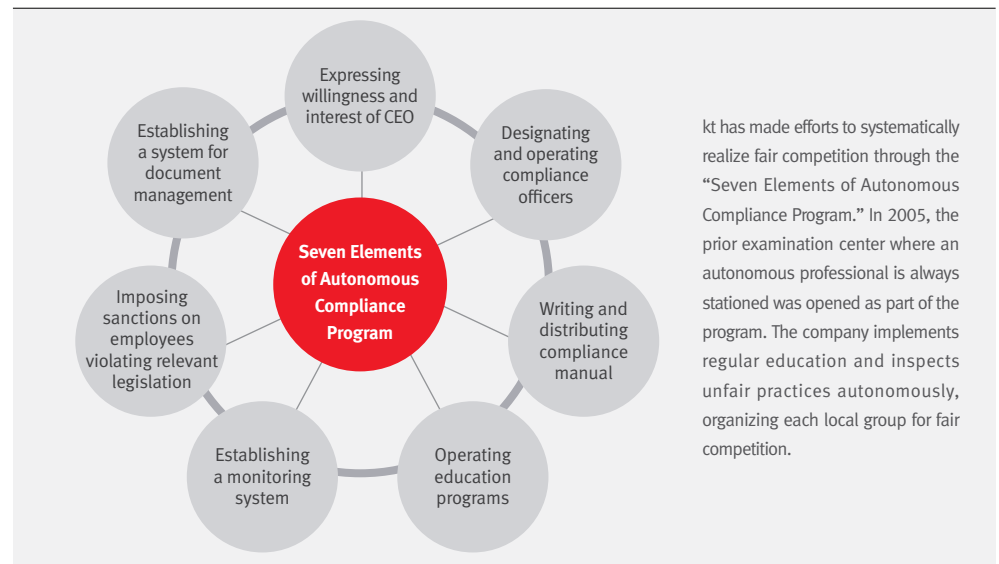
## Context

Competition based on subsidy and marketing expenses can undermine corporate value and damage customer convenience in the long-term. Making efforts to turn the communications market into an industry for growth again, kt will focus on developing technology and improving quality by pursuing fair competition and enhance the public convenience and contribute to the national economy by differentiating products and services.

## Progress

### Fair Competition Autonomous Compliance Program

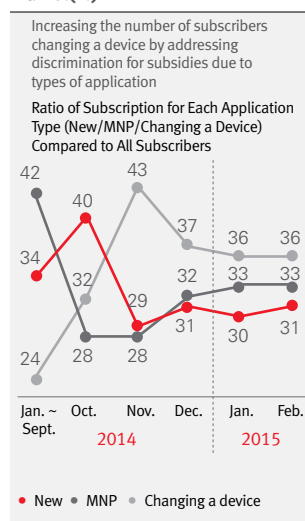
As Korea's representative company for its national network, kt has the responsibility to lead fair competition in the market and enhance people's convenience. For this goal, kt has introduced the Fair Competition Autonomous Compliance Program from 2001 and prevented risks from illegal practices.



### Efforts to Establish a Transparent Distribution Order

The Mobile Device Distribution Improvement Act, which began to take effect on October 1, 2014, is intended to ensure the sound development of the mobile communications industry and protection of users' rights and interests and contribute to the enhancement of public welfare by establishing a fair and transparent distribution order for mobile communications devices. kt contributes to stabilizing the mobile communications market by faithfully complying with the act, which induces consumers to conduct reasonable communications consumption by addressing discrimination among users and creating a fair competition environment in the mobile communications market. The company has proactively cooperated with the government's policy for market stabilization through the act by addressing discrimination in granting subsidies, depending on types of subscription, improving subsidy based on low and mid priced mobile devices, and inducing application for a low price rate payment system.

**Contributing to Successful Settlement of the Mobile Device Distribution Improvement Act in the Market(%)**



### Differentiation of Products and Services

<b>Launching new customer-oriented services</b>	<ul style="list-style-type: none"> <li>• Sharing data and membership service with family members</li> <li>• Establishing GiGA Wi-Fi at major bus stops in Seoul, Gyeonggi, and six metropolitan cities</li> <li>• Launching a membership care service by increasing customer benefits (olleh 10,000 Mile KB Kookmin Card, Super Card, etc.)</li> <li>• Providing additional 20,000-60,000 won a year due to reforming olleh membership</li> <li>• Expanding the scope of discount for olleh combination service by connecting to the internet service</li> </ul>
<b>Reinforcing a system with discount in fees</b>	<ul style="list-style-type: none"> <li>• Discounting the basic rate without stipulated period by launching a low price rate system</li> <li>• Launching an unlimited rate system by lifting the burden of paying costs for data</li> <li>• Reducing the minimum stipulated period from the existing two years to six months</li> </ul>
<b>Reducing cell phone's factory price</b>	<ul style="list-style-type: none"> <li>• Reducing factory price of 32 mobile devices in total, which is the largest size in Korea</li> <li>• Increasing the scope of customer selection by providing Korea's largest size of selection for low and mid priced smartphone line-up</li> </ul>



# Protection of Customer Information and Reinforcement of Security

## Context

In response to the customer information leak incident in March 2014, kt pledged to reform the security system with all available resources and minimize customer damage. After the incident, kt established fundamental and comprehensive measures by reinforcing security members and organizations, and strives to reinforce customer information protection and security by developing an advanced information protection system. As customer information is the first principle in kt's corporate value for management with customers as the top priority, the company continues to reinforce a system for protecting customer information.

## Progress

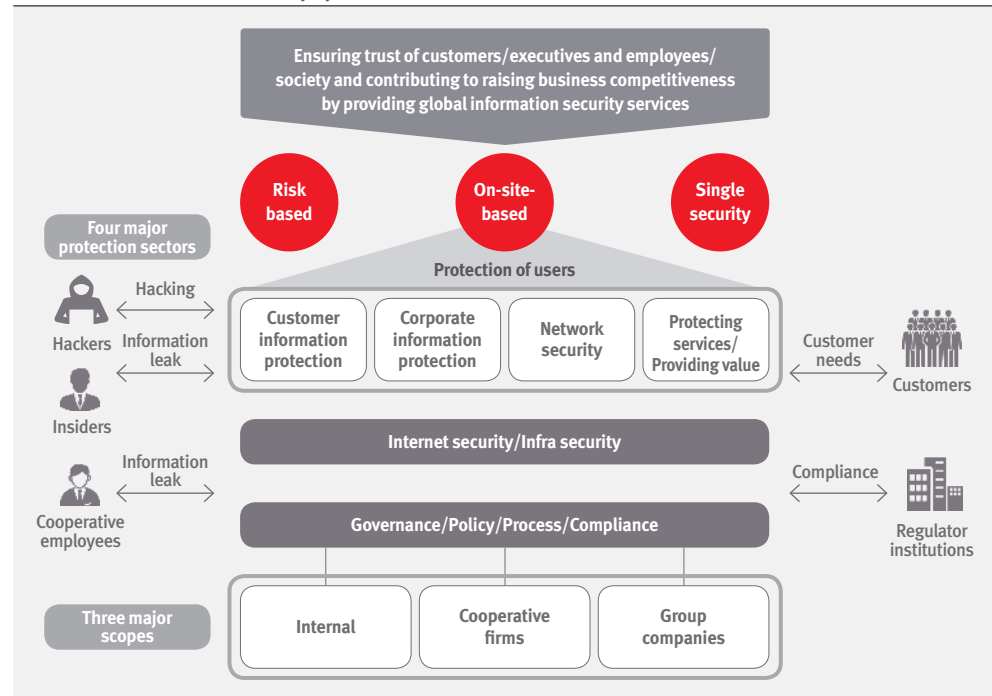
### Reinforcing Security Personnel and Organization

kt separated the role of Chief Information Security Officer (CISO) from Chief Information Officer (CIO) for the first time in the communications industry and launched the information security guard. By newly expanding and reforming the information protection organization, the company has secured independence for strengthening executive ability and expanded personnel for the security group. kt has also established a system to deal with vulnerabilities in security on a regular basis by launching the "white hacker" group to diagnose the security conditions of the in-company system and website.

### System Advancement

kt has an advanced and innovative information protection and security system to safeguard customer information. With the aim of building trust with stakeholders and raising business competitiveness, the company clarifies the scope of protection and carries out its security policy and implementation in the context of the internal company, cooperative firms, and group companies.

#### Information Protection and Security System



All executives and employees make a pledge for personal information protection each year. In 2014, 97.5% of all executives and employees completed online education for information protection. The company also enacts great efforts to enhance the information protection level of cooperative firms and group companies by conducting on-site education by directly visiting cooperative firms, providing consulting support for group companies, and implementing activities for diagnosing system security.

## Major Information Protection and Security Issues

kt has totally blocked the possibility of personal information leaks by applying various technical and managerial protective measures for the entire business and enhanced trust in security by acquiring and maintaining the certificate of ISMS (Information Security Management System), the nationally accredited information protection management system, in 2013 and 2014.

Category	Detailed issues
Technological protective measures	Establishing an Integrated Safety control system for monitoring abnormal practices with suspicious hacking
	Strengthening the process for approving the access control system and certification system
	Establishing firewall, intrusion detection system, and access control system
	Taking a measure of encrypting personal information
	Utilizing DRM (Digital Right Management) and DLP (Data Loss Prevention) solutions
	Expanding DB access control system and reinforcing control of personal information
Managerial protective measures	Making it mandatory to conduct secure coding in developing software
	Complying with the procedure for checking security before launching service
	Destroying collected resident registration numbers
	Checking and improving vulnerabilities on a regular basis
	Conducting mock drills for responding to damage incidents jointly with the government and relevant institutions

## Customer Service for Information Protection

To protect customers from SMS phishing and prevent information leaks due to loss of a smartphone, kt provides various information protection services. In addition, the company operates a system through which customers can directly identify the list of browsing and utilizing their information and receive swift and reasonable replies for inquiries regarding personal information by utilizing e-mail (privacy@kt.com).

### Major Services for Protection of Customer Information

Category	Description
olleh Smishing Prevention App	For cases in which apps with malicious code or potential malicious code are installed, users are advised to delete apps (Link: <a href="http://smartblog.olleh.com/2780">http://smartblog.olleh.com/2780</a> )
Consumer Damage Aid Center	Consulting by experts for smishing damage and fraud with a small amount of payment (Searching for the list of uses of personal information: <a href="http://inside.olleh.com/html/olleh_clean_sub12.asp">http://inside.olleh.com/html/olleh_clean_sub12.asp</a> )
olleh Relief Text Message Service	For cases in which MMS text messages with an announcement, information, and advertisement by company are received, the "Relief" mark is added to indicate that the text messages have no illegal elements (Link: <a href="http://smartblog.olleh.com/4581">http://smartblog.olleh.com/4581</a> )

# GiGAtopia\_ Create the Future

Leading the Wired and Wireless Communications Market

Leadership for Future Technology

Enhancement of Customer Value

Creating Shared Value through GiGA Story





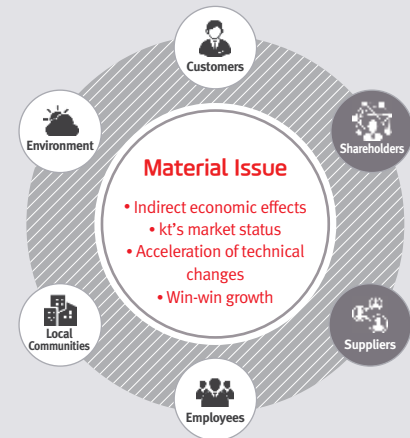


# Leading the Wired and Wireless Communications Market



## Importance of Leading Wired and Wireless Communications Market

Leading the wired and wireless communications market is not only important for kt as a communications operator to lead technology and development to enhance corporate value and competitiveness, but also has a substantial impact on the relevant business and development of the national economy. As various venture ecosystems were created and new Internet-based business services were launched by high-speed Internet service, kt will strive to open a new future as the company for the people by investing the best-quality communications network and realizing its vision of GiGAtopia.



## Leading the Wired and Wireless Communications Market by kt

### Realizing the creative economy

- Creating new added value by fostering new businesses
- Raising national competitiveness by securing source technology for the future industry

### Leading the ICT ecosystem

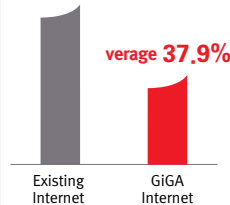
- Creating the foundation for New-Biz such as IoT and Cloud Computing and an ecosystem for win-win growth
- Leading the global market by presenting the standard for new technology such as 5G

### Contributing to people's convenience

- Enhancing information accessibility for the people by establishing GiGA infrastructure
- Improving the quality of people's life by providing ultra-high speed network and ICT convergence service

### Consumer convenience by GiGA Internet

- Reducing time for carrying out the same job



- Reduction of time in each household



- Total consumer convenience in 2020



– Source: Lee Ho-gi, “GiGA Internet is ten times faster than existing Internet... Advancing into the “IoT era” to transcend time and space

## kt's Competitiveness

Core Competency	Performance Index	
GiGA Network	Assessment of LTE speed	Top in the domestic market (21.3Mbps)*
	Connection maintenance rate of each LTE coverage	91%*
	Presenting standardization of network and platform to lead the 5G era	
GiGA UHD tv	Number of subscribers of IPTV	Top in the domestic market (6 million persons, as of March 2015)
GiGA IoT	Market competitiveness	2 <sup>nd</sup> largest operator in the IoT market/ Securing 837,000 subscribers(as of December 2014)
Creating GiGAtopia mutual ecosystem	Supporting loans and funds for suppliers	20 billion and 770.2 million won
	Supporting funds for best venture companies	314 million won
	Investment and loans for investment in the game, IoT, FinTech, and 5G sector	About 120 billion won
Globalizing converged GiGA	Sales of global business	333.4 billion won (as of 2014)
	Establishing global GiGA infrastructure	Establishing APG submarine cable and NOC Establishing NPC submarine cable

\* Open Signal, a British market survey institution for wireless networks, announced the result of assessment LTE quality in 2014.

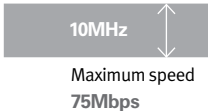
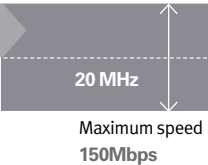
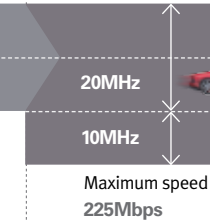
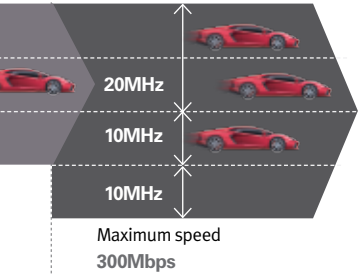


## Future Strategy

As the company will input a total of 4 trillion and 500 billion won by 2016, kt will establish the world's best GiGA infrastructure so that the company can lead the age of converged GiGA and global ICT ecosystem. Through convergence-type GiGA services, the company will achieve the status of “Global No. 1 kt” in the global market by realizing a creative economy with the best venture companies and SMEs at home and abroad, becoming a champion for future technology with global competitiveness.

# GiGA Network

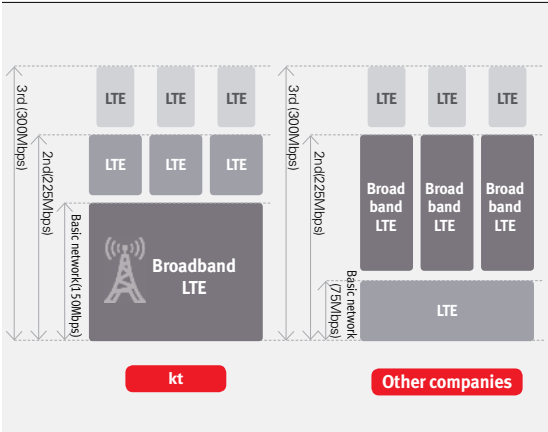
To deal with the exponential growth of data traffic along with the launch of the smartphone, kt provides customers with the world’s best network, providing services such as broadband LTE. With the beginning of the era of machine-to-machine communications such as IoT, the growth of data traffic is expected to increase even further. To brace for this new explosion of data, the company presents a new global standard to lead the era of convergence-type GiGA such as 5G under the vision of “GiGAtopia.”

## Evolution of kt’s Network Technology

Products		LTE	Broadband LTE	Broadband LTE-A	Broadband LTE-A ×4
Maximum speed		<b>LTE X1</b> 	<b>Broadband LTE X2</b> 	<b>Broadband LTE X3</b> 	<b>Broadband LTE-A X4</b> 
Time for download	One UHD film (About 18 GB) 	32 min.	16 min.	11 min.	8 min.
	100 songs with high-quality music source (About 3 GB) 	5 min.	163 sec.	109 sec.	82 sec.

## Launching Broadband LTE-Ax4 Service for Nation-wide Network Coverage

kt has provided broadband LTE service for the first time in Korea since 2013 and launched broadband LTE-A service (225 Mbps at maximum speed), which is three times faster than the existing version, based on Korea’s largest broadband LTE coverage in July 2014. In December 2014, on the basis of 2.1GHz frequency band that was additionally secured in September, the company launched its LTE-A×4 service (300 Mbps at maximum speed), which is four times faster than the existing LTE. kt provides the mobile internet environment with differentiated basic speed (150 Mbps) based on the largest broadband LTE coverage and leads customer convenience.



Yang Jong In | Managing Director of Korea Investment & Securities Co., Ltd.



### Interview with stakeholder

“As wired and wireless systems are rapidly changing, the communications market has recently experienced slowdown in growth. As the company with the best high-speed network, kt needs to recover competitiveness in communications through its original resources. Along with changes in the corporate environment and IT trends, business models have been rapidly changing as well. Based on the basic competitiveness in communications, kt should secure growth engines in new businesses. I hope that kt cooperates with business partners who can make synergetic effects through innovation, and take the competitive edge in five new businesses such as IoT, GiGA, eco-friendly business models, etc.”

## Establishing Network Infrastructure Leading the Era of 5G

One of the most representative leading technologies to open the era of the convergence network is 5G. For the era of 5G, the evolution of the wireless network, as well as the wired network as the basis of wireless speed, needs to be ensured. For this aim, the company strives to set the industrial standard by presenting wired and wireless network infrastructure technology and lead the era of 5G, serving as a foundation for Korea to lead the 5G global standard.

### kt's 5G Leading Technology

Product		LTE-A Het Net	olleh GiGA Wi-Fi Home	olleh GiGA Internet	10 GiGA Internet
Maximum speed		600Mbps	867Mbps	1Gbps	10Gbps
Time for download	One UHD film (About 18GB) 	4 min.	2 min. 50 sec. (170 sec.)	2 min. 24 sec. (144 sec.)	14 sec.
	100 songs with high-quality music source (About 3GB) 	41 sec.	28 sec.	24 sec.	2 sec.

### Displayed the World's First Broadband LTE-A Het Net Technology at MWC 2014 (February 24, 2014)

At MWC 2014, kt displayed "Broadband LTE-A Het Net," a new technology for double network combination that is connecting broadband LTE-A and GiGA Wi-Fi, for the first time in the world. Advancing one step further from LTE-Wi-Fi combination technology in 2013, this technology has a maximum transmission speed of 600 Mbps, eight times faster than LTE.

### Launched "olleh Giga Internet", Ten Times Faster than the Existing Model, to Cover the Entire Country for the First Time in Korea (October 20, 2014)

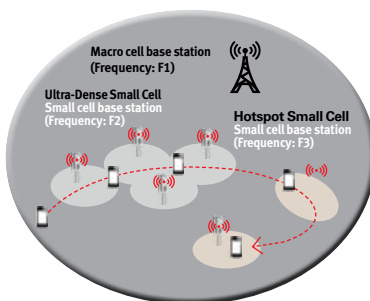
At the "GiGA Korea Open Event" in the exhibition hall of WIS (World IT Show) 2014, kt officially announced the launch of the nationwide commercial service of "olleh GiGA Internet" with a speed of 1 Gbps. "olleh GiGA Internet" provides speeds of 1 Gbps, ten times faster at maximum compared to 100 Mbps high-speed Internet, which was commercialized in 2006. Through this new type of Internet, high-capacity UHD content can be easily downloaded, while customers who frequently use online websites for games, ticket reservation, and credit registration can carry out work at an unprecedented response speed.

### World's First Commercialization of "olleh GiGA Wire" (October 20, 2014)

By adopting technology to remove crossed lines in electricity lines for the first time in the world, kt has commercialized "olleh GiGA Wire" through which customers can use GiGA service at a maximum of 300 Mbps. With this new equipment, even customers living in old apartments can be provided with GiGA service benefits without the need to change the networks. It also guarantees stability in speed, unlike existing methods that were greatly affected by equipment distance and transmission media.

### Demonstrated 10 Gbps Internet 100 Times Faster than the Existing Version (October 20, 2014)

At ITU Plenipotentiary Conference in 2014, kt presented Internet technology with the speed of 10 Gbps. From 2010, kt has prepared technology with 10 Gbps by connecting with the government's "GiGA Internet Demonstration Business," and in September 2013, the company already applied 10 Gbps transmission devices to the actual network in East Suwon and provided trial services. This provides speed that is 100 times faster than the existing Internet and realizes ultra-real content such as 8K panorama video clips. kt will decide the time for supplying 10 Gbps by considering the evolution of media content and the overall consumption environment for users.



\*As one of the double network convergence technologies, HetNet is a network technology that enhances data process capacity and speed by establishing several small cells (low-output base station) in one macro cell (high-output base station) coverage.

### kt-Ericsson Demonstrated Core Technology for Combining 5G Network Frequency (December 16, 2014)

In cooperation with Ericsson, kt developed technology for maintaining the macro cells of HetNet\*, which is recognized as a core 5G network infrastructure, and CA (Carrier Aggregation) of small cells for the first time in the world. Through this technology, the company has achieved the leading position to realize UDN (Ultra-Dense Network), core technology for 5G. The application of this technology will not only lead to stable provision of data speed where traffic is concentrated, such as cities and large-sized stadiums, but also help to secure data capacity by installing additional small cells organically, depending on securing frequency and demands for data. As a result, we can also reduce expenses for establishing a regional coverage base station.



# GiGA UHD tv

To realize a creative economy by leading the GiGA media market and vitalize UHD contents ecosystem, kt has launched “Olleh GiGA UHD TV,” Korea’s first set top UHD service. The company aims to not only ensure customer satisfaction but also to take the lead in the sector of next-generation media service by providing mash-up service in which high-quality video and web-based information can be offered by combining with IPTV based on kt’s stable GiGA infrastructure.

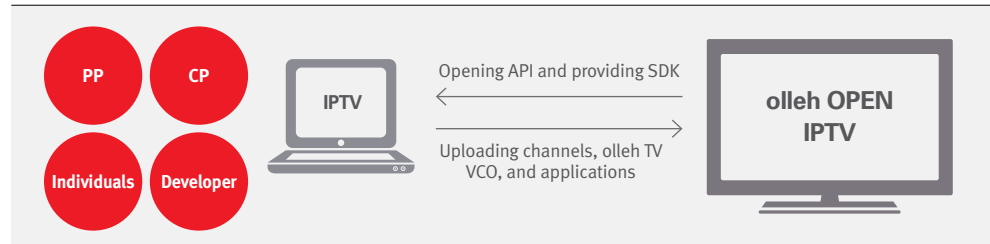
## Enhancing Service Quality for Customer Convenience

To enhance customer convenience, kt makes continuous efforts in improving network quality and expanding network coverage. The company has made the environment to watch UHD content universally, regardless of TV types, by launching Korea’s first set top UHD service. We have contributed to addressing information gap between users by providing a variety kind of web-based information on the set top and offering two-way education services with high definition and stable quality. By providing Smart Services such as voice search, Smart Remote Control, 4-channel service, and TV shopping through GiGA media set top with speed that is three times faster than the existing version, the company provides a new watching experience and customer convenience.

## Vitalizing the Ecosystem of Content

kt operates the open IPTV policy to continuously lead the GiGA UHD tv market. This policy enables customers to upload/download, share and mutually trade content and use services freely by opening kt’s assets such as platform and allowing anyone to use these assets. Through the open IPTV policy, kt as the owner of the platform does not determine relevant policies such as content price. Rather, the actual content business operator can directly fix the price. Content which is registered by the open IPTV has no separate registration fee, while kt is in charge of paying all costs for processing, review, organization and events. Under this policy, kt can secure a variety of content based on engagement by multiple parties, and content business operators can create various business models and profits as well as developing and providing applications at an inexpensive cost.

### Open IPTV



\*API (Application Programming Interface): A language or message type which is used in communications between an operating system and application program

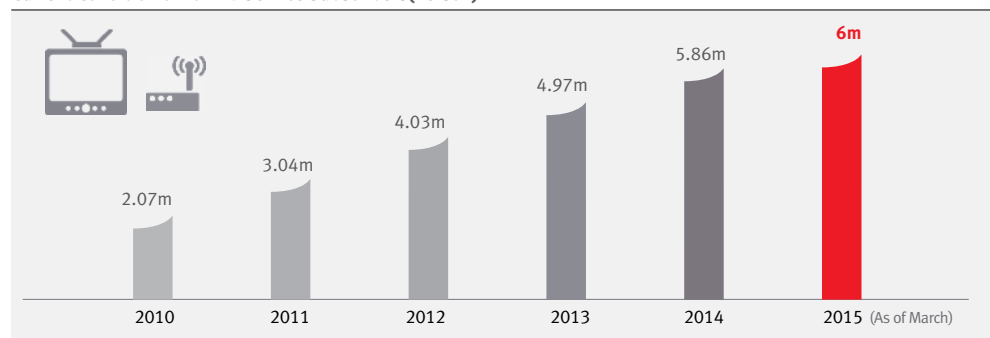
\*\*SDK (Software Development Kit): Software development kit

## Leading the Media Market



As a charged broadcasting service provider with the largest consumers, kt olleh TV is leading the media market, exceeding six million consumers in March 2015.

### Current Condition of kt IPTV Service Subscribers(Person)



kt will invest 670 billion won in total over the next five years in the sectors of GiGA platform, GiGA infrastructure, and subscriber network to minimize network loads due to increased subscribers. kt will also vitalize GiGA media and provide stable services. Through these efforts, we will continuously provide differentiated services by securing an additional three million customers for GiGA media over the next five years.

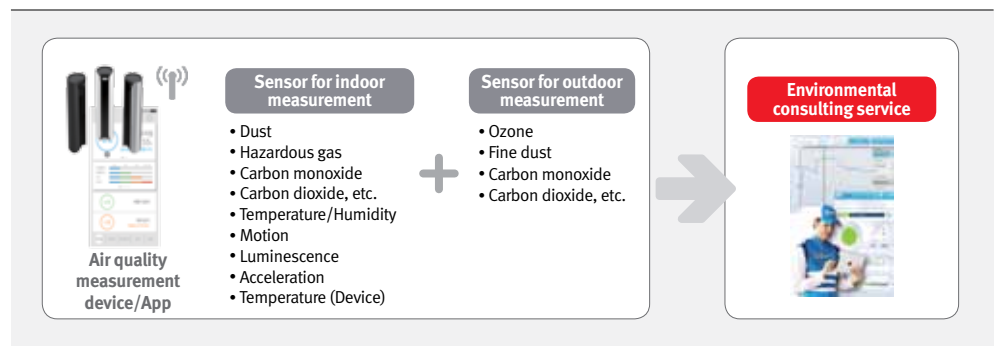
# GiGA IoT

As a technology to connect things in daily lives through wired and wireless network and share information, IoT (Internet of Things) will make our lives more convenient. The domestic IoT market is expected to rapidly grow to a size worth 22 trillion won by 2022. kt will take the lead in the IoT market as well as the smart future world.

## Smart Life through IoT

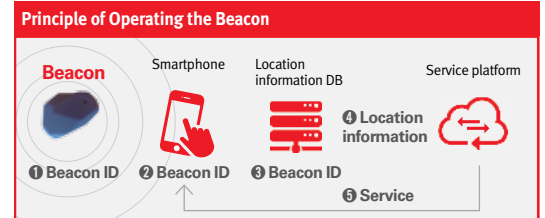
### Smart Air care service

In partnership with Coway, kt provides an environmental consulting service based on the result of customer data analysis, including use patterns, by connecting air-quality measuring instruments to IoT platforms and technology for analyzing Big Data. Currently, the test service is offered to about 1,000 household units, and the company will diagnose the urban environment for each household by analyzing data and provide customized solutions.



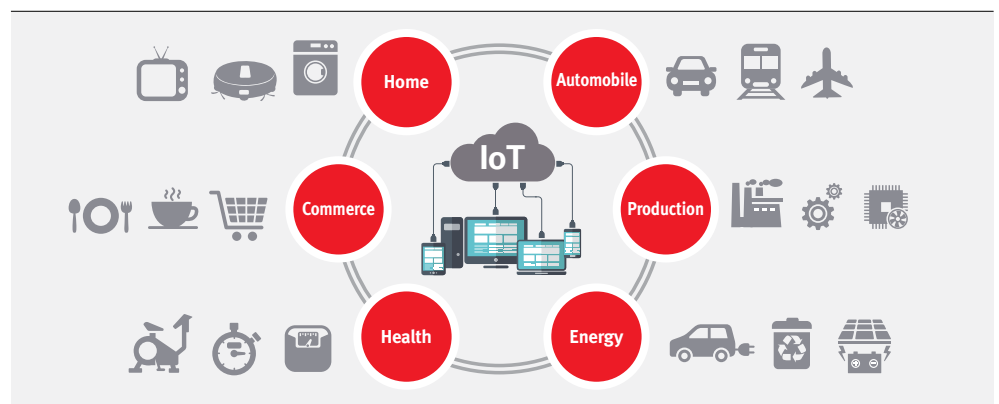
### Developing GiGA Beacon IoT Infrastructure Business

This business provides content (advertisement, coupons, information on products, etc.) based on the location of customers (smartphones) when they approach Beacon. Currently, Beacon IoT infrastructure is prepared to be established for major business areas, while services utilizing Beacon are offered to Suwon kt Wiz Park.



## Establishing Global Standard IoT-based Ecosystem

kt is on the way to establish the IDE (IoT Data Ecosystem), global standard IoT data-based ecosystem, with GSMA (Global System for Mobile communications Association), Telefónica (Spain), Axiata (Malaysia), etc. to find service utilizing IoT data, which is created by various things with employing capability to analyze Big Data.



According to the statistics from the Ministry of Science, ICT, and Future Planning, kt is the second largest operator in the IoT market for 2014, securing 837,000 subscribers as of December. kt will lead the era of IoT by utilizing various IoT products and Big Data technology and take the lead in the IoT ecosystem by launching an IoT platform and cooperate with major leading business operators at home and abroad and small and mid-sized cooperative firms.

# Making GiGAtopia Ecosystem for Win-win Growth

To realize GiGAtopia, the most important thing is realizing an ecosystem where small but strong companies in Korea can achieve win-win growth with large companies. kt creates social value throughout the overall industrial ecosystem by leading the win-win growth culture where partner companies are respected and is expanding this culture to society. Based on the GiGA infrastructure, kt will move forward into the future through synergy with technology of partner companies and create better lives for the people.

