



**We have a dream**

# We have a dream

## About This Report

This 2012 Sustainability Report is the seventh report that covers kt's commitment and performance related to building a sustainable society. This Report includes kt's key business information, long-term strategy, economic performance, social responsibility, and environmental contributions and discloses its sustainability activities to communicate with its stakeholders. kt will continue to work with the stakeholders to create more value and reinforce sustainability activities.

## Report Framework

This report covers kt's economic, social, and environmental performance by stakeholder group. The company's stakeholders are classified into shareholders, customers, environment, employees, suppliers, and society. The Report also includes kt's value-creation strategy that takes account of details on olleh Management 2.0. The company's CSR Team was responsible for preparing this report in collaboration with other officers from related departments.

## Reporting Standard and Assurance

This report was prepared in accordance with the GRI (Global Reporting Initiative) G3.1 Guidelines, and discloses information with reference to the contents of ISO 26000, which were announced in November 2010. This Report was externally assured by an independent agency based on the principles of inclusiveness, materiality, and responsiveness.

## Reporting Period and Scope

This Report covers the activities and performance of the company's business units operating in South Korea from January 1 through December 31, 2011. It also includes certain activities conducted in 2012 where necessary. Each year, kt will continue to publish a Sustainability Report.



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## BOD Chairman Message

We will do our best to continue to make innovative changes and fulfill our dream of becoming a global media distribution corporation.



Originally founded as the Korea Telecommunication Association in 1981, kt's evolution mirrors Korea's rapid development in the telecommunication technology. kt initially provided telephone services, which paved the way to its new businesses, including high-speed internet service and IPTV. Since a 2009 merger with KTF, kt provides the world a convergence of fixed and mobile services. Now, building on its foundation of the "smart device revolution," kt announces the second phase of "olleh Management".

During the first phase of olleh Management over last three years, kt significantly improved worker-management relationships, implemented the Smart Working system for a more efficient working environment, and developed cutting edge technologies, such as Cloud computing, search technology, and the use of "smart" devices.

kt also successfully promoted its partnership with small and medium enterprises, sharing the benefits of joint efforts in a fair and equitable way. We believe mutually beneficial partnerships with small and medium companies are the key to evolving into a true global media distribution corporation.

kt employs bright, talented people. A new generation of young and powerful leaders are working with our CEO to advance kt into the global market place. We are proud to say that kt has been successful in recruiting numerous high ranking female

managers, infusing new energy into executive suites in a gender friendly manner. By doing so, kt has created a more innovative and customer friendly service environment.

The innovative changes kt made over the past three years has now become its core. We look forward to kt playing the leading role as a global media distribution corporation in the near future. kt promises to be socially responsible, reaching out to those who are neglected and left behind by the digital divide.

2012 will be a year in which kt's competitive advantage will contribute to the economy and the society. We ask for your continued interest and encouragement. Our board of directors, executives, and staff promise to lead the company with honesty and integrity.

Chairman of the Board of Directors,  
Eung Han Kim

## CEO Message

kt believes that the world can be a better place than the world we see today.



Countless academic articles in the field of management have commented that the goal of any corporation should be to find sources of sustained competitive advantage. It is with sustained competitive advantage that companies are able to prevail over their competitors. I believe that companies with a history stretching over a hundred years can be considered as truly prestigious.

Throughout history, corporations have not only provided jobs and social welfare, but also have delivered innumerable benefits to the communities in which they operate. There are numerous stories of how inventions designed to generate company profit have actually contributed to the welfare of society. I recall reading an article that described how the dishwasher was the best invention of all time, and in many ways, this is no exaggeration. It demonstrates that a corporation's history is not only defined by profits and margins, but by how they have contributed to society. I believe companies today must endeavor to support society and re-engage with the communities that surround them.

On the other hand, as globalization has progressed, a darker side to corporations has become apparent. Though often unintended, some companies have negatively impacted the environment and deepened social inequalities. As social polarization intensifies and environmental damage begins to threaten nature's balance, corporate responsibility will become more important than ever before. This means that the success of a company will go beyond mere creativity and innovation. A precedent of full compliance with the law, ethical management, contribution to the community and environmental pro-

tection must be at the core of a corporation's social responsibility.

In the end, companies that survive and prevail the longest are the most distinguished. Only a company that is recognized for its continuous development, innovation, and active contribution to society can continue to compete for long periods of time. The kt family wants to see kt become a great corporation with a history that stretches far beyond one hundred years. We have already taken on that challenge: we are tackling social inequality by providing a more stable and creative working environment for our employees.

As we pave the way into the "Smart-convergence" era, we will contribute to every aspect of society. kt will be directly involved in the fields of energy and environmental protection, health, education, and even the artistic and cultural fields. It is kt's dream that the world will become a better place than the one we are living in now and I believe that this is the responsibility of a 21st century company and the essence of corporate social responsibility.

This report embodies kt's vision and goals. We will continue on with our journey, exercising these beliefs that are beneficial both to kt and society.

Seok-Chae Lee, CEO

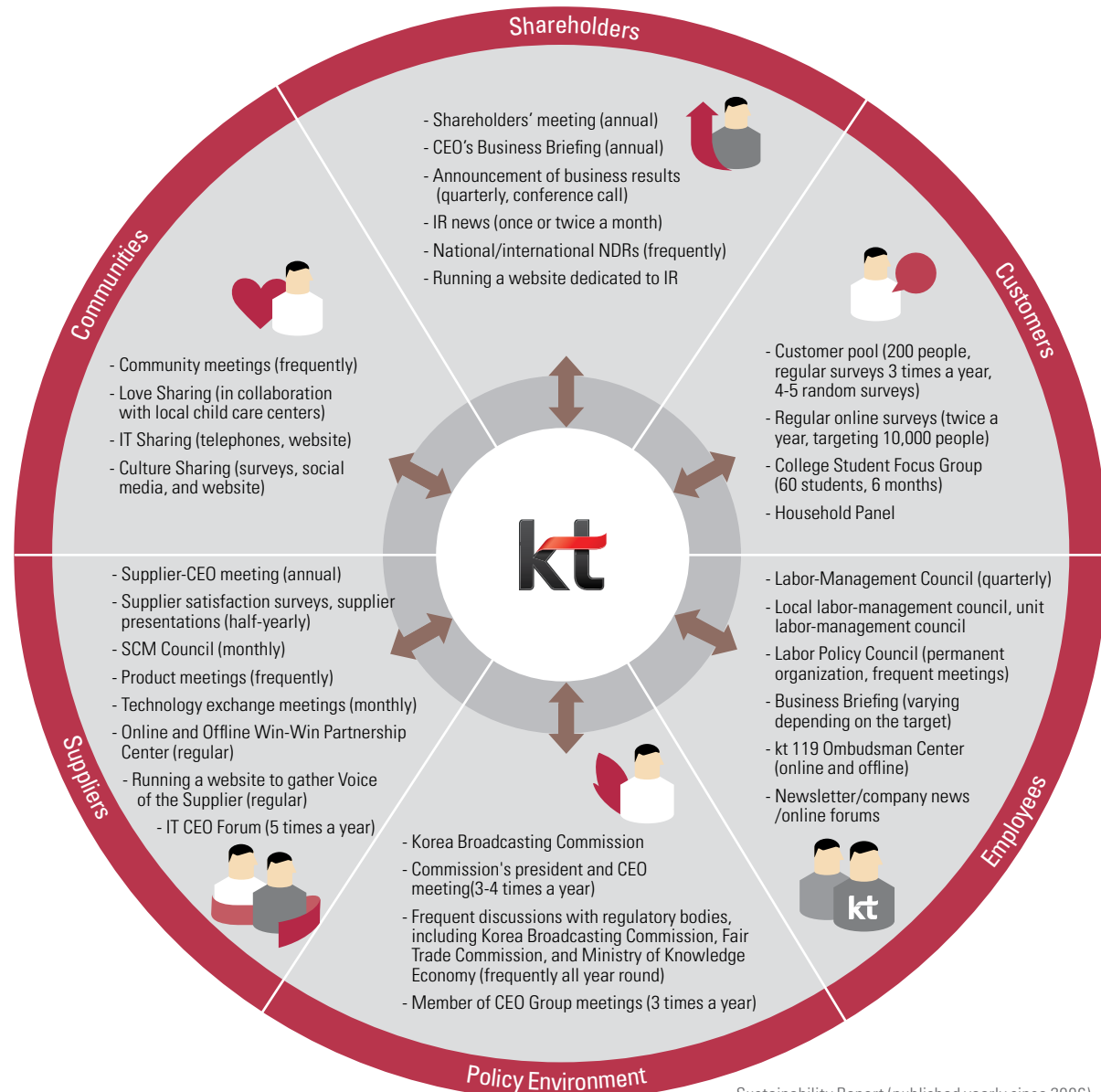
Stakeholder Communication

# Stakeholder Engagement

kt classifies key stakeholder groups into customers and shareholders, who are in business relationships with the company, employees and suppliers, who are co-leaders in innovation and growth, and communities in which the company conducts business. The company gathers and takes into consideration the stakeholders' opinions through regular committee meetings or surveys.

Specifically, the company holds regular meetings to talk with the stakeholders, including the CEO-Supplier, Labor-Management Council and Community meetings, and each responsible team collects and reflects the opinions discussed in business activities. The company also conducts a survey in the material assessment process, and launched a Sustainability Committee consisting of related officers to incorporate the survey results into business activities. The Committee is responsible for overseeing sustainability activities, operating a Steering Committee, and supporting sub-committee activities.

Stakeholder Communication Channels



Stakeholder Communication

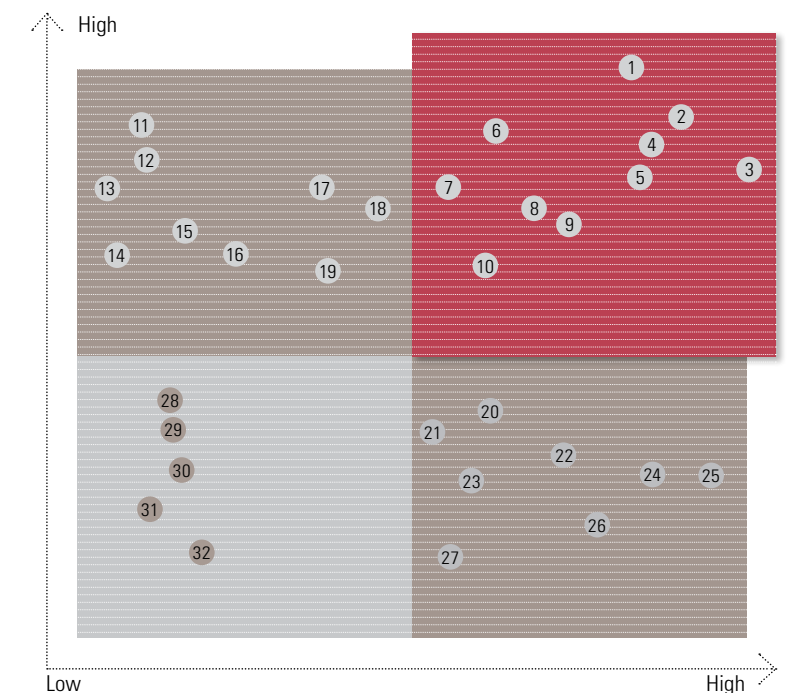
# Materiality Assessment

Through 'Materiality Assessment', kt identifies and constantly monitors key issues, taking into consideration the interests of stakeholders and their business impact. The materiality assessment includes media analysis, national/international industry benchmarking, international regulations and standards, and employee and external expert surveys to reflect stakeholders' interests, and their business impact was taken into account by examining data on olleh 2.0 and KPIs. This Report was prepared based on the assessment results.

- 1 **Media analysis**\_ kt analyzed news articles published by the press in 2011 to identify stakeholders' interests and social expectations. A comparison weight was assigned to negative issues.
- 2 **Industry benchmarking**\_ The company analyzed the CSR activities of global wired (cable) and mobile telecommunication carriers, who are competing with kt, as well as pressing issues in the industry.
- 3 **International standards**\_ kt incorporated ISO 26000, GRI G3.1, UNGC principles, and DJSI survey into its vision toward global leadership.
- 4 **External expert survey**\_ kt asked about 100 CSR experts in Korea about kt's level of sustainability and the issues that the company should be interested in, and reflected the results in the materiality assessment. The issues raised were governance, human-centric management, and win-win partnerships, in order of priority.
- 5 **Employee awareness survey**\_ 62% of employees responded that they were aware of CSR, while 54% said they were aware of the specific details of CSR activities.

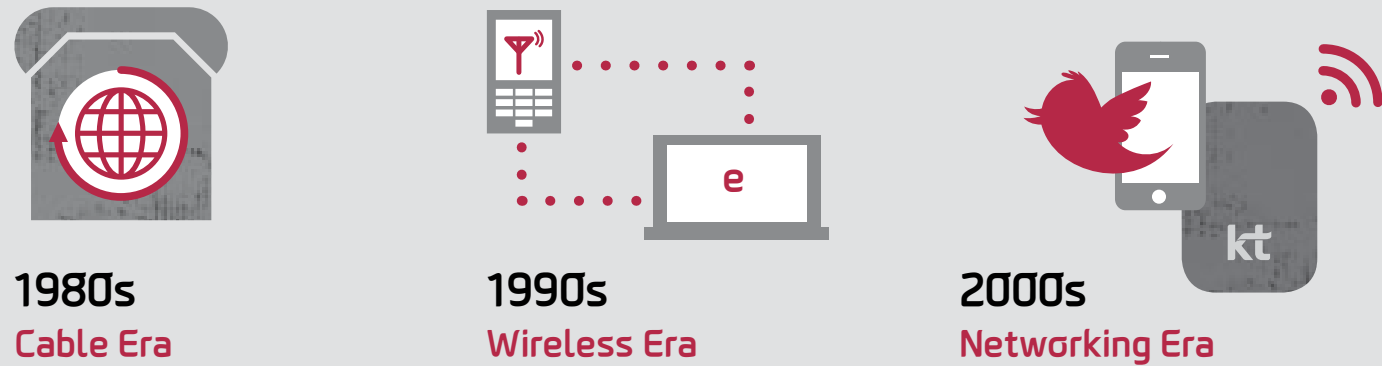
**Materiality Assessment Results** | The key issues identified include 'Win-Win Partnerships', 'Social Responsibility', and 'Stakeholder Engagement', and the level of materiality in the area of growth engines increased relative to the previous year's, following the announcement of olleh Management 2.0.

- |   |  |
|---|--|
| <p><b>High Issue</b></p> <ul style="list-style-type: none"> <li>1 Social Responsibility</li> <li>2 Stakeholder Engagement</li> <li>3 Win-Win Partnership</li> <li>4 New Growth Engines</li> <li>5 Environmental Management (Carbon Management)</li> <li>6 Sustainable Resource Use</li> <li>7 Consumer Communication</li> <li>8 Employee Health and Safety</li> <li>9 Training and Education</li> <li>10 Climate Change Response</li> </ul> | <p><b>Medium Issue</b></p> <ul style="list-style-type: none"> <li>11 Community Impact</li> <li>12 Pollution Prevention</li> <li>13 Fair Competition</li> <li>14 Marketing</li> <li>15 Respecting Human Rights</li> <li>16 Overall Business</li> <li>17 Consumer Health and Safety</li> <li>18 Consumer Privacy</li> <li>19 Business Results</li> <li>20 Diversity and Equal Opportunities</li> <li>21 Business Ethics</li> <li>22 Risk Management</li> <li>23 Improving Working Conditions</li> <li>24 Reputation</li> <li>25 Governance</li> <li>26 Technology Development</li> <li>27 Labor Relations</li> </ul> |
| <p><b>Low Issue</b></p> <ul style="list-style-type: none"> <li>28 Product Responsibility</li> <li>29 Business Environment</li> <li>30 Abolishing Human Rights Abuses</li> <li>31 Responsible Political Engagement</li> <li>32 Ecosystem Conservation</li> </ul>   |  |



2012 kt Highlight - Special Issue

# olleh Management 2.0

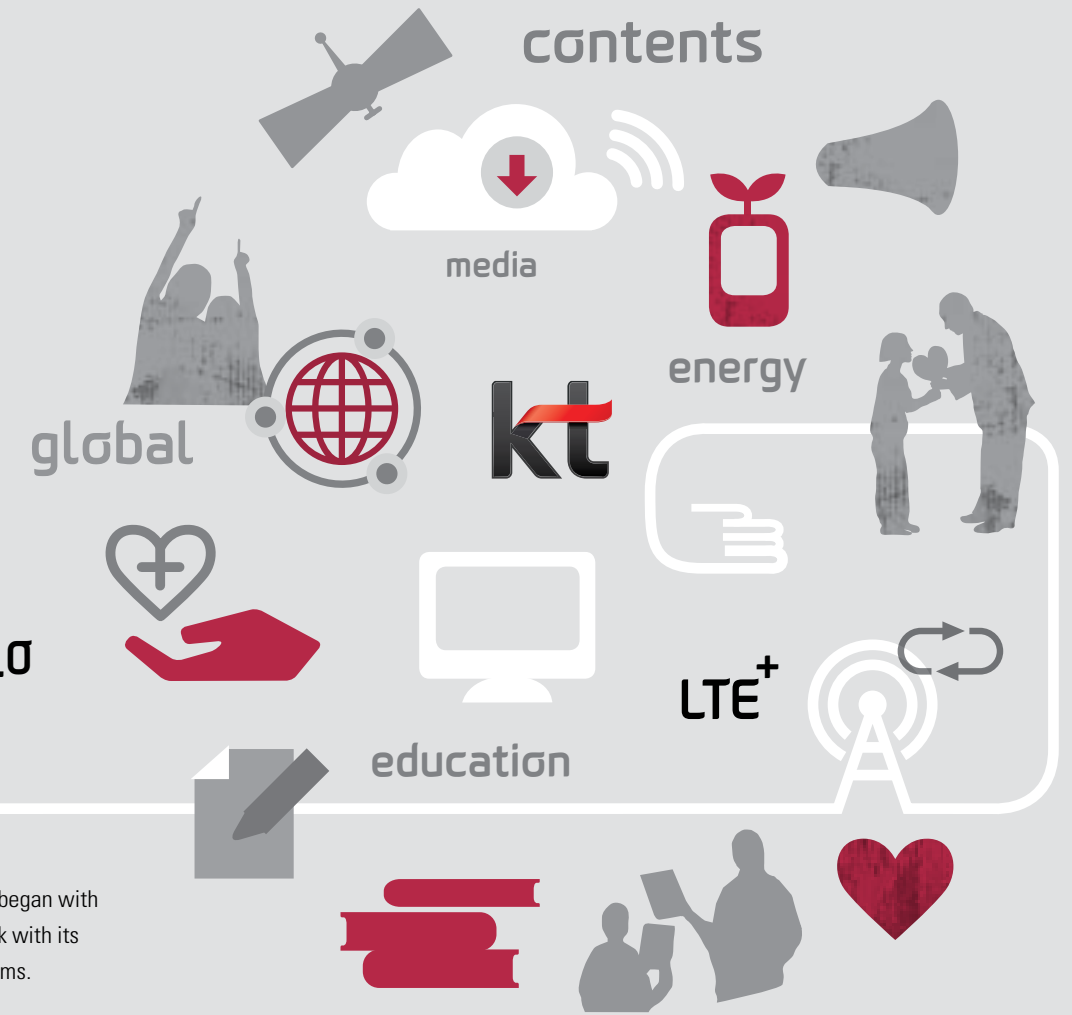


Korea Electrical Communication Corporation, the predecessor of kt, was established in 1981, and the wide distribution of telephones to households opened an era of information exchange. The creation of area codes enabled long-distance, international calls.

Pagers and city phones gave way to PCSs. In 1997, kt Freetel Co., Ltd. was founded, and mobile telephone subscribers surpassed 10 million. The company also started providing high-speed ADSL Internet service. As we entered the new millennium, personal mobile phones became commonplace.

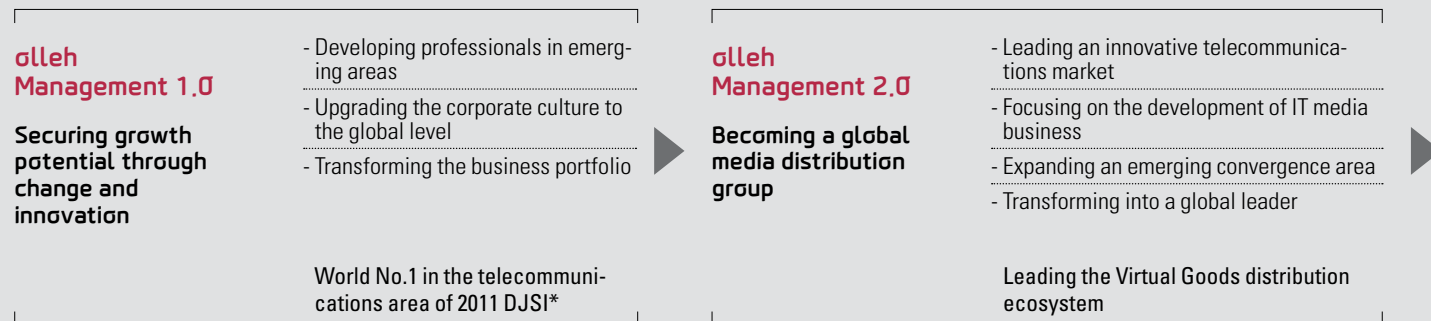
In 2002, when the Korea-Japan World Cup was held, ultra high-speed internet called NESPO was launched, and in 2006, WiBro was commercialized. Now, customers are connected to kt's network through WiBro, WiFi, and WCDMA. With the launch of iPhone in 2009, kt took the lead in adopting and distributing smartphones, as well as smart pads.

## olleh Management 2.0 The Era of Value Creation

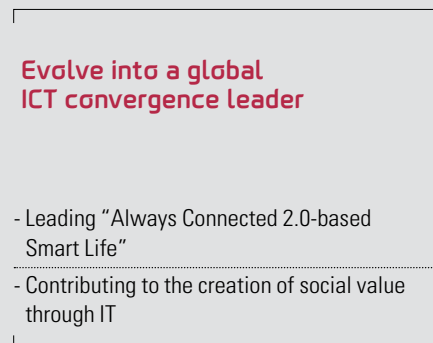


In 2012, the Era of Value Creation began with olleh Management 2.0. kt will work with its stakeholders and realize their dreams.

**“Evolve into a global ICT\* convergence leader by becoming not just a carrier but a global media distribution group”**



\*DJSI: Dow Jones Sustainability Index



Recently, the increasing use of smartphones featuring the N-screen and the development of telecommunications services have allowed customers to engage in multimedia communication anytime, anywhere, and consume/produce large amounts of content in real time. On the other hand, telecommunications service providers (TSPs) now face difficulties such as the need to invest a lot of money in creating/operating a large-scale network as network technologies (e.g. LTE) evolve, and unprecedentedly intense competition due to the entry of new companies into the telecommunications market. Subsequently, carriers are increasingly uncertain about the traditional revenue model, and there is also a growing interest among carriers around the world, including kt, in change and innovation toward sustainability, and in finding new growth engines.

\*ICT: Information, Communication, Transaction



## olleh Management 1.0\_

Securing growth potential through change and innovation

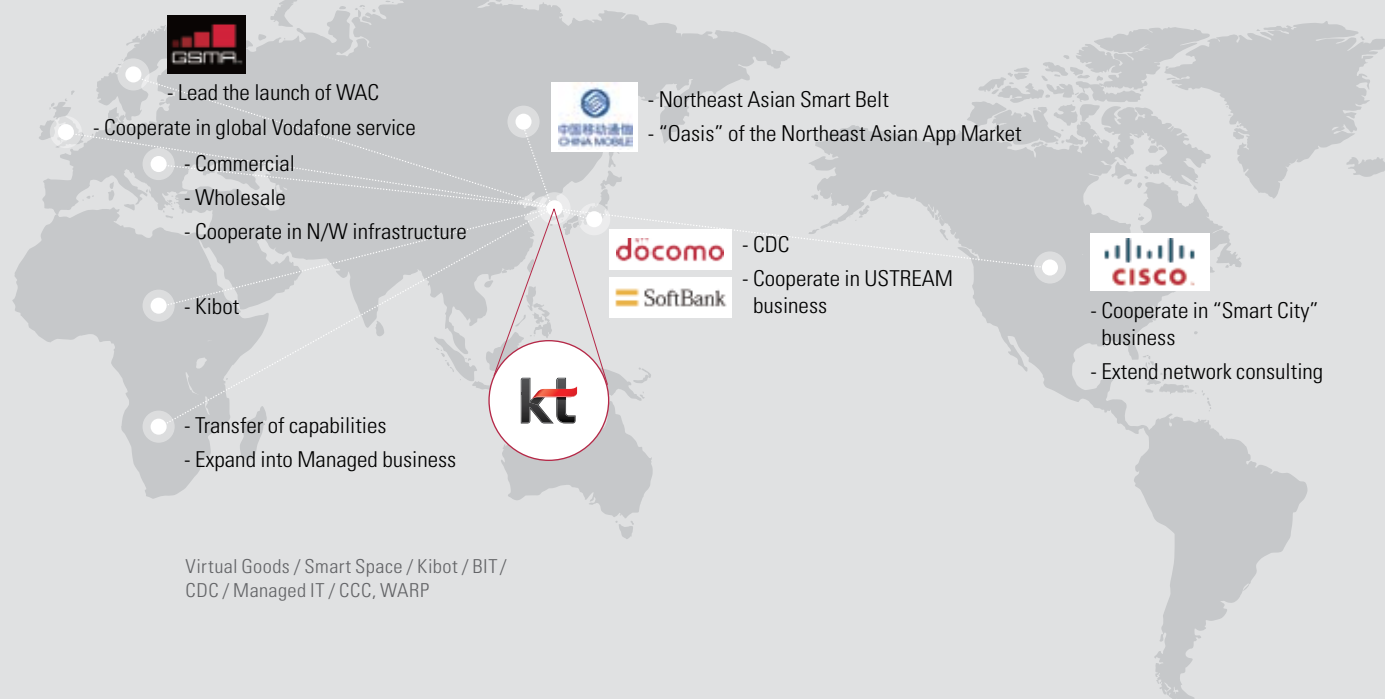
**Assessment of olleh 1.0 |** During the period of olleh 1.0, kt devoted itself to improving corporate behavior and securing growth potential through an infrastructure overhaul. The company focused on developing human resources in non-telecommunications and other emerging areas, such as recruiting external executive directors, and transformed its corporate culture by adopting the BIT\*-based process and extending 'Smart Working' and innovative management. In addition, the company laid the foundation for future growth through wired and wireless integration, 'smart' innovation, investment in convergence technologies, and an extension of cooperation in global businesses. \* BIT : Business & Information system Transformation

## olleh Management 2.0\_

Becoming a global media distribution group

**olleh 2.0 Implementation Strategy |** Based on the change and innovation made so far, the company plans on becoming a 'global media distribution group', reaching beyond the telecommunications market, which is now getting more competitive and slowing down. Using its strong wired/wireless network and cloud technology, the company will build a new world for 'Virtual Goods', where contents, apps, and solutions will be freely distributed in the global market. kt will focus on developing the IT media business, expanding into the emerging convergence area, and propelling mid-term growth. In particular, using synergy within the Group, the company will concentrate on businesses like media/contents, finance, security, and rentals, and consolidate its foundation for sustainability by diversifying its growth portfolio in the emerging advertising, education, medical, and energy industries. Further, the company will evolve into a global leader by building strong partnerships with other global leaders and launching successful Korean models in international markets, such as CCC\*, Managed IT, and Smart Space. Aside from that, the company will work harder to provide the underprivileged more opportunities, nurture partnerships with small and medium enterprises (SMEs), and create jobs to revitalize the IT industry, extending its social responsibility and role. kt's 'Global ICT Convergence Leader' strategy will be remembered as an example of innovation, which helps international carriers struggling with slow growth overcome the crisis. \*CCC : Cloud Communication Center

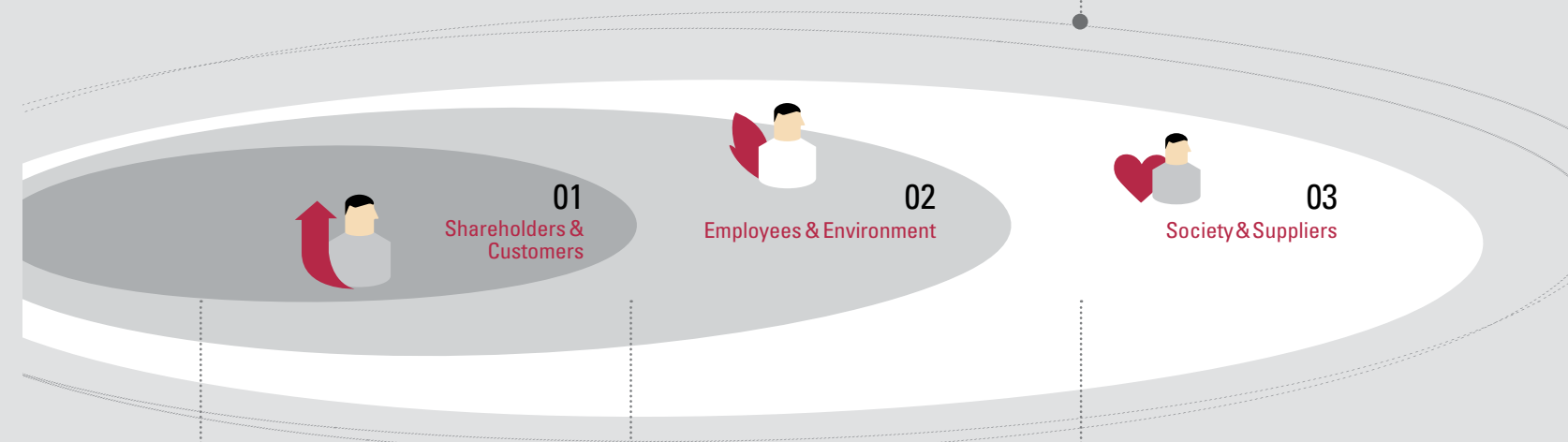
### Global Partners



## 2012 kt Highlight - Special Issue

# 2012 kt Report Framework

kt's 2012 Sustainability Report covers not only the Corporate Social Responsibility (CSR) aspect of the company but also its commitment to CSV(Creating Shared Value) with all stakeholders. Celebrating the second period of olleh Management(olleh 2.0), kt will fulfill the given responsibilities, and help resolve environmental and social problems through its services and green businesses and build a sustainable society.



### Shareholders & Customers

kt always works hard to make a profit, which is a company's primary function, and increase customer satisfaction. During olleh 2.0, the company will take the lead in global media distribution and deliver more value to shareholders and customers.

### Employees & Environment

kt's commitment to providing a better workplace not only increases employee satisfaction but offers a new IT business model. kt generates and distributes solar power, and provides green building management and real-time energy management services, helping to cope with global climate change.

### Society & Suppliers

kt declared the 'Three Do's' to promote win-win partnerships, and operates the olleh Venture Awards and Econovation Fair to create an environment where start-ups can grow and develop. Using its resources and capabilities, kt continues to carry out CSR activities to bridge the digital divide and improve each community's quality of life.

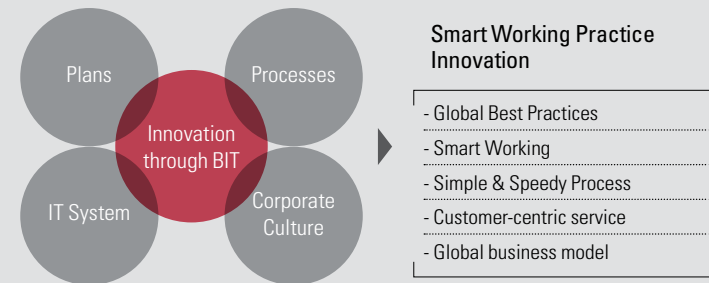


**Publishing Reports |** Since 2006, kt has published Sustainability Reports to open up a channel of communication with stakeholders. This comprehensive Report contains an organized summary of kt's economic, social, and environmental activities and performance and is disclosed to all stakeholders.

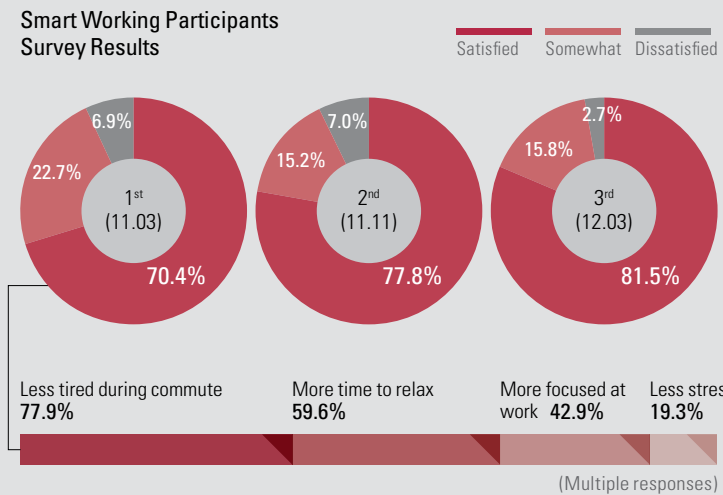
2012 kt Highlight - Special Issue

# Business Innovation and Smart Working through BIT

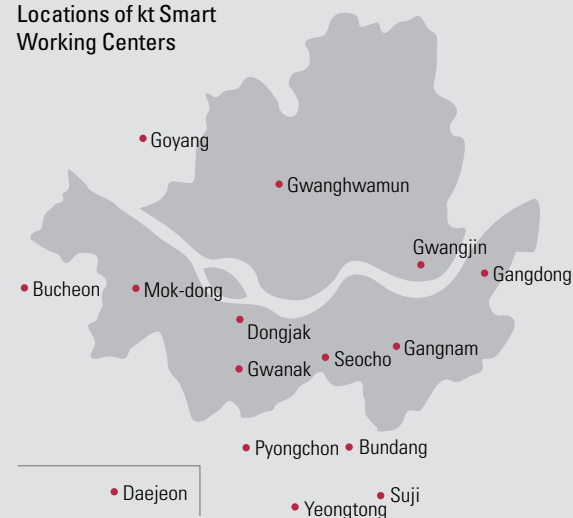
Since 2010, kt has been promoting a business area called "BIT (Business & Information system Transformation)." The company's BIT-ERP model, based upon which a global business model will be completed during olleh 2.0, is an IT technology introduced to help employees work in a "Simple & Speedy" way. This is a global business model that combines the company's business knowledge and technology and has developed into an IT consulting business. By enhancing the "Smart Working" process through a company-wide business/IT infrastructure overhaul, the company has increased employee satisfaction and maintained its capabilities at the world's best levels, including plans, processes, and corporate culture.



Since April 2011, kt has implemented 'Smart Working' for all employees. Using its IT system, the company allows pregnant/parenting women and R&D/business unit staff to choose a desired workplace and work there. Further, the company runs the 'Select Working Hour' program, in which employees are free to adjust their work schedules, which has improved the working environment and changed kt's corporate culture.



Locations of kt Smart Working Centers



Smart Working Centers allow employees who commute long distances to choose a workplace closer to home, or serve as a remote office for employees traveling on business nearby. There are 15 locations (16 centers), including Bundang, Seocho, and Gwanghwamun. The company plans on identifying employees' addresses and needs, expanding centers and systems, providing world-class working conditions, and helping employees work in a "simple and speedy" way.

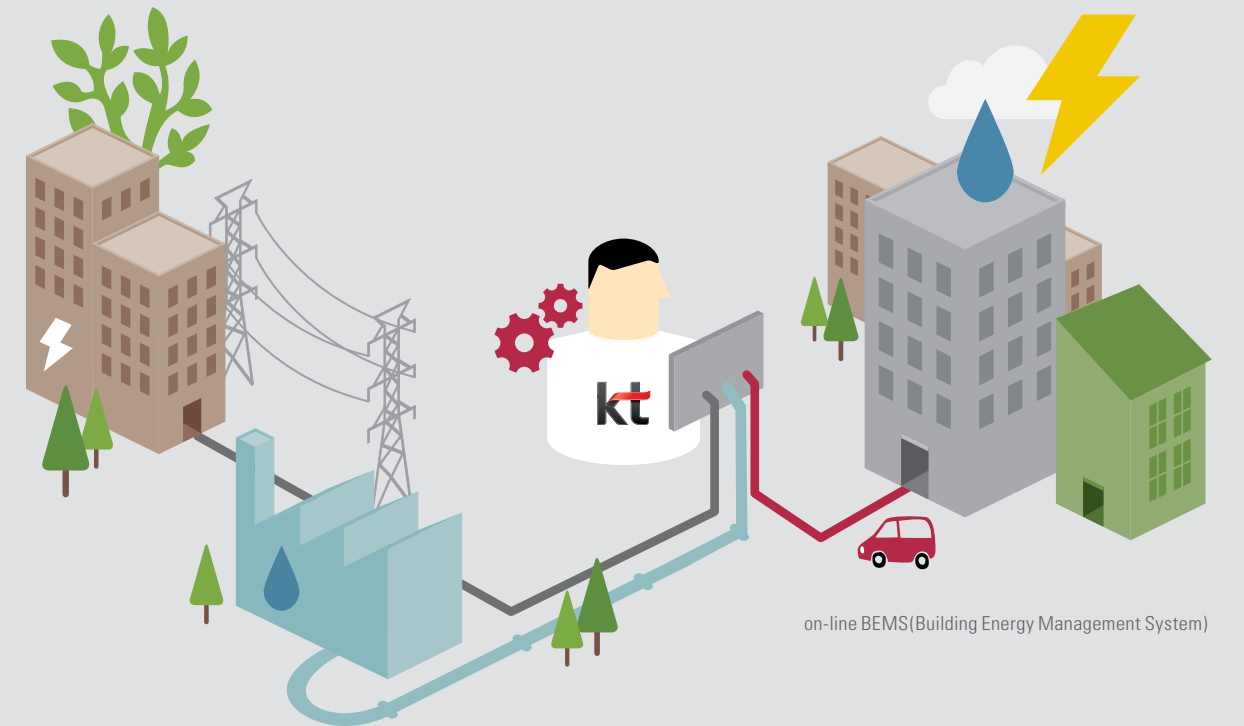
2012 kt Highlight - Special Issue

# Green Business

While preparing for olleh 2.0, kt regarded climate change as a future growth engine and an opportunity, rather than a threat to sustainability. With such attitude, the company proactively sought a business model, commercialized it, and produced economic and environmental results. One of such results is a Total Operation Center (TOC), which opened in May 2012.

Located at the Mapo RC Center, TOC manages an integrated platform called K-MEG\* (Korean Micro Energy Grid). Designed to provide total energy operation/management and efficient energy use for each connected area, TOC is a cutting-edge industrial technology solution that offers a variety of remote services, including point-of-use group management, energy market connection, AMI (Advanced Metering Infrastructure), BEMS (Building Energy Management System), electricity/heat/gas grid systems connection and integration, and demand response, and that allows optimum energy production and consumption.

\*K-MEG is one of the five future technology development projects awarded by the Ministry of Knowledge Economy's R&D Strategic Task Force, and next-generation energy technology that combines ICT (information & communication technology) with integrated production/supply/consumption of energy sources (electricity, gas, heat, etc.).



on-line BEMS (Building Energy Management System)

Online BEMS (Building Energy Management System), a remote centralized energy management solution installed at E-MART in the Guro Digital Complex, was the first product adopted in a commercial site in Korea, and saved installation costs about 10 to 30%, relative to the BEMS in existing buildings. Through remote energy management, the system saves building owners a considerable amount of maintenance cost, so it is suitable for mid-rise buildings where installing an efficient energy solution can be extremely expensive, as well as for local government buildings, large-scale buildings/industrial facilities. The company plans on providing the service to Sejong Multifunctional Administrative City, COEX, Banwol-Sihwa Complex, and Seoul National University, as well as complexes/multifunctional facilities in North American and Southeast Asia.

