



Celebrating a bright future with KT

KT 2007
Corporate
Social
Responsibility
Report



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Objective

KT makes strenuous efforts to attend to the matters of interest to its stakeholders by closely interacting with a wide variety of stakeholders, including its customers, shareholders, investors, partner companies, employees and the local community, based on the spirit of corporate citizenship.

The objective of KT's corporate social responsibility report is to effectively summarize the economic, social and environmental activities of the company during the previous year as well as the results of such activities, and transparently disclose such information to all stakeholders. By so doing, KT aims to respond to the demands of the stakeholders and help them in their decision-making process.

KT has published its second corporate social responsibility report, following last year (on June 15, 2006). What is unique about this year's report is that it includes the annual corporate PR report and community relations white book that were issued separately before.

This is to minimize confusion among stakeholders that might result from the issuance of similar corporate PR materials. KT hopes that this report enables its stakeholders to more easily access comprehensive information on the business status and social responsibility activities.

Guidelines used for creating this report

The 2007 KT corporate social responsibility report abides by the G3 standards, which are revised guidelines set forth by GRI (Global Reporting Initiative), in partnership with UNEP (United Nations Environment Program), as well as BSR (B.E.S.T. Sustainability Reporting), which are sustainability report guidelines developed in Korea. This report has been created in reference to the GRI Telecommunications Sector Supplement.

The scope and period covered by the report

This report, issued both in Korean and English version, details the social responsibility activities carried out by the KT head office and its business centers across the nation from January 1, 2006 to March 31, 2007, if not mentioned otherwise, and will gradually cover such activities conducted by KT's subsidiaries and overseas branch offices in the future.

Quantified data in this report is based on the company's performance from January 1 to December 31, 2006. To analyze the progress and developments from the previous year, data in last year's report has also been included. In addition, the report applies internationally used units, such as the meter and kilogram.

BSR: Korean sustainability report guidelines that were jointly developed by the Ministry of Commerce, Industry and Energy, the Korea Chamber of Commerce and Industry and the Institute for Industrial Policy Studies (IPS).

B.E.S.T. (Business Ethics is the Source of Top Performance)

A decorative floral pattern in the bottom left corner, featuring various stylized leaves and flowers in shades of yellow and green.

Celebrating a bright future with KT



KT 2007
Corporate
Social
Responsibility
Report

A promising future in full bloom...

Are your dreams progressing with the day's advance? ◉ Does the sunrise enlighten... the sunset inspire? ◉ Does your daily dose of information bring you springtime's renewal? ◉ Has the budding of technology reached your doorstep to brighten your day? ◉

Find your answers in KT color ◉ We reach out to those who can only dream of technology, who hope to find fertile ground and sow seeds of inspiration and who hope to blossom in information age ◉

KT paints today's dreams with tomorrow's visions ◉
That is KT in flower ◉



Dreams uploaded in

real time!

:WiBro

As a b-boy, I am confident about my dance. And with KT's WiBro I can upload moving images in real time. As soon as I do, my fans can watch and cheer me on through my website! I am not a star yet, but someday I will show my dancing skills to the world. For the fans who are with me in realizing my dream! For those aspiring to become a b-boy! For my future and theirs...



:WiBro(wireless broadband)

A next-generation mobile communication technology that allows the use of high-speed Internet while you are on the move, WiBro is the world's first mobile 2.0 service. It allows you to search the web not bound by time or space. You can also use online services such as email, video conferencing and Internet telephony or check out multimedia content on the go.





I am not the only boy dreaming of becoming a b-boy

:FTTH

When I saw b-boy dancing on the Internet, for the first time in my life, I found the dream I would like to pursue. Their moves, balancing on one hand or doing outrageous head spins, were spectacular. I had to do it myself. I don't have any friends sharing the same dream, but there are many performers I can rely on: the teams of b-boys in the videos on the Internet. I can watch and practice their moves everyday.

:FTTH(fiber to the home)

In comparison to the existing optical LAN that is connected to the communication control room of apartment complexes, this refers to an optical Internet, connecting an optical cable directly to the home computer. People can now access the latest multimedia content, or hook up to network games at raging speeds, based on the most stable and fastest connection available (100 megabyte-level). And now, people living in less accessible houses, can also experience high-speed Internet access, like never before.





People say that television is an opiate for the masses,
but we call it intelligent TV at our home

:IPTV

An old saying goes: "You can only see as much as you know and you can only love as much as you can see." The same applies to history. Watching the historical drama, *Jumong*, made me curious about what had really happened. Through IPTV, my children would look up the information using our television and resolve my curiosity on the spot! As we watched, we began to gain a deep knowledge and greater appreciation for Korean history, learning about Goguryeo, Baekje and Shilla Kingdoms. Now, I'm proud to say that I watch TV. The drama is over, but my children and I learned a lot about our nation's history and it will stay with us for a long time. There's no ignorance in IPTV, it is an intelligent TV for me with KT.



search
▶ 고구려

list

image	gear	contents
	BC 70만년전	구석기문화
	BC 6000	신석기문화
	BC 2333	단군, 아사달에 도움
	BC 1000	청동기문화의 전개
	BC 300	철기문화의 보급
	BC 194	위만, 고조선의 왕
	BC 108	고조선 멸망
	BC 59	해모수 북부여 건국
	BC 57	신라 혁거세 거서간 즉위
	BC 37	주몽 고구려 건국
	BC 28	북옥저 병합 부위령, 북옥저 병합
	BC 18	백제 건국
	BC 5	백제, 한산으로 천도
	AD 8	백제 마왕 병합
	AD 194	고구려 진대법 실시
	AD 313	고구려 낙랑군 멸망시점
	AD 427	고구려 평양 천도

home ◀ ▶

고구려 高句麗

BC 37~AD 668



고구려는 BC 37년, 부여족의 한 갈래가 압록강 지류인 동가강 유역에 건국했다. 일찍부터 기마 민족의 문화를 받아들이고 고구려는 졸본 지방에서 시작하여 한족(漢族)과의 투쟁과정을 통해 강국이 되었다. 고구려의 시조는 주몽으로 <삼국사기>에 따르면 동부여의 금와왕이 데려온 유화(柳花)가 낳은 알에서 나왔다고 한다. 영특하고 활을 잘 쏘서 다른 왕자들의 시기해 그를 죽이려 하자 이를 피해 졸본부여로 남하하여 고구려를 세웠다고 한다. <삼국사기>의 <동명성왕>에 그를 주몽이라고 부르게 된 이유가 나와있다. "시조 동명성왕(東明聖王)은 성이 고씨(高氏)이고, 이름이 주몽(朱蒙)이다(추모(鄒牟) 또는 중해(衆解)라고도 하였다). 그의 나이 겨우 일곱 살이었을 때에 남달리 뛰어나 스스로 활과 화살을 만들어 쏘면 백발백중이었다. 부여의 숙여에 활 잘 쏘는 것을 주몽(朱蒙)이라고 하였으므로 이것으로 이름을 삼았다"라고 기록되어 있다. ▼



:IPTV

This refers to a digital convergence service that includes VOD services, which allows you to view programs when you want to see them, including movies and television dramas; provides high-quality multi-channel programs; and allows you to use convenient Internet functions, such as home shopping, home banking, online games and the viewing of educational sites.





:u-robot

Network-based robots that are remotely controlled through a mobile phone, PC or PDA, u-robots have been developed for different types of services, including home care, personal protection, childcare and data search.



:u-home

A future-oriented household service, u-home allows you to take care of your home even when you are away, using u-robot, IPTV and the high-speed Internet. You can remotely control home appliances and enjoy various services that add to the convenience of everyday-life, providing security, childcare, housework and health management.



My children's robot friend

helps me

:u-robot

My kids? They are playing at the house with their friends. They also do their homework without me having to be there. A clever robot friend helps with their studies. Do you want to take a look? I can see what they are doing at home with my mobile phone or PC at work. It's such a relief. Some people say that they aren't going to have any kids because it involves too much work or because they are too busy. They are just making excuses, aren't they? We should be able to be successful both at home and work with the help of an intelligent house and robot assistant.



SHOW

I live in a city

that is as good as my home

:u-city

I am never lost in this crowded city as I can access my current location and the location of my destination as well as the traffic conditions leading to my destination. Not only that, I can access educational content no matter where I am in the city and learn whenever I want. I can see what's going on inside the house and take care of housework even when I am out. If I need help when I am studying or sick, I just ask for help and it is there. In fact, I get help in real time. No, it's not science fiction, it's u-city and soon you will be a citizen of this city as well.





:u-city

A next-generation informatization city, u-city has merged cutting-edge IT infrastructure and ubiquitous information services within the urban landscape. It is the cutting-edge city of the future that allows its people to enjoy, in real time, services and information related to transportation, security, education, health management, environment and administrative affairs, without limitation in time or space.

:IT Supporters



Spanning the digital divide, we bring IT to you

They are experts, teachers and friends • They are the 400 or so IT supporters ready to go anywhere to offer their digital Knowledge to those in need • Thanks to IT supporters, the digital world is made familiar to seniors who have never used computers before, physically-challenged people and owners of small companies • From our family to yours, IT supporters continue to provide help because they know that Sharing with others is the essence of the digital age •





This refers to activities that support the active use of Internet multimedia in daily life. People learn how to use Internet banking, shopping, messengers, blogs and UCCs and also how to make online reservations. The volunteers also teach people on how to use MP3s, PMPs, digital cameras and mobile phones.

Customized education is provided, such as personal counseling and group training, so that PCs and the Internet can be easily used.

An assessment is made on IT device performance, including PC optimization work. Consulting services are also offered to financially weak small- to mid-sized companies so that they learn how to improve their Internet speed, security and quality.



“If your life makes ever one person happy,
there would lie the true meaning of success”

“Life is more like an extensive desert where you don’t know where to go rather than a mountain where you can see your destination.” This is what Steve Donahue said in his book, *Shifting Sands*. There have been many changes occurring in the world around us so much so that a new definition of life is being shaped. It is no exaggeration to say that the environment surrounding the communications market is caught up in a whirlwind of change. There are customer needs that change with the passing of each minute, the market situation’s endless advancements in technology, which can be likened to a mirage and the slowdown in growth of corporations as if caught in quicksand. | Donahue said that when a car is stuck in a desert, the driver needs to let some air out of the tires rather than continue to step on the gas. He is saying that once air comes out from the tires, the tires become softer and flatter so that the surface of friction becomes greater, enabling the driver to ease the car out of the sand. | At the end of last year, KT announced its new vision –Wonder**full** Life Partner. This began with self-reflection and the realization that it had focused too much of its capabilities on putting more air into the tires to make them strong. Just as the driver needs to understand the characteristics of sand and change the dynamics of the tire accordingly in order to get out, KT aims to accurately identify the market environment and customer needs then changing accordingly to suit them. In so doing, the company strives



to overcome its current crisis of stagnant growth and become a company of sustainable growth. | The vision –Wonder**full** Life Partner– embodies the aim of KT to not only become a company that leads the market but to become a true partner to members of society. KT will become a true partner to its customers by carrying out various social responsibility activities, such as human management, customer value management, win-win cooperation, social contributions and environmental management. The 400 members of KT’s IT Supporters conducts various activities to address the issue of the information gap and to make Korea into a knowledge and information superpower as promised in the announcement ceremony of KT’s new vision. KT also aims to do more than just engage in social contribution activities. By helping all citizens to gain knowledge in using IT, KT ensures that nobody is excluded from the benefits offered by an informatization society and establishes a foundation as a global digital knowledge superpower. | Just like the words of a song –“If your life makes ever one person happy, there would lie the true meaning of success”– KT will measure its “true success” in how it helps to create a beautiful society where all its members are happy by carrying out various social responsibility activities.

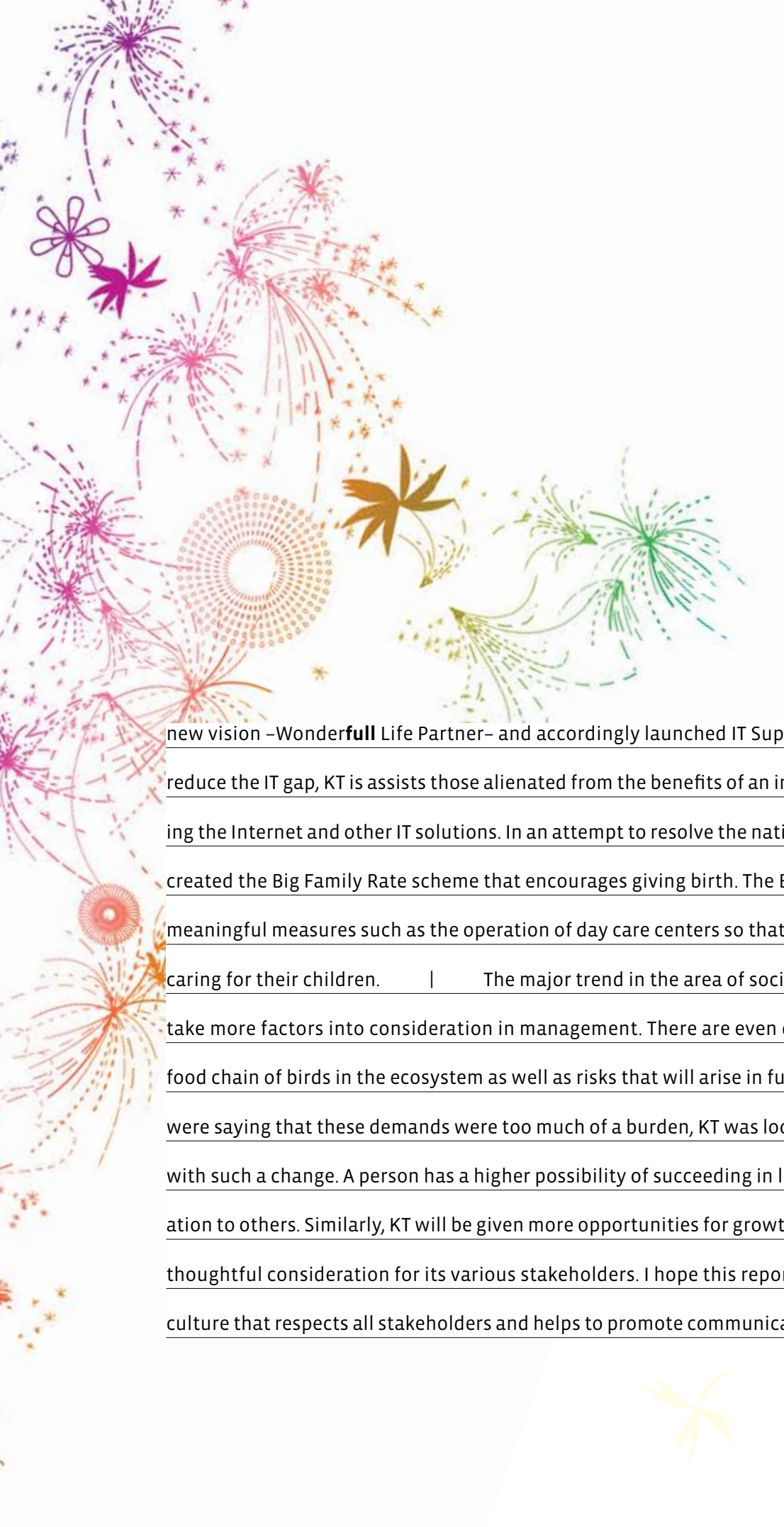


July 2007 | **Nam Joong-Soo**
President & CEO



“KT will be presented with more opportunities to grow
when it establishes a culture where thoughtful
consideration is given to various stakeholders”

The matter of whether a corporation has to fulfill social responsibilities has been a subject of dispute for a long time but today positive responses form the majority. This is because people all around the world agree that there were issues with the development method adopted in the 20th century. Despite the many benefits offered by economic growth, mankind is experiencing an unprecedented crisis. If a paradigm shift is not made, it is all too clear that our children will face an even bigger threat. | Global corporations worldwide now participate in social responsibility activities and issue social responsibility reports as if in a race. This proves that these companies are fully aware of and agree with the sense of crisis. It also results from the fact that various stakeholders have been demanding that corporations actively assess and report the external effects they have as economic entities. | The KT BOD has focused more on carrying out internal social responsibility activities since the company became the first in the communication sector to issue a social responsibility report last year. The BOD has also proposed that KT play a more active role in the development of the information and telecommunication industry as it relates to the resolution of social issues. It further advised that KT move away from a passive stance of making social contributions alone and instead carry out new social responsibility activities by making full use of its unique characteristics as an IT corporation. | During a ceremony celebrating the company's anniversary at the end of 2006, KT announced its



new vision –Wonder**full** Life Partner– and accordingly launched IT Supporters. In an unprecedented attempt to reduce the IT gap, KT is assists those alienated from the benefits of an information society to develop skills in using the Internet and other IT solutions. In an attempt to resolve the national problem of the low birthrate, KT has created the Big Family Rate scheme that encourages giving birth. The BOD believes that KT has engaged in very meaningful measures such as the operation of day care centers so that employees can feel less burdened about caring for their children. | The major trend in the area of social responsibility calls for corporations to take more factors into consideration in management. There are even demands that corporations consider the food chain of birds in the ecosystem as well as risks that will arise in future generations. When most companies were saying that these demands were too much of a burden, KT was looking into opportunities that would arise with such a change. A person has a higher possibility of succeeding in life if he or she gives thoughtful consideration to others. Similarly, KT will be given more opportunities for growth when it establishes a culture that gives thoughtful consideration for its various stakeholders. I hope this report plays a role in establishing a corporate culture that respects all stakeholders and helps to promote communication between the various stakeholders.



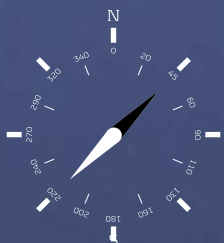
Jeong-Ro Yoon

July 2007 | **Yoon Jeong-Ro**
Chairman of the BOD

KT is going all out to realize its customers' dreams as a “Wonderfull Life Partner”

Today, business conditions are rapidly changing and customer demands are becoming more and more diverse. Against such a backdrop, KT is determined to provide new value to its customers, based on an in-depth understanding of their needs and desires. To this end, at a ceremony celebrating its 25th anniversary on December 11, 2006, KT declared its new vision: To become a “Wonderfull Life Partner” that realizes customer dreams by innovating customer values.

*The word 'wonderfull' was coined by combining the meanings of “wonder” and “full” to mean “many marvels.”



Customer Value Innovation (CVI)

CVI is a basic principle that KT employees abide by in order for the company to become a “Wonderfull Life Partner.” It is also a business approach that was chosen to enhance the corporate value of KT and to ensure its continuous growth. CVI can be defined as “understanding the value recognized by customers, redesigning businesses and taking relevant actions to improve customer value.”



Wonderfull Life Partner

Vision

KT's new vision is to become a "Wonderfull Life Partner." This implies that KT is committed to being a partner to its customers in their daily lives ensuring a life full of heart-touching surprises. KT is committed to making itself into a true partner that offers various solutions through distinctive means and provides customers with the convenient and joy-filled life that they dream of.

Self-Ownership

Open Culture

Customer's Perspective

Core values

The core values pursued at KT are "seeing through the customer's eyes," "encouraging openness" and "establishing an ownership culture." The company, its various departments and individual employees are seeking to achieve these values to realize the company's vision.

In other words, KT shall endeavor to become a customer-oriented, innovative company that offers creative services from a customer's perspective at the corporate level; establish an open culture in which departments respect each other; and encourage employees to adopt a sense of ownership, which involves continuously challenging themselves and working with greater passion at an individual level.

Customer's Perspective

Creative services, customer-oriented innovation (Corporate and group-level value)


Open Culture


Respect each other, be considerate of others (Department-level value)


Self-Ownership

Continuously challenging oneself, take passionate actions (Individual-level value)

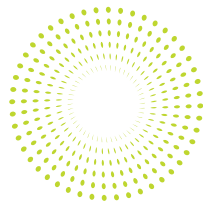
KT, an information and telecommunications corporation of international caliber leading the era of digital knowledge society

The electrical and communication service in Korea was first launched around 110 years ago. Ever since then, the communication service has promoted the welfare of citizens and contributed to national economic growth. KT has always been at the center of such development and played a leading role in IT history of Korea. 

In 1981, KT was separated from the Ministry of Information and Communication to ensure that all citizens are given access to universal and higher quality telecommunication services. In 1983, KT opened the door to the popularization of telecommunication services by establishing public telecommunication networks. KT has provided top-quality information and telecommunication services and set new records, such as the provision of more than 20 million telephone lines in 1993, the launch of Koreasat 1, the first Korean satellite, in 1995 and exceeding six million high-speed Internet service subscribers in 2004. 

Recently, KT has taken on new challenges to move away from the framework of passive customer satisfaction management that involves offering only those services already sought after by customers. It is now evolving into a proactive corporation that finds customer-desired values even before customers realize such needs. Accordingly, KT recently reorganized its business areas, which were centered on telecommunication services in the past, into four areas: ubiquitous network, digital entertainment, convenience solutions and business solutions. The company has also realigned its management infrastructure placing utmost value to customers and making all-out efforts to become a true partner to its customer to fill their lives with excitement and heart-touching surprises. 

In the future, KT will make great strides forward as a global telecommunications company that leads the global telecommunications market with competitive edge in service quality and technology. Moreover, KT will fully meet its social responsibilities in the economic, social and environmental spheres, thereby becoming a loved and trusted company among all of its stakeholders.



Highlights of social responsibility activities in 2006

<ul style="list-style-type: none"> Implemented an optional laborer welfare scheme Raised the matching grant of the Love Sharing Fund amounting to KRW 3.7 billion 		january
<ul style="list-style-type: none"> Opened the Clean-365 Center to fully establish an ethical culture Held a signing ceremony for Six Sigma cooperation with Seoul National University Bundang Hospital 		february
<ul style="list-style-type: none"> CEO took an oath at the 2006 Ethical Management Forum Provided Six Sigma training to partner companies Concluded an MOU with the Republic of Korea National Red Cross to enable family reunions through video conference 		march
<ul style="list-style-type: none"> Started providing free-of-charge call forwarding services when user telephones are out of order Concluded a benefit-sharing agreement with partner companies Held the 2006 Industrial Safety and Health Conference Concluded a business agreement to support the KB Partnership Loan 		april
<ul style="list-style-type: none"> Launched landline phone services in Dokdo Island 		may
<ul style="list-style-type: none"> Became the first in the world to launch commercial WiBro services Opened the "KT Art Hall," which is a multi-faceted culture and arts space 		june
<ul style="list-style-type: none"> Made full cash payments to small- to medium-sized partner companies KT Group made flood damage recovery donations amounting to KRW 500 million Opened the Win-Win Cooperation Center 		july
<ul style="list-style-type: none"> Established the Psychological Counseling Center for employees Provided online training on ethical management to all employees Succeeded in the launch of Koreasat 5 		august
<ul style="list-style-type: none"> Conducted internal control evaluations for 2006 Opened the Career Design Center 		september
<ul style="list-style-type: none"> Donated the sculpture, "Spring," to Cheonggyecheon Stream Concluded an MOU with the Korea Labor Institute on establishing a lifelong learning scheme Reached a peaceful conclusion in collective bargaining negotiations for the sixth consecutive year 		october
<ul style="list-style-type: none"> Provided hearing aids to hearing-impaired people Opened the Personal Information Protection Counseling Center Launched pilot IPTV services 		november
<ul style="list-style-type: none"> Assessed the competencies of all employees Held the Wonderfull KT Volunteer Festival Declared the "Wonderfull Life Partner" vision 		december

KT is determined to become a trustworthy partner creating a beautiful society that benefits everyone

:introduction / KT 2007 corporate social responsibility report

Social responsibility management implementation structure

Objectives

From its basic telephone service, KT has achieved growth by drawing keen interest from citizens. And as a company that offers telecommunication services to all citizens, it has the social responsibility to give hope and dreams to every member of society.

Based on the determination that social responsibility management is a natural part of corporate management, KT has established concrete objectives of social responsibility management as a detailed approach to realize its new vision –“Wonderfull Life Partner”– and established a social responsibility management implementation scheme by expanding the scope of customers to include all stakeholders.

KT will continue to conduct social responsibility activities to recover the basic values of Korean society that form the foundation of growth as well as to become a partner that is trusted and loved by citizens.