## Win-win Growth Programs

Program	Major Content	Major Performance in 2014
Business system for external proposed ideas	Supporting making business based on best ideas proposed through "Idea Pop ( <a href="http://ktidea.olleh.com">http://ktidea.olleh.com</a> )"	<ul style="list-style-type: none"> <li>Utilizing excellent Internet device products presented by cooperative firms to provision of GiGA Internet demonstration service in 14 regions</li> </ul>
	<p><b>Process</b></p> <pre> graph LR     A[Taking Definition of job] --&gt; B[Application (M) Idea Pop (http://ktidea.olleh.com)]     B --&gt; C[One-stop by committee and business department Reviewing validity of ideas and determining measures for doing business by the committee's members]     C --&gt; D[Announcement of result (M+1) Notifying the final result to the presenter]     D --&gt; E[Carrying out business Carrying out business in consideration of budget and personnel]                     </pre>	
Supporting Employee Recruitment	Supporting participation of exhibition to recruit talented employees to secure talent for partner firms	<ul style="list-style-type: none"> <li>Supporting expenses for participation in "Recruitment Event for Middle-aged People and Seniors 2014" by the Federation of Korean Industries and "Recruitment Exhibition for Best Cooperative Firms of Large Companies and Public Institutions 2014" by Win-win Growth Committee</li> </ul>
Supporting work in overseas market	Supporting overseas exhibition (Mobile World Congress, Spain): Supplying media pole Supporting participation in overseas infrastructure business (Rwanda)	<ul style="list-style-type: none"> <li>Won an order to supply media pole equipment worth 430 million won by a supplier to GSMA (Global System for Mobile communications Association) by participating in the event with nine best cooperative firms in 2014 and six firms in 2015.</li> <li>In 2014, kt earned sales of 34.5 billion won from the project of establishing LTE backbone network in Rwanda with 12 suppliers.</li> <li>In 2015, it is expected to achieve sales of 35 billion won.</li> </ul>
Providing financial support	Supporting partner companies to have operational funds by making contribution and various funds	<ul style="list-style-type: none"> <li>Contributed investment funds worth of 920 million won for win-win growth to Business Cooperation Foundation.</li> <li>Created "Win-win Growth Loan Fund" and "Win-win Growth Content Fund" with regard to video, new media, and music to support 60 SMEs by providing 19.57 billion won in loans by creating "Win-win Growth Content Fund" to support content development</li> <li>Supporting loans for SMEs by contributing one billion won to the Korea Technology Finance Corporation Lending 263.2 billion won to 95 companies through network loan</li> </ul>
Supporting venture companies	Supporting incubation by one-person entrepreneur, venture company and start-up for more prosperous mutual ecosystem	<ul style="list-style-type: none"> <li>Supporting 31.4 billion won to 24 best venture companies in app/content development through "Start-up Partnership" program and providing consulting supports such as mentoring and BM diagnosis</li> <li>Conducting "Start-up Nomad" with NIPA (National IT Industry Promotion Agency) and supporting eight venture companies to do business and pioneer the global market</li> </ul>
Supporting technical development	Providing infrastructure for technical development free of charge	<ul style="list-style-type: none"> <li>Provided a test bed and operating center for verifying smartphone application service and wire/wireless/media/M2M/IoT devices and developed Cloud service at Umyeon-dong and Bangbae-dong</li> </ul>

## Supporting Start-ups for Creative Economy



President at the Gyeonggi Creative Economy Innovation Center

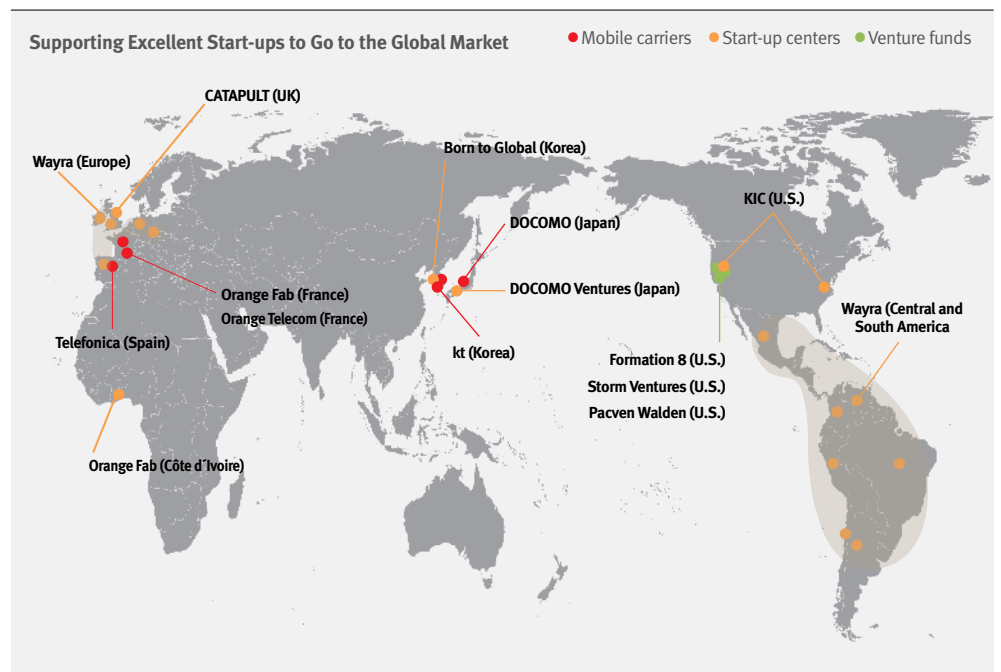
In March 2015, kt opened the “Gyeonggi Creative Economy Innovation Center” in Pangyo, Gyeonggi-do Province by expanding win-win growth business to the creative economy sector. Major facilities include residential areas, an audition room, global meeting room, and test bed-based infrastructure. The company operates various start-up support programs such as holding a contest for start-ups and would-be entrepreneurs, operating an acceleration program, and supporting start-ups to pioneer the global market.

Category	Major Content
Game	<ul style="list-style-type: none"> <li>Supporting the entire process from Contest for an idea → Development and verification → Attracting investment → Launch with large companies and supportive institutions</li> <li>Establishing and operating “Game SW Lab” for everyone to use game production tools and “Mobile Lab” to conduct a test of developed game at the actual distribution network</li> <li>Supporting the best mobile games for marketing through kt's olleh Market</li> </ul>
Fintech*	<ul style="list-style-type: none"> <li>Installing the country's only “Fintech Support Center” and providing technical advisory support and one-on-one mentoring with residing financial experts</li> <li>Playing a leading role for fostering innovative Fintech start-up from accessibility to finance and marketability to financing and pioneering sales channels</li> </ul>
IoT	<ul style="list-style-type: none"> <li>Selecting prospective SMEs and venture companies with IoT in the healthcare and nurturing sectors, matching them with hospitals and relevant research institutes, and providing the development environment such as mentoring and test bed</li> <li>Making partnership with global IoT companies such as Oracle and MS, establishing “Global IoT Zone” at Gyeonggi Creative Economy Innovation Center, conducting IoT product tests, and providing technical consulting service</li> </ul>
5G	<ul style="list-style-type: none"> <li>Establishing the “5G Open Innovation Lab” in connection with relevant facilities such as terminal devices and repeaters in the late 2015, linking with global large-sized communications device companies, and fostering 5G small and mid-sized venture companies</li> <li>Holding a contest and providing funds for business and technical consulting service to foster start-ups with available application services in commercializing 5G such as mobile stereoscopic image</li> </ul>

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

kt creates a fund worth 15 billion won from the kt Group to invest in the game, IoT, Fintech, and 5G sectors, and supports investments and loans worth 105 billion won in total in cooperation with the Small and Medium Business Administration, Gyeonggi Metropolitan City Government, and financial institutions. The company supports domestic start-ups to attract investments by connecting and utilizing the existing overseas investment funds (200 billion won in total).

kt supports start-ups and venture companies to pioneer the overseas market and attract investment in cooperation with major overseas start-up centers (Catapult (UK), Wayra (Spain), and Orange Fab (France)) and venture capital (Formation 8, Storm Ventures, and Pacven Walden, U.S.) Furthermore, we invite overseas venture capital by holding a global investment exhibition once a year in Korea, provide start-ups in the country with opportunities to attract investment, and support booths at well-known overseas exhibitions such as MWC, CES, etc.





# Global GiGAtopia

To overcome limitations in the growth of domestic and overseas communications industries and create new future profit sources, kt systematically reinforces global business capability and is proactively pioneering the global convergence ICT market. The company has developed the convergence ICT business and contributed to creative economy by supporting domestic companies to go to overseas markets based on communications infrastructure business, which is insufficient in developing countries, potentially bringing services such as GiGA high-speed Internet network, 4G and next-generation 5G wireless network, Smart City, etc.

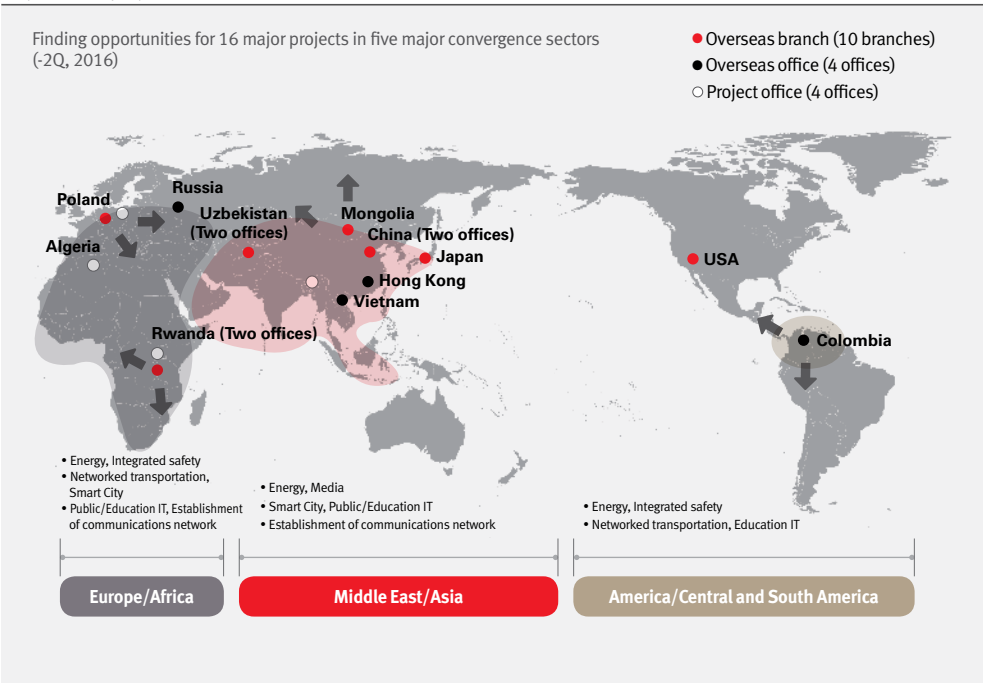
## Enabling Global GiGAtopia

kt has a global business strategy of providing the optimal solutions. We will establish communications network infrastructures and offer know-how in service operation. We will create successful global business models in neighboring regions and other countries in the world by identifying the market characteristics and needs in regions which would benefit from our capability and experience as a wired and wireless communications operator. Securing the 100 MHz broadband frequency in Rwanda, kt has established a 4G and next-generation wireless network and created a new GiGA service market in Africa.

### Major Global Projects

Country	Project in Progress	Significance
Poland	Establishing the high-speed broadband Internet network (Two state governments: Podlaskie, Mazowieckie)	Winning an order for establishing overseas large-sized wire network, securing continuous sales by operating joint wholesale operations
Bangladesh	Establishing next-generation network NGN	Realizing GiGAtopia by establishing the next-generation network
Rwanda	Joint business for 4G LTE between Rwanda-kt	Leading the overseas GiGA mobile era

### Major global projects for each regions



### Creation of New GiGA Service Market

kt carries out continuous and creative global business development to create convergence-type GiGA-based value beyond global sales or winning an order. From 2012, kt's global ICT business sector has maintained a double increase in sales each year, and despite the slowdown in sales of traditional overseas communications business (global traffic wholesale, global data), the ICT sector has led an increase in overall global business sales.

## Establishment of Global GiGA Infrastructure

By making great efforts in expanding the global submarine cables, kt has not only grown into a communications hub for Northeast Asia, but also led the era of 5G through establishing the GiGA infrastructure.

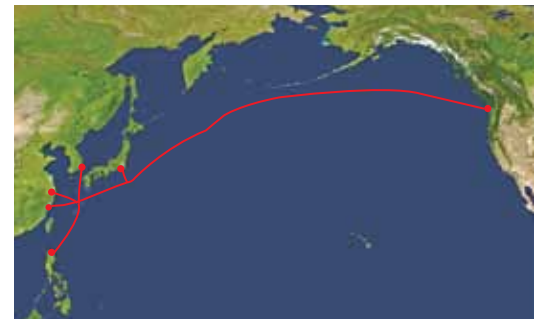
### Establishing APG submarine cables and NOC

As a submarine cable with 11,000km in total length crossing Asia's major countries such as Korea, China, Japan, Thailand, Singapore, Indonesia, etc., APG (Asia Pacific Gateway) is constructed with 13 Asian operators including kt. In addition to establishing APG submarine cables, kt has played a pivotal role in operating APG by opening APG NOC (Network Operation Center) in October 2014.

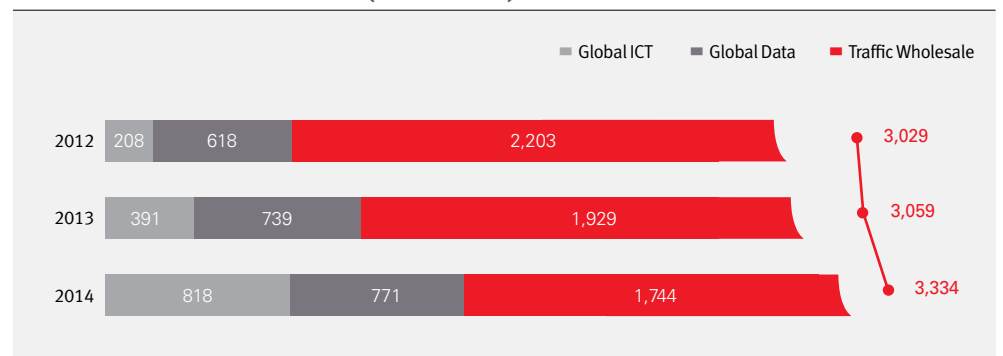


### Establishing NPC submarine cables

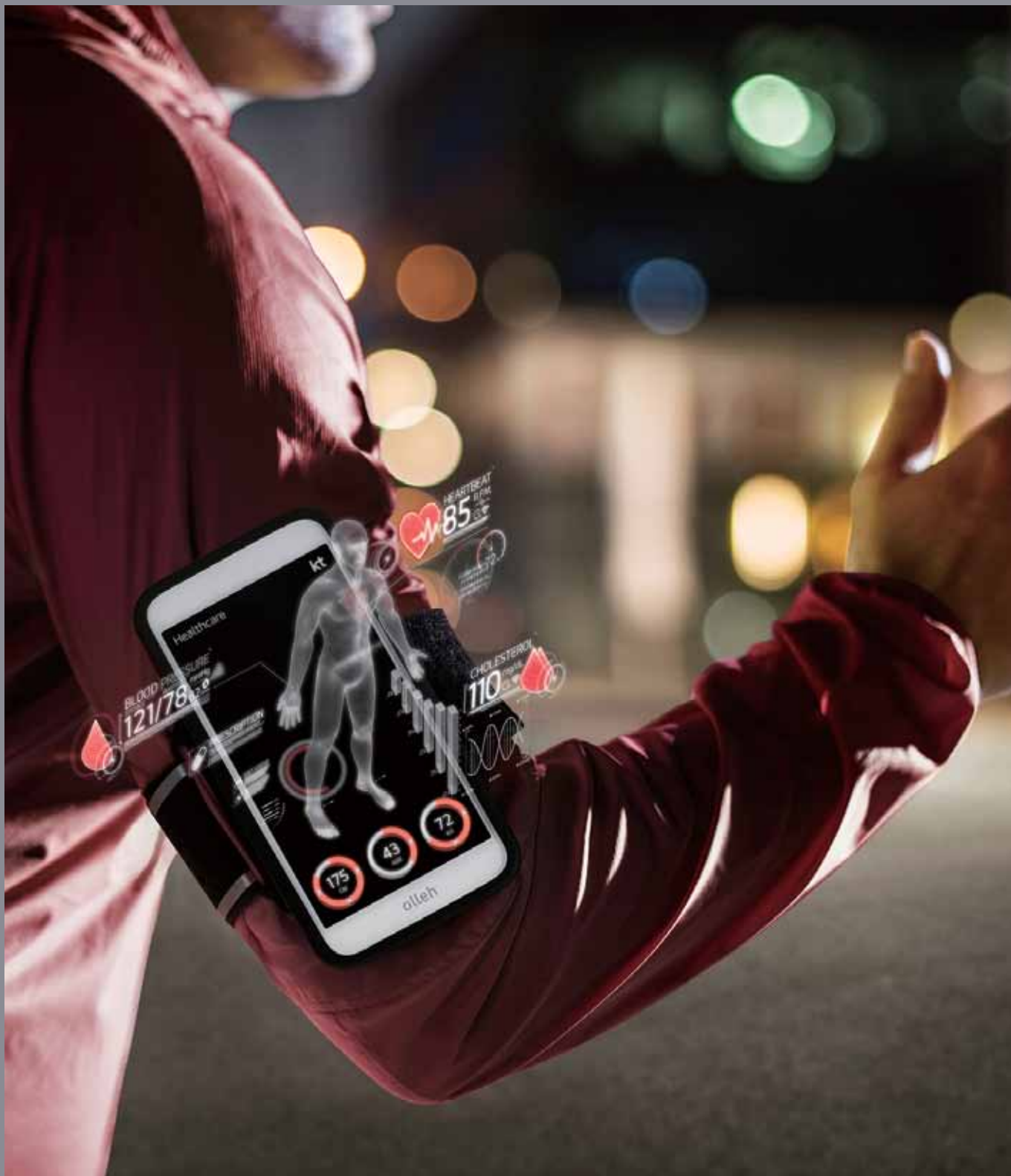
As a submarine cable with 14,000km in total length crossing the Pacific and connecting Asia and North America, NCP (New Cross Pacific) is being constructed by six companies from Asia and the U.S. kt has shares for traffic connecting to North America through constructing and operating NCP. To prepare for the attraction of NCP NOC, the company has secured leadership in the NCP consortium and had an advantage in attracting NOC.



### Current Condition of Global Business Sales(100 million won)

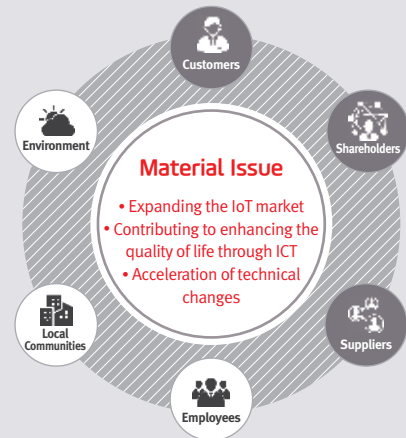


# Leadership for Future Technology

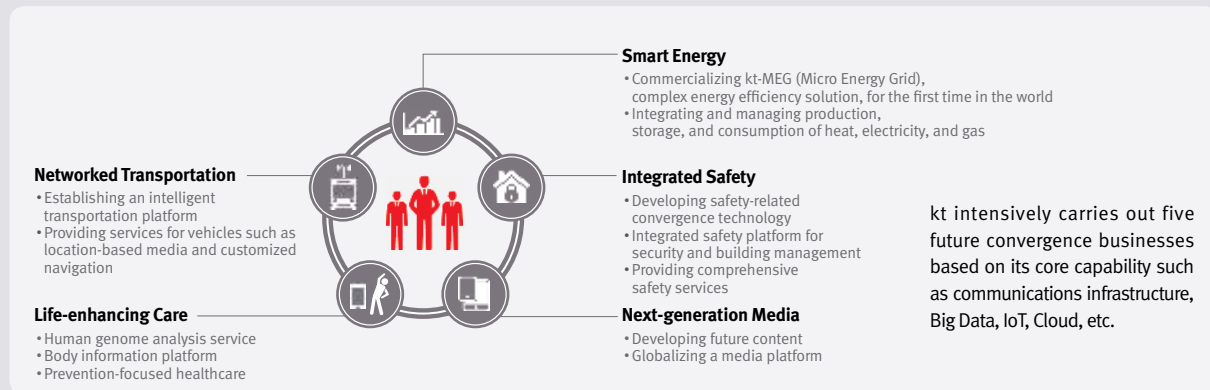


## Importance of Leadership for Future Technology

When the age of convergence when all the things are connected through network begins, technology to provide various services will be the core competitiveness for our company. In the new market based on inter-industry ICT convergence through IoT (Internet of Things), kt will develop future-leading technology and create new growth engines.



## kt's Leadership for Future Technology



## kt's Competitiveness

Core Competency	Performance Index	
Smart Energy	Sales for 2014	About 13.6 billion won
Integrated Safety	Number of conducted projects	17 projects
Next-generation Media	Launched K-live (January 2014)	Sales: 800 million won/56,000 visitors
Life-enhancing Care	Establishing a Life-enhancing Care cooperative system with major hospitals (Yonsei University Hospital, Samsung Medical Center, Pusan National University Hospital, etc.)	
Networked Transportation	Held the 1 <sup>st</sup> Overseas UBI (Usage-based Insurance) Roadshow	

## Future Strategy

kt will contribute to vitalizing the domestic ICT business and pioneer global sales channels by finding successful business models for five major future convergence services. By focusing on new value, which is created by converging connected data, not just simple connections, the company will create synergetic effects between ICT and various industries and secure leadership of the ICT convergence service as a future growth engine.

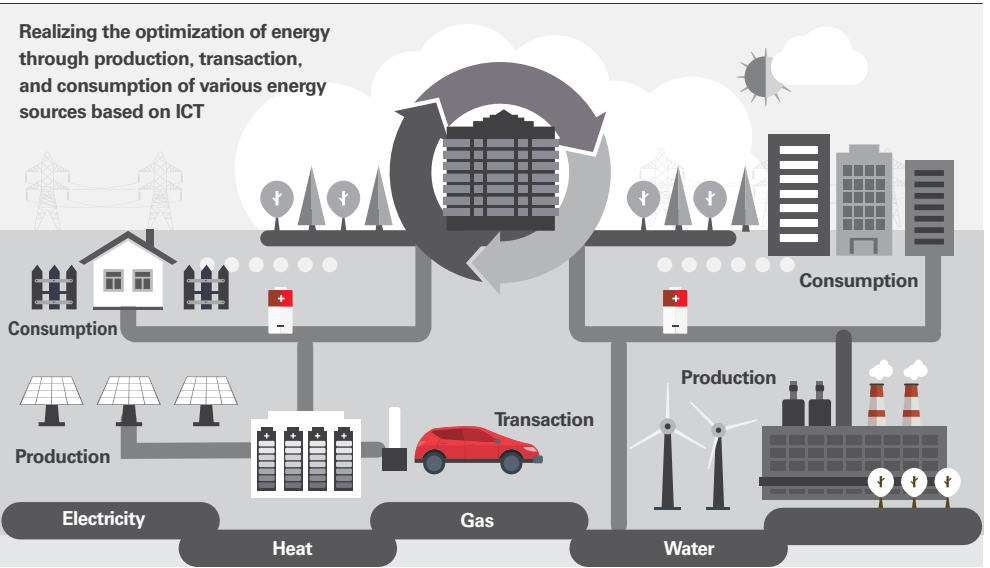


# Smart Energy

With global climate change and increased energy consumption, the energy paradigm has changed from center-based generation that focuses on suppliers to eco-friendly dispersed generation that focuses on consumers and energy efficiency. Under these circumstances, kt aims to realize “Energy GiGAtopia”, where human race can use energy pleasantly and conveniently through smart energy, which is the convergence of energy and advanced ICT.

## kt-MEG as Total Energy Management Solution

Based on communications infrastructure and IT technology, kt has commercialized “kt-MEG (Micro Energy Grid),” the world’s first total energy management solution, to ensure more efficient energy management. As a platform to direct all relevant processes including production, consumption, and trade of energy resources such as electricity, heat, gas, etc., kt-MEG is an energy management solution utilizing IoT. Through this solution, kt contributes to efficient production, consumption, and trade of energy by managing the energy conditions of major buildings in 12 countries including Korea, Finland, U.S., etc.



## Securing the Foundation for Smart Energy Business

To ensure the foundation for energy GiGAtopia business, kt is conducting various businesses at home and abroad. kt has achieved remarkable performances: in 2014, as the first case among Korea’s communications companies, the company prepared for a project for establishing a massive-scale PV plant (7.5MW capacity) in Daechhoek, while the company won an order for conducting a project to set up AMI (Advanced Metering Infrastructure) in cooperation with the Electricity Board of Uzbekistan. In addition, kt has secured differentiated competitiveness in the smart energy market by conducting a demonstration project for AMI based on LTE communications by cooperating with KEPCO and utilizing the company’s capability in the communications sector.

## Raising Business Competitiveness

As kt unified a system through the Smart Energy Business Group in 2014, the company has raised its competitiveness in smart energy business. In cooperation with domestic and overseas major energy business operators such as KEPCO, the company has secured competitive partnership and led the relevant industry by analyzing Big Data related to energy and developing technology for optimally managing energy conditions and predicting demands.

### Three Major Core Goals of Smart Energy Business

leading the energy IoT market with business for establishing remote checking infrastructure by using LTE communications	leading the new energy business with service-type energy efficiency business, electric car charge business, and new renewable energy operation and management business	pioneering into the global market based on kt-MEG
---	--	---

## Value of “Smart Energy”

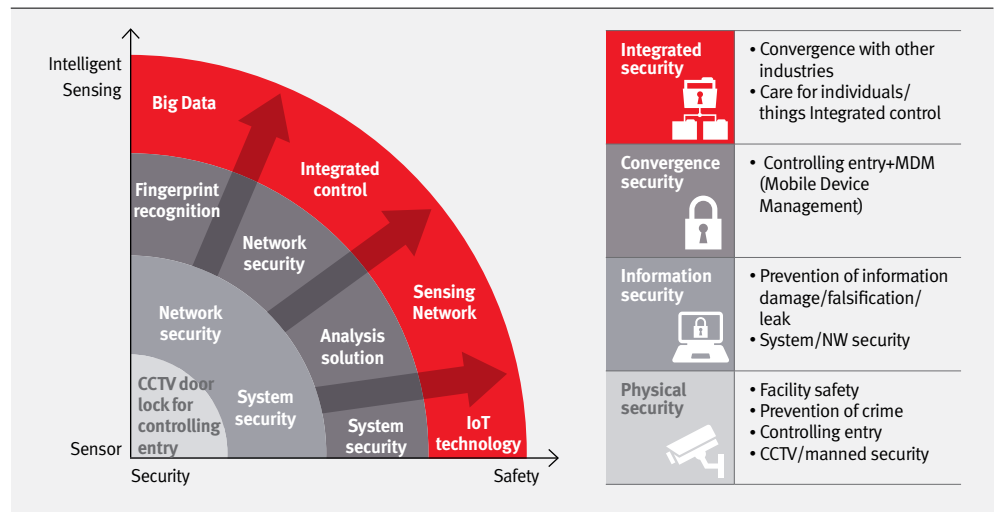
Performance in 2014	About 13.6 billion won in sales for 2014
Business goal	Develop technology to prevent national electricity crisis by reducing electricity usage by 15% – Achieve 135.9 billion won in operating sales by 2015 and 1,615.8 billion won by 2020
Stakeholder convenience	<ul style="list-style-type: none"> <li>• Individuals: Saving energy costs at households and buildings</li> <li>• Nation: Preventing national electricity crisis</li> <li>• Environment: Reducing carbon emissions</li> </ul>

# Integrated Safety

As insecurity over social safety has recently increased due to the Sewol Ferry sinking incident and assault cases at daycare centers, the government has intensively prepared measures for strengthening safety at all levels. Fulfilling the desperate need for safe and secure living condition, kt provides the Integrated Safety service for major places in everyday life through ICT technology such as video analysis and Big Data.

## Comprehensive Service for "Safety"

Through ICT technology such as video analysis and Big Data, kt expands the scope of "security" to prevention and provides comprehensive safety and relief service at the level of "safety." kt has technology for integrated control platforms and provides services through professional affiliates in security and building management (kt telecop, kt estate).



## SOC Disaster Safety Management

kt immediately detects and responds to disasters and incidents by applying control technology and analyzing IoT-based Big Data owned by kt for national infrastructures such as tunnels, bridges, dams/reservoirs, industrial complexes, etc. kt analyzes incident types so that the company can prevent potential disasters in advance.

## Integrated Safety Package

kt aims to provide a differentiated integrated package for the characteristics of each customer group by unifying the capability of group companies with expertise in "security," "facility management," and "energy" businesses, including kt telecop, kt estate and Centios.

## Safety for Residential Space

kt carries out systematization and is creating a new brand for safety management in apartments by connecting "security," facility management," and "safety/relief" on the basis of ICT. For this aim, kt focuses on developing ICT technology to acquire professional companies for housing management and developing ICT technology to save expenses in facility management.

## Video Security

Recently, video security has evolved from simple CCTVs into security with various S/Ws based on proactive and prior detection functions. kt aims to provide differentiated services through video security, reinforcing customized platform and video analysis functions such as object recognition/categorization/tracing/analysis by linking HD-network IP-CCTV with IoT, Big Data, Cloud and control technology.

## Value of "Integrated Safety"

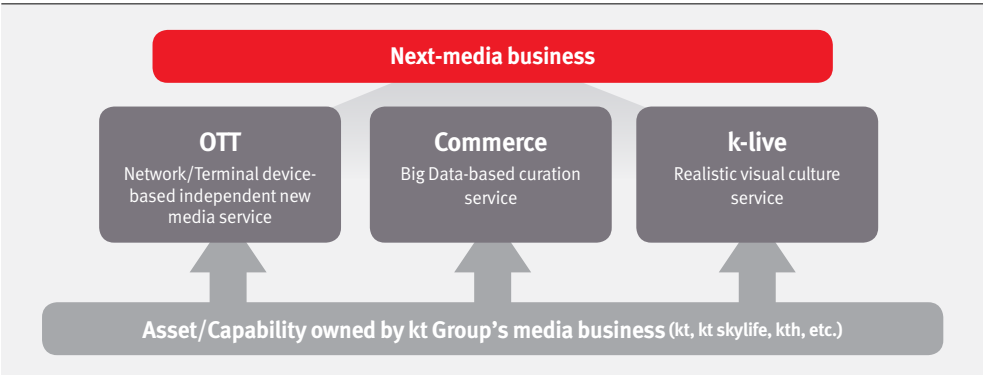
Performance in 2014	Conducted 17 projects such as SOC disaster safety and housing relief service
Business goal	Achieve 1 trillion won in sales for the group's safety-related sales by 2017
Stakeholder convenience	<ul style="list-style-type: none"> <li>• Individuals: Enjoying convenient and safe lives On-site</li> <li>• Industry: Reducing the rate of accidents and enhancing efficiency in safety management</li> <li>• Nation: Contributing to establishing a system for responding to disasters and incidents and saving social expenses</li> </ul>

# Next-generation Media

With the improvement in the speed of wired and wireless communications, emergence and popularity of screen displays in any form, and development of tangible technology, the modern environment can now provide customers with new and diverse media services. kt aims to lead the next-generation media market by utilizing its assets and capabilities as Korea’s top operator for pay TV and carrying out businesses such as OTT, commerce, and hologram concert hall business.

## Next-generation Media Business

Beyond watching content on the TV, the next-generation media business will enable services such as content, commerce, education, etc., to be conveniently used in a customized way by linking smart devices such as TV, PC, smartphones and tablets, etc.



### OTT (Over The Top)

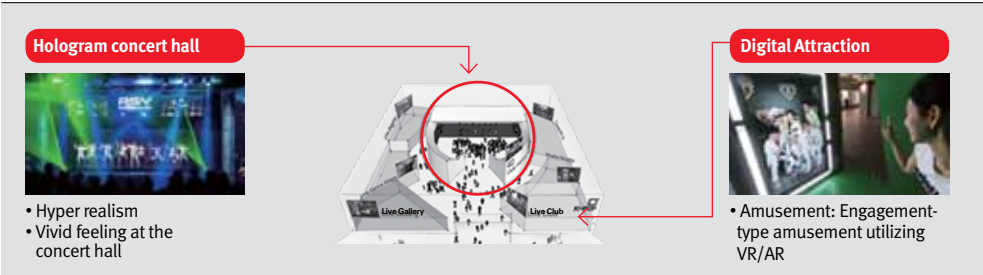
kt is preparing to provide OTT service to enable customers to appreciate media content anywhere and anytime, beyond the limitations of current communications networks and devices. The company aims to ensure differentiated media use experiences by providing not only traditional media content, but also new media content such as personal broadcasting.

### Commerce

kt will expand customized commerce services which can recommend and sell actual products and mobile gift certificates depending on customer characteristics by utilizing the group companies’ major resources such as olleh TV, smartphone channels, and capability to analyze Big Data. The company intends to provide customers with more convenient and differentiated purchase experiences in the content-advertisement connection commerce sector.

### K-live

kt will lead the growth in the domestic realistic media industry and tourism industry by vitalizing “K-live,” Korea’s first hologram concert hall. In addition, the company will help hallyu content to get exported in the global media market by pioneering overseas markets such as the Chinese market.