## 2012 kt Highlight - Special Issue

### Win-Win Partnerships through Start-up Support

Though the Korean IT industry has consolidated its position as one of the leaders in the global market, the industry could end up falling behind in global competition unless it responds proactively to the rapidly changing trends, just as Facebook burst onto the scene, competing Apple. It should be noted that, in such circumstances, business start-ups can help elevate the status of the Korean IT industry by keeping up with the shifting trends and commercializing innovative ideas.

#### Venture Auditions: "olleh Venture Awards" and "Econovation Fair"

Created to support business start-ups, "olleh Venture Awards" provides assistance for BMs (business models) that have passed the primary screening in commercialization and overseas expansion, including meetings with CEO for past winners, meetings with the executive officers of related businesses, and the Incubation Camp, which brings perfection to those businesses. "Econovation Fair" (mobile app contest) has been held three times, discovered 468 top-performing apps and businesses, and supported their global porting and commercialization in China and Japan.

The winners are entitled to participate in joint projects with kt or launch their own projects. kt invested directly in J.D.F Co., Ltd.'s "Avatar Fairytale," the 2009 winner, which is scheduled to air on Kibot2 and BabyFirstTV, an American cable TV network dedicated to child education.

#### Supporting Start-ups through "Smart School" and "Architect"

Through a developer training program called "Smart School," kt has trained and produced 15,000 app developers, and through a developer support program called "Architect," ran 8 courses including tax patent, free start-up consulting, and developed 89 teams so far. Of them, 40 teams started their businesses and 7 teams received Venture Certificates.

Furthermore, through "olleh Media Studio," kt supports content production for small/medium or one-person businesses and provides online/offline app development environments through Econovation Center.



## 2012 kt Highlight - Special Issue

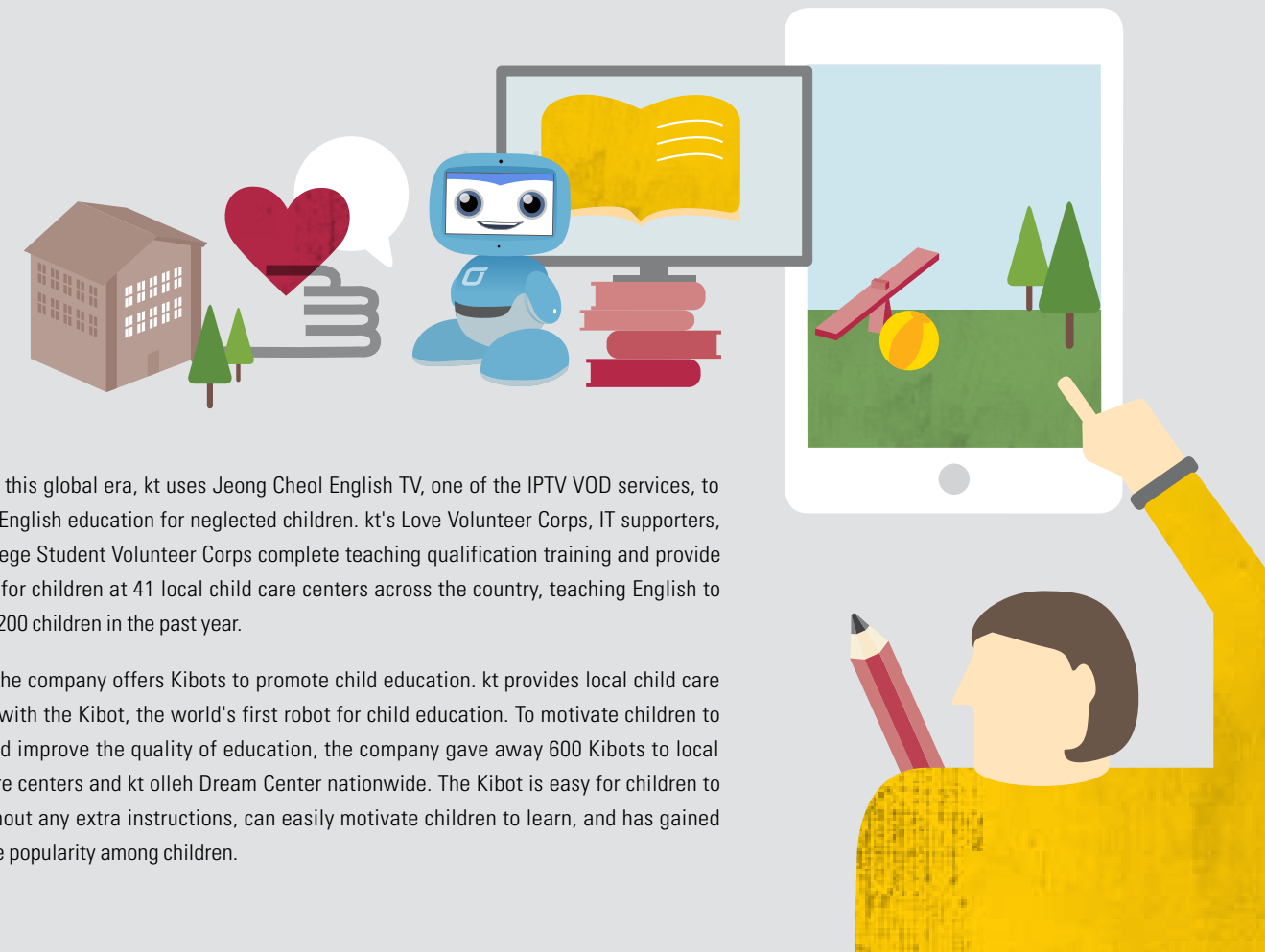
### Extending kt CSR: Creating Social Value through IT

With the launch of olleh Management 2.0, kt now takes the lead in narrowing the digital divide and providing opportunities for the underprivileged through IT. In 2011, the company already provided underprivileged people with opportunities and information through a variety of IT devices and contents, setting a good example for creating social values.

First, the company provided the olleh TV service (IPTV) to 1,726 social services centers nationwide, including local child care centers, leading stronger accessibility and educational support for the underprivileged. IPTV comes with a variety of VOD and CUG\* services and is thus useful for underprivileged people. The VOD service, in particular, offers various educational contents for children who hardly have any learning opportunities and increases the quality of learning, and the CUG service forms a channel to communicate among social services centers and is expected to help strengthen the centers' network and raise national awareness about education.

\*CUT: Closed User Group

Second, the company implements the Smart Pad Adoption project. With the popularity of Smart Pads growing nationwide, the company identified the Smart Pad's potential value that the pad can be used not just for entertainment but for child education purposes, and distributed 386 Smart Pads to 122 local child care centers. Aside from the distribution of Smart Pads, kt's IT supporters and the Love Volunteer Corps visit the said centers on a regular basis and conduct training on how to use Smart Pads for teachers and children, enhancing the pads' utility. The training includes zodiac sign and fairytale sessions that increase children's interests and learning effects.



Third, in this global era, kt uses Jeong Cheol English TV, one of the IPTV VOD services, to support English education for neglected children. kt's Love Volunteer Corps, IT supporters, and College Student Volunteer Corps complete teaching qualification training and provide training for children at 41 local child care centers across the country, teaching English to about 7,200 children in the past year.

Fourth, the company offers Kibots to promote child education. kt provides local child care centers with the Kibot, the world's first robot for child education. To motivate children to learn and improve the quality of education, the company gave away 600 Kibots to local child care centers and kt olleh Dream Center nationwide. The Kibot is easy for children to use without any extra instructions, can easily motivate children to learn, and has gained immense popularity among children.



Sustainability at kt

# At a Glance

**Company Overview** | Founded in 1981 as Korea Electrical Communication Corporation, kt played a pivotal role in elevating Korea to the status of an IT leader. In 2009, as the company merged with its subsidiary KTF and introduced a smartphone for the first time in Korea, kt wide-opened the 'Smart' era based on cable and wireless convergence. kt leads the 'Smart Life' that ensures communication and connection between people, and between people and objects, by providing a variety of convergence services combining telecommunications, IT, media, and contents, and takes the steps to become a 'Global ICT Convergence Leader'. During olleh 2.0, in particular, kt tries to transform itself into a 'Global Media Distribution Group' that can freely produce-distribute-consume virtual goods anytime, anywhere, based on the smart network and cloud infrastructure. In addition, kt pledges to become a sustainable company that fulfills its economic, social, and environmental responsibilities, such as revitalizing the Korean IT industry, creating jobs, win-win partnerships, sharing resources with underprivileged people, and green growth.

\*ICT: Information, Communication, Transaction

**Company Profile**

\*kt's own total assets and revenue

<b>Total assets</b> <b>26,453,607</b> million won	<b>Revenue</b> <b>20,166,817</b> million won
Company name: kt	Listed on: Korea Exchange (KRX), New York Stock Exchange (NYSE), and London Stock Exchange (LSE)
Founding date: December 10, 1981	Credit rating: Fitch A(2011.07.14), S&P A (2011.11.26), Moody's A3(2010.02.09)
President & CEO: Lee, Seok-chaе	
Head office: 206, Jeongja-dong, Bundang-gu, Seongnam-si, Gyeonggi-do	
No. of employees: 31,061 (as of late 2011)	

**About kt's Affiliates**



**Communication**

- kt powertel Co., Ltd. \_ Electrical communications services
- kt submarine Co., Ltd. \_ Construction services by specialty
- kt cs Co., Ltd. \_ Call center operations
- kt is Co., Ltd. \_ Call center operations
- kt m&s Co., Ltd. \_ Sale and rental of telecommunications devices
- kt linkus Co., Ltd. \_ Phone booth management, logistics, and distribution
- kt WiBro Infra Co., Ltd. \_ Sale and rental of ultra high-speed wireless telecommunications devices and equipment

**IT Service**

- kt networks Co., Ltd. \_ Electrical communications, special-category and additional communications
- kt ds Co., Ltd. \_ IT services installation and maintenance
- kt smart service Co., Ltd. \_ System integration and management business
- kt innotz Co., Ltd. \_ Software development and distribution

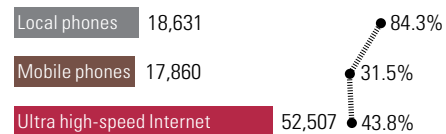
**Convergence**

- kt rental Co., Ltd. \_ Total rental services
- kt capital Co., Ltd. \_ Banking services
- kt telecop Co., Ltd. \_ Facility and machinery safeguarding services
- nasmedia Co., Ltd. \_ Online advertising agency
- kt estate Co., Ltd. \_ Real estate services
- BC card Co., Ltd. \_ Banking services

**Media/Contents**

- kt skylife Co., Ltd. \_ Satellite broadcasting, media industry
- kt hitel Co., Ltd. \_ Electrical communication, information service (Internet)
- kt music Co., Ltd. \_ Online music service, digital content development, production, and distribution

2011 subscribers | 2011 market share



**Market shares of key services** | unit : % | (based on subscribers)

Category	2009	2010	2011
Local phones	86.3	85.7	84.3
Mobile phones	31.3	31.6	31.5
Ultra high-speed Internet	42.5	43.1	43.8

**Markets for key telecommunications services** | unit : 1,000 people |

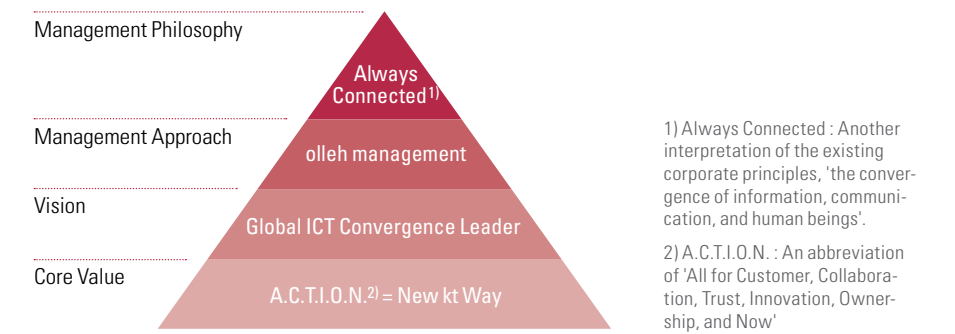
Category	2009	2010	2011
Local phone subscribers	20,090	19,273	18,631
Mobile phone subscribers	15,475	17,224	17,860
Ultra high-speed Internet subscribers	45,607	50,767	52,507

Sustainability at kt

# kt Value System

**kt Value System** | kt declared "olleh Management" to direct the synergy generated from mergers towards enhancing customer value through a paradigm shift. Designed to promote win-win partnerships with customers and stakeholders, 'olleh Management' represents kt's determination to become a global ICT convergence leader through a future-oriented, innovative way of thinking. The company plans on becoming a "Global Media Distribution Group" as well.

**kt Value System Pyramid**



**Management Approach**

**Shareholders** | Outstanding Performance  
Maximizing corporate values

**Country** | Leading IT  
Leading the IT industry

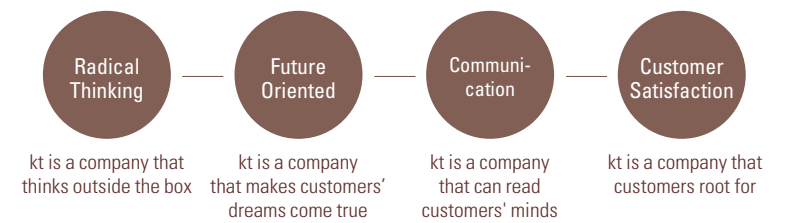
**Employees** | Liberal Culture  
Liberal communication culture

**Community** | Esteemed Company  
Socially respected company

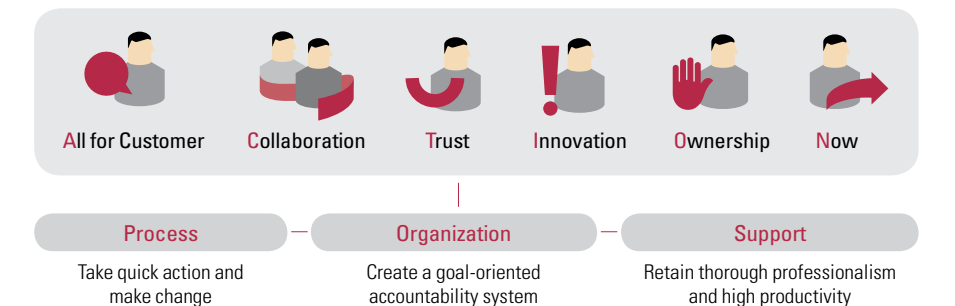
**Customers** | Happy Customer  
Company that makes customers happy

**Management Philosophy and Approach** | 'olleh Management' is kt's new management approach to delivering customers happiness by pursuing ongoing innovation and creating new value through the paradigm shift and continuous communication. It also represents the company's resolution to make customers shout "olleh!" by thinking outside the box and providing future oriented services. kt will become a company that thinks outside the box (Radical Thinking), a company that makes customers' dreams come true (Future Oriented), a company that can read customers' minds (Communication), and a company that customers root for (Customer Satisfaction).

**Management Targets**



**Core Value: A.C.T.I.O.N = New kt Way** | With an action-based transformation as a top priority, kt carries out all its business activities based on the code of 6 actions, "A.C.T.I.O.N = New kt Way," which refers to All for Customer, Collaboration, Trust, Innovation, Ownership, and Now.



Sustainability at kt

# Corporate Governance

Since its privatization in 2002, kt has observed most of the principles of corporate governance in accordance with the global standards, with its management consisting of management specialists and an independent Board of Directors. By splitting the roles of the CEO and the chair of the Board of Directors, the company established an objective, independent governance system, and has worked hard to enhance the governance by enacting/declaring the "kt Governance Charter" and creating the Corporate Governance Committee. As a result, the company received the Best Award in the 2011 Corporate Governance Review conducted by the Korean Corporate Governance and Sustainability Center. In the same year (2011), the company received the highest rating (A+) in the EGS (Environmental Social Governance) evaluation, which was extended to the environmental and social areas, as well as corporate governance.

**The Board of Directors |** kt's Board of Directors consists of three non-independent directors and eight outside ones, totaling 11 directors (as of March 2012). The outside directors are selected by the Outside director Nominating Committee based on their expertise and business leadership, and hold office for less than three years. The Board's chair is appointed among outside directors for one-year term. Under the Board, there are five sub-committees, i.e. the Corporate Governance Committee, Audit Committee, Evaluation and Compensation Committee, Executive Committee, and Related-Party Transactions Committee, and two temporary sub-committees, i.e. the CEO and Outside Director Candidate Nominating Committees. To ensure the efficient operation of the Board and directors' responsibility, directors' self-evaluations are conducted each year, aside from an assessment of the Board's activities. Except as otherwise provided in the Commercial Code or the Articles of Incorporation, decisions shall be made by a majority vote of those present at a meeting where a quorum is present.

**Board of Directors Activities**

Category	2009	2010	2011
No. of Board meetings held	14	10	12
Average attendance	93%	93%	98%
Evaluation results (out of 5 points)	4.41	4.38	4.65

\*In 2011, the Board reviewed and made decisions on a total of 64 items, including "2011 Sustainability Action Plan (draft)" and "2012 kt and Group Business Plans (draft)".

Directors' (Outside directors Included) Compensation (as of late December 2011)		unit : billion won	
Category	Total amount paid	Amount approved by shareholders	Average amount paid per person
Non-independent directors (3)	4.11	0.65	1.37
Outside directors who are members of Audit Committee (4)	0.31	Included in the amount approved for internal directors	0.08
Outside directors who are NOT members of Audit Committee (4)	0.28		

\*The outside directors include director Heo, Jung-su, who resigned on August 23, 2011. / \*\*Of the total amount paid to non-independent directors, the projections of long-term incentives were included. / \*\*\*For further information on the Board, please visit the company's website (www.kt.com) (Investor Relations Board of Directors)

**Management Specialists' Accountability and Compensation System |** To establish an accountability system for management specialists, the Board of Directors enters into a management contract with the CEO, and CEO compensation (pay) is determined based on the company's business performance, which combines the results of quantitative and qualitative reviews conducted by the Evaluation and Compensation Committee. Bonuses for non-independent directors and executive officers, excluding the CEO, are calculated based on the results of an assessment of the company's performance and of the responsible team's internal assessment, and further details on a director's pay are determined by the Board of Directors and the Evaluation and Compensation Committee.

**Committees Under the Board (as of March 16, 2012)**

Category	Membership	Purpose & Responsibility
Governance Committee	4 outside directors, 1 non-independent director	Responsible for enhancing governance
Audit Committee	4 outside directors	Responsible for overseeing the accounting and financial reporting processes
Evaluation and Compensation Committee	4 outside directors	Responsible for supervising management contracts and evaluations
Executive Committee	3 non-independent directors	Responsible for overseeing general business matters delegated from the Board
Insider Trading Committee	4 outside directors	Responsible for transactions between stakeholders as approved by the Board under the Monopoly Regulation and Fair Trade Act and the Commercial Code
CEO Nominating Committee	All outside directors, 1 non-independent director	Responsible for the investigation, review, and nomination of a CEO candidate at a shareholders' meeting
Outside director Nominating Committee	All outside directors, 1 non-independent director	Responsible for the investigation, review, and nomination of an outside director candidate at a shareholders' meeting

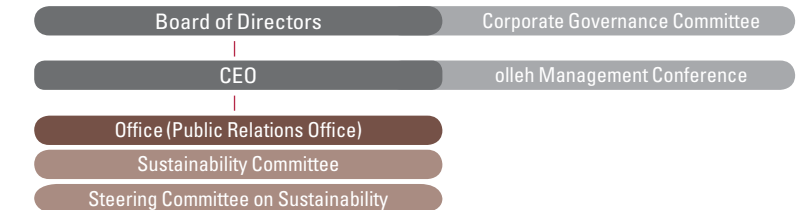
Sustainability at kt

# Sustainability

**Approach to Sustainability |** For its sustainability efforts, kt was awarded the Global Supersector Leader in the telecommunications area in 2011, only a year after the company was listed in the Dow Jones Sustainability Index (DJSI). With the launch of olleh Management 2.0, kt's sustainability has now entered a new phase. kt will become an IT company responsible for the spread of the 'Korean Wave' to find new growth engines and implement social responsibility (SR) activities using its network and IT technologies. The company will focus on ensuring that children in low-income families, people with disabilities, and multicultural families do not feel alienated and on alleviating social tensions. Further, kt will act as a global CSR leader by planning activities to achieve the Millennium Development Goals (MDGs) and by complying with the ten principles of the United Nations Global Compact (UNGC).

**Sustainability Committee |** One of the world's leading companies, kt aims to achieve 'sustainable growth' by communicating effectively with customers and stakeholders. To incorporate key issues into its business activities, the company set the top five priority goals (i.e. Business Ethics, Customer Satisfaction, Environmental Management, Win-Win Partnerships, and Social Responsibility) and created the Sustainability Committee to accomplish the goals efficiently, of which the head of Public Relations Office was appointed as the chair and the responsible officers are members. In 2011, the provision that requires Sustainability results and plans to be reported regularly to the Board of Directors was formally incorporated in the company's applicable rules/regulations. At the Board of Directors meeting held in May 2011, the 2011 Sustainability Plan (draft) was put to a vote. The Corporate Governance Committee under the Board is responsible for receiving a report on the progress of sustainability and ensuring that senior management supervises the company's sustainability in connection with the Sustainability Committee's operational process.

**Decision-Making Process**



**Approach + Operational Process**

5 Key Issues	Business Ethics	Customer Satisfaction	Environmental Management	Win-Win Partnerships	Social Responsibility
Key Responsibilities	Business Ethics activities, Enhancing corporate governance, Risk management	Service development, Product responsibility, Privacy activities, Customer relationship management, Innovative management (products, community innovation), Brand management	Environmental Policy and Management System, Climate Change Strategy, Environmental Innovation and Efficiency, Saving Energy	Fair Human Resources Management (HR development, talent management), Hiring and labor relations (Labor Practices indicators, safety and health at work), Fair trade	Social Responsibility(CSR) activities, Public services (narrowing the digital divide), Community involvement (community investment and cooperation)
Responsible organizations (under the Sustainability Committee)	Legal & Ethics Office, Value Management Office	Mobile Business Group, Home Busienss Group, Synergy Management Office, Economics & Management Research Laboratory, Technology Strategy Office	Smart Green Development Group, Network Group, Real Assets Management Office (Next Generation)	Human Resources Office, General Affairs Office, GMC Strategy Office, Procurement Strategy Office	Public Relations Office
Stakeholders	Shareholders		Environment (Next Generation)	Employees/Suppliers	Communities (Governments)

**Dow Jones Sustainability Index - Global Supersector Leader Award |** In 2009, kt joined DJSI Asia-Pacific and DJSI Korea and, in September 2010, was listed in the Dow Jones Sustainability Index (DJSI) along with 318 other companies. In 2011, the company succeeded in remaining a constituent of the DJSI World Index in the wired telecommunications area for two consecutive years, and was awarded a Global Supersector Leader, taking first place among the world's leading wired/wireless telecommunications carriers. Created jointly by Dow Jones, the world's largest financial information provider, and SAM, a Swiss sustainability assessment agency, the DJSI is a measure of sustainability applicable to about 2,500 companies around the world and used to select top-performing companies. The stocks of the companies listed in the DJSI are recommended for preferred investment in Socially Responsible Investment Fund, helping secure long-term, reliable investors.

Sustainability at kt

## Innovation through Sustainability



smart working, olleh social live

**Environmental Innovation** | The changing global environment has led telecommunications carriers to realize the importance of environmental management, and also increased the necessity of saving energy through global carbon dioxide emissions regulations. kt's Environmental Management can be classified into three parts: First, Green Management to save energy; second, solutions development to save electricity relative to a customer's IT environment and workspace; and third, alternative electricity production using renewable energy, such as solar power or geothermal energy.

A leading example of energy-saving Green Management is a low-power LTE service. kt's LTE service consumes less power than any other company's LTE service since it utilizes a virtualization technology. Recently, competition for LTE services has intensified in Korea, leading to an increase in demand for electricity. Therefore, low-power technologies can provide a significant competitive advantage. Electricity-saving solutions in terms of a customer's IT environment and space include Smart Energy Solution, No Idling Solution, Smart Working Service, and Agricultural Environment Monitoring System. Smart Energy Solution monitors and displays energy use by the space of a customer, by energy source, and individually, allowing the Energy Officer (person responsible for energy) to manage energy use efficiently. The payback time, over which this solution's energy savings equal the amount of money invested, is expected to be less than three years. A service applicable to vehicles, No Idling Solution is designed to reduce fuel consumption and carbon emissions by stopping the engine automatically under certain conditions and sending the vehicle's data to a control center nearby. Smart Working Service is expected to reduce carbon dioxide emissions arising from commuting by allowing employees to work at the nearest Smart Working Center, without having to travel long distances to their workplace. Last, the Agricultural Environment Monitoring System is an energy-saving service that provides the remote monitoring and control of farming facilities sensitive to temperature and humidity, such as greenhouses and cattle sheds. kt also continues to implement the project of installing a solar power plant at an unused site. In 2008, after the installation of 50kW PV systems in Sinnae Plant and Hwaseong Station, the company completed a 423kW PV system in Gangneung Station in December 2010.

**Community Innovation** | kt is greatly concerned about a variety of issues facing today's society and committed to solving social problems by launching solutions, as well as carrying out community involvement, campaigns, and events. kt focuses particularly on the serious problems related to child safety, personal information leakage, the shrinking jobs market, and aging society. To ensure child safety, the company provides "olleh Guard" and "Safe Children" services. Each service employs a wireless technology to inform parents, schools, the police, and other security authorities of children's locations, which helps cope effectively with serious crimes like kidnapping.

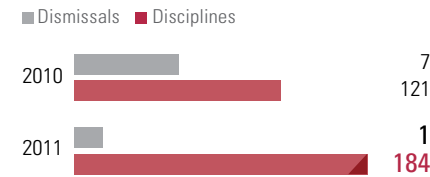
kt's Privacy Solution is a service designed to help companies protect their customers' personal information. Cybercrimes like hacking, which are now commonplace on the Internet, cause the leakage of personal information. Small and medium businesses, therefore, need to install a system for protecting customers' privacy. kt offers this privacy solution to enable such system at a reasonable price.

The shrinking job market is a serious problem in Korea, especially among the youths and senior citizens. Believing that creating jobs can solve this problem, kt provides an IT service-equipped office rental service so that job-seeking youths and seniors can easily create their own workspace. Korea is fast becoming an aging society with a low birth rate and increasing life expectancy. Remote areas lacking medical supplies, in particular, are populated mostly by seniors, calling for the installation of smart health care facilities. By combining the Severance Hospital's medical service with IT services, kt launched "Smart Health Care" that allows remote care.

Sustainability at kt

## Business Ethics

### Actions Taken Against Ethics Violations



### Topics of Monthly Ethics Training in 2011

Topic	Month
Security	January
Ethics Infrastructure	February
Respect for customers	March
Best practices at other companies	April
Improve concentration at work	May
Security	June
Ethics slogan (Honesty)	July
Ethics slogan (Fairness)	August
Ethics slogan (Integrity)	September
Ethics slogan (Transparency)	October
2011 Director Ethics Training	November
Wrap-up	December

kt has worked hard to establish an ethical corporate culture by expanding its Business Ethics infrastructure. Further, the company implements a project to enforce Personal Professional Ethics so that employees perform their duties based on Business Ethics in a real work environment. Personal Professional Ethics (or Ethical Business Practices) are applied to all types of work performed at kt, as guidelines for best work practices. While also working with suppliers to establish Business Ethics, the company selected and awarded those employees who represented the best examples of business ethics. Through an Ethics UCC Contest, kt provides opportunities for employees to participate and familiarize themselves with business ethics. The company presented one team a Gold Award, two teams Silver Awards, five teams Bronze Awards, and 13 teams Participation Awards. Many participating employees created UCCs and improved their understanding of business ethics.

### Clean kt

Opening and operating a hotline for the chair of the Audit Committee  
 Implementing "Clean kt" campaign during holidays  
 Increase ethical awareness by conducting self-tests and enforcing the ethics pledge  
 Regular and special ethics monitoring activities  
 Clean 365 Center that encourages spontaneous participation

Ethics training for employees conducted by the Center's director (e.g., Executive Officers)  
 Reinforcing the communication channel (Cyber Whistleblower Hotline)  
 Assessment of ethical business practices  
 Launching the Ethics Help-Line

**Business Ethics Targets** | kt complies faithfully with the basic principles of ethics (honesty, transparency, integrity, and fairness), works with suppliers to consolidate their partnerships, selects employees who set a good example of business ethics, and presents the Best Ethics Practice Award. The company specifically selects those who represent good examples of ethical conduct among the employees of kt and its suppliers, such as observing fair trade and treating suppliers' employees as true business partners. Then, the company promotes those examples through the official website or the LCDs mounted on elevators in office buildings, ensuring that an ethical corporate culture can be properly established. (A total of 24 examples received; 1 Gold; 4 Silver; and 6 Bronze Awards)

**Briefing on Personal Professional Ethics Enactment** | To look back at the past performance of ethical conduct, to share ethical issues across the company, and renew executive officers' determination to practice ethics, kt held the Personal Professional Ethics Enactment Presentation. At the presentation held at kt's R&D Center in Umyeon-dong, about 330 executive officers were present and shared an understanding of Personal Professional Ethics through three-hour presentations and Q&As.

**Ethics UCC Contest: "Ethics Is Not Difficult"** | The company's Ethics Office held an Ethics UCC Contest in which employees produce UCCs about business ethics, share them with other employees, and help raise the ethics awareness of "Ethics Easy to Follow and Practice." Under the theme, "Familiar Stories about Ethics at Work," 57 UCCs were submitted during the one-month contest. Through the UCC contest, employees improved their understanding of business ethics.





# Risk Management

Growing uncertainty in the business environment, including market saturation, intensifying competition, and business diversification, has increased business risks. To increase customer and corporate values, kt created a company-wide risk management system (process) for all types of risks, strategic, operational, and regulatory risks, as well as financial ones. Through this process, kt not only prevents risks but maintains friendly relationships with stakeholders and lays the groundwork for sustainability.

## Risk Management System

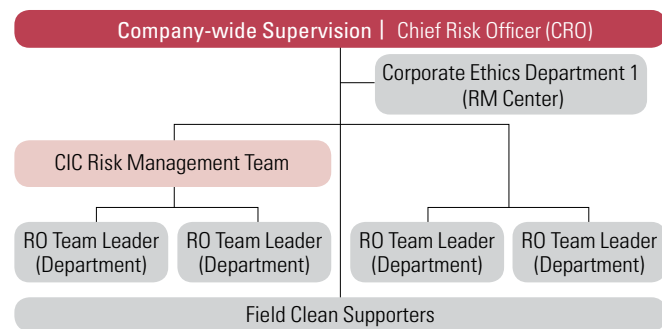
### Scope of Risks and Management Principles

- Risk**
- Rapid & Resolute**  
Take rapid and resolute action
- Integrity & Initiative**  
Disclose risks honestly and respond proactively
- Specific & Supportive**  
Set a clearly defined approach and provide support
- Knowledge Accumulative**  
Prevent risks using its experience and knowledge

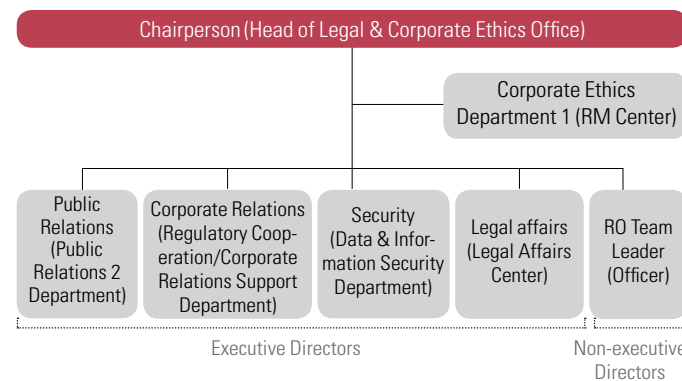


**Creating an Enterprise Risk Management (ERM) Process** | Since 2004, kt has implemented integrated risk management activities, instead of unit-by-unit risk management activities, and has operated an ERM (Enterprise Risk Management) Team. In 2010, the company installed the RM Center as a sole ERM organization in the Ethics Office, which not only acts as a control tower but is also responsible for creating risk management plans, managing key risks, assessing service-related risks, and operating the Risk Committee. The company also created a process for both precautionary and strategic, practical risk management in accordance with the "Enterprise Risk Management Manual."

### Risk Management Organization



### Risk Committee Organization



## Risk Management Process

**Key Risk Management** | kt reinforces preventive actions by identifying risks in the key businesses closely related to the company's business direction and annual goals, and by creating a management strategy. The company selects key risk candidates (risk-pooling), evaluates them, and finally selects the key risks. The selected risks are used to identify Key Risk Indicators (KRI) through a cause-effect analysis, and actions such as monitoring and improvement are taken to reduce them.

**Follow-up Risk Management** | Once a risk has materialized, the RM Center organizes a company-wide risk management process. Aside from business risks, the Center effectively reduces any risks that have a negative impact on the company's goal-achievement and on its reputation by evaluating them, and by creating and implementing a risk management strategy. The CIC Risk Management Team and Field Clean Supporters work together to share risks and supervise the risk management process. Once risks are under control, kt makes fundamental changes by conducting a root cause analysis to prevent the recurrence of same risks.

**Service Risk Assessment** | Since August 2010, kt has operated the "Service Risk Assessment" process. Through this process, the company conducts an in-depth review of risks in the four areas of Customers/Privacy/Legal/Fair competition to provide customers with flawless services and distinctive value. kt reviewed 417 risks in 2010 and 602 risks in 2011, and has helped employees risk awareness by continuously operating the process.

**Raising Risk Awareness** | By operating the self-assessment framework, kt has the Risk Owner responsible for identifying and assessing the potential causes of risks, allowing prioritized risk management and prevention. Through the self-assessment framework, the organization identified 227 risks in 2010 and 235 risks in 2011, developed a management strategy after prioritizing the risks, and has implemented risk prevention activities. In addition, specialized training is provided to improve employees' risk management capabilities. The company also conducts specialized risk training for the head office and departments, and online training for Field Clean Supporters, in order to improve employees' awareness of risk management.



### Risk Management Process

#### Key Risk Prevention/Management Process

As-Is Analysis	Risk Management /KRI Setting	Risk development /Process Analysis	Creating a Management Strategy
- Risk pooling - Candidate assessment	- Selecting core values to preserve - Setting Key Risk Indicators (KRI)	- KRI-based cause-effect analysis - Root cause analysis	- Forming a management team - Executing improvement tasks

#### Follow-up Process

Identifying Risks	Risk Assessment	Risk Management	Risk Feedback
- Submissions within/outside the company - Identification by the RM Center	- Company-wide risk assessment and determining management topics (based on their impact and likelihood to spread)	- management approach - Determining R&R for related teams	- Reporting management results - Analysis and feedback to prevent recurrence



# Dream with Shareholders

## Main Teams

Value Management Office, GMC Strategy Office, CC, BTO, Group Consulting Support Office, Global Business Development unit, Global Sales Business unit

## Awards

“Best LTE Network Business” Award for its “LTE WARP” technology at “LTE World Summit 2012” held on May 24, 2012

Won the President’s Award at 2011 Korea Brand Awards organized by the Ministry of Knowledge Economy

Won 5 awards at 2011 Korea Advertising Awards

Won “Red-Dot Award” for two consecutive years (2010, 2011) for olleh BI Design and olleh Signal

Won “iF Design Award” (2011) for olleh square: Corporate Architecture Interactive

iF Winner for kt olleh Font/ Typography

“Advertisement of the Year”; Gold Award in Campaign category

Seoul Economic Daily’s Advertisement of the Year; Grand Prize in electronic information technology



## Vision & Strategy

kt aims to become a “Global Media Distribution Group” outside the declining telecommunications market. Focusing on developing the IT media business, the company will expand its business into the emerging area of convergence, aiming at mid-term growth. Using synergy within the Group, the company will concentrate on businesses like media/contents, finance, security, and rental, and diversify its portfolio into the advertising, education, health care, and energy industries, consolidating its foundation for sustainability.

## Performance

Economic performance	<b>Revenue</b> 20,166,817 million won <b>Return on Sales</b> 10%
Businesses	<b>Additional Affiliate</b> BC Card <b>Smart Home Services</b> Kibot2, Smart Home Pad
Innovation	<b>Patent Applications</b> increased by 138% <b>Facility Investment</b> increased by 9% with 3,318.5 billion won

## Dream with Shareholders

### Creating Growth Engines

**Increasing Affiliates |** As of November 1, 2011, kt welcomed BC Card, the largest Korean credit card company with 3,100 billion won in annual sales, 100 billion won in operating profit, and a 25% share of the Korean credit card market, as a member of the Group. With this new affiliate, kt paved the way to provide distinguished services by securing the banking industry and BC Card affiliates/clients as new customers for a convergence market that combines telecommunications and finances. The company will provide card users with unique benefits, new experience, and value by combining kt’s and BC Card’s ICT and payment processing capabilities, help small/medium affiliates increase revenue by offering an open marketing platform, and also help reduce unnecessary investment in the card industry.

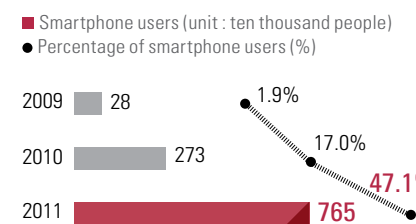
In 2010, kt bought up Kumho Rent-a-Car, the largest rental car business in Korea, to diversify its portfolio and expand business into non-telecommunications areas, and launched the Convergence Service, which combines two different industries (telecommunications service and automobiles). In 2011, the company released a short-term rental car service with a WiFi-Egg mounted in a rental car, and provided a long-term rental car service using the FMS (Fleet Management System) so that customers can use rental cars more conveniently and efficiently. Further, kt included telecommunications devices and OA equipment in rental services, saving about 5.5 billion won each year. Using its distribution channels (17 locations) and garages (4 locations) together, the company creates synergy. Between the subsidiaries of the Group, synergy is created through system rentals and co-marketing (kt Rental + kt CS/BC Card), package deals (kt Rental + kt Skylife).

### Launching New Services

**Leading the Smartphone/Pad Market |** After the introduction of the iPhone in November 2009, which triggered the global smartphone fever, kt introduced smartphones to about 7,650,000 customers by the end of 2011, who account for over 47% of all kt mobile telecommunication subscribers. kt’s percentage of distribution is highest among the three largest mobile telecommunications carriers in Korea; kt has led the “smartphone revolution in Korea.” On February 14, 2012, smartphone users surpassed 50% of kt’s entire mobile telecommunication user base. It took kt only two years and two months to see over 50% of the user base adopt smartphones after the introduction of the iPhone in November 2009, which was the shortest time that no other carrier had achieved. Upon the release of the first smartphone in Korea, kt implemented the Total Network strategy encompassing 3G, WiFi, 4G WiBro, and LTE WARP, in the event of skyrocketing wireless data usage. With the installation of the world’s first CCC (Cloud Communication Center), kt smartphone users are now able to enjoy convenient, fast wireless Internet service under a variety of network conditions, such as 3G twice as fast as the existing data transfer rate, 190,000 Olleh WiFi services (AP), the world’s largest network serviced by a single carrier, ‘Mobile WiFi’ installed in subway trains and buses, and 4G WiBro Egg with nationwide coverage.