Objectives of social responsibility management

A trustworthy partner that creates beautiful society
Responsible Partner, KT

Human management

- Creating a happy workplace that gives employees a balance between work and home.

Customer value management

- Realizing customer dream by creating innovative values.

Win-win cooperation

- Maintaining a true win-win relationship with partner companies.

Contributions to the community

- Creating a heart-warming society full of love and sharing.

Environmental management

- Taking the lead in creating a clean environment for future generations.

Growth and innovation

- Growing into a comprehensive solution provider that opens the door to a bright future of information and telecommunication.

Management operation system

With regards to KT's social responsibility management system, the BOD, CEO and CSR Committee have mainly performed social responsibility activities that are in line with the company's visions and management strategies.

The CSR Committee, which consists of seven standing members as well as non-standing members, determines the company-wide direction for KT's social responsibility activities. There are eight sectors under the committee that formulate annual plans according to the implementation direction and evaluate performance.



The 1st CSR Committee

The direction of KT CSR activities is determined based on communication with stakeholders

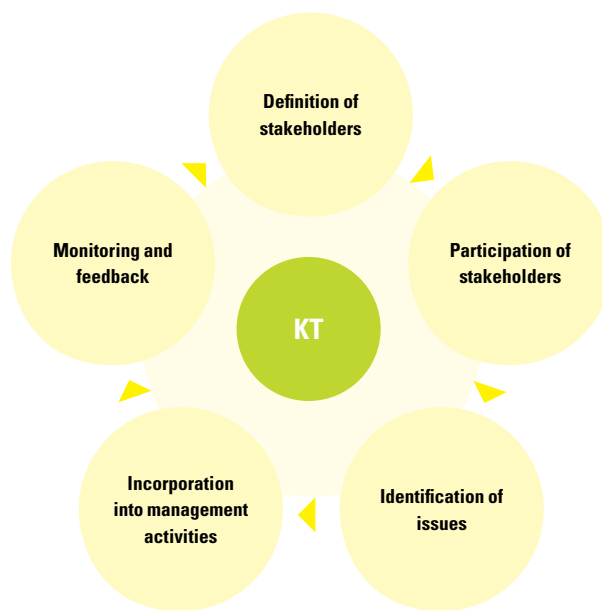
:introduction / KT 2007 corporate social responsibility report

Stakeholder engagement

The reason why corporations pay close attention to the opinions of various stakeholders is because the stakeholders themselves create the environment in which corporations survive. Examining the current status of the environment and changes expected in the future is vital for the sustainable development of a corporation. By identifying the true needs of stakeholders through their participation and incorporating these needs into CSR activities, KT can contribute to enhancing the value of various stakeholders and ultimately achieve its vision of becoming a Wonderful Life Partner.

Framework for stakeholder engagement

Stakeholder engagement begins with categorizing and defining various stakeholders related to KT. Stakeholders include those that are impacted by KT such as those who are financially related to the company and the future generations. Once groups of people that represent various stakeholders are determined, surveys, meetings, interviews or media search results are intergrated to list the potential issues to be raised from stakeholders' point of view. The results are then reflected into management activities. This process is monitored and feedback is provided concluding one cycle of the stakeholder engagement process.



Main issues of interest to stakeholders

To identify what stakeholders regard as important or in need of improvement, KT conducted a stakeholder participation program in the first quarter of 2007. This program was carried out on a group of outside experts that represents the company's customers, employees, partner companies, local communities and the environment sector. Based on the surveys and interviews of the program participants, KT created a CSR report by taking several factors into account: the results of a materiality test on the identified core issues; the company's strategic position; and changes in future society.



Realizing transparent and responsible management based on an advanced corporate governance structure

:introduction / KT 2007 corporate social responsibility report

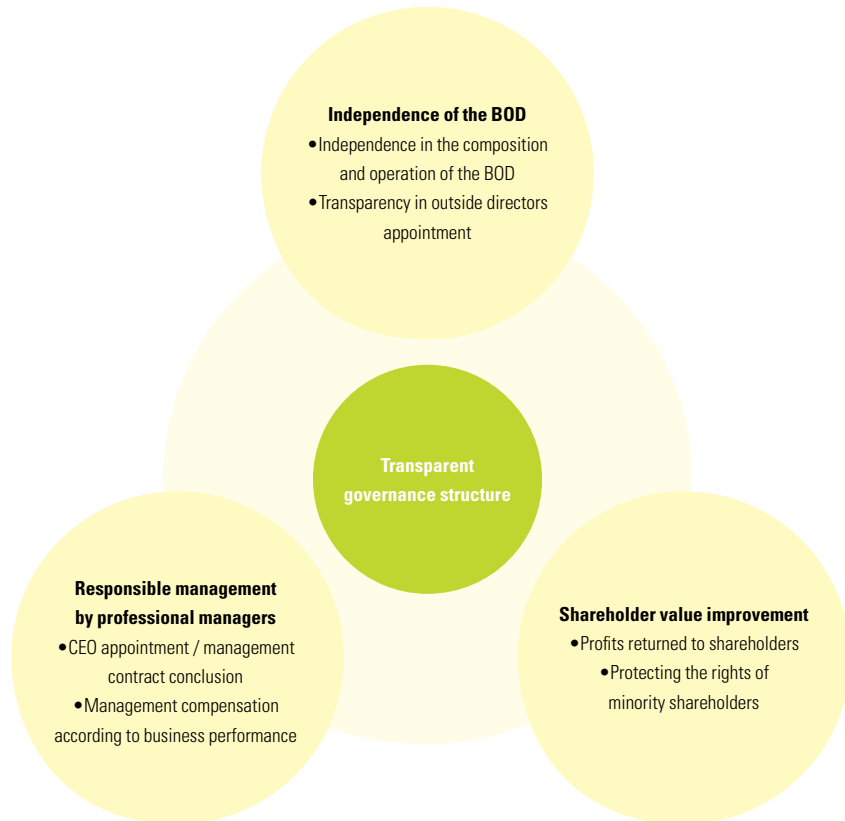
Corporate governance

To improve efficiency and transparency of management, KT has made continuous efforts to better its corporate governance in three main areas: improving the independence of the board of directors; ensuring responsible management by professional managers; and increasing shareholder value. It adopts almost all recommended model standards that are in line with global standards. The company has been selected by the Korea Corporate Governance Service as the Best Firm in corporate governance for five consecutive years from 2002 to 2006.



Selected as the Best Firm in corporate governance of the year 2006

KT governance principles



Strengthening the independence of the board of directors

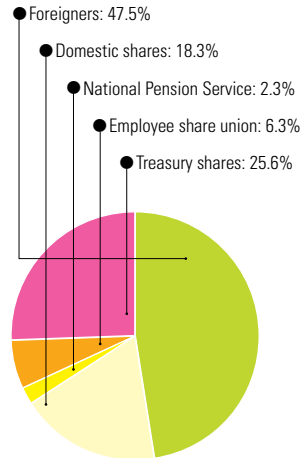
KT separates its CEO from board chairmanship and appoints an outside director as the board chairman. In addition, transparency and impartiality are enhanced in outside director appointment as an advisory group recommends candidates. In 2006, the number of standing directors was reduced by one resulting in outside directors accounting for 73% of the board members (eight outside directors, three standing directors). Special committees are mostly composed of outside directors, thus further strengthening the roles and independence of the board of directors.



Composition and roles of special committees

Category	Composed of	Roles
Audit committee	Four outside directors	Accounting and auditing related work; evaluation of the internal control system
Outside director candidate recommendation committee	All outside directors, except one standing director	Deliberation to recommend outside director candidates
Evaluation and compensation committee	Five outside directors	Matters related to management contracts with the CEO and CEO evaluation; compensation to management
Related transactions committee	Five outside directors	Prior deliberations on trade and large-scale internal trading that requires a board of director resolution
Executive committee	Three standing directors	Matters related to setting up, moving or closing down branches; and managing debentures

Shareholder status (as of end 2006)



Establishing a responsible management structure with professional managers

To ensure responsible management by the CEO, the board of directors concludes a management contract with the CEO. The evaluation and compensation committee performs an annual evaluation of the CEO's performance based on the management objectives that were presented to the CEO. Furthermore, CEO remuneration is determined based on the results of the company's overall business performance. And the board of directors reports the results of the CEO's management performance evaluation at the general shareholders' meeting every year.

Efforts to enhance shareholder value

KT announced the adoption of policies to give back profits to its shareholders in 2003. It adopted a treasury share retirement and cash dividend payment scheme based on board resolutions. The company is thus returning more than 50% of its current net income to its shareholders every year. In addition, KT put in place a cumulative and circular voting system to protect the rights of minority shareholders. It has made various efforts to protect the rights of and ensure active participation by shareholders such as providing timely corporate information and establishing real-time communication channels for its shareholders on the company's website.

History of changes in the governance structure

2002 – 2003

- Separation of the board chairmanship
- CEO management contract
- Adoption of the cumulative voting system
- Adoption of the external director nomination committee and auditing committee



2004 – 2005

- Increase in the percentage of external directors (from nine external directors and six standing directors to eight external director and four standing directors)
- Adoption of an advisory group that recommends candidates
- Adoption of the circular voting system



2006 – Present

- Increase in the percentage of external directors (from eight external directors and four standing directors to eight external directors and three standing directors)
- BOD evaluations
- Limit the term of office of external directors: may be re-elected only once
- Share purchased by external directors using compensation for board members
- Adoption of a job description document for the BOD chair

A trusted company that has placed ethical management of the core of its corporate culture

:introduction / KT 2007 corporate social responsibility report

Ethical management

The full text of the Code of Ethics is on the company's website
<http://ethics.kt.co.kr>



Won the 2006 Transparent Accounting Award

Based on the strong commitment of the CEO to implement ethical management, KT is engaging in a wide variety of efforts to do more than simply fulfill its legal responsibilities by establishing ethical standards that are deemed necessary by society as part of its unique corporate culture.

Employees presented with guidelines on their conduct

To present employees with clear guidelines of conduct to help them make value judgments, KT has enacted and announced its new “Code of Ethics” in January 2003. It went further; establishing standards for implementing corporate ethics by formulating detailed “Guidelines on Conduct for the Implementation of the Code of Ethics” in order to ensure employee compliance with ethical standards.

Strengthening of training on ethical management

An “Ethics Promotion Office” was set up to handle practical matters related to ethical management. It operates the institutional infrastructures required for ethical management and operates various ethical management training programs so that employees can recognize the need for and voluntarily participate in ethical management.

Every year, newly-recruited and newly-promoted employees are required to complete an ethical management course at the company's training center. In addition, all employees received basic ethics education through a cyber training course between 2004 and 2006.

Training is also provided to KT's business partners, including its partner companies, sales centers and agencies, to promote participation in ethical management by making use of such opportunities as management consulting and business meetings.

Mid- to long-term roadmap on ethical management



Ethical management implementation program

Since 2004, KT has operated a “Cyber Reporting Center” so that stakeholders, including customers, partner companies and employees can report or make suggestions on various violations, improper customs or erroneous policies. Those who make such reports are given passwords so that their identity is not disclosed and are rewarded up to KRW 50 million. During special periods such as big holidays or personnel movements, the company conducts special activities to promote an ethical culture in order to gain the trust of its customers. Moreover, a “Clean-365 Center” is operated throughout the year so that employees can themselves report any presents that they’ve involuntarily received. KT is also focuses on protecting good-willed employees and ensuring corporate integrity. The company is going further by continuously making improvements to unreasonable business practices to enable fair cooperation with partner companies. It prevents unethical actions related to contract implementation by enacting a “Special agreement on putting ethics into practice” and advising partner-company CEOs to make a “pledge on promoting ethics.”

Establishment of an internal control system

By providing accurate and transparent financial information, KT is abides by domestic and foreign laws related to accounting that have been enacted to protect investors and other stakeholders. In 2005, the company established an internal control evaluation scheme for its main business processes to build a foundation for transparent management and to boost the credibility of financial information.

In 2006, evaluations (evaluation on the first half of the year; intermediary evaluation) were conducted on the 2005 fiscal year. Major internal control shortcomings that were identified upon carrying out evaluations were reported to the management, the auditing committee and board of directors and were immediately addressed. The company received a “transparent accounting award” from the Korean Accounting Association as a recognition for its corporate-level efforts to establish an internal control scheme.

Progress with internal control



Pledge to put ethical management into practice

Increasing stakeholder trust through systematic risk control

:introduction / KT 2007 corporate social responsibility report

Risk control

Uncertainties in corporate management are growing steadily so much so that they are no longer comparable to the past. As such, all information and communications technology companies are faced with the urgent task of establishing a risk control scheme that is applicable even in the midst of changes in the business environment such as the fluctuation of exchange rate, the advent of new technologies and competitors as well as stagnation of the wired communication market. To overcome such internal and external risks and strengthen the trust of stakeholders, KT has established a corporate risk control scheme in 2006, based on which it is systematically and scientifically managing risks.

Improvement of risk response structure

KT has made process improvements so as to move away from its risk control scheme of the past –wherein each department controlled risks separately– and to enable 24/7 control of risks at the corporate level. Moreover, KT has enacted and disseminated “KT’s Corporate Risk Control Guidelines” so that all employees participate in risk control with the CRO (Chief Risk Officer) taking the lead. This allows for the company to minimize the level of damage incurred from risks and to maintain a high level of trust from outside parties.

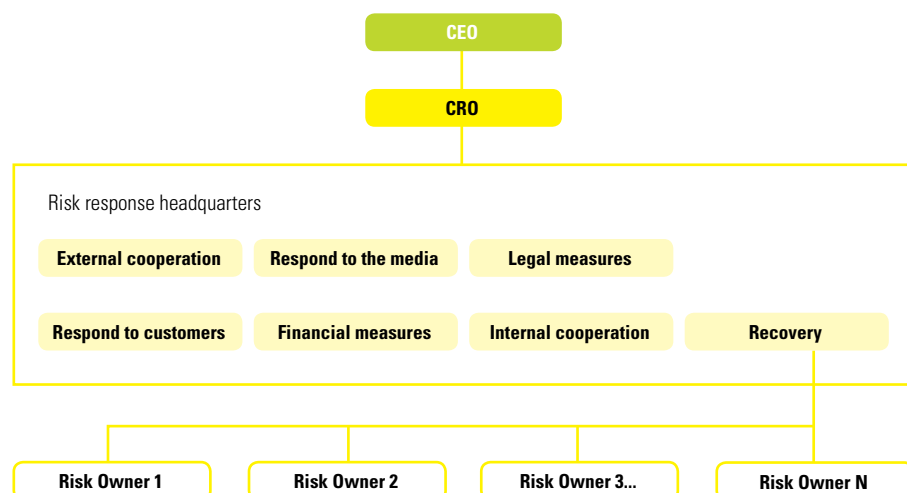
CRO (Chief Risk Officer)

Executive in charge of
and responsible for risk control

Principles on responding to risks

1. Consider customers and the market first
2. Respond to the perspectives of stakeholders
3. Take measures so that the department in charge of the situation can focus on recovery activities
4. Create a situation report every hour while the situation lasts

Integrated risk response structure



Risk Owner

The manager most relevant
to the occurrence of the risk

Strengthened control of core risks

KT has strengthened computerized monitoring (weekly ERM reporting) of ten core risks (communications failure; disasters; customer services not being provided; Internet infiltrations; unapproved disclosure of core information; unfair acts, etc.) that can threaten the company's business. The company has also created follow-up scenarios for each core risk so that a quick response can be taken after an incident occurs.

Main Risk management activities in 2006

Risk name	Activities
Communication failure	<ul style="list-style-type: none">• Implemented a distinctive care program for corporate customers- Strengthened activities to prevent failures and established a one-stop response structure
Disaster	<ul style="list-style-type: none">• Operated a situation room to quickly respond to disasters and established a facility recovery scheme
Customer services not available	<ul style="list-style-type: none">• Strengthened training and improved work related to mobile telecommunications inside and outside the company- Improved rate schemes, subscription procedures and established and disseminated an SOP to respond to risks at customer contact points
Unapproved disclosure of personal information	<ul style="list-style-type: none">• Established and implemented company-wide personal information protection measures



Disaster situation room

1. KT makes efforts to provide services that exceed the expectations of its customers. Examples include the “Mega-Miz service,” which involves female IT engineers visiting female or elderly customers who live alone on weekdays; the “24/365 service,” which involves making visits to customer homes when there is a service request even on weekends or at night time; and the “Internet doctor,” which designates a dedicated employee for each customer to handle requests. The company is going further by providing or planning to provide, starting this year, other various services as well, such as the “Wonderfull Before Service,” which prevents defects by forecasting and taking measures against potential defects; and the “customer assurance service,” which allows customers to choose online an IT engineer to visit their home or sends to customers, information on the specific IT engineer to visit their home, including his/her name, picture and expected time of the visit via email. KT will continuously develop and offer services that will touch the heart of its customers and make strenuous efforts to realize distinctive customer values.

2. KT studies and develops a wide array of value-added services to create a clean Internet environment so that customers can use the Internet without having to worry about harmful websites in cyber space. Based on the recognition that exposure of malicious sites to teenagers is fatal to their growth and development, KT has developed and provided, since 2002, “Megapass Clean-i,” which blocks harmful websites and “Megapass TimeCodi,” which is designed to prevent Internet addiction. These services have received a positive response from parents with teenage children. In 2006, the company closed down around 80 websites in cooperation with the Korea Internet Safety Commission as to protect internet users from gambling websites or lewd sites. KT also developed an integrated program that serves as virus vaccines and blocks malicious code attacks in order to protect customers from ever-increasing malicious attacks. KT has provided this program to Megapass customers free of charge.



Q&A

Kim Young-Whan. The head of Customer Group



customer value management

Customer vs. the head of Customer Group

1. Among the services offered by KT, are there any services that make its customers feel like the company is unique compared to other companies?

2. There are worries over game addiction, exposure to harmful information and attack by viruses. What counter-measures are being taken?

Q&A

Lee Eun-Jung, Customer

Realizing customer dream by creating innovative values

:customer value management / KT 2007 corporate social responsibility report

Management approach

Key tasks to fulfill social responsibility

The survey of stakeholder opinion on customer value management indicates that external stakeholders are demanding KT take on more roles and responsibilities in preventing Internet attacks and carrying out e-clean activities –areas in which KT believed it was doing a good job. The media has continuously carried articles on unauthorized disclosure of customer information, unfair business activities and communication failures, undermining KT's image. KT thus needs to make systematic improvement efforts in these areas. By incorporating these assessment results, KT chose key social responsibilities in the area of customer value management: customer satisfaction; customer protection; provision of stable telecommunication services; and compliance with fair trade practices. The company has proactively carried out activities to fulfill such responsibilities.



Awarded the 2006 Customer Satisfaction
Grand Prize



Key results of activities in 2006

Item	Key results
Customer satisfaction assessment	<ul style="list-style-type: none"> • CVA improvement: 1.03 points (in 2005) → 1.05 points (in 2006) • Ranked first place in evaluations carried out by external organizations <ul style="list-style-type: none"> - NCSI (National Customer Satisfaction Index) / KSQI (Korea Service Quality Index) / KCSI (Korean Customer Satisfaction Index) / Customer Satisfaction Grand Prize
Activities to protect customer information	<ul style="list-style-type: none"> • Bought liability insurance policies on personal information protection for Megapass customers and provided it free of charge (July 2006) • Opened the Personal Information Protection Counseling Center (November 2006)
Prevention of side-effects of information era	<ul style="list-style-type: none"> • Held a total of ten Internet ethics forums and round-table talks • Carried out public interest campaigns, such as "Love for the Internet, Love for your family" and "Abiding by Netiquette" • Provided circular education programs to elementary, middle and high school students and their parents across the nation: 25,000 persons
Prevention of communication failures	<ul style="list-style-type: none"> • Reduced the number of communication failures: 6,439 cases (in 2005) → 4,908 cases (in 2006)



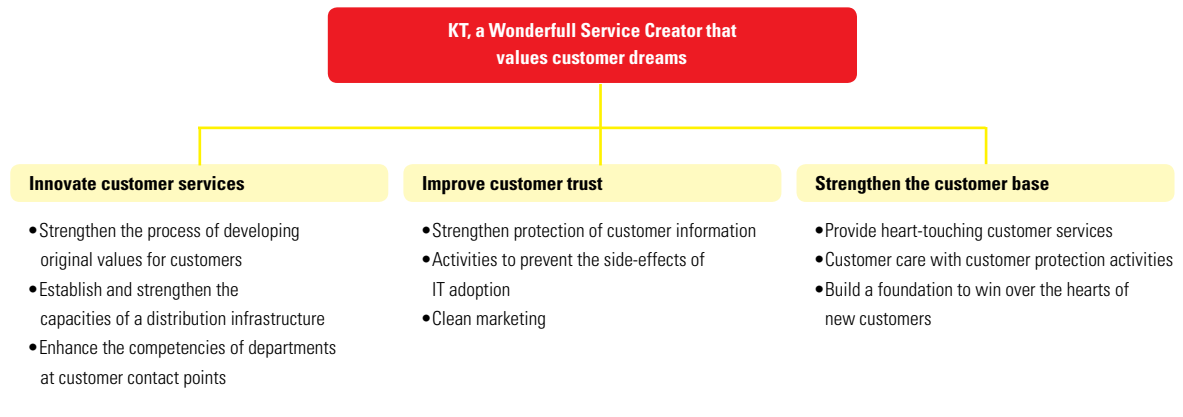
Won the No. 1 company award in customer satisfaction in the first quarter of 2007

Objective and direction

Based on the fact that customers are a key element in a corporation's growth and development, customer value management is essential for a corporation to become a globally competitive company in the rapidly changing market. KT has implemented its management objective –customer satisfaction– since 1998 in a step-by-step manner. In 2004, the company established a vision of customer value management –“new century of winning over the hearts of customers”– and enacted and declared the “Customer Service Charter.”

To put a more systematic customer value management in place, KT formulated an implementation objective: “A Wonderfull Service Creator that values customer dreams.” Based on this objective, the company has defined the direction for implementation as innovating customer services, improving customer trust and strengthening the customer foundation. The company has drawn up plans to offer new services that result in a paradigm shift in customer lives, such as WiBro and IPTV and focus on customer services that create heart-touching moments in their lives.

Mid- to long-term objective of customer value management



Pursuing true customer satisfaction by providing distinctive values

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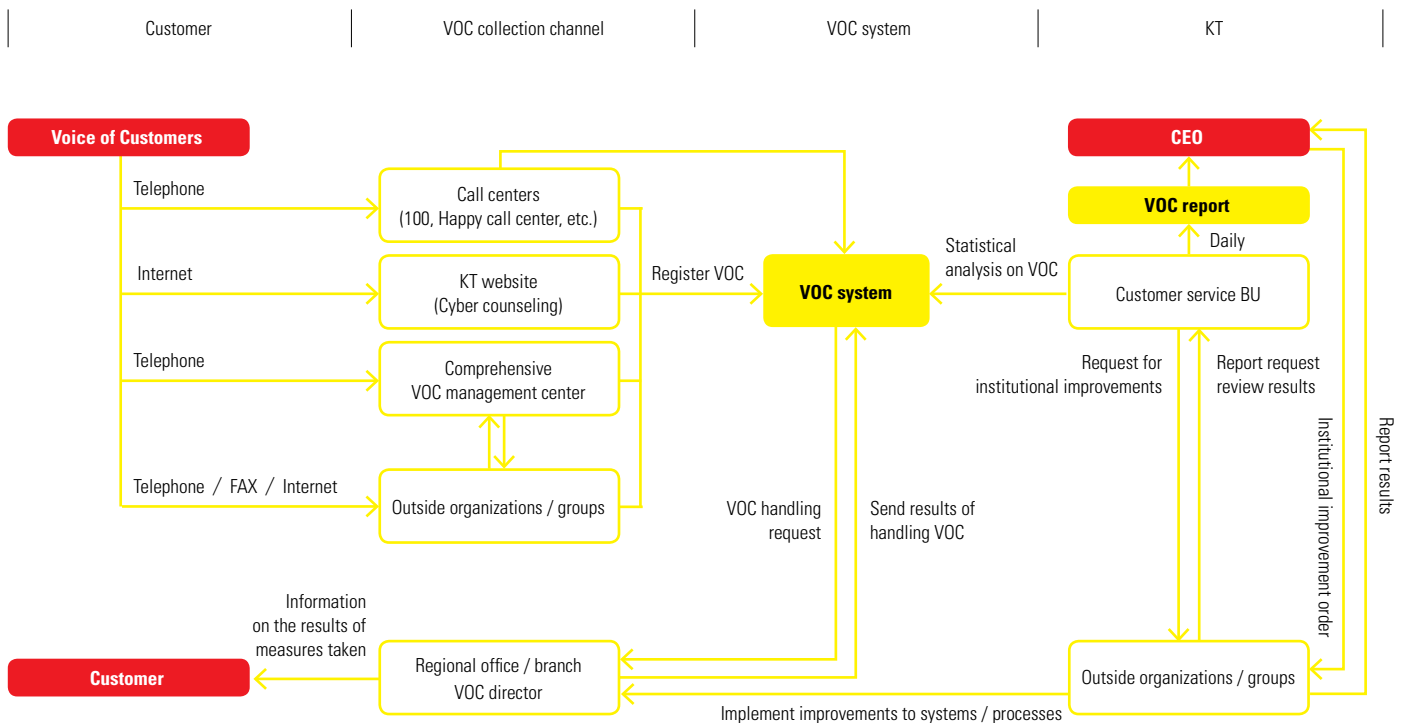
Customer satisfaction

To ensure customer satisfaction, it is necessary to understand customer needs. Accordingly, KT operates a system that pays close attention to the opinions of its customers and incorporates such opinions into its overall business. The company makes efforts to offer a high level of satisfaction by implementing innovations in various areas ranging from field technicians who come in direct contact with customers, to specialized services that are used by the customers.