## Value of “Next-generation Media”

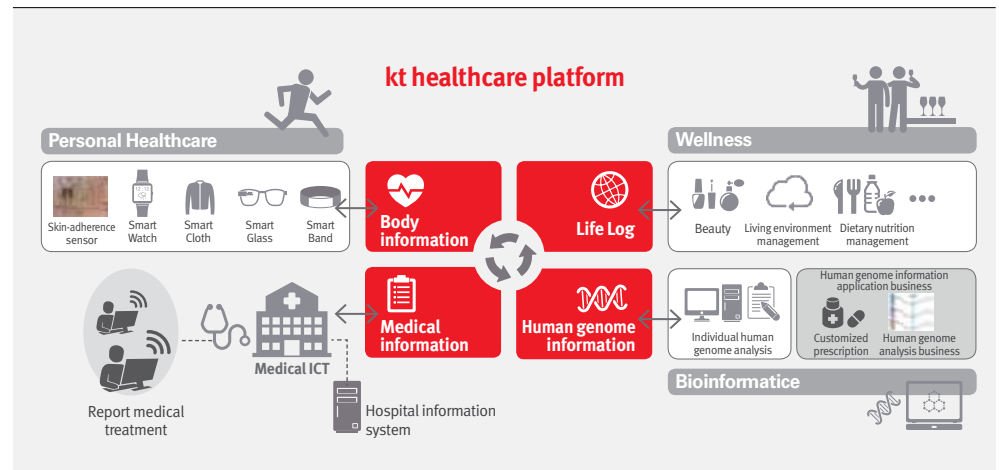
Performance in 2014	Launched K-live in January 2014 (800 million won in sales, with 56,000 visitors, and signed three MOUs with the Chinese government and business operators)
Business goal	Earn 937.9 billion won in sales by 2020
Stakeholder convenience	<ul style="list-style-type: none"> <li>Individuals: Using optimally selected and various media services for each individual</li> <li>Content operators: Jointly pioneering the global market through supporting production and exporting content</li> <li>Nation: Cultural and economic effects through development of the media industry</li> </ul>

# Life-enhancing Care

Along with the emergence of various wearable devices, the healthcare paradigm has changed from the treatment of diseases in hospitals to preventive healthcare (pre-post-care) in which health is cared for at regular times. kt aims to contribute to preventing personal diseases, saving national medical costs and fostering the healthcare industry, by focusing on personal life-enhancing care, medical ICT, bioinformatics, and wellness business based on the company's capability.

## kt Life-enhancing Care Platform

kt carries out healthcare business with an innovative concept based on Cloud-based human genome analysis service, IoT-based body information platform, wearable device linkage technology, personal healthcare management solution, etc.



### Personal Life-enhancing Care

Personal life-enhancing care can be used through Smart Watches or Smart Clothing using personal customized healthcare services based on wearable devices. kt provides customized health information by utilizing its healthcare platform and collecting and analyzing users' body signs and health information on a regular basis. This enables users to improve their lifestyles and enjoy greater happiness and health.

### Medical ICT

Medical ICT supports medical practices and administrative management at hospitals, including treatment, prescription, and surgery, by using ICT technology and medical diagnosis devices. kt aims to provide innovative treatment processes at hospital by means of secured medical ICT capability.

### Bioinformatics (Human genome analysis)

Bioinformatics enables customized diagnosis, treatment, and healthcare by analyzing information on an individual's human genome. kt focuses on providing human genome analysis service, individual human genome information service, and customized cancer treatment service based on its infrastructure and analysis capability to store and manage Cloud-based large quantity data. Recently, the company has signed an agreement for joint research on analyzing cancer genomes with Samsung Medical Hospital, reinforcing the company's capability to analyze human genetic code.

### Wellness

Based on the healthcare platform, kt aims to provide necessary services for pursuing a higher quality of life and optimal health conditions including beauty, living environment management, and dietary nutrition care.

## Value of "Life-enhancing Care"

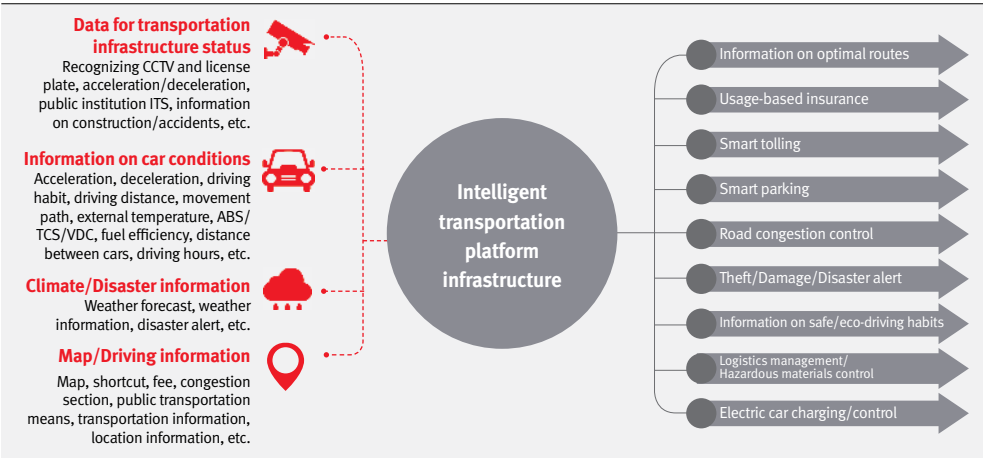
Performance in 2014	Establishing a cooperative Life-enhancing Care system with major hospitals (Yonsei University Health System, Samsung Medical Center, Pusan National University Hospital, etc.)
Business goal	Global No. 1 Life-enhancing Care service provider
Stakeholder convenience	<ul style="list-style-type: none"> <li>Individuals: Prevention of diseases and saving medical expenses</li> <li>Industry: Expanding opportunities through providing new medical and Life-enhancing Care services</li> <li>Nation: Reducing social and economic loss due to diseases</li> </ul>

# Networked Transportation

The convergence of cars and IT is being accelerated by global vehicle manufacturers and IT companies such as Google and Apple, and the importance of networks to provide IT services for movement is also gradually growing. kt aims to realize a smart transportation environment and secure business opportunities by utilizing the country-wide GiGA IoT network in the auto IT service market, which requires broadband and a rapid speed of response.

## Intelligent Transportation Platform

With the aim of providing convenience and safety for vehicles, kt has established an intelligent transportation platform and commercialized and operated IoT services related to transportation and logistics. By changing vehicle services into “Smart Devices,” the company reinforces two-way and real-time based information transmission functions.



### Telematics

Providing various IT services and content by connecting vehicles through wireless communications, Telematics aims to provide drivers and passengers with various mobile services such as transportation information, measures for emergency situations, remote vehicle diagnosis, internet, etc. Through kt’s internet technology, automobiles can also serve as cultural and information spaces.

### FMS (Fleet Management System)

FMS is an efficient vehicle operation service providing business-use vehicles with automatic integrated management from car maintenance to cost control, intervals, and statistical analysis regarding operation.

### Electronic Receipt

Launched by kt in cooperation with Hanjin for the first time in the logistics industry, this service provides an electronic process for managing the transport and receiving freight, which used to be manually managed.

### Next-generation Intelligent Transportation System (C-ITS)

C-ITS provides an open platform-based service through two-way wireless communications so that vehicles can communicate with other cars or road infrastructure and identify traffic conditions and risks during driving.

### UBx (Usage-based X)

UBx creates differentiated services for various added value industries such as insurance, repair, used cars, and infotainment based on information on car usage collected through IoT devices. The company develops car usage-based business (UBx: Usage-Based X).

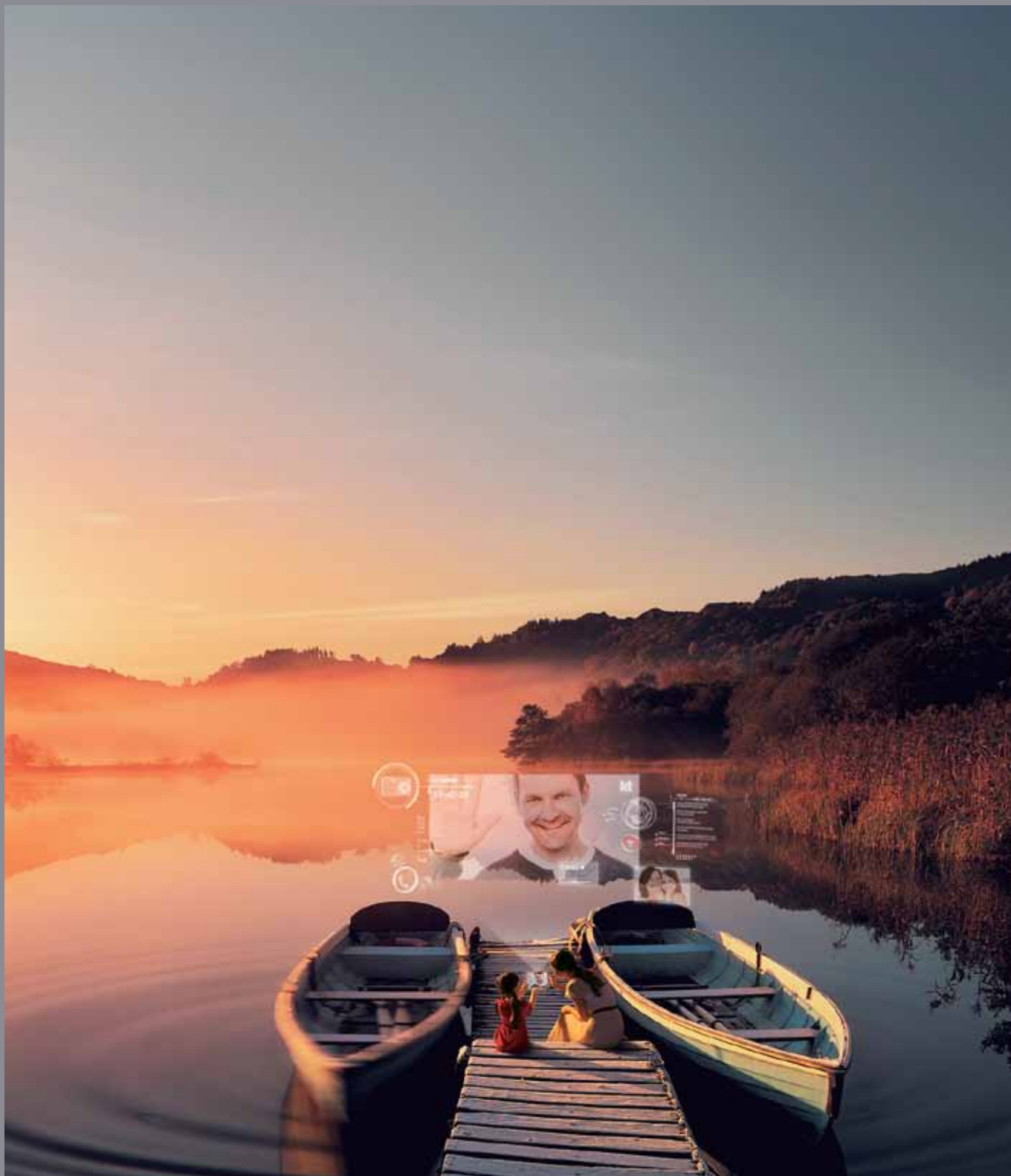
## Value of “Intelligent Transportation Platform”

Performance in 2014	Held the 1st overseas UBI (Usage-based Insurance) Road Show
Business goal	<ul style="list-style-type: none"> <li>– “Top business operator for Big Data capability-based movable platform service”</li> <li>– Secure 2.5 million connected cars by 2018 (10% or more of all cars)</li> </ul>
Stakeholder convenience	<ul style="list-style-type: none"> <li>• Individuals: Improve convenience and safety of drivers and passengers</li> <li>• Company: improve efficiency in logistics to save costs and time, secure profits through efficient operation</li> <li>• Country: Save costs for traffic congestion and prevention</li> <li>• Environment: Reduce carbon emissions</li> </ul>





# Enhancement of Customer Value

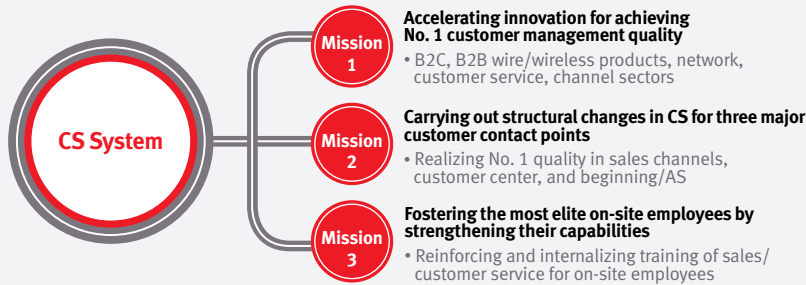


## Importance of Enhancing Customer Value

kt firmly believes that the best way to become a respected company that continuously grows to create long-term customer value is by setting customers as the top priority in providing services, not just pursuing short-term profits.



## kt's Management with Customers as Top Priority



To provide best-quality service through value for customers as its top priority, kt proactively conducts total CS. From the innovation of wire/wireless products and services to reinforcement of on-site customer service training, the company internalizes customer value through company-wide support.

## kt's Competitiveness

Core Competency	Performance Index	
Customer satisfaction	National Customer Satisfaction Index (NCSI)	Selected as the 1 <sup>st</sup> rank in the home telephone sector for 16 consecutive years 1 <sup>st</sup> rank in the internet telephone sector for five consecutive years 1 <sup>st</sup> rank in the international call sector in three consecutive years
	Korean Standard-Contact service Quality Index (KS-CQI)	1 <sup>st</sup> rank in the wired sector 2 <sup>nd</sup> rank in the wireless sector
Providing differentiated products and services	Product Examination Group	285 persons
	Product examination activities	About 100 cases
Creating brand value	LTE service sector in Korea Brand Star 2015	1 <sup>st</sup> rank in the brand value sector
	iF Design Award 2015	Awards for the communication sector

## Future Strategy

kt will expand the scope of improvement in customer experience quality from B2C to B2B and focuses on strengthening its capability to improve customer complaints in advance. With the Product Examination Group that is comprised of customers and on-site employees at customer contact points, the company concentrates on identifying product characteristic and will establish a virtuous cycle in which customer needs are reflected in products and continuously improved from product planning to improvement after launch.

# Best-quality Customer Service

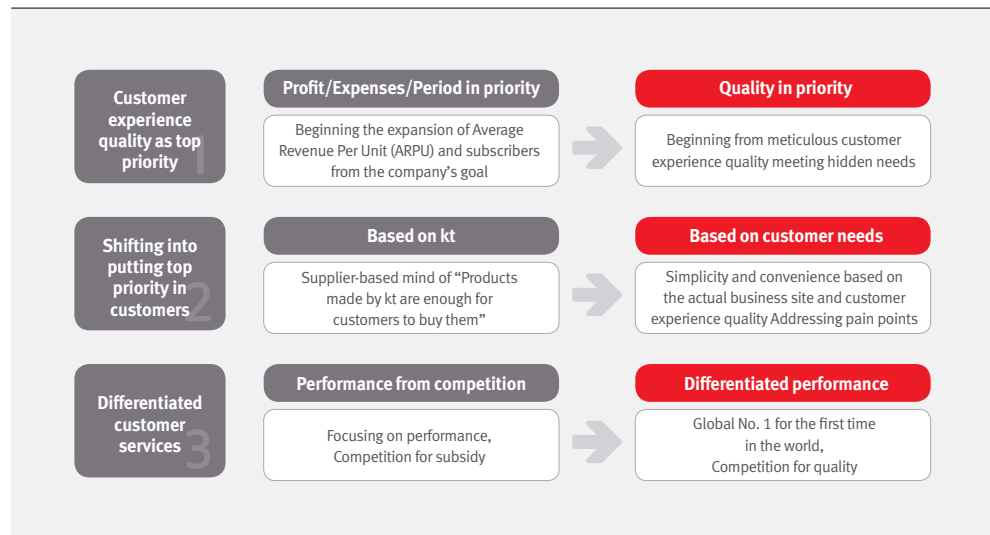
kt's corporate value begins from customers. In its four core business sectors, the company draws and carries out improvement measures to enhance customer experience quality. kt leads product manufacture with customers as the top priority through the Product Examination Group and enhances customer satisfaction by making continuous efforts to increase service quality.

## Conducting Total CS from the Perspective with Customers as Top Priority

To meet customers' hidden needs, kt categorizes quality elements for customer experience into 650 items (1,700 items as of 2015) in four major sectors (CS, Network, Products, and Channels), measures the current condition, and finds and implements measures for improvement.

Since 2015, the company has expanded sectors for improving customer experience quality to B2B, while developing the existing B2C sector in the direction of providing differentiated value. The company also draws proactive customer service tasks and carries out relevant measures, dealing with potential customer complaints in advance. kt aims to establish a culture based on customer experience quality through continuous activities for improvement and become a sincere customer-focused company.

### Direction for Total CS



## Products with Customers as Priority

### Product Examination Group with Direct Engagement of Customers

To promote proactive management engagement of stakeholders, kt has launched and implemented its customer-focused product examination process with direct engagement by customers since 2011. With the aim of verifying products from various perspectives, the company organized the Product Examination Group in 2014 with participants from various sectors, including customers such as housewives, college students, and office workers, on-site employees at customer contact points, and experts in each product sector.

#### Composition of Product Examination Group

Category	Persons (285 in total)	Major roles
Customers	112	<ul style="list-style-type: none"> <li>Finding out and improving complaints by examining products before launch</li> <li>Supplementing and optimizing complaints by conducting follow-up examination after launch</li> <li>Providing differentiated customer-focused product ideas</li> </ul>
On-site employees	88	
Experts in each sector	85	

### Major Activities of Product Examination Group in 2014

The Product Examination Group conducted limited activities for the verification of newly launched products by 2013. Since 2014, the group expanded the scope of activities to the entire sector regarding products such as verification of new products, improvement of existing products, and providing product ideas, and conducted product examination activities a total of 100 times, an increase by 82% compared to the previous year. The Product Examination Group has led the manufacture of products with customers as the top priority by drawing ideas to improve convenience in olleh navi and adjusting the release date to reflect additional improvements with regard to GiGA Wi-Fi AP and Wibro egg.



Welcome day event for the Product Examination Group

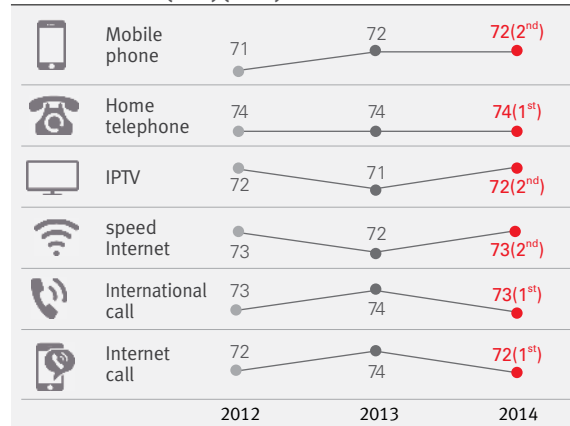
#### Major Activities of Product Examination Group

Category	Major Activities	Major Achievements
Verification of new products	<ul style="list-style-type: none"> <li>• GiGA Wi-Fi AP, Wibro egg, Rate system products, combination products, etc.</li> </ul>	<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>
Improvement of existing products	<ul style="list-style-type: none"> <li>• olleh.com, olleh membership, olleh navi, smart set-top, OTM, etc.</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>
Providing ideas	<ul style="list-style-type: none"> <li>• Finding new service ideas regarding GiGAtopia</li> <li>• Opening a debate for on-site examination group to make No. 1 kt products</li> </ul>	<ul style="list-style-type: none"> <li>• Finding ten new idea cases and presenting business regarding GiGAtopia</li> <li>• Finding five major improvements for products from the perspective of customers through a debate by on-site examination group</li> <li>–Drawing 76 issues, accepting 46 cases for improvement, reviewing 13 cases for improvement</li> </ul>

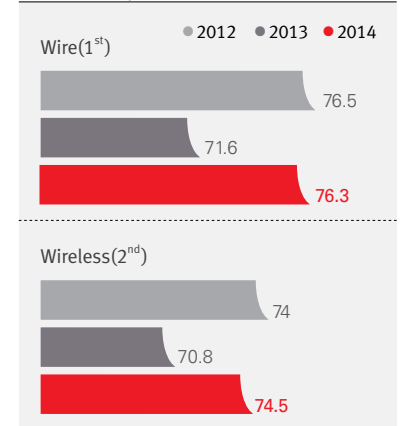
## Services with Customers as Top Priority

In the survey for the National Customer Satisfaction Index (NCSI) by the Korea Productivity Center (KPC), kt was ranked as the top in the home telephone sector for 16 consecutive years, top in the internet call sector for five consecutive years, and top in the International call sector for three consecutive years. In the Korean Standard-Contact service Quality Index (KS-CQI) hosted by the Korean Standards Association (KSA), kt was appointed as the 1<sup>st</sup> rank in the wired sector and 2<sup>nd</sup> rank in the wireless sector, proving to be a company leading services that sets customers as the top priority.

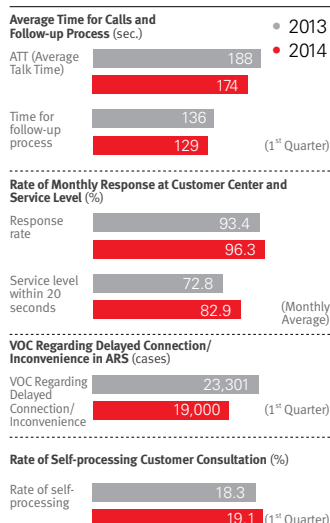
#### Result of the survey by National Customer Satisfaction Index (NCSI) (Score)



#### Result of the survey by Korean Standard-Contact service Quality Index (KS-CQI) (Score)



## Communication with Customers



## System with Responsibility of Each Department to Reduce VOC

By implementing the “Daily System with Responsibility to Improve Customer Opinions,” kt shares records for VOC with company-wide executives and employees, and then establishes and conducts a plan for improving business departments based on these records. The company has also achieved remarkable improvement in VOC regarding small payments by realizing the function of identifying small payments in the customer center’s mobile APP and blocking small payments that are not recognized by customers in advance.

## Establishing Infrastructure for a Swift Customer Center

In October 2014, kt completed establishment of the kt Integrated Call Center System worth 40 billion won. As Korea’s largest integrated customer center with wire, wireless, collection and companies with a size of 11,000 seats, kt’s Call Center will play a significant role in improving VOC quality. Under the goal of having sufficient consultation and swiftly dealing with the follow-up process, the center remarkably improved customer consultation infrastructure including the period-based system, customer waiting elements, identifying costs and customers, and computing, which greatly reduced the time spent in the follow-up process. While making continuous efforts in improving the response rate and service level, the company provides various customer contact channels to operate the customer center more efficiently and reduces monthly average customer complaints as well as enhancing the self-processing rate. Thanks to these efforts, kt has accomplished a major achievement in the external satisfaction sector and solidified its status as the country’s representative communications service company that leads customer satisfaction.



# Best-quality Customer Service

Through continuous development and launch of innovative products and services, kt not only provides customers with new experiences, but also raises competitiveness by reinforcing the system for supporting customers and responding to customers' trust.

## kt's Unique Innovative Services

### Fintech

#### Touching a chip-based real card

Fintech is a name made from the words "financial" and "technique", meaning new financial technology. kt provides "Tap Sign Service" for convenient payment by touching a credit card to a smartphone and entering passwords, and "Payon+ Service" for credit card/cell phone payment through a smartphone app without the need to use a mobile card payment machine. The former service has attracted attention, thanks to its service converging finance and communications technology, while the latter service is the first case expanding payment by cell phone to the offline sector.



Electronic finance  
(Banking)

E-commerce  
(PC/Mobile)

Identification/  
Log-in

### T-commerce

kt continuously seeks differentiated commerce models to enjoy more convenient and various shopping services on TV. Through k-shopping, provided by kt's subsidiary kth, customers can conveniently purchase various products worn by people on TV by using their remote controls while watching TV.



### Differentiated Partner Membership

kt is the only communications company to introduce integrated customer level, which it did in January 2012. kt has expanded the scope of benefits from existing wireless customer-focused benefits to wired communications subscribers (internet, IPTV, home phone, internet phone). In March 2015, the company has remarkably expanded benefits such as No. 1 partner companies and differentiation programs to innovate membership service.



(As of March 2015)




### Bictainment

At Suwon kt Wiz Park, customers can instantly make reservations/get discounts/pay/issue tickets by using the baseball teams' official app (wizzap). Once customers enter the stadium, they receive a welcome message, and then they can use various convenient services such as seat identification, information about the stadium and stores, etc.



## Customized Service

kt strives to provide all our customers with optimal service through service that is customized for each customer.

<b>Seniors</b> 	<ul style="list-style-type: none"> <li>• Rate system for senior citizens at the age of 65 and over. No stipulation and cancellation fee</li> <li>• olleh tv-hyo: Offering olleh tv and Skylife without subscribing to the Internet (Providing private lines free of charge)</li> </ul>
<b>People with disabilities</b> 	<ul style="list-style-type: none"> <li>• Offering ten-hour video calls in total to customers who find difficult to make calls due to linguistic and audio disabilities. No stipulation and cancellation fee</li> </ul>
<b>Foreigners</b> 	<ul style="list-style-type: none"> <li>• Foreign language customer service: Providing service through Global Store and Foreigner Customer Center</li> <li>• Foreigner Customer Center: 1583 (Free on kt cell phones) or 02-2190-1180</li> </ul>

## e-Clean Activities

To remove harmful content in the flood of indiscreet information and create a sound internet environment, kt conducts various e-Clean activities; the company has provided about 170,000 customers with relevant services by February 2015.

### Major e-Clean Activities

Category	Detailed Service
Clean-I	Realizing a clean environment by blocking access to harmful websites and video clips such as porn, violent content, and gambling activities
TIME CODI	Preventing internet addiction by controlling the time for internet use on a time and day-based system
Personal Care	Checking remotely and restoring PCs to protect PC from internet viruses and malicious code
e-playground	Service for children/youth for blocking harmful websites, setting the time for using internet/games, and providing recommended content
Doctor	Providing free anti-virus software to protect and maintain PCs

## Providing Stable Services for 365 Days

### Network Monitoring System

As a business operator with a national network, kt has established and operated an environment for systemic network monitoring to provide stable services. With the network control center performing nation-wide communications network comprehensive control and the local control center, the company operates a network monitoring system for 24 hours a day, 365 days a year, while the nation-wide wire/wireless operation centers conduct operation and maintenance for stable communication facilities.

### Drills for Emergency Recovery

kt is establishing a back-up system for automatic detour communication to prepare for cases in which communication services are interrupted by regular communications breakdown and disasters such as typhoon and earthquake. The company focuses on minimizing damage by making emergency recovery measures for each type of damage and autonomously and jointly conducts emergency recovery drills, including checking equipment conditions, recovery personnel, and scenarios, on a regular basis with private/public institutions.

On August 19, 2014, kt conducted an "actual drill for emergency recovery of communications facilities for Eulji Exercise" at the drill site of Government Complex in Gwacheon, Gyeonggi. Under the assumption that communications facilities in Gwacheon would be isolated due to washed roads, disconnection of lines, and damaged base stations, the company input equipment and personnel for each stage of emergency recovery by securing adequate offices in systemic cooperation with a fire station and police station and successfully conducted recovery operation within the shortest time. Thanks to kt's differentiated protection activities and efforts for reinforcing the capability to respond to emergencies, the company received an institutional citation by the Ministry of Science, ICT, and Future Planning in 2014.



Visit by the Minister of Science, ICT, and Future Planning to kt Network Control Center



Drill for emergency recovery of communications facilities

# Creating Brand Value

Since the launch of olleh, the first wired and wireless integrated brand of its kind, in the communications industry, kt has carried out innovative marketing and communication activities each year since 2011 to provide differentiated services that surpass the existing limitations in communications. The company leads the market and solidifies its status as Korea's representative communications brand.

## Integrated Marketing Communication Activities with Consumer Engagement

kt's marketing communication activities are recognized as among the most successful marketing cases, involving IMC activities that utilize all channels which are connected with customers. The company conducts the "campaign with consumer engagement" to attract consumers' interest and sympathy and expand and reproduce content autonomously by consumers, creating a new marketing trend that has been named "consumedia."

## Opening the Era of GiGAtopia with GiGA Campaign

In 2014, through the corporate PR campaign and advertisement under the slogan of "Between You and the Future," kt proclaimed the opening of the era of GiGAtopia, which is realized by GiGA infrastructure and convergence ICT technology. kt opened the door of the "GiGA Campaign" with the willingness to provide comfort surpassing convenience for customers.

kt has started the GiGA service campaign since October, and the campaign received attention with its unique teasing performance in major downtown areas in Seoul. For the performance, foreign men suddenly appeared and disappeared after shouting "GiGA pak-pak, GiGA san-da" with exotic dance moves. The GiGA campaign advertisement, which injected energy and excitement in daily life, has been a hot issue, depicting how the world and its people can become more energetic through GiGA technology with advertisements such as GiGA Internet, GiGA Power Live, GiGA UHD TV, GiGA Wi-Fi, etc.



GiGA Service Campaign



Bukchon Korean House Village GiGA House (GiGA-jip)

Consumers give their attention and interest to promotion programs that provide a unique experience, including "GiGA House (GiGA-jip)", which offers the opportunity to experience advanced GiGA services at Bukchon Korean House Village, Seoul, and "GiGA Drum (GiGA-buk)", which offers the opportunity to compare GiGA internet speed and enjoy beating some drums.

## More Upgraded "GiGA-ro Campaign" with Engagement of Consumers

From March 2015, kt has conducted the "GiGA-ro" campaign based on the GiGA Wi-Fi Home Service to bring benefits and value in daily lives which are changed by GiGA. Through various campaigns featuring new concepts and consumer participation, such as "Korea's first opera street performance" and "GiGAman is Going to You" event, kt has led the market and attracted a great deal of positive attention.



GiGA-ro Campaign

## Establishment of kt's Design Identity

kt's efforts to establish its own design identity in various sectors including brand, product, space, and graphics, has led to remarkable achievements in 2014. Over the past six years, kt has had a total of 22 prize-winning works through various reputable global design awards and enhanced its design status on the global stage.

### PR Image of "GiGAtopia"

A corporate PR image that helps people visually understand "GiGAtopia" more easily won two prizes in the sectors of Corporate Identity and Consumer Products of the iF Design Awards.



'GiGAtopia' PR image

### olleh Membership Diary

The design for "olleh Membership Diary" received positive reactions from customers by achieving 25 million hits; there were also a total of 400,000 applications in an event to give the product to only 20,000 persons. The design won prizes in both the Communication Publishing sector and Consumer Products sector of the iF Design Awards.



Design of 'olleh Membership Diary'

### Pro Baseball Team "kt wiz"

"kt wiz," kt's pro baseball team, won prizes in various sectors of the Red Dot-Clio Awards in 2014. The team received the prize in the communication sector of the iF Design Awards in 2015.



Design of "kt wiz" Brand Identity

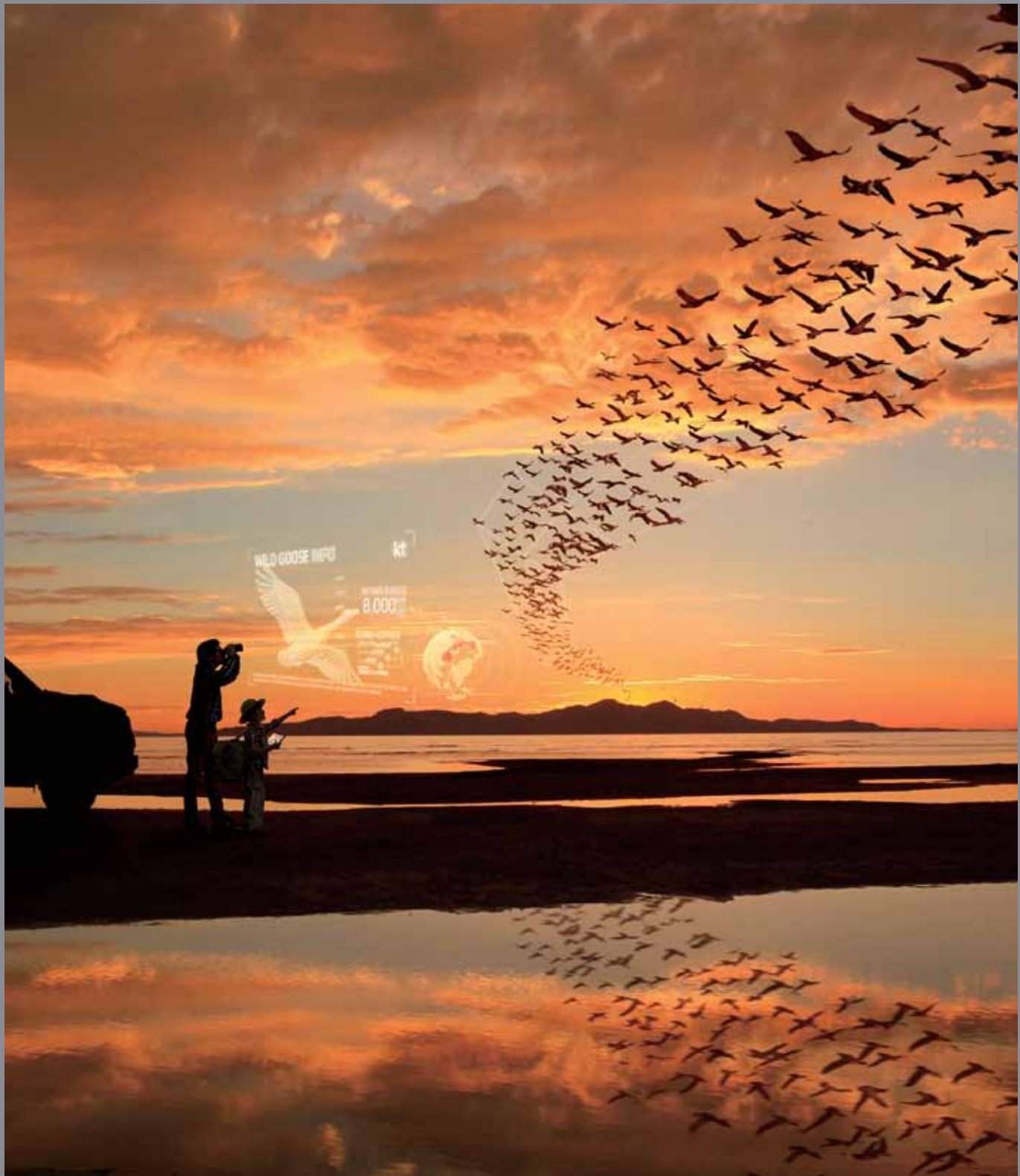


## Strategic Brand Management and Operation

kt implements "System for Imposing Brand Use Royalty" for group companies using "kt" name as part of the company name. This has significance in setting objective standards and reasons to legitimately recognize the name's value and making funds for enhancing brand value.