Since the fourth quarter of 2011, the Korean mobile telecommunications market has rapidly evolved with the launch of LTE service. kt’s LTE service provides fast, reliable speeds since it is the world’s first LTE service to apply the innovative “virtualization” technology. No other carrier can build an LTE network as fast as kt since the company uses the “Plug-in” in which LTE WARP can be created by merely adding LTE equipment to the existing 3G CCC. kt’s LTE WARP is the most cutting-edge technology that provides the fastest data transfer rate by combining a cloud technology with mobile telecommunications to distribute overloaded traffic evenly. kt was internationally recognized when it won the Best LTE Network Business Award for its “LTE WARP” technology at the LTE WORLD SUMMIT 2012 held on May 24, 2012. The distribution of tablet PCs, another type of smart device, is also led by kt. By the end of 2011, kt topped the tablet PC competition with 300,000 subscribers. kt was the sole carrier to roll out Apple’s iPad in Korea, and also released the “Smart Home Pad” aimed at housewives, as well as the iPad 2, cementing its leadership position in the “Smart” era.

Percentage of Smartphone Users Among Total Subscribers on kt



## Dream with Shareholders



'Kibot', Edutainment Robot for Children

**Smart Home Service** | kt's dream 'Smart Home' is a new type of space where domestic robots and smart home pads connected to the wireless Internet provide personalized content and a variety of home services, allow the entire family to relax, learn and have fun, and work stress-free. As the wired telecommunications market becomes saturated ('home phone - Internet - Internet phone - TV'), kt had a hard time creating new customers. Then, with the launch of 'Kibot' and 'Smart Home Pad', the company transformed the wired market into a new growth engine. In 2012, the company will increase its subscriber base by launching a robot for senior care and a home tablet PC, and create a next-generation market with new Smart Home solutions

**Kibot 2** 10,000 units of Kibot 1 were quickly sold out just four months after its release in April 2011. The product won the President's Award at the Korea Robot Awards organized by the Ministry of Knowledge Economy. In late December 2011, Kibot 2 was released for child educational purposes. With enhanced features, such as the beam projector and AR (Augmented Reality), Kibot 2 came loaded with about 10,000 types of content, such as Ppororo, Cocomon, and Thomas. The product gained immense popularity among a wide range of users, from ordinary to children with disabilities and multicultural families, whoever needs language education for children, leading the smart home robot market.

**Smart Home Pad** In late October 2011, the company released home tablet PC called "Smart Home Pad" to provide distinguished SolP service. With new rate plans, the company offers customized services in which customers choose from varying options, such as WiFi, WiBro, and Telecop. kt customers are also provided with the distinguished home services designed based on subscriber information, such as tailored lifestyle information service called "Life Jockey" (music, news, and videos are recommended) and home security service called "Home Security."

**uCloud Service** | Since the commercialization of a personalized uCloud service (2010), the company's subscribers surpassed 1.5 million by the end of 2011. By offering personal storage services on the olleh Internet for mobile customers, kt has earned customer loyalty and increased customer satisfaction. The company launched server, storage, DB, CDN, VDI, and backup services by commercializing the uCloud biz for corporate use, so that subscribers can use and pay for a company's IT resources via the Internet. As a result, kt secured about 1,400 business customers. In 2012, the company aims to generate 41.3 billion won in sales and 2.63 million subscribers by expanding the corporate market with the Virtual Private Premium Product and a stronger product line, and by creating a Cloud Ecosystem for suppliers and developers' mutual prosperity with a variety of open APIs.

**H∞H Healthcare** | One of kt's visions is to become "Global Total Healthcare Company" that creates new value through the convergence of healthcare and ICT. To enhance the quality of life, kt participated in the formation of a joint venture called "H∞H Healthcare," which combines healthcare and ICT (Information Communication Technology). By providing the total healthcare service, which combines new technologies like NFS, the company is expected to provide financial assistance for health insurance, under which affordable, quality healthcare is available to everyone.

**International Patent Applications** | kt has been dedicated to discovering patentable inventions to reinforce its business capabilities and portfolio of international patents. In 2011, the company was actively engaged in finding patentable technologies, which were applied to kt's businesses, such as LTE femtocell, CCC virtualization, and smart grids, or which reflected the latest trends, and focused on filing patent applications for strategically discovered inventions, ultimately increasing the number of international patent applications by 138% over the previous year.

**Facility Investment** | In 2011, kt invested 3,318.5 billion won in facilities, a 9% increase over the 2010 levels, due to the increased investments in mobile phone business and support facilities. To dramatically increase the capacity of its WCDMA network, which uses an environmentally friendly CCC architecture, the company increased the investment in mobile phones by 90%, and the investment in support facilities by 24% to create a new IT system. In 2012, kt plans on increasing investment in mobile phones to provide 3W plus LTE network services by applying the virtualization technology for the first time in the world.

### Facility Investment Breakdown

| unit : billion won |

Type	2009	2010	2011
Internet	603.3	838.8	448.6
Wired phone	142.7	142.5	104.6
Mobile phone	729.5	816.4	1,551.9
Data	418.5	405.1	340.1
Telecommunications infrastructure	675.2	501.2	435.8
Support facilities	389.5	353.2	437.5
Total	2,958.7	3,057.2	3,318.5

## Dream with Shareholders

### Global Business

#### Overseas Network

##### Overseas Subsidiaries

**China** kt China Corp. (Omnitel China)

**Japan** kt Japan Co., Ltd.

**U.S.** kt America Inc.

**Mongolia** Mongolian Telecom

**Uzbekistan** East Telecom, Super-iMax

**Indonesia** Freekoms

##### Overseas Offices/Branches

**Russia** Moscow Office, **Vietnam** Hanoi Office,

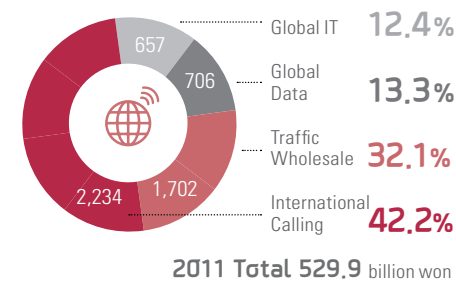
**Columbia** Bogota Office, **Algeria** Algiers Branch,

**Bangladeshi** Dhaka Branch, **Rwanda** Kigali Branch,

**China** Hong Kong Office, **Indonesia** Jakarta Branch,

**Uzbekistan** Tashkent Branch

- 1) GSM: Global System for Mobile Communications
- 2) WCDMA: Wideband Code Division Multiple Access
- 3) PSTN: Public Switch Telephone Network
- 4) Wibro: Wireless Broadband Internet
- 5) BCN: Broadband Convergence Network
- 6) LTE: Long Term Evolution



**Pursuing Global Sustainability** | In June 2010, to extend sustainability to its global business, kt created and distributed the Code of Ethics written in the language of a country where kt's overseas affiliate or subsidiary is located, and the Sustainability Guidelines, which address business ethics, social responsibility, privacy policy, and compliance with the international labor standards. During the period of olleh 1.0, the company transformed its corporate behavior and brought it up to the 'Global Best Practice' level by enforcing ethics and improving work practices, and has led corporate social responsibility by forming partnerships with small/medium enterprises (SMEs) and creating jobs. kt also provides its overseas subsidiaries with continuous training on business performance, through which the company strengthens its global sustainability capabilities.

**Forming 'Smart Belt' among Korea, China, and Japan** | kt has worked with China Mobile and NTT DoCoMo to create a "Smart Ecosystem" in Northeast Asia across the three countries, Korea, China, and Japan. The three countries are actively engaged in collaborative projects, including "OASIS," a super app store available for 650 million Northeast Asian subscribers, GSM(1)/WCDMA(2) networks, and free roaming services between Korea, China, and Japan, allowing customers to use WiFi networks across national boundaries, and joint research on 4G LTE (Long-Term Evolution). Through this collaboration, customers will be able to enjoy more benefits and the telecommunications industry will lead next-generation mobile technologies and strengthen competitive advantages in the global market.

**Global Competitiveness** | Using its successful experience and expertise in the business of wired and wireless communications, kt is expanding its business abroad. Currently, the company's strategy implementation approach to "Global Go-To Market" is to bring into the global market the packages tailored to target areas, countries, and companies, using its competitive advantage in the global ICT market, such as the strong network, CCC, Smart Home, and Kibot, and the non-telecommunications capabilities of the Group's subsidiaries. kt will strengthen its competitive position in the global market, centering on Smart Space, IT service, Health Care, and CCC, by creating maximum synergy between the Group's subsidiaries and suppliers, including kt olleh Management 2.0, Enswers, Ustream Korea (content distribution), kt E-Notes (cloud computing), which will help kt become a Global Media Distribution Group, and using its global partnership (Vodafone CONEXUS).

**Global ICT Business** | kt created and has successfully operated a variety of ICT infrastructure components, such as PSTN (3), an ultra high-speed Internet network, WiBro network (4), BCN (5), IPTV, WCDMA network, and LTE network (6). The company shares its successful experience in the Korean market with emerging markets where ICT infrastructure improvements need to be made, and also provides global ICT services to government bodies and international companies around the world, including telecommunications infrastructure, public infrastructure services, U-City, Managed Service, etc. To offer high-quality Internet and international calls at reasonable prices, kt built a global network connecting developed countries around the world and has provided global services, including end-to-end data line and IP services and traffic wholesale.

### Global ICT Business Results

| unit : billion won |

Type	2006	2007	2008	2009	2010	2011
Global IT	13.5	9.0	28.8	56.6	93.6	70.6
Global Data	43.1	45.5	59.9	67.7	64.4	65.7
Traffic Wholesale	175.2	167.7	207.8	219.6	205.5	223.4
International Calling	203.0	199.5	199.9	148.1	148.7	170.2
Total	434.8	421.7	496.4	492.0	512.2	529.9

\*The revenue of Global Data includes the revenue generated from satellite VSATs between 2006 and 2009.

Dream with Shareholders

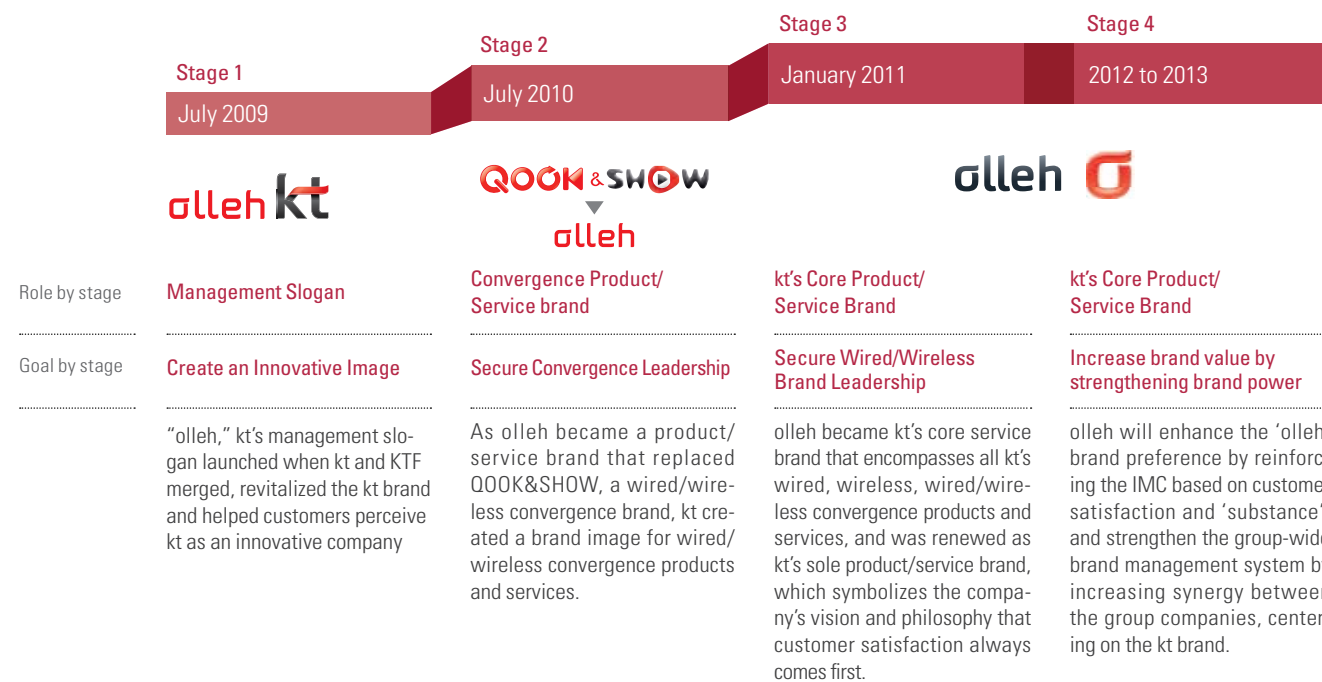
Brand Value

A brand represents a company's products and services and is an important intangible asset that adds high value to products and services. Aware of the importance of branding, kt introduced and enforced a more systematic, strategic brand management process. By the end of 2010, the company achieved remarkable growth and produced brand value worth about 10 trillion won. (Source from the Corporate Brand Valuation' published by Institute for Industrial Policy Studies in November 2010.)

Following the convergence paradigm of the global telecommunications market, kt integrated wired/wireless products/services and launched the 'olleh' brand on January 1, 2011. The launch of 'olleh', a leading service brand in Korea, not only revitalized the kt brand but also created synergy between products and services and increased efficiency in marketing communications, offering products and services through an integrated process.

In 2011, kt made a variety of attempts to increase brand awareness and improve its corporate image. Consequently, it received the President's Award at Korea Brand Awards and received recognition for its successful brand management by leading national and international brand valuation agencies. kt will carry out a wide range of activities to develop brand assets and increase brand value, as well as strengthen the brand management process for sustainability purposes.

**Brand Management for Sustainability |** kt has been committed to creating a corporate image of sustainability. Since 2009, the company has continuously managed the indicators by including sustainability-related items, such as fair pricing policy, false advertisements or not, environmental efforts, social responsibility activities, and reputation, when having customers evaluate the corporate and product brand images. In 2010, kt extended the scope of assessment to internal and outside stakeholders, including government agencies, NGOs, and investors, as well as customers. The company shares the assessment results with CIC IMC (Integrated Marketing Communication) Team and other related teams and incorporates them into sustainability activities. Further, kt has continuously managed the reputation indicator and incorporated the results in branding activities. Through the Sustainability Committee, the company also strengthens the connection between sustainability and brand management.



Dream with Shareholders

Systematic Brand Management Process

In 2011, kt declared 'group management', and has since strengthened the related process. Now, the company operates the Group Brand Executive Committee, an executive-level body responsible for reviewing and making decisions on key issues about branding and communication. Other bodies include the Steering Committee on Group Brand, a team leader-level body responsible for presenting agenda items to the GBM Committee and for overseeing meetings between kt Group and its subsidiaries regarding brand/public relations/internal communication, and the Steering Committee on CIC Brand, a team leader-level body responsible for supervising working-level meetings regarding CIC brand/public relations/internal communication.

At the Group Brand Executive Committee, a variety of activities are planned, implemented, and evaluated. The activities range from branding policies/designs to advertising, and to branding strategy discussion, so that kt Group and its subsidiaries can carry out branding activities with their enhanced consistency and ability to execute. The Committee also deals with internal communication and social responsibility activities, which may have an impact on the Group brand image. Further, the Committee is responsible for taking action against brand infringements, for co-promotions/co-marketing, and for external communication. In 2011, the Committee changed the CI/BI of each subsidiary to enhance the Group's entire corporate image, and implemented a variety of co-marketing activities between the subsidiaries.

Strategic Brand Management

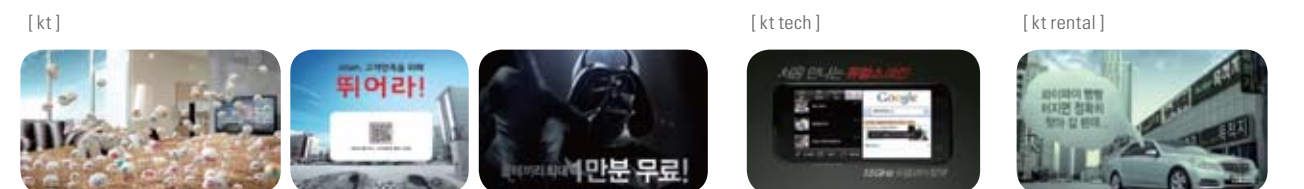
**Systematic Brand Performance Index Management |** kt created an organized, scientific performance index model to manage brand performance indicators. Based on scientific data, the company identifies an efficient brand strategy and action plan to increase brand value.

**Brand Performance Index** Used to evaluate the brand performance model consisting of brand awareness, attitude, and behavior and create a strategy for brand marketing by analyzing the relationship between marketing activities and brand indicators, reinforcing brand management activities and brand value.

**Advertisement Performance Index** Used to evaluate the 'message power', 'image power', and 'creative power' of all advertisements made by kt and other carriers, and incorporate the results in creating a brand/advertising strategy

**Brand Concept Map** Used to evaluate and analyze the image elements of the kt and olleh brands that customers perceive and apply them to strategic brand management.

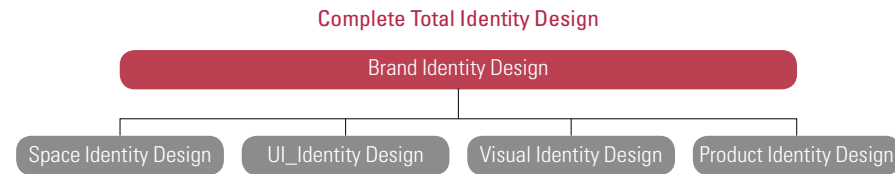
**Innovative Brand Communication |** Since 2011, kt Group and its subsidiaries have conducted innovation-driven brand communication activities, which focus on customer satisfaction. While advertising customer satisfaction delivered by the olleh brand, kt distributed a video clip containing the Gwanghwamun office, and carried out communication activities combining ATL and BTL, such as olleh TV Must-See Street Campaign, and Shout LTE WARP. Further, working with the subsidiaries, kt Group conducted extensive collaborative activities, including the TAKE ad by kt Tech, related events, and the Egg promotions in collaboration with kt's Kumho Rent-a-Car.





## Dream with Shareholders

**Integrated Brand Design** | As one of the key strategies to enhance brand value, kt created a Total Identity Design, and has made radical changes in all expressive areas, from brand design to font, space, products, and App icons.



**Brand Identity Design** Forms the basis of Total Identity Design and represents the "Wave of Innovation." In short, all kt brands are aimed at becoming global brands and "riding the Wave of Innovation."



**Space Identity** kt expands the domain of brand design by creating the olleh square, olleh Avenue, and olleh stores.



olleh square      olleh Avenue      olleh store

**Visual Identity** kt developed the olleh signal, a symbol of telecommunication signaling, and the olleh font that represents kt's unique identity, and applies them to a variety of brand products. The company also developed a number of visual elements, such as brand color, to create a unified visual identity.



**Product Identity** Radical changes will be made to all kt's devices. The new products will represent kt's unique identity and be launched in the first half of 2013.

## Performance of Brand Management Activities

kt has effectively conducted brand management activities, including an integrated brand campaign, expanding the brand design to a variety of areas, systematic brand index management, and strict action against brand infringement. As a result, kt and olleh became leading brands in Korea.

Won President's Award at 2011 Korea Brand Awards by the Ministry of Knowledge Economy

Won awards in 5 categories at 2011 Korea Advertising Awards ;  
4 categories for 'Paranmanjang' Project and 1 category for "Hands-On" AR

Won the Red-Dot Award for two consecutive years (2010, 2011)  
olleh BI design and the olleh signal

Won the iF Design Award (2011)  
olleh square: Interactive in corporate architecture

## Dream with Shareholders

# Innovative Management

### Innovative Management KPI

To develop new businesses in non-telecommunications areas and expand business abroad using its soft power, in 2010, kt introduced 'Innovative Management', a management innovation plan designed to encourage employees to think outside the box, suggest and materialize innovative ideas. Innovative Management is aimed at 'creating a corporate culture where employees find new problems and opportunities and creative problem-solving methods'. This year, the responsible organization was restructured into the Innovative Management Center responsible for running 'Innovative Management School' for all-employee training, for executing Innovative Management projects through which teams work together to solve problems, and for spreading innovative management. Employees are allowed to freely suggest their ideas, and the Idea Pipeline was created to help remarkable ideas develop into actual projects and encourage employees to transform 'small ideas' into 'big ideas'. kt also tries to establish a culture of 'challenge' in which failures are turned into 'assets'. In addition, kt is developing its own Tool Kit to make its two-year innovative management experience into an asset, and plans on helping other companies, both at home and abroad, adopt innovative management.

### Group PEG (Project Expert Group)

The PEG, formed in 2010 as an internal consulting organization, laid the foundation for project-based best practices and executed a total of 100 projects in 2011 (37 projects in 2010). The PEG created a market by finding ICT convergence business areas and developing technology-based products/solutions, and focused on the 'Cost Transformation' activities. The projects implemented by the PEG include: 'Open Point Project in connection with BC Card', 'Business Incubation to Lead Korean NFC (1) Market', and 'Green Energy Convergence to Develop Renewable Energy Projects'. The PEG adopted the U.K. methodology of PRINCE2 (2) to execute the projects and implement the 'Advancement of PEG Projects', and also enhanced human resources (HR) competencies, as 41 employees obtained PRINCE2 certificates in Foundation and 27 Practitioner certificates. In 2012, under olleh 2.0, kt will improve business results at the company level by developing projects in non-telecommunications areas, and continue to implement innovation projects to strengthen the Group Management system.

1) NFC(Near Field Communication) : Convergence service that breaks barriers between finance and telecommunications areas, including near field communication traffic/ticketing/payment

2) PRINCE2 (PProjects IN a Controlled Environment version 2): Project management methodology developed by U.K. OGC (Office of Government Commerce)

### Implementing BIT-ERP Project

The BIT Project, which began in 2011, is a program for streamlining work processes through an IT infrastructure overhaul, so that kt can become a global ICT leader. The project is now applied to all business areas, including the Enterprise Resource Planning (ERP) system. As for the ERP Project, designing, engineering, system development, and unit testing have been completed. Scheduled to open in July 2012, the project is now in the stage of deployment, where user training, the data checks of major user teams, the implementation of "Go Live," infrastructure, and the planning of a Help desk are conducted. Under olleh 2.0, the BIT-ERP Project is aimed at providing business information innovation, efficient SCM, "Simple and Speedy," and is currently being deployed after the key change targets have been set.



Dream with Shareholders

Key Changes in ERP Business

Category	Key change	Target
Business information innovation	Increase the direct ratio	56.2% → 80%
	Increase BM profitability analysis	67 → 210
	Increase activities	189 → 7,003
	Multidimensional profitability analysis	Channel, customers, by unit, service excellence
Efficient SCM	Increase compliance with ERP procurement process	19% → 70%
	Reduce inventory turnover (mobile phones)	33 days → 28 days
	Reduce phone logistics locations	334 → 192
Simple, Speedy	Reduce business processes (L4)	713 → 559
	Reduce ERP systems	10 → 1
	Reduce account subjects	Under 1,600
	Shorten settlement period	D+13 days → D+3 days
	Reduce lines of slips	74,280,000 → 44,560,000 per year (40% ↓)
	Reduce types of WBS management	14 → 5

Cost Structure Innovation

kt works hard to transform the cost structure by improving processes, under the principles of structural and system innovation, liberal innovation, and immediate compensation and 'reward and punishment'. In 2011, kt developed and implemented 107 cost-efficiency innovation projects and 55 action-based optimization projects, saving about 201.2 billion won. The following is the company's previous-year cost breakdown.

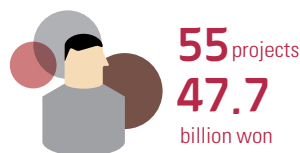
Cost Reduction Results



Cost-Efficiency Innovation Projects



Action-Based Optimization Projects



Cost-Efficiency Innovation Projects

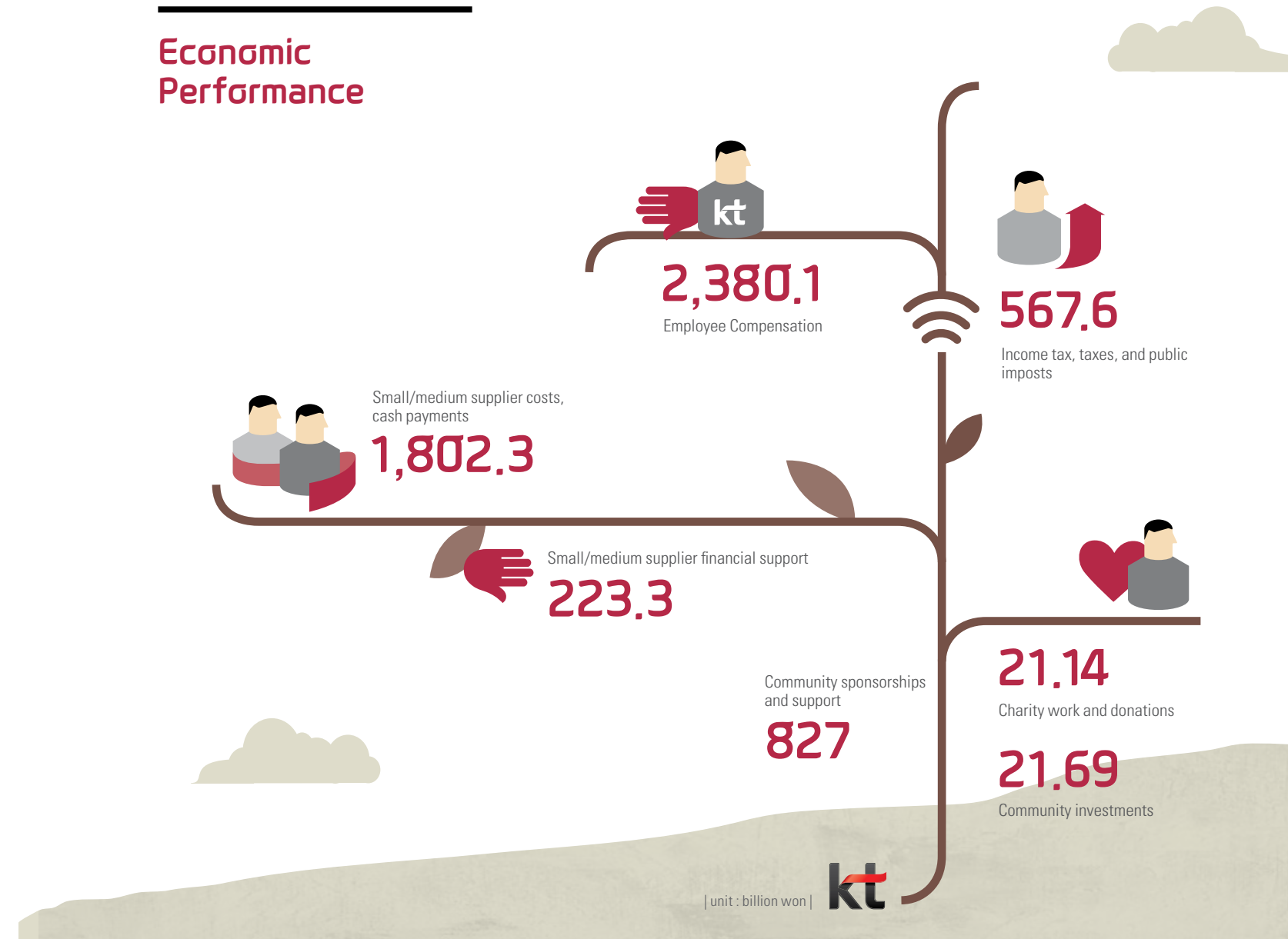
	[unit : billion won]
Savings from increased sales through internal channels and integrated management of free gifts	29.4
Savings from direct repairs services in areas where the likelihood of repairs is low	16.8
Electricity savings from low-power facility operations and fresh air air-conditioning	12.3
Improved balance by changing interconnection system and analyzing call errors	9.9
Lower cost mobile phone insurance by introducing competitive bidding	9.1
Less reductions by managing maintenance and promotion costs together	8
Reduction in contract expenses through corporate SolP and direct maintenance	6.8
IT contract service included in variable costs and maintenance system overhaul (annual-contract Call Base)	3.3
Reduced operating costs through railway construction process improvements (e.g., multiple cable units) and reinforced facility management (e.g., reporting the disposal of unused manholes)	1.1

Action-Based Optimization Projects

	[unit : billion won]
Phone cost reduction by attracting incentives for "hit" phone makers	14.9
Reduction in loss on valuation by creating the process of eliminating underperforming inventory in a timely manner (i.e. complete elimination in three months after a signal occurs)	7.1
Concentrating on purchase agreements with brand "call taxis" and introducing annual unit-price contracts	0.5

Dream with Shareholders

Economic Performance



Economic Performance Summary

Revenue by Business | The following is a breakdown of the company's operating incomes of the current and previous periods.

Revenue by Business

Category	2010 Revenue	2010 Sales-mix ratio	2011 Revenue	2011 Sales-mix ratio	Change
Goods sold	3,918,796	19.7%	4,201,178	20.8%	7.2%
Services provided	15,632,767	78.5%	15,122,455	75.0%	-3.3%
Other	366,815	1.8%	843,184	4.2%	129.9%
Total	19,918,378	100%	20,166,817	100%	1.2%

\*The 2011 results and the comparative results of the previous period were recalculated under the Korean International Financial Reporting Standards (K-IFRS) as the K-IFRS began to apply in 2011.

## Dream with Shareholders

Balance Sheet Summary			
unit : million won			
Category	29 <sup>th</sup> term (late December 2010)	30 <sup>th</sup> term (late December 2011)	Change
Total assets	24,345,115	26,453,607	8.7%
Current liabilities	6,842,087	6,035,682	-11.8%
Noncurrent liabilities	6,411,891	8,683,992	35.4%
Total liabilities	13,253,978	14,719,674	11.1%
Equity	1,564,499	1,564,499	0.0%
Paid-in capital in excess of par value	1,440,258	1,440,258	0.0%
Earned surplus	9,399,171	10,008,964	6.5%
Accumulated other comprehensive income	-56,165	-28,684	-48.9%
Other equity components	-1,256,626	-1,251,104	-0.4%
Total equity	11,091,137	11,733,933	5.8%
Total liabilities and equity	24,345,115	26,453,607	8.7%

\*The financial statements of the 29th and 30th terms above were prepared under the Korean International Financial Reporting Standards.

Income Statement Summary			
unit : million won			
Category	29 <sup>th</sup> term	30 <sup>th</sup> term	Change
Operating revenue	19,918,378	20,166,817	1.2%
Operating expenses	17,914,807	18,140,891	1.3%
Operating profit	2,003,571	2,025,926	1.1%
Other gains/losses	(363,457)	(367,648)	1.2%
Other revenues	225,795	243,789	8.0%
Other expenses	(589,252)	(611,437)	3.8%
Pretax income	1,640,114	1,658,278	1.1%
Income tax expense	391,268	369,223	-5.6%
Net profit	1,248,846	1,289,055	3.2%

Key Financial Ratios			
unit : %			
Category	Ratio	2010	2011
Liquidity Ratios	Current ratio	84.8	105.6
	Liabilities ratio	119.5	125.4
	Operating profit margin (Return on sales)	10.1	10.0
Profitability Ratios	Net profit margin (net Return on sales)	6.3	6.4
	Return on total assets	5.1	4.9
	Return on equity	11.3	11.0
Growth and Activity Ratios	Sales growth	25.2	1.2
	Operating leverage	227.6	1.1
	Net income growth	141.8	3.2
	Total asset growth	0.0	8.7

## Dream with Shareholders

### Shareholder Communication

### Value Distribution for Stakeholders

Total Shareholder Dividends			
unit : million won			
Category	2009	2010	2011
Dividends	486,393	586,150	486,602

Employee Compensation				
unit : million won				
Category	2008	2009	2010	2011
Pay	18,101	18,412	18,405	18,695
Retirement allowance	3,222	10,717	2,076	1,984
Benefits	4,826	5,092	3,038	3,122
Total	26,149	34,221	23,519	23,801

Shareholders			IR Activities		
unit : share, %					
Category	Number of shares	Percentage	Category	Description	Remarks
Treasury stock	17,810,562	6.82	IR presentations	Results and business status	Frequently
Foreigners	125,054,808	47.89		Reports	Quarterly reports
Pension	22,373,434	8.57	Publishing reports	Quarterly reports	Quarterly
Employee stock ownership	3,558,570	1.36		Audit reports	Quarterly
National institutions (except pension)	24,894,021	9.53		Annual reports	Annual
Other corporations	6,508,522	2.49		Sustainability reports	Annual
Individuals	60,911,891	23.33			
Total number of outstanding shares	261,111,808	100.00			

Taxes		
unit : billion won		
Category	2010	2011
Income tax expense	391.3	369.2
Taxes and public imposts	-	208.4
Total	391.3	577.6

### Shareholder Return

kt adopted the cumulative voting and paper voting processes to protect the rights of minor shareholders, and makes it a rule to return over 50% of net profit for the period to the shareholders each year. As for the results of the fiscal period of 2011, the company paid 486.6 billion won in dividends as determined at the annual shareholders' meeting held in March 2012.

Dividend Breakdown			
Key category	2009	2010	2011
Par value per share (won)	5,000	5,000	5,000
Net profit (million won)	516,533	1,248,846	1,289,055
Total dividends (million won)	486,393	586,150	486,602
Dividend payout ratio (dividend/net profit, %)	94.2	46.9	37.7
Dividend yield (dividend per share/price, %)	4.9	5.0	5.3

\*The dividend breakdowns of the 29th and 30th terms were prepared based on the two-year comparable dividends as the Korean International Financial Reporting Standards (K-IFRS) were adopted in 2011, and the breakdown of the 28th term was prepared under the K-GAAP.

# Dream with Customers

**Awards No.1**  
 LTE World Summit 2012 - Won the Best Carrier Award  
 Highest National Customer Satisfaction Index(NCSI) score in local/long-distance calling services for 14 consecutive years; highest score in ultra high-speed Internet for 8 consecutive years; highest score in Internet calling service for three consecutive years; and highest scores in international calling and IPTV services  
 Highest Korea Customer Satisfaction Index (KCSI) scores in 5 areas of local/long-distance, ultra high-speed Internet, Internet calling, long-distance calling, and IPTV  
 Highest Korea Service Quality Index (KS-SQI) in ultra high-speed Internet, IPTV, and international calling service

**Main Teams**  
 SI Group, Home Group (Home CS Business Unit) and Network Group

**WiFi available in 100,287 locations**

**Integrated wired and wireless service website**  
[www.olleh.com](http://www.olleh.com)

## Vision & Strategy

With the launch of olleh 2.0, kt pursues distinctive customer satisfaction with the vision of becoming the world's best CS provider that can "communicate with sincerity and build trust." As one of the leading Korean companies in the history of telecommunications in Korea, the company will create its own image of CS, "kt is trusted and delivers best satisfaction," and become a first-rate CS provider and build customer trust through Customer Satisfaction and Communicative Management. kt created the CS Rules for all employees, as well as guidelines for what and how customer satisfaction can be practiced.

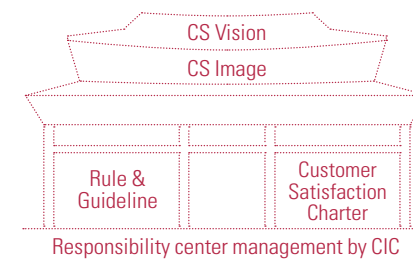
## Performance

Create Customer Satisfaction(CS) System	<b>Clarify the system</b> Create CS Vision, CS Image, and Customer Satisfaction Charter <b>Improve CS practices</b> Create CS Rules and Guidelines
Create Customer Value	<b>Provide new services</b> olleh Green Phone service, olleh Safe Plan <b>Increase customers communication channels</b> Handled VOC using social media
Protect customer privacy	91% of all employees completed privacy training

## Dream with Customers

### Customer Satisfaction (CS) System

#### CS Vision House



With the launch of olleh 2.0, kt created its CS System by incorporating the CS Vision, Image, Charter, Rules and Guidelines. The CS Vision represents kt's long-term goal and future direction in the CS area; the CS Image is linked with the value and meaning of service that kt wishes to provide customers; the CS Charter is the pledge of all employees to practice customer satisfaction and comply with the company's core value of "All for Customer." The CS Rules and Guidelines center on the rules and practices that all employees must comply with to realize the CS Image.

#### CS Vision

The world's best CS company that can "communicate with sincerity and build trust."

Motive: The company's resolution to build customer trust through Customer Satisfaction/Communicative Management, secure revenue sources by increasing social responsibility activities, and become a first-rate CS company

The company's long-term goal and future direction in the area of customer satisfaction (CS)

#### CS Image

kt is trusted and delivers best satisfaction

The value and meaning of services provided by kt, which customers both at home and abroad should be aware of

#### Customer Satisfaction Charter

Centering on the core value, "All for Customer," the pledge of all employees to deliver and observe Customer Satisfaction

Centering on the core value, "All for Customer," we agree to act and behave from the perspective of each customer and, to deliver all customers satisfaction, pledge to:

1. Keep our promises with our customers by enforcing the Real Name Service System;
2. Identify customers' wants and needs and fulfill them perfectly;
3. Make products that customers want through customer engagement and evaluation;
4. Listen to the Voice of Customer 24/7 all year round through various channels;
5. Extend our service to neglected, remote areas.

By agreeing to the pledge above, we will practice Customer Satisfaction until all customers are truly satisfied.

#### Rules and Guidelines

CS Rules : Rules that all employees must comply with to realize the CS Image  
 CS Guidelines : Points of reference for what, how, and by whom the CS Rules should be implemented.

The activities of increasing CS are implemented in stages, depending on the role of each organization, such as the customer interface, responsible team/group, and business units. The company introduced CS performance-based Rewards and Penalties to improve employees' CS mindset across the Group on the basis of the CS Vision. kt also applied CS KPIs to all teams and groups related to CS activities to create and operate an organic Performance Management system.

The CEO Claims Center is operated to resolve customers' complaints as quickly as possible. The Center was restructured into an independent organization and reinforced the consultants' HR capabilities. Further, the company implemented 'Product Line Innovation' to streamline the product lines and reduce the number of products that it offers, such as getting rid of any existing product that is similar in function to a new product/service. In 2011, the company cut the number of products by 90% over the previous year, and in 2012, aims to reduce the number of products by 50%.

Dream with Customers

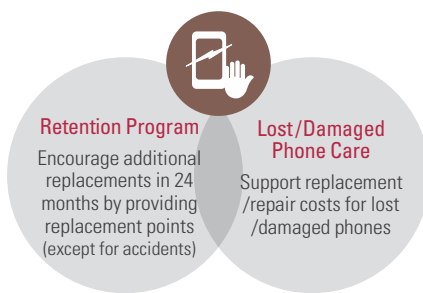
Service Innovation

New Services

**olleh Green Phone Service** | Korean mobile phone users replace their phones about three times as frequently as mobile phone users in other leading countries, such as Japan, do. These frequent replacements have resulted in approximately 22,800,000 used phones. In May this past year, the company enforced the Blacklist Policy, which will increase the number of used phone users as well as that of users who intend to turn used phones into "second" devices. With the Resources Recycling Act taking effect, wireless carriers are now assigned the mandatory number of phones to collect, which all mobile phone distributors are required to comply with. To encourage the recycling of used phones and resources, the company launched olleh Green Phone Service in March 2012. The olleh Green Phone Service collects used phones through all customer channels and promotes the recycling of resources, and is aimed at meeting the needs of customers who wish to use used phones and at placing higher value on sustainable consumption. The company created a 24/7 trading channel both online and offline, and provides convenient service that meets customers' needs by enforcing the Ratings scheme in each store. In June 2012, the olleh Green Phone Clinic service will start being distributed to all olleh stores across the country to examine the exterior features of mobile phones. At four locations of the olleh Green Phone Clinic Center, a Total Care Service is available, which ranges from phone cleaning to polishing, disinfection, and to functional checks.