Voice of Customer (VoC) management

KT recognizes that customer opinion is “an asset that forms the basis for continuously conducting customer-oriented corporate activities and understanding customers.” As such, the company always pays close attention to VOC input. Customer opinions, which are gathered through various channels, are integrated and managed through the comprehensive VOC management system, which allows for real-time analysis and feedback. KT does more than simply provide feedback for the collection of customer voices. It actively incorporates such voices into its overall business processes, ranging from product planning to sales, procurement and purchasing, ultimately leading to activities that enhance customer value.

VOC handling process



Strengthening response capabilities at customer contact points

To more quickly and precisely meet the needs of the market in general and individual customers in particular while offering optimal services, KT makes efforts to strengthen the competencies of employees that are in direct contact with the customers such as installation and customer service personnel. Every year, at least ten hours of training on CS (Customer Satisfaction) is provided to employees at customer contact points. The company has improved the CS competencies of its employees by operating a one-on-one coaching scheme, which involves diagnosing the level of CS competencies of each individual based on customized CS consulting and making improvements accordingly. In addition, KT has opened a regular CS course and is providing circuit training, including that on customer service and counseling skills to the employees of its partner companies including KT's external distribution network.

Providing distinctive customer value

KT performs a wide array of customer value innovation activities to touch the heart of its customers through the provision of services that meet their needs and much more. Since 2006, the company has provided online family doctor services, text-based customer support services for the disabled and free-of-charge call forwarding services. KT makes the utmost efforts to provide distinctive customer value.

System for evaluating customer satisfaction activities

KT conducts an annual CVA (Customer Value Added) evaluation, which involves measuring the company's customer satisfaction level in comparison to its competitors with the aim of improving customer services and carrying out impartial and reasonable evaluation on customer satisfaction activities. CVA evaluation results are managed as KPIs (Key Performance Indicators) because they enable a comparative analysis with competitors and a practical identification of the company's customer satisfaction level. For matters that have room for improvement, feedback is given to relevant departments so that immediate improvements can be made to customer service.

CVA (Customer Value Added) Score

Year	2004	2005	2006
Score (points)	1.02	1.03	1.05

- CVA = KT's score in customer satisfaction / No. 1 competitor's score in customer satisfaction
- Classification according to the CVA score range;
Top-level competitiveness (1.1 or more), outstanding competitiveness (1.03 or more and less than 1.1), average level competitiveness (0.97 or more and less than 1.03), low-level competitiveness (lower than 0.97)

Results of customer satisfaction improvement activities

KT has continuously carried out improvement activities to achieve customer value innovation in 2006. As a result of such activities, the company took first place in all telecommunications services in the level of customer satisfaction and quality index evaluations performed by outside organizations. It is the first in the industry to be ranked first in all evaluations related to the level of customer satisfaction. KT has also been awarded the Customer Satisfaction Grand Prize for four consecutive years.

Evaluations by outside organizations in 2006

Category	Evaluation results
NCSI (National Customer Satisfaction Index)	No. 1 in the area of high-speed Internet, international toll telephone service, local telephone service and domestic toll service
KS-SQI (Korean Standard Service Quality Index)	No. 1 in the area of high-speed Internet and international telephone service
KCSI (Korean Customer Satisfaction Index)	No. 1 in the area of high-speed Internet, international toll telephone service, local telephone service and domestic toll telephone service
KSQI (Korean Service Quality Index)	No. 1 company in the area of call center service quality according to KSQI
Customer Satisfaction Grand Prize	Grand prize for four consecutive years



Cases of customer value innovation activities	
Online family doctor service	A dedicated employee is assigned to each customer. The employee takes a look at the customer's PC and quickly fixes computers when they are broken
24/7 installation and customer services	When there is a customer request, service professionals visit the customer's home after business hours or on weekends
Mega-Miz service	Female engineers visit customers during the daytime in order to address any inconvenience felt by female, young or elderly customers who live alone.
KT Plaza reservation system	The KT plaza separately handles the request of a customer who makes reservation prior to his/her visit to the site. The company has also drawn up plans to enable customers who find it difficult to visit a KT plaza, including the elderly and disabled, to make reservations for home visit by technician.
Free-of-charge call forwarding service	When a customer's landline phone is out of order, calls can be forwarded to another landline phone or mobile phone for free.
Text-based support service for the disabled	This is a customer support service that is provided based on real-time text messages for people with hearing and language disabilities.
Address top seven complaints	Top seven complaints most frequently raised by customers are selected for improvements.
Wonderfull Letter	Phone bills, which were mainly designed to let customers know how much they were charged, have been changed into a medium to send heart-touching messages to customers.

Seven complaints

- Ensure clarity in product subscriptions
- Improve accuracy in charging service usage fees
- Address complaints related to billing and payment receipt
- Engage in accurate customer communication during subscriptions
- Handle customer requests for service termination in a timely manner
- Keep promises made to customers
- Make contracts and manuals to be more customer-oriented



Mega-Miz service



KT Plaza reservation system



Text-based support service for the disabled



Wonderfull Letter

Creating a safe and healthy world of information and communications

:customer value management / KT 2007 corporate social responsibility report

Customer protection

Based on a sense of responsibility as a leading company in the information and communications industry, KT focuses on addressing the side effects of information and communications such as unauthorized disclosure of personal information, circulation of unhealthy information, Internet addiction and privacy intrusion. KT has established a system to thoroughly manage and thus protect the personal information of its customers. Moreover, it creates a safe and clean Internet environment by performing a wide range of “e-clean” activities.

In the future, more focus will be placed on the customers’ safety and health, such as analyzing the impact of electromagnetic waves on the human body so as to create an information and telecommunications environment where everybody can use IT services without any worries.



Homepage of the Personal Information Protection Counseling Center

Protecting customer information

Activities to protect customer information: Damages from the misuse and unauthorized disclosure of personal information on the Internet are increasing as of recent. As a countermeasure, the government publicly announced “standards on technological and managerial protection measures for personal information” based on Article 28 of the “Act on Promoting the Use of Information and Telecommunication Networks and Protecting Information” (hereinafter referred to as the Act on Information Protection). KT conducts various activities to protect information accordingly.

To prevent incidents caused from unauthorized disclosure of personal information, KT has created “Guidelines on Personal Information Protection” which describes incidents that occurred from unapproved disclosure of personal information and appropriate countermeasures that should be taken. These guidelines have been uploaded on KT’s website to provide easy access to customers.

In July 2006, the company held a “personal information protection event” for its Megapass customers to promote the importance of regularly managing passwords, which are the most critical personal information.

Implementation of measures to protect personal information pursuant to the Act on Information Protection

Standards on measures to protect personal information	Activities carried out by KT
Establish plans to manage personal information	<ul style="list-style-type: none"> Established and implemented personal information protection policies Designated employees responsible for personal information management
Access control	<ul style="list-style-type: none"> Strengthened security for personal information access
Prevent forgery of access records	<ul style="list-style-type: none"> Operate a search history management system
Encryption of personal information	<ul style="list-style-type: none"> Encrypted passwords Built a security server
Prevent computer viruses	<ul style="list-style-type: none"> All employees at KT installed vaccine and security software on their PCs
Protection measures when printing and photocopying information	<ul style="list-style-type: none"> Inserted a watermarks on printouts

The company purchased an insurance policy –“personal information protection liability insurance”– for all customers who participated in the event, just in case their personal information was disclosed due to any mistake on the part of KT. In November 2006, KT opened a “personal information protection counseling center,” and is offering professional to counseling to protect personal information of its customers via phone (82-1588-1130) or online (<http://privacy.kt100.com>). KT will make continuous efforts to enable customers to use KT services anytime not worrying about security by replacing customers’ resident registration numbers with virtual registration numbers, encrypting customers’ passwords for Megapass, acquiring an Internet site safety mark and building a security server for the KT website.

Improved customer information management system: KT has established and implemented various security measures so that customer information is managed in a more secure way. Improvement measures have been taken to systems that handle personal information, such as hiding personal information, managing logs on personal information access and strengthening user access, thereby further strengthening data security of core business processes. In addition, a personal information impact assessment scheme has been adopted so that when new services are planned or information systems that handle personal information are developed, vulnerabilities related to personal information protection are identified beforehand and measures are taken to address such vulnerabilities. KT is doing its best to protect its customers, including the deployment of the Personal Information Risk Management System (PIRMS) that enables real-time monitoring of unauthorized disclosure of personal information and rapid countermeasures.

Strengthened training on customer information protection: KT continuously performs various training related to personal information protection, such as onsite training, customized training by position and cyber training in order to raise employee awareness on the importance of personal information protection and improve their abilities to handle work related to personal information protection. In particular, the status of customer information protection and management is regularly monitored for customer contact points and external distribution networks that handle customer information directly. KT has strengthened its security trainings so as to thoroughly root out activities that lead to disclose customer information to third parties.

e-Clean activities

Addressing harmful environment in the cyber space: KT conducts research and development on various value-added services to establish a “clean” Internet environment wherein customers can use the Internet freely without having to worry about harmful sites in cyber space. KT has developed and provided, since 2002, “Megapass Clean-i,” which blocks harmful websites and “Megapass TimeCodi,” which prevents Internet addiction. KT also developed a program that serves as virus vaccines and blocks malicious code attacks in order to protect customers from ever-increasing cyber attacks. KT has also provided the program to Megapass customers free of charge since April 2006.



“Megapass Clean-i” service screen

Value-added services to prevent ill side-effects of the Internet (as of end 2006)

Item	Service details	No. of users (persons)	Expected effects
Megapass Clean-i	Block access to harmful websites, such as lewd or violent websites	511,018	Block access to harmful websites for teenagers
Megapass TimeCodi	Set and manage Internet usage by time period and day	36,946	Prevent Internet addiction among teenagers
Mega Doctor	Block and cure viruses and malicious code attacks	2,044,419	Prevent PC failures
Encryption of information entered through the keyboard	Ensure protection from hacking by encrypting information entered through the keyboard	60,737	Prevent unauthorized disclosure of personal information

Actions against spam mail: KT supports government agencies to reduce spam mails and create a clean Internet environment. As part of its efforts, KT established a Spam Response Center in December 2005. The center receives and handles civil complaints against improper activities in cyber space such as spam mail and hacking. In addition, KT has become the first carrier to adopt a spam blocking system for international zones in order to fundamentally block malicious spam from being sent overseas from Korea. The company has formulated a plan to construct a system that blocks spam mails and worm virus mails from reaching Korea from overseas.

In 2006, KT reorganized the Spam Response Center website (<http://abuse.ko-rnet.net>) so that more professional contents is provided on the misuse of the Internet such as spam, hacking and financial fraud and further strengthened its functionalities so that customers can more conveniently use technological counseling and support services. As a result of such efforts, Korea is now ranked 6th on the spam blacklist, which is an improvement from the third in 2006.

Campaign to prevent side-effects of Internet use: To encourage a sound information and communications culture in IT-leading Korea, KT has carried out various activities to prevent the unwanted side-effects of internet use, together with its affiliated organization, KT Cultural Foundation. Such activities include educating teenagers to prevent Internet or game addiction. In particular, KT has carried out a number of campaigns in 2006 to assess people's mindsets on Internet ethics and to fully establish and spread a sound Internet ethics culture, such as the "Love for the Internet, Love for Your Family Campaign." It also held regular "Internet ethics forums" in participation of well-known social figures. KT surveyed teenagers and their parents to assess the status of cyber violence and provided circular education programs across the nation. KT has continuously provided the practical information required to create a sound Internet environment and strengthen mindset on Internet ethics.



Homepage of the Spam Response Center

Main activities in 2006 to prevent the side-effects of internet use

- Held a contest to create a poster that encourages a good manner when using Internet, "Having netiquette"
- Education programs to prevent the side-effects of Internet use in teenagers and their parents across the nation - Provided education at elementary, middle and high schools as well as local education offices in 20 areas across the nation. A total of 25,000 people participated.
- Held "Internet ethics forums / round-table talks" to fully establish and spread a sound Internet culture and ethics
 - Held a total of ten forums / round-table talks
- Carried out a Motiquette / Netiquette campaign to promote a good manner when using the Internet or a mobile phone
- Carried out a public interest campaign - "Love for the Internet, Love for your family"
 - Received 103 thesis papers, 1,135 essays and 14,745 responses on the essays



The 1st award ceremony for the "Public competition on the Love for the Internet, Love for Your Family Campaign"

Creating a stable, problem-free information and communications environment

:customer value management / KT 2007 corporate social responsibility report

Preventing communication failures

A nation's economic and social development cannot be achieved without reliable information and communications. Therefore, communication failures are a matter of great importance with the potential to lead to large economic losses or even social chaos. KT realizes that it bears serious responsibility as it operates the largest backbone network and subscriber network in Korea and has performed a wide array of activities to offer stable telecommunication services and incident troubles. KT creates a stable information and communications environment that are free from network communication failures.

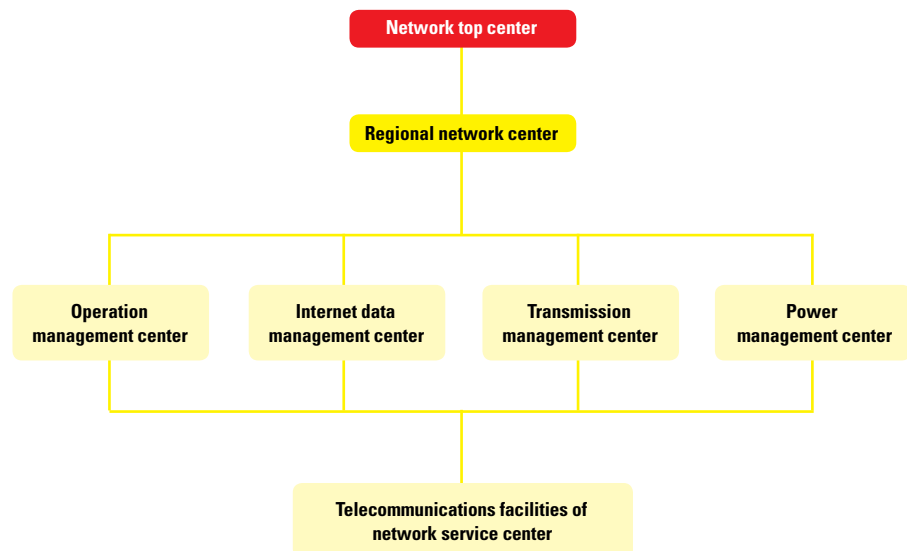
Establishing a redundant network monitoring system

KT operates network control centers in eleven areas including Seoul and Busan. The control centers monitor the status of telecommunications services by city and province. It also has a nationwide network control center in Gwacheon that monitors the status of telecommunication services across the nation. KT thus has a redundant network monitoring structure in place. KT has appointed some 20 thousand experts to work on various telecommunications facilities, such as switching, transmission, Internet and power supply thereby conducting preventive maintenance activities all year round.



Network top center

Redundant network monitoring system



SNG (Satellite News Gathering)

Mobile telecommunication device
using a satellite

Emergency recovery training

A joint training session attended by communication carriers is held under the supervision of the Ministry of Information and Communication every year to prepare for contingencies where force majeure makes it impossible to provide communication services. KT has also equipped itself with 1,200 units of roughly 50 types of different emergency recovery equipment such as switchboards, Internet devices, transmission devices, engine-generators and SNGs using the Koreasat Satellite and regularly performs emergency recovery training. Furthermore, the fourth day of each month has been designated as “Safety Day.” On this day, safety training is carried out to prepare for disasters while safety inspections are performed on main facilities at each business center.

Preventing Internet attacks

The importance of the Internet as a means to share and transmit information is growing. However, normal transmission of information is being delayed or blocked recently due to an overflow of unhealthy information such as viruses and hacking attempts. As a countermeasure, KT operates an Internet attack response organization to prevent the influx of unsound information into the Internet sphere and to ensure a safe delivery of information that is precious to its customers. In 2006, KT set up additional security systems by investing around KRW 5.9 billion to more thoroughly detect and block Internet attacks. Using its advanced security systems, the company was able to protect precious customer information by intercepting 9,837 hacking attempts.

Status of telecommunications incidents

(unit: case)

Category		2004	2005	2006
No. of troubles	Class A	-	1	-
	Class B	52	29	13
	Class C	1,080	517	348
	Class D	9,013	5,892	4,547
Total		10,145	6,439	4,908

• Defects are classified according to the number of VOCs:

Class A (3,000 or more); Class B (300 to 3,000); Class C (30 to 300); Class D (Less than 30)



Emergency rescue training



Complying with fair competition rules to build a fair market

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Fair trade

KT makes efforts to prevent any unfair acts that arise from excessive competition in the telecommunications market and to achieve service improvements and technological development based on fair competition, thereby ensuring greater benefits to its customers.

Adoption of a voluntary fair trade compliance program

On October 10, 2001, KT held a “ceremony to declare voluntary compliance with fair trade practices” that embodies the company’s commitment to put fair competition into practice. It became the first in the domestic telecommunications industry to adopt a voluntary compliance program aimed at building a foundation for fair competition. After the introduction of the voluntary compliance program, KT was selected as an outstanding company for operating this voluntary compliance program from external evaluations supervised by the Fair Trade Commission and Korea Fair Trade Association.

Enacted regulations on voluntary fair competition compliance

In order to enforce the voluntary fair competition compliance program, KT enacted “Regulations on Voluntary Fair Competition Compliance” in December 2005. These regulations include provisions on putting fair competition into practice such as the roles and responsibilities of the employees that need to be fulfilled for fair competition; standards and procedures for handling relevant works, such as ensuring fair competition in the external distribution network; the establishment and operation of a fair competition deliberation center; a scheme to detect unfair acts in advance; and the evaluation of efforts to put fair competition into practice along with bestowing awards for such efforts.

Distribution of a voluntary compliance manual

KT has created, since 2001, a voluntary compliance manual that specifies internal guidelines. These guidelines are designed to enable employees to take relevant laws and legal regulations into consideration when doing their job relevant laws. Every year, law amendments and cases of relevant deliberations and judgments made are incorporated into the manual, which is then distributed to all internal organizations. By so doing, KT enhances employee awareness on fair trade.

Strengthened training on fair trade

KT provides training every quarter to improve the employee mindset on fair trade. Since the launch of a cyber course in 2005, approximately 1,000 employees have received online training each year. In particular, a regular workshop is being held for personnel in charge of fair competition at each organization and experts from regulatory organizations are invited to provide special lectures, so that employees have quick access to information on recent trends in laws and systems on fair trade.

Implemented a scheme to evaluate the level of fair competition in practice

In 2006, KT formulated a scheme wherein fair competition performance is evaluated internally. The level of effort made by each organization to put fair competition into practice is evaluated based on an incentive approach and awards are given accordingly, thereby minimizing business risks and encouraging of a fair competition culture.

Operating a Fair Competition Deliberation Center

In 2005, KT opened a Fair Competition Deliberation Center that is comprised of fair trade experts. The company has made it mandatory to conduct deliberations on various matters in advance including the identification of risk of potential are unfair actions and the review of regulatory risks, with the aim of preventing the possibility of anti-competitive activities.

In 2006, there were a total of 393 cases of prior deliberations. A more rigorous standard against anti-competitive action has led to an annual increase in this number.

Operation statues of the Fair Competition Deliberation Center

(unit: case)

Category	2004	2005	2006
No. of cases of deliberation	65	113	393

- Two corrective actions requested by the Fair Trade Commission in 2006 (Violation of the Labeling and Advertising Act and Door-to-Door Sales Act)



2007 workshop for personnel in charge of fair competition




human management

Employee vs. the head of Management Support Group

Q&A

Song Ji-Yeon. Employee


1. Will I be able to continue to work at KT even after I get married and have a child?
2. Will I be able to continuously grow with KT and live a life that is both mentally fulfilling and materialistically affluent?



1. There is an increasing demand for women to become a part of the workforce, but it is an undeniable fact that working condition for women with children is not as good as the one for men in Korea. KT runs several programs, with the goal of achieving “family-friendly management,” to address low birthrate and aging in Korea and to enable female workers to balance work and family without having to worry about childrearing. To encourage child birth among female employees, who are reluctant to get pregnant because of their work, KT has established several programs, such as the childbirth-facilitation fund, parental leave and subsidies for children education. In addition, the company provides daycare services to infants and children of employees so that they can work without reservations after giving birth. The company plans to continuously increase the number of childcare facilities and adopt new programs to support childbirth and childcare. You don’t have to worry because the company has been acknowledged by the government as the No. 1 company in Korea in this area.

2. Of course you can. KT has formulated a mid- to long-term master plan on human resources development in order to nurture experts who create customer value. It has established a capacity-oriented human resource development scheme by classifying personnel by job position and description and specifying capabilities that are needed to carry out work. According to such definition, employees are to select and improve those capabilities step by step. In this capacity-oriented CDP (Career Development Program), employees who satisfy certain conditions and who desire to do so are provided with support so that they can complete an MBA or other graduate school courses at a renowned college at home or abroad. The basic philosophy of KT in human resources development is that the growth of the employees leads to the growth of the company. The company also operates a “life plan” program so that an employee’s career development is in line with his/her life plan. The company opened a Career Design Center to offer professional consulting services required for employees to live a successful life, including identifying and developing one’s career; counseling service; re-employment and opening small businesses after retirement; and obtaining different certificates.

Q&A

 Park Hee-Kweon. The head of Management Support Group



Creating a happy workplace that gives employees a balance between work and home

:human management / KT 2007 corporate social responsibility report

Management approach

Key tasks to fulfill social responsibility

Based on the survey of stakeholder opinion on human management, KT has chosen, as key tasks of social responsibility, human resource development, fair HR practices, balance between work and personal life and open communication. Despite KT's systematic HR system and comparative long period of continuous employment (18.64 years as of December 31, 2006), assessment results indicate that many employees feel insecure about their futures, demonstrating a dire need to build mutual trust based on an open culture.