# Creating Shared Value through GiGA Story



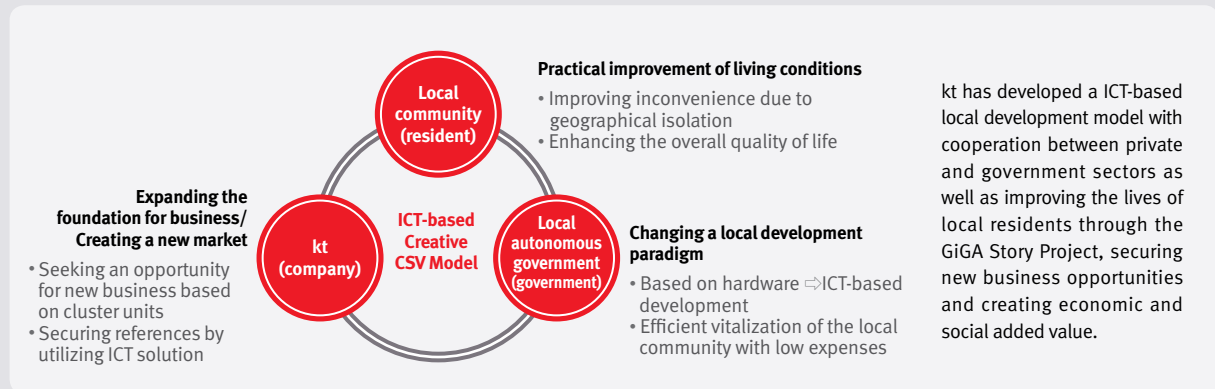


## Importance of CSV

Since Harvard University Professor Michael Porter presented CSV (Creating Shared Value) in 2011, the trend for companies to create social value as well as pursue economic profits has been highlighted as an important issue in sustainability management. As a company for the people, kt firmly believes that responding to this macroscopic trend will lead to the company's sustainable future.



## kt's CSV Management



## kt's Competitiveness

Core Competency	Performance Index	
GiGA Story Project	Creating economic value	540 million won in investments, 638 million won in value creation
	Creating social value	540 million won in investments, 1.99 billion won in value creation

"kt has achieved success in the CSV project with innovative ideas that have not been thought by any other communications company in the world."  
 - Prof. Michael Porter mentioning "GiGA Island" after receiving the 1st CSV Porter Prize -



"It is a remarkable infrastructure that vitalizes the creative economy as well as addresses the information gap."  
 - The president assessed GiGA Island, shown above, after CEO Hwang Chang-gyu explained it at WIS (World IT Show) 2014.

## Future Strategy

kt will spread GiGA Story initiatives to domestic remote and mountainous regions such as Cheonghak-dong in cooperation with the government and local governments. The company will present a new CSV model to enable GiGA Story to serve as a model for developing countries from the global perspective.

# GiGA Story Project

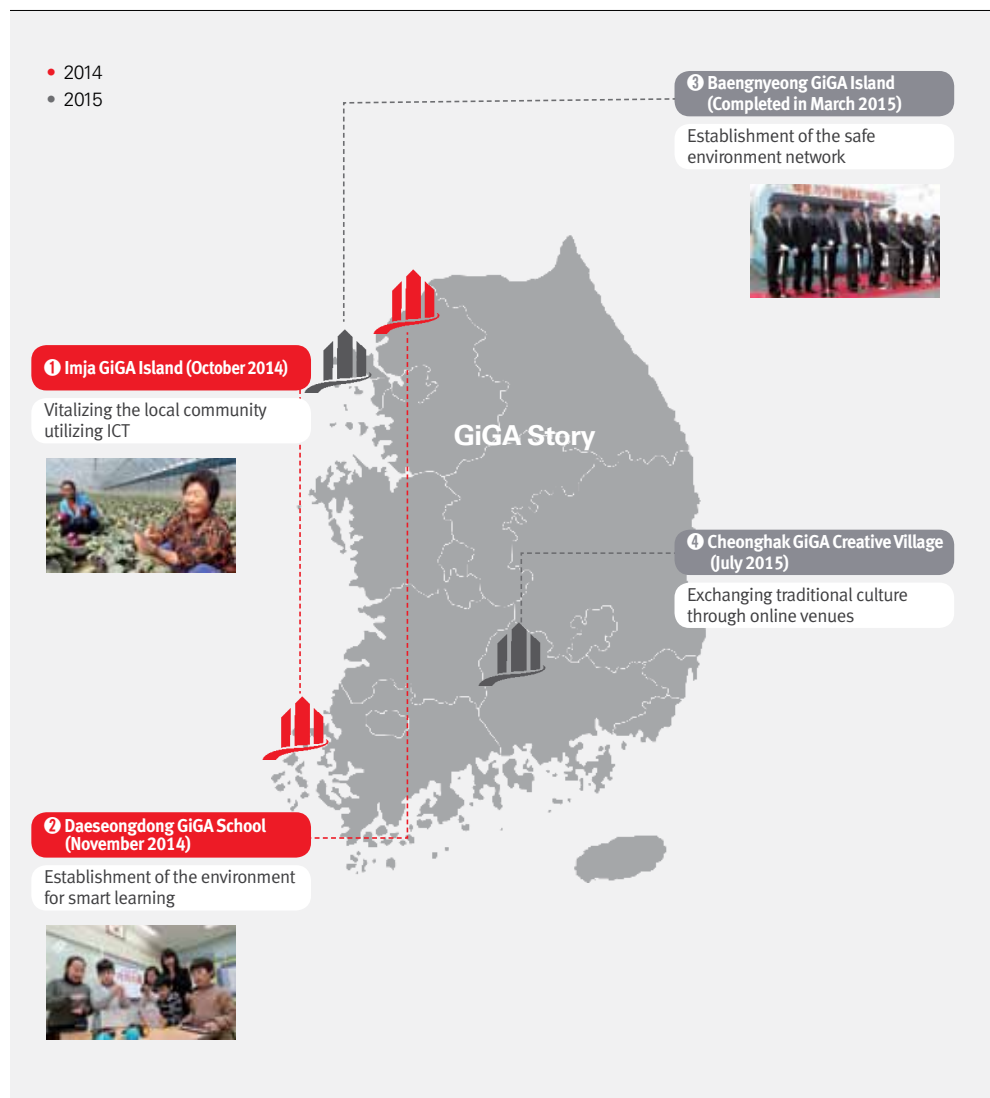
GiGA Story Project is part of kt's long-standing practice, "universal service for telecommunications." While the company created social value in the context of communications services such as communications for remote and isolated regions, emergency communications, and reducing fees for the socially disadvantaged in the past, the company has currently created new shared value by beginning GiGA Story with ICT solutions based on networks.

## GiGA Story Project

GiGA Story is a CSV model along with "GiGAtopia," kt's future network strategy to secure new growth engines by "converging" the "speed" of the GiGA network and ICT solutions. With GiGA Story, kt aims to improve the living environment of local residents in various sectors such as education, culture, economic conditions, and environment by offering GiGA infrastructure and customized solutions to remote and isolated regions that are suffering from a relatively large information gap.

## Plan for GiGA Story Project

The GiGA Story Project is carried out depending on the target region's characteristics, implementing specialized projects such as GiGA Island (remote regions) and GiGA Creative Village (isolated and mountainous regions). kt completed Imja GiGA Island and Daeseongdong GiGA School in 2014 and Baengnyeong GiGA Island in March 2015. The company plans to open Cheonghak GiGA Creative Village this year and aims to contribute to achieving SDGs utilizing ICT technology by providing underdeveloped overseas regions with GiGA Story models.



## Creating Economic and Social Value through GiGA Story

kt firmly believes that a company should not simply pursue only profit, but must also create social value. This management philosophy is reflected in the company's vision system, and all corporate activities are focused on promoting the people's convenience. Our social contribution activities are aligned with our business strategies, and we are constantly seeking activities to create new social value. The company aims to present a new paradigm for local development to local residents and government.

kt has created social value exceeding investments by more than 268%, making a positive and significant impact on society. As the GiGA Project was quoted in the book written by Professor Michael Porter, the father of the CSV model, it has been recognized as a model for creating shared social and economic value; the company also won the 1<sup>st</sup> CSV Porter Prize.

### Performance for creating social value

<b>Indirect investment</b> Advancement of network and extra expenses	240 million won	<b>Indirect investment</b> : Expenses related to "GiGA Island" project such as new establishment and supplement of network, maintenance and development of connected programs
<b>Direct investment</b> Expenses for establishment of ICT solution for each sector	300 million won	<b>Direct investment</b> : Ratio of the business for "GiGA Island" such as establishment of ICT solution, operating programs, developing regions, and PR
<b>Inductive effects</b> Effects of cutting expenses and having economic effects by utilizing ICT solution (Considering only effects based on business and excluding connected effects caused by the business)	1.69 billion won	<b>Education</b> : Found opportunities for education and saved charges for lectures <b>Culture</b> : Operated cultural lectures and saved costs for content <b>Economy</b> : Improved agricultural productivity, reducing labor force requirements Crops and rearing: Induced return to farming villages through DB consulting Increased loan by supporting sales channels <b>Medical treatment</b> : Reduced the ratio of improving medical treatment environment <b>Environment</b> : Reduced charges for using energy and waste <b>Tourism</b> : More tourism through local promotion
<b>Direct effects</b> Effects that are directly used in the region or made into assets	300 million won	Expanded ICT infrastructure in the region

### Performance for creating economic value

<b>Indirect investment</b> Advancement of network and extra expenses	240 million won	<b>Indirect investment</b> : Expenses related to "GiGA Island" project such as new establishment and supplement of network, maintenance and development of connected programs
<b>Direct investment</b> Expenses for establishment of ICT solution for each sector	300 million won	<b>Direct investment</b> : Ratio of the business for "GiGA Island" such as establishment of ICT solution, operating programs, developing regions, and PR
<b>Increased sales (business opportunity)</b> Presented new solution business, opportunity for consulting	328 million won	Found opportunities for new sales and expanded subscribers
<b>Saving expenses</b> Cutting expenses: Expenses for exposure in media and broadcasting, new promotion, and R&D	310 million won	Service marketing expenses, expenses for developing new products

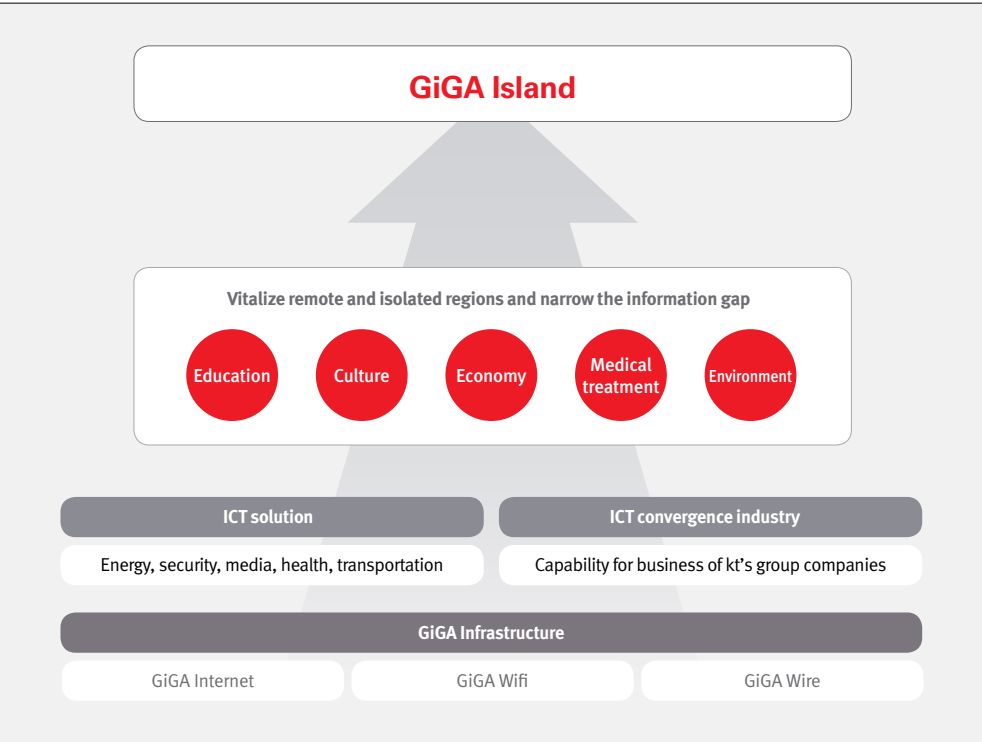
※ It includes only analysis of performance by Imja GiGA Island (October 2014), which was first established. Achievements by other projects will be estimated in the future.

# GiGA Island

As a representative social contribution model among the GiGA Story projects, GiGA Island leads the improvement of the quality of life for local residents by providing remote islands with ICT solutions. GiGA Island has been assessed as presenting an innovative CSV model in the IT industry as the public-private cooperative local development model based on ICT technology.

## System and Purpose of GiGA Island

GiGA Island is a project aimed at narrowing the information gap and vitalizing the local community by establishing a virtual bridge between the land and isolated regions by utilizing GiGA infrastructure and ICT solutions. After opening the 1<sup>st</sup> GiGA Island at Imjado Island, Sinan-gun, Jeollanam-do Province in October 2014, GiGA Island has been assessed as leading innovation in residents' daily lives. The company completed and established the 2<sup>nd</sup> GiGA Island at Baengnyeongdo Island, Ongjin-gun, Incheon in March 2015.



## Creative Public-Private Cooperative Local Development Model Based on ICT Technology

As the creative public-private cooperative local development model based on ICT technology, kt's GiGA Island has significance in that is improving the practical improvement of life in the local community, changing the paradigm in the development of local community, and creating new value by using a system with company-resident-government and expanding the scope of business.

A staff member of the  
Ministry of Science, ICT and  
Future Planning

### Interview with stakeholder

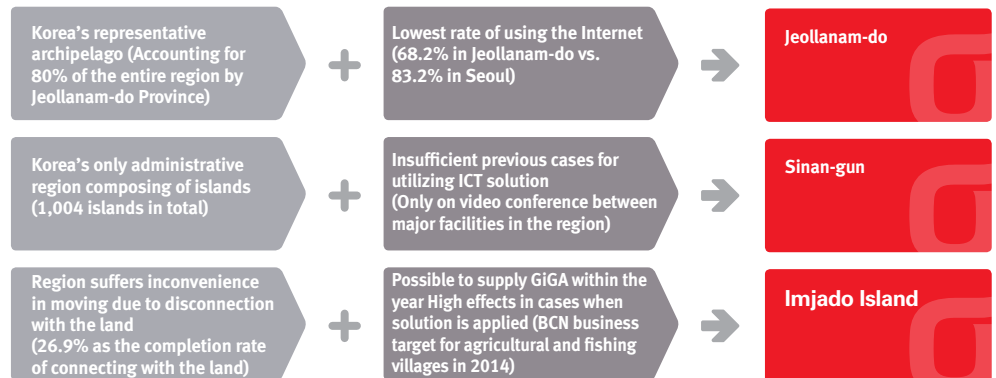
“The most important role of kt as a company having practical impact in daily life is providing services that set people’s convenience as top priority to allow the use of communications services without inconvenience. Some people in disadvantaged regions are still isolated from having sufficient information due to their geographical and economic conditions. kt’s unceasing efforts to enhance universal services through investment in infrastructure and addressing adverse effects of ICT by utilizing IT and supporting education will lay the foundation for seeking momentum for new growth while maintaining its identity as a communications company. “GiGA Island,” kt’s recent project, will not only narrow the information gap by investing in infrastructure but also improve the quality of local residents’ lives by connecting services such as safety and health based on communications. I hope that kt will take the lead in creating value that is needed by our society by utilizing ICT and convergence technology and maximizing positive effects with communications services.”

## Imja GiGA Island

### Creation of Imja GiGA Island

Jeollanam-do Province, which is popular as archipelago, had insufficient ICT infrastructure as the lowest rate of internet use. As Imjado Island was separated from the land, the living conditions of residents had various limitations compared to the city. Through the GiGA Island Project, a virtual bridge was constructed to connect the land and city by utilizing GiGA network with a speed that is ten times faster than the existing speed, and the project has led to improvement in the quality of residents' overall life from education to culture, economy, medical treatment, and environment.

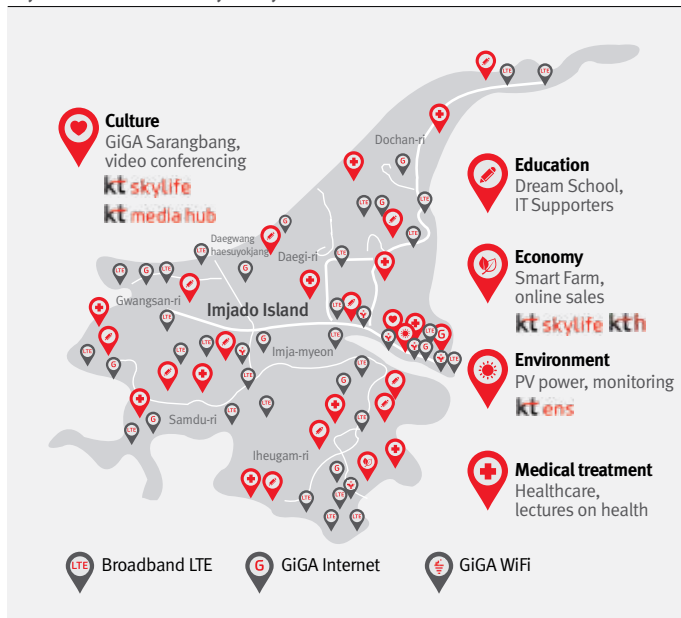
#### Process for Selecting Imjado Island for GiGA Island



### Major Projects and Expected Effects

Imja GiGA Island carries out cultural development through video conferencing, educational promotion through IT Supporters and Dream school, economic development through online sales, environmental improvement with solar power monitoring, and health promotion by giving lectures on health. Based on these various activities, it is expected to achieve improvement in the quality of residents' lives in all sectors.

#### Imja GiGA Island with Major Projects



#### Expected Effects

Major sectors	kt's business capability	Expected effects
1 Education	kt Dream School IT Supporters	Education with few differences from the city beyond spatial and temporal limitations
2 Culture	UHD TV Reinforced remote control for high-definition TV	Narrow the cultural gap between regions by sharing cultural content through ICT
3 Economy	Agricultural control/management T-Commerce (IPTV-based distribution channel)	Practical economic revitalization by reducing labor force needs and enhancing agricultural productivity
4 Medical treatment	Yodoc (Doctor for urine) Service (smart diagnosis) Reinforcing remote control for healthcare	Smart healthcare with easy identification and continuous management
5 Environment	Green Station (management for recycling) PV generation/control	Establish the future environment for energy consumption through managing energy on a real-time basis and attaining independence



## Baengnyeong GiGA Island

### Environmental Characteristics of Baengnyeongdo Island

With a 70 year history of suffering from being separated from the nation, Baengnyeongdo Island is geographically vulnerable due to its location in the northernmost part of West Sea. In addition to frequent cases of extortion of fishing nets by Chinese vessels, residents and tourists have long been anxious about their security. With rapidly aging residents and poor living conditions compared to the land, there has been a desperate need to improve the foundation for helping residents to stand on their own feet.

### Improvement of Marine Communications Environment for Baengnyeongdo Island

To extend the distance to reach the antenna, which was insufficient between the land and Baengnyeongdo Island, kt applied 4T4R technology, developed for the first time in Korea, to five major islands in West Sea and significantly improved the marine communications environment. As communications devices can be used without disconnection on fishing boats, maritime policy boats, passenger boats, etc., swift response can be possible in emergency situations. Application of GiGA solutions such as installing CCTV to monitor vessels and providing medical, educational, and ICT technology has led to the improvement of living conditions for residents in Baengnyeongdo Island.

**Establishment of GiGA Microwave: Realized capacity that is four times larger than the previous model by using the single channel**



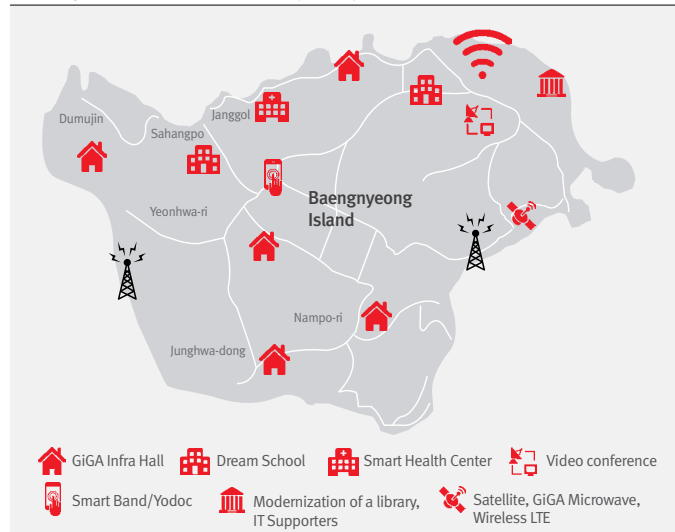
**Satellite LTE: Changing the satellite network into LTE network**



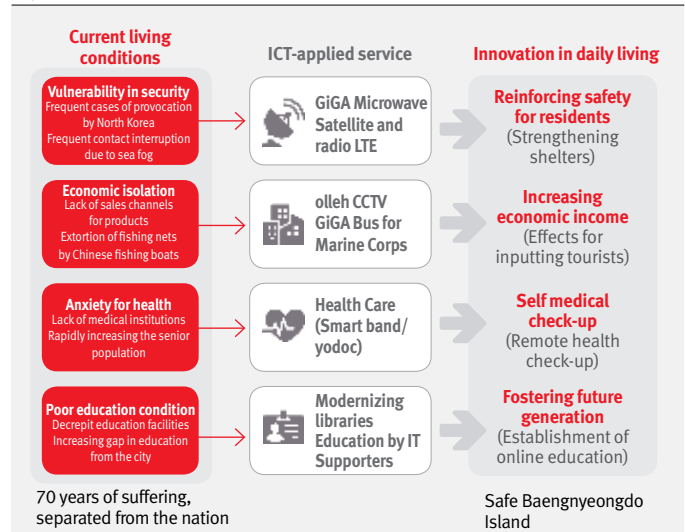
### Major Projects and Expected Effects

By providing Baengnyeongdo Island, which used to be regionally isolated, with various ICT application services, these projects are expected to ensure safety for residents by reinforcing shelters, economic income with profits from tourists, health promotion for residents by remotely checking their health conditions, and foster future generations by establishing online education programs.

#### Baengnyeong GiGA Island with Major Projects



#### Expected Effects



# GiGA School/GiGA Creative Village

Through GiGA School, kt leads the improvement of the educational environment at Daeseongdong Elementary School located at DMZ, while the company will provide ICT technology in various sectors to expand the exchange of traditional culture between traditional villages and cities and improve local living conditions through GiGA Creative Village.

## GiGA School

### GiGA School with Major Projects



**Education**  
 Smart education with PC, tablet, etc.



**Vision**  
 Dream School and Dream Mentoring GiGA UHD TV, video conferencing, etc.



**Safety**  
 Install automatic defibrillators



**Health**  
 Stress relief Power generation by bicycle (obesity care)

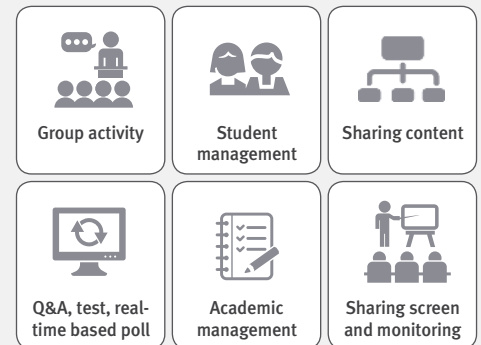
### Daeseongdong GiGA School

Daeseongdong Elementary School, which is located in the world's only DMZ in the northernmost region of Korea, had a very poor educational environment due to the limitations of being in a military area. kt has carried out the GiGA School project to allow students to realize their dreams for reunification through the GiGA infrastructure-based convergence solution.

### Major Projects and Expected Effects

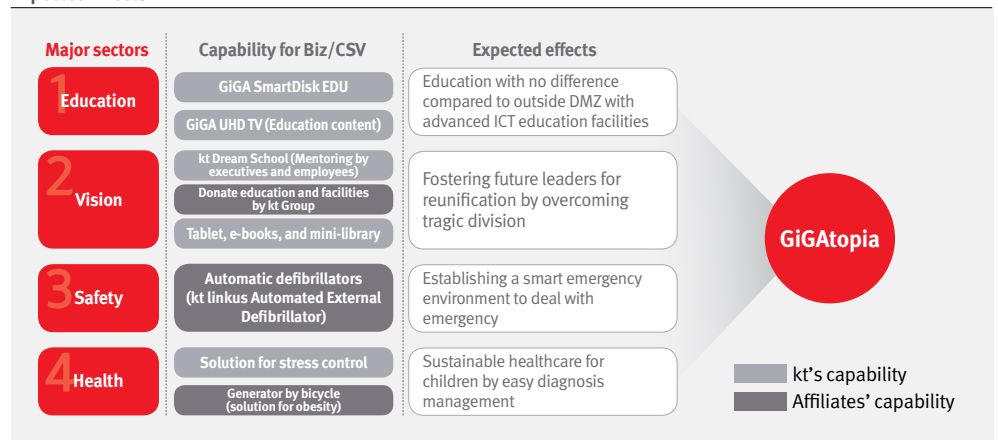
By establishing Korea's first next-generation class environment on the basis of GiGA infrastructure that goes beyond spatial and temporal limitations, kt aims to narrow the gap in educational opportunities for children at Daeseongdong Elementary School and contribute to fostering creative global talents.

### Smart Disk\_Education Ver 2.0



- Smart education solution supports mutual and cooperative classes between students and teacher or between students by utilizing various content and devices
- Possible to control a tablet terminal device and identify situations via remote control

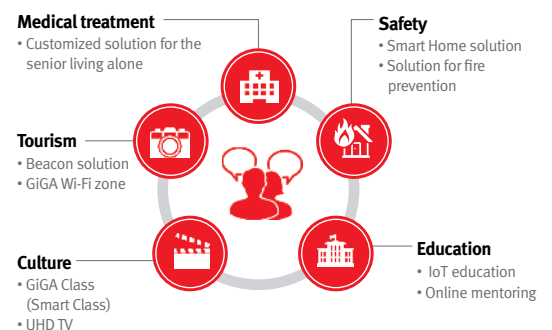
### Expected Effects



## GiGA Creative Village

### Cheoghak GiGA Creative Village

kt carries out local development under the theme of exchanging traditional culture with ICT technology via online channels between traditional villages and cities. GiGA Creative Village will give traditional villages the opportunity to narrow the digital gap with cities, while people in the city can experience traditional culture. The company plans to provide other various ICT solutions for medical treatment, safety, travel, culture, etc. kt will realize GiGA Creative Village in every corner of the country by expanding the business based on the unit of village.



# Sustainable Value

Expansion of Win-win Growth

Creation of Value for the Local Community

Talent Management

Eco-friendly Management



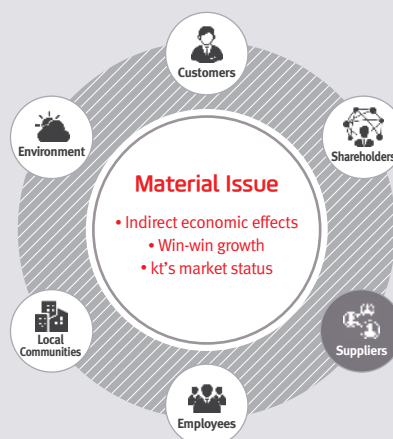




# Expansion of Win-win Growth

## Importance of Win-win Growth

kt operates various businesses in cooperation with numerous companies that range from developing technology to providing products and services. In the rapidly changing communications market, win-win growth through mutual growth management with suppliers is a requirement to secure competitiveness to lead future technology and provide differentiated service value.



## kt's Win-win Management

### Win-win Growth Composition

We will foster a culture that respects our partners through close communication.



By focusing on creating a culture where suppliers are respected through close communication and cooperation, kt has installed and operated a professional organization for win-win growth since 2010. Recently, the company reinforced its role as a one-stop hub for not only communication with suppliers but also conducting win-win growth business to raise suppliers' competitiveness, operating an online/offline business proposal window to pioneer domestic and overseas sales channels, and receiving and addressing grievances from suppliers.

## kt's Competitiveness

Core Competency	Performance Index	
Sharing performance	Amount of sharing performance	About 3.1 billion won
Raising and supporting competitiveness of suppliers	Supporting development infrastructure	19,905 cases
	Technology protection	45 cases
	Transferring license of using patent and technology	54 cases
	Providing employees with free education	1,323 persons
Managing a sustainable supply chain	Assessing the supply chain for sustainability	90.3

## Future Strategy

To become the "Global No. 1 Company," kt will implement joint business with suppliers, such as those dealing in technology exchange and the development of products, and share achievements with suppliers. Our company will support all our suppliers to improve executive ability and manage the supply chain by sharing best practices among ESG assessment for suppliers, thus building an ICT ecosystem for sustainable growth.



# Creating Performances through Cooperation

To establish win-win growth culture and create shared achievements, kt pursues cooperation without barriers with suppliers. As well as operating the "Performance Sharing System," the company has created a foundation for new growth by launching new programs and reinforcing communication with suppliers.

## New Programs for Joint Business

To launch new products and services in the ICT sector, kt introduced new programs which are jointly operated with SME suppliers in 2014, including Partner's Fair, RTC, etc. The company leaps forward into another stage of collaboration going beyond cooperation by creating new businesses using the excellent technology of SME suppliers and sharing ideas with them at the initial stage of business.



Experience of new equipment by suppliers

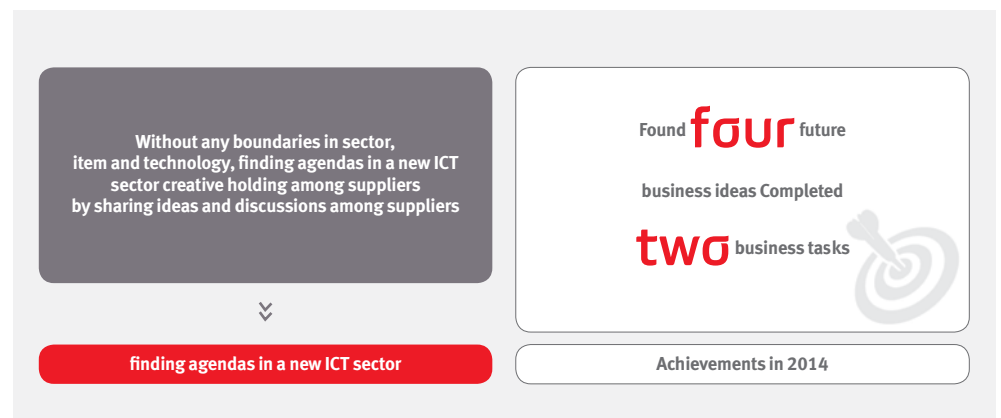
### Partner's Fair

The Partner's Fair not only showcases new technology and equipment by suppliers, but also holds separate in-depth technology seminar for each item. Thanks to these efforts, suppliers and kt executives and employees shared opinions and expanded the scope of opportunities for business connection.