The olleh Green Phone Clinic service allows customers to get even newer used phones. Once a customer signs up for the olleh SIMple Service that services USIM only, they can save money on mobile phones and call rates. In the second quarter, the company plans on implementing the Employee Used Phone Collection campaign. The olleh Green Phone and olleh Green Phone Clinic services helped the company deliver customer satisfaction and build customer trust, provided customers benefits from recycling phones, and paved the way for win-win relationships between communities, consumers, and the company by recycling resources and protecting the environment.

**olleh Phone Safe Plan** | Half the mobile phone users now use smartphones. Between January and March in 2012, the patterns of consumer purchase revealed that 2/3 of all customers choose smartphones over feature phones. To cover the damage done to or the loss of expensive smartphones worth about 800,000 to 900,000 won, kt operates the olleh Phone Safe Plan. The plan is part of the Customer Retention Program and supports lost phone replacement and repair costs. Using its experience as a leading carrier, kt introduces a variety of programs and plans, including olleh A/S Center, to increase customer satisfaction when customers purchase and use smartphones. The trends in mobile phone insurance subscription show that, by the end of 2011, the phone insurance subscribers surpassed 4.3 million, the largest user base among other carriers in Korea. As the phone insurance becomes more important in securing marketing capabilities, kt will reinforce and upgrade its insurance service.



olleh Green Phone Clinic



olleh Green Phone Service

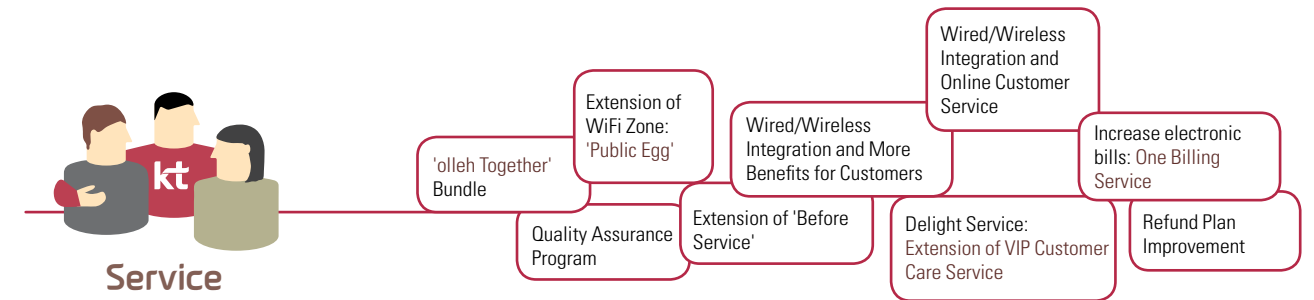


olleh SIMple Service

Dream with Customers

Distinctive Services

kt always thinks about what areas of existing service can be differentiated before they are provided to customers. The company is committed to delivering customer satisfaction, including bundles like "olleh Together," electronic bills, "Before Service," and "Delight Service." To provide network connection while using public transport, kt has extended the Public Egg service to public transport vehicles. These efforts represent kt's dedication to communicating more with customers and offering better services. kt will continue to provide customers with better services through ongoing innovation.



**Low-cost Bundles for Customers** | Taking advantage of a combined wired and wireless service a total wireless carrier whose service combines wired and wireless, kt provides bundles through which a variety of kt's telecommunications services are available at the lowest price possible. In May 2011, the company launched "olleh Together," which provides the widest range of benefits ever among other bundles, offering about 3 million customers discounts over a period of mere 7 months. olleh Together is a groundbreaking integrated wired and wireless service, through which customers can get more discounts per mobile phone line if they use the Internet/home phones with their mobile phones. Unlike the existing bundles that offered total discounts or fixed-percentage discounts, olleh Together provides individual users with more discounts, the more family members they have. By saving money for those customers who were reluctant to buy smartphones because of prices, olleh Together dramatically increased opportunities for a variety of telecommunications services on smartphones. olleh Together has also made a huge contribution to household savings by offering entire families discounts if they use smartphones.

**Free Premium Internet and Lower Call Rates by Extending WiFi Zones** | In 2011, kt focused on enhancing quality through replacements with or upgrades to the Premium AP, which provides two bandwidths of 2.4GHz and 5GHz, as well as on extending olleh WiFi Zones. Furthermore, kt's "Public Egg" service is available on subway trains, buses, and Han River ferries, providing free WiFi while traveling. In 2010, the company extended the service to all subway lines in Seoul and the metropolitan area, Incheon and Busan subway lines, and airport rail links. In 2011, the company installed Mobility WiFi on about 500 bus routes across the city of Seoul, the metropolitan area, and then across the country, as well as airport limousines. In 2012, kt plans on extending Mobility WiFi to 600 bus routes across Gyeonggi-do, Ulsan, Changwon, Pohang, and Gwangju. In 100,000 WiFi Zones (as of late 2011), customers can access free Premium Internet on the beaches, Dokdo Island, and public transport. The company also provides olleh WiFi Roaming service abroad, so that customers traveling in 100 countries in North America, Asia, and Europe, can use WiFi at a more reasonable price than the existing roaming plans.



Dream with Customers

**More Wired/Wireless Integration Benefits** | In January 2012, kt introduced the Wired/Wireless Integration Customer Rating system to extend the benefits for wireless (mobile, WiBro) customers to wired service subscribers (Internet, Internet calls, IPTV, and home phones). Whether online or offline, kt built approximately 15,000 affiliates nationwide to meet customers' needs in varying areas, and now provides special customer experiences and premium benefits by introducing the Prestige Zone, global, golf/leisure, culture/performance services.

**Creating Wired/Wireless Integration Service, Integrated Online Channels** | In January 2011, kt opened a website dedicated to wired/wireless integration services at www.olleh.com to provide information on wired/wireless integration, kt service rate plans, and the Terms of Service, and support a wide range of customer service activities, including sign-ups, terminations, prices inquiry, and product changes. With the growing number of mobile service customers, including smartphone users, in August 2011, kt extended its mobile customer service through m.olleh.com and the Customer Service App, providing online CS equal in quality to the #100 Call Center.

**One Billing and Increasing Electronic Bills** | To save resources and money in mailing, kt has increased the use of electronic bills. Through the One Billing service, multiple-service users are charged per sheet of paper. The company plans on extending the integrated billing (One Billing) service to customers, who use multiple services under one name and one address. The website olleh.com promotes e-mail/integrated billing services, which will replace print bills with Smart Bills.

Current Phone Bills | unit : 10,000 bills, % |

Category	Wired			Wireless		
	2009	2010	2011	2009	2010	2011
Print (total)	1,944	1,744	1,674	805	1,033	1,066
	89%	89%	87%	67%	68%	65%
One Billing (integrated)	-	358	420	-	-	44
e-mail/MMS	252	222	245	396	496	577
	11%	11%	13%	33%	32%	35%
Subtotal	2,196	1,966	1,919	1,201	1,529	1,643

**Customer Quality Assurance Program** | kt runs the Customer Quality Assurance Program, in which new customers or customers who have used repair services answer Customer Satisfaction surveys after using the services. The Program is aimed at gathering customers' assessments and additional demands directly on-site, and at providing better services. Further, the IT Engineer issues Service Quality Guarantees to enhance customer confidence in kt's services.

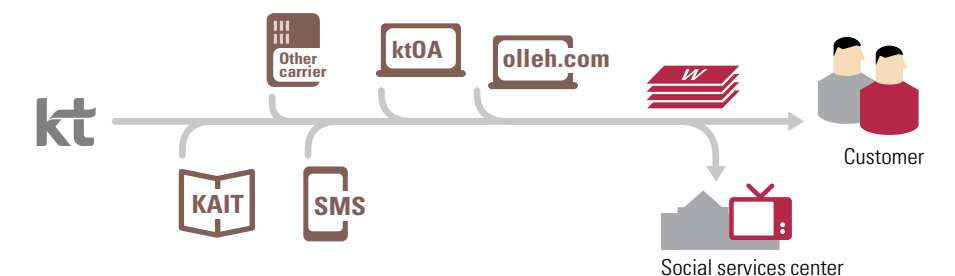
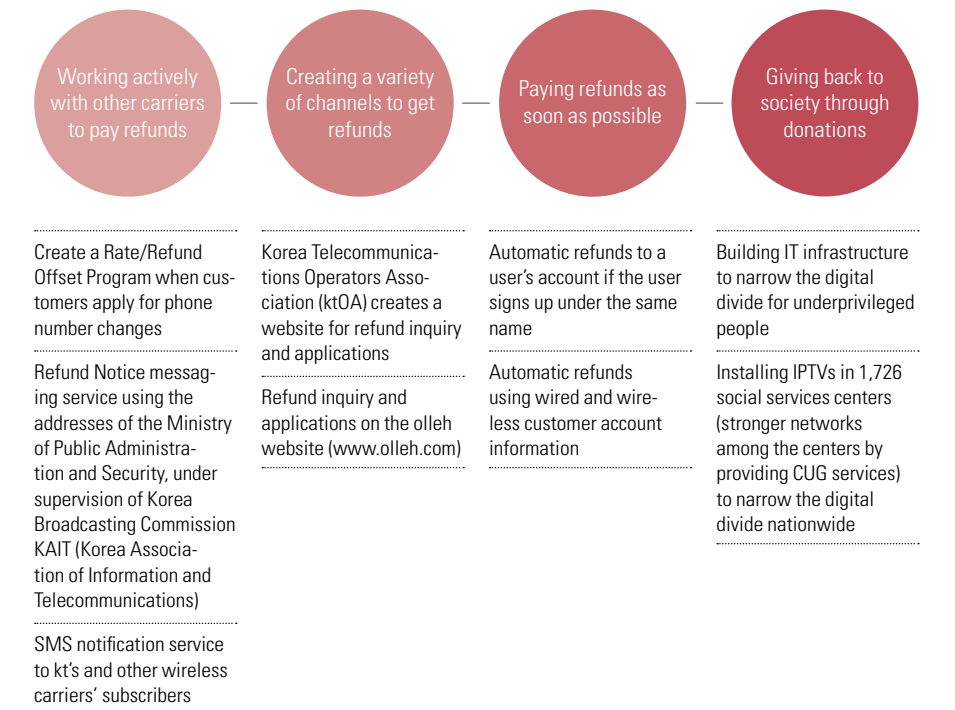
**Extending "Before Service"** | Aside from the basic repairs services, kt makes sure customers are "Always Connected" by extending the "Before Service," which provides repairs and monitoring of failure-prone facilities. kt will continue to monitor the nationwide network proactively and provide secure services with minimum inconvenience.

Dream with Customers

**Delight Service** | During home repairs, service employees at kt wear protective socks to keep customers' places clean, use pads when working with tools/equipment, and collect whatever is left of repairs. To deliver customer satisfaction, the service employees also provide 'Plus One Service', which includes cleaning customers' computers/monitors and arranging entangled wires. kt has extended the VIP Customer Care Service (e.g., less-than-two-hour quick repairs performed by the 'Best Service' employees) to the underprivileged. In 2012, the company provided the visually impaired with Braille business cards.

**Refund Plan Improvement** | kt makes sure that its services reach customers first, and works hard to keep the services up-to-date so that refunds are deposited to customers' bank accounts before they become aware of the said refunds. To handle refunds, kt works with other carriers to inform customers of refunds that they are entitled to, and continues to make sure that refunds are paid as fast as humanly possible. Further, the company introduced a plan for donating unclaimed refunds and giving them back to society, so that the refunds can be used to build IT infrastructure to help underprivileged people who suffer from the widening digital divide.

Improvement Efforts to Handle Refunds

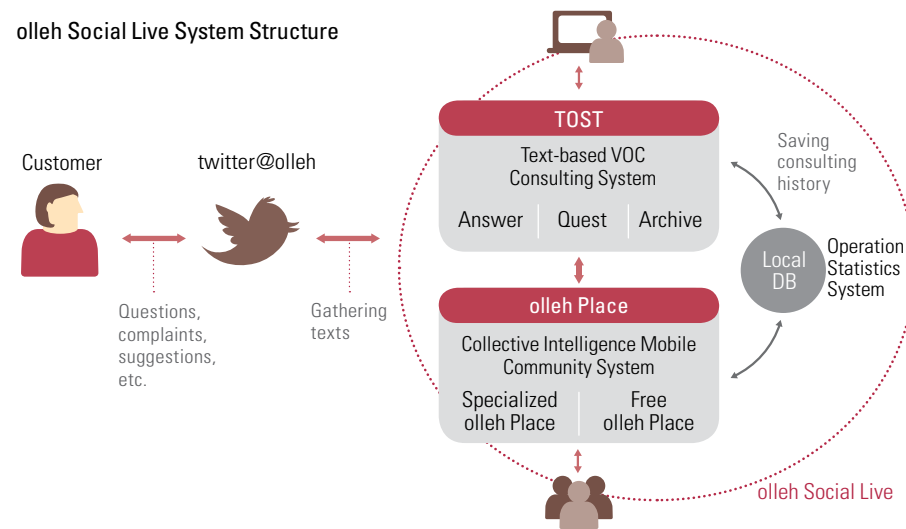


Dream with Customers

Customer Communication Innovation

**Real-time VOC Management Using Social Media** | To secure a variety of communication channels, kt created the 'olleh Social Live' system to manage VOCs through social media channels. The olleh Social Live system consists of TOST (Text-based VOC Consulting), olleh Place (collective intelligence community), and Operation Statistics systems. Once a VOC occurs, the Social Consulting Team responds to it through TOST. If the Social Consulting Team fails to resolve it, the VOC will be handled through the collective intelligence of olleh Place. The management process details are all stored in the database of the Operation Statistics system. Instead of call centers, kt plans on adopting the social media-based VOC management system more extensively.

olleh Social Live System Structure



olleh Social Live Launching Ceremony

**Creating Various Channels** | In January 2011, kt opened olleh.com, a website that integrates wired and wireless sites and unifies online customer channels. In 2012, the company made phone plan search more convenient by unifying multiple IDs. To provide 24/7 customer care, the company began operating 24/7 stores in February 2010, for the first time in the telecommunications industry. The 24/7 stores are a service that responds to customers' demands at any time, anywhere. As smartphones became commonplace, the company also opened "olleh Avenue," where customers' experiences and opinions on mobile services and phones are collected and incorporated into service improvements. The olleh Avenue has gained positive reception, and will be extended. Using smartphone applications, the company provides the olleh Kok Kok app designed to improve network quality by notifying customers of improvement points.

**Shorter Waiting Times** | To answer customers' questions more quickly, kt opened Customer Centers in Wonju and Jeju and hired 400 more consultants. The consultants are allowed to offer advice on work-from-home so that experienced employees can work in a desirable environment with more flexible schedules. By improving customers' understanding of phone bills, kt has reduced the number of inbound calls and shortened waiting times.

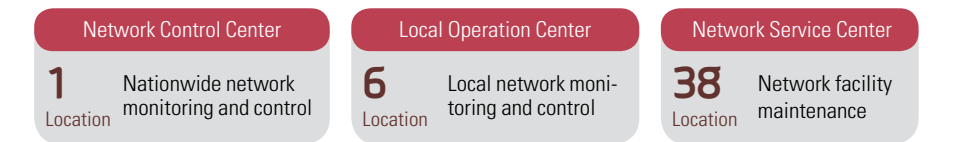
**Reducing Inbound Calls from Customer Interface** | In March 2011, kt switched from the autonomous CIC management by objectives (MBO) process to the company-wide MBO process to reduce inbound calls and improve consulting quality dramatically. The company also selects the "Top 10 Negative VOCs" to eliminate root causes and implement improvement activities. Process improvements, such as limited release and release after solving problems, are performed by the Product Test Group before each product is released. kt also plans on dispersing inbound calls by extending TOP Care, two-way e-mails/SMS, and updating phone bills.

Dream with Customers

Providing Reliable Telecommunications Services

**Creating a Redundant Network Monitoring System** | With the largest backbone network and subscriber base, kt conducts a wide range of activities to provide secure telecommunications services and prevent communication failures. The company also installed/operates the Local Operation Centers in 6 locations, including Seoul and Busan, so that service quality can be monitored by area. The Network Control Center located in Gwacheon allows an overview of the nationwide status of telecommunications services and operates a wired/wireless integrated monitoring system. The company also enforces preventive activities all year round, targeting telecommunications devices, such as exchange, transmission, Internet, and power supply units, which are likely to experience communication failures.

Network Monitoring and Control Systems



On March 23, kt staff connected optical cables near COEX in Samseong-dong, Gangnam-gu, Seoul

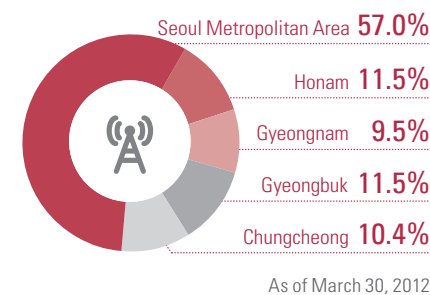
**Urgent Backup Training** | kt created a backup system/process, including a national facility backup system, and has worked hard to reduce internal/external security accidents and physical damage. In the event of service failures due to force majeure events and disasters, the company conducts in-house training and joint training between governments. kt's preventive activities paid off when the company collaborated with government agencies, such as the Korea Broadcasting Commission, in accordance with its Risk Management System, to resolve local communication failures and supply emergency power, as communication failures occurred across the country due to heavy rains in the Seoul metropolitan area during the summer of 2011, Typhoon Muifa, and the September 15 blackout. On March 23, 2012, kt provided flawless telecommunications support service at the 2012 Nuclear Security Summit, after conducting urgent backup training, which included facility checkup and simulations.

**Earthquake-Proofing Plan for Telecommunications Equipment** | To provide secure telecommunications services even in the event of an earthquake, kt performs seismic and performance tests using vibration tables in accordance with the government standards, before installing telecommunications devices. When installing them on an actual site, the company uses concrete anchors to provide the required seismic resistance, as well as its proprietary earthquake-proof access flooring system and device racks.

**Creating Mobile Wonderland** | kt has made changes to the telecommunications environment through smartphone distribution, data explosion, the distribution of various applications, and the creation of an ecosystem. Using its top-notch wired/wireless network infrastructure, kt provides top-quality 3W Network (WCDMA, WiBro, and WiFi) services to create a "Mobile Wonderland." WiFi zones surpassed 50,000 in 2011, and 100,287 WiFi locations were added by the end of the same year. Starting on April 1, 2011, WiBro provides nationwide network service, guaranteeing the best coverage relative to its population.

The company also provides the olleh WiFi Roaming service overseas so that customers can access WiFi in 100 countries in North America, Asia, and Europe at a reasonable price, over 99% cheaper than ordinary data roaming rates. One of the leading WiFi providers, kt has been actively engaged in technology development to improve WiFi quality. Premium WiFi, developed using a domestic technology, provides a bandwidth of 5GHz, as well as 2.4GHz like any other existing WiFi AP (Access Point). It not only prevents frequency interference but also offers the capacity three times as large as the existing AP and the speed eight times as fast.

Local WiFi Investments



Dream with Customers

## Stronger IT Security and Privacy Protection



Minister of Public Administration and Security Award for Cyber Safety

To prevent personal information from getting hacked and protect customers during financial transactions, kt developed the best privacy protection process, which includes expanding privacy protection infrastructure, strengthening the ability to protect personal information, and periodic safety checks.

**Expanding Privacy Protection Infrastructure** | To prevent the illegal use/abuse of personal data through hacking, kt has enforced technical and administrative protection measures, such as adopting a monitoring system for early intrusion detection, updating the personal data encryption software, creating a weakness record-keeping system and an integrated access control system, and strengthening the authentication of VPNs (Virtual Private Networks). In addition, to prevent the leakage of personal data by employees or suppliers, kt introduced a DRM (Digital Right Management) solution in 2007 and a DLP (Data Loss Prevention) solution in 2011, which allow management of all data flows in PCs and prevention of personal data leakage/abuse. The company performs periodic checks and improvements of privacy weaknesses on its system containing a personal data retention system. Working with government and related agencies, the company also provides simulation training to prevent and respond to intrusions quickly. As a result, kt received the Minister of Public Administration and Security Award for Cyber Safety in 2011.

**Enhancing Effectiveness of Privacy Protection** | kt implements its Privacy Policy pursuant to the Act on Promoting the Use of Information Technology Networks and Information Protection and the Privacy Act, and operates a website dedicated to answering customers' questions about privacy (<http://privacy.kt.com>). Since most cases of data leakage are associated with hacking and poor management, kt makes sure that every service complies with the company's Security Review Procedure. To improve employee awareness of privacy, the company makes all employees' Pledge of Privacy mandatory each year and conducts management activities, such as privacy checks in stores and suppliers. To spread awareness about customer privacy, kt sends its staff to branches and suppliers to conduct on-site training. In 2011, 91% of all employees completed customized and online privacy training. The company also uses e-mails and electronic bulletin boards within the offices to increase privacy awareness.



Obtaining ISMS (Information Security Management System) certificate

**Privacy Safety Check** | kt performs a "Privacy Safety Check" each year under law, commissions an external agency to get its key IT facilities and services certified, and, in 2011, obtained an Information Security Management System (ISMS) certificate that is recognized by the government. Not only that, the company operates the Safe Customer Authentication Program designed to strengthen privacy protection, targeting the branches, call centers, suppliers, and websites. kt's subsidiaries also enforce privacy policies that guarantee levels of protection equal to kt's Privacy Policy.

**Complying with Radiation Limits** | kt measures the levels of radiation absorption in all cell phones and makes sure that phones are registered and sold only when they fall below the government's Specific Absorption Rate (SAR) limit of 1.6W/kg. The company establishes base stations in an environmentally friendly way to prevent public complaints regarding the construction of base stations. Base stations with high signal strength are classified as those subject to mandatory SAP monitoring and forced to maintain output to the minimum level. Other privacy efforts include a study on the effects of radiation over the past five years.



Dream with Customers

## Resolving Negative Effects of Information Society



Malicious Foreign Websites Blocked

**e-Clean Activities** | The Clean-I, TIME CODI, Personal Care, and Nol-e-Teo services provided through the 'olleh' website are designed to protect minors on the Internet. Aside from blocking malicious websites containing violent and gambling content, the 'Clean-I' service, which blocks the pornographic/explicit content spread through P2P programs, and 'TIME CODI', which provides remote control/monitoring of children's Internet usage from parents' smartphone apps, were launched in 2002 and distributed to about 260,000 users up until April 2012.

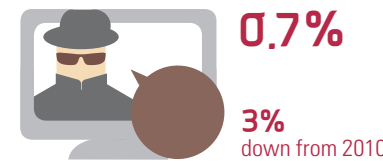
Released in 2010, 'Personal Care' is an integrated security service that optimizes a PC in advance through an expert's remote check and restore the PC infected with viruses and malicious code spread over the Internet. In November 2010, 'Nol-e-Teo', an Internet service for children, was launched, which provides a clean Internet environment for children by blocking malicious websites completely and setting Internet and game usage.

As of February 2012, collaborating with the Korea Communications Standards Commission (KOCSC), the company blocked 80,094 malicious foreign websites on the Internet. kt also developed a system for blocking indirect access to malicious sites, and also continues to enforce an online content rating system, monitoring, and an age verification system.

e-Clean Services

Type	Service Description
Clean-I	Create a clean environment by blocking access to malicious websites and videos containing pornographic, violent, and gambling content
Time Codi	Prevent Internet addiction by monitoring Internet usage by time and day
Personal Care	Remote check and PC recovery to protect a PC from Internet viruses and malicious code
Nol-e-Teo	Service for child use that blocks malicious websites and limits Internet/gaming usage
Keyboard Encryption	Prevent hacking through keyboard encryption when data is entered

2011 Percentage of Malicious Content



**Cleaning Web Portals** | kth, a subsidiary of kt, performs periodic monitoring of the content posted on the website [www.paran.com](http://www.paran.com) and mobile services (I AM IN, PUDDING) and blocks malicious posts through the user self-regulation feature. As a result, in 2011, while the total number of posts on the services provided by kth was 68 million, a 2.5 times increase over the previous year, the percentage of malicious posts was only 0.7%, over 3% down from the previous year. In addition, kth made it mandatory for the websites containing adult content to enforce age verification through an individual ID, and monitors interactive services like UCC through an artificial intelligence program and an IP address blocking system. By enforcing the policy on preventing malicious materials and stopping a service that violates the policy, the company has reinforced the activities to reduce malicious content and clean the Internet. Further, kt operates the Reporting Center and the Hotline to root out obscene material and illegally distributed content, and shares related information with other external agencies.



# Dream with Employees

## Awards

Won the Best Place to Work and CEO awards at the Korea Great Workplace Awards organized by GWP Korea

Selected as the 'Great Place to Work in Our Community' (Seoul and Gyeonggi-do) by the Ministry of Knowledge Economy

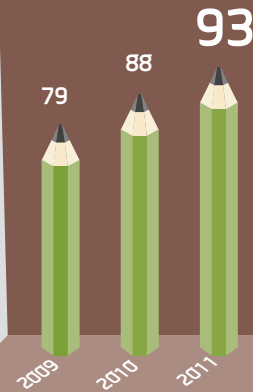
Won the Best Practice Award in Decent Labor at the UNGC Awards

## Main Teams

Human Resources Office, General Affairs Office, GMC (Group Media & Communications) Strategy Office

**4,559**  
Grievances Handled in 2011

## Training hours per employee



**143**  
Number of Female Executives

## Employee Satisfaction



## Vision & Strategy

In 2012, celebrating olleh 2.0, kt will stay committed to its employees who will lead change and innovation and work harder to become a well-established global ICT convergence leader. The company will provide more training on attitudes and best practices to reinforce the role of each office, develop a global workforce to strengthen its global capabilities, foster IT professionals to create new businesses, increase group training to facilitate the development of "Group Management," and extend job competency training by forming organic collaborative relationships among teams. Using its IT technology, kt will continue to transform the workplace into a desirable working environment, increase employee satisfaction, and use it as a global business model.

## Performance

Employee performance	<b>Training hours per employee</b> 93.8 hours (6 hours increased over the previous year) <b>Employee satisfaction</b> 77% (2% increase over the previous year) <b>Grievances handled</b> 4,559
Labor relations	<b>New creative labor relations</b> Implementation of U-CSR and UCC
Health and safety	<b>Accident rate</b> 0.16% (0.6% decline from the previous year)
Diversity	<b>Number of female executives</b> 143 (31.2% increase over the previous year)

## Dream with Employees

### Great WorkPlace

**kt's Employees** | As of late December 2011, a total of 31,061 employees were employed at kt, and the average term of employment was 18.9 years. Employees with disabilities account for 2.45%, exceeding the legally required hiring ratio of people with disabilities of 2%, and female workers were 4,660, 15% of the entire workforce. kt classifies employees into full-time and part-time positions, depending on the job and competency requirements. As of late December 2011, part-time employees represent 1.43% of all employees and receive fair treatment under the Act on the Protection of Fixed-term and Part-time Employees.

#### Employee Statistics

[unit : people, Year]

Gender	Number of Employees			Total	Average years of service
	Full-time	Contract	Other		
Male	26,401	454	170	27,025	19.3
Female	4,660	289	6	4,955	16.8
Total	31,061	743	176	31,980	18.9

#### Sex Ratio



#### Women in the Workforce

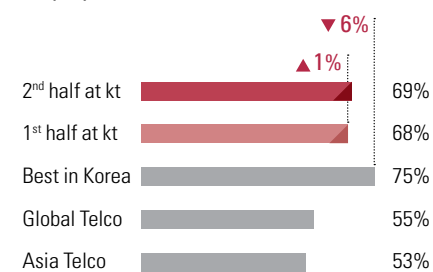
Number of female employees at or higher than the executive level **143**

**Great WorkPlace** | By creating a GWP(Great Workplace), kt works hard to encourage employees to become spontaneously engaged with ownership, creativity, and commitment, improve its competitiveness, and assist in employees' personal development. Instead of centering on improving work processes, kt redirected its corporate culture innovation activities towards increasing customer satisfaction through fundamental solutions like achieving employee satisfaction, and towards developing a 'virtuous cycle' in which customer satisfaction strengthens the company's competitive position in the market.

#### kt GWP Model



#### Employee Focus (Concentration)



\*Compared with the Best Employers in Korea selected by Wall Street Journal and AON Hewitt Database

In the first and second halves of 2011, kt conducted an all-employee survey to confirm the company's image perceived by employees and set priorities for improvement so that it can create kt's own GWP, where human resources develop, have fun at work, and come together.

To see where kt stands through a comparison with other companies, both at home and abroad, the company commissioned an external service to conduct a Voice of Employee survey on GWP, which revealed that the level of employee focus (concentration) was 69% in the second half of 2011. This was 6% lower than the highest level of focus retained by another leading Korean company, but still higher than the average level of the global telecommunications industry (55%) and that of the Asian telecommunications industry (53%).



## Dream with Employees

The 1% increase in the second half over the first half resulted from the company's concerted effort to improve the 1st-half result, including CIC-level workshops, the formation of GWP Team, and the selection of a "Champion" Team for each task. Since the company is large enough to produce a variety of needs, kt works hard to create a GWP, which takes employee personalities and diversity into account, centering on "bottom-up" activities, rather than "top-down" ones.

### Key GWP Tasks

Category	Key Tasks
Employees develop	1. Fair compensation based on performance and ability 2. More growth opportunities and reinforced training
Employees have fun	3. Open-minded culture that encourages creative ideas and diversity 4. Desirable environment where employees can stay focused 5. Work-life balance
Employees come together	6. Price as a member of kt leading wired/wireless convergence 7. Stronger leadership position in the jobs market 8. Create an image of People's Company

### Key GWP Activities |

- "Be the Best" Campaign**
  - Cultivate pride and leadership as a member of kt
  - You are the best: Create a culture where employees compliment each other using the Compliment Box and compliment cards
  - I am the best: 'olleh Master' contests in 16 areas, including competency development, sports, art, etc.
  - We are the best: Share examples of collaboration, problem-solving, and identifying problems
- Creative Time**
  - Time allowed to disclose the company's business results/progress, discuss, find problems, and conduct creativity activities.
  - All employees participate one hour per week: Employees choose the date and time they want.
- GWP Leaderway**
  - Stronger leadership role
  - Create the GWP Leaderway: The 20 To-Do List for GWP Leaders
  - Distribute the guide book
- Gather and Spread GWP Best Practices**
  - In 2011, about 2,000 BP examples and 3,000 suggestions were submitted
  - 48 best practices were shared; suggestions like 'Reinforce medical checkups for pregnant employees' are being incorporated into the company's policy



"Be the Best" campaign



Creative Time



GWP Leaderway

## Dream with Employees

# Fairness in Human Resources Programs

### HR Program Approaches

Category	Formal description
Fairness in selection, placement, and transfer	- Hiring principle of open competition; open recruitment (no male/female option; no more bonus points for gender/academic background when hiring) - Delegated hiring per category - Selection and management of Talent Assessment Officers for fair hiring - Adoption of the Talent Market Program according to the principle of market competition in 2009
Fairness in promotion	- Fairness and transparency guaranteed in placement - Adoption of the Promotion by Selection and Bottom-Up TM programs targeting top-performing officers - 'Senior Manager' selection and job performance testing for promotion candidates at the Human Resources Committee - Abolition of the Position-based Promotion process in 2010 as a result of Labor-Management agreement - Adoption of the Employee Merit Program' to motivate employees' growth
Fairness in appraisal and compensation	- Disclosure of the appraisal criteria, process, and results - The 360-Degree, Competency Test, Appeals Process, and Follow-up Audit programs - Abolition of the gender/education-based compensation system, and fair compensation based on performance

**Motivating Long-term Performance |** kt abolished the short-term performance-based promotion process and launched the Employee Merit Program in 2010 to motivate employees' long-term results. Each year, employees receive graded merit points based on their performance, and as they continue to save merit points and meet the required level, they will be given the opportunity to get a promotion to an officer. Merit points are given based primarily on individual performance, but also take account of innovation, creativity, collaboration, and leadership, contributing to the creation of a climate of fair, competency-based performance.

**Fairness in Promotion Policy |** In 2011, kt enacted the 'Promotion by Selection' and 'Bottom-Up Talent Market Program' to abolish the seniority-based promotion process, provide equal opportunity for all employees, and guarantee fair compensation. Those officers whose innovative performance is acknowledged by the Human Resources Committee are entitled to promotion by selection to the Vice President (VP) level, regardless of merit requirements. If there are vacancies in key positions, they are disclosed to the Talent Market, which is the company's human resources staffing system. Qualified candidates are selected through competition, and all employees are fairly provided promotional opportunities, regardless of sex and education.

**Fair Performance-based Compensation |** Under its pay grade structure, kt offers graded salaries based on individual performance. Salaries are graded as A, B, C+, C, D, and F. The company keeps the ratio of C+ and C-level employees at/around 50%. To improve long-term results, kt applies performance appraisal grades for three years when calculating salary increases. All employees set annual targets for performance management at interviews with the assessment officer at the beginning of each year, and receive feedback frequently and appraisals twice a year. The appraisal criteria and process are disclosed to all employees, and fairness in appraisal and compensation is reinforced through mandatory training for appraisal officers, appraisal appeals process, and follow-up monitoring programs.

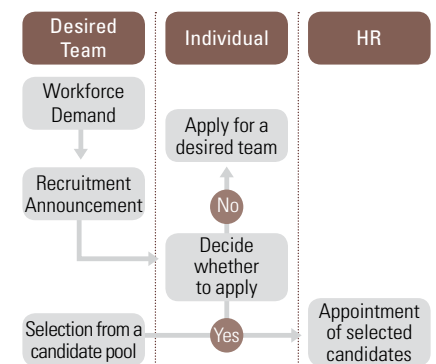
**Market Mechanism-based Staffing |** To secure transparency in workforce demand/supply and place human resources in the right positions, kt created the TM (Talent Market) program in 2009. TM is an IT-based open human resources market, where employees apply to their desired teams, and the teams select qualified employees among the candidates. Since internal hiring information, such as hiring teams and application requirements, is disclosed to all employees using an IT system, employees are guaranteed fair, transparent appointments to their desired teams. In 2012, kt will overhaul the TM process and introduce a Tailored TM, where employees are placed based on their job competency after consulting, a Bottom-Up TM, where open recruitment is provided for positions at the Vice President level, and a Group TM, which is designed to revitalize exchange between employees within the Group.

### Talent Market Statistics (2011)

[unit: person]

Category	Postings	Applications	Candidates	Selected Candidates
Frequent T/M	2,324	4,705	4,091	1,883
Regular T/M	4,994	11,585	10,671	4,153
Total	7,318	16,290	14,762	6,036

### Talent Market Process



Dream with Employees

# Human Resources Development

## Competency-based Talent Development Process

During the period of olleh 1.0, kt declared 'Top Talent in Action' as an ideal image of talent in accordance with the company's new vision and management approach. The company aims to develop talent into the best expert in their job with commitment and the ability to execute, who are capable of achieving challenging goals based on collaboration and trust, and on innovative, customer-centric thinking. The company thus created a company-wide Competency Framework consisting of leadership/job/common competencies to identify core competencies suitable for all titles and jobs, and succeeded in establishing its Competency-based Curriculum.



**Leadership Competency Development** | kt defined five leadership competencies and 10 behavioral patterns, and incorporated them into a system in connection with the core values. Under this Leadership Competency Framework, the company has identified the required competencies customized for individuals using assessment tools, such as situational judgment and AC tests, and continues to develop the competencies through leadership development programs specialized for different job responsibilities.

Target Level	Employee	Core Talent	Branch Manager/ Team Leader	Executive/ Vice President
Key Points	<ul style="list-style-type: none"> <li>Developing creativity</li> <li>Cultivating organizational adaptability</li> <li>Increasing understanding of and loyalty to kt</li> <li>Reinforcing working-level business competencies</li> </ul>	<ul style="list-style-type: none"> <li>Core Talent</li> <li>Strengthening managerial competencies</li> </ul>	<ul style="list-style-type: none"> <li>Leadership to produce results</li> <li>Reinforcing management policy/ work ethics/basic attitudes</li> </ul>	<ul style="list-style-type: none"> <li>Improving management mindset</li> <li>Developing overall insights</li> </ul>
Development Programs	<ul style="list-style-type: none"> <li>New recruit training</li> <li>Experienced employee training</li> <li>olleh Biz School</li> </ul>	<ul style="list-style-type: none"> <li>MBA programs in Korea and overseas</li> <li>MOT*, IT-MS</li> <li>Part-time master's programs support</li> </ul>	<ul style="list-style-type: none"> <li>Training for branch managers and local team leaders</li> <li>Training for team leaders at kt's HQ</li> <li>Female leadership</li> </ul>	<ul style="list-style-type: none"> <li>Executive Academy</li> <li>Group CFO program</li> <li>Innovation Leadership</li> </ul>
HR Infrastructure	<b>Development and utilization of leadership assessment tools</b> The 5 leadership competencies, situational judgment and AC tests			

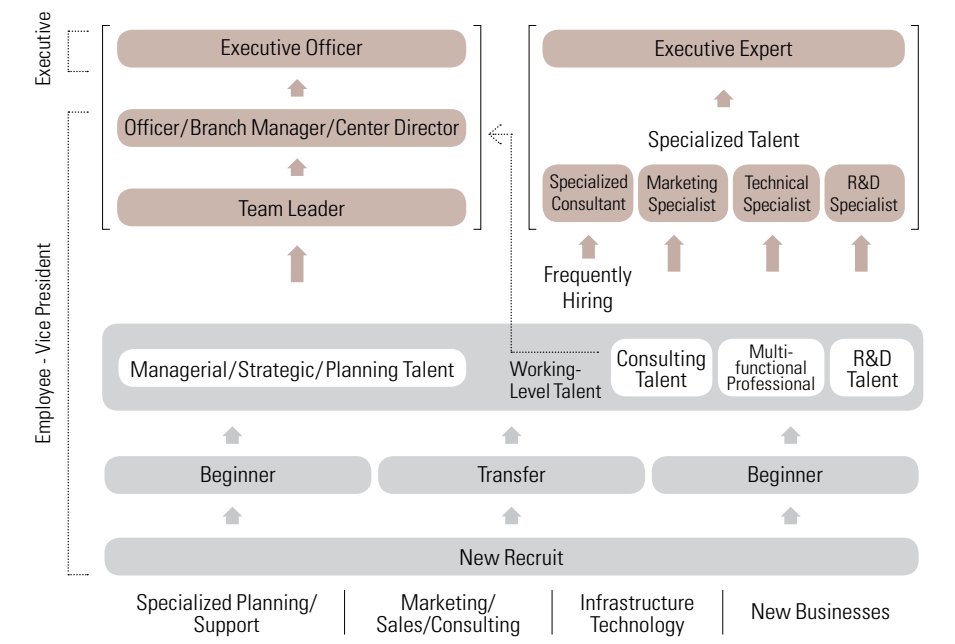
\* MOT: Management of Technology, IT-MS : IT & MEDIA STRATEGIES

Dream with Employees

**Developing Job Competencies** | In accordance with the company's new job structure, kt defined 17 job categories and 85 competencies needed for different jobs, and mapped them in organizational/individual units. All employees are required to take a job competency test to identify their level of job competency and check the competencies they need, and make a competency development plan after receiving training recommendations through a Personal Development Note. kt also rearranged the key businesses and jobs so that the CIC can develop the human resources needed to achieve business goals by cultivating the job competencies needed for each business area.