Cultural events for employees and their family members

Key results of activities in 2006

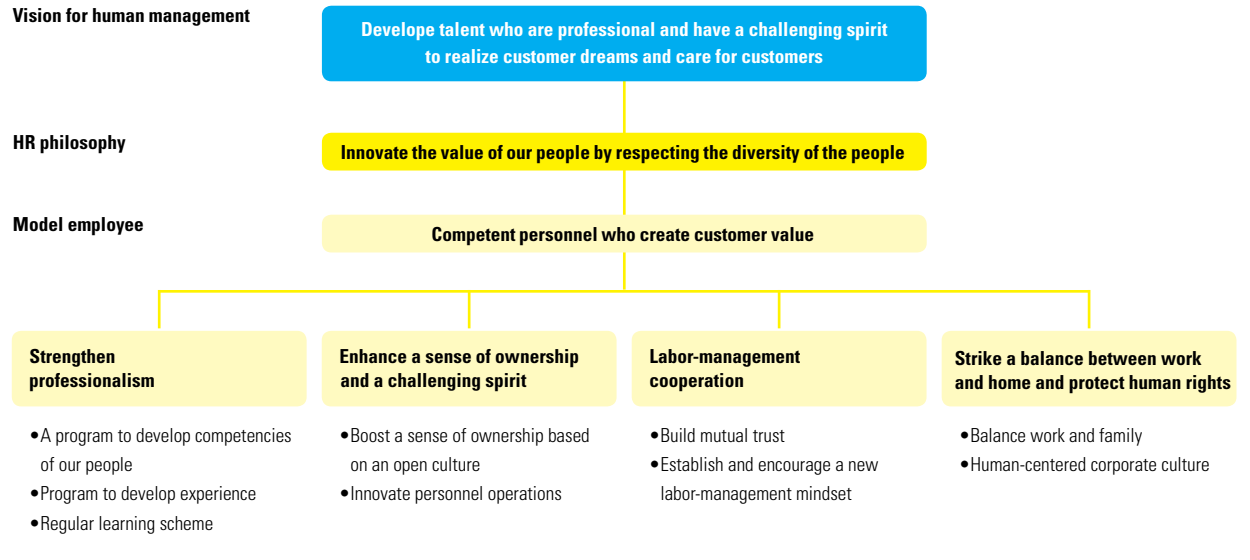
Item	Key results
Education and training of employees	<ul style="list-style-type: none"> Classroom training completed by 48,016 employees; online training completed by 83,955 employees Operation of 444 CoP(Community of Practice) and 53 study groups Average training hours and costs per employee: 106 hours; KRW 740 thousand
Promotion of employee welfare	<ul style="list-style-type: none"> Amount spent on welfare support: KRW 336 billion Adopted a family-oriented scheme, such as child care facilities at the workplace and the childbirth congratulating fund
Handling of employee complaints	<ul style="list-style-type: none"> Percentage of handling of employee complaints: 96.7% (Handled 118 out of a total of 122 cases)
Assessment of the employee satisfaction level	<ul style="list-style-type: none"> Improved the employee satisfaction level: 77.1 points (in 2005) → 79.8 points (in 2006)
Activities to prevent industrial disasters	<ul style="list-style-type: none"> Industrial disasters: Percentage: 0.19%; No. of people: 73 persons

Objective and direction

It is not the company that enhances customer value through its products or services, but the employees who fully perform their roles that realize such value. Only when a company pursues the growth and development of both its organization and each of its employees can it achieve continuous growth and gain trust from the market.

Based on the objective of “developing talent who are professional and have a challenging spirit to realize customer dreams and care for customers,” KT has set four implementation directions: strengthen professionalism; enhance a sense of ownership and a challenging spirit; improve labor and management cooperation; and balance work with family life and the protection of human rights. The company plans to actively carry out employee value-oriented human management accordingly.

Mid- to long-term objective of human management



Award ceremony for the best Mentor & Mentee

Develop talent to create innovative customer values

:human management / KT 2007 corporate social responsibility report

Human resources development



KT e-learning homepage

The skills of human resources are the most important factor for KT to become a leading global information and communications company and create top-notch customer value. This is because it is none other than the people who create customer value and enable corporate development. KT has formulated a mid-to-long-term master plan to develop experts and implemented its systematic processes. It renders a more active support for human resources development including the offering of educational programs by capability, a lifelong learning program and “life plan” programs.

Competency-based HRD

KT has come up with a mid- to long-term master plan on cultivating human resources in order to foster experts, to achieve the goal of creating customer value and responding to dynamic changing business environment. We have established competency-based HRD system, which is classifying personnel by job position and duty, specifying competencies that are needed to carry out the role and responsibility. And it can make employees check their gap and improve their competencies step by step. In particular, KT is assessing the employees’ competencies with personal characteristic and job aptitude every year based on a computerized system, so as to support employees in developing core competencies that are required to meet the organization’s objectives.

Developing human resources and their experiences

KT has made the competency structure of its employees to develop and provide training programs. Training programs provided are comprised of value-sharing program, job skills training, external training and etc. KT has recently increased the number of e-learning courses available from 60 to 395 courses, with a focus on subjects related to self-directed study, including job duties, certificates of qualification and language skills. It enhances learning opportunities for employees whenever and wherever they are.

Training details

(unit: persons)

Year	2004	2005	2006
Costs (KRW Thousand / person)	830	740	740
Hours (Hour / person)	66	107	106
Class room training (No. of people)	32,119	42,048	48,016
E-learning course (No. of people)	52,812	89,716	83,955



Learning group activities

AC (Assessment Center)

A simulated evaluation method that has been developed by using various means, such as personal interviews, psychological exams, business games, resolution of situations and case studies; and by reflecting on the company's situation in core areas.



Award ceremony during which KT received government certificate as an outstanding organization in human resource development in 2006

Awards received from outside organizations

- Received the 2006 Best HRD certificate (Jointly from four government agencies)
- Chosen as the best organization at a Small- to Medium-sized Company Job Training Consortium (supervised by the Ministry of Labor)
- Acquired a "Grade A" rating in terms of developing job skills (hosted by the Ministry of Labor)

Promoting learning groups

A key aspect of KT's employee development philosophy is our commitment to the support of lifelong learning. As part of such efforts, KT has developed and is supporting a wide variety of field learning programs, such as a IDP (Individual Development Program), COP (Community of Practice) and mentoring program. Since 2007, the company has been implementing a learning contract program that aims at fully establishing a self-directed learning culture. It encourages employee planning and building of individual development paths based on their competencies which are discussed and contracted with their respective managers on spending at least 100 hours/ year.

Status of learning group operations

(unit: teams)

Category	2004	2005	2006
Community of practice	31	234	444
Study group	35	64	53
Mentoring	-	255	240

Impartial performance evaluation and reward

KT has continuously improved its distinctive personnel management process and objectivity and impartiality of evaluations to achieve personnel management that is based on abilities and performance. Each individual employee's performance and competencies are measured and evaluated every six months in connection with the company's strategic direction and objectives. KT implements various schemes to boost the credibility of employee performance evaluations such as the establishment of an Assessment Center, which is an evaluation system used at advanced corporations, in addition to evaluations on an employee's performance and skills as well as an evaluation by many parties who work with an employee. Moreover, KT has adopted a fast-track promotion scheme and abolished the rule that allowed an employee a chance for promotion only when he/she has held a single position for certain period of time, with the aim of strengthening a performance-oriented culture and motivating employees. The company also implements an annual remuneration scheme for managers or higher-level employees and has improved the remuneration scheme to compensate employees based on performance.

Life plan program

KT adopted the "Life Plan" program in October 2005 in order to establish the conditions required for employees to design their future themselves even after retirement and to change the employees' mindsets with regard to their occupation. The program consists of three courses (self-innovation I, II and III) that are tailored to the age group of current employees. Moreover, KT opened a Career Design Center in September 2006 to offer the education, training and consulting required for employees to successfully make way for their future including courses on identifying and developing one's experiences; counseling; re-employment; opening small businesses; and acquiring certificates.


Life plan training received

(unit: persons)

Year	2005	2006	Total
Self-innovation I	7,171	8,160	15,331
Self-innovation II	131	381	512
Self-innovation III	194	1,511	1,705

Received government certification as an outstanding organization in HRD

In 2006, KT received a "Best HRD certificate" from the government. The Best HRD certificate is awarded jointly by four government agencies, including the Ministry of Labor and the Ministry of Education and Human Resources Development, to companies selected as being exemplary in human resource management and development. KT plans to continuously make considerable investments and give all-out support to the development of employment capabilities.



Establishing a fair, amicable and people-oriented corporate culture

:human management / KT 2007 corporate social responsibility report

Fair corporate culture

One of the basic philosophies of KT is to never discriminate against its employees for any reason such as physical disability, religion, gender or regional and school background. Based on such a philosophy, KT has established and implemented relevant systems and policies such as employment equality, maternity protection, sexual harassment prevention and the provision of equal opportunities. KT creates an amicable, people-oriented corporate culture in which all employees can develop together based on equal opportunities and zero discrimination.

Employment equality

KT hires new employees every year and also operates a regular employment system based on a personnel database. For new and strategic business areas, the company hires experienced workers, professional consultants (contract-based hiring of market experts) and professional executives whenever required, thereby flexibly responding to changes in the business and management environment. KT has adopted and is operating countless schemes such as “blind interviews” and a regional recommendation scheme, in order to ensure employment equality for non-mainstream people including people in regional areas, physically challenged people and women.

As of December 2006, the number of KT employees totaled 37,843, of which female employees accounted for 14.8%. Female employees occupy a range of positions from new employees to executives. The percentage of women among new employees has steadily gone up for the last three years and reached 23.3% in 2006. The percentage of physically challenged people employed is 3.1% (as of year-end 2006), which exceeds the legally stipulated percentage of 2%.

Maternity protection

KT provides support to female employees so that they can work in a comfortable setting by fully implementing relevant human rights regulations, such as prohibiting young employees under 18 from working at night; prohibiting pregnant employees from working overtime and being assigned to physically-challenging work; and giving a 90-day vacation before and after giving birth.

Prevention of sexual harassment

A “survey on the status and awareness of sexual harassment in the workplace” indicated that the general awareness on sexual harassment was extremely low. To address this issue, KT has opened a mandatory online training course on sexual harassment prevention and provided training at least once a year to every single employee. KT makes additional efforts to prevent sexual harassment and violence in the workplace by enacting guidelines on sexual harassment prevention; appointing sexual harassment counselors by organization; and opening a sexual harassment counseling center.



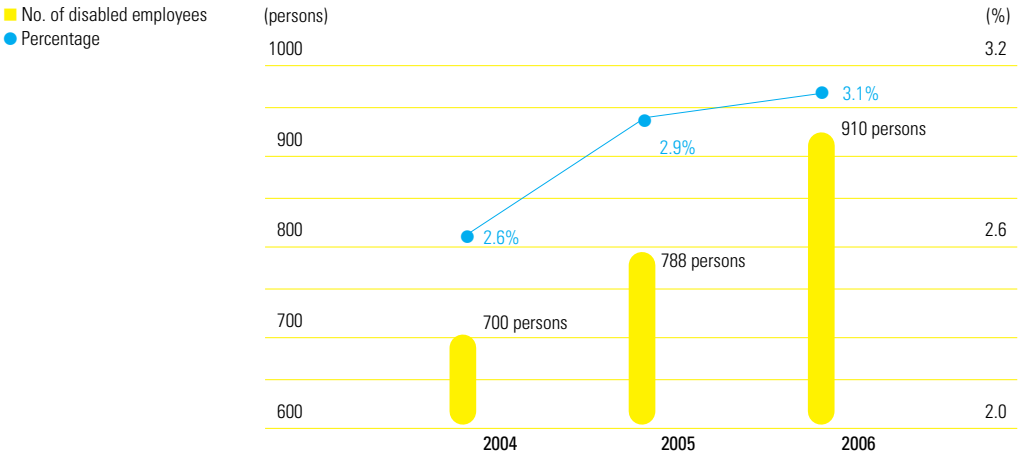
Prohibition of discrimination and provision of equal opportunities

KT stipulates in its Code of Ethics that no unreasonable and discriminatory measures will be employed in implementing policies due to such reasons as physical disability, educational background or school and regional ties. Moreover, KT provides equal employment opportunities to women, the disabled and persons of national merit, when hiring new employees.

Prevention of forced labor and child labor

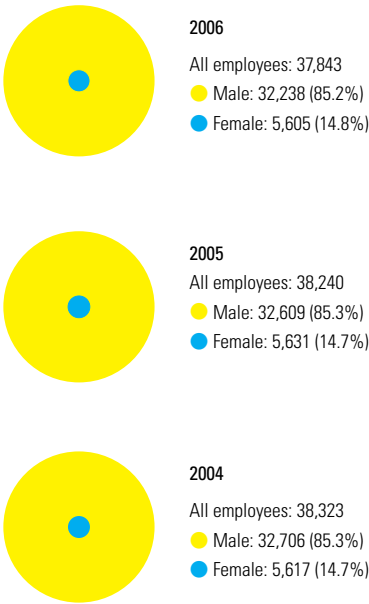
KT strictly abides by articles on forced and child labor stipulated in regulations set forth by the International Labor Organization (ILO) and in the Korean Labor Standards Act.

Employment of the disabled

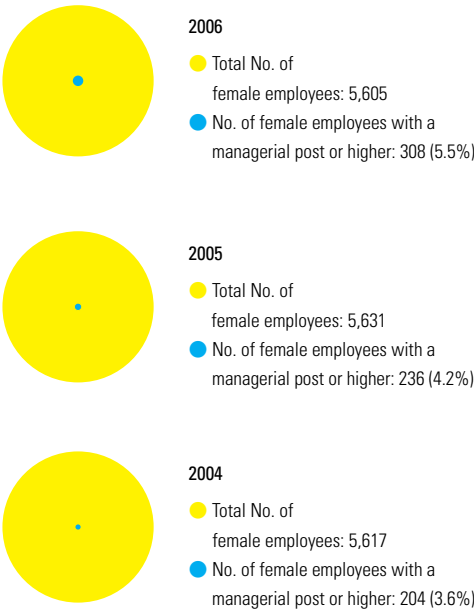


(unit: persons)

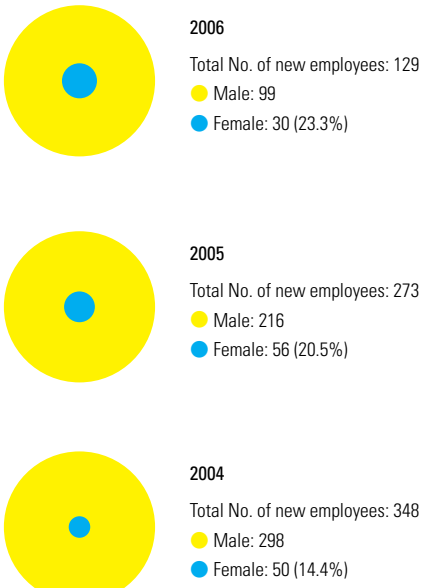
Comparison between male and female employees



Distribution of female workforce



Percentage of female employment



Operating various welfare schemes for employee satisfaction

:human management / KT 2007 corporate social responsibility report

Welfare

KT wants to help employees strike a balance between work and personal life and has established a wide array of welfare schemes to ensure employee satisfaction. It focuses on enhancing the quality of its employees' lives by operating various programs in the areas of childhood education, self-development, leisure activities and health management. In particular, KT provides a family closeness program, which includes facilitating child birth, maintaining the good health of the entire family, thereby enhancing employees' satisfaction level towards work and family life.

Improving employee welfare

To ensure a stable life and to improve the welfare of all employees, KT operates various support programs regarding childhood education, self-development, leisure activities and health management. In 2002, KT opened a Cyber Welfare Hall (<http://b4u.kt.co.kr>), which is the company's website on welfare, so that all employees, including retirees, have easy access to welfare services. In-depth discussions on welfare performance and issues are carried out during collective wage negotiations between labor and management every year. Through this process, issues in welfare schemes and operations are addressed so that balanced welfare benefits can be enjoyed in every aspect of an employee's life.



Family-friendly management
declaration ceremony

Welfare scheme

Category	Details
Pension savings	Provide pension support in a given amount offered every month
Housing fund	Extend long-term, low-interest loans to employees who do not own a house
Expenses for congratulations	Provide financial support for congratulatory and condolatory events Offer additional support to mutual aid associations within the company
Disaster recovery fund	Provide disaster recovery funds when an employee's house is damaged or flooded due to a natural disaster
Resting facilities	Operate cultural centers, summer rest homes and condos
Health checkup	Provide subsidies for health checkups for employees and their spouses
Medical cost	Provide support in terms of medical costs for employees, their spouses and children
Child tuition	Provide support in terms of tuition for the children of employees who are in middle school, high school or college
Group insurance	Reduce the financial burden on families when employees are in an accident
Statutory insurance	Provide support for the National Pension, National Health Insurance, Employee Insurance System and Work Injury Insurance

Money spent on welfare support

Year	2003	2004	2005	2006
Amount (KRW Billion)	236.6	365.3	346.6	336

• Including financial support for the in-house work-welfare fund

Family program

In order to address the low birthrate in Korea, KT conducts various child-birth support activities such as operating day-care facilities in the workplace, allowing parental leave and providing childbirth-congratulating funds. KT has taken a step further by adopting the family-friendly program as a means to boost the morale of its employees. Employees who have received the benefits of the family program are more satisfied with their work and family life. This has led to an enhancement in the quality of life as well as a higher level of devotion to the company, ultimately resulting in enhancing employee concentration at work and achieving considerable improvements in work productivity. In July 2006, the company was chosen as an outstanding corporation during a family-friendly management declaration hosted by the Ministry of Gender Equality and Family and the company's many family-friendly programs have now been introduced to other corporations.

Family programs

Category		Details	Date of Introduction
Facilitation of childbirth	Childbirth-congratulating fund	Provide KRW 200 thousand for the first child; KRW 500 thousand for the second; and KRW 1 million for the third	January 2007
	Parental leave	One-year parental leave given to employees who have a two-year-old or younger child	September 2005
	Subsidy for childhood education	Financial support for education expenses for a preschool child	September 2005
	Daycare facility at work	Provide daycare services to infants and children of employees	March 1997
Family health	Health examination of employees and spouses	Subsidy for health examinations of employees and spouses	March 1993
	Helping the families of employees with incurable diseases	Financial support for medical expenses given to families of employees with an incurable disease (KRW 2 million per person)	-
Family participation	English camp for elementary and middle school children	Professional language education offered to the children of employees during school breaks	June 2005
	Online lectures on languages	Provide English, Chinese and Japanese language courses free-of-charge to families of employees	March 2005
	Family rest facilities	Support five training facilities in organizing events for families	March 1987
	Cultural events that facilitate family participation	Performances, "movie day" and a UCC (User Created Content) competition	January 2006



Language camp for the children of employees

Creating an open culture by facilitating internal communication

:human management / KT 2007 corporate social responsibility report

Communication with employees

KT aims to create an open culture where smooth communication takes place between the company and its employees as well as among employees based on mutual respect and consideration. KT does more than reflect the results of annual employee satisfaction assessment into management: It operates schemes, such as Blue Board and Cool Box, so that employees have more opportunities to raise matters of concern or state their opinions and more proactively participate in management. In addition, psychological counseling and a grievance resolution process are in place to ensure employees a comfortable and stable life.

Assessment of employee satisfaction

KT is convinced that only those employees who are satisfied with their work and are motivated can enhance customer value and corporate productivity. Based on such a conviction, KT has been carrying out annual assessments on the satisfaction level of all its employees since 1999. The satisfaction score in 2006 was 79.8, showing a steady improvement from 2004. Assessment results are communicated to each organizational manager so that improvements can be made.

Employee satisfaction score				(total points of 100)
Year	2004	2005	2006	
Score (points)	74.7	77.1	79.8	

Blue Board scheme

KT has operated, since 2002, the “Blue Board” which consists of young and talented employees to facilitate internal communication and expand opportunities to participate in management. Blue Board members, who are chosen every year through a competition, hold regular meetings with top management to present and discuss creative ideas on the development direction of the company, thereby encouraging the active exchange of opinions between executives and employees. Up until 2005, the headquarters led the operation of the Blue Board. In 2006, however, Blue Board members were classified into headquarters and regional members. Corporate-level members conduct activities to create an open corporate culture and have meetings with the CEO, while regional members communicate with regional directors and carry out social contribution activities.



6th Blue Board launching ceremony

Cool Box system

“Cool Box” refers to theme-oriented discussion rooms that allow employees to state their opinions freely on various themes of interest and share their thoughts. In 2005, the first Intranet discussion room was opened. Since then, a total of 23 discussion rooms were created and put into operation by year-end 2006. Cool Box enables employees to communicate their creative thoughts and ideas and plays a pivotal role in gathering the opinions of the employees.

Operating a Psychological Counseling Center

KT, which pursues harmony between work and personal life, opened a Psychological Counseling Center in August 2006 to help its employees concentrate on their work and enhance work productivity. The Center provides counseling and resolves psychological issues. It provides counseling in different areas, such as interacting with others, handling stress, adjusting to life at work, developing one's character and taking care of children. Confidentiality is guaranteed since the operation of the Center is outsourced to an external, professional organization.

No. of counseling sessions in 2006

(unit: session)

Category	Face-to-face counseling	Online counseling	Telephone counseling	Total
No. of counseling sessions	135	13	21	169

Grievance resolution system

To resolve any employee grievances including complaints, KT has set up a grievance resolution department at each organization. Reports on grievances are classified and handled quickly and fairly through the appropriate Grievance Resolution Committee. In 2006, a total of 122 reports on employee grievances were made in 2006. Most of them were general grievances, such as request for relocation.

Number of grievance reports resolved

(unit: session)

Category	2004	2005	2006
No. of reports received	102	143	122
No. of reports resolved	94	138	118
Resolution rate (%)	92.1	96.5	96.7



Vision discussion forum

Creating a model labor-management culture based on mutual trust

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Labor-management cooperation

KT has created a model labor-management culture based on mutual trust. The company has reached a peaceful conclusion in collective bargaining negotiations for six consecutive years since 2001, thanks to the labor and management communicating based on an open mind and striving to achieve the same goals. Moving forward, KT will continue its efforts to create win-win labor-management relations in which the two parties are able to grow together, creating value for and ensuring the satisfaction of its employees.

Establishing a win-win labor-management culture

KT recognizes the labor union as a representative of employees and a key partner in management. It aims to achieve win-win labor-management relations to create value for employees while adding to their level of satisfaction. In particular, labor and management share their thoughts and reach a consensus on matters related to corporate policy and management through business presentations or labor-management discussion forums, thereby preventing labor-management disputes and conflicts. Such results have already born fruit: allowing KT to reach peaceful conclusions in collective bargaining negotiations for the six consecutive years from 2001 to 2006.

Labor union status

Formed in 1982, KT's labor union consists of a central headquarters as well as 433 subdivisions and branches in the company's business centers around the nation. KT guarantees the employees' right to establish a labor union and other representative bodies. The adoption of the union shop scheme, which requires new employees to be labor union members as soon as they join the company, has led to 81% (30,508 persons as of year-end 2006) of all employees becoming members of the labor union.



Ceremony celebrating the 24th anniversary of the establishment of the labor union

Facilitating communication between labor and management

KT operates several councils, including the Labor-Management Relations Improvement Council and Job Security Committee, based on an agreement between labor and management, in addition to mandatory councils stipulated in labor laws, with the aim of facilitating mutual understanding and facilitating bi-directional communication. Furthermore, management presentations are given on the company's key management status through which labor and management are conducting in-depth discussions on corporate management. From each organization, including the company head office, five to ten labor and management representatives (the number of people from each party is the same) come together every three months to hold a labor-management council meeting in order to incorporate employee opinions into management. In addition, matters subject to negotiation are identified beforehand through the Labor-Management Improvement Council, the Job Security Committee and the HR & Remuneration Scheme Improvement Committee, through which the company quickly incorporates and addresses matters of interest to its employees.

Operation of labor-management council meetings in 2006

Organization	Frequency
Labor-Management Council	4 times
Labor-Management Relations Improvement Committee	4 times
Job Security Committee	12 times
HR & Remuneration Scheme Improvement Committee	7 times
Management presentation	34 times

Creating a workplace where the safety and health of employees are assured

:human management / KT 2007 corporate social responsibility report

Safety and health

Status on work injury (unit: persons)			
Year	2004	2005	2006
No. of employee injured by accidents	86	67	73
No. of fatal accidents	8	6	3
Injury rate (%)	0.23	0.17	0.19



Safety Assessment Day event

Creating a safe working environment

Events to put safety measures into practice: A “Safety Assessment Day” event that is supervised by the CEO and labor union chairman is held at least once a year. Through this event, top management demonstrates their strong commitment on ensuring industrial safety with the employees and form a consensus on the need to achieve industrial safety.