### Round Table for Convergence (RTC)

As RTC is a program developed to find out ICT agendas from a new perspective in various sectors such as technology, equipment, software, and solutions, kt shares performance by creating businesses with the relevant departments based on ideas found through RTC.



## Operation of Performance-sharing System

Since 2006, kt has operated Performance-sharing System by creating performances and sharing the resulting profits such as reducing costs and improving quality through the development of equipment and services jointly with suppliers. In 2014, the company conducted a total of 40 assignments, including ten theme-based performance-sharing cases and thirty regular performance-sharing cases, and shared performances worth about 3.1 billion won.

Implemented a total of **40** tasks for sharing performance Amount of performance sharing: About **3.1** billion won

Economic Effects from Sharing Performances

## Reinforcing communication



On-site Shared Growth Discussion

With the Information Sharing Council and On-site Shared Growth Discussion, kt continuously reinforces communication channels with suppliers and lays the foundation for cooperation. In 2014, kt diversified communication channels by launching Partner's Camp to help suppliers to experience practical communication.

### Major Communication Channels

(Basic year: 2014)

Category	Content	No. of Communication
Information Sharing Council	Collecting opinions for directions and joint cooperation for win-win growth with suppliers in each sector and conducting measures for improvement	Operated 45 times
Grievance Handling Program	Collecting grievances and complaints through official channels for supplier portal and communication channels with the director of purchase cooperation and preventing potential risks regarding labor, environment, and human rights issues in the supply chain	Processed 62 cases
On-site Shared Growth Discussion	Addressing issues for shared growth as executives for purchase visit suppliers on a monthly basis - In 2014, conducting discussion by reorganizing it as "theme-based discussion"	Visited 42 companies
Partner's Camp	Reinforcing strong ties as single partners and promoting a culture of win-win growth by sharing thoughts with suppliers and forming bonds based on mutual understanding	Once a year

### Supplier Satisfaction Survey

We conduct annual multidimensional evaluations of our suppliers in areas such as fair trade, the level of cooperation, and shared growth systems. As a result of our sustained endeavors to improve our substandard practices, our supplier satisfaction rose for three consecutive years. kt will continuously develop our fair trade system and realize win-win growth through cooperation based on communication.

#### Result of Supplier Satisfaction Survey(Score)

2012	1 <sup>st</sup> half	86.90
	2 <sup>nd</sup> half	89.01
2013	1 <sup>st</sup> half	88.87
	2 <sup>nd</sup> half	90.66
2014	Integration of 1 <sup>st</sup> and 2 <sup>nd</sup> half	94.9



An Chang Il | Director of Moimstone

### Interview with stakeholder

"As a company with the best network infrastructure, kt has operated the greatest variety of businesses in the communications market by making aggressive investments. As the company's influence in the industry is so huge, kt's management activities for creating sustainable value are important issues for suppliers as well. If kt enhances the quality of services based on a strong infrastructure under a firm vision and strategy and secures profits by launching new services through technical exchange with suppliers, sustainable growth with suppliers can be achieved. I expect that kt will take the lead in developing smart solutions in the mobile market as a company developing and supplying internet telephones. If the company vitalizes the ICT ecosystem by focusing on exchanging technology with its suppliers and developing products, kt will lay another foundation as a company for the people."

## Efforts for Win-win growth

kt complies with “Four Guidelines for Mutual Cooperation between Large-sized companies and SMEs” enacted by the Fair Trade Commission and creates a fair and reasonable trade environment by operating a transparent purchase process. The company supports various programs and conducts mutual management to help suppliers stand on their own feet.

### Selection and Management of Suppliers Based on Quality

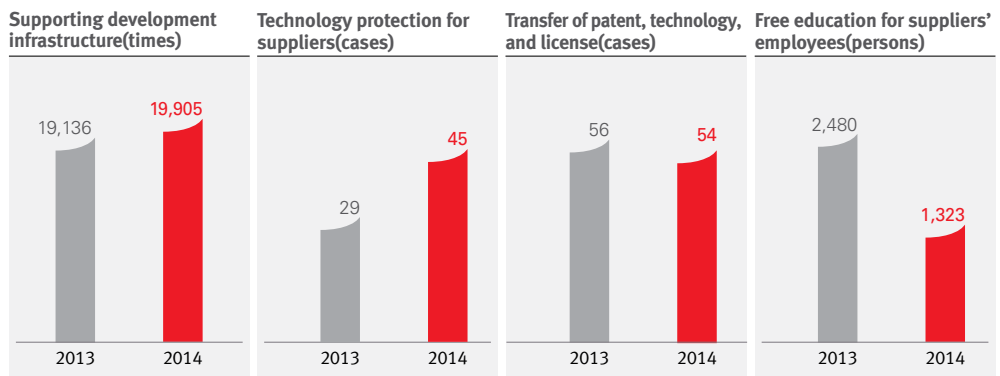
To be able to select suppliers by considering quality as the top priority, kt operates a reformed purchase process. Through quantification assessment, the company determines the order of quality based on assessment scores and signs contracts with the suppliers that can offer the best quality. Through these efforts, suppliers can concentrate on technology development, while kt can promote optimization from the perspective of TCO (Total Cost of Ownership) by trading with remarkable suppliers.

### Purchase System for Fair Trade

To minimize elements that can undermine fair trade, kt has developed an effective purchase system. With the aim of preventing insolvency in suppliers due to application of a bidding system with the lowest price, kt has introduced a whole bidding system and adjusts the goal price by reflecting elements for changing the price. kt has allowed smooth financing for suppliers by introducing a middle payment system, expanding the extent of exempting contract deposit/defective guarantee money, easing standards for imposing compensation of deferment, and strived to improve an unfair purchase system by abolishing joint surety and adjusting the period of delivery for holidays.

### Supporting Suppliers

To help suppliers to secure independent competitiveness and continue cooperative business, kt provides various infrastructures (building, skills, and consulting) to strengthen their management environment.



### Expansion of Win-win Growth Programs

kt has expanded win-win growth programs to secondary suppliers and strengthened competitiveness in the overall supply chain. The company provides secondary suppliers with 50% of the entire expenses for verification for quality, environment, consulting, and certification as well as offering free education and facilities such as test-bed, measuring equipment, comprehensive model room, “Econovation Center,” etc. The company has supported improvement of production process for 20 primary and secondary suppliers by contributing 500 million won to Industrial Innovation 3.0 by the Ministry of Trade, Industry, and Energy since 2014. In cooperation with NIPA, kt has improved SW source code defects by 30% on average for 13 companies by implementing consultation for the quality of SW produced by suppliers.

### Supporting Establishment of Green Ecosystem

To reinforce the environmental management capability of suppliers and make an eco-friendly supply ecosystem, kt supports activities for the Environmental Management System (ISO 14001), consulting services, and certificate acquisition by primary and secondary suppliers. 96.91% of kt's suppliers acquired environmental certificates. In 2014, kt supported three secondary suppliers to acquire certificates.

# Management of Sustainable Supply Chain

Sustainability of relevant companies in the supply chain is a requirement for reducing loss and maintaining the sustainability of management activities. Though a supply chain management system that considers economic, social, and environmental elements, kt minimizes risks in the supply chain and carries out win-win growth development in the long-term perspective.

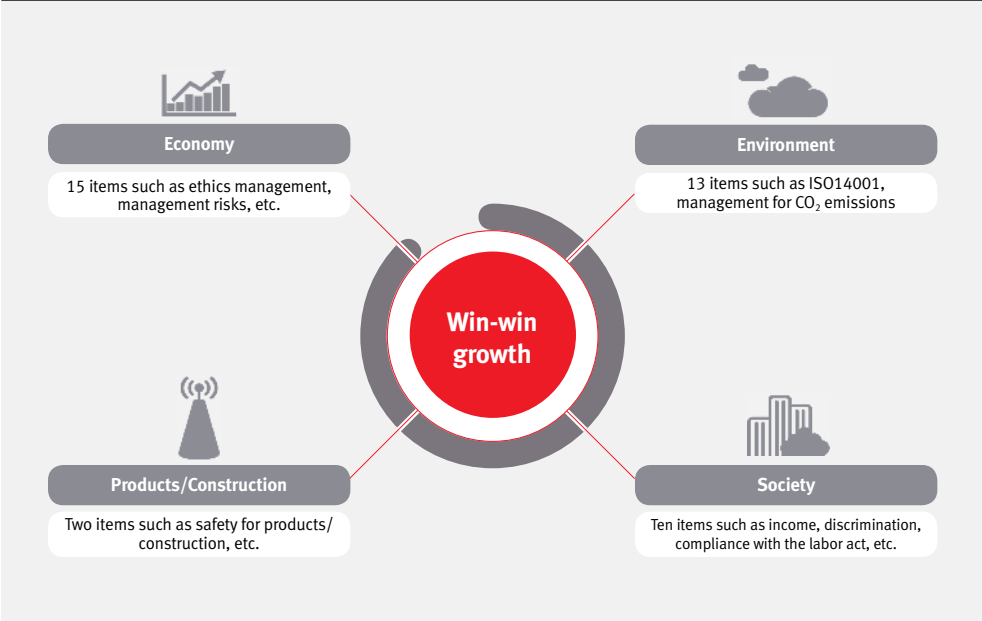
## Reinforcing the System for Management of Sustainable Supply Chain

kt reinforces the management of a sustainable supply chain by establishing a guideline for sustainability management for suppliers and assessment system. In 2014, the company operated an on-site employees-based education program for the sustainability management system to help suppliers understand sustainability management and carry it out alongside their other management activities. In 2015, we will implement an educational process by focusing on executives of suppliers, operate various programs to enhance the executive ability in the sustainable system, and realize innovation in the supply chain management (SCM) of suppliers.

### Assessment of Sustainability Management by Suppliers

In 2013, kt introduced a system to assess sustainability management by suppliers for ESG to manage potential negative impacts in human rights, labor environment, and environment in the supply chain. Assessment results are reflected in an annual based assessment for suppliers and utilized in re-selecting suppliers and appointing the best suppliers. As a result of the assessments for suppliers in supply/information communications construction sectors in 2014, the average score was 90.3, which showed improvement in the level of the sustainability system by suppliers compared to last year.

Sustainability Management Assessment System for Suppliers



Result of Assessment of Sustainable Supply Chain in 2014

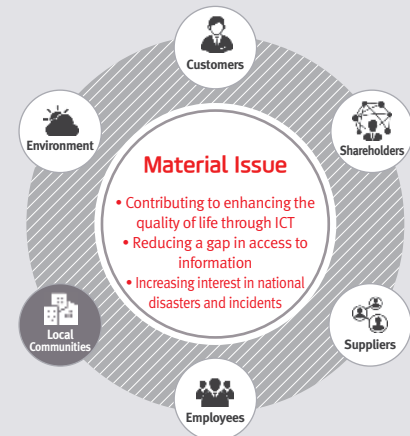
Category	Number of suppliers participating in the assessment	Sustainability assessment index for suppliers	Result of assessment
Suppliers for goods	132 companies	ESG + Product : 40 indexes	83.9 on average
Suppliers for information communications construction	272 companies	ESG + Construction : 32 indexes	96.7 on average

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

# Creation of Value for the Local Community

## Importance of Creating Value for the Local Community

The current trend in corporate social contribution activities has changed from charity or donation from the CSR (Corporate Social Responsibility) perspective to engaging in activities that create shared value from the CSV (Creating Shared Value) perspective. Companies can find new business opportunities in social issues that are related to their management activities and address these issues while creating corporate profit.



## kt's Management to Create Value for the Local Community



## kt's Competitiveness

Core Competency	Performance Index	
IT sharing activities	IT basic education and education program for acquiring certificates for people with disabilities	678 cases/6,070 persons
	IT sharing volunteer	9,189 cases/88,991 persons
	Dream Teacher (Social contribution jobs by the retired)	1,900 persons
Cultural and medical sharing activities	Supporting treatment for hearing-impaired children	2,130 persons
Providing universal services	Operating national public phones	71,571 units
	Reducing communications bill for people with disabilities and low-income households	175.2 billion won
	Reducing high-speed internet fees for children in low-income households	100,000 persons

## Future Strategy

Amidst rapidly changes in technological development and the social environment, kt has sought ways to contribute to the local community. We will not only fulfill our responsibility to deal with national issues as a company for the people and continue to implement social contribution activities to enhance the people's lives, but also internalize our values and vision of social contribution in overall management activities and strengthen our internal capabilities.



# Strategies for Social Contribution Activities

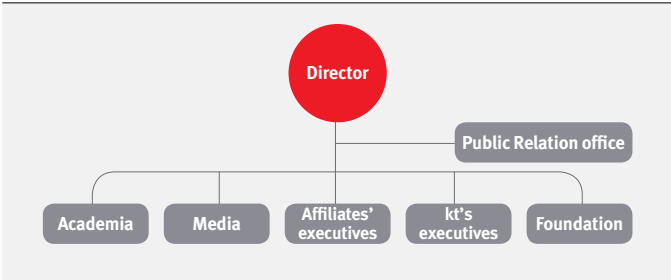
To carry out differentiated social contribution activities utilizing the group’s capability, kt operates the Group Social Contribution Committee under the leadership of the CEO. The Group Social Contribution Practical Committee, which is comprised of executives at public relation department, of group companies, utilizes its remarkable capability to various projects for the people such as GiGA Story.

## Group Social Contribution Committee

- Major Roles of Social Contribution Committee

  - 1 Finding social issues highly relevant with kt Group’s management
  - 2 Presenting targets and methods for benefit by considering social timeliness and influence by social contribution activities by kt Group
  - 3 Making funds for social contribution by kt Group and presenting the size of use
  - 4 Review for social contribution by kt Group
  - 5 Advice for elements needed for other social contribution activities by kt Group

Composition of Social Contribution Committee



The Group Social Contribution Committee is comprised of three non-executive members from the academic and professional sectors and media as well as three executive members including executives of kt and affiliates and the director of the foundation. Objectivity is secured as a non-executive member is appointed as the director.

Social Contribution System



## Direction for Social Contribution Activities

kt’s social contribution activities focus on improving the people’s convenience by utilizing GiGA infrastructure and ICT technology. As a company for the people, kt has expanded its scope of beneficiaries to every corner of the country such as remote and mountainous regions through GiGA Story, and enacts efforts to help people at national disaster sites such as Sewol Ferry Sinking Incident. As an IT company, kt strives to address the information gap and adverse effects by managing IT support. The company opened the “Dongja Hope Sharing Center” at a residential area with poor conditions in Dongja-dong and contributed to the creative economy by generating more jobs for seniors.

## Fulfilling Social Responsibilities as a Company for the People

To fulfill its social responsibility as a company for the people, kt has reorganized its social contribution group into the IT Supporters since 2015, in which 47,000 executives and employees from kt and major group companies including retirees engage in volunteer work.



# IT Sharing

kt aims to share what the company can do best with the local community. Through IT Supporters spreading ICT technology to the vulnerable, disaster relief by using advanced communications technology, and supporting start-up activities based on ICT, kt is realizing a more compassionate world by utilizing IT technology.

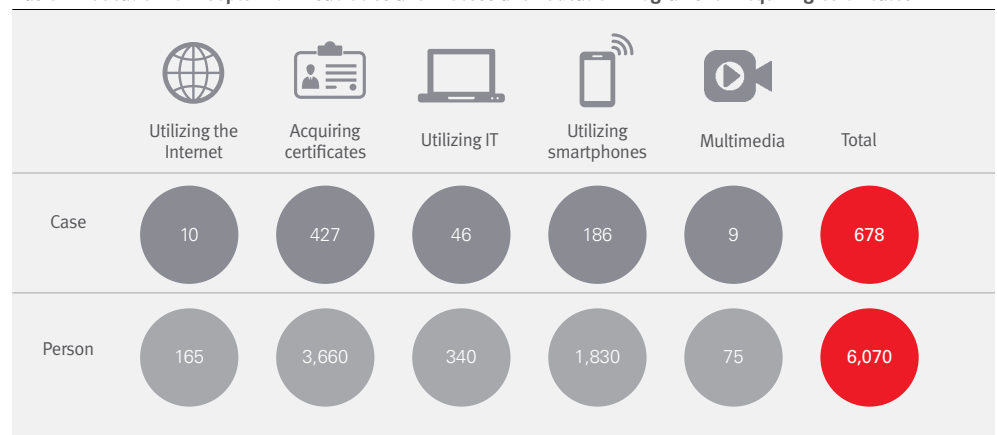
## IT Supporters

“IT Supporters” sharing IT knowledge is kt's representative social contribution program. Since its launch in 2007, about 300,000 IT sharing activities have been carried out for individuals and groups with about three million beneficiaries. IT Supporters conducts education on smartphone use for information disadvantaged people. For the visually impaired, voice-over and talk-back education was conducted by reading menus and apps to enable them to use smartphones by sound, while education on smartphone use was conducted through the “Learning Smartphone by Sign Language” video material, produced and distributed by IT Supporters for the hearing impaired. The company implements education for preventing smartphone addiction and overindulgence in games to create a sound smart culture. kt also supports multicultural females to settle in Korea through IT education and operates an employment program that helps in acquiring certificates.



Activity by IT Supporters

### Basic IT Education for People with Disabilities and Process and Education Programs for Acquiring Certificates



Thanks to this contribution, kt has been recognized externally by receiving the prize for realizing information culture and prime minister citation from the National Multicultural Family Network Contest hosted by the Ministry of Science, ICT, and Future Planning.

### Awards and Citations (Recent Three Years)

Date	Detail	Hosted by
Dec. 2014	Prize for merit of realizing information culture by the Ministry of Science, ICT, and Future Planning in 2014	Ministry of Science, ICT, and Future Planning
Sept. 2014	Prize for National Multicultural Family Network Contest by Prime Minister in 2014	Ministry of Gender Equality and Family
Dec. 2013	Citation from the Governor of Gyeonggi Metropolitan City Government for Education for Prevention of Smartphone Addiction	Governor of Gyeonggi Metropolitan City Government
Aug. 2012	Prize in the Regular and Special Sectors in the 19th National Volunteering Festival	Volunteering Korea

## Addressing an Educational Gap through ICT

To narrow the gap in information for disadvantaged children and youth, kt has provided youth with an opportunity to get quality education by establishing the “Dream School,” an ICT-based two-way mentoring platform, since 2013. The Dream School Project has been assessed as presenting a new social contribution model by providing an ICT-based mentoring platform. In cooperation with Seoul Metropolitan City from July, 20 volunteer workers from the Seoul Foreign Student Voluntary Group set up one-on-one relationships with elementary school students in Imjado Island, Sinan-gun, Jeollanam-do Province and conduct global mentoring practice as mentors for Dream School.

## Dongja Hope Sharing Center

kt opened the “Dongja Hope Sharing Center,” an ICT complex cultural space, in Dongja-dong, Yongsan-gu, which is one of the regions with poor housing conditions in Seoul. The center has various living and cultural and art facilities including a bathhouse, laundry, library, theater, and space for small-sized concerts and IT education, which can be used by anyone free of charge. As a supporting model for shantytowns that utilizes a public-private cooperative network, this center has presented a new model for the creative economy by creating 21 jobs, such as operating a café.

As Dongja Hope Sharing Center is a new social contribution role model suitable for the government’s policy direction, many senior officials such as the Chairman of the National Assembly and Mayor of Seoul Metropolitan Government visited the center to encourage its efforts.

## Support for Sewol Ferry Sinking Incident

After the Sewol Ferry Sinking Incident, kt dispatched 130 personnel members for communications support to the incident site to provide wired and wireless communications services without problems. In addition to supporting communications for the relief operation and the bereaved, the company installed three large-sized LED screens for communication at Jindo Indoor Stadium and established and operated a comprehensive situation room for 24 hours. The company also dispatched a total of 720 volunteers from IT Supporters and group executives and employees to provide various support such as free charge service for portable IT devices. kt also contributed donations worth 1.55 billion through the compassion of executives and employees.



Dongja Hope Sharing Center



Support for Sewol Ferry Sinking Incident

## Supporting ICT-based Start-ups

kt operates IT education programs for retirees as well as social contribution jobs for about 1,900 retired persons through “Dream Teacher.” By sharing talent, kt Dream Teacher has conducted 13,000 rounds of mentoring for about 40,000 persons in the sectors of culture and art, academic support for curriculum, etc.

## Global Social Contribution Utilizing ICT Technology

kt has developed the world’s first app for diagnosing eye diseases by utilizing medical IT technology in cooperation with the Yonsei University Health System. The company distributes the app to developing countries, which find it difficult to identify and diagnose patients with eye diseases due to a lack of medical personnel, free of charge and supports the medically disadvantaged in the world. kt currently cooperates with the Ministry of Health, Malawi, Africa and is conducting a trial application.

As UCC by kt’s Labor-Management Sharing Committee receives support from the Ministry of Gender Equality and Family and UN SDGs Korea, the company has conducted video meetings, free medical check-ups, and housing repairs for Vietnamese multicultural families since 2012.



Activity by “kt Dream Teacher”



UCC video reunion between Korea and Vietnam

# Sharing Love

As a company for the people, kt carries out various volunteer work and activities for sharing love through its executive and employee volunteer group and Dream Center by utilizing its human and material infrastructure. After jointly proclaiming a new creative Labor-Management culture in 2010, the company has continuously implemented activities to fulfill social responsibility through “Labor Management Together” and “UCC.”

## Executive and Employee Volunteer Group

To operate volunteers in a company-wide and systemic way, kt operates an executive and employee volunteer group under the leadership of CEO. With approximately 23,000 employee volunteers, Love Volunteer Corps launched wide-ranging initiatives—from supporting local children's centers, helping the underprivileged in local communities and assisting in disaster recovery—to offering assistance to farming and fishing households through the One Company One Village campaign. Activities also include checking the facilities at welfare centers and offering experience-based training that uses kt's infrastructure. In 2014, 7,714 kt employees volunteered for 51,191 hours.



Executive and Employee Volunteer Group

## Dream Center

Since 2010, kt has operated the Dream Center by linking with children centers in major regions to help children from disadvantaged households grow into people that can lead the world. As of 2015, the company operates a total of 21 Dream Centers in Seongnam, Gyeonggi-do Province, where the headquarters is located, Jeju, Mokpo, Busan, etc. Making use of idle spaces in office buildings, Dream Center conducts various educational activities by utilizing IT devices, such as IPTV, beam project, smart pad, and e-book, to enhance academic achievement.



Dream Center

## Labor-Management Together

Labor-Management Together carries out socially responsible activities in joint efforts between kt management and the labor union. The group has proactively carried out various sharing activities such as the “Youth Scholarship”, selecting 210 high school students from low-income households and granting scholarships until graduation, and “8-hour Autonomous Volunteer System by Executives and Employees” to conduct nationwide relay volunteer work for local communities. The company has also reinforced labor-management willingness for social contribution by realizing joint proclamation for fulfilling social responsibility and strived to create new value based on exemplary labor-management relations.



kt Labor-Management Together activities

## UCC as Labor-Management Sharing Committee

kt's labor union and management joined UN SDGs Korea to engage in global agendas and participate in the UN's SDG Forum by the National Assembly as an advisory member. In 2015, the company prepares to register UCC (Union Corporate Committee)—the intercompany labor-management sharing committee made up of labor unions from 11 other companies and led by kt's labor union—as an advisory institution for the UN's SDG Forum by the National Assembly to strengthen global activities. As all member companies participated in UCC donation, kt has continuously expanded the scope of its activities.



# Sharing Culture

kt holds a concert by operating the kt Chamber Hall to broaden the scope of classical music and utilizes profits from the concert to treat the hearing impaired. The company provides a place for various cultural events, free IT experience, and rest areas at olleh square to contribute to improving the quality of people's life.

## kt Chamber Hall



Concert at chamber hall

kt's activities for sharing classical music began with the aim to contribute to spreading "sound" as a communications company, conveying voices through radio waves. By operating the kt Chamber Hall, the company contributes to the promotion of classical music. In 2014, the company has held a total of 19 concerts with 8,131 people attending. Meanwhile, profits from concerts are used to treat children with hearing impairments by carrying out the "Healing Hearing Impairment Campaign." In 2014, 2,000 hearing-impaired children were provided with medical benefits in cooperation with Yonsei University Health System Plus. kt not only just holds a concert, but produces visual content for all concerts, providing it as olleh TV VOD service. With this system, the company supports people who cannot easily visit concert halls due to physical inconvenience or geographic location so that they can conveniently enjoy classical music.

### Achievements for Finding Sound Activity in 2014

Category	Artificial ear cochlear implant	Brain-stem implant	Artificial cochlea	Hearing aid	Rehabilitation	Support by family	Total
Number of beneficiary (person)	2	1	1	5	2,100	21	2,130

## olleh square

Opened in May 2010 and located at the 1<sup>st</sup> floor of the kt office at Gwanghwamun, olleh square is a complex cultural place for IT experience at a size of 3,300m<sup>2</sup> to help Seoul citizens enjoy more high-quality cultural lives. Visitors can experience the latest IT devices free of charge and enjoy cultural experiences through cultural and art concerts by "Sharing with 1,000 Won." In 2014, about 24,000 small and large cultural events were held, and about 800,000 customers visited olleh square, which has become one of Korea's most prominent cultural spaces.



olleh square



**Kim Young Bae** | Professor at Chugye University for the Arts (Planned kt Chamber Hall)



### Interview with stakeholder

"By providing services to communicate through voice, kt conveys deep impressions with sound by conducting various cultural sharing projects. Classical music concerts held at kt Chamber Hall have special significance in contributing to social integration by communicating with people through art and utilizing all profits to help hearing-impaired children. In other words, all audience members engage in social contribution activities. Every concert at kt Chamber Hall can be seen through kt's media (olleh tv and IPTV) by producing content from these concerts so that people can enjoy cultural experiences without any special and temporal constraints. As recordings from the first concert have been collected to make an archive, the company has made significant record assets in Korea's classical music history. I hope that the value of communication and sharing which is pursued by kt through cultural sharing activities from 2009 is shared and conveyed to more people in the world."



# Public Services (Providing Universal Services)

As basic telecommunications services that can be offered to every user anytime and anywhere at reasonable prices, universal services refer to communications services that can be smoothly used by most people regardless of social class and residential area. kt fulfills its duty and responsibility as a company for the people by not only providing the socially disadvantaged with a reduction in fees but also offering the same level of services as subscribers in the city to high-cost residents in remote regions.

## Wire Telephone Service

As a telephone service that mediates communications using subscriber telephones, the local call service provides 13,713,000 subscribers with service as of late 2014. kt operates about 70,000 public telephone booths in the country and makes great efforts in enhancing public convenience by utilizing these booths as a charge station for electric vehicles. By mediating wireless communications between the mainland and island or between islands, the company provides communications services to connect residents in 500 remote and isolated islands.

## Telephone Service for Emergency Communications

For the safety of human resources and maintenance of social order, kt provides free telephone service for emergency special numbers, such as crime report (112), fire and distress report (119), etc. transmitted by wired and wireless subscribers. For about 4,000 vessels, the company has also provided vessel wireless phone service and contributed to vessel safety by reporting to relevant institutions on a real-time basis for distress reports.



Utilizing public telephone booth as a charge station for electric vehicles



Expanding transmitting and receiving stations for vessel wireless communications

## Fee Reduction Service for People with Disabilities and Low-income Households

kt has contributed to enhancing welfare for the socially disadvantaged by reducing 175.2 billion won in communications bills for the use of services such as local calls, mobile calls, and high-speed internet by people with disabilities and low-income households. As the company engaged in the project for “Support Children from Low-income Families for Using High-speed Internet” by the Ministry of Education, kt reduced high-speed internet bills and supported the informatization of education.

### Rate Discount for Each Target

Category		Total in 2014	
		Number of recipients (person)	Amount of discount (won)
Individuals	Disabled	1,371	111,234
	Low-income Bracket Pensioner	401	47,551
	Near-poverty group	67	7,276
	Patriots and veterans	104	8,707
Organizations(welfare Institutes for The Disabled etc.)		12	481
total		1,955	175,248

# Talent Management

## Importance of Talent Management

Executives and employees are kt's valuable resources because they are our partners who realize the company's mission and vision. kt believes that the company and its executives and employees can achieve a win-win relationship when the company respects the employees' capability and individuality and employees pursue shared value with affection for the company. We will create a work environment where individual employees can exert their capability as much as possible, and the labor union and management can maintain harmonious relations for the sake of kt's success.



## kt's Talent Management

With the belief that fostering talent leads to corporate competitiveness, kt recruits the best and talented people suitable to work as the company's exemplary employees who "fulfill the basics and principles, communicate continuously to realize customer value, and face challenges with perseverance." The company places recruited employees at suitable positions and assesses their performances by using a fair personnel system. We also establish a corporate culture where employees can exert their capability as much as possible by completing education based on the company's talent development program. To encourage all members of the company to work together, kt pursues corporate culture with mutual cooperation and trust so that both management and on-site employees can communicate and cooperate with each other.

### Exemplary employees for kt



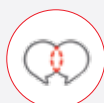
#### The talent continuously takes on challenges

Achieving the best results by not yielding to hardship and adversity and continuing to challenge goals  
Realizing differentiated services by leading changes and innovation



#### The talent respects customers

Considering interests and satisfaction of customers in conducting all tasks  
Respecting customers and fulfilling promises with customers



#### The talent communicates without barriers

Continuously striving to ensure mutual growth and development by communicating with colleagues  
Creating synergistic effects by cooperating with each other for the success of kt



#### The talent complies with the basics and principles

Conducting tasks with the pride of being the owner of a company  
Acting based on ethical decisions and assuming responsibility for the results

## kt's Competitiveness

Core Competency	Performance Index	
Securing and Maintaining Talent	Average continuous service year	Male: 18.8 years, Female: 16.9 years
	New employees	208 persons
Fair HR Policy	Request for objection to assessment result	Reduced by 7% (Number of requests compared to 2013)
Reinforcing Capability of Executives and Employees	Hours of education for each person	50 hours
Balance between Work and Life	Rate of returning to the office after parental leave	Male: 92%, Female: 87%
Communication Management	Satisfaction level for online grievance handling center	4.78 (out of 5)

## Future Strategy

To encourage executives and employees to strike a balance between work and life, kt continuously reinforces its flexible working system and will expand self-help programs. We will expand the extent of various emotion care programs provided to promote the mental health for workers, from kt's employees to kt group companies' employees.

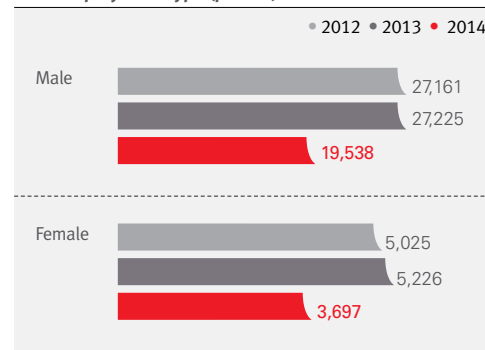
# Securing and Maintaining Talent

As the corporate environment has rapidly changed due to technological progress, globalization of the market, and diversification of customer needs, securing talent with professionalism and passion has become a crucial issue for every company. kt strives to secure the best and talented people, who are the basis for corporate development and growth, and raise corporate competitiveness through human resources management suitable for our management strategy.

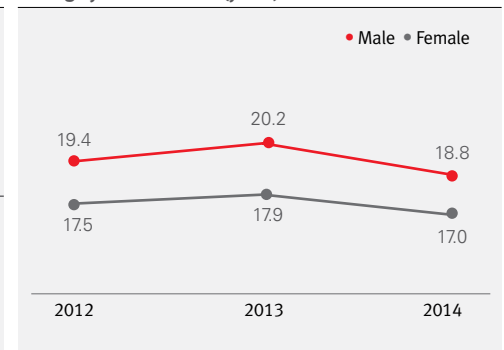
## Current Condition of Executives and Employees

The diversity of employees is a crucial pillar in business conduct. kt has 23,235 executives and employees and 3,264 managers at the level of team directors and above, which account for 5.7%. The number of female workers is 3,697, which is 16.5% of the total workforce. We hire part-time employees in consideration of job characteristics, and they represented 1.1% of our total workforce in late 2014 (excluding senior managers and professional, experienced part-timers). In accordance with the relevant regulations, kt ensures fair workforce conditions to all employees regardless of status as a permanent or temporary worker.