**Securing Future IT/Global Competencies**\_ In 2012, with the launch of olleh 2.0, kt will focus on developing IT and global business workforces, who will lead the global ICT industry. To secure future competencies in the IT sector, the company will suggest a roadmap for more systematic training on IT knowledge and basics and produce 480 trained employees through 32 programs in 6 areas, which are designed to cultivate the knowledge required at each level. Further, kt will define the required competencies for global businesses, provide working-level training centering on business skills for employees sent abroad, such as the South African Republic, as well as training on basic language skills, presentation skills, and negotiation skills, and develop a skilled Global 'Managed Service' workforce.

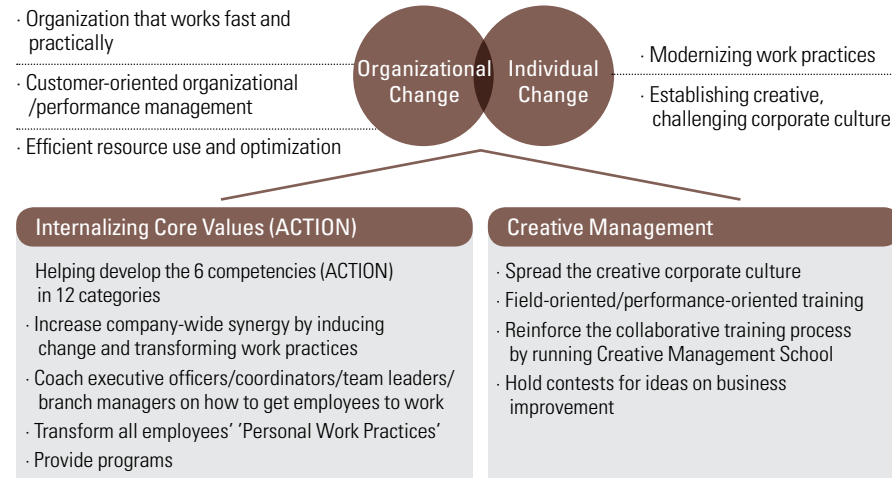
**Strengthening Job-based CDP**\_ 85 jobs were classified into the Generalist and Specialist Tracks through job characteristic and job experience analyses, so that employees are allowed to choose either track to become business leaders and experts, according to their personal goals and competencies/characteristics.



To retain and improve human resources professionalism in areas where specialties are required, such as IT, wireless, technical assistance, and customer consulting, kt proposes career paths as job specialists to motivate employees, and will extend specialist human resources development by constantly discovering new specialty areas, according to the business strategy and changing business environment.

## Dream with Employees

**Developing Common Competencies** | kt works hard to improve employees' mindset and reinforce creative management training by helping employees internalize the core values and disseminating the CEO's business philosophy to encourage organizational and individual changes.



**Human Resources Performance Indicators\_** In 2011, kt spent 690,000 won providing 31,061 employees with 93.8 hours of training. In the past year, training was given 6 hours longer per employee than 2010 and required 7,000 won more.

Category	2009		2010		2011	
	Programs	Attendees	Programs	Attendees	Programs	Attendees
Group training	456	24,072	502	35,286	502	35,286
e-Learning	223	116,758	161	86,010	161	86,010
Immediacy	99	179,550	196	344,306	196	344,306
Reading training	90	2,877	47	5,946	47	5,946
Language Academy	525	8,903	330	6,524	330	6,524
Training hours per employee (hr)	79		88		88	

**Core Talent Development\_** kt provides opportunities to improve individual competencies and growth opportunities through MBA programs for masters and doctors at universities both in Korea and overseas to develop next-generation specialized human resources. By the end of 2011, a total of 720 masters and doctors were developed both in Korean and abroad. In 2011, the company sent employees to more regions in Europe and Asia, as it was preparing to diversify its business overseas.

**Knowledge Management** | kt has increased efficiency and created a creative organizational culture by developing organizational learning and laying the foundation for knowledge management, using its cutting-edge IT technologies. By operating HRD modules within the Human Resources Management (HRM) System, which is designed to manage information on human resources, the company provides competency tests, personal development planning and training information and operates the HRD Center portal (www.ktedu.kt.com) for the integrated management of all official training processes. kt has now established a framework under which all employees can get wired or wireless access to the training programs in and outside the company. Further, through kt PEDIA in the information portal called KATE, the company allows employees to form collective intelligence and learn, share and spread most of the knowledge and information needed to perform jobs. This has helped create a creative organizational culture, as well as increase efficiency. To promote external communication, kt runs a café and a blog available on an ordinary web portal.

**Treasury** : A knowledge-sharing bulletin board encouraging participation like Wikipedia (annual number of views: 18,474/annual number of posts: 169)

**SOS** : A bulletin board where employees can exchange questions and answers about products or work like NAVER's Jisig In (annual number of questions: 808/annual number of views: 406,260)

**Idea Wiki** : Uploading work-related or business ideas that are actually applicable (annual number of ideas: 89,720)

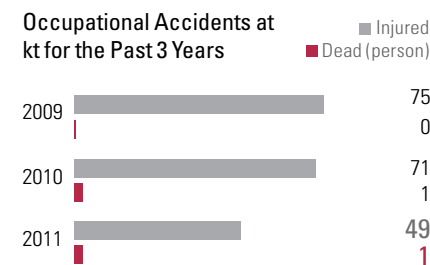
**kt Café** : A place for sharing knowledge and work data through group activities in job or club units (annual number of visits: 1,485,320)

**kt Blog** : A place for sharing know-how (expertise) through individual blogs (year-end cumulative number of blogs: 21,587/ annual number of visitors: 247,972)

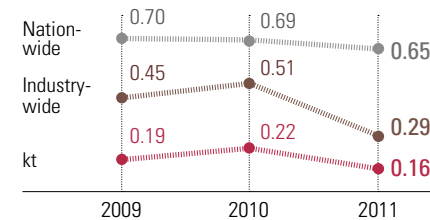
## Dream with Employees

### Safety and Health

To establish a safe corporate culture where employees are guaranteed safety and health, kt created Safety/Health action plans in each office, and carries out systematic accident prevention activities. To improve the quality of these activities, the company's business units and offices share/support each other's work. Offices with more than 100 employees are required to create and operate an Occupational Safety and Health Committee consisting of equal numbers of members from employees and management. Further, Zero Accident-certified offices are provided incentives as top safety/health offices.



**Comparison Chart of Accident Rates for the Past 3 Years** | unit : % |



Consolation and care for occupational accident victims and their families

**Establishing Safe Corporate Culture** | To establish a safe corporate culture, kt conducts a wide range of activities. By reinforcing e-Safety/Health training, the company encourages employees to learn the Safety Rules, promote health, and cultivate basic skills. To predict/prevent accidents in the field, the company works hard to improve employees' safety awareness by sending Safety messages (heavy rain, heavy snow, and frozen roads), enforcing daily safety activities in four stages of 'Zero Accidents', and holding Safety events (cardiopulmonary resuscitation (CPR) and medical check-ups) on Safety Check day (the fourth day of each month), and improve employees' morale by rewarding Zero Accident and Great Workplace awards at a kt Safety Leader Seminar held during the second quarter each year.

**Labor-Management Collaborative Accident Prevention** | As part of labor-management collaborative accident prevention to ensure employee safety, kt's labor and management jointly provides honorary supervisors, as well as field team leaders, with special safety training (including amendments to laws/regulations and examples of serious accidents). The company also holds a Safety Leader Seminar for safety officers (300) during the second quarter of the year, where special lectures are taught, including the roles of a safety leader and health care solutions, and the Safety Pledge is read out loud. At each office, kt's labor and management work together to support consolation events and medical bills for the families of occupational accident victims and provide 100% compensation for the time taken off, helping the victims return to work as soon as possible.

**Promoting Employee Health and Well-being** | Through the online Grievance System, which ensures confidentiality, kt takes care of employees' stress and health, and also invites renowned figures to provide classes on health care at least once a quarter. Each year, the company offers medical check-ups at least once for all employees (including their spouses) to prevent and control diseases in their early stages, and suggests health care plans using the statistics/analysis of employees with diseases conducted based on the checkup results. kt also introduced a distinctive Well-being Leave Program to help maintain a work-life balance and optimize employees' psychological states, and also operates a Benefits Management System (child care facility/HR development/medical bills/tuition fees/safety net) to promote employees' work and family balance. In 2011, kt began working with an expert agency to check employees' stress levels, and created a Customized Stress Management system based on the check results to promote employees' mental health.

**Creating a Safe, Clean Working Environment** | kt makes sure that a cultural space, a book café, a meditation room, and a gym are created during the construction of a new office building or the remodeling of the existing offices. To improve the working environment, the company works with a specialized agency to monitor hazardous elements (manholes in sealed space) in all offices at least once a year. The company has also extended 'Smart Working' (work from home) and provides support for pregnant employees, married couple employees, and low birth-rate and child care needs. By adopting conference calls, kt also takes part in the government's low-carbon emissions and fuel saving policies. The company is committed to keeping its workforce healthy by providing cafeteria hygiene and budget support and healthy meals to employees, and to building a safe workplace by holding a Near Accident contest and producing/distributing an e-Book containing examples of near accidents. kt will work with health care agencies (hospitals, health associations) to prevent adult diseases and create a clean working environment, such as No Smoking Clinic.

**Creating Occupational Safety Support Systems for Subsidiaries** | Sharing/supporting occupational safety/health activities between subsidiaries helps kt Group create a safe corporate culture, improve its corporate image, and build a safe workplace. kt provides full support for the subsidiaries' safety/health activities by 1) improving the job competencies of officers at the subsidiaries using safety training programs; 2) using kt's safety activity infrastructure to prevent/promote occupational accidents; and 3) providing continuous, systematic accident prevention content.



Dream with Employees

## Welfare Benefits

**Welfare Benefits** | In 2002, kt opened a website dedicated to employee benefits called iBene (kt.ibene.co.kr), and has since provided employees with welfare services. Each year, the company overhauls the programs and fixes any operational problems through annual labor-management negotiations, so that employees are guaranteed diverse, balanced benefits. The company operates an optional benefits program where employees choose from and use benefits like tuition fees for employees' children, from infants to college students, housing loans, and resort services and leisure facilities. Certain benefits, including medical examinations, workers' group insurance, medical indemnity insurance, and family event expenses, have been extended to family members and even the spouses' direct ancestors, depending on the category.

**Family-Friendly Program** | Recently, the declining birth rate and aging society have led more women to join economic activities, raising family-friendly management as a social issue. kt provides a variety of family-friendly programs, such as the Smart Working program, which allows employees to work at any time, anywhere, the optional Alternative Work Schedules program where employees can freely choose their working hours, monetary gifts for mother employees with many children to encourage high birth rates and child upbringing, pregnancy and maternity leaves, child care leave, infertility leave, spouse maternity leave, child-care facilities and breastfeeding rooms.

### Outplacement Program

kt operates 'kt Life Plan' to help employees develop the ability to adapt to the rapidly changing environment. For the current employees, the company has 'Change Management Program' in place so that they can think about and prepare for their futures on their own. This program is aimed at providing enough time and opportunities for employees to develop their abilities, including goal-setting, change management and career development, and prepare for the future. For soon-to-be retired or retired employees, the company operates periodic programs to help change their career paths successfully using their experiences and capabilities, such as workshops, start-up/reemployment training, and consulting services, which were attended by about 300 people, and a variety of tailored programs, including the acquisition of certificates through the needs analysis of retirees, start-up experience, start-up road shows, job fairs, and job placements. In 2011, with the mass retirement of baby boomers, kt cooperated in the government's job creation project, executed the senior start-up support project supervised by the Small and Medium Business Administration, and helped about 250 retired seniors find new jobs. As a result, the company was selected as a best practice during the performance assessment.



Homepage of the Life Plan website

kt also performs systematic updates to the in-house programs, such as the Life Plan Call Center and website improvements to help retired employees successfully change careers, and continues to work with suppliers and external career change assistance agencies, such as the Korea Labor Foundation, Korea International Trade Association, and Federation of Korean Industries.

**Refresh Leave Program** | kt operates 'Refresh Leave Program' to provide long-term, top-performing employees opportunities to invest in personal development and refresh themselves. The program was created by labor-management agreement during the 2009 collective bargaining process, and began operations in 2010, upon establishing the basic operating principles. About 350 employees are selected for the program every February and August.

**Start-up Support Leave Program** | kt's Start-up Support Leave Program offers employees who are afraid of starting their own businesses the chance to develop their abilities and experience career changes to find lifetime jobs. Created by labor-management agreement in 2009, candidates for the program are selected through a screening process twice each year, guaranteed a leave up to 3 1/2 years. Up until 2011, 49 employees were selected to start their own businesses.



Selected as 2011 Excellent Organization for Senior Start-up Support by Small and Medium Business Administration

Dream with Employees

## Respect for Human Rights

kt guarantees the right of employees to organize a trade union and other representative bodies and provides the Union Shop program through which employees immediately become union members upon joining the company under a collective bargaining agreement. As of February 2012, 76.90% of all employees at kt are union members.

kt prohibits discrimination by reason of nepotism, education, sex, religion, or disability. In 2010, the company helped skilled talent make their dreams come true by setting the education requirements for hiring customer service positions to or higher than high school. The company also complies with the principle of gender equality, actively promotes policies like work-family life balance and equal opportunity, and ensures institutional protection of minors and mothers. For instance, the company prohibits pregnant employees from working overtime, reduces their workload, provides 90 days of pregnancy/maternity leave and a day of menstruation leave for female workers, in accordance with the human rights regulations. In 2012, the company began attending the 'Company and Human Rights Seminar' co-hosted by the National Human Rights Committee, UN Global Compact Korea Network, and Korea Chamber of Commerce and Industry, as part of its commitment to spreading respect for human rights.

The company also prohibits child and compulsory labor and provides online and literacy training to prevent sexual harassment and institutional support, such as enacting the anti-sexual harassment guidelines. In hiring, compensation and promotional processes, kt ensures gender equality. The company set three approaches to creating a working environment where female employees freely showcase their abilities, such as work-family balance, equal hiring/promotion/compensation, and female leadership development programs.

Accordingly, kt has provided monetary gifts for maternity and child-care grants, operated a nursery at work, helped parent employees complete e-Learning courses during child care leave and return to work after the leave, and run 'Female Leadership Development Program' to develop female leader. As of the end of year 2011, there were 143 female managers in office which is 2.4% of all female employees.

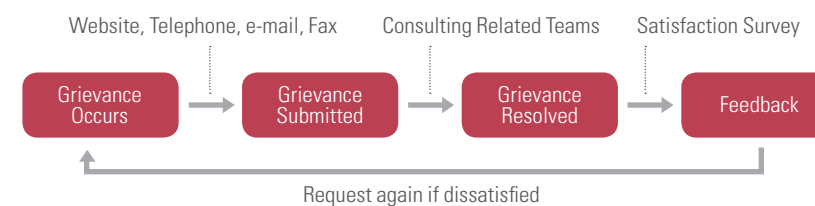
**Grievance Handling** | kt operates a practical, organized Grievance Mechanism to create a happy workplace, and the mechanism is aimed at preventing causes of grievances and resolving grievances quickly, in terms of programs, work, working environment, personal relationships, personal matters, and benefits. Grievances that are submitted by phone, e-mail, or at the website, are handled in Grievance Offices in 354 kt branches and the Ombudsman Committee consisting of labor and management representatives.

In January 2011, kt launched the kt119 Center where responsible employees handle grievances online (or using smartphones) in real time so that employees' grievances can be received and handled faster in this 'smart' age. The center processed a total of 4,559 grievances. A system for handling grievances on a website, kt119 is able to ensure accessibility and convenience, especially when giving feedback on processing results, helping employees freely use the service.

### Anti-Sexual Harassment Training



### kt119 Grievance Management Process



### Grievances Handled for the Past 3 Years





Dream with Employees

# Employee Communication

**Business Briefing |** Company-wide business briefings are divided into a quarterly Central Briefing attended by labor and management members of the Labor-Management Council and a Local Briefing where major executives from the head office/departments visit local business sites twice a year. There are also frequent meetings where the CEO gives a presentation and allows discussion on key business approaches through in-house broadcasting, and quarterly briefings where the presidents of CICs (company-in-company) brief field employees on issues at hand. Through the company's decision-making process, labor and management discuss issues thoroughly, and quarterly Labor-Management Council meetings, business briefings, and CEO Forum meetings discuss general business issues and the results are reflected in the decision-making process.

**olleh Meeting |** olleh meetings are held in each department on a monthly basis to share the CEO's messages, business results, and company-wide issues. olleh meetings are an important means of offline communication where the company's common issues and each department's particular issues are addressed. To encourage active olleh meetings, top-performing departments are selected and rewarded each month. In 2012, the Group's companies became able to create their own system for holding quarterly olleh meetings and sharing key issues.

**Two-way Communication with Management |** kt is committed to providing and operating two-way communication channels, through which the management listens to voices of the employee and employees' complaints and, if necessary, the CEO's management philosophy and corporate vision are shared with employees. In particular, the 'Open Forum' created on the company's Intranet ensures anonymity, gathers opinions on key policies, and resolves employees' complaints. News articles about kt are shared with employees in real time through the internal broadcasting site (KBN&Talk), e-mails, and SMS, and employees are provided accurate information with regard to any negative press releases, reinforcing internal communication. Meetings are regularly held between the CEO, management, and groups of employees at varying levels, so that voices of the employee are heard and incorporated into decision-making processes. In early January 2012, the 'Dialog with CEO' was aired, where CEO gave a presentation on the year's management approach and answered employees' questions. In March, the group discussion was held, which employees of Group companies (subsidiaries) attended and watched online, among many other attempts to increase the CEO and employees' mutual understanding and encourage active communication.

**Employee Satisfaction |** Since the merger with KTF, kt has enforced its GWP (Great Workplace) policy to increase employee satisfaction and efficiency. For instance, the company now commissions an external agency to conduct an Employee Satisfaction survey, according to global standards. It is, therefore, difficult to compare the 2010 and 2011 survey results with the past satisfaction survey results. This new form of survey consists of about 50 items, including work conditions, employee health and safety, compensation and benefits, and corporate identity. The 2010 survey results were used to improve underperforming areas and, as a result, the 2011 second-half survey found that kt's employee satisfaction increased overall, higher than the average levels in the Asian and global industries.



## New Creative Labor Relations

To create sustainable value, maintain peace between labor and management, build a happy company, and fulfill social responsibility, kt declared the Union's HOST Movement and 'New Creative Labor Relations' (March 2010). To practice them, the company developed a variety of win-win labor relations programs such as H2O, launched the Union-Corporate Responsibility (U-CSR), and created jobs, working hard to extend win-win labor relations. To contribute to promoting health and benefits across society, kt operates the Union Corporate Committee (UCC).

### Results and Performance

- Labor-Management Youth (210 people per year)  
UCC Scholarship Project (10 people in 2012)

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- Youth IT Summer Camp (220 participants, once a year)  
Green Guard Movement (64,000 participants, twice a year)

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- Free e-Learning Support for the Underprivileged (890 recipients)

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- Won the President's Award in Labor Relations in 2010  
Won the BP Award in Respect for Labor at the 2011 UNGC Awards

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- Gave a presentation on kt's labor relations at the Global CSR Conference 2011

### 2012 Action Plan

kt plans on extending the UCC, which was formed to implement H2O, a win-win labor relations project, fulfill social responsibility, and spread creative labor relations. By working together to fulfill social responsibility and extend the new labor relations, labor and management will lead a virtuous cycle of 'Union Members' Trust' → 'Stabilizing Long-term Labor Relations' → 'Strengthening Company's Competitive Advantage' → 'Stable, Sustainable Employment in Global Society'. In 2012, the UCC was selected by the Ministry of Employment and Labor as a Labor-Management Social Responsibility Leader, and its current members are kt, Seoul National University Bundang Hospital, and aT (Korea Agro-Fisheries Trade Corporation).

### Stronger Ability to Execute through Corporate Union

Increasing CSR synergy through the union's corporate social responsibility (U-CSR)	Sharing/spreading creative, win-win labor relations	Promoting member benefits and strengthening a bond through member cooperation and exchange
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Labor-Management Social Responsibility Pledge Ceremony

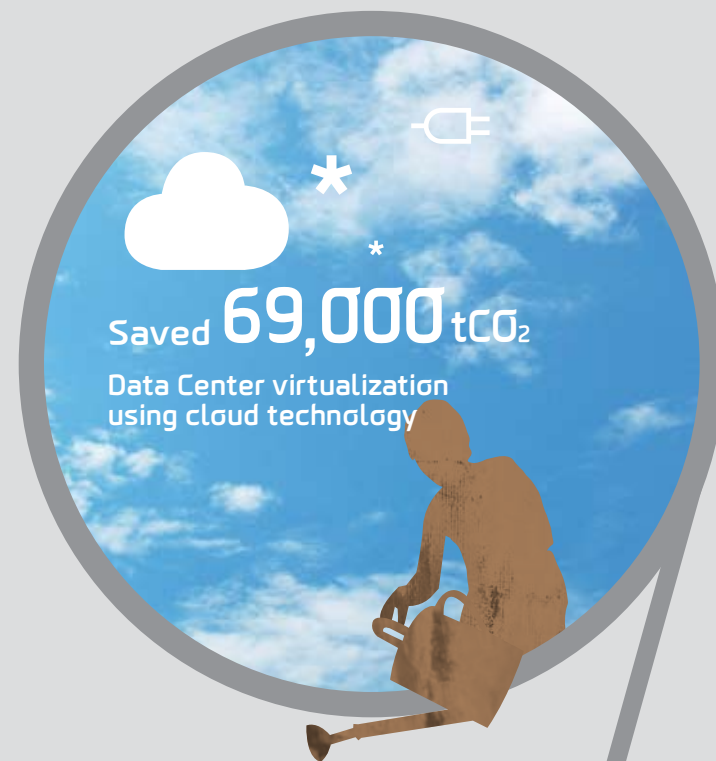
Social Responsibility	Environmental Protection	Human Resources/Communities	Spreading New Labor Relations
Social services for underprivileged people and social services centers (quarterly)	Green Guard activities	Education support for low-income families	In Korea Creating jobs
'UCC Missing Child Search' and 'UCC Child Support' campaigns	Energy-saving activities	Scholarships (per member)	Improving discrimination against part-time workers
	Monitoring environmental standards	Youth IT Camp	Win-win relationships between large and small/medium companies
	Domestic UNESCO natural heritage preservation activities	Community development campaigns	UCC Forum/publishing reports
	Using/recycling scrap paper		Global Supporting visits to the homes of foreign mothers in multicultural families
			Global sharing activities

CSR = Corporate Social Responsibility  
U-CSR = Union - Corporate Social Responsibility  
H2O (HOST to olleh): Win-win labor-management program combining the HOST movement and olleh management

### Green Guard Movement

kt's labor and management carry out environmental activities in major rivers, streams, national parks, and other public places. The employees of kt's subsidiaries also participate in preserving the environment in 450 places (21,000 participants) in 2010 and 370 places (65,000) in 2011.

# Dream with Environment



## Awards

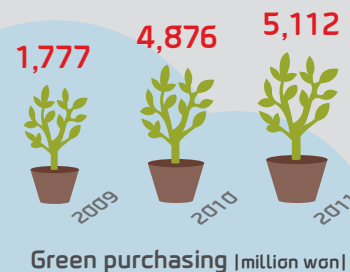
Won the Minister of Knowledge Economy Award for Best Power-Saving Management

Topped the Green Rankings in the software/telecommunications industry sector

Green IT Business Model: Joint implementation of 12 projects in five areas of industries, buildings, transportation, renewable energy, and IT

Won the CDP (Carbon Disclosure Project) Telecommunications Industry Leader award

invested in renewable energy  
**7.48** billion won



Saved power for wired networks  
**12,000** tCO<sub>2</sub>

## Main Team

Energy Executive Committee | Responsible for implementing green growth agendas, Establishing green IT projects and execution based on ownership, Creating a variety of communication channels among related teams, and Coping with environmental regulations

## Vision & Strategy

kt regards green IT as an imperative element in corporate social responsibility, and expects green management to provide new business opportunities, ultimately leading to green growth. To create new growth opportunities based on green IT, kt established its green vision "Green kt and Green KOREA", and implements green management driven by the following three sub-visions:

- 1) Increasing energy efficiency in working environments (Green of kt)
- 2) Advancement of the national economy through kt's green services (Green by kt)
- 3) Creating new paradigms in the business portfolio through green convergence (Green Paradigm by kt)

Under these sub-visions, kt expects to broaden its business scope and create new markets using green IT during olleh 2.0.

## Performance

Green Performance	<b>Revenue from green businesses (based on total revenue of FY2010)</b> : CS Vision, CS Image, 3.17% (up 1.14% from previous year)
Climate Change Response	<b>Emission reduction target</b> 20% reduction by 2020 (based on 2007) <b>Reducing customer-induced emissions</b> olleh Navigation, Automated home address updating service <b>Reducing network power consumption</b> External air intake air-conditioning, CCC(Cloud Communication Center)
Environmental Investment	<b>Renewable energy investment</b> 360 million won → 7,480 million won

## Dream with Environment

# Environmental Management System

Environmental Management Vision

## Green kt, Green KOREA

Making Korea a Green Leader by leading Green Convergence

Environmental issues are critical for mankind's future, and kt considers environmental management using green IT an effective method for fulfilling corporate social responsibility and creating new business opportunities. To develop new growth engines in green technology-based businesses, kt established its environmental vision "Green kt and Green KOREA," and has implemented green management under three sub-visions.

- 1) Increasing energy efficiency in working environments (Green of kt)
- 2) Advancement of the national economy through kt's green services (Green by kt)
- 3) Creating new paradigms in the business portfolio through green convergence(Green Paradigm by kt)

### Green kt

- Saving costs by making the company's eco system green, finding green new businesses, and positioning as a green company
- Saving costs through first-rate green leadership and building up related experiences/technologies
- Revitalizing business by finding green growth engines
- Strengthening the Group's competitiveness by developing a corporate image of 'No. 1 Green'

### Green Korea

- Leading national low-carbon green growth using kt's IT capabilities
- Leading national green growth using the Green kt capability
- Improving people's quality of life through Green Innovation
- Improving national competitiveness by polishing Korea's image as a green country

### Create a green ecosystem

- Purchase green products
- Strengthen suppliers' green capabilities
- Green IT Supporters activities



### Green Revolution within the national economy

- Making kt's working environment green
- Creating a green life environment for consumers through green services

### Developing new growth engines

- Green IT convergence businesses leading to new growth engines
- Home, office buildings, infrastructure, energy

**Processes and Systems** | kt founded the Energy Executive Committee to implement cutting-edge green IT-based growth agendas, establish green IT projects, strengthen ownership-based initiatives, create a variety of communication channels between related teams, and take quick, proactive action against changes in environmental regulations. The Committee discusses the implementation of energy-saving strategies and prepares mid-/long-term action plans to become one of the World's Best under short-term, mid-term, and long-term goals. Further, the Committee checks the progress of green IT projects carried out by kt and comes up with future-oriented strategies. Through the Committee, our management board introduces a Real Name policy in each area, and installs top-down energy-saving policies. Through these actions, kt is taking steps toward achieving the Green kt, Green KOREA vision.

## kt Energy Executive Committee Organizational Chart

Electricity / Vehicle Fuel	Electricity in Wireless Area	Electricity in IDC Area	IT Solutions	Buildings/Heating, AC Fuels
Head of Network O&M Business Unit	Head of Mobile Network BU	Head of Enterprise Product BU	Smart Green Development Center Director	Head of Real Assets Management Office
Network Quality Officer Core Network Officer	Mobile Network Officer	IMO O&M Center Director	Green Energy Officer	Real Assets Planning Officer Real Assets Center Director
· Reducing electricity/vehicle fuel · Less electricity use in wired facilities · Monitoring of electricity usage in wired services/devices	· Reducing electricity · Less electricity use in wireless facilities · Monitoring of electricity usage in wireless services/devices	· Reducing electricity in IDC · Improving electrical efficiency in IDC · Monitoring of electricity usage in IDC services/devices	· kt-BEMS development · kt-BEMS application · Energy IT solution development & R&D	· Reducing heating/ AC fuels · High efficiency in buildings · Reinforcing/ extending integrated energy control in buildings
<b>GSS Area : Implementation Support and Performance Management</b>				

# Climate Change Response

## Greenhouse Gas Emissions Reduction Plan

**Greenhouse Gas (GHG) Emissions Reduction Target** | In the first half of 2009, kt initially aimed to reduce GHG emissions by 20% by 2013 (relative to the 2007 levels), but the target did not reflect kt's merger with ktf. kt, therefore, had to revise its reduction target by taking into account the GHG emissions of ktf, which became kt's wireless division after the merger. As a result, in 2011, kt set a new reduction target of 20% by 2020, relative to the 2007 levels. kt will work hard to meet its revised target and achieve higher energy efficiency.

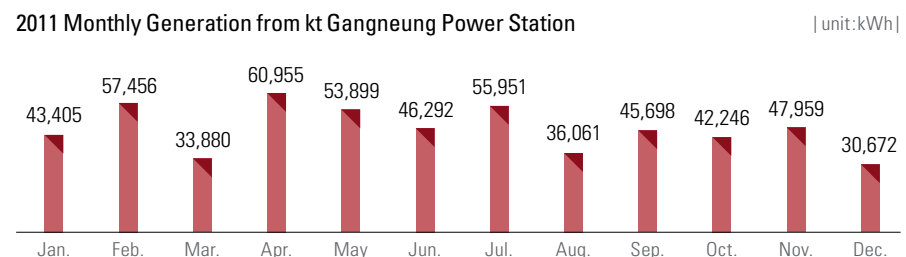
**Reducing Greenhouse Gas Emissions** | kt became the first company in the local telecommunications industry to implement a full-scope greenhouse gas inventory for systematic data management. A GHG inventory is a system for gathering energy consumption data and automatically processing the data into carbon emissions. Using the inventory, kt has been able to monitor GHG emissions systematically since 2007, and commissioned a legally acknowledged third-party agency to verify emissions data each year. kt had its emissions from 2007 through 2010 verified by the British Standards Institute (BSI), and the 2011 emissions data verified by Korea Quality Assurance (KQA). Through periodic carbon auditing by an external agency, kt provides stakeholders with accurate emissions data.

Category		* 2007	* 2008	* 2009	* 2010	** 2011
Scope I (direct emissions)	Stationary combustion	41,063	40,828	40,221	49,073	44,332
	Mobile combustion	13,343	12,097	18,210	17,657	19,346
	Subtotal	54,406	52,924	58,431	66,730	63,678
Scope II (indirect emissions)	Purchased electricity	1,157,496	1,165,567	1,077,073	1,104,758	1,105,986
	Steam	4,576	3,621	4,391	4,659	3,594
	Subtotal	1,162,072	1,169,188	1,081,465	1,109,417	1,109,579
Total GHG emissions		1,216,478	1,222,112	1,139,896	1,176,147	1,173,257

\*Emissions from 2007 through 2010 verified by: BSI (British Standards Institute)  
 \*\*Emissions in 2011 verified by: Korea Quality Assurance

During the event of continuous data traffic explosion due to increased demands in 2011, kt aggressively implemented energy reduction technologies within its operational infrastructure. This included technologies such as network optimization technologies, virtualization, CCC (Cloud Computing Center). Such efforts resulted in successful reduction about 3,000 tons of emissions across the company. This is in contrast to most other carriers, which see energy consumption growing due to increasing bandwidth. kt will continue to save energy and lift the environmental burdens that affect the company.

**Spreading Green Management : Increasing Renewable Energy Use** | kt continues investing in renewable energy equipment in varying areas from solar power to geothermal energy, and to fuel cells. In 2011, for the first time in the Korean telecommunications industry, the company launched a renewable energy project using solar panels. The solar panels were built on unused land at Gangneung Station and Taehwasan Repeater Station, and began operations in 2011, generating revenue from electricity distribution. The company also donates part of the revenue generated from the panels to the local communities, for instance, by operating the Dream Center.



The geothermal heating/air-conditioning and hot water supply systems in three plants, including Banghak Plant, are also under trial run. The operation of solar panels and the use of geothermal energy have contributed to reducing carbon emissions, and kt plans on expanding its renewable energy business.

Category	2010	2011	2012(planned)
PV power generation	1.7	0.12	3.8
Geothermal energy	Tunnel groundwater use	-	0.24
	Geothermal energy adopted in plants	-	-
Gwanak urban house	-	-	1.99
Total	1.7	0.36	7.48



Taehwasan Solar Panels



Geothermal Heating/AC Systems in Banghak Plant



**Reducing GHG Emissions through Videoconferencing** | Videoconferencing not only shortens decision-making time but also saves travel expenses, increasing productivity and mitigating carbon emissions. The kt Economic Management Institute analyzed that, if 20% of the meetings held at domestic and overseas kt offices are replaced with Internet videoconferencing, it will reduce costs as much as 13.7 billion won by reducing carbon emissions, saving travel expenses, and increasing productivity. To resolve the drawbacks of the existing system, such as the high initial cost of adoption and the audio-video speed difference, kt introduced the PC-based videoconferencing system and built 90 videoconference rooms so that all employees can attend video conferences on their PCs. Even employees on business trips are now able to attend conferences via video calls. In 2011, kt saved over 130 million won through videoconferencing.

**Supporting Customer Carbon Emissions Reduction** | By offering customers a variety of green services, kt has been committed to reducing carbon emissions across society. The green services, including kt's videoconferencing service, which limits customer travels to the minimum, the olleh Nabi, which informs customers of shortest routes by factoring in traffic, and the Change of Address service, which reduces missing/misplaced mail, represent the importance of IT in building a green society. kt also continues to work hard to develop remote smart grid monitoring, metering, and control solutions, laying a cornerstone for future green IT businesses. In addition, the company provides green homes, green offices, green buildings, green energy and green services.



Dream with Environment

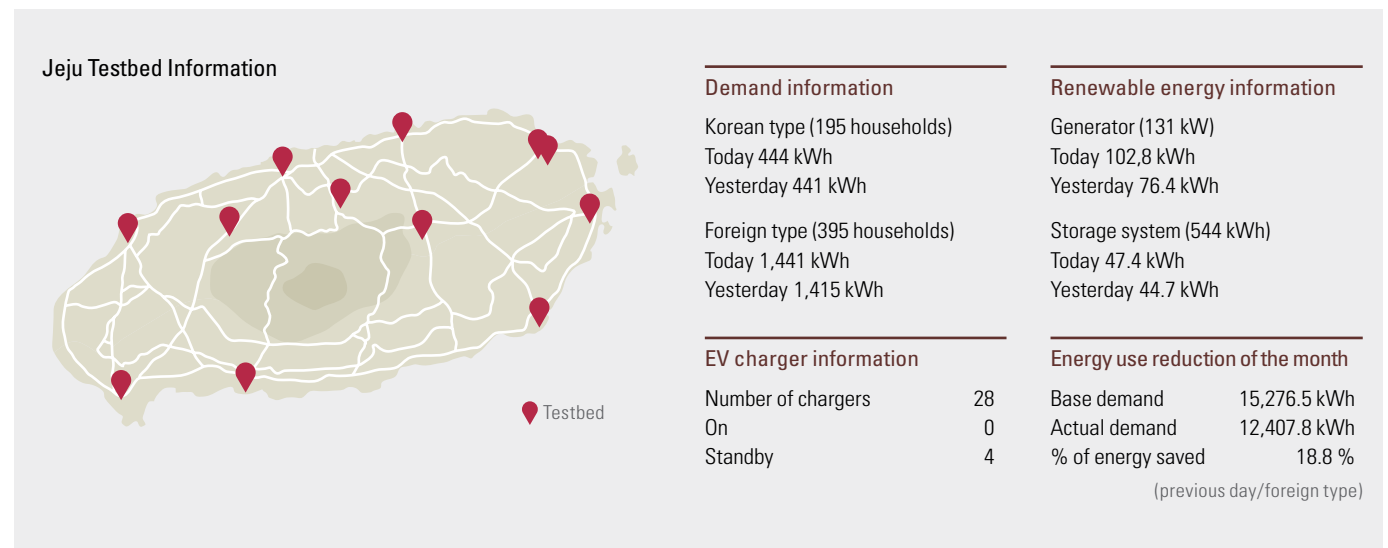
# Efficient Energy Use

## Energy Efficiency Efforts

**Real-time Energy Use Monitoring** | kt took part in a government-funded new product development project to fine-tune energy efficiency in buildings, and developed a real-time energy use monitor, which allows management, monitoring, reporting, and verification of energy and carbon emissions targets. The monitor is used in an energy management process to gather data on a BEMS (Building Energy Management System) for buildings that consume a lot of energy like the Mokdong Information Computer Center. Market demand for the monitor is expected to grow for verification purposes, once the government's Energy Target Management System, Emissions Trading Scheme, and ISO50001 Certification Policy take effect.

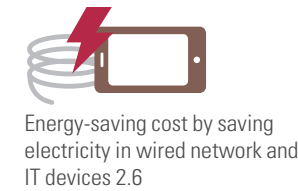
**Greenhouse Gas/Energy Target Management System** | In 2011, kt was designated as a company subject to the GHG/Energy Target Management System, and is legally obliged to report company-wide emissions to the Ministry of Knowledge Economy(supervisor) and fulfill a given reduction target. To fulfill its legal obligations, the company uses the greenhouse gas inventory to monitor emissions in real time and commissions a third-party agency to verify the emissions data. To reduce GHG emissions, the Energy Executive Committee holds meetings on a regular basis and reinforces detailed activities to reduce energy use. To contribute to policy development with regard to the Target Management System, kt participated in the Target Management System pilot project in the area of buildings under the supervision of the Ministry of Land, Transport, and Maritime Affairs and worked hard to develop the most suitable policies for Hwehwa Branch and Bundang ICC. kt will commit itself to meeting the government carbon emissions roadmap through the Target Management System.

**Jeju Smart Grid Testbed** | kt is a participant in the Jeju Testbed Project organized by the Ministry of Knowledge Economy to test smart grid technologies and develop a business model. Targeting 6,000 households living in Gujwa-eup, Jeju Island, this project, which began in May 2009 and will be completed in May 2013(42 months), is aimed at testing a Korean smart grid by integrating a Building Energy Management System(BEMS) and a Home Energy Management System(HEMS), and applying renewable power sources, demand response, and green energy storage systems. To execute the project, kt formed the kt Consortium consisting of 14 participants, such as Samsung SDI, Hyosung Heavy Industries, and Samsung Electronics, and four agencies, and developed and began testing an electricity/telecommunications convergence business model.



Dream with Environment

**Saving Electricity for Wired Network/IT Devices** | kt integrated the existing wired network into an ALL-IP-based transmission structure to increase the network's energy efficiency, and successfully simplifies the physical network. While such integration improved network performance, it downsized the entire network and contributed to more efficient energy use. Further, kt eliminates causes of energy waste by streamlining facilities with low energy efficiency with low-power designs. To operate air-conditioning systems in stations more efficiently, integrated fresh air-conditioning systems were developed and test-run in 18 stations, enabling fresh air circulation within the buildings and reducing the operating ratios of the existing air-conditioners dramatically. Such efforts helped save energy (12,000tCO<sub>2</sub>) worth about 2.6 billion won in the wired network. For its commitment, in May 2012 kt received the Minister of Knowledge Economy Award for Power-Saving Management (kt Daegu Network O&M BU).