Industrial Safety & Health Committee: A workplace with more than 100 employees are required to appoint the director of workplace as the person responsible for safety and health management and abide by matters stipulated in the Industrial Safety and Health Act. In addition to complying with this requirement, KT holds Industrial Safety & Health Committee sessions every quarter so that the labor and management can discuss matters related to safety and health including accident prevention, training and employee health.

Operating an accident control system: KT has in place a scheme that enables relevant employees to swiftly receive reports of any accidents. In addition, details on accident investigations and measures to prevent the recurrence of accidents are disseminated to all business centers across the nation.

Training on industrial safety: Field employees and supervisors are required to receive at least three hours per month and 20 hours per year of regular safety and health training, respectively so as to prevent industrial disasters. Correspondingly, onsite training is provided to supervisors, thereby raising employees awareness on safety.

Managing employee health

Employees in their 30s and 40s exhibit a high rate of disease occurrence, such as cardiovascular disease as well as a high risk of suffering from computer-related occupational diseases such as work-related backaches and musculoskeletal system disorders. KT recognizes that employees in this age group play a pivotal role in production activities. Based on such a realization, KT performs regular health check-ups on its employees every year. Health related data collected every year will be actively used to manage employees' health such as the prevention of disease and early diagnosis of maladies, based on the health management system currently under construction.

Employee health management program

Category	Main program	Personnel in charge
Health examination	• Comprehensive health examination for employees (once a year)	Personnel in charge of health at each business center
Health guidance	• Around 200 general hospital-level health organizations across the nation offering guidance to KT employees	Health manager to whom work is delegated
Physical strength management	• Measuring the physical strength of employees and offering recommendations on exercise regime (once a year) • All business centers equipped with a fitness room • Online body stretching exercise program offered to prevent musculoskeletal system disorders	Personnel in charge of health at each business center
Assessment of the work environment	• Assessing the work environment at business centers (at least once a year)	Personnel in charge of health at each business center



win-win cooperation

Partner Company vs. the head of Purchasing Strategy Office



1. Please explain KT's mid- to long-term direction for win-win cooperation with its partner companies and its detailed policies to help partner companies grow.
2. What activities have been carried out to strengthen cooperation, such as win-win cooperation programs and communication channels?

Q&A

Choi Yong-Suk, Partner Company

1. KT has strengthened transparency and fairness in its business relationships with partner companies and continuously overhauled its procurement structure. To strengthen win-win cooperation with partner companies, KT will establish a company-wide win-win cooperation scheme based on three pillars: sharing benefits based on mutual trust; supporting partner companies to enhance their competitiveness; and building an open corporate ecosystem.

KT will expand the Supplier Performance Management (SPM) system so as to classify partner companies into three groups – the circulation, improvement support and cultivation groups - according to business transaction performance, cooperation results and partner company capacities and foster the partner companies accordingly. Outstanding partner companies with a certain grade will be provided with various incentives, such as priority in business participation, preferential treatment in contract, conclusion of higher number of long-term contracts and priority to join the win-win cooperation programs. Partner companies that need to improve will be encouraged to make voluntary performance improvements and be provided with technological support and customized consulting serious services, thereby helping partner companies to enhance their competitiveness.

2. In addition to a partner company portal website (<http://partner.kt.co.kr>), KT has set up various on- and off-line communication channels, such as meetings with partner company CEOs, business presentations and special communities by equipment. By so doing, the company enhances mutual understanding and business efficiency. To strengthen win-win cooperation with partner companies, KT operates an organization dedicated to partner companies, through which the company is continuously developing and implementing various win-win programs. Core win-win cooperation programs include opening a dedicated space for win-win cooperation (KT's Win-Win Cooperation Center); implementing a benefit-sharing program; operating an online channel to receive partner company opinions at all times; providing financial support; making full payments in cash; providing free-of-charge, customized training; transferring unused patent technologies; engaging in cooperation related to patents; and performing regular surveys of partner companies. Moving forward, KT will step up efforts to strengthen win-win cooperation and ensure smooth communication with partner companies.

Q&A

Park In-Kyu. The head of Purchasing Strategy Office



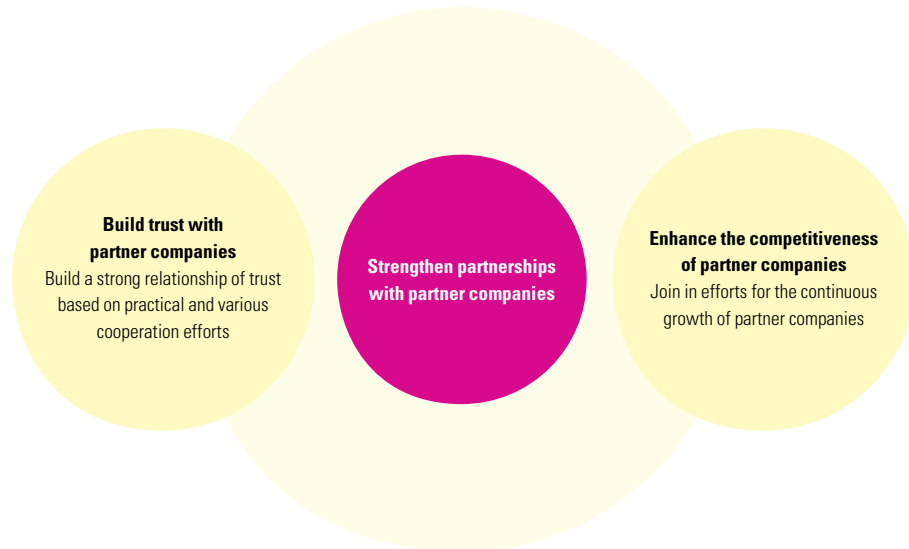
Maintaining a true win-win relationship with partner companies

:win-win cooperation / KT 2007 corporate social responsibility report

Management approach

Key tasks to fulfill social responsibilities

Based on the survey on stakeholder opinion win-win cooperation, KT chose, as its key tasks for win-win cooperation, partner company communication and support for partner company advancements. The company also realized that there is a difference in opinion between KT employees and partner companies in the reasonable level of reasonable support provided for partner company developments; listening to the opinions of partner companies; and maintaining consistency in policies. As such, KT made various efforts to achieve win-win cooperation, in its trust meaning, so that partner companies can agree with KT that a certain level of cooperation is in place.



Ceremony on a win-win cooperation agreement with small-to medium-sized companies

Key results of activities in 2006

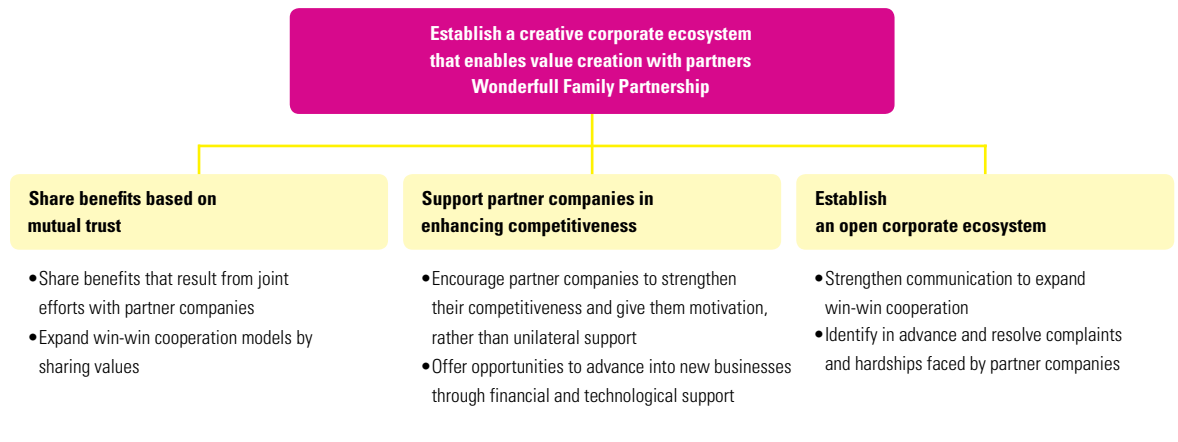
Item	Key results
Benefit-sharing scheme	• Conducted four projects and achieved financial benefits amounting to KRW 1.85 billion
Win-Win Cooperation Center	• One-stop services available for partner companies (opened in July 2006)
Improvements in the purchasing scheme	• Increased the number of partner companies with which KT concluded long-term contracts: 22 companies (in 2005) → 30 companies (in 2006)
Resolution of complaints from partner companies	• Received and resolved ten complain reports, including reports on inventory issues
Multi-dimensional evaluations on partner companies	• Improved the satisfaction level of partner companies 66.4 points (in 2005) → 75.4 points (in 2006)
Financial support	• Provided preferential loans in connection with financial institutions: Total loans amounting to KRW 181.7 billion
Full payment in cash	• Made cash payments to small- to medium-sized companies: KRW 2304.4 billion
Transfer of patented technology usage rights	• Supported a total of 102 cases (Licensing: 50 cases; technological transfers: 52 cases)
Free training for partner company employees	• A total of 24 on- and off-line courses provided to 11,000 persons
Providing technological development funds	• Selected five projects and gave financial support amounting to KRW 975 million

Objective and direction

The gap between large corporations and small- to medium-sized companies would be narrowed only when support and efforts are made from all levels of society. Accordingly, KT actively promotes win-win cooperation by developing and providing a wide array of training and support programs to ensure the continuous and practical growth of around 4,000 small- to medium-sized partner companies.

With the company's implementation objective –“Wonderfull Family Partnership”– in mind, KT will establish a company-wide win-win cooperation scheme based on three implementation directions: share benefits based on mutual trust; support partner companies to enhance their competitiveness; and establish an open corporate ecosystem that assimilates external competencies. KT will thus make joint efforts to create new value and strengthen strategic partnerships with partner companies in the mid- to long-term.

Mid- to long-term objective of win-win cooperation



KT Partners' Day with invited presidents of partner companies

Building strong trust based on practical cooperation in various areas

:win-win cooperation / KT 2007 corporate social responsibility report

Building trust with partner companies



Presentation on the partner company benefit-sharing scheme

In order to achieve a true win-win relationship with partner companies, mutual trust is extremely important. Gaining trust is not a simple process: It can only be achieved when both parties open up to and sincerely cooperate with each other. KT builds trust with its partner companies by implementing a benefit-sharing scheme, conducting multi-dimensional evaluations of its partner companies, opening a Win-Win Cooperation Center and making efforts to facilitate communication.

Implementing a benefit-sharing program

In 2006, KT adopted a pilot benefit-sharing program to share the benefits that it has obtained based on joint efforts with its partner companies, such as quality improvements, cost saving and product developments. It did so to establish a fair relationship of cooperation with its partner companies. KT's initial focus was to develop a benefit-sharing model that is in line with conditions in the telecommunications sector and to fully establish the program. The company carried out a total of four projects with six partner companies, leading to financial benefits of around KRW 1.85 billion. As of 2007 six projects have been chosen and are in progress.

Projects conducted in 2006 in relation to the benefit-sharing program

Category	Projects
Development of equipment	Achieved localization of a FTTH (Fiber To The Home) optical-line network measuring device
Quality improvement	Standardized distribution panels in small- and medium-sized buildings and made improvements in the level of failure found in reserved switchboard units
Cost reductions	Improved the architecture of the new authentication web server

Launch of the Win-win Cooperation Center

As part of its efforts to put its win-win cooperation policy into practice, KT opened a "Win-win Cooperation Center" in July 2006. The Center is located on the second floor of KT headquarters and consists of meeting rooms, a workspace and a rest area. The KT Win-win Cooperation Center addressed the inconveniences felt by partner companies when visiting KT because there was no dedicated space available for them to engage in business discussions. It also serves as a one-stop service center where general win-win cooperation activities are conducted.

Benefit-sharing scheme



Operating diverse communication channels

Communication is key to carrying out projects with partner companies. KT has established various communication channels for a variety of reasons: to enable fair and transparent business; facilitate the exchange of information; improve unreasonable schemes; actively listen to the opinions of its partner companies; and strengthen mutual trust.

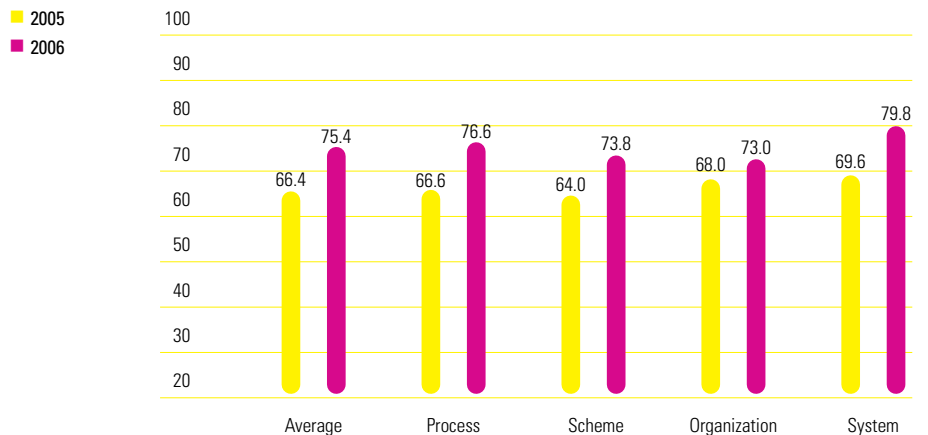
Communication channel	Objectives	Cycle
Special community by equipment	Channel to exchange technologies and information by equipment group	At all times
Purchasing VoS (Voice of Supplier)	Gather various opinions from partner companies and provide feedback	At all times
Multi-dimensional evaluations by partner companies	Conduct surveys on the satisfaction level of partner companies and provide feedback	Twice a year
Meetings with partner company CEOs	Gather opinions and give presentations on business plans and purchasing schemes	Once a year
Regular presentations	Make improvements to schemes through council meetings by area Exchange information and have Q&A sessions	Twice a year
Online Win-win Cooperation Center	Introduce the win-win cooperation program (online application is available)	At all times
Suggestion box	Provide opinions, such as what kind of improvements can be made, after evaluating equipment and receiving feedback	At all times

Assessment of partner companies' satisfaction

Since 2005, KT has performed multi-dimensional evaluations on its partner companies every year to assess the company's general purchasing process from the point of view of its partner companies and to make improvements accordingly. In 2006, KT conducted an online survey on a total of 170 partner companies. The survey showed a satisfaction score of 75.4 points (out of a total of 100 points), indicating considerable improvements compared to the previous year in how partner companies viewed KT's purchasing policies.

Partner companies' satisfaction level

(unit: points; Out of a total of 100 points)



Making joint efforts for the continuous growth of partner companies

:win-win cooperation / KT 2007 corporate social responsibility report

Strengthening the competitiveness of partner companies

KT has formulated various policies that support partner companies so that they can gain competitive edge with the goal of establishing a long-term partnership. The company put in place a partner-company grading scheme to motivate them and strengthen their competencies. KT is taking a step further by offering free training, thereby actively providing support in human resource development. It also helps its partner companies improve competitiveness through financial support, technological transfers and technological development support.

Implementation of a partner company grading scheme

Partner companies that supply equipment to KT are comprehensively evaluated on such factors as quality, level of cooperation, compliance to the delivery deadline, cost saving and financial status, throughout the year. They are then graded (Grade S, A, B, C or D) and are managed differently according to the grade. Outstanding partner companies with a high grading are given priority to join the support programs such as the provision of opportunities to participate in business and preferential treatment in contracts.

Partner companies with a low grade are assessed on their current level, provided with support in implementing improvements such as training and consulting and encouraged to make voluntary performance improvements, thereby strengthening the competitiveness of KT's supply chain and the foundation for win-win cooperation.

Matters applied to each partner company grade				(as of end 2006)
Grade	Percentage	No. of suppliers	Matters applied to each grade	
Top (Grade A or higher)	20%	32	Given preferential treatment in contracting; exempted from non-financial evaluations, payment of guarantee money for contracts and bidding; and able to conduct voluntary inspections	
Middle (Grade B)	50%	79	Provided with support in quality consulting and certification; free training; and new product development costs Given priority for win-win programs, such as the "KT family loan" and access to the general model room	
Bottom (Grade C or lower)	30%	47	Implement improvement requests by KT and strengthen inspection of products	



Partner company training on the performance management system

Offering free training to partner companies

KT provides practical training to partner company employees, free of charge, to strengthen the skills of partner company personnel and resolve difficulties faced by small- to medium-sized companies in terms of human resource development. There are at present a total of 24 on- and off-line courses available, including those on internetworking and on cultivating TL9000 examiners. KT has drawn up plans to continuously launch new courses such as six sigma and top management training.



Training provided to partner companies in 2006

Category	Subject	No. of courses	No. of partner companies	No. of people
Online training	Construction	9	1,848	7,174
	Materials and equipment	2	239	1,857
Offline training	Construction	8	900	1,310
	Materials and equipment	3	348	486
	Distribution and sales	2	137	173
Total		24	3,472	11,000

Financial support to partner companies

KT operates various financial support programs to promote the financial stability of small- to medium-sized companies, which are in a dire situation resulting from the rise in raw material prices, increase in oil prices and drastic plunge in the exchange rate. The company concluded agreements with financial institutions so that partner companies can receive loans at low interest rates based on their performance in supplying products and their technological skills. Starting from July 2006, KT has paid in cash for transactions with its small- to medium-sized partner companies, no matter what the amount is. The total amount of payment KT made in cash in 2006 reached KRW 2304.4 billion.

Financial support given to partner companies

(as of end 2006)

Category	No. of partner companies	Loan amount (KRW)	Commencement date
Network Loan	369	110 billion	December 2004
KB Partnership Loan	50	68.8 billion	April 2006
KT Power Loan	7	800 million	November 2005



Ceremony for conclusion of agreement between KT and venture capitalists for partner company investment support



Presentation on patent licensing for win-win cooperation between small- to medium-sized companies and large corporations

Providing technological development funds

To facilitate the development of small- to medium-sized companies as well as start-up companies, KT provides technological development funds, jointly with the Small and Medium Business Administration, to qualifying companies that are in a difficult situation because of a shortage in development funds. In 2006, KT held a competition among small- to medium-sized companies and start-ups that would give winners technological development support for new products. It chose 58 out of 120 projects and provided financial support amounting to KRW 975 million including technological development investments worth KRW 425 million.

Transfer of patented technology usage rights

KT provides usage rights to small- to medium-sized companies as well as start-up companies that desire to use patented technologies of KT at a low price, thereby offering them with new business opportunities such as advancements into overseas markets. In 2006, support was given for a total of 102 cases including 50 cases of patent licensing and 52 cases of technological transfers.

In particular, KT transferred key patented technologies, such as the “KT Naratguel,” to 32 small-to medium-sized companies based on exceptional conditions, such as an exemption of initial payment and free source program support. KT is now in the process of transferring usage rights for 375 patents.

Transfer of patented technology usage rights

(unit: case)

Category	Licensing	Technological transfers
2006	50	52

•Licensing: Giving rights to use the intellectual property rights of a company to another company

1. KT cares for its citizens and carries out social contribution activities for the development of the local community in three main areas: First, the company makes full use of its capacities as an IT corporation by contributing professional IT services to society, thereby playing a pivotal role in bridging information gap and enabling the country to take a great leap forward to become a leading nation in digital knowledge; Second, the company conducts projects for public good in various areas such as the environment, social welfare and culture; Third, funds are raised with participation by around 76 percent of the company's employees based on which 270 teams consisting of roughly 14,000 volunteers from all across the nation are actively participating in volunteer activities at welfare facilities and for local underprivileged residents.

2. Among OECD nations, Korea is the No. 1 nation when it comes to high-speed Internet network deployment. However, the IT utilization index is surprisingly low compared to network penetration. Many citizens are mainly using the Internet only to search information and have not used network infrastructure to its fullset. This has naturally resulted in an information gap in terms of IT use. It is highly likely that this gap creates an income gap in the future. To address this problem, KT is determined to enable all citizens to learn IT skills through IT Supporters.

3. The goal of KT is to become a company that provides the best services to the citizens. Gaining a deep understanding of the customers, in and of itself, is the key to achieving such a goal. In this respect, members of IT Supporters are given opportunity to better understand our customers by making a visit to each customer and helping them with IT skills. Only when we know the customers can we provide top-quality services. The era where companies focused solely on creating profits is over. Even though it means a decline in financial profits in the short term, KT is finding ways for the local community and corporations to coexist by not only fulfilling its responsibilities as a member of society but also by reaching to the community before anything is asked for.




Q&A

Lee Guil-Joo. The head of Public Relations Office



contributions to the community

Beautiful Foundation vs. the head of Public Relations Office

- 
1. I would like to know what kind of role KT plays for local community development, as a leading IT corporation of Korea.
 2. What is the goal of the recently-launched IT Supporters, and what are its main roles?
 3. Members of IT Supporters participate in volunteer activities only. Doesn't this create a negative impact on corporate productivity?

Q&A

Yoon Jung-Sook. Beautiful Foundation

Creating a heart-warming society full of love and sharing

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Management approach

Key tasks to fulfill social responsibilities

Based on the survey on local community stakeholders' opinion on KT's social contribution to local communities, KT chose, as its key tasks, IT projects for public good; personnel and materialistic support for local communities; and the development of distinctive social contribution projects by identifying the needs of local communities. Accordingly, KT focused its resources on carrying out social contribution activities that merge the needs of local communities and its information and communication business, such as the construction of a strong nation in the area of digital information and communication, by using its volunteers group consisting of 14,000 employees as well as its regional office and branch network across the nation.



Disaster recovery support activities

Key results of activities in 2006

Item	Key results
Help secluded neighbors	<ul style="list-style-type: none"> • Activities by the KT Volunteers : Total 3,955 cases • More contributions to the KT Love Sharing Fund: KRW 3.2 billion (in 2005) → KRW 3.7 billion (in 2006) • Restoring hearing for hearing impaired people <ul style="list-style-type: none"> - Artificial cochlea implants: 20 persons, digital hearing aids: 10 persons
Establishing a foundation for digital knowledge	<ul style="list-style-type: none"> • Launched the IT Supporters, which is a volunteer organization consisting of KT employees (February 2007) • IT master scholarship: 243 persons (KRW 0.7 billion)
Areas with no access to the Internet	<ul style="list-style-type: none"> • Increased the penetration rate of high-speed networks in farming and fishing villages : 94.9% (in 2005) → 99.2% (in 2006)
Opened the KT Art Hall	<ul style="list-style-type: none"> • Held around 230 free performances and exhibitions (25,000 visitors)
Protectors of cultural assets	<ul style="list-style-type: none"> • Concluded the "One Protector for One historical heritage" agreement (in April 2006) : Conducting activities every month to preserve 12 historical heritage located across the nation

Objective and direction

The gap between the rich and poor has recently become a major social issue. In addition, the current resource distribution system is not sufficient to address the concerns of the marginalized in local communities.

Based on the objective of "realizing a Wonderful Korea through love and sharing," KT will conduct activities in various areas such as establishing a foundation for digital knowledge, improving the quality of lives of local community members and helping underprivileged neighbors, mainly through the KT Volunteers and IT Supporters which are composed of the company's employees.

Mid- to long-term objective of social contributions



IT Supporters launching ceremony

Creating a world where benefits of information and communication are shared by all

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IT projects for public good

KT dreams about a society where anyone can enjoy the convenient benefits of information and telecommunication and a country that excels beyond any other in terms of IT knowledge. To realize this dream, IT Supporters has been launched to support use of information and telecommunication by those marginalized from the information era and to build an information and telecommunication infrastructure that reaches even the remotest area. KT creates a world where advanced information and telecommunication technologies make the lives of people rich in joy and wealth.

How to request assistance from IT Supporters

If you need help from IT Supporters, contact us by phone (82-1577-0080) or on the web (<http://www.itsupporters.com>).

Nurturing IT Supporters

To more proactively support the access of all citizens to information, including those marginalized from use of information technology, IT Supporters, a voluntary organization of 400 people specializing in the IT sector, was created in cooperation with the Beautiful Foundation on February 21, 2007. IT Supporters, consisting of qualified KT employees who have certificates related to computers or IT, are assigned to 28 regions across the nation to assist citizens in using computer, the Internet, IT terminals among others. In addition to providing education on how to use them, they will also answer questions and solve inconveniences people experience in using a computer or the Internet. KT plans to increase the number of IT Supporters to 1,000. KT will take the forefront in turning Korea into a leading IT knowledge country by eliminating digital divides and satisfying citizens' needs in use of IT through its IT Supporters activities.