Total Employment type (person)



Average years of service (years)

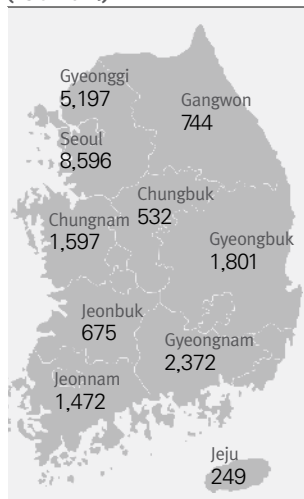


Current Condition of Executives and Employees

Category			2012	2013	2014
Employment type (person)	Full-time	Male	26,579	26,599	19,085
		Female	4,757	4,993	3,661
	Temporary	Male	417	413	64
		Female	263	219	8
	Others	Male	165	213	389
		Female	5	14	28
	Total	Male	27,161	27,225	19,538
		Female	5,025	5,226	3,697
Ratio of female workers for each position (%)	Employee		15.05	15.7	17.6
	Manager*		4.74	5.7	5.7
Social minority (person)	Female		5,025	5,226	3,697
	People with disabilities		824	809	477
Employment (person)	New		533	286	184
	Experienced		291	204	24
	Total		824	490	208
Turnover (%)	Male		0.24	0.33	0.47
	Female		0.06	0.28	0.42
	Total		0.3	0.32	0.46
Average years of service (years)	Male		19.4	20.2	18.8
	Female		17.5	17.9	16.9

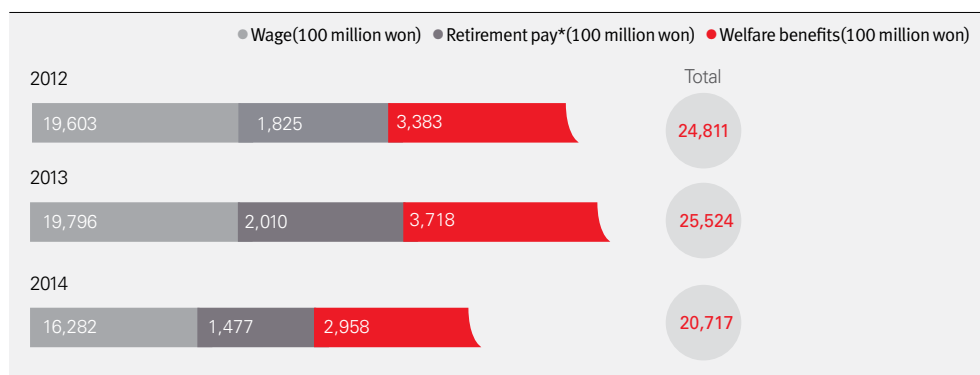
\* Manager: Executives, seniors, managers above team directors

Ratio of recruitment in rural areas (As of 2014)



## Compensation for Executives and Employees

kt fairly offers wages in accordance with the relevant regulations on job position and continuous service years without any discrimination in sex. The company's current level of remuneration for newly recruited employees is 172% compared to the legal minimum wage.



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

## Creating Jobs

Despite tough management conditions, kt has reduced the ratio of employment of experienced positions and conducted new recruitment in the second quarter of the last year to fulfill corporate social responsibility in “addressing youth unemployment” and “creating new jobs.” The company expanded the ratio of employment for applicants from rural areas, which used to be concentrated in the metropolitan area, with the aim of addressing employment issues with too much focus on the metropolitan area and strike a balance in the development of local communities (40% for metropolitan areas, 60% for rural areas).

kt holds “kt Star Audition” on nationwide units (Busan, Daegu, Gwangju, and Daejeon), which was introduced in the metropolitan area in 2013 with the aim of “settling recruitment culture based on capability over qualification.” As the size of the audition was doubled, the company takes the lead in minimizing the cost for having unnecessary qualifications by the youth.



kt Star Audition based on on-site interview

## Commitment to Hiring the Disabled

kt has no distribution and limitations for people with disabilities in the overall personnel system such as recruitment, ranks, and promotion. Currently, 477 employees with disabilities work at kt. As of 2014, the rate of employment of the disabled is 2.21%. We support the disabled to be respected and exert their capability. As a result, the ratio of directors among the disabled at the level of team director/executive has reached 10.7%.

## Respect for Employee Rights

kt respects individual diversity and provides employees the same opportunity to prohibit discrimination against its employees on the grounds of personal or academic connections, gender, religion, physical hardship, or for any other reason deemed irrelevant to the fulfillment of employment duties. To create a culture that respects employees, the company proactively undertakes initiatives for work-life balance and equal opportunity, while offering institutionalized support to protect minors and maternity. We are in full compliance with human rights regulations. Pregnant employees are banned from working overtime and offered reduced workloads, while 90-day pre/postnatal leave and one-day non-paid menstruation leaves are also available. At the same time, the company provides various caring packages and operates a leave system for each life cycle of female workers.

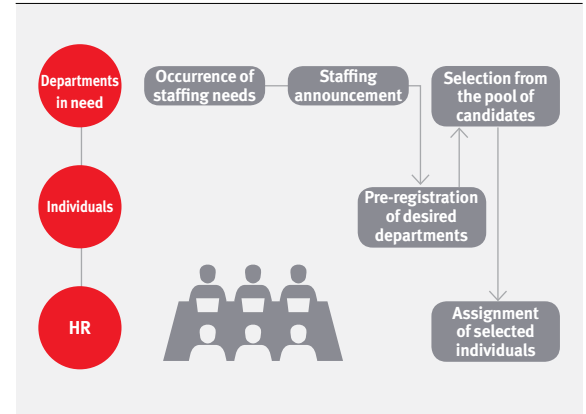
# Fair HR Policy

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

## Job Assignment based on Market Mechanism

Our TM (Talent Market) program, an IT-based open HR system, was launched in 2009 to allow employees to choose their own assignment and voluntarily begin work. Through IT systems, the TM program discloses assignment information that ranges from staffing plans to the current status and necessary job qualifications. This improves the transparency of workforce supply and demand and enables us to promptly assign the right people to the appropriate position. The company encourages employees to reinforce their professionalism and career management by allowing them to move to the appropriate position by considering their work experiences, expertise, and work relevance.

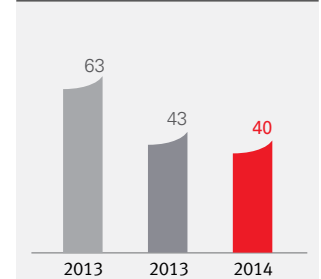
### TM (Talent Market) Program Process



## Fair Compensation based on Performance

kt applies the discriminative rate for income increase depending on individual performance. Assessment ranks are divided into S, E, G, N, and U, and the company maintains the ratio of employees at G-level and above by 90%. All executives and employees set annual goals for performance management at the beginning of each year through consultation with evaluators and receive annual assessment and regular performance coaching. The standards and procedure for assessment are disclosed transparently to all executives and employees, while the company raises fairness by implementing education for evaluators, applying for objection for assessment, and operating a follow-up monitoring program. Through calibration with primary and secondary evaluators, we conduct assessment for preventing dogmatic assessment errors. Thanks to these efforts, the number of objections to assessment results has continuously decreased.

### Current condition of objection cases for assessment results(cases)



## Fair Promotion System

To motivate all employees to set their future goals and strive to achieve visions, kt abolished the single band/ name system, which was implemented from 2009, and reintroduced the rank/promotion system from 2014. Under this new system, employees were placed at five positions—Employee, Assistant Manager, Manager, Deputy General Manager, and Head of Department—depending on their work experience and performance. In promotions, an income increase (quantum-jump) equivalent to the pay-band for each position is applied. To establish a fair promotion system based on high-performance workers, employees for promotion are selected in order of high score by adding points granted each year, depending on internal and external activities and personal performance/ capability. With this system, kt has created a corporate culture that pursues long-term high-performance and operated predictable and transparent promotions.

## Expansion of Rewards/ Vitalization of Top-down Compliment Culture

kt's "Top-down Compliment Culture" aims to praise and encourage employees for their exceptional performance. The company operates "Branch Manager Commendation" to offer immediate rewards without procedural or formal restrictions. As these commendations are directly awarded by team leaders, the recipient's family members are invited to the awarding ceremony to instill pride and develop loyalty to the company. We have also launched "Presents with Family's Encouragement" to let the recipients share their success with family members. Employees having more than 30~40 years of work experience with kt are awarded with the plaque of appreciation and special bonus pay. These commendations are directly offered by team leaders with the employee's colleagues in attendance to show respect and appreciation for their long-standing dedication. In the reward section on the corporate website, we disclose the detailed achievements of those honored with the CEO Citation or the kt Award. This not only serves to improve transparency in regard to the awards, but also encourages employees to become more interested and engaged in such programs.



# Reinforcing Capability of Executives and Employees

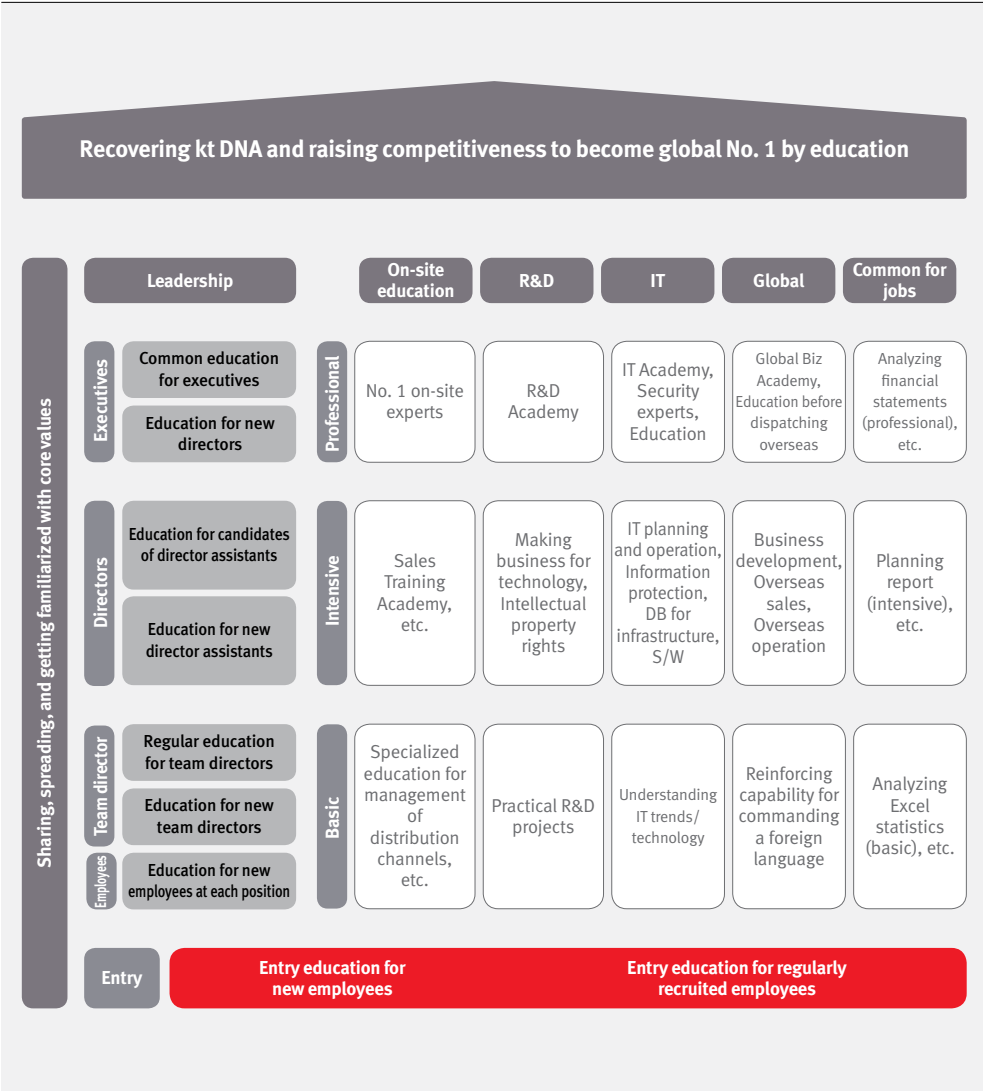
kt provides various and systemic programs to encourage executives and employees to grow into the best kt members they can be, people with the capability to find new opportunities for growth and take the lead in the rapidly changing technology environment and intensively competitive communications market. To realize our goal of becoming a “global No. 1 kt,” the company continuously communicates to realize customer value, upholds basic ethics and principles, and strives to cultivate kt members who can face challenges with a strong will.

## Fostering Leaders as Winners in the Market

kt accelerates efforts for change and innovation to become a “kt for the talent.” With the aim of fostering “members with initiative and endurance,” “leaders leading change and performance,” and “experts whose performance is recognized in the market,” the company has reestablished and implemented three major systems such as core value education, leader fostering education, and job expert fostering education.

In the education sector, kt as an ICT company has enhanced professionalism and convenience in business by reinforcing “Mini Course,” a smart mobile program strengthening timeliness and mobility, and met various executives and employees’ needs for growth by increasing the number of e-learning courses from 187 in 2013 to 1,246 in 2014. Through these efforts, the company saved direct and indirect expenses worth 526 million won, including expenses for business trips by trainees. The company plans to achieve other subsidiary effects of saving a comparable amount in costs in 2015. Further, kt utilizes this know-how for e-learning education as a new business opportunity; professional e-learning group companies achieved 14.2 billion won in sales in 2014 and plan to create 16.8 billion won in 2015.

Program for Promoting Capability of Executives and Employees



### Providing Practical Leader Education

As the previous rank system was revived in 2014, kt implements education for promoted employees in each rank to enhance their pride and foster them as proactive leaders, who can proactively play their roles in each position. For directors, the company emphasizes the importance of empowerment, communication, and cooperation and provides practical leader education based on cases that emphasize an attitude of willingness and innovation. Through the "Executive Leadership Program," the company fosters the group of candidates for management leaders in advance, while launching the "Fostering Director Program" to develop the qualifications for leadership as winning leaders in the market by having them conduct actual management issues. kt continuously provides opportunities to take MBA and Master's degree courses at home and abroad to maximize the capability of core employees who can lead the company and nurture them as global No. 1 leaders with professionalism.

### Strengthening On-site Education Directly Leading to Business Performances

Considering customers as our top priority, kt reinforces on-site education based on on-site cases that directly leads to business performance by addressing discussion-based issues. The company also contributes to improving services by repeating drills until the service quality by employees at customer contact points is improved. To support these efforts, we selected and fostered 275 employees with professionalism and loyalty as professional lecturers and stationed them in on-site education with the aim of sharing and applying know-how. In addition, the company has enhanced application of education by regularly providing 850 video clips for work knowledge and on-site cases, which can be studied anytime and anywhere through mobile devices, as well as continuously expanding the scope of content and improving the quality to realize innovation.

### Continuing and Reinforcing Global and Future Capability

To preemptively foster manpower conducting global projects to realize "global No.1 kt," the company has reflected various requests from each business sector and developed and operated 17 customized education courses in three-stage jobs, including "development of business", "overseas sales", and "conducting on-site overseas projects". As the company also implemented mock-up global projects by using action-learning methods for "Global Business Academy" and "Education before Overseas Dispatch," kt has directly contributed to earning achievements from global projects by fostering overseas business directors and PMs who can directly work in the actual business. Meanwhile, the company implemented on-time education to secure continuous competitiveness as an ICT company and support IT business and operated a total of 69 education programs, including education for security experts, for technical personnel members in development departments depending on their level of capability. With the aim of reinforcing connection between R&D and future convergence business, the company has established a new R&D education system and strengthened the R&D personnel's capability for convergence and business implementation to increase future-oriented business support.



Reinforcing Global Capability Education







Discussion-based Cross Education

### Enhancing Synergistic Effects between Departments through Discussion-based Cross Education

As employees at various positions from planning and on-site departments engage in education to discuss major current issues and perform tasks, kt proactively utilizes education in addressing issues. This system has contributed to realizing a "Single kt", tearing down the walls between departments through communication and collaboration, and expanded atypical learning based on on-site business, contributing to improving management performance by sharing various best cases with relevant executives and various types of employees.

#### Hours and Expenses of Education for Executives and Employees

Category	2012		2013		2014	
	Course (number)	Number (person)	Course (number)	Number (person)	Course (number)	Number (person)
Collective education 	804	59,023	857	51,978	1,216	39,332
e-learning* 	121	100,159	187	60,363	1,246	244,332
Hours of education for each person (H) 	91		66		62	
Education expenses for each person (1,000 won) 	713		710		710	

\* Thanks to the expansion of Mini Courses in 2014, the total number of e-learning courses has exponentially increased without increasing education expenses.

# Balance between Work and Life

kt has made a great workplace to promote both families and the company developing continuously together. The company provides an environment where executives and employees can work with a sense of ownership based on creativity and passion, and it provides the working condition to help individuals pursue happiness and excitement in their lives and families.

## Leave System

Other than a legal leave system, kt implements a leave system for work-life balance to encourage employees to recharge when they must, as well as give birth. The leave system includes parental leave for nurturing children under the age of 8 (2<sup>nd</sup> year of elementary school), sub-fertility leave for supporting female employees with sterility to give birth via in vitro fertilization, and refresh leave providing high-performance employees with long-term continuous service with opportunities for self-help and recharging. kt improved the relevant system in 2014 so that employees using these leave programs do not have any disadvantages. The company has taken measures to apply the rate of income increase during the leave and prevent disadvantages in promotion.

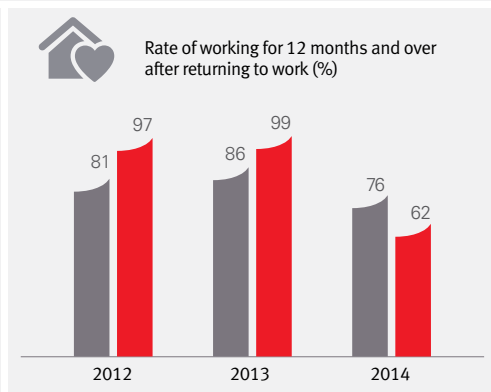
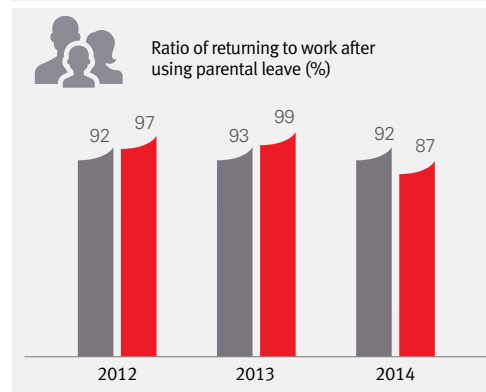
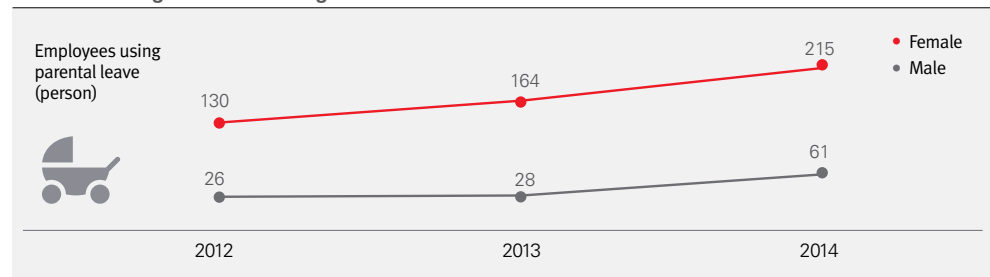
## Outplacement Support Program

kt operates “kt Life Plan” to assist employees in adapting to the rapidly changing social environment and prepare for another kind of life after retirement. Our “Change Management Program” for current employees consists of value enhancement courses, vocational development courses, start-up capability enhancement courses, and career development & management courses. For employees who are about to conduct voluntary resignation or retirement, the company operates the “Start-up Support Leave System” to provide opportunities to change careers by encouraging them to attempt to operate a start-up while working at the company. In 2014, 8,000 employees who conducted special voluntary resignation attended a retiree workshop and future design seminar, while the company operated various programs such as professional start-up for returning to farming villages/home, education for reemployment, and job placement depending on individual work experience and capability.

## Female Life Cycle Caring Package Program

kt provides caring programs suitable for each stage of pregnancy/childbirth/childrearing to prevent discontinuance of career for female employees and support work-life balance. For the pregnancy stage, the company offers programs such as support for medical expenses, leave for fetus check-up, and shortened work hours, while offering leave before and after childbirth, subsidiary for childbirth, and childbirth emotional care programs at the stage of childbirth. At the stage of childrearing, the company provides institutional and financial support such as shortening working hours, use of nursery facilities at the workplace, and granting scholarships.

Ratio of Returning to Work after Using Parental Leave



\* Standard for calculation: Number of use and basic year for application date

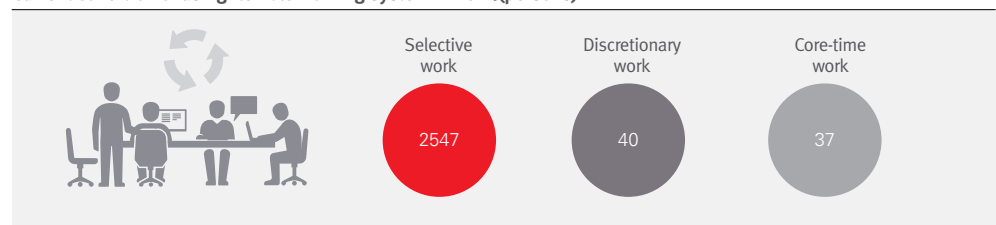
#### Welfare and Benefit System

Support for a stable life 	<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>
Education for children 	<ul style="list-style-type: none"> <li>Operating eight nursery facilities for young children</li> <li>Granting scholarships for high school student children</li> </ul>
Support for medical expenses/medical check-up 	<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>
Support for leisure/culture/living 	<ul style="list-style-type: none"> <li>Operating in-company recreational facilities at six offices (Gyeongju, Geoje, Jirisan Mountain, Muju, Dogo, Daegwanbyeong) on a regular basis</li> <li>Operating R&amp;R facilities for summer</li> <li>Providing selective welfare points for self-help, culture/leisure, healthcare, etc.</li> </ul>
Support for family events/disaster relief 	<ul style="list-style-type: none"> <li>Support for expenditures for congratulations and condolences and supplies for funeral/condolence flowers</li> <li>Support for application for group insurance</li> <li>Support for application for mutual protection policy and funeral service (matching grant)</li> </ul>
Support for pension 	<ul style="list-style-type: none"> <li>Support for pension savings</li> </ul>

## Expansion of Flexible Working System

kt operates a flexible working system by which employees can adjust their commuting time depending on each situation and characteristic while not being tied up by standardized working hours. In 2014, the company introduced other systems as well as the existing selective working system where all employees at the company can select their commuting time flexibly, including the discretion working system through which employees themselves at the IT/Research department determine the distribution of working hours, and core-time working system through which employees at customer contact point departments can adjust commuting hours so that they can freely implement customer care. By using these various flexible working systems, executives and employees maximize work efficiency and have positive effects in striking a balance between work and life, which leads to enhancing work productivity as well as internal and external customer satisfaction level.

#### Current condition of using flexible working system in 2014(persons)



\* Discretion work and core-time work systems began to be implemented from November 5, 2014.

## Work-Life Win-win Campaign

To assist employees to pursue life balance and reduce conflicts between work and life, kt encourages all employees to leave the office on time by designating every Wednesday as the day for family. On this day, the heads of each department take the lead in leaving the office on time and encourage other employees to do so as well, while meetings and work orders after the time for leaving the office are prevented as all employees focus on work during working hours. With the rule of not having company gatherings and meetings for drinking after working hours, the company strives to establish a culture with a day that emphasizes the importance of family. We also implement the system of leaving the office early so that employees can have early leave for their or their spouses' birthdays and wedding anniversaries and ultimately strike a balance between work and life.

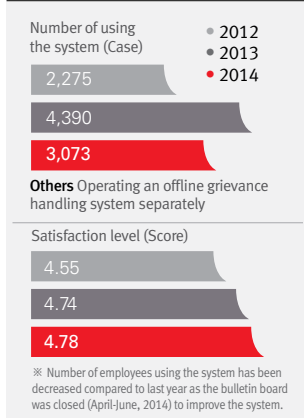


# Communication Management

Open corporate culture and communication is required to deal with rapidly changing market conditions, building trust in the company, and overcome crises. kt enhances trust inside and outside of the company by establishing an open culture and draws creative ideas by handling grievances from executives and employees and improving work satisfaction level.

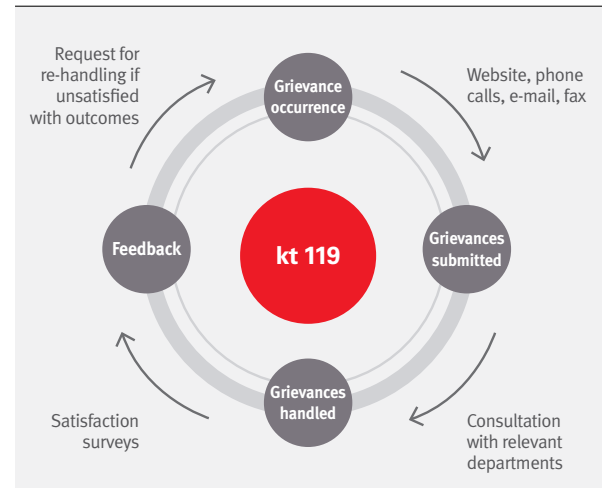
## Grievance Handling System

Performance for the Recent Three-year's Operation of kt 119 Grievance Handling Center



To prevent employee grievances and address them swiftly, kt operates the grievance handling system through various channels. The company has operated the "Grievance Handling Committee," which is comprised of Labor-Management representatives at 252 offices, and launched "kt 119," a website for reporting grievances, to improve convenience for employees and realize the expedient handling of grievances. The number of employees using kt 119 on an annual basis has increased from 2,275 cases in 2012 to 3,073 cases in 2014, and the website has been continuously improving the satisfaction level. In 2015, the company has newly established the "Labor-Management Mutual Growth Center" that is jointly operated by labor union and management 24 hours a day to provide an integrated solution offering a one-stop process for reporting grievances.

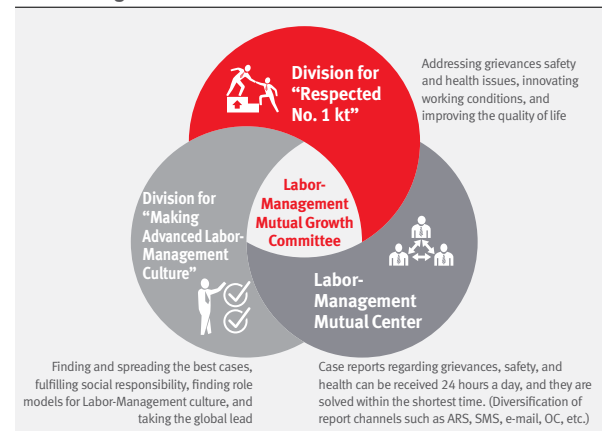
## Grievance Handling Process



## Labor-Management Relations for Mutual Growth

kt guarantees organization of labor unions and other representative agencies. By operating the Union shop system where employees join as a member of the labor union upon entry into the company by collective agreement, the company guarantees free application and withdrawal. As of December 2014, the ratio of application for the labor union by kt's employees was 76.5%. The company efficiently shares major policy and management conditions with the labor union in advance. As of 2014, a total of 366 cases of Labor-Management agreement, consultation, and notification were implemented.

## Labor-Management Mutual Growth Committee



## Interview with stakeholder



Hwang Sung Kwan | Executive Vice President of kt Trade Union

"kt has strived to address difficulties for on-site employees through mutual growth and cooperation to solve current management issues together. For this aim, kt holds the Labor-Management Mutual Growth Committee on a regular basis and operates the Labor-Management Mutual Growth Center where employees can directly report their grievances 24 hours a day. The company strives to not only develop the company but also improve working conditions of employees. As part of these efforts, the "Flexible working system" is expected to enhance the quality of employees' lives by encouraging them to adjust their commuting time autonomously. Although most volunteer work by other companies is led by the companies themselves, kt's labor union has taken the lead in doing volunteer work to make a society where everyone can be prosperous together and fulfill the company's social responsibility for the people. By holding a joint proclamation ceremony by the labor union and management on March 31, their willingness to conduct social contribution has been solidified. The company contributed to the development of the local community by implementing "Labor Management Together" through which all employees conducted volunteer work for eight consecutive years in relay groups. kt also proactively carries out sharing activities at home and abroad and creates new value in exemplary Labor-Management relations by leading the activities by the Labor-Management sharing committee (UCC) among the currently participating 11 companies. As the value of sharing started from the belief that employees work for the people, kt's labor union and management will grow together by listening to opinions from various stakeholders and providing the people with convenience."



# Employee Health and Safety

kt strives to ensure the safety and health for executives and employees under our vision of “Safe Workplace! Healthy Employees!” The company will establish a safe corporate culture by not only establishing a system for swift emergency safety and response through a company-wide control tower, but also building a preventive safety and health system and reinforcing management.

## Strengthening Capability for Integrated Safety Management and Expanding Mental Health Programs

To prevent major disasters such as large accidents and collective diseases and strengthen the capability to swiftly respond to emergencies, kt has established and implemented measures to reinforce the safety and risk response system. The company has also established and shared annual industry safety and health plans with on-site departments to encourage them to establish detailed plans and reinforce executive abilities. We additionally established safety and health measures for seasonal vulnerabilities at each business site, and we remove potential risks for each season in advance to minimize potential damage in vulnerable sectors.

## Establishment of Preventive Safety and Health System and Making Safe Corporate Culture

Through regular safety and health education for executives and employees, kt spreads knowledge regarding safety regulations and health promotion. We send safety messages in emergencies, such as heavy rain or snow and frozen roads, as a measure for predicting and preventing disasters by on-site departments. The on-site departments implement four-stage daily zero accident safety activities and hold a Safety Check Day on the fourth day of each month by designating the safety themes for each season (CPR, health check-up, prevention of food poisoning and car accidents, etc.). We also make great efforts to boost morale by holding the Industrial Safety and Health Contest on a regular basis (2/4 quarter) each year and giving prizes to business sites with zero accidents.

Both the labor union and management jointly visit the family members of industrial disaster victims at least once, and the company proactively helps them to return to the workplace early by compensating the difference in benefits and supporting medical expenses. In addition, after consultation between the labor union and management, compensation for severe industrial disaster victims has been expanded to care for them and their family members.

## Providing Practical Safety Education and Spreading Culture for Healthy Life

In April 2015, kt implemented CPR education and training for all employees at East Gwanghwamun Building and supported education for “CPR and AED certificate”, an expert course for employees at four major buildings (head office); through this support, 93 employees acquired the certificate. As employees at kt have the capability to take first-aid measures in emergency, the company will expand CPR education for all employees at the company and suppliers for management of buildings and facilities. By conducting smoking cessation, temperance, and exercise campaigns in line with the government's health promotion policy, the company makes great efforts to spread a culture that is about leading autonomous and proactive healthy lives for employees.



CPR Skills Education

## Healthcare for Employees and Prevention of Diseases



Smoking cessation, temperance, and exercise campaign

kt strives to conduct activities for preventing and treating diseases by having comprehensive medical check-ups for all executives and employees (including spouses) at least once a year. Based on the result of the check-ups, the company presents measures for health promotion by analyzing statistical data. When diseases such as cancer are found, we provide the cost for medical treatment through subscribed group insurance. Meanwhile, the company optimizes work-life balance and psychological health conditions by launching a differentiated well-being leave system and operates a welfare and benefit management system (support for a nursing facility/fostering the talent/medical expenses/scholarship/funds for stable life, etc.). In connection with professional institutions, the company measures the level of stress of all employees. Based on the relevant result, kt then takes measures for mental health promotion such as customized stress control.

Our company strives to manage and prevent stress for employees by operating the psychological consultation center, and we conduct circulating consultation for employees who find it difficult to visit the consultation center and work at a remote office. To alleviate stress and enhance work satisfaction, the center also operates mental health promotion programs such as “Healing Camp” and “Letters for Understanding” and has expanded the scope of target for benefits from kt to group companies.

# Eco-friendly Management

## Importance of Eco-friendly Management

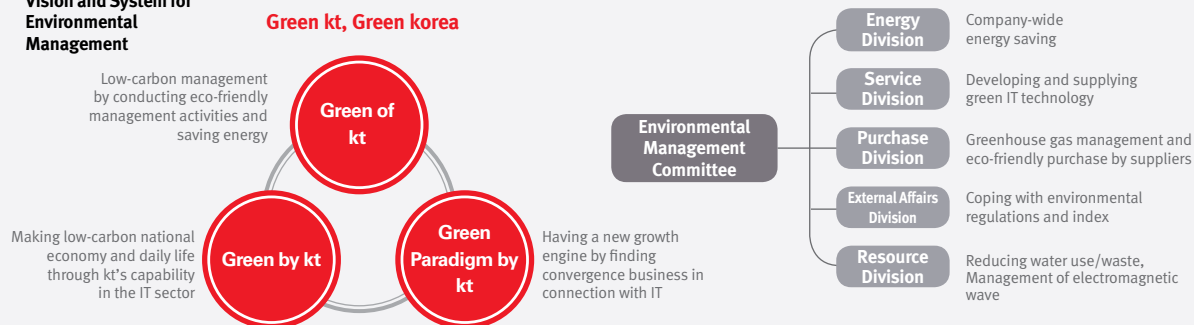
Eco-friendly management to minimize environmental impacts in the process of corporate activities is a requirement, not a choice, for companies. As climate change due to GHG emissions has become a global issue, requests for companies to reduce GHG emissions have rapidly increased. kt recognizes the corporate responsibility to the environment as one of the core elements for sustainability management as well as an opportunity for new business.