**12,000 tCO<sub>2</sub>**  
**2.6 billion won per year**



**0.8 billion won per year**

**Saving Electricity of Wireless Network Devices** | To accommodate continuously growing traffic volumes due to mobile phone technology developments, such as smartphones and pads, kt began adopting a highly efficient CCC (Cloud Computing Center) network called WCDMA (3G). The CCC network is a virtualization-based wireless telecommunications technology that downsizes the existing physical network and centralizes traffic processing, saving energy dramatically. To provide 4G LTE service nationwide, kt applies a virtualization technology using the same principle and distributes 4G traffic loads efficiently between devices to produce the same results with less devices in this advanced wireless network

**Developing and Introducing PC Power Supply Management Solution** | kt developed its own PC power supply management solution to resolve electricity wasted on PCs within the company. After the trial run for a year, kt Smartpower 2.0 was adopted in 2011, a power saving solution that allows a PC to switch to power save mode when not used for a period of time. Before the PC shuts down, all documents are automatically saved, which reduces user inconveniences and standby power, saving electricity worth about 0.8 billion won. The solution will be extensively applied to reduce the company's carbon emissions of 4,000tCO<sub>2</sub> each year.

**First Carrier to Introduce Electric Vehicle (Full EV)** | In connection with the Jeju Smart Grid Testbed, kt became the first carrier in Korea to introduce and operate 10 Ray electric vehicles bought from KIA Motors. Unlike existing vehicles, the Ray EVs adopted by the Jeju branch do not burn fuels, reducing a lot of carbon emissions. They do not make noise nor generate smoke causing almost no environmental costs. kt will apply electric vehicles extensively as corporate vehicles to continuously reduce carbon emissions, and achieve its vision of Green kt, Green KOREA.

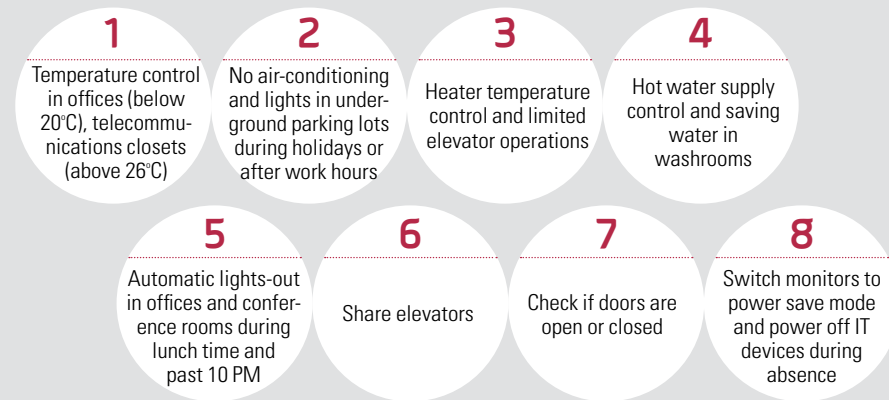




## kt's Energy-Saving Practices

**Employees** | By making saving energy a habit, kt enforces saving energy all year round and tries to transform all workplaces into 'highly efficient, energy-saving offices'.

### Creating and distributing an energy-saving practice guide for employees



**Campaigns** | Aside from saving electricity, kt also participates actively in the 'Minus (-) Energy, Plus (+) Love' campaign organized by the Ministry of Knowledge Economy. This is a social responsibility campaign aimed at providing energy welfare to low-income families through energy-saving practices, supporting needy neighbors with heating costs in the name of participants as much as electricity savings in participating homes and buildings during July and August. In 2011, kt had 3,610 locations (100 locations increased over the previous year), including host and remote systems, participate and save 10,545,732kWh during the months of July and August (4,748 tons of carbon emissions) and 1.1 billion won in electricity bills (in connection with the company-wide electricity saving activities), ultimately reducing 11% of the campaign target.



Certificate of Briquette Support of Love

**Base Stations** | Base stations and IDCs featuring many telecommunications devices implement a variety of mid- and long-term energy saving plans and save energy by developing and applying alternative energy sources.

#### Power off 2G base stations

Developing energy-saving technologies and IT convergence solutions  
E.g. Building Energy Management System (kt-BEMS), an integrated facility management center, etc.

#### Building solar panels and generating revenue using unused assets

Building heating and air-conditioning systems using groundwater in cable tunnels

#### Developing a power saving program for telecommunications facilities

Developing CCC/WARP technology to increase station capacity and data transfer rates in border areas (saving energy by developing software control technologies, instead of increasing hardware)

Introducing an Energy Efficiency Rating policy for key devices in an Internet Data Center (IDC), such as servers and storages

Business partnerships to create new business models across the industry through response to the government's Greenhouse Gas/Energy Target Management System and through IT-energy technology convergence (November 2011)



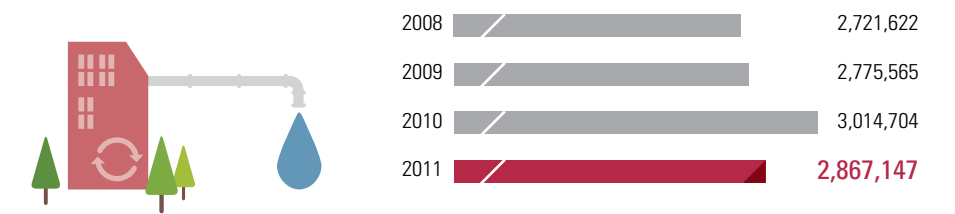
## Dream with Environment

## Recycling Resources

**Water Conservation** | To reduce water use, kt adopted water-conserving faucets during construction, expansion, and remodeling, and increased efficiency in water use by replacing air-conditioner filters and cleaning water pipes. Further, the company recycled resources using the water generated from underground cable tunnels through a water filter (in kt offices in Guro). To encourage water conservation, kt has enforced reducing carbon footprints, sharing mugs, and storing water on Environment Day. As a result, kt saved water by 2.51% relative to the previous year in 2011.

### Water Usage

[unit: ton]

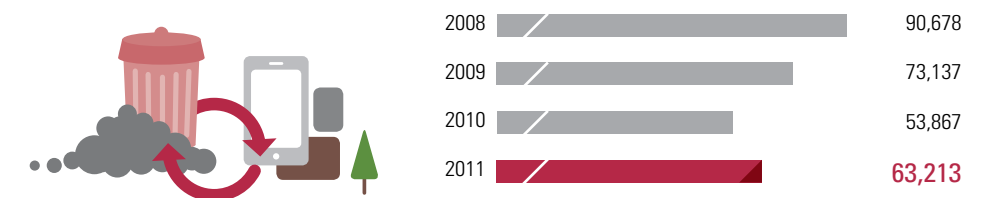


**Recycling Mobile Devices** | kt provides mobile phone subsidies when customers return their old phones before getting new ones, increasing the collection of used phones. The returned used phones are used as temporary phones for customers who have lost their phones. kt leases mobile phones to customers when they sign up for ultra high-speed Internet or IPTV service, collects them when they terminate the service, and recycles or disposes of the phones after quality performance testing.

**Waste Management (scrap cable, scrap devices, and storage batteries)** | kt reorganized the waste management process that could not be integrated after the merger, creating a company-wide waste management system. In 2011, the company's waste generation target was set to 74,304 tons, a 10% reduction from the average generation for the past three years, from 2008 to 2010, and generated 63,213 tons, which exceeded the target by 4.9%, by reducing building waste and making waste management efficient, as well as selling property, reducing remodeling, and recycling materials. Since 2010, the company has managed the amount of waste handled and property sold in the area of wireless telecommunications, extended the scope of waste data management, and implemented systematic waste reduction activities.

### Waste Generation

[unit: ton]



Dream with Environment

## Green Product and Service Innovation

**Green PC Solution** | Green PC Solution is a system that integrates 60 PCs into a single rack by making multiple PCs blades. Unlike existing PCs, the solution allows efficient electricity management, saving energy about 30 to 40%. It also eliminates fine dust particles and other contaminants generated from PCs, providing a clean environment for users. Not only that, the solution enables easy maintenance and saving energy in air-conditioning/heating systems using the heat generated from the PC cluster. As a result, the offices can keep indoor temperatures one degree lower during the summer, reducing air-conditioning costs by 5% and 500 tons of carbon dioxide. In 2011, the Managed Service was launched, which allows device installations, leasing, and maintenance. As of late December 2011, the service generated revenue worth 1.51 billion won for 1,470 units, a 400% growth over the previous year.

**Automatic Standby Power Shutdown System** | This energy-saving system prevents unnecessary energy use by automatically shutting down PCs when they are not used, and can be used by every PC user. It automatically shuts down desktop PCs, their monitors, speakers, and printers as well. Using the green button, standby power can be shut down immediately, and the zero switch can unplug PCs.

### Green Service Innovation

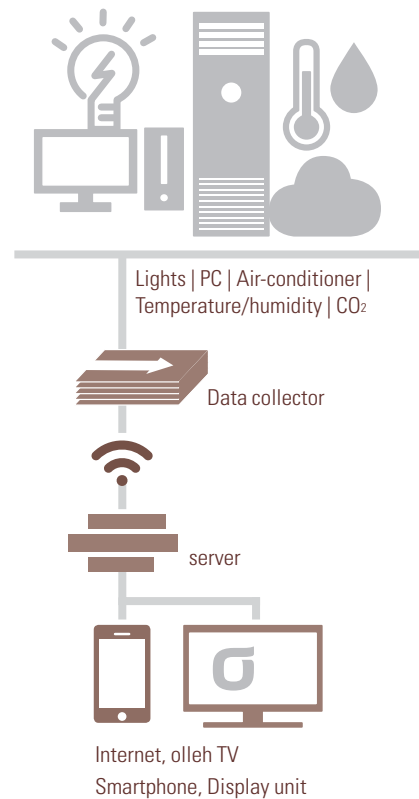
**olleh biz Conference Call 'MeetMe'** | kt provides the MeetMe service that allows low-cost conference calls in branches and offices in Korea and abroad (50 countries around the world) at any time, anywhere, using telephones or mobile phones. Using its own global network, the company ensures secure call quality without access to international calls and offers low-cost conference calls.

**Videoconferencing Service** | In October 2010, kt's Videoconferencing Service earned a Green-Biz Certificate, allowing long-distance communication and collaboration using a variety of devices, saving costs and reducing environmental impacts.

**Wireless Real-time Remote Energy Use Monitoring Service** | This nationally certified green service allows wireless real-time monitoring of energy use and GHG emissions from lights, outlets, electrical devices, fans, and pumps in homes, offices, and buildings. Using smartphones, users can access and monitor energy use/carbon emissions status and analysis results, saving the cost of installing expensive meters. This service can be connected with energy-saving solutions for home/enterprise customers if they participate in the GHG Target Management System and the Emissions Trading Scheme, saving energy at least 3% up to 10%.

**uCloud biz** | uCloud biz is an IT resource outsourcing service that allows the leasing and pay-per-usage service of enterprise IT resources (servers, storages, and networks), instead of purchasing and owning them. Through ucloud biz services (servers, storages, DB, CDN, VDI, backup), companies can save initial investment and operating costs and deal with increasing electricity usage arising out of computer rooms. kt created three low-power, highly efficient Cloud Data Centers (Cheonan, Mokdong, and Gimhae), increased energy efficiency in IT resources at least four times and reduced carbon dioxide emissions by 70%, using server virtualization and automation technologies.

#### Wireless Real-time Remote Energy Use Monitoring Service



Dream with Environment

## Policy Engagement and Certificates

### Participating in Government Green Growth Projects

#### kt's participation in government projects

Organized by	Project description
	Building a smart green place with customer engagement
Ministry of Knowledge Economy	Overseas testbeds of new business models by building EV charging infrastructure and operation centers
	Smart carbon metering technology development
Ministry of Land, Transport, Maritime Affairs	Development of land monitoring technology using vehicle and ground anchor sensors: Development of a real-time ground monitoring system
Ministry of Knowledge Economy	Developing and creating a K-MEG integrated energy management system
Ministry of Land, Transport, Maritime Affairs	Development of U-City platform middleware
	Development of UFMS and integrated platform based on urban space information

**Creating Green Growth Fund** | kt created Green Growth Fund worth 30 million won to support Gyeonggi-do and green-growth enterprises. 'Gyeonggi-kt Green Growth Investment Fund' is designed to support ventures that develop energy-saving technologies or provide new businesses with financial/technical assistance. Investments are made in small/medium ventures located in Gyeonggi-do.

### Contributing to Stable Electricity Supply Nationwide by Participating in Smart Load Management Project

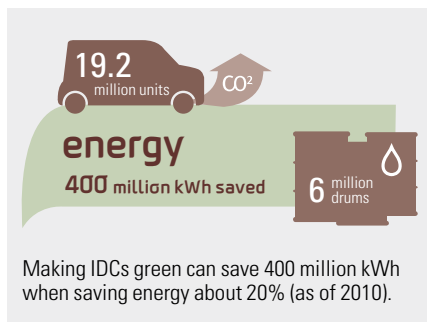
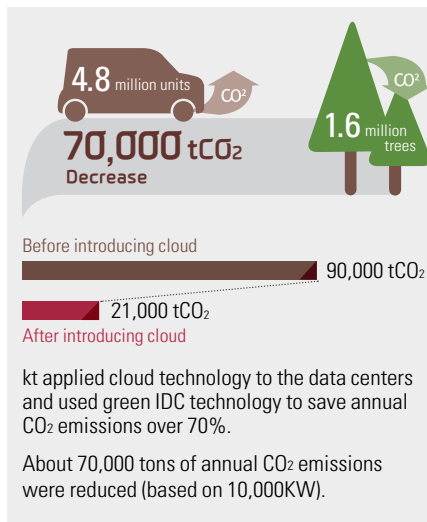
kt will implement a load management project using its ICT capabilities and the electricity loads in its buildings. In the event of frequent outages and unforeseen events with regard to national power supply, kt reduces the loads specified by the Korea Power Exchange to eliminate the risk of economic losses, and contributes to ensuring stable power supply and mitigating economic losses, as well as reducing investment in building power stations and environmental damage. Using the 28MW of loads registered with the demand resource market, the company starts reducing loads if the national reserve power drops under 5,000MW during the summer or winter, and works hard to develop and apply a system that allows real-time/two-way communication and monitoring for effective load management and load reduction.

### kt-Energy Management Corporation Agreement on Green IT Business

kt and Energy Management Corporation entered into an agreement to create a new business model based on IT and energy technology convergence. In 2012, the two companies implemented 12 joint projects in five areas, including industry, construction, transportation, renewable energy, and IT. In the construction area, the companies worked together on the K-MEG (Korea Micro Energy Grid) project in which micro smart grids are applied to buildings and offices and then integrated on a group basis. They are also collaborating to apply a smart grid-based building management solution to a new office building that Energy Management Corporation is scheduled to erect in the near future. In the renewable energy area, the companies plan on discussing an urban renewable power generation project, collaborating on the pilot project of a building fuel cell (which uses hydrogen to produce electricity), developing a smart grid business model, and participating in the energy storage system (ESS) development project.

**Participating in Green Technology Forum** | From April 3 through 5 2012, kt attended the Green Technology Forum held at the Education and Culture Center in Yangjae-dong (organized by the Ministry of Education and Science), exhibited panels and gave a presentation on xEMS and green IDC technology, promoting its corporate image as green technology-friendly.

#### Benefits of Green IDC



Dream with Environment

**Green Procurement** | kt participated in the Voluntary Agreement for Green Procurement for IP products. We reflect environmental aspects in our specification requirements for procuring telecommunication facilities. We help our suppliers minimize the environmental impacts of their products from the stage of product development, by providing them with guidelines on environmental friendliness of surface treatment, potential for recycling or reuse, and minimization of packaging materials. To this end, we put green labels on our consumable materials. We also update the green information on the labels twice a month, based on the data provided by the Korea Environmental Industry & Technology Institute while conducting education to promote the purchase of eco-friendly products.

**Green Procurement Results** | unit : piece per million won |

		2009		2010		2011	
		No. of items	Amount	No. of items	Amount	No. of items	Amount
Eco products	Green Mark certified products	408	1,400	645	4,308	439	5,094.9
	GR Mark certified products	42	11	-	-	1	2.2
Other Green Products	Energy Mark certified products	18	43	106	568	1	0.1
	Products reducing hazardous substances	16	48	-	-	-	-
	Products reducing waste	5	6	-	-	1	0.9
	Products certified with foreign green marks	-	-	-	-	-	-
	Others	317	269	-	-	30	14.4
<b>Total</b>		<b>806</b>	<b>1,777</b>	<b>751</b>	<b>4,876</b>	<b>472</b>	<b>5,112.5</b>

**Response to International Environmental Regulations** | In 2007, kt became the first wireless carrier to earn ISO14001 certification (environmental management standard) in the construction and real estate areas, and has secured transparency and trust in its environmental performance by enforcing the environmental management system. Aiming to have all its business areas certified with ISO14001, the company works hard to standardize sustainable environmental solutions and systems and implement environmental management, including environmental training, internal auditing, and company-wide environmental campaigns.

**First Wireless Carrier to Earn Green Technology and Business Certificates** | kt has continuously conducted research and development in the area of green telecommunications to develop and spread green IT. As a result, kt became the first wireless carrier to win seven Green Technology and Business certificates awarded by the government.

Green Technology Certifications (3)

- Home Network Technology Using Zigbee/PLC
- kt-Building Energy Management Solution
- RF/CT based Energy Remote Measurement Technology

Green Business Certificates (4)

- Videoconferencing connecting 3G, IPTV, and VoIP
- Station Expansion to Build Green Telecommunications Infrastructure
- Building Green IDCs Using DC Power Technology
- Green Change of Address project

## Green Business Products

**Green Business Products**

- Product Name
- Mobile Commerce (M-Commerce)
- Green Mobile Banking (M-Banking)
- Internet Computing Service (ICS)
- U-Cloud Home
- Vehicle Tracking Service (vehicle control service, brand taxi)
- Ubiquitous Green City (U-City)
- Traffic/transportation IT (traffic/transportation IT)
- MOS Service: Monitoring, Maintenance and Management Operating System (facility management solution)
- U-Health (remote health care service)
- Video Conferencing (Megameet and UCS included, videoconferencing)
- Facility and Environment Monitoring Solution (facility environmental monitoring solution - I cam)
- Green IDC (metropolitan area-based IDC Colocation)
- Green PC
- Total IT outsourcing service that provides integrated control/maintenance of lines/IT infrastructure
- Power Care Service
- Video Communications on 3G wireless networks (3G video calls and additional services)
- kt Moving (Kuk change of address service)
- kt Smart Grid
- Enterprise FMC (Fixed Mobile Convergence)
- SSL-VPN (VPN products that can be used when working from home)
- Gangneung solar power distribution (Power Sales from Solar Generation)



Videoconferencing



Smart Working



Green IDC



Cloud service



# Dream with Suppliers



## Vision & Strategy

After announcing the Three Don'ts policy, kt declared the Three Do's policy to revitalize the software industry. While the Three Don'ts focused on win-win relationships with small/medium enterprises (SMEs), the Three Do's policy aims at future value-based software pricing, instead of labor-based pricing, and creating a virtuous cycle in the software ecosystem. To strengthen the competitive positions of software enterprises, the company created the Cloud Incubation Center to continue to help those enterprises develop software using cloud infrastructure. Last, the company created open markets to trade software and is committed to creating a market to support overseas expansion. Through partnerships with IT ventures in Korea, kt will become a technology leader in the global market and grow with suppliers.

## Performance

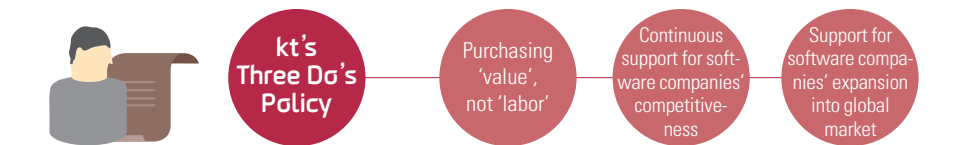
Partnership results	<b>Transfer of patented technology licenses</b> 13 licenses to 13 companies
	<b>Consulting and certification support</b> 75 companies worth 114 million won (8 times more companies)
	<b>Vendor coaching</b> 15 vendors 2.5 times increased over the previous year(6 vendors)
Creating a venture ecosystem	<b>Supplier satisfaction</b> 83.87 points (1st half), 84.79 points (2nd half), (77.4 points in previous year)
	<b>Start-ups</b> olleh Venture Awards, Econovation Fair

## Dream with Suppliers

### Win-Win Partnership Policy

**Three Do's Policy** | After announcing the Three Don'ts policy to promote partnerships with small/medium enterprises (SMEs) in July 2010, kt declared the Three Do's Policy to revitalize the software industry in September 2011. While the Three Don'ts focused on win-win relationships with SMEs, the Three Do's policy aims at the future-oriented valuation of software products by abolishing the labor cost or labor-centric software order practice, in order to create a software ecosystem

#### kt's Three Do's Policy for Win-Win Partnership with Small/Medium Enterprises



#### Future Value-based Software Pricing, Not Labor-based |

##### Software Value Purchase and creating a virtuous software ecosystem

To enforce fair software pricing and build a virtuous software ecosystem, kt created a software value innovation team responsible for making fair software pricing and 50% advance payment processes more systematic, and the software value purchase process that incorporates the characteristics of software development. By developing a tool kit designed to determine whether a software developer can qualify for software value purchase, and distributing it to software developers, the company will allow the developers to conduct self-assessments. In the second half, kt will develop a software valuation program so that software developers to test the value of their products. Through software valuation, the prepaid purchase of one software package (Company A) was completed. The company also considers equity partnership, IPR-related and global support after the introduction of the software package, and is scheduled to make four additional software value purchases (e.g., Company B) to extensively apply the purchase policy.

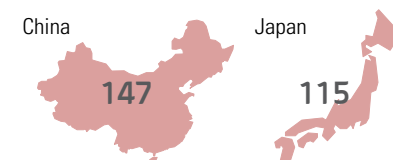
#### Nurturing the Development Environment to Strengthen Software Companies' Competitiveness |

##### Creating Cloud Incubation Center and supporting cloud-based software development

Since March 2011, kt has been dedicated to consolidating partnerships by supporting the development environment for small software developers, placing advertisements and publishing articles about the companies. To create the software ecosystem, the company launched a Cloud Incubation Center to support small businesses' entry into the software market by providing cloud IT resources with scalability and high availability. In 2011, the company provided virtual servers to 18 companies, and to 33 companies between January and April in 2012. Among them, 21 companies successfully commercialized, or are getting ready to commercialize their products. To promote actual assistance in the growth of small/medium software developers, kt provides marketing and promotional support, including advertisements on the APP site, conferences, seminar presentations, interviews with the press, and the publication of news articles. By making the ucloud personal and biz services publicly available through cloud API, kt helps 12 companies develop software, such as pdf-notes and Hancm Office Viewer. Future support is expected to include cloud development infrastructure and stronger connection between cloud API and company-wide platforms to help develop high-quality software.

#### Launching Open Markets in Japan and China

kt olleh markets were created as shop-in-shop between July and August last year, with China Mobile App Store called MM (Mobile Market) and with DoCoMo Market, a Japanese NTT DoCoMo App Store, and additional channels were launched, including China's Tencent.



About 12 million downloads (as of late March 2012)

**Focusing on Creating Markets, such as Open Markets and Overseas Expansion** | Small/medium developers have a hard time marketing their own apps in international markets. To help excellent Korean apps sell overseas, kt launched the OASIS (One Asia Super Inter-Store). Through the OASIS, the company helps successfully launch domestic apps overseas through localization (porting, translation, audit, etc.), marketing, and operational support. Further, the company provides exchange opportunities by holding the Korea-China-Japan Developer Conference (July 13, 2011, in Guangzhou, China) and the App Development Contest (December 12, 2011, in Guangzhou, China).



## Dream with Suppliers

Created on January 18, 2011, the OASIS is a 'Korea-China-Japan app market trade project' launched by kt, NTT DoCoMo, and China Mobile by signing an SCFA (Strategic Cooperation Framework Agreement). The project receives strong policy support from the top carriers in Korea, China, and Japan, respectively, and the total number of subscribers is about 650 million. In 2012, the project will be extended to channels like China's China Telecom and Sina, and Japan's AU, DeNA, and Gree, centering on the Korean wave contents and killer games, and the three carriers also plan on expanding it to English-speaking countries.

For developers around the world to distribute their apps, they are forced to go through multiple development processes, from stores to operating systems. To solve their problems and provide an integrated development environment for developers, kt and other carriers around the world launched WAC (Wholesale Applications Community). Since the launch of WAC, kt and three other Korean carriers established 'K Apps' and, on November 1, 2011, commercialized WAC2.0 for the first time in the world.

With the successful commercialization of WAC in Korea, in February 2012, kt took the lead in sealing a global export agreement regarding K-Apps WAC Platform and Contents worth about 2.7 billion won. In 2012, through the extended distribution of WAC2.0 to global businesses, such as Japan's NTT and DoCoMo, and SMART from the Philippines, Korean WAC developers will be provided global business opportunities starting in the second half of the year.

**Demand Forecasting Process** | kt applies the demand forecasting process and continues to improve its development partnership programs to prevent any waste of resources resulting from the difficulties of SMEs with inventory control or with commercialization even after products have been completely developed. The demand forecasting process is a program that discloses purchase demand based on the market/technology trends and on the short- and mid-term business outlooks. kt forecasts quantities for the whole year in the beginning of the year. In 2010, kt predicted changes in demand for 50 items from 78 partners, and in 2011, predicted changes in the quantities sold for 277 items. In 2012, the company will improve the confidence level of demand forecasting by dividing the forecast details into amounts by item, instead of % changes, and the forecasting frequency on a quarterly basis, instead of a yearly basis, and notifying again the breakdown of changes in forecast amounts on a quarterly basis through continuous monitoring. These changes will reduce the uncertainty caused by suppliers and prevent resources from being wasted in the development processes through flexible production and inventory control.

2010	2011	2012
Focus on bad inventory that may cause a significant business impact on suppliers	Focus on suggesting future business approaches, and extend the scope of disclosure	Improve confidence in demand forecasting and help suppliers plan their production
Forecast: 50 Items Items declined over 50% relative to the previous year	Forecast: 277 Items All items required in the technology request	Forecasting items and target suppliers will be determined after demand research (mid-January)
Target suppliers: 78	Target suppliers: 208	

## Dream with Suppliers

### Supplier Infrastructure and Financial Support

**Profit Sharing Plan** | Since 2006, kt has produced results, such as cost reduction and quality improvement, by working with its suppliers to develop devices and services, and introduced the Profit Sharing Plan, under which kt and its suppliers share profits. kt provides the participating suppliers with Six-Sigma training and consulting and free-of-charge environmental testing and monitoring equipment.

In August 2009, kt updated the Profit Sharing Plan, added 50% of cost savings to purchase prices if the project of optimizing specifications to reduce the costs of equipment, increased the maximum percentage of quantities subject to profit-sharing from 20% to 30%, extended the period of profit-sharing from one year to two years. Up until now, the company shared 11.67 billion won (9 projects in total) with its suppliers. Since the plan has been limited to materials/goods, following the suppliers' suggestion, and since there are cost-saving obligations, kt plans on extending the plan to the areas of IT construction and building maintenance/remodelling, and extending the types of profit-sharing projects to new equipment development, process improvement, and localization.

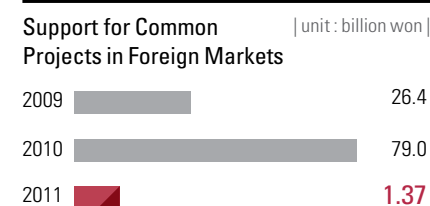
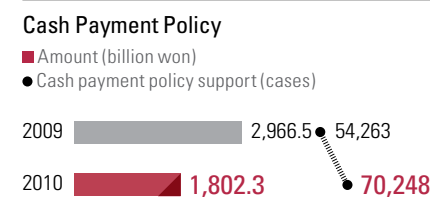
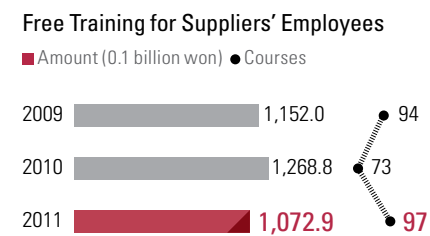
**Telecommunications Infrastructure and Test Facility Support** | To reduce suppliers' R&D costs and nurture SMEs and ventures, kt created independent network infrastructure, such as = Total Model Center and Econovation Center, developed and provided free-of-charge wired/wireless telecommunications, Internet services, test environments to 206 SMEs in 2009, 400 SMEs in 2010, and 462 SMEs in 2011 (49 servers, 34,573 phones, and 53 monitors)

**Free Training for Suppliers' Employees** | kt provides the suppliers with human resources training programs to help SMEs having difficulty improving quality and developing human resources strengthen the capabilities of their employees. In the areas of equipment/service operations, customer service, material supply, and IT construction, 94 courses were created in 2009, 73 in 2010, and 97 in 2011, and 34,937 employees were trained (11,520 in 2009, 12,688 in 2010, and 10,729 in 2011). Group training courses are available the kt HRD Center and local field training centers, classrooms, teaching materials, lodgings, and meals are provided free of charge, gaining popularity among suppliers.

**Financial Support for Suppliers** | To ensure the liquidity of small/medium enterprises struggling with the tough business conditions, such as rising exchange rates and material costs, and to help them raise operating capital and improve financial stability, kt offers a variety of financial support programs. kt capital created a credit loan fund worth about 300 billion won (310.3 billion won for 528 companies in 2010, 223.3 billion won for 235 companies in 2011). In 2006, regardless of the amount, kt also began enforcing the 100% Cash Payment policy among small/medium enterprises (2,966.5 billion won in 54,263 transactions in 2010, 1,802.3 billion won in 70,248 transactions in 2011), instead of note payments. Further, kt enters into agreements with financial institutions that offer partner loans and operates a financing program through which suppliers can take out loans at lower interest rates based on their performance.

**Overseas Business Support for Top-performing Suppliers** | kt offers top-performing suppliers the opportunity to expand their business abroad through joint projects. In 2009, the company implemented 15 joints projects worth 26.4 billion won with 12 suppliers, 13 projects worth 79 billion won with 23 suppliers in 2010, and four projects worth 1.37 billion won with four suppliers. kt plans on increasing joint overseas expansion by developing and ordering joint projects.

**Transfer of Patented Technology Licenses** | To secure core technologies in future businesses, kt offers SMEs the free transfers of licenses of key patents and kt's R&D products. In 2011, the company transferred 13 core technologies to 13 companies, 26 technologies, including automatic fiber loop switches, to seven companies for free. kt will continue to transfer patent rights to SMEs.



## Dream with Suppliers

### Extending Win-Win Partnerships

#### Effort of Extending Win-Win Partnerships

**Encouraging Cash Payments for Secondary Suppliers** | Since 2011, kt has encouraged primary suppliers to pay cash payments to secondary suppliers. During each supplier rating, kt gives a 1.5 bonus points to suppliers that provide cash payments to secondary SMEs. The 1.5 bonus points can affect the rankings within the same SG (item). To verify the cash payments that have been made, kt collects the receipts of cash payment made to secondary suppliers with regard to the goods supplied to kt.

**Extending the Benefits of Unit Price Increases** | Since October 2010, kt has made sure that the benefits of unit price increases have been extended to secondary suppliers. Any price adjustments must be attached to transaction documents with secondary suppliers. In the past, kt only collected breakdowns of contract price adjustments (e.g., evidence of reasons for a price increase), but now requires that price adjustments be specified in a notice of tender and a product (construction, service) agreement and the adjustment results be reported to secondary suppliers.

**Financial Support for Secondary Suppliers** | Since October 2010, kt has provided a credit loan called kt Capital Network Loan worth 300 billion won as financial assistant for secondary suppliers. Up until now, two secondary suppliers were provided about 800 million won at the recommendations of primary suppliers.

**Applying Partnership Programs to Secondary Suppliers** | Since October 2010, kt has extended the partnership programs previously offered solely to primary suppliers to secondary suppliers. With the amount of support is 50% of the cost required, and a 4-million won limit per company, kt supported quality, environmental consulting, and certification costs for 5 suppliers in 2010 and one secondary supplier in 2011. kt's Human Resources Development Center and Mobile Network Business Unit provide free training and free testbed, monitoring equipment, Total Model Center, and Econovation Center services. kt extended the Vendor Coaching Program, which was created for secondary suppliers in 2008, to support 6 suppliers in 2010 and 15 suppliers in 2011. Since November 2010, based on the agreements made between kt and 454 primary suppliers on July 8 2010, kt has enforced partnership agreements between primary and secondary suppliers, which contain fair subcontracts, cash payments for secondary suppliers, and empowerment support.

#### Performance of Partnership Programs

Category	2009	2010	2011
Hire Purchase Product Development Project	430 million won for 4 projects	1.68 billion won for 6 projects	1.49 billion won for 9 projects
Infrastructure Support	Monitoring equipment rentals: 21 times to 11 companies Total Model Center: 214 hours for 2 companies Motive Center: 88,104 times	Monitoring equipment, test-bed: 41 times 1st Econovation: 4,128 times (individual)/ 2,350 phones 2nd Econovation: 6,223 times (359 companies), 63,340 phones, 55 servers	Monitoring equipment/shield rooms/test-bed: 53 times, Model Center: 86 times, 1st Econovation: 7,907 times (individual)/ 3,906 phones 3rd Econovation: 1,261 times (individual)/ 46 phones
Profit-Sharing Plan	87 1st and 2nd projects submitted 6 out of 10 projects successful; 11.34 billion won paid in compensation	23 1st and 2nd projects submitted 2 out of 3 projects successful; 80 million won in compensation	6 1st and 2nd projects submitted
Quality/Environmental consulting and certification support	25,900,000 won for 9 companies	75,000,00 won for 22 companies	114 million won for 175 companies
Vendor coaching	Coaching completed for 6 secondary suppliers	Coaching completed for 6 secondary suppliers	Coaching completed for 15 secondary suppliers
Transfer of license of patented technology	13 technology transfers to 16 companies	16 technology transfers to 25 companies	13 technology transfers to 13 companies
Free online/offline training support	11,520 people in 94 courses	12,688 people in 73 courses	10,729 people in 97 courses

## Dream with Suppliers

**Econovation Fair** | kt conducts 'Econovation' activities to promote mutual growth with smart application developers. The company provided 'olleh SDK (Software Development Kit', an application development solution designed to develop an application with multiple operating systems (OS) using a single executive code, and supports the development of high-quality applications with a variety of platforms through App Development Contests. The company also holds developer camps where technical assistance and consulting are provided to application developers, as well as monthly open conferences and seminars where app developers share information and discuss issues. Through its 'Global Frontier Project', in particular, kt offers actual support for mobile app developers to expand business into the global market, including app development training, translation service, commercialized test-beds, and marketing. Through its strategic alliance with Japan's NTT DoCoMo and China Mobile, kt provides the OASIS (One Asia Super Inter-Store) for the developers to do business in the apps/contents market used by 650 million Asian customers.

#### Extending Win-Win Partnerships and Future Plans

kt will continue to offer financial assistance to small/medium enterprises (SMEs), and reinforce the three policies, including the Technology Escrow Program, through which the company covers the costs of depositing technologies into the government's escrow account to head off the illegal use/theft of suppliers' technologies and business information. The company also plans on continuing the transfer of its patent ownership to 'kt Naratgul' and its proprietary technologies to SMEs, while continuously enforcing full-amount cash payments to SMEs. In addition, kt will provide monitoring equipment and testbeds for suppliers to develop IT devices, and offer wireless suppliers spaces for network/PC/phone testing. The company will also work with the Small and Medium Business Administration to finance 10 'hire purchase product development' projects with 180 million won.

In 2012, kt will start investing 300 million won in the Win-Win Productivity Partnership Support project supervised by the Ministry of Knowledge Economy, form a consortium with 10 primary and secondary suppliers, and implement the Total Solution program designed to provide total support for three years, from improving suppliers' manufacturing plants, manufacturing technology and management innovation.

kt also plans on providing consulting on quality management for primary and secondary suppliers, as well as free training and consulting support, to enhance SMEs' business capabilities. In November 2010, the company created a Partnership Community within the kt HRD Center and in 2011, began operating a council between suppliers and kt to extend the scope of online and offline training and provide educational support. Through a variety of procurement programs, kt will continue its support for suppliers. By enforcing the Demand Forecasting Process, the company plans on improving the Differential Pricing, Fixed Bid Price, and Bid Assessment programs. In 2012, kt will extend its policy to all areas, including IT construction and services, as well as materials/goods, reinforce collaborations with suppliers by diversifying the types of profit-sharing items to new equipment development, process improvement, and localization, creating an original, competitive partnership ecosystem.

#### 2012 KPI and Targets

Category	KPI	2010	2011 1 <sup>st</sup> half	2011 2 <sup>nd</sup> half	2012 1 <sup>st</sup> half	2012 2 <sup>nd</sup> half
Partnership with suppliers	Supplier satisfaction	77.4	83.87	84.79	86.3	87.1
Reinforcing partnership capabilities of secondary suppliers	Commitment to secondary supplier support	6 companies	16 companies	16 companies	20 companies	20 companies

| unit : points |

Dream with Suppliers

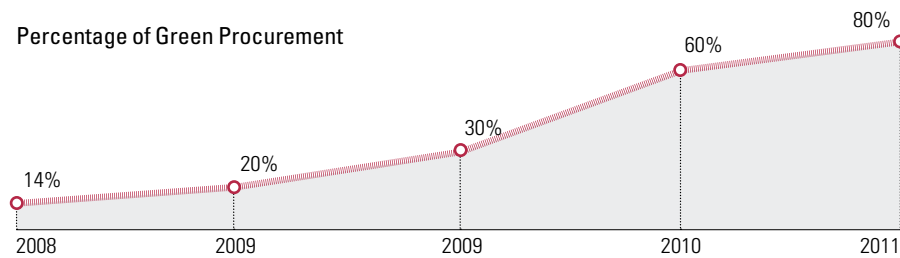
## Creating a Green Ecosystem

**Encouraging Green Technology Development** | kt has diversified its partnership activities by creating a variety of Green IT guidelines and plans to encourage the green technology development of suppliers and applying them to the procurement process.

### Key Guidelines for Encouraging Green Technology Development

Supervised by	Government project description	Period
Environmental request for electrical communications equipment	Create technical standards for temperature/humidity, surge, impact of fall, vibration (seismic resistance), radiation (tolerance, disability prevention, body protection), hazardous substances, standby power, energy efficiency, noise, and surface temperature, and apply them to kt's procurement items	August 2007
Green IT action plan	Reduce carbon emissions by 20% relative to the 2007 levels by making all kt businesses green	-
Green procurement plan	Give priority to low-carbon equipment when procuring new equipment, and select four core green technologies and apply them to new/upgraded product procurement in stages by 2015 (green procurement targets: See table below)	April 2009

### Percentage of Green Procurement



**Helping Suppliers Earn ISO14001** | To make kt's supply ecosystem green by strengthening suppliers' sustainable management capabilities, kt provides support for primary and secondary suppliers to earn the environmental management system (ISO14001) consulting and certificates. The company provided 50% of the cost required for the assessment/consulting and ISO14001 certification of four companies in 2009, 16 companies in 2010, and 175 companies in 2011. kt has standardized suppliers' quality control process, improved their environmental awareness, and increased productivity with a specialized workforce. The company applies a preference policy for suppliers certified with the environmental management system (ISO14001) when selecting suppliers and evaluating their quality management, and will continue to improve the level of company-wide sustainability through diligent follow-up after providing the cost required.