Creating IT-literate Villages

To overcome digital divides among regions and contribute to improving the competitiveness of farming and fishing villages, KT has established funds and deployed high-speed networks in rural farming and fishing villages in cooperation with the government and local autonomies since 2002. As a result of the first project for pilot villages in 2001, residents in rural villages were able to enjoy information and communication environments such as high-speed Internet and e-commerce and the fifth project is currently underway. As a result, a total of 306 villages now enjoy the benefits of Information and communication technology.

Results of creating IT-literate Villages

Project Phase	1st	2nd	3rd	4th	5th	6th
Period	Mar. '01_May '02	Jun. '02_Jun. '03	Jan. '04_Oct. '04	Jun. '05_Feb. '06	Dec. '06_Mar. '07	Planned for Jul, '07
No. of Villages	25	78	88	89	26	Planned
Internet access lines	2,700	7,482	7,037	6,303	1,427	Planned



Building high-speed networks in farming and fishing villages

To narrow digital divides among regions and contribute to increasing the competitiveness of farming and fishing villages, KT has formed fund matching programs and built high-speed networks in such villages in cooperation with the government and local governments since 2002. In 2006, high-speed networks were deployed for 73,903 households in farming and fishing villages previously without access to the Internet and in 2007 construction of high-speed networks will be completed for about 3,600 villages, each with less than 50 households, to provide Internet access to all rural farming and fishing villages.

Results of high-speed networks construction in farming and fishing villages

Classification	2004	2005	2006
No. of total households	3,768,225	3,768,225	3,768,225
No. of households connected to high-speed networks	3,299,259	3,577,399	3,738,225
Penetration ratio (%)	87.6	94.9	99.2
Investment budget (KRW Billion)	22.8	16.1	24.1



IT skill training project for traditional markets

Deliver IT infrastructure to traditional markets

KT concluded a memorandum of understanding with the Small & Medium Business Administration and the Korea Merchant Association in January 2007 to ensure joint cooperation to supply IT infrastructure to traditional markets. Through this effort, IT infrastructure will be built and online accessibility will be offered by providing 30,000 low-price PCs and high-speed Internet access for three years from March 2007. In addition, various IT education programs for merchants of traditional markets such as how to use a PC, sales and accounting management and operation of an Internet shopping mall will be carried out to educate about 3,000 digitally-savvy merchants.

IT education

KT offers various IT education programs so that neighbors secluded from information technology can fully enjoy the benefits of information and communication.

KT educated around 50 thousand seniors on how to perform online searches, send and receive emails, use the word processor, create a homepage as well as other basic education on using PCs. By so doing, KT provided them with an opportunity to learn an easy way to access the world of cyberspace. Moreover, KT holds the “IT skills contest for the disabled,” in which disabled people compete in five areas –including, searching for data on the Internet, typing Korean, web design, creating documents – with the goal of improving the abilities of the disabled in communicating using the Internet. The company has taken a step further by opening free IT education centers for the underprivileged neighbors in the local community through which the company educates teenagers from low-income families and orphaned youths.



Education provided to seniors on using mobile phones

Educating seniors on how to use mobile phones

For seniors, who can only use the basic functions of mobile phones, such as making and receiving phone calls, KT volunteers group has been offering one-to-one education, since September 2006, on how to use text messaging, Caller ID (CID) services and camera and MP3 player functions. This education course, which consists of four sessions a month, is being provided to around 400 seniors at 20 welfare centers for the elderly in the Gyeonggi Province area until June 2007. KT has drawn up plans to expand the area in which education is provided to cover the entire nation, starting from the second half of 2007.

Let's share love and hope with the neighbors

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Helping out the underprivileged neighbors in local community



KT Volunteers

KT is respected by its customers and society as a company for the public and always strives to return the love it receives. Offering free surgery to restore hearing for hearing-impaired people, rushing to disaster sites to aid in disaster recovery, helping work in farming villages, looking after alienated neighbors... these are the ways KT shows its love for its customers and society. By sharing such love and hope with the neighbors of the local community, KT is not only working for the greater good, but also gaining the affection of the public for KT.

KT Volunteers

KT Volunteer is a group of KT employees formed in 2001 to run individual voluntary activities in an organizational and systematic way at a company-wide level. At present, 14,000 volunteers in 270 teams are working across the country. During 2006, about 40,000 people participated in a total of 3,955 voluntary activities.

Status of participation in voluntary activities

Classification	2004	2005	2006
No. of voluntary activities (cases)	1,703	2,541	3,955
No. of participating employees (persons)	22,976	25,888	40,000

Love Sharing Fund

To promote a sound contribution culture and raise money for social contribution activities, KT has run the Love Sharing Fund since 2003, led by the voluntary participation of its employees. Also the company supports its employees' voluntary activities through a "matching grant" where the company matches employee donations. In 2006, 76% of KT employees contributed to raise KRW 3.7 billion to be used as financial resources for voluntary activities by the employees and other projects for public good.

Status of Love Sharing Fund

Classification	2004	2005	2006
Amount of money raised (KRW Million)	2,766	3,238	3,700
Rate of participation of KT employees (%)	67	73	76



Promotional poster on the
KT Love Sharing Fundraising Campaign



Contribution of digital hearing aids

Status on 2006 disaster

recovery activities: Total 53 cases

- Inje and Pyeongchang in Gangwon Province: Flood disaster recovery, shelter construction, and free telephone operation
- Danyang, Chungbuk: Flood disaster recovery and provision of relief supplies
 - Yeongdeungpo, Seoul: Flood disaster recovery and provision of relief supplies

Status on 2006 sisterhood-related activities: Total 136 cases

- Mokpo, Jeonnam: Helping with harvest work in villages with which sisterhood ties are set up
- Chilgok, Daegu: Selling farm products produced by villages with which sisterhood ties are set up



Ceremony celebrating the second anniversary of the Beautiful Store in the Imaedong area of Bundang

Restoring hearing for hearing-impaired children

Under the motto of the “KT, Sharing Joy of Sound,” KT has carried out the hearing-restoring project to offer free surgery for hearing-impaired people since 2003.

KT is helping with hearing the restoration for hearing-impaired children and teenagers of the low-income families by providing artificial cochlea implants, rehabilitation treatment aids and digital hearing aids every year.

Status on hearing restoration support

(unit: persons)

Year	2004	2005	2006
Artificial cochlea implants	10	40	20
Digital hearing aids	10	40	10

- Artificial cochlea implants: Surgery that involves the process of implanting an artificial cochlea, which is an electronic device, to restore hearing abilities in people who have sensorineural hearing loss.

Support for disaster recovery

In case of a disaster, KT not only quickly restores telecommunications facilities and returns telecommunications service back to normal but also installs free telephones and reduces or exempts telecommunications fees to ease the suffering of disaster-stricken people. Also, KT Volunteers are dispatched to the stricken area to deliver relief supplies and donations and engage in voluntary activities for disaster recovery.

Establishing sister village relationship

KT has established sister village relationship with about 200 farming and fishing villages throughout the country and strengthened its ties with local residents by helping out in the busy farming season, selling indigenous products and supporting IT education. Exchange between the company and local residents under the sisterhood ties helps KT to listen to the opinions of local communities and increasing mutual understanding.

Running a “Beautiful Store”

KT’s relationship with the Beautiful Store began with the holding of the “Beautiful Store KT temporary branch” event in the basement of KT head office in Bundang in December 2002. KT has since held the Beautiful Store event every year as part of its recycling-related environmental movement. In March 2005, KT opened a “Beautiful Store with KT” in the Imaedong area of Bundang, Gyeonggi Province. Proceeds from the store are used to help neglected neighbors in the local community. Those who are provided with help are chosen together with representatives of the residents.

In 2006, there was an event celebrating the one year anniversary of the store. In addition, Bundang area citizens, companies and groups held around 140 special donation events. Thanks to the active participation and interest by local residents, the Imaedong store has fully established itself as the best store among roughly 70 Beautiful Stores across the nation. It ranked first (annual 70 thousand items) in terms of goods donated by residents and recorded an annual sales volume of KRW 400 million. KT considered the opinions of local residents of the Beautiful Store that there was insufficient storage space and set up a warehouse in the basement of the Bundang Regional Office in February 2007.

KT creates a new environment where parents can raise their children without worrying about associated burdens and costs

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Addressing the low birthrate

With rapid aging of our society, the low birthrate has emerged a serious social issue. Any effort to solve this issue should start with creating an environment where parents can raise their children without having to worry about related duties and costs.

KT is carrying out and plans to expand various activities to address the low birthrate by supporting the care of children in the low-income bracket and dual-income families and by offering discounts for families with several children.

Providing care and education for children in after school hours and on weekends

KT has led the effort to address the low birthrate by offering child care service to the low-income and dual-income families and by running after-school classes. Since September 2006, KT has established sisterhood ties with financially troubled organizations that provide after-school care and classes in major cities across the country to provide IT facilities, improve the learning environment and provide teachers. In addition, KT takes children of such organizations to museums, broadcasting stations and local heritages on Saturdays to provide hands-on experiences through the "Fun Weekend School."

Support activities by KT after-school organizations in 2006

- Upgrading IT facilities at KT after-school organizations in 11 regions around the nation, including the Seongnam Wish Tree Regional Center for Children
- Opening three local KT after-school organizations including one in cooperation with a local children's center in Seongnam
- After-school classes and Fun Weekend School activities: 60 cases
 - Voluntary activities for Chuseok Lunar Thanksgiving Day at a school in Daegu
 - Invitation to children from a local children's center in Daejeon for a tour of KT facilities
 - Hands-on experience of traditional Korean paper crafts for children from an after-school organization in Bucheon
 - Voluntary activities for neighborly love to celebrate the year end at a local children's center in Jeonju

Daycare center at the workplace

KT strives to relieve the burden of childrearing in double-income families as well as the low birthrate by running KT daycare centers in the workplace. The KT daycare centers take care of children until their parents finish their work for the day and enable the parents to see their children at the daycare centers by mobile phone or the Internet through the KT Bizmeka IcamKids service. Moreover educational content through Megapass TV (KT's IPTV service) enriches the environment for the care of children.

As of late 2006, four daycare centers were run at KT headquarters, the Bundang Regional Office, Goyang Regional Office and Mokdong IT Center and three more will be established across the nation in 2007 to gradually increase support for child care of local residents as well as KT employees.

Bizmeka IcamKids

A service that feeds images of children through CCTV cameras at daycare centers to their parents by the Internet or mobile phone in real time so that they can check what their kids are doing



Status of KT daycare centers at the workplace

(as of March 31, 2007)

Category	Head office	Bundang Regional Office	Goyang Regional Office	Mokdong IT Center
Opening date	2004. 6. 1.	1997. 3. 18.	2003. 9. 1.	2003. 8. 1.
No. of children accommodated	89 (persons)	23 (persons)	29 (persons)	45 (persons)
(KT employees/local residents)	(89/0)	(23/0)	(12/17)	(45/0)

Big Family Rate plan

To help alleviate the social issue of the low birthrate, the Big Family Rate plan was introduced in December 2006. It offers discounts on high-speed Internet, telephone and PCS fees for households with three and more children who are 20 years old or younger. As of March 31, 2007, 18,047 customers use this plan.

Big Family Rate

Eligible services		Eligible fees	Discount rates
High-speed Internet	Megapass	Service use fee	30%
	NESPOT	Additional service fee	30%
Telephone	Plus phone	Basic fee	50%
KT-PCS	Let's 010	Basic fee	30%

KT Campus

A cyber education service that provides educational content for middle and high school students to help them improve school grades and prepare for college entrance examinations.

Free online education service

One of the main reasons for the low birthrate in Korea is the burden of private education expenses born by parents. To reduce this burden, KT has provided free online educational content for the university entrance exam to around 100 teenagers of the low-income families since 2005. In 2006, this number increased to 700. These students have access to some 700 lectures available for free on the KT Campus (<http://www.ktcampus.com>). Starting in 2007, the company plans to expand the scope to include elementary school students so as to support low-income parents who avoid having a second child due to private education expenses.



KT daycare center

Life's beautiful moments are shared across the world

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Promoting culture, education and sports

Through proactive corporate mecenat activities such as running a complex cultural space and inviting people from outside the mainstream to cultural events, KT has continuously worked to enrich our society. Also KT has put much effort into education and scholarships to youth and university students. In addition, KT brings energy to the society by promoting amateur sports such as running women's hockey and shooting teams. KT will always endeavor to create a world filled with life's beautiful moments.

A multi-faceted cultural space in downtown, the "KT Art Hall"

In June 2006, KT opened its multi-faceted cultural center, the T-Saem, in the 1,653 m² area on the first floor of its Gwanghwamun Regional Office building located in Sejongno, Jongno-gu, Seoul. The T-Saem is a multifaceted cultural space where KT plaza visitors and the general public are given easy access to culture and arts performance for free. In 2006, around 230 various arts performances and regular exhibitions were held, ranging from classical to b-boy performances, allowing approximately 25,000 citizens to enjoy culture and arts free-of-charge.

After changing its name from T-Saem to the KT Art Hall in 2007, KT considerably expanded available cultural content, such as the operation of a UCC studio; the holding of free cultural lectures and exhibitions by 100 young artists; and the establishment of a performance hall for jazz. Proceeds from ticket sales of the Jazz concert "sharing one thousand won", which takes place from seven thirty to nine every evening are fully donated under the name of the respective artist and used for the "restoring hearing for the hearing-impaired people program." Profits from the café located within the cultural center are used for corporate Mecenat activities, such as inviting teenagers from remote islands and other isolated regions of the country. The KT Art Hall is leading a new culture in which the value of sharing is reflected and has become a treasured place where an average of 8,000 citizens a month is able to enjoy culture and art.

Donation of a sculpture "Spring" to Cheonggyecheon Stream

KT donated "Spring" a symbolic sculpture by Claes Oldenburg that prays for the successful development of Cheonggyecheon, a downtown ecological stream, in October 2006.

This soaring, spiral-shaped sculpture symbolizes "Dynamic Seoul" and adds to the street culture of the Gwanghwamun and Cheonggyecheon areas in conjunction with KT Art Hall.



A sculpture "Spring"
to Cheonggyecheon Stream



Protectors of cultural properties

Cultural assets under the “One protector for One Cultural Asset” agreement

- **11 tangible cultural assets:**

Deoksugung Palace, Heonilleung Royal Tomb, Seosamneung Royal Tomb, Dongnaehyanggyo Confucian Temple and School, Bingwoldang Ancestral Shrine, Hayanghyanggyo, Yuhoedang, Jeonjuhyanggyo, Pojeongnu, Sinhangseowon, Jejuhyanggyo

- **One natural treasure:**

Dokdo Island Nature Protection Zone

Prize-winning record of the shooting team 2006:

One silver medal from the World Shooting Championship, as well as one gold medal, four silver medals and two bronze medals from the Asian Games

Sharing cultural experience

KT has provided youth with various cultural benefits every year since 2004 so that no youth is left behind from experiencing culture and art. Youth are invited to culture and art performances including music, art, dance, plays, movies, Korean classical music as well as hands-on experiential events. Sharing cultural experience will be continuously carried out to help the youth recognize the value of culture and arts.

Protectors of cultural properties

KT concluded the “One Protector for One Cultural Asset” agreement with the Cultural Heritage Administration to care for, enjoy, preserve and leave to the next generation Korea’s precious cultural properties. KT participates in voluntary activities every month to preserve 12 cultural assets located across the nation including Dokdo Island and Deoksugung Palace. In addition, KT changed 30 public phone booths located in five royal palaces and royal tombs in downtown Seoul into traditional looking booths.

Junior Achievement Program

About 100 KT employees have voluntarily participated in Junior Achievement (JA) programs to provide practical economic knowledge to elementary, middle and high school students since 2004. As such, KT will continuously make investments in raising future human resources by utilizing knowledge retained by its employees.

IT Master Scholarship

To nurture excellent IT human resources into the future leaders of the information and telecommunication industry in Korea, KT has implemented an “IT Master Scholarship” and awarded scholarships of about KRW 0.7 billion to students studying information and telecommunication at four-year universities from 1998 to 2006.

Status on providing IT Master Scholarships

Year	2004	2005	2006
No. of recipients (unit: persons)	235	266	243
Supported amount (KRW Million)	805	992	742

Promoting amateur sports

To promote unpopular sports, KT founded women’s hockey and shooting teams and spread no effort to identify and nurture up-and-coming athletes. In particular, the KT shooting team achieved remarkable results in the World Shooting Championship and the 2006 Asian Games.



:for a Wonderful life



KT Art Hall

Enjoy jazz, classical Korean music, beat box and even Nanta, as you share with others. An entrance fee of only one thousand won becomes an investment in the culture of sharing. That contribution will reach another person as the beauty of a culture of sharing is created. Culture connects us with each other at the KT Art Hall. You are invited to attend to the performance of such beauty. **That** is culture.

a sense of **culture** unfolds in
the music of sharing





Project to sponsor 100 artists

A simple helping hand can make great things possible. Just as loving care helps flowers grow, KT sponsors 100 promising artists to help them succeed. As their flowers bloom fragrant, great art will fill the entire world with the sight of beauty, the sound of joy and a vision for a bright future. When performers win, so do we. **That** is affection.

for the love of artists





for the hope of the children!

KT daycare centers and after-school care

Every child holds the hope of the world and the joy of their parents in their laughter. And their dreams shape our future. KT makes a better future with after-school care organizations across the nation by giving more educational opportunities to children at day-care centers by giving from low-income families and double-income families. **That** is hope.

:spreading hope



KT Volunteers

Only people can offer hope to those who are in despair. Love is the only consolation to those who are suffering from a loss. The KT Volunteers, which consist of 270 teams of around 14,000 KT employees, provides support to its neighbors who need a helping hand. Their helping hands cross national boundaries to light up many places across the globe. **That** is a bright future.

for every step taken with love



for the miracle of sound

for the Wonderful future

KT's campaign to restore hearing

Every sound of love is a tender miracle. They wanted to hear the voices of their loved ones and the sound of leaves in the wind. And KT is listening to their prayers. KT is ringing bells of hope for many people through artificial cochlea implants and digital hearing aids for the hearing impaired. **That** is the sound of hope.





for the wonder of nature



KT environmental protection activities

Nature has to be healthy in order for our children to be healthy. Only clean mountains and the rivers can impart life and the land teaches us of the future. KT takes care of life on this land from the Dong Gang, to where *ranunculus kazusensis makinos* grows and along the Baekdu range in order to give our children a green future. KT keeps its promise to future generations. **That** is the beauty of nature.





environmental management

Korean Federation for Environmental Movement vs. the head of Real Assets Management Office



1. Which environmental issues should be the priority in KT's agenda to minimize its impact on the environment?
2. As a global company, does KT engage in international cooperation to address such matters as yellow dust, prevention of climate changes and protection of mountains and forests?

Q&A

Hwang Sang-Kyu. Korean Federation for Environmental Movement

1. KT produces environmentally harmful elements of various forms from its business operation including vibrations and noise from construction sites, base stations and steel towers used for communication. However, the priority should be placed on addressing the problem of “buildings that consume a considerable amount of energy” since they have an enormous social and economic impact. KT currently owns roughly 470 buildings and the amount of energy consumed by these buildings is tremendous. As a response, KT has continuously established and implemented energy-saving measures such as designing energy-saving buildings to reduce energy usage and adopting a more rigorous maintenance program for high energy-use buildings.

2. KT recognizes the seriousness of global warming and has initially launched an environmental preservation action – the “minimization of greenhouse gas emissions” In 2005, KT reached the “Voluntary Agreement on Saving Energy and Reducing Greenhouse Gas Emissions” with the Ministry of Commerce, Industry and Energy. Detailed examples of KT’s fulfillment of this agreement are the adoption of waste heat recovery system and small cogeneration systems; the operation of the “Halon fire-extinguishing material bank system”; and their replacement with clean fire-extinguishing materials.

In addition, KT provides personnel and material support for Asian nations, such as Indonesia, Thailand, Pakistan and other nations that have suffered damage by climate change. In the future, KT will seek ways to contribute to international environmental issues such as yellow dust and forest protection.



Q&A

Hwang Ouk-Jung. The head of Real Assets Management Office

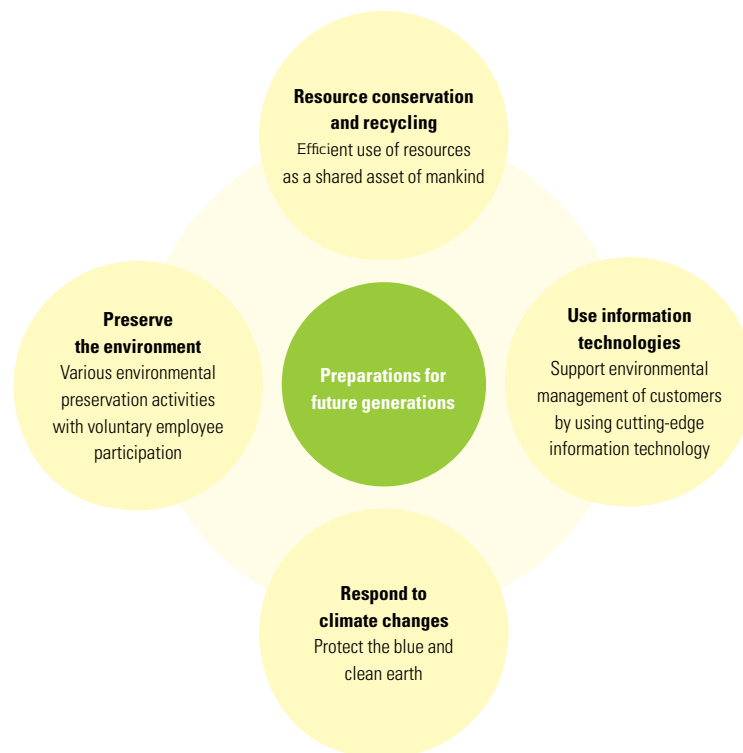
Taking the lead in creating a clean environment for future generations

:environmental management / KT 2007 corporate social responsibility report

Management approach

Key tasks to fulfill social responsibilities

Based on the survey of stakeholder opinion on environmental management, KT chose resource conservation and recycling, energy conservation and environmental preservation activities as its key tasks. Given the low awareness on KT's environmental management efforts, KT has focused more on PR efforts for its environmental management solutions using information technology; applying environmental management to overall management practices; and boosting environmental awareness among its employees.



The clean up activities

Key results of activities in 2006

Item	Key results
Recycling resources	<ul style="list-style-type: none"> Increased the number of email bills: Cut down costs by KRW 6.3 billion Percentage of reuse of internet modems : 69% Percentage of reuse of used mobile phones: 56%
Saving energy	<ul style="list-style-type: none"> Participated in the Voluntary Agreement: Applied to 24 buildings and saved costs by KRW 1.05 billion Key energy usage level - Electricity: 1,331 GWh; fuel for air-conditioning and heating: 20,807 TOE; tap water: 2.73 million tons Received the Bronze Tower Order of Industrial Service Merit at the 28th Energy-saving Promotion Tournament
Preventing global warming	<ul style="list-style-type: none"> Total volume of CO₂ emissions: 693 thousand tons
Preserving environment	<ul style="list-style-type: none"> Strengthened green purchasing: A total of 1,974 environmentally-friendly products the were registered on the e-purchasing system Increased the number of environmentally-friendly radio stations: 215 (in 2005) → 1,678 (in 2006)

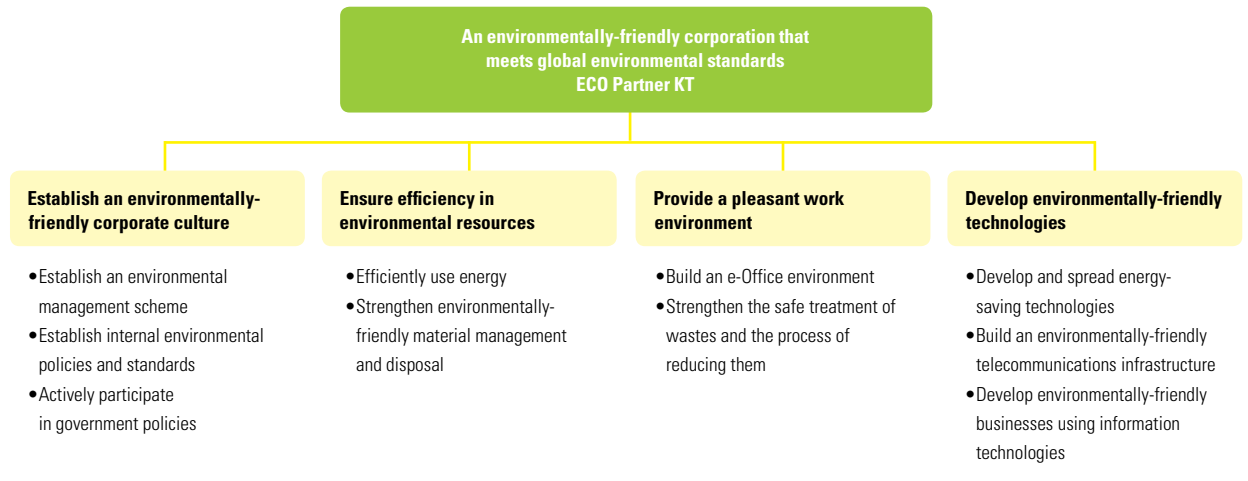
Objective and direction

KT believes that environmental management is a prerequisite to the growth and survival of every company as well as a responsibility and obligation of a company to be fulfilled for the sustainable future of mankind. Based on this belief, KT is determined to become an “Eco-Partner” –a company that pursues harmony between social responsibilities and financial profits.