## kt's Eco-friendly Management

Under the vision of "Green kt, Green Korea," kt has established three sub-visions consisting of "Green of kt," "Green by kt," and "Green Paradigm by kt" to carry out eco-friendly management. The company operates the Environmental Management Committee to internalize eco-friendly management in all management activities. Composed of five sub-divisions, the committee is held on a regular annual basis to discuss major issues regarding environmental management from the company-wide perspective and establish various strategies.

### Vision and System for Environmental Management



## kt's Competitiveness

Core Competency	Performance Index	
Eco-friendly management	External assessment	CDP 2014: Selected as the 1 <sup>st</sup> rank in the Global Carbon Management Communications Sector Korea Climate Change Competitiveness Index 2014: Selected as the top company in the communications business
	Energy intensity	0.0465tCO <sub>2</sub> eq/KRW million
GHG emission reduction	Carbon emissions	10.89 million tCO <sub>2</sub> eq (Reduced by 0.8% compared to 2013)
Energy efficiency	Cost for saving energy	8 billion
Recycling resources	Amount of water use Amount of waste discharge	2,807,124 tons (Reduced by 6.5% compared to 2013) 36,148 tons (Reduced by 0.3% compared to 2013)
Eco-friendly products/services	Reduction of social GHG emission Sales of Eco-friendly Service	1,163,265tCO <sub>2</sub> eq 926.8 billion
Public policy participation and certification	Green certificate	Two cases (one technical case, one business case)
Compliance with electromagnetic limits	Result of measuring electromagnetic intensity	99.2% of radio stations with less than 10% of electromagnetic intensity compared to standard for body protection

## Future Strategy

kt aims to become global No. 1 eco-friendly company with the vision of "Green Global" beyond "Green kt, Green Korea." To realize this goal, we will not only strengthen internal capability for environmental management, but also take the lead in coping with climate change by conducting various energy saving activities.

# Reduction of GHG Emissions

As climate change has become a major global issue, coping with climate change is an important issue for not only the government but also companies. With the aim of reducing 20% of GHG emissions by 2020 compared to 2007, kt implements various activities to cope with climate change. By expanding low-carbon service, we contribute to reducing GHG emissions in the country.

## GHG Emissions Management

In 2009, kt established a mid and long-term integrated roadmap for reducing carbon emissions as well as a goal to cut 20% of carbon emissions by 2020 compared to 2007. To realize this goal, the company set a greenhouse inventory system for the first time among communications companies in Korea to control company-wide GHG emissions in a systematic way. As well as Scope I and II emissions, which must be managed according to law, kt voluntarily manages Scope III emissions to leap forward into another stage as a global No. 1 eco-friendly company. The company conducts mid and long-term greenhouse strategies through various statistical analyses, and based on the Environmental Management Committee, the company finds annual tasks for each group, establishes goals for reduction, and carries out activities for the reduction of GHG emissions.



GHG Inventory System

## Scope I,II Emissions Management

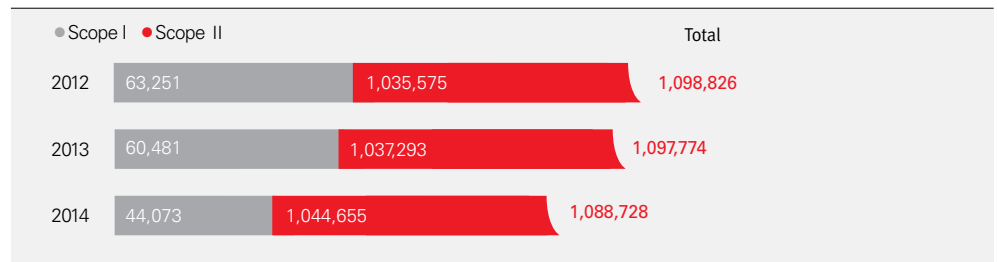
kt calculates GHG emissions and reports the result on an annual basis to fulfill its duty to manage GHG emissions (Scope I and II) in accordance with the Framework Act on Low Carbon, Green Growth. The scope of target for report includes all facilities under the management control by kt, such as buildings, forward deployment business sites, base stations, relay stations, and other communications facilities.

### Current Condition of Emissions

By complying with the internal policy, including "Guideline for Calculation of GHG Emissions" and "Guideline for Management for Operation of GHG Target Management," kt calculates the company-wide amount of GHG emissions. After being verified for calculation and management of emissions by the government-designated verification institution, the company has enhanced credibility in data. kt's GHG emissions are caused by various energy sources such as diesel, gasoline, kerosene, fuel oil, LNG, electricity, heat (steam), etc. Among them, the largest amount comes from the use of electricity for operating wire/wireless network communications equipment and the IDC server, and this amount accounts for over 95% of the total GHG emissions. The amount of kt's company-wide GHG emissions in 2014 was 1.089 million tCO<sub>2</sub>eq, a decrease of about 0.8% compared to 2013; the total amount of energy use was 2,460,536Mwh, a decrease of about 2.6% compared to 2013.

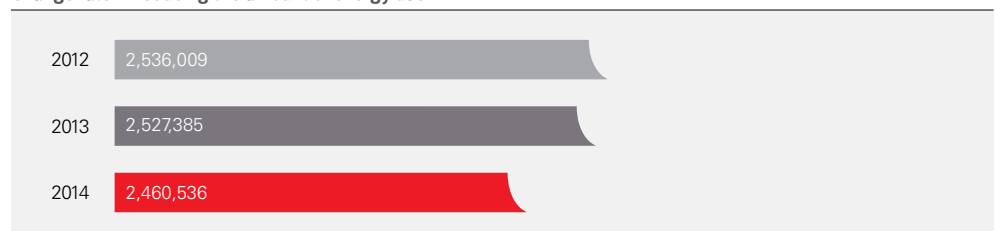
### Current Condition of Emissions

(Unit: 10,000 tCO<sub>2</sub>eq)



### Change rate in reducing the amount of energy use

(Unit: Mwh)



# Reduction of GHG Emissions

## Scope III Emissions Management




kt additionally manages Scope III emissions as well as Scope I and II to meet stakeholders' needs for carbon control management and fulfill the vision of "Green Korea" in pursuit of the national low-carbon initiative. As indirect emissions related to management activities, the amount of emissions at Scope III is managed by kt with being defined into three major sectors: ①SCM stage: GHG emissions by kt's suppliers, ②Use stage: GHG emissions for products offered by kt to customers, and ③Other Scope III : GHG emissions caused by business trips and commuting by kt's employees, use of water, and waste discharge.

### Current Condition of GHG Emissions

#### ① Emissions from the SCM (Supply Chain Management) Stage

As part of the support for win-win growth and eco-friendly management by suppliers, kt calculates and manages GHG emissions caused by primary suppliers. The scope of calculation of GHG emissions is the amount of GHG emissions discharged in the process in which kt produces products for suppliers. The methodology for calculation of emissions was developed based on the "Corporate Value Chain (Scope III) Accounting and Reporting Standard" by WRI; the amount of GHG emissions at the SCM stage in 2014 is 48,963tCO<sub>2</sub>eq.




(Unit: tCO<sub>2</sub>eq)

Category	2012	2013	2014
Wire devices 	2,430	472	251
Wireless devices 	3,935	1,269	1,472
Communications service-based facilities 	30,925	48,197	47,240
<b>Total</b>	<b>37,390</b>	<b>49,938</b>	<b>48,963</b>

#### ② Emissions from Service Use Stage

As GHG emissions at the use stage are emissions caused when customers use products and services provided by kt, the company calculated the amount within the limit of B2C service. Targets for calculation include electricity consumed by modem or set-top boxes, which are installed in homes to use services such as internet or olleh tv, or electricity consumed in charging cell phones. kt manages emissions at the use stage by dividing the amount into three major categories including home, mobile, and internet terminals. The methodology was developed based on the amount of electricity consumption for each terminal device (electricity for consumption and standby power), number of service users, and hours for use; as of 2014, the amount of GHG emissions at the use stage is 461,508tCO<sub>2</sub>eq.

(Unit: tCO<sub>2</sub>eq)

Category	2012	2013	2014
Home terminals 	44,873	40,783	35,026
Mobile terminals 	89,117	168,621	199,790
Internet terminals 	270,143	237,846	226,692
<b>Total</b>	<b>404,134</b>	<b>447,249</b>	<b>461,508</b>

### ③ Other Scope III

GHG emissions for other Scope III uses are defined as the amount of GHG emissions caused by water (tap water) used at the company by employees, waste treatment, business trips, and commuting. The amount is calculated based on the "Guideline for Low-carbon and Green Exercise (Ministry of Environment)," "Standard for Carbon Labeling Certificate (Korea Environmental Industry and Technology Institute), and methodology which is presented by the national LCI DB.

(Unit: tCO<sub>2</sub>eq)

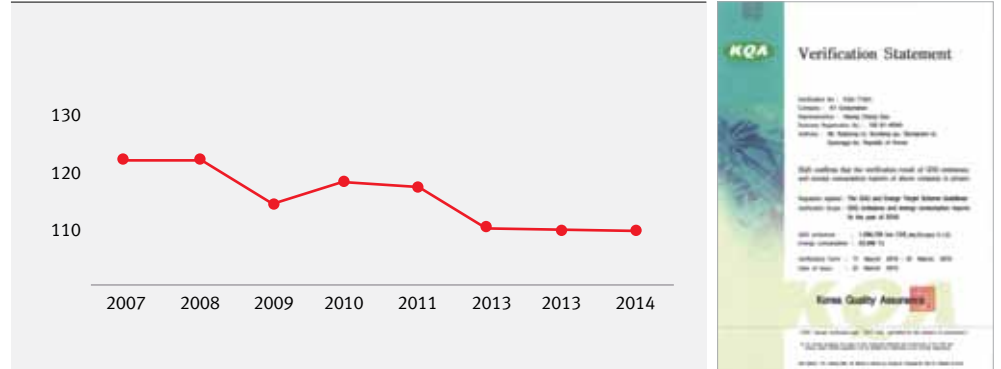
Category		2012	2013	2014
Water consumption		996	997	932
Waste treatment	Domestic waste	294	349	357
	Recycled waste	11,703	750	650
	Construction waste	186	114	113
Business trips	Downtown	319	380	296
	Long distance	880	659	669
	Overseas	2,931	8,551	1,677
Commuting	Bus (local, express)	801	762	877
	Subway	68	76	57
	Private vehicles	25,048	22,495	17,828
	Train	72	25	22
	Mixed (bus+subway)	599	210	438
Total		43,897	35,368	23,916

## Performance for Reduction of GHG Emissions by kt

The amount of company-wide GHG emissions in 2014 was 1.089 million tCO<sub>2</sub>eq, which decreased by 0.8% compared to the previous year. kt has succeeded to reduce the amount by 10.5% compared to 2007, which is the base year for the goal. The result has secured credibility as kt's GHG emissions for Scopes I, II, and III are verified by not only accredited verification institution, but also the methodology for data and calculation of emissions. kt will maintain the strict GHG emissions management system and gradually broaden the extent of emissions management for Scope III to solidify its status as a global No. 1 eco-friendly company.

Increase in the Amount of GHG Emissions

(Unit: 10,000tCO<sub>2</sub>eq) Verification





# Energy Efficiency

To achieve “Green kt, Green Korea” by carrying out activities for reducing GHG emissions, kt not only finds internal energy-saving business, but also invests in new renewable energy proactively. With the aim of providing low-carbon service, the company aggressively strives to secure facilities for energy efficiency, including launching advanced reduction technology and realizing a simple network.



High-efficiency Temperature Chamber



Counter Flow Tower/Open Cooling Tower

## Reducing Electricity for Air Conditioning by Air-side Economizer System

As communications equipment at kt Communications Hall such as exchange equipment and centralized equipment are important for heat, and even slightly excessive heat can lead to communications disorder. For these reasons, air-conditioning devices are operated for 24 hours a day to provide high-quality communications service. kt continuously carries out many efforts to minimize the use of electricity by optimizing the air-condition system at the Communications Hall and realizing a low-electricity level. In 2014, the company succeeded to cut the amount of electricity use by establishing air-conditioning devices, which bring cold exterior air to the hall during the winter, while minimizing telecommunications disorders by enabling dust control through automatic roll filters.

## Reducing Electricity Use through High-efficiency Temperature Chamber

As adequate temperature control is imperative in stably operating servers in the IDC Server Room, a temperature chamber is installed. kt has reduced the amount of electricity use by changing the existing regular temperature chamber coupled with a fan/motor and double-lined condenser, which consume a large amount of electricity, to a brazing condenser with high-efficiency inverter fan/motor.

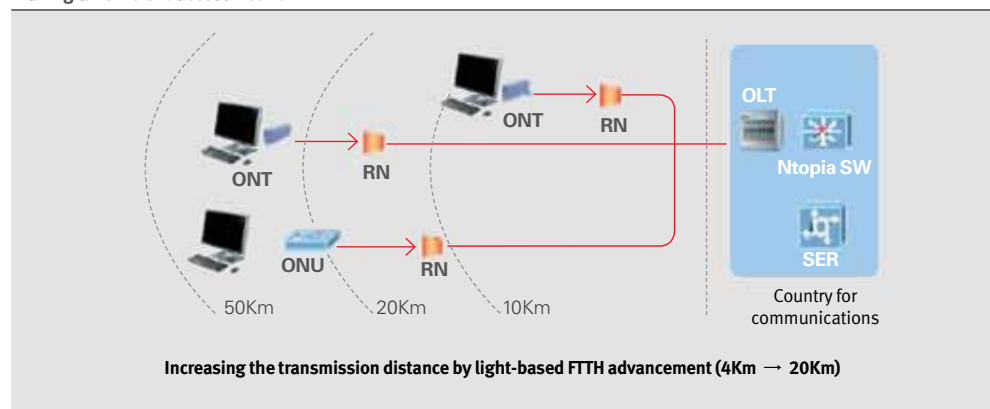
## Reducing Electricity through High-efficiency Cooling Tower

kt has succeeded in reducing the amount of electricity use through the replaced cooling tower at the rooftop of the IDC building. Electricity has been saved by changing the existing pressed air blast/open-type cooling tower into a high-efficiency circular counter flow/open-typed cooling tower.

## Realizing the Simple Network through Nationwide Wide Network

To minimize electricity consumption to operate the network, kt realizes the simple network. The company has shifted the network of communications stations, which are dispersed nationwide, into a network based on wide regions and introduced high-efficiency equipment at new facilities. Through this long-term project, we have saved a significant amount of electricity and reduced GHG emissions.

### Making an efficient access network



## Generation of New Renewable Energy (PV Power)

kt has continuously implemented new renewable energy generation by establishing photovoltaic (PV) power plants in Gangneung and Taehwasan Mountain, Gwangju. A PV plant is a very important facility to practically reduce GHG emissions by generating electricity without consumption of fossil fuel. In 2014, Gangneung and Gwangju PV Plants generated electricity of 555Mwh in total, which reduced GHG emissions of 259t CO<sub>2</sub>eq. Based on the RPS system, the company sold generated electricity and earned profits of about 170 million won.

(Unit : kwh)

Category	Q1	Q2	Q3	Q4	Total
Gangneung PV Plant	99,454	156,625	135,878	125,216	515,173
Gwangju PV Plant	9,174	11,050	8,962	8,679	37,865
Total	108,628	165,675	144,840	133,895	555,038



Gangneung PV Plant

## Utilizing New Renewable Energy (Geothermal Energy)

kt utilizes not only PV energy but also geothermal energy. The company installed a system for air conditioning, heating and supplying heated water by utilizing geothermal energy at three buildings including Banghak Office, Seoul, and remarkably reduced the amount of energy use. By utilizing underground water in the cable tunnel without few changes in annual temperature as an energy source through a thermal heat pump, the company saved costs in energy usage worth about 100 million won.

### Economic effects by using new renewable energy

#### Profits from energy sales:

About **170** million won Saving  
energy cost: About **100** million won

### Economic effects by video conferencing

#### Reducing cost by saving expenses

#### and cutting carbon emissions:

**6.52** billion won

## Video Conferencing

By proactively encouraging employees to use video conferencing and utilizing it autonomously, kt has not only saved expenses for business trips and shortened time for decision-making and movement, but also prevented carbon emissions. In 2014, kt not only saved 6.52 billion won in expenses for business trip but also reduced 4,623 tCO<sub>2</sub>eq of GHG emissions. In 2015, the company will increase the number of users to 450,000 and save about 7.1 billion won in expenses for business trip by promoting video conference proactively. Through this change, we saved expenses for business trips worth 56.5 billion won in 2014 as well as reduce carbon emissions by 4,623 tCO<sub>2</sub>eq.

## Company-wide Energy Saving Campaign

kt conducts energy-saving campaign to participate in “measures for limiting the energy use” by the government to stabilize electricity supply and expand energy saving awareness among company-wide employees. The company produced and distributed guidelines for energy saving and promotion posters. We have focused on leading practical engagement by giving rewards to buildings with good performance. The company encourages customers residing in the kt building by distributing the guidelines and posters.



Energy Saving Campaign

# Recycling Resources

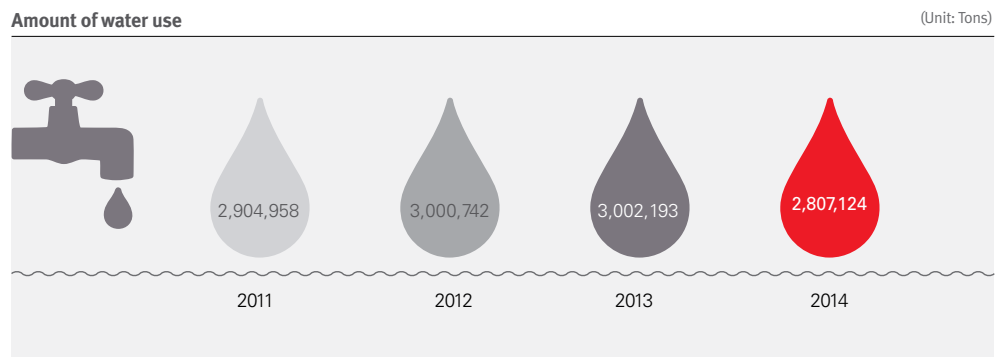
Resource recycling is instrumental in not only preventing environmental pollution, but also in eliminating unnecessary waste from the use of resources. With the belief to use waste as a resource, kt continues to strive to enact a virtuous cycle by saving and reusing resources. The company will not only minimize environmental loads through recycling but also contribute to reducing GHG emissions caused by processing wastes.

## Management of Water Consumption



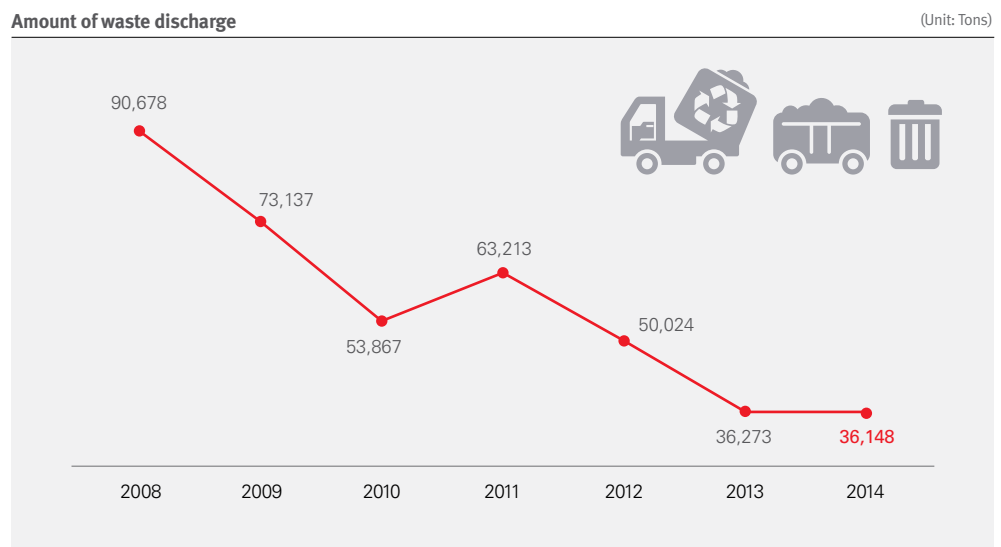
Water Recycling and Filtration System at the Cable Tunnel

In 2014, the amount of water used by kt buildings was 2,222,539 tons, which decreased by about 5% compared to 2013. This figure is equivalent to 35tCO<sub>2</sub>eq of GHG emissions reduction. This reduced amount of water use could be achieved by implementing water-saving devices in bathrooms (automated flushing bidets, bubble foam-type faucets) at the company's buildings as well as the unceasing efforts by kt's executives and employees. The company has reused a significant amount of effluents at the cable tunnel by installing and operating water recycling and filtration system at the kt buildings such as the Namcheongju Office.



## Management of Waste Generation

To manage waste more efficiently, kt has implemented the project for making the waste management process in 2012 and systematically managed waste. As waste is categorized into household waste, recycled waste, communication materials waste, construction waste, etc., the company established R&R in managing waste resources between departments. The amount of discharged waste in 2014 is 36,148 tons in total, which decreased by 0.3% compared to 2013.



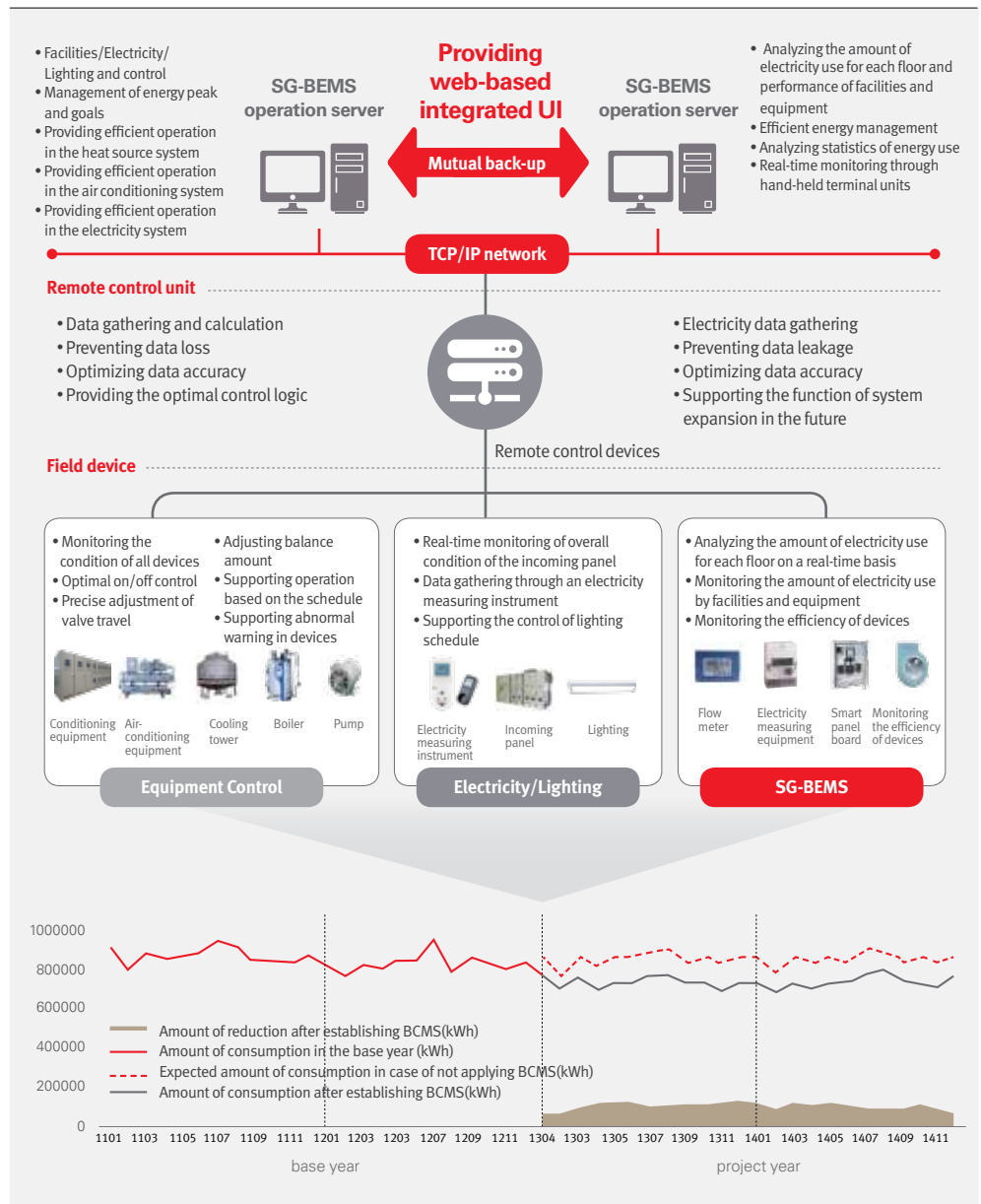
# Eco-friendly Products/Services

By using kt's various low-carbon products and services, customers can cut GHG emissions. This practice is defined as the amount of social reduction, which has been managed by kt from 2012. By developing and supplying continuous eco-friendly business (Green IT service), kt strives to create 10% of annual sales from eco-friendly service by 2030.

## kt olleh biz BEMS (Building Energy Management System)

As a solution for optimizing building energy to analyze the current condition of energy use on a real-time basis and manage the amount of use, kt olleh biz BEMS is a system that controls energy in a smart way, saving energy and reducing GHG emissions. With this system, the amount of energy use at the building is monitored on a real-time basis, while conditioning equipment, air-conditioning equipment, and lighting are controlled to minimize the amount of energy use. kt olleh biz BEMS has been installed at large-sized buildings that use massive amounts of energy, such as the BC Card Future Center, KIDP (Korea Institute of Design Promotion), and Yeungnam University. After the establishment of BEMS, these buildings have achieved remarkable effects in saving energy.

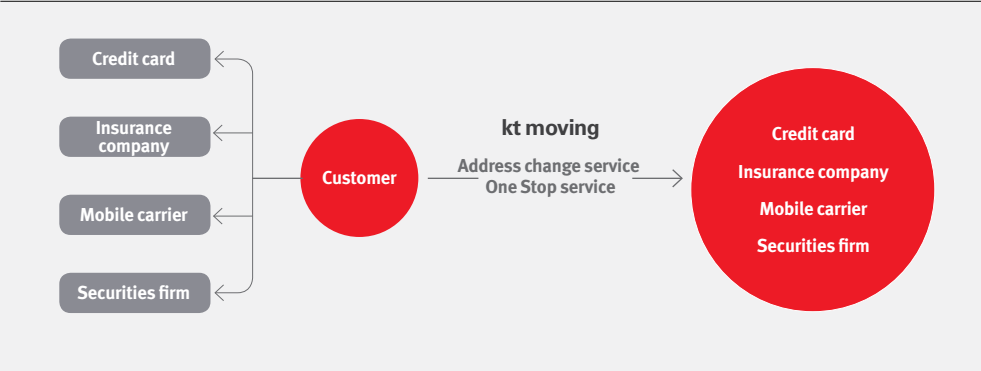
### kt olleh biz BEMS



## kt Eco-friendly Address Change Service

The kt eco-friendly address change service helps customers to immediately update their addresses through the online channel provided by kt when they need to change their address due to moving, changing jobs, and department shifts. With this system, customers can change their address, which were registered at banks, insurance companies, and card companies, immediately without any separate charge. By preventing errors in delivery by instantly updating addresses waste of paper consumption (Over 100 million mails are presumed to be discarded due to domestic address unknown) can be reduced, which also leads to reduced energy use. kt's eco-friendly address change service has received the Green Certificate as its eco-friendliness was recognized by the Ministry of Science, ICT, and Future Planning. If it is assumed that this service reduces 10% of annually dumped mail, then this is equivalent to planting 85,000 trees for ten years and reducing about six billion won in social expenses in manufacturing paper and producing and sending mail.

Structure of Address Change Service



High-efficiency Heat Pump

## Energy Efficiency Business

kt aims to enact low carbon practices among suppliers and the overall domestic industries as well as reduce the amount of in-company energy use. As part of achieving this goal, the company finds places which need to reduce energy, such as companies, local government, hospitals, and colleges, and carries out various energy efficiency projects including operating heat pumps and updating to LED lights. In 2014, the company conducted the project to launch high-efficiency heat pumps for a domestic food company, which is expected to reduce the annual amount of energy use by 142 toe and cut GHG emissions by 850tCO<sub>2</sub>eq.

## Expansion of Electronic Bills

To reduce expenses caused by sending mail statements and contribute to nationwide low-carbon and green growth, kt has expanded electronic bills (e-mail, mobile, smart statement). In July 2014, the company upgraded the service from the perspective of customers to provide customer-friendly service, including improving UI/UX in smart statements, adding the collection function, reissuing the bill automatically, etc. The company acquires content from customers by continuously holding an event to broaden e-bills. By preventing promotional activities which only provide simply one-time giveaways, kt carries out promotional activities in cooperation with groups such as “Seoul Forest” and “Forest for Life” to inform about the use of e-bills and how they reduce environmental loads.

## Achievement for Providing Green Products and Services

With the aim of achieving “Green Korea,” one of the pillars in its vision for eco-friendly management, kt has continuously developed and supplied eco-friendly and low-carbon products and services. Through providing these products and services, in 2014, the company reduced the social GHG emissions by 1,163,265tCO<sub>2</sub>eq, which is equivalent to 107% in the amount of emission for Scope I and II. kt will make unceasing efforts to grow into a “zero-carbon company” to make social reduction offset emissions for Scope I and II.

(Unit: tCO<sub>2</sub>eq)

Type of GHG emissions reduction	Amount of social reduction		
	2012	2013	2014
Wireless communications	1,167	16,592	81,204
IT solution	85,687	270,862	307,222
Media & Content	911,838	825,879	773,144
New Growth	3,925	3,456	1,695
Total	1,002,617	1,116,790	1,163,265



## Public Policy Participation and Certification

Companies' proactive engagement in the national policy and keeping pace with its direction is a very important task for win-win growth between the country and companies. For this activity, kt aggressively participates in the government's environmental policy and complies with legal duties. It also strives to ensure a low-carbon environment in a country based on IT technology.

### Dealing with Environmental Regulations (GHG and Energy Target Management Scheme)

As kt was designated as a company for "GHG and Energy Target Management Scheme," implemented in 2010 pursuant to the "Framework Act on Low Carbon, Green Growth," and assigned an amount of GHG emissions from the government annually. To achieve the assigned goal, the company has reinforced the capability to control GHG emissions by establishing its company-wide greenhouse inventory system and strived to cut emissions by establishing R&R between departments for saving energy. kt faithfully fulfills legal requirements by reporting performance of reducing GHG emissions (implementation performance report) to the government and strives to comply with regulations each year so that the company does not need to pay penalty for not implementing regulations.

### Green Certificate

To develop and promote green IT, we at kt have continuously conducted R&D in the eco-friendly telecommunications segment. Following the acquisition of the green technology certificate for our "integrated external air inlet energy-saving HVAC system" in 2013, kt obtained another green certificate for "eco-friendly address change service business based on broadcasting communications" in 2014, which indicates that the company's green technology has been nationally recognized. As of 2014, kt has had a total of two certificates for green technology and business by the government. We will take the lead in developing green technology in the ICT sector.

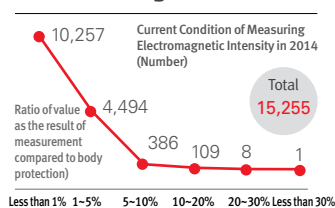


Green Certificate

## Compliance with Electromagnetic Limits

As more mobile communications services and equipment (base station, cell phone, Wi-Fi, etc.) have been installed, kt measures and manages electromagnetic waves from cell phones to provide an environment where customers can resolve their anxiety and distrust in using mobile communications services without worry.