### ISO14001 Certification Support for Suppliers

Category	Details
All suppliers/non-certified suppliers	413 (132 material supply, 281 IT construction) 236 (54 material supply, 182 IT construction)
Suppliers supported in 2011	175 (2 material supply, 173 IT construction)
Ratio of applicants to non-certified suppliers	74.1%
Supplier support program	Environmental Management System (ISO 14001) certification support

### Support Results for the Past 3 Years

| unit: 10,000 won |

Supported 4 suppliers, including Korea Polymer Co., Ltd.	2009	1,197
Supported 16 suppliers, including FR Tech Co., Ltd.	2010	5,425
Supported 175 suppliers, including Kyungil Co., Ltd.	2011	11,400

Dream with Suppliers

## Procurement Program Innovation

kt transformed its procurement practices to improve partnerships, as it defined its relationships with suppliers as partnerships and identified problems to work on. kt created several programs applicable to a variety of suppliers, documented and implemented them, and has constantly improved them as well.

**Target Price Adjustments by Reflecting Fluctuations** | In August 2009, kt incorporated price fluctuations into the program and loosened the conditions of price adjustments. Since then, the company has reflected the standard percentage of price increase, exchange rate, and material cost fluctuation. Further, if a price increase exceeds 3% during the contract term, kt's program ensures that suppliers require price adjustments at any time.

**Adopting the Differential Pricing Policy** | To prevent suppliers' collective insolvency caused by imposing the unreasonable minimum bid price rule, and to create a fair, reasonable trade environment, kt introduced the differential pricing policy in August 2009. Under this policy, the lowest bidder is required to agree to the assigned contract quantity if there is a difference over 5% between the minimum bid price and the next lowest price, and the next lowest price is considered a new minimum price.

**Improving the Bid Assessment Program** | In August 2009, kt improved and began operating the new Bid Assessment program. The program allows the company to evaluate bidders based on the quality and price of a candidate product and determine the winner to prevent the purchase of low-quality products through the price-based procurement process. The company complies with the Bid Assessment process when introducing BMT (Benchmarking Test) equipment or repeatedly purchasing equipment whose operating quality can be tested, while keeping the ratio of quality at or higher than 50/100 during the assessment.

**Quantity Allocation for All SGs (N:N Contract)** | In August 2009, kt started allocating quantities for all SGs (items). Under this regulation, a few SG suppliers are selected based on operating quality, and then all SG suppliers are assigned minimum quantities. The regulation is applicable to items whose required quantity exceeds the appropriate number of suppliers or items whose declining demand requires a reduction in the number of suppliers.

**Adopting the Fixed-Price Competitive Bidding Program** | In November 2009, kt introduced the fixed-price competitive bidding program. Under this program, any bidders who submit prices lower than the fixed price are excluded. The standard bid price is calculated based on the formula 'Average price of bidders lower than target price x fixed ratio'. The fixed ratio is basically 80%, but is subject to change depending on the bid characteristics.

**Minimizing the Difference between Contract/Delivery Ratios** | In May 2010, kt adopted the real name-based Demand Forecasting process and the standard forms of preferred items, began promoting unit price contracts, and made quantity ratio management into a system. The company also created a process to comply with the contract quantity ratio as agreed upon with suppliers.

**Interim Payment Policy** | The policy was introduced in August 2011, as an addition to kt's payment policies (advance, progress and complete payments) to finance suppliers when needed during the term. If a supplier has difficulty making a progress payment under an agreement worth over 100 million won and effective for over 60 days, the policy allows the supplier to make up to 30% of the deposit. Since the adoption of the policy, kt has paid 1 billion won to suppliers in 14 cases.

### Procurement Program Innovation Results (as of 2011)

Category	Cases	Amount (billion won)
Differential Pricing	6	23.2
Bid Assessment	13	28.5
Price Adjustment	16	33.4
N:N Contract	78	4,25.0
*Long-term Supplier	8	36.0
Fixed Bid Price	2	22.7
Interim Payment	14	1.0

(redundant data included)

\* Long-term supplier: Any supplier that is a party to a long-term agreement over a year, ensuring the supplier's financial security (unit price subject to annual adjustments)

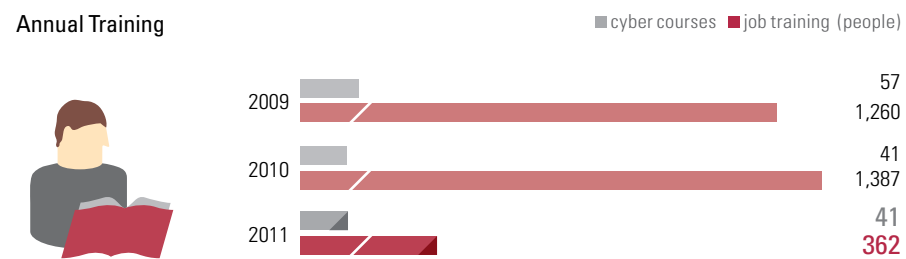
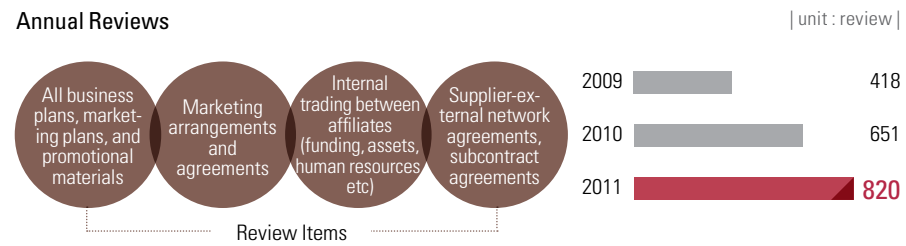


Dream with Suppliers

## Fair Trade

**Fair Trade Compliance** | kt operates the Compliance Program designed to prevent losses for society and the company by complying with laws/regulations and abolishing unfair practices. In 2009, kt earned an "AA rating" in the 2009 CP Assessment conducted by the Fair Trade Commission, was recognized for its commitment to fair competition, and received incentives, such as penalty mitigation for two years and independent investigation exemptions. In 2010, kt, its three affiliates, and 520 suppliers entered into partnership and fair trade agreements and pledged to comply with laws and principles to ensure transparency in contract transactions.

**Operating the Fair Trade Review Center** | As part of its Compliance Program, kt hired fair trade-specialized lawyers to form the Review Center in 2005, and has assessment factors of unfairness in all business transactions and prevented any violations. Field units (Sales Headquarters, Corporate Business Branch, and Mobile Marketing Branch) appoint Fair Trade Officers responsible for preventing unfair practices in related organizations.



**Fair Competition Training and Environment** | kt provides officers of different organizations with job training on fair trade three or four times each year, and all employees with regular online training courses. The company invites regulatory experts to share the latest regulatory and institutional trends, offers special lectures on key fair trade issues, and conducts on-site training for key departments (procurement, network). kt also runs an evaluation program to establish a corporate culture of fair trade and maintain the center director's ongoing interest and commitment to fair trade.

**Corrections Made to Unfair Practices**

Type	Common unfair behavior		General unfair behavior		Unfair internal trading		Other*		Total	
	Corrections	Fine	Corrections	Fine	Corrections	Fine	Corrections	Fine	Corrections	Fine
2009	-	-	1	0	-	-	-	-	1	0
2010	-	-	-	-	-	-	-	-	-	-
2011	1	0.8	-	-	-	-	-	-	1	0.8

\* Violations of the General Clauses Regulation Act, Fair Labelling and Advertising Act, Door-to-Door Sale Act, and Electronic Commerce Consumer Protection Act

Dream with Suppliers

## Supplier Communication

**Ideas/Suggestions & Rewards** | kt has reorganized the website for ideas/suggestions (ktidea.olleh.com) and streamlined the process so that ideas can be reviewed and screened within two months. Videos containing excellent ideas are selected so that the ideas can be effectively communicated to business units. Further, the company created the Excellent Idea Reward Program through which small/medium businesses are fairly rewarded when they provide ideas about technologies or business models that can contribute to kt's businesses.

If any idea can be commercialized without going through the product development process, up to 50% of the purchase quantity is assigned to the supplier that suggested the idea. If product development is required, kt will guarantee to purchase the supplier's product once it has been successfully developed. To support SMEs' technology development, kt created a new fund worth 36 billion won in the area of key solution BM to commercialize ideas and technologies, and provides development costs first, and then distributes profits.

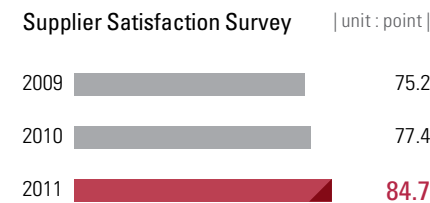
**'IT CEO Forum'** | The IT CEO Forum is an open forum for all companies, where small/medium IT enterprises, CEOs, large conglomerates, associations, societies, and R&D experts attend to discuss mutual growth and partnerships. Key leaders of IT SMEs are responsible for holding the Open Forum, facilitating partnerships, and connecting online and offline activities. During olleh 1.0, 13 breakfast seminars and 60 small meetings were held, and the biggest, open IT ecosystem in Korea was created by sharing a variety of partnership projects (MVNO, App Store, etc.). In 2011, kt created a 'project collaboration meeting' where small discussions are held between officers responsible for projects, which became a communication channel where kt's senior executives and suppliers' employees can talk directly with one another. Additionally, kt also runs a forum website (www.itceo.org) a Twitter account (@itceoforum), a Facebook page (www.facebook.com/itceoforum) to provide a wide range of information in real time, and is committed to promoting open communication with opinion leaders in different fields, at different levels.



IT CEO Forum

**The Information Sharing Council** | kt holds regular Information Sharing Council meetings with suppliers in different areas to discuss future partnership activities and plans, gather opinions, and implement improvement activities. Since October 2010, the Council has dealt with when urgent demand occurs or how much inventory suppliers have to support suppliers when urgent demand is created during promotions or due to market changes. Since 2011, kt has operated the SCM Council on phones and radio repeaters on a monthly/quarterly basis. kt plans on increasing partnership efforts by extending the Council's activities to line materials and devices and by helping integrate the demand forecasting process and optimize suppliers' inventory and production, and on encouraging communication through the channels, such as the integrated interface, suppliers' suggestions, and listening to grievances.

**Supplier Satisfaction** | Since 2005, kt has conducted a 360-degree survey to evaluate supplier satisfaction each year. kt's supplier satisfaction in the first half of 2011 was 83.87 (points), and 84.79 in the second half, increasing over 6 points. The company will continue to communicate closely with suppliers.



# Dream with Society

**43,791 people**  
Children at local child care centers use the olleh Dream Center

**147,177**  
Hours of Love Volunteer Corp

**324,038 people**  
Trained by IT Supporters

**1st**  
Ranked 1<sup>st</sup> in global telecommunications area of DJSI

**Awards**

- The Grand Prize(Enterprise Sharing) at the 18th Korea Volunteers Festival (Korea Volunteers Association, Chungang Ilbo)
- The Prime Minister's Award at the 3rd Korea Human Awards
- The Grand Prize at the 6th Sustainability Awards
- The Excellent Sustainability Report Award
- The Global Supersector Leader in Telecommunications in the DJSI

**Main Teams**

Sustainability Committee | Strategic Planning Office, Legal & Ethics Office, Financial Management Office, Corporate Relations Office, Mobile Business Group, G&E Group, Home Business Group, Synergy Management Office, Advanced Institute of Technology, SI Group, Network Group, Real Assets Management Office, Human Resources Office, General Affairs Office, Procurement Strategy Office, Public Relations Office, Economics & Management Research Laboratory  
Social Responsibility | Public Relations Office

## Vision & Strategy

Corporate social responsibility is a company's commitment to establishing a proper relationship with society and to sharing its capabilities and achieving mutual growth and prosperity with society. With the launch of olleh 2.0, kt will fulfill its social responsibility taking into consideration its influence that grows as the company develops its competencies. By making the best use of its intangible and tangible resources, kt will bridge the digital divide, improve the quality of life in local communities, and become a company respected at home and abroad. With head of the Public Relations Office appointed as chair of the Sustainability Committee, whose membership consists of offices in related departments, decisions are made and implemented in a timely manner.

## Performance

Improving reputation	<b>DJSI Assessment</b> Awarded the Global Supersector Leader Higher ranking among Most Respected Companies 31st → 20th
Key social responsibility activities	Love Volunteer Corps hours of activity 147,177 Number of IT Supporters training recipients 324,038 Number of children at local child care centers who use the olleh Dream Center 43,791 Number of visitors to olleh square 1,120,790 Number of kt 'Finding Sound' Project recipients 35

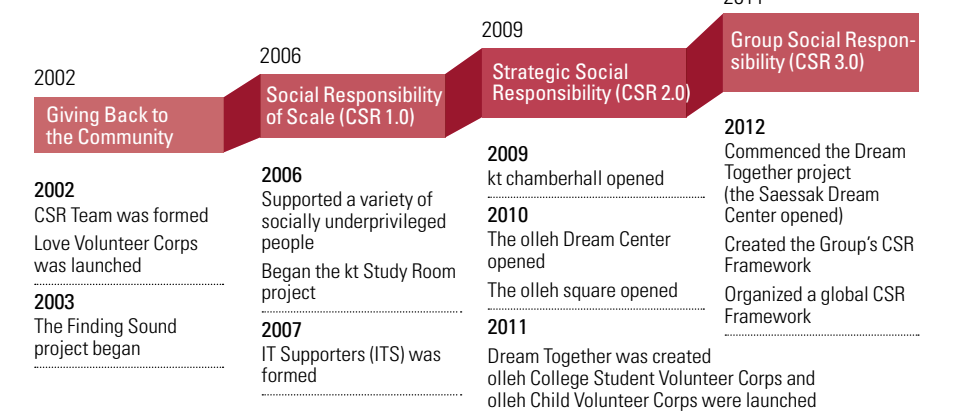
## Dream with Society

# Social Responsibility Strategy

## Social Responsibility Strategy

Corporate social responsibility is a company's commitment to establishing a proper relationship with society and to sharing its capabilities and achieving mutual growth and prosperity with society. Under the business policy of bridging the digital divide, improving the quality of life in local communities, and becoming a respected company, kt implements the social responsibility activities below.

### kt Social Responsibility Approaches



## Love Sharing

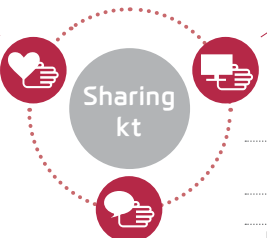
Share love with everyone  
Intensive support for underprivileged children

- Love Volunteer Corps (about 700 teams, 31,061 people)
- Intensive support for underprivileged children
- kt olleh Dream Centers (21 locations)
- olleh College Student Volunteer Corps (145 students), olleh Child Volunteer Corps (100 children)
- Child Love Network ; Dream Together (e.g., Vision Center)
- kt 'Finding Sound' Project (10th year)
- kt Labor ; Management Youth Scholarship Project

## IT Sharing

Share IT with everyone  
Intensive support to bridge the digital divide

- IT Supporters (23 teams, 200 people)
- Intensive support to bridge the digital divide
- Smart Academy
- IT training for underprivileged people
- IPTV support for underprivileged people



## Culture Sharing

Share culture with everyone kt Leaders' Mecenat Project

olleh square / kt chamberhall / kt Sports Club  
"i-Dream", comprehensive arts education for underprivileged children

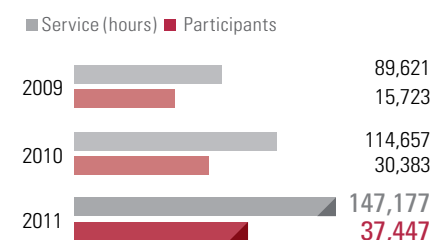
## Social Responsibility Organization

**Love Volunteer Corps** | In 2001, kt created the Love Volunteer Corps for employees to ensure the more organized operation of their volunteer activities. The Corps consists of about 700 teams and 31,061 employees, and has carried out activities ranging from local child care support, helping underprivileged children in local communities, disaster relief and recovery assistance, 1 Company 1 Village assistance in farms and fishing villages, facility checks, including the Welfare Center, and experiential training in kt facilities.

### Love Volunteer Corps Organizational Chart



### Volunteer Activity Participation



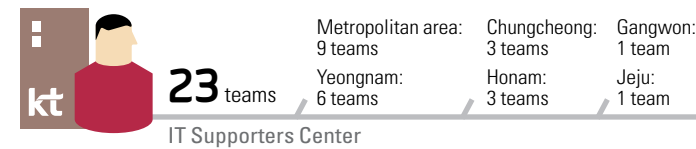
## Dream with Society



6th kt IT Supporters Launch Ceremony

**IT Supporters** | Launched in 2007, IT Supporters is kt's employee volunteer corps that provides IT access for everyone by donating IT knowledge. IT Supporters' talent-donating pro bono contribution activities are widely recognized as the best example of a paradigm shift in corporate social responsibility. 23 teams and 20 full-time employees at kt belong to IT Supporters and focus on bridging the digital divide and improving the quality of life using IT. If you need IT Supporters' help, please contact us by phone (1577-0080) or online (www.itsupporters.com).

### IT Supporters Organizational Chart



### Financing for Social Responsibility

In 2003, kt created Love Sharing Fund to encourage employees and the company to work together and lead social responsibility activities, which consists of employees' donations and the company's matching grants. kt contributes the same amount of money as employees donate, which is used for a variety of social responsibility activities. In 2011, 72% of all employees voluntarily participate in raising 1.72 billion won, which has gone toward the activities of volunteer teams nationwide. The matching grants contributed by the company are used to support children with hearing impairments and local child care centers, which are part of kt's mid-/long-term CSR activities. The Love Sharing Fund Committee, which consists of labor and management members, enforces the operating rules for the Love Sharing Fund and ensures transparency management by demanding that a breakdown of expenses and its evidence be uploaded on the website of Love Volunteer Corps.

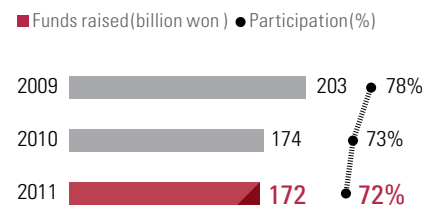
### A Breakdown of Social Responsibility Expenses

	2009	2010	2011
Charity & donations	6.10	9.90	21.14
Scholarships	0.80	0.80	1.11
Donations & sponsorships	5.30	9.10	20.03
Community investment	27.54	20.63	21.69
Community IT sharing	25.00	13.04	12.66
Love Sharing Fund	2.03	1.74	1.72
Support for children and underprivileged people	0.20	0.65	2.14
Culture, arts & sports	0.31	5.20	5.17
Community sponsorship & support	1.54	6.50	8.27
Total	35.18	37.03	51.10

### Assessment and Compensation Framework

kt requires the results of employees' volunteer activities to be uploaded on the website of the Love Volunteer Corps (volunteer.kt.co.kr) to assess and provide compensation for the activities. In 2011, the quantitative and qualitative reviews of the activities of the Corps and local child care centers were conducted, and the CEO Awards and monetary rewards were presented to five top-performing volunteer teams. In 2012, kt plans on awarding the top-performing team the kt Grand Prize for Social Responsibility.

### Employee Fund Raising



\*In 2011, kt adopted the global standard for estimating social responsibility expenses, made adjustments to a few items according to the business conditions in Korea, and began disclosing the items as social responsibility expenses.

\*The 2009 and 2010 breakdowns were readjusted based on the standard classification applied to the 2011 breakdown.

\*Donations and sponsorships in 2011 include the donations of refunds of which legal obligations are no longer valid.

## Dream with Society

### IT Sharing



**Support for Multicultural Families** | kt began reinforcing support for multicultural families in connection with the Ministry of Health and Welfare's Multicultural Family Support Task Force and Multiculturalism Center, which includes the opening of kt multiculturalism classes where IT training and Korean culture experience are provided to immigrant women. The support includes training on Microsoft Office programs, such as Word and PowerPoint, Korean language and culture training, and teaching skills training, which help children in multicultural families settle down and get educated.

**Advanced IT Knowledge Sharing** | To bridge the digital divide caused by the advent of advanced IT devices, kt created the Smart Academy and Smart Sharing, and has led in building a 'Warm, Smart World'. Among its activities, four types of the underprivileged are provided with new IT device experience/practice training and the opportunity to access information, and external agencies and organizations offer customized courses to teach how to use smart devices. In the Seoul metropolitan area, Busan, Daejeon, Daeju, Gwangju, Ulsan, and Jeonju, free classes are available at the respective Smart Academy locations, and 'Smart Sharing' activities are carried out to bridge the digital divide ('Smart Divide') for children in local child care centers.

### IT Knowledge Training (Smart Academy)

Category	Total	Free Classes	Visiting Education
2010			
Classes	918	288	630
Attendees	15,781	1,682	14,099
2011			
Classes	7,019	407	6,612
Attendees	104,565	1,535	103,030

**Support for the Four Underprivileged Groups** | kt provides a variety of certification courses for the four most underprivileged groups, namely, the disabled, farmers/fishermen, adults/seniors, and low-income families, including computer and Internet basics training, practical IT training, and certification classes, to bridge the digital divide and improve their quality of life.

**IT Supporters Experiential Activities for Stakeholders** | In 2010, IT Supporters consisting of interns (362 interns in the 1st half, 113 in the 2nd half, and 20 foreign interns) carried out experiential activities targeting stakeholders. Each year, kt selects college students for the College Student Volunteer Corps. In 2011, 200 college student IT Supporters provided a variety of social services for two weeks starting on July 11, including IT Rural Community Service.

**Support for Small/Medium Entrepreneurs and Independent Businesses** | kt created a website and blogs for small entrepreneurs in traditional markets in Seoul like Pungmul, Gwangjang, and Bangsan markets, and local entrepreneurs, including multicultural restaurants, Busan Hairstylists' Association, and music schools in Daejeon, so that they can create real economic value.

**Global IT Sharing** | The activities of IT Supporters have been recognized as a leading example of corporate social responsibility, such as being a target for benchmarking by the Ministry of Internal Affairs and Communications of Japan. In October 2008 and November 2009, the supporters visited Sri Lanka's Ministry of Education to provide training on how to use the Sri Lankan language on a virtual keyboard and how to create audio/video content, and also conducted the first overseas IT training at the Korean Cultural Center in Maritime Province, Russia.





Dream with Society

**Training on How to Prevent Negative Effects of Internet Usage** | Working with kt Cultural Foundation, the company continues to provide citizens and children with training on how to prevent negative effects of Internet usage. The training deals chiefly with how to prevent Internet addiction, prevent cyber crimes, and protect personal information. To prevent such negative effects of Internet usage, the company trained 80 instructors in 2008, 330 in 2009, 131 in 2010, and 116 in 2011.

**Results of IT Supporters Activities** | unit : people |

Category	Total	Underprivileged	Public	Children	Multicultural	Small entrepreneurs/ independent businesses
2009	515,286	202,371	185,747	80,688	25,991	20,489
2010	325,771	120,778	86,793	20,166	80,393	17,641
2011	324,038	122,635	79,913	34,221	82,493	4,776
Total	1,157,412	444,225	346,786	134,587	188,940	42,874







**2011 Total Number of IT Supporters Training Sessions** | unit : session |

Category	Underprivileged	Public	Children	Multicultural	Small entrepreneurs/ independent businesses	Total
2009	9,880	6,144	2,736	9,707	516	28,983

**Recognition of IT Supporters SR Activities**

Nov. 21, 2007	Awarded the Korea Volunteer Service Grand Prize in 2007 (Korea Social Welfare Association)
Dec. 17, 2007	Selected among the 100 Trailblazers in 2007 (Korea Green Foundation)
Aug. 12, 2008	Selected as the most memorable college student social responsibility program (Yonhap News)
Oct. 17, 2008 and Nov. 9, 2009	Visited the Sri Lankan Ministry of Education and provided training on how to use the Sri Lankan language on a virtual keyboard and create audio/video content.
Jun. 3, 2009	Awarded the Prime Minister's Award on the Information Culture Day
Jul. 12, 2009	Joint action against DDoS attacks with the government: Zombie PC Cleaning activities
Nov. 25, 2009	The Ministry of Internal Affairs and Communications of Japan visited kt to benchmark IT Supporters activities
Nov. 4 to Nov. 13, 2009	Provided the first overseas IT training at the Korean Cultural Center in Maritime Province, Russia
Jan. 5, 2010	Ranked 1st in Awareness among the 30 Groups' CSR activities (Economist)
Nov. 24, 2010	Awarded the Grand Prize at the 2nd Korea Human Awards (Ministry of Health & Welfare / KBS)
Jul. 21, 2011	Awarded the Grand Prize - Enterprise Sharing at the 18th National Volunteers Festival (Korea Volunteers Association, Chungang Ilbo)
Nov. 22, 2011	Awarded the Prime Minister's Award at the 3rd Korea Human Awards

**IT Supporters Programs** | IT Supporters provide support so that anyone in Korea can easily use computers and Internet.

 <p><b>Support for multi-cultural families</b></p> <p>Support multicultural instructors Support immigration Help in convenient daily life</p>	 <p><b>Use of advanced IT devices</b></p> <p>How to use smartphones SNS using smartphones How to use tablet PCs</p>	 <p><b>Preventing negative effects of IT</b></p> <p>Self-test on internet addiction and special classes on how to prevent addiction Prevent cyber crimes, block malicious websites, and learn how to use PC usage control software IT classes for parents and children together</p>	 <p><b>Daily IT use</b></p> <p>Internet (banking, shopping, and booking) Issue electronic documents Issue certificates Use e-mails and messengers</p>	 <p><b>Customized IT training</b></p> <p>How to use computers and printers How to use Hangul, Excel, and PowerPoint How to create a website or blog</p>	 <p><b>Support for small entrepreneurs and independent businesses</b></p> <p>Create marketing infrastructure through a website or blog Increase productivity through O/A and software training</p>
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Dream with Society

Love Sharing

Love Sharing for Children

**Support for Local Child Care Centers** | kt provides a wide range of support for local child care centers so that underprivileged children can become leaders in the future. In 2011, the company conducted activities like planting trees, donating books, and improving the educational environment in 800 local child care centers, and in 2012, will extend the activities to 1,000 centers to support about 70,000 underprivileged children.

**kt olleh Dream Center** | kt considers corporate social responsibility a top priority and is committed to bridging the digital divide and improving the quality of life for the underprivileged. kt in particular focuses on supporting over 100,000 children who receive help at local child care centers. Using its resources and capabilities, kt opened the kt olleh Dream Center in 2010, in connection with local child care centers in major regions, leading the creation of safety nets for local child care centers. Created using unused spaces in kt's branches, the Dream centers are equipped with IT devices like IPTVs, beam projectors, smart pads, and e-books, and provides a variety of programs to improve academic achievements, such as English, music and art classes. By early 2012, a total of 21 centers were created in major areas including Seongnam, Gyeonggi-do, where kt's head office is located. In addition, kt provides kt Dream shuttle buses so that children can commute from local child care centers to the kt Dream centers.



Dream Centers Available

2010	2011	2012
Jungrang-gu, Seongnam, Daejeon, Wonju, Waegwan, Mokpo, Jeju	Namyangju, Busan, Gwangju, Bucheon, Cheonan, Gangneung, Yangcheon-gu, Gunsan, Andong, Cheongju, Daegu	Chuncheon, Jeonju, Ulsan

**Child Love Network 'Dream Together'** | After realizing the importance of the three-generation social responsibility activities through a corporate network for the public good, kt began taking part in Dream Together, a corporate network created to support underprivileged children using corporate capabilities. About 20 companies, including kt, KBS, Hana Tour, and Biryongso, are members of Dream Together, through which they work together with the Social Welfare Fund Raising Association. In May 2012, they opened the first campsite in Korea exclusively dedicated to local child care centers to support underprivileged children. Using this site, the members will donate talent and extend the current business so that children can experience more various programs and nurture their dreams.



kt Dream Center, Dream Together

Dream with Society

**olleh College Volunteer Corps, olleh Child Volunteer Corps** | kt began customer engagement CSR activities to provide 'sharing' opportunities and expand the platform for CSR activities. In May 2011, 'olleh College Volunteer Corps', which consists of 100 students, was launched, and in September, olleh Child Volunteer Corps consisting of 100 children in the metropolitan area was launched. olleh College Volunteer Corps provided regular services at local child care centers every week, such as sharing talent, and conducted CSR activities including experiential programs for children, such as history experience, ecosystem experience, and cultural performances. In January 2012, they conducted global CSR activities, such as talent sharing and cultural exchange, for underprivileged children in Hanoi, Vietnam. They provided 6,850 hours of service to a total of 4,115 children, and in 2012, the second olleh College Volunteer Corps of 145 students was launched. The olleh Child Volunteer Corps conduct thematic volunteer activities such as delivering lunch boxes to seniors living alone and presenting performances for seniors, totalling 472 hours of service in 2011.

**Finding Sound Project for Children with Hearing Impairments** | Since 2003, using its mobile resources, kt has implemented the Finding Sound project for children with hearing impairments who have difficulty communicating with others. By the end of 2011, the company funded artificial cochlea implants and rehabilitation treatment for 130 children, while providing digital hearing aids to 191 children who cannot have operations. Starting in 2010, kt signed the Finding Sound for Children with Hearing Impairments MOU with Yonsei Medical Center and began funding brainstem transplant surgeries. kt and the center plan on building the kt-Severance Hearing Rehabilitation Center in Severance Ani Hospital to help the children grow into healthy members of society.

Category	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Artificial cochlea	10	10	40	20	19	10	10	7	4	130
Hearing aids		10	40	10	41	20	40	11	19	191
Brainstem transplants								3	1	4
Other									11	11



Love Sharing for the Underprivileged

**kt IT-Master Scholarship Program** | Since 1988, kt has provided scholarships to top-performing IT students at 141 colleges to support human resources development in the IT industry and reinforce national competitiveness.

Category	2009	2010	2011
Students	256	263	286
Scholarships (0.1 billion won)	8	8.2	8.2



**Free e-Learning for the Underprivileged** | kt provides underprivileged middle and high school students with free Internet lecture services. 347 students received free Internet classes in 2010 and 390 in 2011, and the Trade Union selects eligible students along with municipal and provincial education offices.

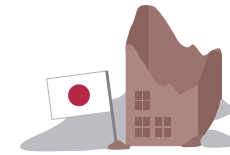
Middle school | olleh Home Study  
E-textbooks, specialized contents

High school | ktedui  
College entrance exams (KSAT), academic performance, exams at different colleges, and information on the KSAT

Cumulative Amounts (since 1988)



Dream with Society



2011 kt Employees' Japan Earthquake Relief Fund



**Labor-Management YOUTH Scholarship Program** | kt's labor and management make joint contributions to support underprivileged students. The review committees of both parties work with municipal and provincial education offices to select eligible high school students and awarded 210 students scholarships in 2010, 217 students in 2011. The selected students are guaranteed tuition fees until they graduate.

**Support for Youth IT Camp** | kt's labor and management hold IT camps for underprivileged youths during summer breaks. YOUTH scholarship recipients and child heads of household (110 in 2010; 110 in 2011) were invited to the kt HRD Center in Daejeon to visit kt's IT facilities, make friends through experiential learning and recreation activities, and experience information technologies. At the summer camp, students are provided with participation fees as well as transport services.

**Disaster Relief and Recovery** | In the event of an unexpected disaster, kt works hard to restore telecommunications facilities to provide secure service and provide free phone services to the victims. In addition, kt sends the Love Volunteer Corps to the affected areas to deliver relief supplies and donations. In 2011, 350 million won was raised by employees to provide relief in the aftermath of the Japanese earthquake in April (92.9% participation), 500 million won was also donated to the National Disaster Relief Association (August 3, 2011) to support continuous relief.



2010 kt Labor-Management Youth Scholarship Award Ceremony



Youth IT Camp Support

Global Love Sharing

In collaboration with KOICA, kt helped erect an elementary school in Kamonyi City, Rwanda. The company implemented the project in connection with the Wumuganda movement in Kamonyi, which is the Rwanda equivalent of Korea's Saemaul Movement. kt discussed with the Ministry of Education in Rwanda starting early in the planning stage and selected the most needy area as a recipient. Children in this area have to commute 8 to 10km through the national road or mountainous trail, which is a serious safety threat. The school consists of six classrooms, faculty, playground, washrooms, water filters and tanks, and can accommodate about 250 students. When classes are provided in two parts, up to 500 students can go to school. The company participated in the OLPC (One Laptop per Child) project [the program designed to bridge the digital divide by providing laptops worth 100 dollars to children in developing countries] and created mobile network systems in four schools. Students in Rwanda are now able to access the Internet on their laptops, which has bridged the digital divide.



Global Love Sharing

kt created an Internet training center in Tashkent, capital of Uzbekistan and started providing free IT training in May 2010. In November 2011, the company helped create videoconferencing rooms and provided laptops to support the administrative environment of the Ministry of Information and Communications in Vietnam. In 2012, the company will propose a new engagement-type CSR model by making the existing CSR activities global (Dream Center, Finding Sound) with more systematic global CSR.



Dream with Society

Culture Sharing

**olleh square** | olleh square is a cultural space covering 3,300m<sup>2</sup> located on the first floor of the Gwanghwanmun building. Opened in May 2010, the square provides free state-of-the-art IT devices and services, a cultural/resting space for citizens, including a café and olleh square Tok concert, becoming the best complex cultural space in Korea. olleh square is also used for international events, such as iPhone and iPad launches and popular as a tourist attraction providing experience in the advanced IT environment. It has also become a popular tour course for experiencing the hi-tech IT environment. Up until now, over 2 million tourists visited the square, generating 6.97 billion won.

**kt chamberhall** | As part of the culture sharing project to communicate with customers, the kt chamberhall dedicated to classical performances was opened inside the Mokdong IDC in Seoul in May 2009. The chamber has 420 seats and about 600 parking spots, contributes to improving the quality of life for local residents through renowned performers' concerts, and takes the lead in popularizing classical music through olleh TV Classical Music/Concert - chamber hall Concert Menu. The 'Saturday Afternoon Chamber Music with kt', a special performance at the kt chamberhall, is held 24 times all year round, where about 20,000 people attended the concert performed by over 300 professional performers. The kt chamberhall is used as a space for social responsibility and customer satisfaction with extraordinary ticket prices, seat donations, and VIP events, targeting underprivileged people.

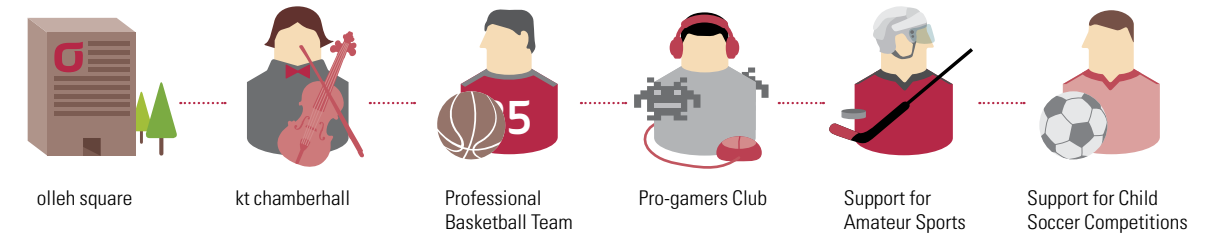
**Professional Basketball Team** | During the 2011-2012 Season, Professional Basketball Team provided fans free admissions through the Sharing Clothes for Love event, delivered clothes to the Social Services Center in Dongrae-gu, Busan, and funded eye surgeries for needy neighbors. With the operation of Frontiers 3.0, a Sonic Boom sports experience and PR program, kt has run pro sports experience programs for college students interested in sports marketing for three years, and contributed to creating jobs and developing sports human resources through the pro basketball team internship program that comes with sports job fair participation. The Frontiers Program provided college students job opportunities and became a nationwide experience program.

Dream with Society

**Pro-gamers Club** | kt became the first company to launch a pro-gamers club in 1999 to create a healthy gaming environment for youths. After winning the 2009-2010 and 2010-2011 seasons, the club became most popular in the e-sports industry. In May 2011, the company implemented the u-Learning project in collaboration with the City of Seoul to help youths in low-income families improve their academic performance and develop personalities. At the Korean Business Communication Awards held in November 2011, the company was awarded the Special Prize for its achievement in communicating with fans.

**Support for Amateur Sports** | To develop amateur sports and foster promising players, kt created the Women's Hockey Team in 1984 and the Shooting Team in 1985. They became the leading amateur sports teams after attending national and international competitions with kt's support. As a result, kt Shooting Team won a gold medal and a silver medal at the Beijing Olympic Games in 2008, and kt women hockey players performed well at international competitions, representing Korea. With the opening of the olleh Baduk Championship, kt worked hard to communicate with local Baduk fans and contribute to developing promising Baduk players.

**Support for Child Soccer Competitions** | To help aspiring soccer players make their dreams come true, kt sponsors the youth soccer competition (Little K-League), provides underprivileged children with the opportunity to participate in soccer games, and helps create a healthy youth culture.



kt chamberhall

Professional Basketball Team

Professional Basketball Team

olleh square



Pro-gamers Club

Support for Amateur Sports

Support for Amateur Sports

Korea Business Communication Awards



Dream with Society

## Universal Service and Bridging Digital Divide

**Providing Universal Service** | Universal service is a basic electrical and communication service that any user can access at any time, anywhere, at a reasonable price. It is a telecommunications service that most people can enjoy at an affordable rate, regardless of their income or where they live.

Currently, kt's universal services include wired phone and emergency call services, and discounts for people with disabilities and low incomes. In 2012, the company began providing discounts for Internet calls for underprivileged people, as demand for Internet calls increases.

kt maintains low rates\* so that all citizens can use the services designated as universal, and prohibits discrimination in rates/service quality for geographical, income, or disability reasons. In other words, residents in farms, fishing villages, and island areas are able to access the same quality of service as those in urban areas, unlike most other carriers that limit the scope of service.