The implementation directions for KT’s environmental management are an environmentally friendly corporate culture; boosting efficiency in environmental resources; creating a pleasant work environment; and developing environmentally-friendly technologies. The company will accordingly examine and overhaul various environmental activities from the perspectives of environmental management.

Moving forward, KT will reassess its various environmental activities from an environmental management point of view and systemize such activities. The company will also formulate environmental management strategies and implementation approaches to boost environmental activities and incorporate them into its general business processes. KT will go further by regularly measuring and monitoring the results of its environmental protection activities, thereby enhancing the company’s image as an environmentally-friendly corporation. Through such means, KT will make every effort to preserve the environment, develop the economy and boost corporate competitiveness.

Mid-to long-term objective of environmental management



Received the Bronze Tower Order of Industrial Service Merit during the 28th energy-saving promotion tournament

Efficient use of resources -a common asset of mankind

:environmental management / KT 2007 corporate social responsibility report

Conserving and recycling resources

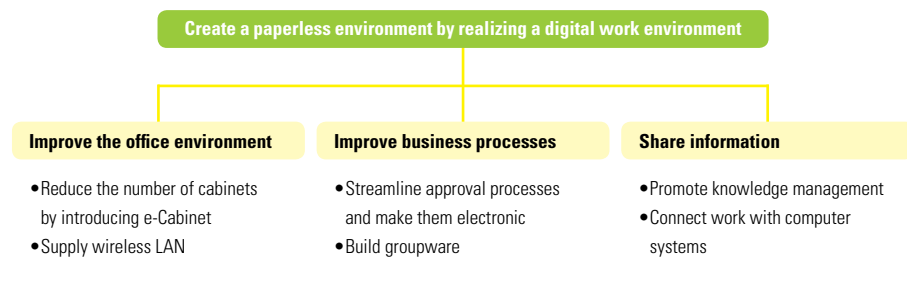
Saving and recycling limited resources leads to environmental preservation and economic efficiency as well as the protection of precious assets that are required for the future of mankind. KT reduces human and material wastes by building an e-Office environment, replacing paper bills with email bills and recycling modems, thereby cutting down costs and resources. These efforts are based on close cooperation with the customers and are spreading across the local community through the “Beautiful Store, together with KT” program.

Building an e-Office environment

KT has established e-Offices at a corporate level since 2002 to provide an optimal working environment. The establishment of an e-Office, which refers to a digitalized working environment, removes human and material waste factors and minimizes its environmental impact. It also leads to an improvement in work productivity such as the sharing of knowledge and information as well as an improvement in work skills, processes and the office environment.

In connection with building an e-Office environment, KT conducts “paperless” activities. The company’s previous process of receiving manager signatures on paper was replaced with an electronic document approval system. Also, e-Cabinet was built to manage various documents in electronic form encouraging employees to save paper while conducting everyday work activities.

e-Office objectives



Results of paperless activities

Year	2004	2005	2006	Annual increase
Electronic approval rate (%)	71.5	92.5	99.5	6.9%
Volume of paper purchased per month per person (sheet)	515	384	276	△28.1%

e-Billing

The number of paper bills mailed by KT totals roughly 250 million per year. To cut down the volume of paper used, KT has operated the “Bill Plaza Service” since 2001, which enables customers to view and make payments for various bills online. It has conducted other activities as well to replace paper bills with email bills. In 2006, around 10.2% of paper bills were replaced by email bills, enabling the company to achieve cost reductions of around KRW 6.3 billion and save around 25 million sheets of paper.

Cost saving with e-billing

Category	Number of paper bills sent	Number of email bills sent	Unit price for sending paper bills	Cost Saving
2005	259,816 thousand	23,694 thousand	KRW 210	KRW 4.98 billion
2006	250,870 thousand	25,538 thousand	KRW 247	KRW 6.33 billion

Reclaiming Internet modems

When customers subscribe to high-speed Internet services, KT rents modems and then takes them back when customers cancel services. Internet modems are an asset and thus are managed online from when they are purchased to when they are disposed of, according to terminal management guidelines. Returned modems go through an internal quality performance test process. Modems that are reusable are repaired, cleaned and recycled. Modems that have a low performance rating or cannot be reused are sent to the logistics center and then disposed of each month. In 2006 alone, KT collected 815 thousand modems from around 74% of customers who cancelled services. Among the collected modems, 31% of the modems were non-recyclable and thus were discarded, while 69% of the modems were recycled, resulting in cost savings of around KRW 12.6 billion.

Recycling used mobile phones

Since the implementation of the “mobile number portability system” there has been an increase in the number of used mobile phones collected every year. The handling of collected phones has recently become a social issue. In 2006, KT collected a total of 124,035 used mobile phones, among which 69,713 phones (around 56%) were categorized as reusable after a performance test.

Reusable phones were named “Good Time Thank You Phones” and were rented out to customers who lost their phones. Non-recyclable phones were sold to waste mobile phone recycling companies for disposal.

In 2006, the percentage of used phones that were collected remained at around 50 percent, resulting from a smaller number of customers returning their phones because of a reduction in the trade-in value of used phones. However, KT will make efforts to increase this figure to at least 60 percent in 2007 by improving the used phone returning process and strengthening support for used phone collecting companies.

Number of used mobile phones recycled

Category	2005	2006
Collected used phones	72,000	124,035
Recycled phones	19,000	69,713

• The performance above is based on KT mobile phones (excludes mobile phones of other companies)

Disposal of disused material

Since 2003, KT has collected all disused materials generated by the company and managed them through a logistics center. The collected materials go through a usability review process for environmental protection and resource-saving purposes. After the review, these disused materials are categorized into recyclable materials; materials to be sold to recycling companies; and materials to be disposed of. Recyclable materials are redistributed to internal organizations through the logistics center. Industrial wastes, such as disposed communication cables, scrap iron and disused cable drums are sold to recycling companies for reuse. Non-recyclable wastes that have a risk of causing environmental pollution, such as waste oils and storage batteries, are legally processed through designated waste processing companies.

In 2006, however, there were civil complaints raised by residents in some areas, resulting from the company failing to collect barbed wire from repeater stations, discarded telephone poles and waste optical cables for a long time. KT internally strengthened its disused material management standards and established measures to sell off disused materials that can be sold as soon as possible. The company thus makes strenuous efforts to minimize any inconvenience caused to local residents.

Volume of disused materials sold

Category	Unit	2004	2005	2006
Cable scraps	Ton	14,456	8,853	8,735
Equipment	Scrap iron	659	1,770	2,522
	PBAs etc	-	465	52,540
Cable drums	EA	18,785	12,335	9,245



Disposal of used optical cable



Sell off of useless materials

Protecting the clear, blue skies of the earth by actively responding to climate change

:environmental management / KT 2007 corporate social responsibility report

Responding to climate changes



Ceremony on the conclusion of an
energy-saving agreement

VA (Voluntary Agreement)

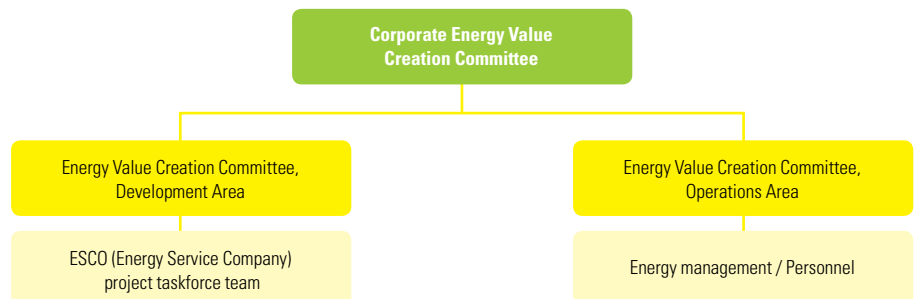
An agreement reached between corporations that produce, supply and consume energy and the government, based on mutual trust to achieve targets in energy saving and green house gas emission reduction

Corporate activities are increasingly affected by climate change that results from global warming, such as the rise in the sea level, typhoons and floods. In 2006, many telecommunication facilities were damaged due to frequent climate changes such as torrential rain and typhoons. KT recognizes that responding to climate changes is a crucial factor of corporate activities and is actively participating in environmental policies such as those on energy-saving.

Operating an Energy Value Creation Committee

KT formed an Energy Value Creation Committee to effectively carry out an energy-saving movement and acquire energy-saving technologies as a response to changes in the global climate, a rise in energy consumption and fluctuations in the national energy supply. The Energy Value Creation Committee carries out performance analysis in April, July and October of each year. The Committee is in charge of establishing corporate-level energy-saving plans and regularly assessing the company's performance.

Energy Value Creation Committee



Conserving energy

Participating in the government's energy-saving activities: Since 2005, KT has participated in the "Voluntary Agreement on Saving Energy and Reducing Greenhouse Gas Emissions" supervised by the Ministry of Commerce, Industry and Energy. For large buildings that record energy use of more than 2,000 TOE (Tonnage of Oil Equivalent), KT makes efforts to reduce TOE by at least one percent every year for the next five years. In 2006, KT focused its efforts on performing energy management and improvement activities on 24 high energy-consuming buildings for which the voluntary agreement had been concluded. As a result of such efforts, the company was able to reduce energy costs by around KRW 1.05 billion. In January 2006, KT participated in the "natural gas consumption reduction program" that was temporarily implemented by the Korea Energy Management Corporation and achieved an average annual reduction of 17% in the level of natural gas used in its buildings. However, the gradual increase in the number of IDC (Internet Data Center) and core telecommunications facilities and devices since 2005 has resulted in a rise in the use

of electricity and fuel for heating and cooling. KT is set on reducing the environmental effects of such an increase by continuously implementing energy-saving plans and having its employees put energy-saving practices into action.

Energy use

Category	Unit	2004	2005	2006
Electricity	GWh	1,320	1,322	1,331
Fuel for heating and cooling	TOE	19,460	18,068	20,807
Tap water	Ton	3,305,000	3,310,000	2,728,144

BAS (Building Automation System)

An automatic control system used to efficiently and economically manage buildings

Ice thermal storage system

The government recommends the use of this air-conditioning system resolve the maximum power load issue that arises in the summer time resulting from air-conditioning. It is a cutting-edge air-conditioning method that uses the approach of storing ice at night time using affordable night-time power and melting the ice during the day for air-conditioning.

Constructing energy-saving buildings: KT constructs energy-saving buildings based on the following scheme: First, when KT builds or remodels a building, it designs the building according to the “Standards on Energy-Saving Design for Architecture” stipulated by the Ministry of Construction and Transportation so that the building’s energy-saving performance is optimized. Second, after the completion of the building, KT manages its energy flow and usage status through BAS (Building Automation System) for which in-house development was carried out to maintain and optimize its energy-saving potential. Third, energy-saving buildings are air-conditioned using an ice thermal storage system, thereby greatly contributing to the reduction of electric energy consumption.

Number of buildings to which BAS has been applied

Year	2003	2004	2005	2006	Total
No. of buildings	2	7	7	5	21



Energy-saving building

Using highly efficient energy equipment: According to the “Regulations on Promoting the Dissemination of Highly Efficient Energy Equipment”, KT has made it mandatory to use products that have an e-Mark (highly efficient energy equipment) attached. Old power facilities or heating and cooling machines that demonstrate low efficiency are replaced by highly efficient energy equipment. In 2006, this policy was applied to 21 company buildings, including the Daebang Branch. KT has drawn up plans to apply the policy to an additional 22 buildings, including the Mokdong Branch in 2007. Examples of highly efficient energy equipments are highly efficient electric motors, lamps, stabilizers, pumps and ventilation systems that collect waste heat. Through a highly efficient energy equipment promotion fund, KT is installing new equipment or replacing old equipments every year.

Received the Bronze Tower Order of Industrial Service Merit during the energy-saving promotion tournament: KT takes an active part in the government’s energy-saving and environmental policies and carries out various internal innovation activities to improve energy productivity and conserve energy. In recognition for its efforts, KT was honored with the Bronze Tower Order of Industrial Service Merit during the “28th Energy-Saving Promotion Tournament” hosted by the Korea Energy Management Corporation.



Energy efficiency activities and results

Category		Key results
Participating in and leveraging government policies	Cultivate energy management experts	Cultivated 34 energy inspectors
	Energy-saving projects (ESCO)	Set up energy-saving facilities in the Gwangjin Regional Office and elsewhere
	Voluntary power-saving in the summer time (power generator)	Participated in the voluntary power-saving movement of the Korea Electric Power Corporation
	Voluntary Agreement (VA)	Applied to 24 company buildings, including the central regional office
	Direct Load Control (DLC)	Applied to 212 offices, including the central regional office
	Install High efficiency energy-saving equipment	Applied to 21 company buildings, including the Daebang Regional Office
	Photovoltaic systems in insular areas	Installed at 172 areas, including Maemul Island
Energy management activities	3M (3-Minimum) saving movements	Minimized electricity fees, the level of electric power use and the peak power level
	Computerize and automate energy management	Built an energy management system
	Operation of energy management performance indicators	Made improvements to the energy reduction level and OPEX
	Performance analysis and identification of best practices	Strengthened the company's ability to take action and was rewarded for its excellent performance
	Energy Consulting (EC) activities	Ten company buildings, including the Hyehwa Regional Office

- ESCO (Energy Service Company): An energy service company makes investments in energy-saving facilities for individuals and companies and then is recoups investment from money saved by the given individual and company from energy cost reductions
- OPEX (Operating Expenditure): Operation and maintenance costs

Activities to reduce greenhouse gas emissions

To reduce the level of greenhouse gases emitted, KT has enhanced efficiency in energy use by adopting and applying advanced technologies from home and abroad, including the “economizer cycle” that involves using a heat exchange method in large telecommunication buildings; the “waste heat collection system” which collects and reuses heat that is discarded after air-conditioner and heater use; and the small “cogeneration system” that uses gas to generate both electricity and heat.

The total CO₂ emission level for 2006 was determined as 690 thousand tons based on the electricity and fuel usage levels at domestic business centers. It increased by a small portion compared to the previous year but the CO₂ emission level per 1m² witnessed an annual decrease of around 8 percent thanks to the efficient use of energy at buildings.

CO₂ emission level

Category	Fuel					Electric power (GWh)	Total emissions (ton)
	City gas (kNm ³)	Light oil (kl)	Kerosene (kl)	Bunker C Oil (kl)	Petroleum by products (kl)	District heating (Gcal)	
2005	12,753	1,659	1,114	113	-	20,699	682,320
2006	15,017	873	2,072	22	388	20,742	693,364

- Starting in 2006, the company replaced a certain portion of light oil with petroleum byproducts.
- In the “2006 CSR report,” the green house gas emission level was revised from the original 605,853 tCO₂ to 682,320 tCO₂ due to a difference in the calculation method.

Replacing ozone depleting materials

Halon, a fire extinguishing agent based on CFC (Chlorofluorocarbons), is currently used to extinguish fire in telecommunications rooms within KT buildings. Halon has been designated as an ozone depleting material. As such, KT is preparing application standards for fire-extinguishing materials that will replace Halon. When KT builds or remodels its buildings, it is partially replacing Halon with FM-200, which has an Ozone Depletion Potential (ODP) of zero.

In addition, a “banking” approach is adopted for NAF-III, which is generated when constructing buildings or replacing the surface of buildings. This means that because NAF-III has a relatively low ODP, it is not disposed of, but temporarily stored in a storage bin and then reused. As can be seen above, KT is keen on minimizing the use of ozone depleting materials.

Employees voluntarily participating in diverse environmental preservation activities

:environmental management / KT 2007 corporate social responsibility report

Environmental preservation activities



National Trust activities

We should be responsible for preserving the environment for future generations. The employees of KT voluntarily participate in activities involved with cleaning up and protecting the environment with the goal of preserving a clean environment to be inherited by future generations. The company is focused on setting up and managing environmentally-friendly radio stations and increasing the extent of green purchasing.

Protecting natural heritage

Environmental preservation activities for the Dong River: KT joined hands with the National Trust of Korea to protect the Dong River, which boasts of stunning scenery. KT has sponsored projects involved with the restoration of a traditional house in Jejang Village, Jeongseon-gun, Gangwon Province, since 2003. The company also participated in raising funds to purchase land (17,190m²). Afterwards, it carried out volunteer activities to complete the construction of “Loving Dong River” –a traditional house– in August 2005. The traditional house, which was restored near the Dong River, has become a symbol of environmental protection and is used to educate teenagers on the environment.

Activities to protect *Ranunculus kazuensis makino* in Ganghwa: *Ranunculus kazuensis makino*, a wild plant that only grows in Ganghwa Province, Korea, is the No. 1 citizen's natural heritage designated by the National Trust of Korea and is on the verge of extinction. To protect the plant, KT has been leading the “Movement on Protecting Colonies of *Ranunculus kazuensis makino*” since 2003. It created mountain paths near the colonies to prevent the plants from being damaged. KT also helps local village farmers every spring and autumn to support the cultivation of chemical-free agricultural products. Such activities help KT employees realize the value of environment.

Joint use of base stations & repeaters and installation of environmentally friendly radio stations (unit: station)

Category	Commonly used radio stations	Environmentally-friendly radio stations
2005 Base station	47	40
Repeater	122	175
2006 Base station	162	215
Repeater	234	1,463

Strengthening green purchasing

To completely fulfill the social responsibilities of a sustainable company and take on the role of a sound corporate consumer, KT has taken part in the “Voluntary Green Purchasing Agreement” since September 2005, thereby contributing to the growth of the environmentally-friendly product market and the increase in consumption of relevant products. KT employees can check for green products before making a purchase in case of an electronic purchase (Internet purchasing). This has been made possible by making purchasing agency systems to mark environmentally-friendly products in case of consumables. As of year-end 2006, 3,794 environmentally-friendly products of ten different types, such as those with a GR mark, an eco mark, or those used for energy-saving purposes, were registered. Since the company's voluntary participation in green purchasing, there has been a steady rise in the purchase of environmentally-friendly products every year. The company has drawn up plans to continuously improve the level of green product purchasing by enacting and distributing green product purchasing guidelines.

Supporting customer-oriented environmental management using cutting-edge information technology

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Environmentally-friendly business based on information technologies

RFID (Radio Frequency Identification)

A wireless recognition system that processes information based on semiconductor chips and wireless radio frequencies

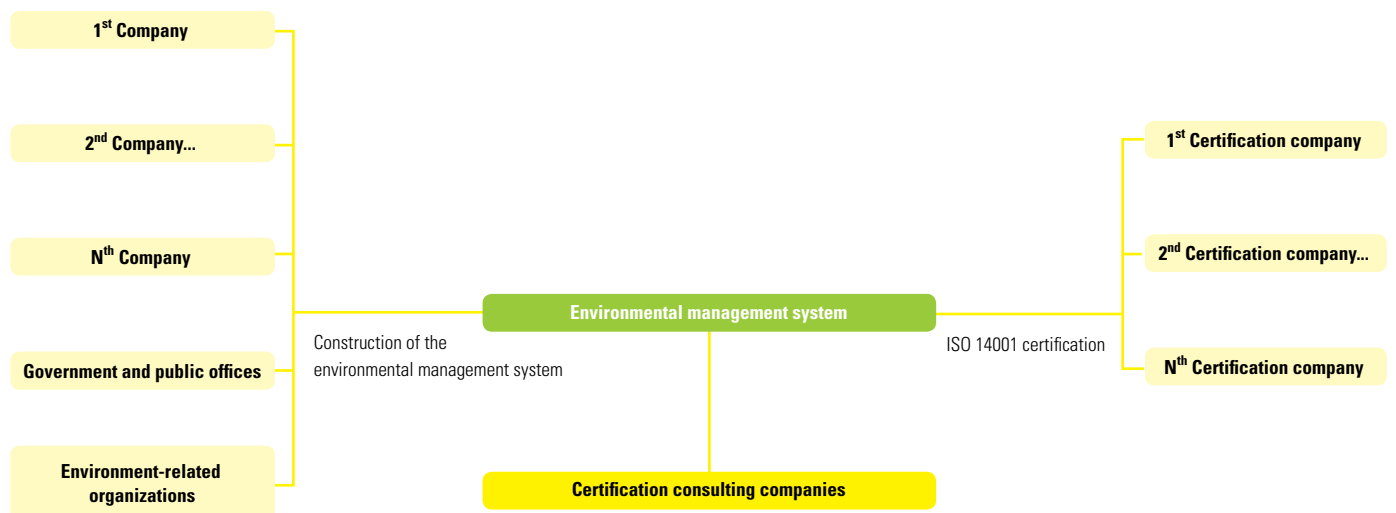
GPS (Global Positioning System)

A location information system that uses a satellite

KT focuses on supplying solutions that enable users to identify environmental impacts in real time and expands the construction of environmental management infrastructure by using information technology. In 2006, KT developed and started to supply an Environmental Management System (EMS) that supports the acquisition of ISO14001, so that the process of acquiring ISO14001 certification and conducting follow-up management is computerized.

In addition, KT developed and released a sewage and wastewater processing plant monitoring system, a filtration plant water quality monitoring system and river facility control system that allows real-time control of critical environmental facilities using wired and wireless networks. Moving forward, KT will apply ubiquitous networks (RFID, GPS etc.) to next-generation environmental products, such as a greenhouse gas emission controls or a waste tracking and control system. This will enable customers to put environmental management into practice with greater ease and create a foundation for future generations to live in a safe environment.

Outline diagram of the environmental management system





growth and innovation

National Pension Service vs. the head of Corporate Strategy Group



1. What efforts are being made to practically improve shareholder value?
2. The growth in the communications market has recently become stagnant. What kind of new businesses has KT launched to overcome such difficulties?

Q&A

Oh Ho-Jun, National Pension Service

1. KT maintains a policy to return more than 50 percent of its adjusted current net income to its shareholders every year to improve shareholder value. Accordingly the company gave out dividends of KRW 3,000 per share including interim dividends, in 2004 and 2005. In 2006, when the foreign ownership failed to reach the ceiling statutory (49 percent), KT bought back and cancelled approximately KRW 210 billion worth of its shares and gave out year-end dividends amounting to KRW 410 billion. In addition, KT adopted a cumulative and circular voting system to strengthen the rights of shareholders. Moving forward, KT will continuously maintain policies that place importance on shareholders to maximize shareholder value.

2. As you already know, KT is in a situation where it cannot anticipate considerable growth in existing markets, due to a slowdown in the high-speed Internet market and the voice market, which are the company's core business sectors. But the convergence among different industries such as the merging of wireless and wired communications as well as the convergence between telecommunications and broadcasting has presented KT with new opportunities. To use such opportunities as a foundation for growth, KT is actively moving forward with new businesses such as the mobile Internet WiBro, IPTV and FTTH. The company plans to continuously develop and cultivate a wide variety of new businesses in line with the convergence era.