### Measuring Electromagnetic Wave Strength



### Offering Electromagnetic Information and Gathering Stakeholder Feedback

At kt, we measure the strength of electromagnetic fields to comply with human safety standards. In installing a base station for mobile communications, the company voluntarily measures electromagnetic intensity and reports the result to the relevant government institution ([www.ekcc.go.kr](http://www.ekcc.go.kr)), while strictly conducting regular check-ups to maintain the level under the limitation for exposure of SAR (SAR: Specific Absorption Rate) specified by the government and establishing eco-friendly base stations in advance to prevent public grievances regarding electromagnetic waves. In accordance with the government's announcement, we add a sticker for electromagnetic wave rank to each base station, depending on the resulting rank, after examining its electromagnetic waves as well as voluntarily attaching the sticker to about 29,000 wireless base stations whose electromagnetic waves were measured before the announcement (August 1, 2014). From the measurement of electromagnetic wave intensity in 2014, the ratio of base stations with less than 10% compared to the standard for body protection was 99.2%, which showed the company's strict compliance with the government's standard.

kt performs its duty to provide electromagnetic information by announcing electromagnetic wave prevention activities and the electromagnetic wave absorption rate for each type of cell phone. The company focuses company-wide capability on protecting people from electromagnetic wave by measuring SAR (Specific Absorption Rate) from all cell phones for sales, as well as registering and selling only cell phones at 1.6W/Kg or under, which is the limit of exposure. When installing new transmission antennas in residential or commercial areas, the company always acquires 100% consent from residents first and writes the rental agreement. When measuring electromagnetic waves in accordance with the Radio Waves Act, the company reports the case to the Ministry of Science, ICT, and Future Planning after conducting tasks. When additional request from local residents is made, we implement a separate detailed examination. At the same time, kt registers and opens information on the result of examination for electromagnetic waves at base stations/relay stations established by kt on the external website (<http://www.ktemf.co.kr>).

### Electromagnetic Research

kt operates the Mobile EMF Forum, which consists of experts, and serves as an advisory member for the government-led research on electromagnetic waves. To achieve more efficient and practical research result rather than solitary research, kt invested three billion won for the ten-year research project through professional research institutes such as ETRI and Korean Institute of Electromagnetic Engineering and Science. Through these efforts, we carried out "Research on Impact of Electromagnetic Wave on Human Body," a project for the 1st and 2nd rounds (1st: 2000-2004, 2nd: 2007-2012). To prepare comprehensive measures for a safe electromagnetic environment in cooperation with three major mobile carriers and the Korean Institute of Electromagnetic Engineering and Science, the company has currently signed an agreement for joint research and carried out the project for the 3rd round (1.5 billion won in total for five years from 2014 to 2018), "Establishment of Research Foundation for Exposure of Mobile Communications Frequency."

# Appendix

Sustainability Indicators

Audit Report from the Independent Auditor

Greenhouse Gas Verification Statement

Third Party Assurance Statement

GRI Content Index

Memberships

Awards



# Major Indicators of Sustainability Management

## Economic Performance

Unit		2012	2013	2014
<b>Sales (On a consolidated, K-IFRS basis)</b>				
Delivery of Services	KRW million	19,266,545	19,663,014	19,991,656
Sales of Goods(*)	KRW million	4,589,830	4,147,585	3,430,017
<b>Consolidated Financial Statement</b>				
Current Assets	KRW million	10,517,419	9,968,449	8,750,934
Non-current Assets	KRW million	24,040,489	24,878,084	25,024,568
Total Assets	KRW million	34,557,908	34,846,533	33,775,502
Current Liabilities	KRW million	11,266,766	11,187,738	9,992,244
Non-current Liabilities	KRW million	10,073,167	10,793,885	11,992,970
Total Liabilities	KRW million	21,339,933	21,981,623	21,985,214
Capital	KRW million	1,564,499	1,564,499	1,564,499
Premium on Common Stock	KRW million	1,440,258	1,440,258	1,440,258
Retained Earnings	KRW million	10,646,383	10,046,883	8,571,130
Accumulated Other Comprehensive Income	KRW million	1,325	24,538	25,790
Other Capital Component	KRW million	-1,343,286	-1,320,943	-1,260,709
Non-controlling Interests	KRW million	908,796	1,109,675	1,449,320
Total Equities	KRW million	13,217,975	12,864,910	11,790,288
Total Liabilities and Equities	KRW million	34,557,908	34,846,533	33,775,502
<b>Consolidated Income Statement</b>				
Operating Revenue	KRW million	23,856,375	23,810,599	23,421,673
Operating Expenses	KRW million	22,647,142	22,971,256	23,713,326
Operating Profit	KRW million	1,209,233	839,343	-291,653
Shares for new profits and loss by related companies and joint ventures	KRW million	18,079	6,601	18,198
Income Before Taxes	KRW million	1,414,842	-5,258	-1,237,053
Income Taxes	KRW million	277,869	54,993	-270,877
Net Profit from Continuing Operations	KRW million	1,136,973	-60,251	-966,176
Operating Profit(Loss) from Discontinued Operations	KRW million	31,534	-	-
Net Profit	KRW million	1,105,439	-60,251	-966,176

## Shareholder Return/Composition/Dividend

<b>Shareholder Return (On a non-consolidated basis)</b>				
Unit		2012	2013	2014
Par Value per Share	KRW	5,000	5,000	5,000
Net Income	KRW million	1,105,439	-60,251	-966,176
Net Income per Share	KRW	4,296	-666	-4,316
Total Dividends	KRW million	487,445	195,112	-
Pay-out Ratio (Dividends Paid/Net Profit during the Term)	%	46.6	-	-
Dividend Yield Ratio (Dividends Paid per Share/Stock Price)	%	5.2	2.5	-
<b>Shareholder Composition (2014)</b>				
Unit		No. of Shares	Equity Ownership	
Treasury Stock	share/%	16,249,100	6.22%	
Foreign Investors	share/%	117,006,739	44.81%	
National Pension Fund	share/%	22,082,607	8.46%	
Employee Stockholders	share/%	1,663,392	0.64%	
Domestic Institutions (Excluding the National Pension Fund)	share/%	36,659,575	14.04%	
Other Entities	share/%	4,299,110	1.65%	
Individual Investors	share/%	63,151,285	24.19%	
Total No. of Shares Issued	share/%	261,111,808	100.00%	

\* As net profit during the term, net income per share, and cash pay-out ratio were changed from the existing separate standard to the connection standard due to the change in the writing standard by the Financial Supervisory Service, they may differ from the data written in last year's report.

## Social Performance

Unit			2012	2013	2014
<b>Details of Spending on Social Contribution</b>					
Monetary and In-Kind Donations	Scholarship	KRW 100 million	11.7	11.7	11.7
	Donations and Sponsorship	KRW 100 million	123	307.2	129.2
Investment in Local Communities	IT Sharing in Communities	KRW 100 million	121.7	124.7	120.4
	Love Sharing Fund	KRW 100 million	17.2	15.6	11.5
	Support for Children and the Underprivileged	KRW 100 million	24.3	24.3	34.1
	Culture, Arts and Sports	KRW 100 million	52	79.8	54
Support and Sponsorship for Sharing Love Initiatives		KRW 100 million	74		45.7
<b>Employee Volunteerism</b>					
Volunteering Hours		Hours	145,779	98,351	51,191
Volunteers		No. of Volunteers	36,600	20,812	7,714
<b>Employee Composition</b>					
Gender	Male	No. of Persons	26,579	26,599	19,538
	Female	No. of Persons	4,757	4,993	3,697
Recruitment By Sector	New Recruits	No. of Persons	533	286	184
	Experienced New Recruits	No. of Persons	291	204	24
Recruitment of Females	No. and Ratio of Female Employees	No. of Persons (%)	4,757(15.2%)	4,993(15.8%)	3,697(16.5%)
	No. and Ratio of Females in Manager Positions and Above	No. of Persons (%)	148(4.74%)	188(5.59%)	133(5.7%)
Recruitment of Disabled Individuals	No. of Employees	No. of Persons (%)	824(2.54%)	809(2.51%)	477(2.05%)
<b>Turnover</b>					
	Male	%	0.24	0.28	0.47
	Female	%	0.06	0.33	0.42
	Total	%	0.3	0.32	0.46
<b>Employee Composition</b>					
Type of Employment	Regular	No. of Persons	31,336	31,592	22,746
	Contract-based	No. of Persons	680	632	72
	Others	No. of Persons	170	227	417
<b>Use of Childcare Leave</b>					
Employees Who Took Childcare Leave	Male	No. of Persons	26	28	61
	Female	No. of Persons	130	164	215
Reinstatement after Taking Childcare Leave	Male	%	92	93	92
	Female	%	97	99	87
Employment for More Than 12 Months after Reinstatement	Male	%	81	86	76
	Female	%	97	99	62
<b>Employee Training</b>					
Type of Training	Group Training	No. of Sessions/ No. of Persons	804/59,023	857/51,978	1,216/39,332
	e-Learning	No. of Sessions/ No. of Persons	121/100,159	187/60,363	1,246/244,332
Training Expenses per Person		KRW 1,000	713	710	710
Total Training Hours		No. of Hours	91	66	62
<b>National Customer Satisfaction Index (NCSI)</b>					
NCSI Results	Mobile Calls	Point	71	72	72
	Phone Calls	Point	74	74	74
	IPTV	Point	72	71	72
	Ultra-High Speed Internet	Point	73	72	73

## Environmental Performance

		Unit	2012	2013	2014	
Consumption and Recycling of Water						
Water (Underground Water) Consumption		ton	3,000,742	3,002,193	2,807,124	
Discharge of Waste						
General Waste	General	ton	821	4,960	5,859	
	Recyclable	ton	367	2,203	2,648	
Recyclable Waste	Cables	ton	32,900	13,092	14,898	
	Equipment	ton	4,678	7,740	6,587	
	Generators	ton	2,495	3,624	3,682	
	Others	ton	1,553	74	46	
Construction Waste		ton	7,210	2,186	2,427	
Total Discharge of Waste		ton	50,024	36,273	36,148	
GHG Emissions						
Direct/Indirect GHG Emissions						
Scope 1 Direct Emissions		tCO <sub>2</sub> e	63,251	60,481	44,073	
Scope 2 Indirect Emissions		tCO <sub>2</sub> e	1,035,575	1,037,293	1,044,655	
Total Direct/Indirect GHG Emissions		tCO <sub>2</sub> e	1,098,826	1,097,774	1,088,728	
Scope 3 Emissions						
Supply Chain Phase	Fixed-Line Devices	tCO <sub>2</sub> e	2,430	472	251	
	Wireless Devices	tCO <sub>2</sub> e	3,935	1,269	1,472	
	Telecommunications Service Infrastructure	tCO <sub>2</sub> e	30,925	48,197	47,240	
Use Phase	Home Terminals	tCO <sub>2</sub> e	44,873	40,783	35,026	
	Mobile Terminals	tCO <sub>2</sub> e	89,117	168,621	199,790	
	Internet Terminals	tCO <sub>2</sub> e	270,143	237,846	226,692	
Other Scope3 Emissions	Water Consumption	O <sub>2</sub> e	996	997	932	
		Waste Treatment	Daily Waste	tCO <sub>2</sub> e	294	349
	Recyclable Waste		tCO <sub>2</sub> e	11,703	750	650
	Construction Waste		tCO <sub>2</sub> e	186	114	113
	Business Trips		Downtown Areas	tCO <sub>2</sub> e	319	380
		Suburbs	tCO <sub>2</sub> e	880	659	669
		Overseas	tCO <sub>2</sub> e	2,931	8,551	1,677
	Commuting	Bus (Intra-City, Inter-City)	tCO <sub>2</sub> e	801	762	877
		Subway	tCO <sub>2</sub> e	68	76	57
		Personal Vehicle	tCO <sub>2</sub> e	25,048	22,495	17,828
		Railway	tCO <sub>2</sub> e	72	25	22
	Multiple Modes	tCO <sub>2</sub> e	599	210	438	
Total Scope 3 Indirect GHG Emissions		tCO <sub>2</sub> e	485,320	532,556	534,387	
Social Emissions Reduction (Mitigation Effects)						
Wireless Communication		tCO <sub>2</sub> e	1,167	16,592	81,204	
IT Solution		tCO <sub>2</sub> e	85,687	270,862	306,692	
Media & Content		tCO <sub>2</sub> e	911,838	825,879	773,144	
New Growth		tCO <sub>2</sub> e	3,925	3,456	1,695	
Total Reduction in Social Emissions		tCO <sub>2</sub> e	1,002,617	1,116,790	1,163,265	
Green Procurement						
Eco-Friendly Products		Eco Mark-Certified	No. of Items/ KRW million	689/4,787.9	835/9,270	254/5,477
		GR Mark-Certified	No. of Items/ KRW million	7/468.4	1/494	0
Total No. of Purchased Products and Value		No. of Items/ KRW million	823/5,478	836/9,764	254/5,477	



# Audit Report from the Independent Auditor

## To the Board of Directors and Shareholders of kt Corporation

We have audited the accompanying consolidated financial statements of kt Corporation and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of kt Corporation and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

### Other Matters

The consolidated financial statements of the Company as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea March 6, 2015

*Samil PricewaterhouseCoopers*



This report is effective as of March 6, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# Greenhouse Gas Verification Statement

**Verification No** KQA-T1501

**Company** kt Corporation

**Representative** Hwang Chang-Gyu

**Address** 90, Buljeong-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea

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

**Regulation Applied** The GHG and Energy Target Scheme Guidelines

**Verification Scope** GHG emissions and energy consumption reports (in the year of 2014)

**GHG emissions** 1,088,728 ton CO<sub>2</sub>-eq(Scope 1+2)

**Energy Consumption** 22,269 TJ



# Third-Party Assurance Statement on '2015 kt Integrated Report'

## To Stakeholders of kt

The Korea Productivity Center (hereafter the 'Assurer') was commissioned by kt to perform a third-party assurance engagement of the 2015 kt Integrated Report (hereafter the 'Report') and presents the assurance statement as follows:

## Responsibility and Independence

kt is entirely responsible for all information and opinions presented in the "Report". The Assurer is solely responsible for providing a third party verification of the contents of the "Report". As an independent assurance agency, the Assurer neither was involved in the process of developing the "Report" with kt, nor is in any conflict of interest that may undermine our independence.

## Assurance Standard

The following assurance was conducted in accordance with Type 1, moderate level of AA1000AS(2008) assurance standard. And Type 2 assurance was conducted on specific indicators: water usage, waste management, occupational incident rate, etc. that require credibility check in the data collection process. It also verified the organization's adherence to AA1000APS(2008) Principles of inclusivity, materiality, and responsiveness. Moreover, the Assurer checked whether kt complied with Global Reporting Initiatives (GRI) G4 Guideline.

## Limitation

Based on the aforementioned assurance standard, the Assurer conducted the following assurance on sustainability performance in 2014 and verified the reliability of performances stated on the Report as the following. Financial data were verified with financial statements and disclosed documents that were audited by the auditing agency, and other data related to greenhouse gas, homepage connection, etc. were verified with the existing assurance results. Moreover, site inspection was conducted on kt's headquarter in Seoul, Korea, and any additional assurance may change the result.

## Methodology

The following method was used to provide the assurance about the Report.

1. Verified whether requirements from the core option on GRI G4 Guidelines were fulfilled
2. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
3. Verified objectivity and appropriateness of key issues selected and contents in the Report by conducting media research and performing benchmark analysis.
4. Verified the suitability of the information and expression error through comparison analysis to other resources.
5. Verified the evidence of data and information through on-site inspection on Seoul headquarter and internal process and system.

## Findings & Conclusion

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

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

Material Issues	Aspects	Indicators
Personal information protection and reinforcing security policy	Customer Privacy	PR8
Dealing with government regulations and policy		
Management with customers as top priority	Product and Service Labeling	PR3~PR5
Indirect economic effects	Indirect Economic Impacts	EC7~EC8
Expanding the IoT market		
Contributing to enhancing the quality of life through ICT		
Transparency of management information Governance structure	Governance	G4-34~G4-55
Ethics management	Anti-corruption	SO3~SO5
Making the clean communications market environment	Marketing Communications	PR6~PR7
Win-win growth	Market Presence	EC5~EC6
Economic performance kt's market status Innovative management	Economic Performance, Indirect Economic Impacts	EC1~EC4, EC7~EC8
Acceleration of technical changes		
Intensified cost competition		
Participation in establishing public policy	Public Policy	SO6
Increasing interests in balance between work and life		
Stakeholder engagement	Stakeholder Engagement	G4-24~G4-27
Providing services considering customers' health and safety	Customer Health and Safety	PR1~PR2
Increasing interest in social responsibility investment		
Expanding a gap in access to information Social contribution	Local Communities	SO1~SO2
Increasing importance for securing the talent	Employment	LA1~LA2
Developing green IT technology	Environmental(Products and Services) , Energy	EN3~EN7, EN27~EN28
Increasing interest in national disasters and incidents		219

## 1. Inclusivity : Participation of Stakeholders

The principle of inclusivity articulates that organizations should include stakeholders in the process of developing strategic response to and achieving sustainability. In this regard, the Assurer could verify that kt put various efforts to abide by and improve the principle of inclusivity in 2014. kt categorizes its key stakeholders into 6 groups including customers, shareholders, business partners, employees, local community, and environment. The Assurer verified that kt classifies interested areas and engagement methods of each group and collects opinions through active communication. In particular, kt's efforts for receiving customers' voice by running customer pool of 200, regular online survey for about 10,000, customer product quality panel of 100, and for differentiated opinion collection through SCM committee, kt 119 grievance center, etc.; however, kt should consider establishing integrated management system for stakeholder communication.

## 2. Materiality : Significant Issue Identification and Reporting

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that kt successfully identified issues relevant and material to the company and its major stakeholders based on a reasonable materiality analysis process. It was also confirmed that kt identifies material issues in accordance with sustainability background, principles of materiality and completeness, and decides on the reporting standards such as scope, boundary, period based on credible assurance. kt deducted 25 material issues in 2014, and the Assurer could verify that activities and key performance of the core issues are evenly covered in each page of the Report. The specific description of the importance of the issues, and kt's approach in the Report through separate reporting of 5 core issues is an exemplary case.

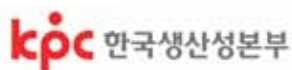
## 3. Responsiveness : Response to Issues

The principle of responsiveness articulates that organizations should be responsive to the issues that may influence the performance of their stakeholders. The Assurer found that kt successfully identified issues which may impact stakeholders' performance, implemented measures to address them, and adequately presented relevant information in the Report. kt categorizes its material issues into 8 sectors, discloses its activities and performance, and separately reports focused issues. In particular, it is an excellent example that kt reported a separate section, 'Enhancing Social Value in CSV Perspective' as a response to interest of both stakeholders and society in shared value creation, and provided information of value provision including stakeholder benefit and industrial objectives of the future.

## Recommendation

Upon appraising kt's various efforts and performance for enhancing its sustainability, the Assurer proposes below for future publications of the Report and higher standard of sustainability

- 1. Establishment of performance management system for social value creation:** In the Report, kt discloses quantitative performance of its social value creation. Although this is an exemplary case, the Assurer suggests kt to enhance the credibility of information by providing specific measurement standard and future goals on creativity and inductive effects and to establish for managing long-term changes.
- 2. Expansion of inclusivity in the reporting scope:** kt sets 510 operation sites including its headquarters and national branches as the reporting boundary. The Assurer proposes kt to expand the boundary to its subsidiaries and overseas branches as well. In addition, kt will be able to enhance the completeness by reporting value creation through joint business with the subsidiaries and sustainability performance about benefits to stakeholders.
- 3. Reinforcement of function of the Integrated Report:** kt presents a business model and future outlook relevant to the integrated reporting framework in the Report. The Assurer, therefore, suggests kt to review the application measures of the integrated reporting framework by identifying core sustainability factors through the analysis of value chain in each business model and by disclosing the progress of performance management by objectives and target achievement.



May 2015

Korea Productivity Center  
CEO Hong, Sun-Jik

Dong-Su Kim, Director

Ki-Hwan Lee, Team Leader

Dae-kwon Yang, Researcher

The Sustainability Management Center of Korea Productivity Center is an assurance agency officially certified by AccountAbility [organization established AA1000, the international standard for stakeholder participation and verification] and is qualified to independence assurance engagements. Our Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

\* AA1000AS(2008) : AA1000 Assurance Standard(2008) is an international assurance standard, set by AccountAbility, that provides method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information

\* AA1000APS(2008) : AA1000 AccountAbility Principles Standard(2008) is an international assurance standard set by AccountAbility that provides principles of AA1000 standards.

# GRI Content Index

General Standard Disclosure		Page	External Assurance
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	4~5	p. 106-107
G4-2	Provide a description of key impacts, risks, and opportunities.	4~5	
Organizational Profile			
G4-3	Report the name of the organization	6	p. 106-107
G4-4	Report the primary brands, products, and services.	10~11	
G4-5	Report the location of the organization's headquarters.	6	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	40~41	
G4-7	Report the nature of ownership and legal form.	6~7	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	9~11	
G4-9	Report the scale of the organization, including: • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided	About this Report, 12, 81	
G4-10	A. Report the total number of employees by and gender. B. Report the total number of permanent employees by employment type and gender. C. Report the total workforce by employees and supervised workers and by gender. D. Report the total workforce by region and gender. E. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. F. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	81	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	88	
G4-12	Describe the organization's supply chain.	72	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	7 (Changes in ownership structure)	
Organizational Profile: Commitments to External Initiative			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	20~21	p. 106-107
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	16, 112	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	112	
Identified Material Aspects and Boundaries			
G4-17	A. List all entities included in the organization's consolidated financial statements or equivalent documents. B. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	About this Report, 7	p. 106-107
G4-18	A. Explain the process for defining the report content and the Aspect Boundaries. B. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	22~23	
G4-19	List all the material Aspects identified in the process for defining report content.	23	
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: A. Report whether the Aspect is material within the organization B. If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: a. The list of entities or groups of entities included in G4-17 for which the Aspect is not material or b. The list of entities or groups of entities included in G4-17 for which the Aspects is material C. Report any specific limitation regarding the Aspect Boundary within the organization	23	



G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization	23	p. 106-107
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About this Report	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	No significant changes	
Stakeholder Engagement			
G4-24	Provide a list of stakeholder groups engaged by the organization.	17	p. 106-107
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	17	
G4-26	Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	17	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	17, 52~53	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	p. 106-107
G4-29	Date of most recent previous report (if any).	About this Report	
G4-30	Reporting cycle (such as annual, biennial).	About this Report	
G4-31	Provide the contact point for questions regarding the report or its contents.	About this Report	
Report Profile: GRI Content Index			
G4-32	A. Report the ‘in accordance’ option the organization has chosen. B. Report the GRI Content Index for the chosen option (see tables below). C. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be ‘in accordance’ with the Guidelines.	About this Report	p. 106-107
Report Profile: Assurance			
G4-33	A. Report the organization’s policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. C. Report the relationship between the organization and the assurance providers. D. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization’s sustainability report.	About this Report	p. 106-107
Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	14~16	p. 106-107
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	16	
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	13~16	
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	16	
G4-38	Report the composition of the highest governance body and its committees by: • Executive or non-executive • Tenure on the governance body • Number of each individual’s other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation	13~14	
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization’s management and the reasons for this arrangement).	13	
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved	13~16	

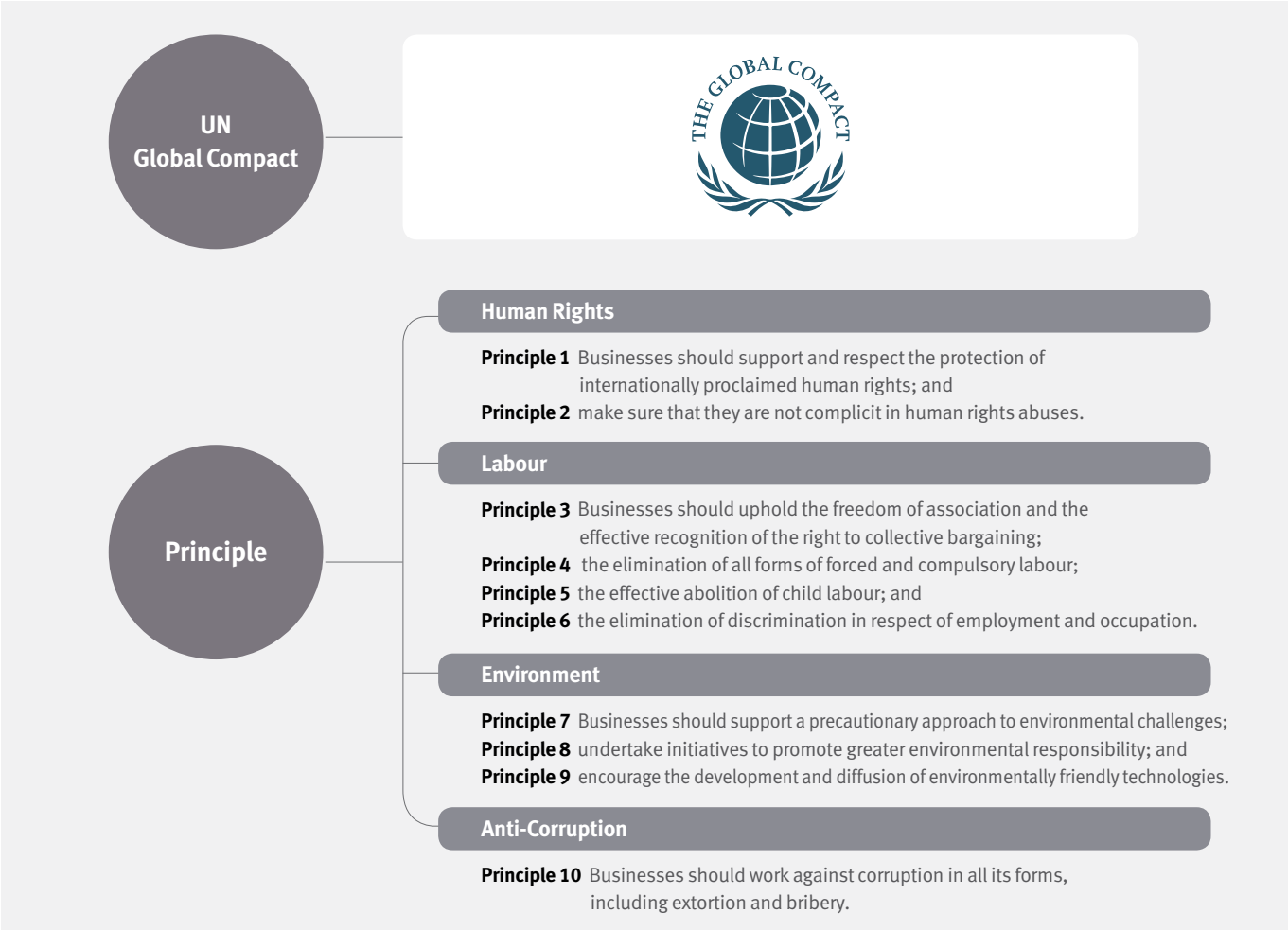
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"><li>• Cross-board membership</li><li>• Existence of controlling shareholder</li><li>• Related party disclosures</li><li>• Cross-shareholding with suppliers and other stakeholders</li></ul>	13~14	p. 106-107
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	13~16	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	13~16	
G4-44	A. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	13~16	
G4-45	A. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. B. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	13~16	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	16	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	15	
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	16	
G4-49	Report the process for communicating critical concerns to the highest governance body.	16	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	15	
G4-51	A. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"><li>• Fixed pay and variable pay:<ul style="list-style-type: none"><li>a. Performance-based pay</li><li>b. Equity-based pay</li><li>c. Bonuses</li><li>d. Deferred or vested shares</li></ul></li><li>• Sign-on bonuses or recruitment incentive payments</li><li>• Termination payments</li><li>• Clawbacks</li><li>• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees</li></ul> B. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	15	
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	13~15	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	13, 15	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	15	
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Cannot be reported as the relevance of the ratio of percentage increase cannot be established due to the appointment of a new CEO	
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	18	p. 106-107
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	18~19	
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	18	

## Specific Standard Disclosures

Material Aspect	DMA and Indicators		Page	Omissions	External Assurance
Category: Economic					
	Generic DMA				
Economic Performance	G4-EC1	Direct economic value generated and distributed	12		p. 106-107
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	90~99		
	G4-EC3	Coverage of the organization's defined benefit plan obligations	82		
	G4-EC4	Financial assistance received from government	12		
Generic DMA					
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	82		
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	81		
Generic DMA					
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	59~65, 73~79		
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	38~39		
Category: Environmental					
	Generic DMA		91, 94		p. 106-107
Energy	G4-EN3	Energy consumption within the organization	91		
	G4-EN4	Energy consumption outside of the organization	93		
	G4-EN5	Energy intensity	90		
	G4-EN6	Reduction of energy consumption	94~95		
	G4-EN7	Reductions in energy requirements of products and services	94~95		
Generic DMA		90			
Compliance	G4-EN27	Extent of impact mitigation of environmental Impacts of products and services	90, 97		
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	—	No violations	
Category: Social					
Sub-Category: Labor Practice and Decent Work			Page	Omissions	External Assurance
	Generic DMA		81		p. 106-107
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	81		
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	81		
	G4-LA3	Return to work and retention rates after parental leave, by gender	81		
Sub-Category: Human Rights					
	Generic DMA				p. 106-107
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	—	No such incidents of discrimination occurred	
Sub-Category: Society					
	Generic DMA		59, 73		p. 106-107
Local community	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	59~95, 73~79		
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	—	No such operations exist	
Generic DMA		18~19			
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	19	No such operations exist	
	G4-SO4	Communication and training on anti-corruption policies and procedures	18~19		
	G4-SO5	Confirmed incidents of corruption and actions taken	19		
Sub-Category: Product Responsibility					
	Generic DMA		28~29, 54~55, 99		p. 106-107
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	29, 55, 99		
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	—	No such incidents of non-compliance occurred	
Generic DMA		51			
Product and Service Labeling (Customer Satisfaction)	G4-PR3	"Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements"	10~11		
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	—	No such incidents of non-compliance occurred	
	G4-PR5	Results of surveys measuring customer satisfaction	53		
Generic DMA		27			
Marketing Communications	G4-PR6	Sale of banned or disputed products	—	No such products exist	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	19		
Generic DMA		28			
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	28		

# UNGC Index

To fulfill its role and responsibility as a sound corporate citizen, kt signed the UN Global Compact in 2008. 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 mutual cooperation, job creation, protection of the socially vulnerable, etc.



## Memberships

### Domestic

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

### Overseas

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

# Awards 2014

Awards won	From	Date
NCSI(National Customer Satisfaction Index)-ranked 1 <sup>st</sup> in the local/long-distance call, internet call and international call sectors	Korea Productivity Center	Jan.8
Winner of 2014 IF Design Award in Communication Design Category	IF Design Exhibition Hamburg	Jan.24
The most Admired Companies, All Star	Korean Management Association Consulting	Feb.17
Top 50 Telecoms Operator Brands 2014-ranked 1 <sup>st</sup> in brand value among Korea's telecommunications companies	Brand Finance Global	Feb.19
Winner in the two category of 'Outstanding LTE Contribution' and 'Outstanding Overall Mobile Technology' at the GSMA Global Mobile Awards 2014	Global System for Mobile communications Association(GSMA)	Feb.26
INNO STAR 2014-Best Innovation award in the 'IPTV' sector	Korea Management Association	Mar.27
2014 Smart Brand-Ranked 1 <sup>st</sup> in the Digital/Telecommunication Sectors as 'olleh'	Korean Management Association Consulting	May.28
Winner of grand prize of Sustainability Management sector at Korea Management Awards 2014	Korean Society of Consumer Studies	Jul.16
Winner of 2014 Red Dot Design Awards in Communication Design Category	Design Zentrum Nordrhein-Westfalen	Aug.18
2014 NBCI(National Brand Competitiveness Index)-ranked 1 <sup>st</sup> in Internet service, IPTV and International Call Sectors	Korea Productivity Center	Sep.1
Winner of Integrated Report 2014 in Korea Reader's Choice Awards 2014	Korea Standards Association	Sep.4
Selected to be included in the DJSI World index for the 5 <sup>th</sup> straight year	DowJones(US)/RobecoSAM(Swiss-based investment company)	Sep.11
2014 Korea Standard-Service Quality Index-ranked 1 <sup>st</sup> in the wireless and ultra high-speed internet sectors	Korea Standards Association	Sep.18
2014 KCSI(Korean Customer Satisfaction Index) – ranked 1 <sup>st</sup> in the ultra high speed internet, local/long-distance call, internet call and international call sectors	Korean Management Association Consulting	Oct.6
Winner of Sustainability Management sector at Global Standard Management Awards 2014	Korea Management Association Registration	Oct.22
2014 CPLI(Climate Performance Leadership index)_ranked 1 <sup>st</sup> in the telecommunication sector	CDP in the U.K., CDP Korea	Oct.23
Winner of grand prize of Telecommunication sector at the Next Society CSR Summit 2014	Next Society Foundation	Nov.18
Winner of Creativity sector at Mecenat Awards 2014	Korea Mecenat Association	Nov.26
Winner of Creativity and Innovation sector at the 1 <sup>st</sup> Porter Prize for Excellence in CSV	The institute for Industrial Policy Studies	Dec.3



[www.kt.com](http://www.kt.com)



This report was printed with soybean oil ink on paper certified by the international environmental NGO, FSC, using elemental chlorine free bleaching pulp.