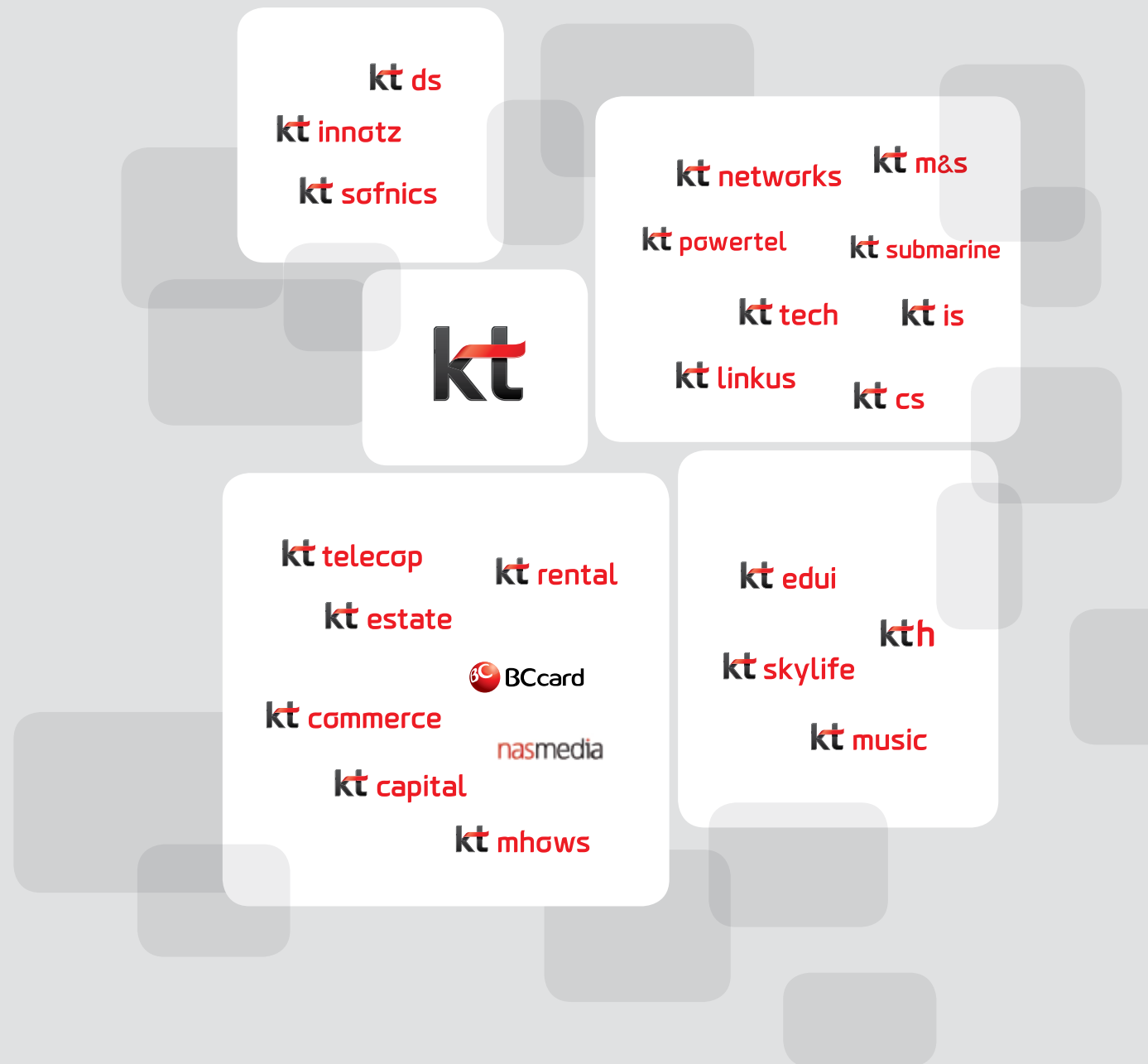
\*Wired call rates in Korea are the second lowest among OECD countries when used in small/large amounts.

### 2011 Universal Services Provided

Category	Definition of service	Available
Wired Phone Service	Local call service	Call service through subscriber phones - Service provided to 16,258,000 subscribers by the end of 2011 - Replaced aging phones: 108,000 lines - Facility demanded due to new urban development: 129,000 lines
	Island call service	Call service through wireless communications between land and island, or between island and island - Local calls and ultra high-speed Internet service available to 65,000 subscribers in 422 island areas (there are 3,170 islands in Korea, among which 491 islands are entitled)
	Local public call service	Call service through public phones - 80,000 unmanned public phones nationwide - Periodic disinfection/hygiene control, phone booths for people with disabilities
Emergency Call Service	Special numbers for emergency calls	Among the backbone communications service, services that the Korea Communications Service has designated as a special number phone service - Applicable numbers: National security hotline (111), crime report (112), spy report (113), cyber terrorism report (118), fire/disaster report (119), maritime accident and crime report (122), smuggling report (125), drug crime report (127) - 119 reports can be made using video calls on mobile phones (limited to Seoul) - Telegraphs, phones, and telegrams available on 4,000 subscribed ships
	Marine wireless service	Call service through wireless telecommunications between land and ship, or between ships - When a GMDSS disaster signal is received, the signal is automatically relayed in real time to related organizations such as the maritime police, pursuant to the SOLAS Convention
Call Discount Service	Service discounts for people with disabilities or low incomes, who need social protection	-Services eligible for discounts: Local/long-distance calls, information calls (114), mobile calls, and ultra high-speed Internet -Fixed-price discounts for base and call rates -Discounts worth 234 billion won provided for different services to a total of 5,055,000 subscribers in 2011

## CSR Activities by kt Group Companies

kt has reinforced group-wide social responsibility activities to resolve social issues and create public values. To support the healthy development of future generations, the company began extending its associations with group companies and local child care centers in 2011. Under the ELF Campaign, centering on the three key projects, Education, Life, and Family, the company's CSR activities and employees' talent-sharing activities are conducted together. kt plans on increasing synergy within the Group by creating a stronger collaborative network among the companies.



## kt powertel

Revenue

2010 **127.5** billion won  
2011 **126.8** billion won

**Overview** | kt powertel is a TRS (trunked radio system) provider that allows wireless and mobile call services using one phone. By 2000, the company extended the scope of service to mobile call and wireless data services, cementing its position as a total telecommunications carrier. In the second half of 2012, the company will launch a TRS smartphone (Double Bee) and provide enterprise mobile services.

**CSR Activities** | Through its in-house volunteer club called 'Power Angel', kt powertel has conducted a wide range of cultural experience activities for underprivileged children, such as book club and Didim Seed bank account support, musical performances, making Songpyeon (rice cake), farming experience, and skating. The company is also actively engaged in IT Sharing by delivering TRS phones to care centers for underprivileged children. Further, kt powertel practices employee donations, delivers certificates of blood donation to patients with childhood tumors, and shares briquettes. In 2011, the company held a range of cultural experience programs for children at local care centers, provided necessities, and helped children study in a better environment.

## kt networks

Revenue

2010 **342.4** billion won  
2011 **374.5** billion won

**Overview** | kt networks has specialized NI (network integration) capabilities, from network design to consulting, construction, operation, and to maintenance/repairs. To cope with changes in the IT convergence environment, the company provides enterprise customers with IP-based in-building services, as well as IT devices. Lately, the company has consolidated its position in the green IT market by creating a solar power generator and making waste resources into energy.

**CSR Activities** | kt networks conducts a wide range of CSR activities in connection with local child care centers, centering on the Love Volunteer Corps consisting of employees at the head office and six other branches. kt networks' CSR activities are aimed at two-way communication through which the company discusses activity themes, creates programs, and conducts activities with the care centers. In 2011, in collaboration with the care centers, the company provided 24 kinds of CSR activities, such as 'Creating Necessities for Spring', 'Building Pretty Homes in Our Community', 'Fun Cultural Experience', and 'Outdoor Sports Activities'.

## kt commerce

Revenue

2010 **162.5** billion won  
2011 **334.2** billion won

**Overview** | kt commerce specializes in B2B services, delivering customer satisfaction and providing enterprise customers with business competitive edges using its procurement capabilities. Its specialized procurement capabilities and expertise have helped the company provide leading enterprises in Korea with procurement agency and consulting services. Up until now, the company has formed a business network with 550 clients and 7,431 suppliers, and provided optimized, integrated procurement agency services using its strategic sourcing expertise for about 200,000 items. kt commerce will help enterprise customers strengthen their procurement capabilities by transforming their 'procurement values', fulfill its social responsibility, and become a B2B expert creating original values.

**CSR Activities** | kt commerce's volunteer corps called 'DANUM' formed an alliance with Vision School in Ilwon-dong, Seoul, and has provided social services at local child care centers on a monthly basis. In 2011, the company supported orchestra concerts, musical admissions, and festivals during holidays, and donated supplies to a bazaar hosted by Vision School. Through the '1 Company, 1 Village' sisterhood with Solmadang Village in Seosan, Chungcheongnam-do, kt commerce also provides a range of exchange programs, such as providing assistance and farm experience public relations. Donations are provided through the kt commerce Love Sharing Fund, consisting of the amount of contribution set by employees is automatically deducted from their pays, and the same amount is contributed by the company through matching grants.

## nasmedia

Revenue

2010 **18.85** billion won  
2011 **21.7** billion won

**Overview** | Created in 2000 as an Internet advertising media lab, nasmedia provides an integrated digital media strategy by extending the Internet planning capabilities that it has built up in the past decade to a variety of media (digital broadcasting, digital outdoor advertising, and mobile). The company will work harder to convey each client's message and value using its media planning expertise in the Internet, mobile, digital broadcasting, and digital outdoor areas, and its scientific, specialized solutions to monitor advertising effects.

**CSR Activities** | Starting with its 2011 Make-a-Wish Chorus Supporters activities, nasmedia has created a 'sharing' culture through regular sponsorship activities for the Korea Heart Foundation and the Seokchon Child Care Center. By contributing 100% of the revenue generated by in-house café called 'Madang' to its Social Responsibility Fund, the company spent it on CSR activities and worked with the Heart Foundation to help 10 patients recuperate from surgeries.

## kt linkus

Revenue

2010 **76.1** billion won  
2011 **78.1** billion won

**Overview** | Founded in 1988, kt linkus provides public phone services that can be used at any time, anywhere, and has developed video phones and transit card phones using its vast experience and technology. The company has since provided AEDs (automated external defibrillator), Lavazza capsule coffee machines, ATM booths, advertising booths, and logistics services.

**CSR Activities** | The company's Love Volunteer Corps joined by 750 employees consists of 47 teams, and has conducted a variety of volunteer activities each year, including the 'Beautiful Store' in 2007, targeting low-income groups (children, seniors, people with disabilities, single parent mothers, and adopted children). In 2011, through the Social Welfare Found, the company delivered health products to low-income families, nurseries, elementary schools, and seniors living alone (44 centers, 178 times). Each month, the corps provided donations and volunteer services to the affiliated child care centers and facilities for the disabled. In addition, based on employees' ideas, the company purchased necessities using kt product points (communications and line rental fees) and delivered them to seniors living alone or with low incomes.

## BC Card

Revenue

2010 **3,077.2** billion won  
2011 **3,137.3** billion won

**Overview** | Founded in 1982, BC Card has 43,200,000 members and 2,320,000 affiliate stores, and provides user-friendly credit card services through its 11 member-company network. In 2011, through the merger with kt, BC Card streamlined card payment processing using kt's ICT and contributed to the growth of the banking industry, and will become a leader in the global mobile payment market.

**CSR Activities** | Since the early 1990s, BC Card has supported low-income families and disabled people. In 2005, through its CSR campaign called 'Make Hope with Red Apples', the company extended its CSR activities and prepared a framework for employees' volunteering, and in 2010, by launching a new CSR campaign called 'Love, Sun Rise!', the company renewed its determination and commitment to social responsibility. In 2011, BC Card developed a specialized CSR project using its capabilities to build a better society, as well as meet social needs. The new CSR group called 'Love, Sun School Angel' provided scholarships and training for parents in low-income families. In collaboration with local child care centers in Seoul, the company launched 'Love, Sun, Hope & Trees' to support 'Baduk' classes to improve emotional security and help employees provide children at local centers with cultural experiences every month. BC Card also sends 'Love, Sun, Red Meal Cars' to 13 care centers nationwide to provide free meals twice to five times each week. From 2005 and to present, about a million people who could not afford food were provided lunch, and BC Card's employee volunteers also participate in meal delivery each month.

## kt rental

Revenue

2010 **629.7** billion won

2011 **661.5** billion won

**Overview** | Founded in 1986, kt rental specializes in renting vehicle and IT devices and providing ‘total rental services’ ranging from equipment supply to construction and to maintenance. Using its rental expertise, the company has extended its business to vehicles, construction equipment, monitoring equipment, and office supplies, consolidating its position as the best total rental company.

**CSR Activities** | In 2011, kt rental created an in-house volunteer group called Love Sharing Corps (50 members) and formed sisterhoods with three local child care centers to provide social services. Employees raise funds through ‘Sharing Fund’ and the company contributes matching grants to conduct activities like donating laptops for educational purposes and vehicle support for field trips. Since 2002, in collaboration with Beosut Company, the company organized free plays and provided neighboring residents with cultural experiences. In the past decade until 2011, about 50,000 people attended the free performances. In 2011, for nine days in total, the performances were presented at a small theatre called ‘Al and Haek’ attended by about 2,300 people. The company provided rental cars to ensure safety while viewers with disabilities move in and out of the theatre and organized employee volunteer activities and events, gaining immense popularity.

## kt music

Revenue

2010 **40.1** billion won

2011 **31.3** billion won

**Overview** | kt music offers plenty of music contents and specializes in innovative music services available in a multi-screen environment provided by kt. Formed in 1991, kt music services a wired/wireless portal called olleh music (www.ollehmusic.com), and has extended the scope of digital music services through the convergence service combining kt’s technology and infrastructure. For smartphone users, the company provides personalized music services and increases synergy by investing in digital music contents and providing a distribution channel.

**CSR Activities** | Since 2011, kt music has conducted CSR activities that take account of the company’s characteristics. Through talent donations by kt, kt music, and a musical team called Throw a Peak, children at the kt olleh Dream Center are provided ‘musical classes’, and a gala show called ‘Dream’ was presented. Since 2010, any employees who wish to participate can visit child care centers nearby and provide services including fine arts classes. To raise funds for local child care centers, the company held a ‘Lunch Box Sharing Showcase’ with celebrities to encourage voluntary donations, and invited 60 children at olleh Dream Centers to the show.

## kt m&s

Revenue

2010 **616.0** billion won

2011 **917.2** billion won

**Overview** | Created in 2007, kt m&s is a communications service distributor that sells wired/wireless communication services, as well as IT products, through a variety of channels, and plays a pivotal role in ‘customer retention’. By taking over future-oriented channels, including the B2B market, using the emerging devices, the company will become a customer-centric wireless distributor.

**CSR Activities** | Employees at kt m&s deliver briquettes to low-income families and participate in free meal delivery activities. To raise funds for CSR activities, the company operates the ‘Pay Usuri Program’ in which employees set a certain amount and donate it from their monthly wages to the Yangji Sun Child Care Center. To protect the environment, the company also cleans up local communities near Gwanak Mountain, the Yangjae River, and Gwangan-ri.

## kt tech

Revenue

2010 **341.5** billion won

2011 **247.4** billion won

**Overview** | Separated from kt in 2001, kt tech changed its brand name from EVER to TAKE. By extending its business to all wireless device areas, such as smartphones, LTE phones, feature phones, as well as wired phones, M2M, and models, the company is evolving into a total wireless device distributor within kt Group. A leader in Android-powered smartphones at kt, the company operates TAKE, an innovative brand that suggests a new type of smartphone. The company will lead people’s smart, wireless lives with innovative thinking.

**CSR Activities** | Since its foundation, the company sponsors hungry children each month, and helped clean and provide meals with five-member teams at the Jungtap Social Welfare Center (located in Yatap-dong, Bundang-gu, under the Child Foundation) from 9 AM to 1 PM every Monday, through the Happy Monday activities from September 2010 until March 2012.

## kt ds

Revenue

2010 **355.5** billion won

2011 **498.2** billion won

**Overview** | kt ds, an ICT expert, has system deployment technologies, including IT system deployment/operation to provide kt Group companies with IT services, deployment of an ICIS (the world’s biggest open, large-capacity system), development/deployment of NeOSS (the world’s first MS.NET-based integrated operation management system), deployment of EDW (the world’s third largest-capacity system), and deployment of N-STEP (wireless sales management system). The company was the first telecommunications company to earn CMMI Level 5 certificate, the world’s best software quality activity, and an ISO20000 (international standard for ITSM) certificate, and has provided world-class ICT services and worked to deploy next-generation systems for kt.

**CSR Activities** | kt ds formed ‘IT Sharing Volunteer Corps’ that uses the company’s IT expertise to provide children at four local care centers with IT training and 1:1 mentoring, and improve the aging facilities and conditions of the centers. To support rural areas, the company formed a ‘1 Company 1 Village’ sisterhood, provided assistance during the spring and autumn, purchased local products, and delivered them to about 450 low-income families, improving the company’s image. In collaboration with social services centers nearby, the company made kimchi for 500 households of disabled people and seniors living alone, and paid visits to 130 homes where senior citizens live alone.

## kt submarine

Revenue

2010 **711** billion won

2011 **111.4** billion won

**Overview** | Established in 1995 a kt and Hanjin Shipping’s joint investment entity, kt submarine is the only Korean company specializing in and internationally recognized for its submarine communications and cable construction/maintenance services. Aside from the existing communications/electrical cable construction provided using a variety of special devices and vessels, the company plans on expanding into the areas of special submarine cable construction and offshore wind power, and becoming a total marine solution provider.

**CSR Activities** | Since 2004, centering on the Love Volunteer Corps, kt submarine has conducted social responsibility activities in collaboration with care facilities for seniors living alone, child heads of household, and children. The company also created a fund dedicated to volunteering participated by employees, and has been involved in community services. Aside from the monthly donations, in 2011, the company also donated to the House of Grace, a local child care facility, the gifts that employees had received during the Seolnal (New Year) and Hangawi holidays. In addition, the company delivered heating fuels and necessities in December, and has extended the scope of support for the underprivileged.

## kt skylife

Revenue

2010 **426.7** billion won

2011 **464.4** billion won

**Overview** | Skylife is the only digital satellite broadcasting company in Korea, and provides services using the most advanced digital satellite broadcasting system, ranging from sophisticated HDTV to the 24/7 3D channel, to PVR service, to NVOD service for the latest movies, and to two-way TV, EPG (Electronic Program Guide) service. Going digital in 2012, Skylife will open an era of ‘5 million subscribers’ and become a total digital media business that provides digital content that meets customers’ needs and delivers fun and happiness.

**CSR Activities** | kt skylife increased service for fringe areas by over 50%, relative to the previous year 2010, in collaboration with KBS, local governments, and the Korea Broadcasting Commission, providing 20,415 households with satellite receivers. The company will continue to extend the service to ensure the public’s universal access right. Further, the company continued donations with the Rainbow Volunteer Corps, including briquette delivery to low-income families and social services centers, family trips, and baseball game admissions, and extended the CSR activities to kimchi delivery to low-income and multicultural families and funding for patients with serious tuberculosis. In 2012, Skylife will implement more diverse, comprehensive CSR activities, including book donations to underprivileged children.



## kt is

Revenue

2010 **351.0** billion won  
2011 **375.0** billion won

**Overview** | Founded in 2009, kt is is a marketing company that places the highest value on customer satisfaction. kt is consolidates its position through the kt Customer Center and secure 114 dialling service, while extending the contact and distribution businesses to pave the way for business innovation. kt is will become a leader in customer service with a distinctive serve strategy.

**CSR Activities** | In June 2011, kt telecop expanded the Electric Center's Love Volunteer Corps to include employees at six business units and 44 branches. The company provides cultural/liberal arts experiences, sports activities, and training to children at local care centers, and enforces 'Safe School Guard' activities to protect students from school violence and threats. In April 2011, the company also formed a '1 Company 1 Village' sisterhood with a village in Incheo-dong, Anseong, opened a market where farm products are directly traded, and carried out activities to promote mutual growth in urban and rural areas. kt telecop's activities also include sharing songpyeon (rice cake) with seniors living alone, delivering lunch boxes to underprivileged neighbors, helping children with leukemia, and blood donations.

## kt telecop

Revenue

2010 **216.7** billion won  
2011 **261.2** billion won

**Overview** | Established in 2006, kt telecop has become a leading security company in Korea with its advanced IT infrastructure and technology. kt telecop is the first Korean security provider to launch a video surveillance service for smartphones, and has rolled out new security solutions by combining smart video products with next-generation technologies such as mobile security services. kt telecop will provide customers with more advanced services with customized security systems.

**CSR Activities** | In June 2011, kt telecop expanded the Love Volunteer Corps to all employees from six business units and 44 branches. The company provides cultural/liberal arts experiences, sports activities, and training to children at local care centers, and enforces 'Safe School Guard' activities to protect students from school violence and threats. In April 2011, the company also formed a '1 Company 1 Village' sisterhood with a village in Incheo-dong, Anseong, opened a market where farm products are directly traded, and carried out activities to promote mutual growth in urban and rural areas. kt telecop's activities also include sharing songpyeon (rice cake) with seniors living alone, delivering lunch boxes to underprivileged neighbors, helping children with leukemia, and blood donations.

## kt capital

Revenue

2010 **176.4** billion won  
2011 **222.9** billion won

**Overview** | kt capital is a financial company specializing in loans, leading the convergence of finance and telecommunications. The company develops financial solutions in varying areas, such as leasing, financing, project financing, enterprise loans, and IT venture investment. By financing investments in the advancement of kt's wireless services and supporting other the financial sources needed to execute new projects, kt capital works hard to provide customers with convenient, distinctive services.

**CSR Activities** | With the volunteer group launched by its employees in July 2009, kt capital created a CSR team under the sustainability policy of kt, its holding company, in 2011, which operates under a systematic process. In 2011, the company provided educational opportunities to students at branch schools in the Seoul metropolitan area that lack cultural resources, and delivered meals and lunch boxes to the elderly living alone and low-income families. The company also provided underprivileged families with briquettes so that they could keep their homes warm during the winter.

## kt cs

Revenue

2010 **355.1** billion won  
2011 **380.8** billion won

**Overview** | kt cs is responsible for kt Group's customer services and provides 114 dialling, contact center outsourcing, and cs Academy training services. Using its distinctive cs capabilities, the company topped the industry with the highest sales, won the President's Award in Korea Service Quality in 2007 for the first time in the industry, and was awarded the National Quality Award in 2011. As smartphone users increased, the company launched a phone number search app called 'Smart 114', and is making forays into new businesses through, for instance, a small/medium entrepreneur marketing care service called 'SMC Project'.

**CSR Activities** | Since 2005, with the Heartner Volunteer Corps, kt cs has conducted volunteer activities under five themes, according to the characteristics of different business teams in 7 areas in Korea. The Heartner Volunteer Corps provides social services under the five themes, namely, Dream (children), Love (elderly), Culture (multiculturalism), Hope (disabled), and Probono (talent sharing). The company visits local child care centers every month to host cultural events and provide learning support, and in 2011, donated about 1,500 best sellers to the care centers. Starting in 2011, the company works with the Ministry of Health and Welfare to implement the 'Love for the Lonely Elderly' project to prevent the accidental deaths of seniors living alone by having 200 counsellors calling the seniors once or twice a week, supplying heaters, and paying visits. In addition, the company provides multicultural families with Laughing Cure and Telephone Etiquette training. The 'Borderless Pursuit of Happiness' event hosted by the company along with about 250 multicultural family members and immigrant workers in Daejeon gained very positive reception. Other CSR activities include cleaning/repairs for care centers for the disabled and donations of supplies. Last, the company provides elementary/middle/high school students with 114 counsellor experience/telephone etiquette training, and senior citizens with talent-sharing activities, such as Laughing Cure. In 2012, kt cs will start a book recording service for the visually impaired in collaboration with the Daejeon Volunteers Association.

## kt mhows

Revenue

2011 **34.9** billion won

**Overview** | kt mhows is a mobile advertising company created in 2004, and is expanding its business to the areas of Wibro, IPTV, and SolP, as well as mobile media. Ranging from online banners to mobile advertisements and to mobile commerce, its comprehensive and systematic services help the company successfully communicate with customers and provide appropriate marketing solutions as a digital marketing leader.

**CSR Activities** | In December 2010, kt mhows entered into an alliance with local child care centers in Namyangju and provided programs for children, such as recreations, aquarium visits, and fun sports games.

## kth

Revenue

2010 **150.1** billion won  
2011 **130.7** billion won

**Overview** | kth has conducted business in smart mobile, content distribution platform, group synergy, and gaming areas targeting the 4 Screen, and aims to become a total service provider combining wired/wireless Internet and digital content, as well as building a platform to secure infrastructure. To become an advanced smart mobile company, kth has strengthened its mobile business capabilities, including local/photo-based social networking services, and provides a unified supply-demand and a distribution channel for the varying contents and solutions needed by network businesses within kt Group.

**CSR Activities** | In 2011, during the Seolnal (New Year) and Hangawi holidays, kth donated the gifts that employees had received to the Nambu Social Services Center for the Disabled at the Samyuk Rehabilitation Center. In January 2012, with the company's volunteer club called 'Plus Happiness', employees delivered rice to the elderly living alone in Dangjak-gu, Seoul. Further, the company donated PCs, monitors, office desks, chairs and other equipment to organizations for the disabled through a social enterprise called SESNET.

## Appendix

## Independent Assurance Statement

### Scope and objectives

Two Tomorrows (Asia) Limited has undertaken independent assurance of kt's 2011 Sustainability Report.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 1 assurance, which includes evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles).

We undertook no checking of sustainability performance data and consequently offer no assurance over performance data or associated claims included in the Report.

### Responsibilities of the directors of kt and of the assurance providers

The directors of kt have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of kt. However our statement represents our independent opinion and is intended to inform all of kt's stakeholders. We adopt a balanced approach towards all of kt's stakeholders.

We have no other contract with kt and this is the second year that we have provided independent assurance. We were not involved in the preparation of any part of the Report. However, having reviewed and provided feedback on drafts of the Report, in a number of instances changes were made to the final version. Our team comprised MinGu Jun, project leader, as well as InMog Yang and YoungJae Ryu. This assurance statement was prepared by the team in English, and reviewed and signed off by Jon Woodhead, Sustainability Services Director, Two Tomorrows. Further information, including individual competencies relating to the team can be found at: [www.twotomorrow.com](http://www.twotomorrow.com).

### Basis of our opinion

We undertook the following activities:

- | Review of kt's process for identifying and evaluating material issues.
- | Analysis of the ESG report of an SRI (Socially Responsible Investment) analyst and our Tomorrow's Value Rating result to review the issues identified through the kt materiality process.
- | Interviews with five executive management team members and managers responsible for managing non-financial issues, based at the Bundang, Gwanghwamun, Seocho and Umyeon-dong offices. Interviewees were suggested by kt and agreed with Two Tomorrows.
- | Assessment of information provided to us by kt on its reporting and management processes relating to the Principles.
- | Assessment of supporting evidence for key claims in the Report.

### Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe kt's adherence to the Principles of the AA1000APS.

### Observations

Without affecting our assurance opinion we also provide the following observations.

kt's 2nd generation of olleh management announces a new management direction for leaping forward as 'a Global Media Distributing Group'. In the future report, we recommend that kt should clearly discuss the relevance of kt's key sustainability issues to this new management approach. This could be achieved by explaining risk and opportunity relevant to the journey toward 'a Global Media Distributing Group' by linking with key sustainability issues identified through stakeholder engagement and materiality assessment. This discussion will enable more effective reporting of kt's performance and progress relating to these risk and opportunities, for example by recruiting experts, enhancing partnerships with suppliers, improvement of HR and procurement systems and IT infrastructure innovation.

kt discusses many accomplishments in areas such as smart working, partnerships in growth and social contribution. To enhance the credibility of the report we recommend that kt should improve the balance of the report by disclosing the areas where the company underperformed relative to its own or stakeholders' expectations, or critical challenges that required continuous improvement efforts, in addition to reporting on the current positive performances.

### Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Stipulating regular reporting of sustainability performance and plans to the board of directors is a commendable approach that demonstrates further improvement of sustainability governance. kt can make significant improvements to the inclusivity of governance processes if external stakeholders' involvement is ensured during the review process for sustainability performance and plans. We recommend that kt should establish and operate an advisory committee or independent stakeholder panel where external stakeholders can directly communicate with senior management.

Following the announcement of the new management direction towards a global company, kt should now seek to demonstrate leadership in sustainability to meet the expectation of global society. In the next report kt should include evidence of actively participating in multi-stakeholder global sustainability initiatives and demonstration of work to address global material challenges.

### Material issues are those which are necessary for stakeholders to make informed judgments concerning kt and its impacts.

Based on the work undertaken, we are not aware of any issues that are of high materiality for its operations that kt has not recognised within its report.

We recommend that kt should integrate its corporate key risk management process with the materiality determination process for sustainability issues. An integrated process should be established to ensure that the sustainability issues such as various stakeholders' expectation collated from the working committees, peer issues, societal norms and the issues covered by media are reviewed at the corporate risk pooling stage. Further governance improvement for integrated risk management can be achieved if kt combines current operations of risk committee with the sustainability Executive Committee.

We recommend that kt should ensure the materiality determination process is integrated in the organization by stipulating that the process is performed through direct involvement of the working committee and the result is reported regularly to the sustainability Executive Committee and the board of directors along with the sustainability performance and plan.

The issues of mobile phone take-back, and electromagnetic fields (EMFs) from base stations are amongst the most material issues for the global telecommunication industry peers. While kt discusses its activities regarding used mobile phone take-back, the Green Phone service and management of base stations' EMFs, to prepare the leaping toward

global company, kt should also develop mid-long term strategies based on further in-depth review of these issues. Firstly kt could complement the current report with more specific performance reporting on current activities and mid-long term target setting, which might include the amount and targets for collected used phones and distributed Green phones, the ratio of classified stations as high EMFs and disclosures of the research undertaken on the impact of EMFs on health.

### Responsiveness concerns the extent to which an organization responds to stakeholder issues.

The governance of kt's sustainability management is structured centrally with the corporate Corporate Governance Committee under the board of directors and sustainability Executive Committee. Further improvement can be made if kt designates a board director who can take responsibility for the sustainability performance review and corrective action implementation. We also recommend that kt should reflect the performance of sustainability issue management in the performance evaluation for relevant senior managers, and should provide sustainability training programs not only for the relevant management and working committee members but also for the all the employees of kt.

kt demonstrates a good approach with its partnership in growth initiatives for supporting suppliers including '3 Do' announcements to vitalize the software industry. While this is commendable there is a room for improvement in kt's approach to managing supply chain's CSR issues. As the global telecommunication industries' demands for managing suppliers' environmental and social issues increase, we recommend that kt should develop an in-depth appreciation of supply chain risks and opportunities, and should participate fully in international initiatives such as the EICC (Electronic Industry Citizenship Coalition).

Two Tomorrows (Asia) Limited | Seoul, Korea

15th June 2012

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- a DNV company

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Appendix

GRI Content Index

● Reported ● Partly reported ○ Not reported ◇ Not available

No.	Reporting	Page	Highest	No.	Reporting	Page	Highest	No.	Reporting	Page	Highest
<b>1. Strategy and Analysis</b>				<b>Economic</b>				<b>LA7</b>			
1.1	●	2-3	A_1	DMA	●	22	D(1-3), EC_DMA	LA7	●	51	EM(17, 19)
1.2	●	2-3	A_2	EC1	●	31-32	EC1	LA8	●	51	EM(16, 18)
<b>2. Organizational Profile</b>				<b>Environmental</b>				<b>LA9</b>			
2.1	●	14	A_3	EC2	●	58-59	EC2	LA9	●	51	EN(15, 16)
2.2	●	26-28, 89-94	A_4	EC3	●	33, 52	EC3	LA10	○	50	EM27
2.3	●	14	A_5	EC4	◇	32-33	EC5	LA11	●	52	EM(26, 28)
2.4	●	14	A_7	EC5	○	-	EM4	LA12	●	48	EM9
2.5	●	14	A_7	EC6	●	69-77	EC4	LA13	○	45	EM(2, 33, 34), CO10
2.6	●	14	A_8	EC7	○	45	EC4	LA14	○	-	EM(3, 17)
2.7	●	14, 88-94	A_9	EC8	●	32, 69-70, 81, 86	EC6	LA15	○	52-53	EM34
2.8	●	14	A_10	EC9	●	81, 86	EC7	<b>Human Rights</b>			
2.9	●	14, 23	B_8	<b>Environmental</b>				<b>DMA</b>			
2.10	●	22-23, 101	EC8, CO8	DMA	●	56	D(1-3), EV(DMA, 2, 3)	HR1	●	53	D(1-3), EM_DMA1
<b>3. Report Parameters</b>				<b>Environmental</b>				<b>HR2</b>			
3.1	●	cover	B_3	EN1	○	-	EV10	HR2	●	76	PN(1, 2)
3.2	●	cover	B_8	EN2	○	63	EV11	HR3	●	76	PN(3, 4, 5)
3.3	●	cover	B_6	EN3	●	58,100	EV7	HR4	●	53, 76	EM(25, 26, 28, 30)
3.4	●	cover	B_9	EN4	●	58	EV8	HR5	○	53, 55	EM(7, 22)
3.5	●	cover	B_4	EN5	●	60-62	EV5, EC9	HR6	○	53-55	EM(8, 23, 24)
3.6	●	cover	B_1	EN6	●	60-62, 64	EV5	HR7	◇	*4)	EM9
3.7	●	cover	B_2	EN7	●	60-62, 64	EV5	HR8	◇	*5)	EM10
3.8	●	cover	A_6	EN8	●	60-62	EV(5, 25)	HR9	◇	-	EM31
3.9	●	cover	-	EN9	●	63	EV9	HR10	○	-	CO2
3.10	◇	Not available	-	EN10	○	63	-	HR11	●	53	-
3.11	◇	Not available	B_5	EN11	◇	Not available	EV18	<b>Society</b>			
3.12	●	98	B_10	EN12	○	55	EV22	DMA	●	78	D(1-3), CO_DMA
3.13	●	58, 96-97	B_7	EN13	◇	Not available	EV27	SO1	●	79-88	C_2, CO(1, 2)
<b>4. Governance, Commitments, and Engagement</b>				<b>Environmental</b>				<b>SO2</b>			
4.1	●	16	GR1	EN14	◇	Not available	EV(6, 26)	SO2	○	-	CO5
4.2	●	16	GR(1, 3)	EN15	◇	Not available	EV28	SO3	●	19	CO5
4.3	●	16	GR2	EN16	●	58	EV12	SO4	●	19	CO5
4.4	○	4, 54-55	GR12	EN17	●	58	EV13	SO5	○	65	CO6
4.5	○	16	GR(7, 8, 9)	EN18	●	58, 60-61	EV4	SO6	○	-	CO7
4.6	○	16	GR(13, 14)	EN19	◇	*1)	EV14	SO7	●	76	CS(2, 3)
4.7	○	16	GR4	EN20	○	-	EV15	SO8	●	76	CO9
4.8	●	15, 17-18	GR10	EN21	○	-	EV17	SO9	○	41-43	-
4.9	○	16	GR5	EN22	●	63	EV16	SO10	●	41-43	-
4.10	○	16	GR6	EN23	◇	*2)	EV21	<b>Product Responsibility</b>			
4.11	●	20-21	GR11	EN24	◇	*3)	EV29	DMA	●	34	D(1-3), CS_DMA
4.12	●	17, 99	GR10	EN25	◇	*3)	EV19	PR1	○	40	CS4
4.13	●	100	A_11	EN26	●	60-61, 64	EV23	PR2	○	42	CS(2, 10, 11)
4.14	●	4	C(1, 2)	EN27	○	63	EV24	PR3	●	36-40	CS(5-8)
4.15	●	4	C_1	EN28	○	-	EV31	PR4	○	-	CS(11, 12)
4.16	○	4	C_2	EN29	○	59, 61-62	EV30	PR5	●	34-40	CS(1, 9, 10)
4.17	○	4-5	C_3	EN30	●	65-66	EV1	PR6	●	36-40	CS(12, 13)
<b>5. Management Approach and performance Indicators</b>				<b>Labor</b>				<b>PR7</b>			
				DMA	●	44, 68	D(1-3), EM_DMA2	PR7	○	-	CS(13, 14)
				LA1	○	45	EM1	PR8	○	42	CS15
				LA2	○	-	EM5	PR9	●	76	CS(7, 12, 15)
				LA3	●	52	EM(18, 20, 21, 32)				
				LA4	●	53	EM(10, 11, 12)				
				LA5	○	54	EM13				
				LA6	●	51	EM14				

\*1) No ozone-depleting substances were detected in the processes. \*2) No serious hazardous substances were detected in the business processes \*3) Not very relevant to the environmental impacts of business activities \*4) No business areas with risks of child labor \*5) No business areas with risks of compulsory labor \*6)No intrusions by indigenous communities arising out of overseas businesses

Appendix

ISO 26000

kt applied to this 2012 Sustainability Report ISO 26000, an international standard for sustainability published in November 2010. kt will continue to work on the core subjects of ISO 26000, namely, organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Core Subject	Issue	Report Page
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	6.3.4 Human rights risk situations	53
	6.3.5 Avoidance of complicity	76
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	6.3.7 Discrimination and vulnerable groups	53
	6.3.8 Civil and political rights	53
	6.3.9 Economic, social and cultural rights	4, 5
	6.3.10 Fundamental principles and rights at work	53
6.4 Labor Practices	6.4.3 Employment and employment relationships	47, 53
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	6.7.4 Protecting consumers' health and safety	42
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	6.8.5 Employment creation and skills development	12, 85
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	6.8.7 Wealth and income creation	5, 31
	6.8.8 Health	42
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## Membership Status

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

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

## Key Performance Indicators

### Key Performance Indicators

Indicator	Unit	2009	2010	2011
Operating revenue	billion won	15,906.2	19,918.4	20,166.8
Net income	billion won	516.5	1,248.8	1,289.0
Capital expenditure	billion won	2,958.7	3,057.2	3,318.5
Tax payment	billion won	199.1	571.8	567.6
Proportion of female employees	%	14.66	14.83	15.00
Proportion of the disabled	%	2.9	2.4	2.45
Welfare spending	billion won	509.2	303.8	312.2
Accident rate	%	0.19	0.22	0.16
Supplier satisfaction index	points	75.2	77.4	84.8(2 <sup>nd</sup> half)
Support for hearing-impaired children	persons	50	21	35
Beneficiaries of IT Sharing	persons	515,286	325,771	324,038
Volunteer hours	hours	89,621	114,657	147,177
Social contribution spending	billion won	35.2	37.0	51.0
Power consumption	Mwh	2,310,075	2,369,453	2,372,085
GHG emissions	tCO <sub>2</sub>	1,139,896	1,176,147	1,173,257
Water use	ton	2,775,565	3,014,704	2,867,147
Waste disposal	ton	11,184	10,224	63,213
Green procurement	billion won	1.7	4.8	5.1

## 2011 Awards and Recognition

### 2011 Sustainability Awards

kt aims to create value based on ethical, transparent services by focusing on accountability for non-financial performance, including ethics, environment, and social values, and on balanced management.

Awards	Organized by	
February 2012	Best Award in Green Ranking Software/ Telecommunications kt olleh font/Typography iF winner	Newsweek Chungang Ilbo Germany's iF Design Awards (International Forum Design)
November 2011	Best Award at the 6th Sustainability Awards  12 joint projects for Green IT Business Models in 5 areas of industry, construction, transportation, renewable energy, and IT  President's Award at Korea Brand Awards  Gold Award in campaign - Advertisement of the Year  Best Practice Award in Respect for Labor at UNGC Awards	Ministry of Knowledge Economy/Small and Medium Business Administration Energy Management Corporation  Institute for Industrial Policy Studies Korea Advertising and Public Relations Association UN Global Compact (UNGC) Korea Network
October 2011	Excellence Award for Sustainability Reporting  CDP (Carbon Disclosure Project) Telecommunications Leader Award  Seoul Economic Daily Advertisement Award in Electronic IT	GRI (Global Reporting Initiative / Korea Standards Association) CDP Korea Committee Seoul Economic Daily
September 2011	Global Supersector Leader in DJSI Telecommunications	Dow Jones/SMA/Korea Productivity Headquarters
February 2011	olleh square/Corporate Construction Interactive iF winner	Germany's iF Design Award



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kt Sustainability Report 2012

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### Contact Information

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Publisher : Suk-Chae Lee

Published by : kt

Date of publication : June 2012

Planned by : CSR Team



This report was printed with bean oil on environmental-friendly paper.



kt Sustainability Report 2012