Q&A

Suh Jeong-Soo. The head of Corporate Strategy Group

Pursuing a balance of stable profits and continuous growth

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Financial performance

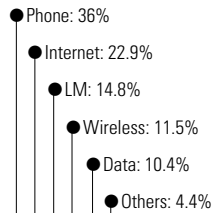
Even in the midst of a difficult business environment, wherein the growth of the information and communications industry has become stagnant, KT, as the market leader, has made efforts to move away from heated competition in the market and strengthen its internal competencies rather than focusing on external growth. Its revenue in 2006 went down slightly from the previous year. However, the company recorded an annual increase of 4.4 percent in operating income and 16.4 percent net income for the year.

KT will fully implement “essential management” based on profitability to maximize the profits of investors and shareholders.

Revenue

The growth of the information and communications industry has come to a stop, resulting from heated competition among relevant service providers and the entrance into a maturity phase for key services, such as wired telephone, high-speed Internet and wireless businesses. Even in such an unfavorable business environment, KT recorded revenue of KRW 11.7721 trillion in 2006. This is an annual reduction of KRW 105.1 billion. By business segment, the telephone and Internet business witnessed an annual decrease of 2.9 percent and 3.4 percent, respectively. On the other hand, the wireless business indicated a 17.5 percent rise.

Sales proportion by business



Revenue by business segment

(unit: KRW Billion)

	2005	2006	Increase / decrease	Rate of Increase / decrease
Phone	4,368.9	4,240.3	-128.6	△2.9%
Internet	2,786.9	2,691.1	-95.8	△3.4%
LM	1,762.3	1,737.1	-25.2	△1.4%
Wireless	1,148.0	1,348.7	200.7	17.5%
Data	1,330.5	1,233.8	-96.7	△7.3%
Others	480.7	521.1	40.4	8.4%
Total sales	11,877.3	11,772.1	-105.2	△0.9%

•LM (Land to Mobile): Calling from a wired to a mobile phone

•Others include the satellite, SI and real estate business segments

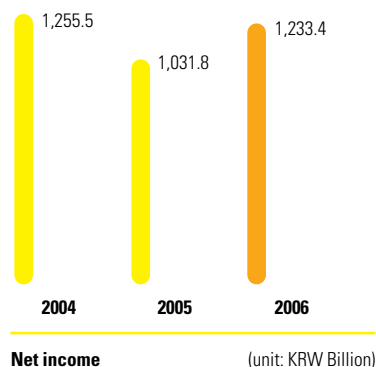
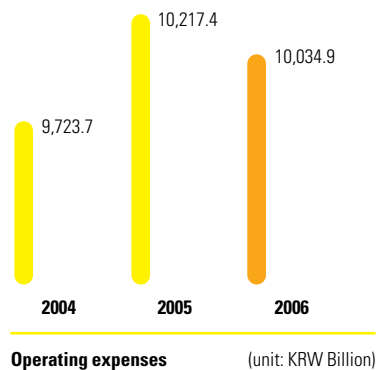
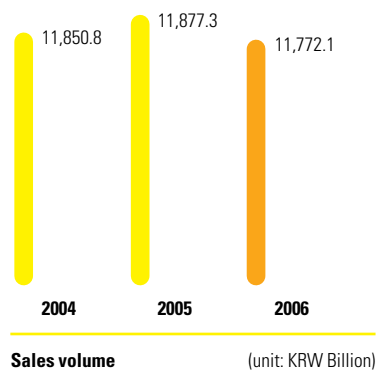
Profit and loss

The company recorded an operating income of KRW 1.7371 trillion, which is an annual increase of KRW 77.2 billion; and a net income of KRW 1.2334 trillion, which is a KRW 201.6 billion increase compared to the previous year, resulting from a reduction in operating expenses, including depreciation costs, business expenditures and labor costs.

KT also achieved improvements in the operating income ratio, which shows a company's profitability level and ROE.



Analyst day in the first half of 2006



Changes in key financial performance

(unit: KRW Billion)

	2004	2005	2006
Sales volume	11,850.8	11,877.3	11,772.1
Operating expenses	9,723.7	10,217.4	10,034.9
Operating income	2,127.1	1,659.9	1,737.1
Net income for the year	1,255.5	1,031.8	1,233.4
Operating income ratio	17.9%	14.0%	14.8%
ROE	17.6%	13.3%	14.9%

• Operating income ratio = (Operating income/sales volume) X 100

• ROE = (Net income for the year/stockholder's equity) X 100

Interest costs

KT's debt ratio is going down every year with the repayment of a large sum of borrowings since 2005. As a result, the company's credit rating was raised by Moody's from A3 Stable to A3 Positive in September 2006. KT posted debts at KRW 9,413.3 billion, showing an annual decrease of 4.8 percent and recorded interest costs and income of KRW 330.2 billion and 75.4 billion, respectively.

Liabilities and interest

(unit: KRW Billion)

	2004	2005	2006
Liabilities	12,667.5	9,887.2	9,413.3
Interest costs	450.7	417.8	330.2
Interest income	102.4	78.0	75.4
Debt ratio	170.1 %	122.8%	110.1%

Dividends and share-buybacks

The policy of KT holds that at least 50 percent of its net income of the given year should be returned to the shareholders. This includes dividends and share buybacks. Accumulated earnings were posted at KRW 3,552.6 billion, indicating an annual increase of KRW 585.2 billion. In July 2006, the company bought back and cancelled KRW 213.7 billion worth of its shares. During the general shareholders' meeting in March 2007, a resolution was reached for a dividend of KRW 2,000 per share and an annual KRW 629.9 billion was returned to the company's shareholders.

Returning profits to shareholder

(unit: KRW Billion)

	2004	2005	2006
Cash dividends	632.3	636.9	416.2
Share buyback and cancellation	-	-	213.7

Wages

In 2006, KT recorded labor costs of KRW 2,585 billion. Labor costs for salaries, excluding reserves for retirement allowances and welfare expenses, reached KRW 1,916.5 billion, which is a small increase compared to the previous year resulting from a labor-management agreement in 2006 on a wage freeze.

Details of labor costs incurred

(unit: KRW Billion)

	2004	2005	2006
Wages	1,661.4	1,848.0	1,916.5
Reserves for retirement allowances	208.7	225.9	210.2
Welfare expenses and employee benefits	450.7	537.8	458.3
Total	2,320.8	2,611.7	2,585.0

Financial support for pension (unit: KRW Billion)

	2004	2005	2006
National pension	69.0	69.7	70.6
Personal pension	20.4	20.1	13.8
Total	89.4	89.8	84.4

Pensions

Pension can be broken down into the national pension, to which all workers are required to subscribe and private pension, to which employees subscribe individually with financial help from their respective companies. KT's expense for the national pension increased by around KRW 900 million to KRW 70.6 billion in 2006 from KRW 69.7 billion in 2005. In terms of the private pension, the maturity date for the company's portion was in September 2006 and financial support amounting to KRW 13.8 billion was provided, indicating an annual decrease of KRW 6.3 billion. KT started providing financial support for private pensions again in 2007 and is providing a monthly subsidy of KRW 50 thousand each for those employees who have subscribed to private pension products with a subscription period of at least ten years.

Investment

To build an integrated broadband network, KT purchased equipment such as an octave switch, access gateway, as well as VDSL, FTTH equipment and optical cable in 2006. The company also purchased WiBro equipment, switches, routers and servers to offer new services such as mobile Internet and IP media services. In 2006, the company's total investments amounted to KRW 2,371.2 trillion showing an annual increase of 17.1 percent. The company plans to make investments worth KRW 2.8 trillion in 2007.

Investment details

(unit: KRW Billion)

	2005	2006	Investments made in
Internet	423.8	731.9	WiBro, XDSL equipment, etc.
Telephone	148.7	155.7	Maintenance of telephone facilities
Data	437.9	329.2	ATMs, dedicated lines, etc.
Telecommunication infrastructure	880.9	1,000.3	Transmission, line and power facilities, etc.
Supporting facilities	133.9	154.1	Wireless, R&D, computer facilities, etc.
Total	2,025.2	2,371.2	

- VDSL (Very high bit rate Digital Subscriber Line): High-speed digital subscriber line
- ATM: Asynchronous Transfer Mode

Taxes

KT paid taxes worth a total of KRW 1,217.5 billion (national tax: KRW 1,152.3 billion; local tax: KRW 65.2 billion) in 2006.

Details on tax payments

(unit: KRW Billion)

	2004	2005	2006
National tax	1,045.5	1,134.7	1,152.3
Local tax	108.6	82.4	65.2
Total	1,154.1	1,217.1	1,217.5

Social contribution expenditure

Expenditures from social contributions in 2006 saw an annual increase of 9 percent to record KRW 117.7 billion. In consideration of the fact that the company is in the communications industry, KT spent the most –KRW 108.5 billion– on supporting information technology such as a reduction in communication fees charged to low-income families and people of national merit.

Details of social contribution expenditure

(unit: KRW Billion)

	2004	2005	2006
Informatization support	78.4	97.3	108.5
Social welfare	3.0	2.5	3.2
Culture and art	1.8	1.3	1.0
Sports	5.6	3.7	3.4
Other	2.5	3.2	1.6
Total	91.3	108.0	117.7

Growing into a comprehensive solution provider that opens the door to a bright future of information and communication

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Mid-to long-term growth strategies

KT's information and communication business segment, which focused on networks in the past, is shifting its focus to content, portals and solutions due to changes in customer needs and the generalization of technologies. Competition gets fiercer with convergence resulting from the breakdown of boundaries between different industries.

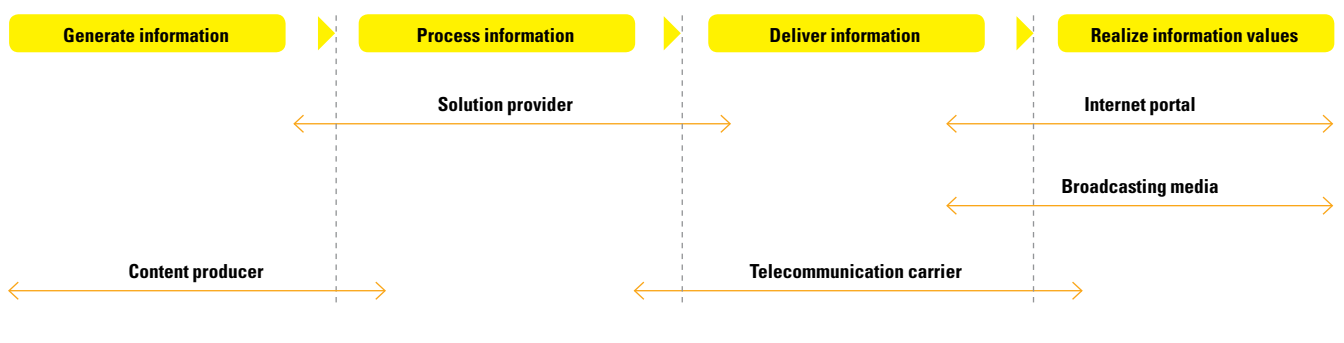
KT established mid- to long-term business strategies including the redesign of business portfolios and is moving forward with new growth businesses in order to overcome its current crisis resulting from recent changes and stagnation of the business environment. KT has already embarked on the journey of shifting from a telecommunication network provider to a comprehensive solution provider.

Redesigning business portfolios

KT has readjusted its business segments into the ubiquitous network, digital entertainment, convenience solutions and business solutions based on its vision and future image. The company is actively advancing into new businesses to offer various customer-oriented values by developing the company's competences in each business segment.

Ubiquitous network: Ubiquitous network is an advanced form of telecommunication infrastructure that offers the top-notch information and communication services demanded by customers, not bound by time or space. KT will contribute to creating value in new growth businesses by building an advanced ubiquitous multimedia infrastructure, including WiBro and HSDPA and by converting the nationwide subscriber network to FTTH (Fiber to the Home) by 2010.

Changes in the information and communication business



Digital entertainment: Digital entertainment is a service sector designed to offer exciting and interesting experiences and values to customers to respond to changes in the social trend towards an increase in leisure activities. KT will strengthen its IP media and content business, which involves a convergence between telecommunications and broadcasting to provide distinctive interactive services and high-definition video services to customers.

Convenience solutions: Convenience solutions refer to offering distinctive integrated services by merging, in various ways, the services and network resources provided by the company in accordance with the needs of customers who are pursuing a safe and comfortable life. KT is determined to make its customers' lives more comfortable through various services such as U-robot, U-health, U-education and video security.

Business solutions: Business solutions refer to a service sector that involves giving support to companies in enhancing their management efficiency and attaining competitiveness. To make this happen, KT has expanded its IT services serving clients with dedicated lines and IDC and strengthened its consulting capabilities. KT is set out to become a successful business partner to its corporate customers by offering comprehensive IT services including U-City, e-business solutions and SI.

HSDPA (High Speed Downlink Packet Access)

An asynchronous 3.5-generation mobile communication service. It is a next-generation mobile telecommunication technology that enables a download speed up to seven times faster than W-CDMA

VoIP (Voice over Internet Protocol)

A telecommunication service technology that transforms voice data into Internet protocol data packets and allows making and receiving phone calls using a general telephone network

U-Health (Ubiquitous-Health)

A service that allows the customer to efficiently receive health management information, such as that on disease prevention, diagnosis and treatment, anywhere, anytime based on ubiquitous technologies

U-Education (Ubiquitous-Education)

A service that allows the customer to use educational content or receive educational information, anywhere, anytime based on ubiquitous technologies

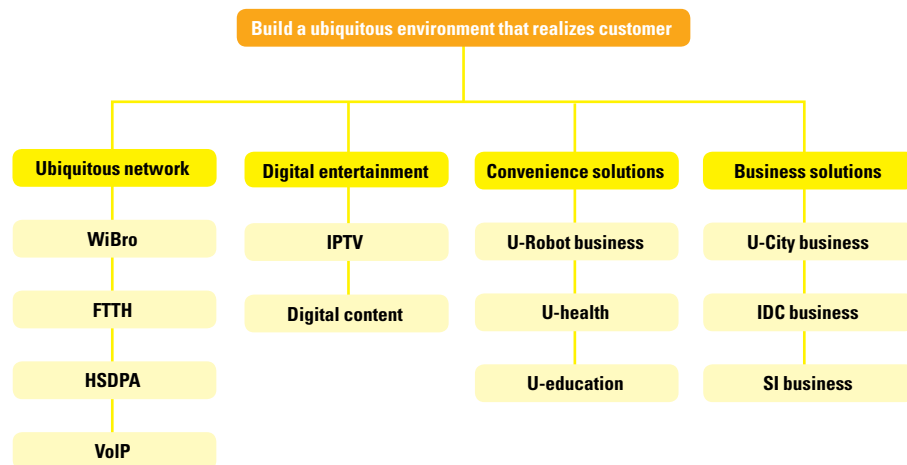
IDC (Internet Data Center)

A business concerned with server placement for client corporations and value-added service offering, such as security or storage

SI (System Integration)

An integrated solution that provides all the services required for an information system, ranging from system planning to development, construction and maintenance

Business segments in the mid- to long-term future



Mobile Internet service that overcomes the limitations of time and space

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Highlights of new growth engines



Concluded a WiBro technology consulting contract with Neupara of the US



Event held on the commencement of the WiBro service

WiBro

WiBro is a mobile high-speed Internet service. Unlike CDMA mobile phones, for which a considerable amount of royalties are being paid, WiBro is a home-grown technology of Korea. It has been adopted as an international standard and is Korea's leading IT technology.

WiBro is expected to realize wireless IP-based TPS (Triple Play Service: Service merging telephone, Internet and broadcasting services), thereby opening the door to a personal broadband era.

Using WiBro, customers can access high-speed Internet services without constraints, anytime, anywhere. With just one mobile terminal, customers can make use of various communication services such as a telephone, MMS (Multimedia Messaging Service), video conferencing and community-related services; retrieve large-volume multimedia content such as video games, mobile UCC (User Created Content) and VOD (Video on Demand); and conveniently access the Internet or perform an online search.

To develop the WiBro service as the next-generation growth engine to lead the telecommunications market, KT established a business unit for Wibro in 2002 and since then has focused on the development of core technologies, equipments, terminals and specialized services. After a successful demonstration during the 2005 Busan APEC, KT conducted pilot services in Sinchon and Gangnam areas of Seoul as well as Bundang in Gyeonggi Province, in April 2006. KT became the first company in the world to succeed in commercialization of the technology in June 2006. As such, KT is creating a strong foundation for the WiBro business.

In January 2007, KT was acknowledged for its technological skills in WiBro: The company concluded a WiBro service and technology consulting contract with Neupara, a US wireless telecommunications company, based on which KT conducts relevant business overseas. KT also established WMC (WiBro-Mobile WiMAX Community), which is an association of telecommunications carriers. Through WMC, KT currently develops business models to spread WiBro throughout the world and enable global roaming through WiBro. The company is also engaged in various activities as a WiMAX Forum board member to further strengthen the status of Korean mobile Internet technologies in the global market.

In the first half of 2007, KT will provide WiBro services in Seoul, including subways, college areas and major metropolitan city. KT has drawn up plans to gradually expand the Wibro coverage to include major cities across the nation and the entire metropolitan area in consideration of market demand. KT is determined to lead the global wireless broadband sector by offering distinctive personal broadband services that are based on wireless TPS.

Enjoying the internet and multimedia content on television

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IPTV global technical workshop

T-Internet

An interactive service that allows the use of various Internet and multimedia services on television

EPG (Electronic Program Guide)

An on-screen guide to scheduled broadcast television programs

T-Commerce

Electronic commerce using IPTV

IPTV

Convergence in telecommunications and broadcasting sectors is gaining speed through high-speed networks and the fast growth of multimedia content. IPTV is gaining attention as a leading telecommunications-broadcasting convergence service. A total of around 280 telecommunications carriers around the world are already providing the service or planning to do so.

IPTV services allow customers to enjoy various Internet and telecommunications services on television that were only offered through PCs in the past. Providing customers with convenience, IPTV enables them to choose from a wide selection of services by simply using a television remote control such as high-definition channels, terrestrial DMB portals, VOD, T-Internet, UCC and television messenger services.

Based on high-speed Internet operation technologies accumulated by KT over many years, the company invested KRW 350 billion in the construction of a media center, acquisition of transmission facilities and interworking of backbone networks starting in 2005 to successfully commercialize IPTV. In September 2006, KT formed a “C-Cube Consortium” with roughly 50 domestic companies in the equipment, solution and contents arena and to launch pilot IPTV projects.

In November 2006, the C-Cube Consortium led by KT, was chosen to conduct a pilot IPTV project jointly hosted by the Ministry of Information and Communication and the Korean Broadcasting Commission. Accordingly the Consortium provided pilot services in Seoul, Yongin and Bundang. It offered specialized IPTV services, such as replaying terrestrial broadcasting, UCC, EPG (Electronic Program Guide) and home portals, which were evaluated by customers as new and convenient.

KT plans to provide distinctive interactive and high-definition services, which proved to be successful through pilot services (such as TV messenger and UCC services) at an affordable price. By so doing, KT will address the digital divide between regions and people and promote T-commerce, thereby contributing to creating added value across different industrial and cultural sectors.

Optical Internet in your home

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Commencement of FTTH

FTTH

FTTH (Fiber to the Home) is one of key infrastructure technologies that will hasten the advent of an ubiquitous era. KT takes proactive measures to commercialize FTTH, starting with the 2004 pilot project in order to build next-generation network that enables interactive multimedia services such as telecommunications-broadcasting convergence services and high-definition video telephone services.

As opposed to existing optical LAN or VDSL, FTTH connects the optical cable all the way to the inside of the customer's premises. It thus enables outstanding quality and speed and can even be installed to individual houses. It delivers the speed of 100MB, which is more than ten times faster than existing Internet services allowing customers to download a movie or a game within one minute. Customers can also enjoy large-volume multimedia services, which generate a huge volume of Internet traffic such as UCC and IPTV, in a stable environment.

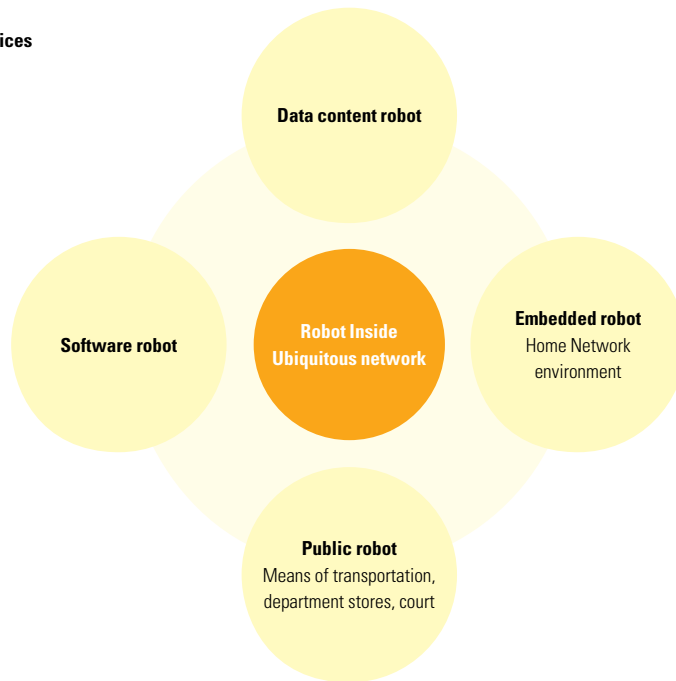
To improve customer value of the high-speed Internet KT became the first company to provide FTTH in Korea on February 23, 2007. It set up 1.144 million lines mainly in residential districts and invested around KRW 402.4 billion to improve subscriber networks in existing apartment LAN and VDSL service areas. The company is more than ready to launch the FTTH business. By steadily expanding the supply of FTTH, KT will make innovative improvements to subscriber lines as well as Internet speed.

Since launching high-speed Internet services in 1998, KT has built a foundation for the nation to become a strong global player in the area of digital knowledge by giving those in rural areas the access to Internet. Now, the company is set out to supply FTTH lines all across the nation by 2010, opening a new chapter in the Internet history of Korea and redefining the "high-speed" Internet.

A cutting-edge intelligent robot that brings safety and convenience in everyday life

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U-Robot services



U-IT839 strategies

A comprehensive policy aimed at developing the nation's IT industry, with the Ministry of Information and Communication taking the lead

URC (Ubiquitous Robotic Companion)

A network-based service robot

U-Robot

Demand for “home care” is gradually increasing due to changes in the family and the population structure led by aging and low birth rate in Korea. In response to such changes, the government is implementing U-robot as its core project to achieve U-IT839 strategies. However, most of today's robots are expensive and do not offer more than simple functions.

Once the supply of U-robot is promoted, customers will be able to enjoy a more pleasant and safe life through the various robot services offered, such as security, home care (preventing gas leakage, locking doors, preventing crime etc.), cleaning and remote diagnosis. In addition, customized services can be selectively chosen. These refer to services that are designed to meet the specific needs of different groups of people, such as housewives or singles including butler service, baby sitter and information delivery.

KT has engaged in the U-robot business since 2003 and conducted research and development by leveraging its outstanding network operation capabilities, content-service interworking infrastructure and experience in providing service platforms. In particular, KT was chosen as the only company to conduct a government-led pilot URC (Ubiquitous Robotic Companion) project for household and public use. In October 2006, the company succeeded in launching the pilot URC services becoming the first in the world to do so.

In contrast to existing high-priced robots, KT has made its URC robot affordable by keeping its functions simple. The biggest strength of the URC robot is that KT can develop a wide array of services by using its network infrastructure. The company has completed commercialization of a cleaning robot. It is now making preparations to commercialize network-based home monitoring robot services by connecting to its cleaning robot services.

In 2007, KT plans to start marketing the product by targeting dual-income households, single people and housewives in their 20s, 30s and 40s who are familiar with information technology and have purchasing power. The cleaning, home care and personal care, education and information services will be made available. Moving forward, KT will further diversify relevant services to target more households.



Robot demonstration

The pleasant and comfortable city of our dreams

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Added value created by U-City

Corporations

- Cutting-edge IT working environment
- Efficient corporate activities based on a cutting-edge transportation and logistics environment

Local governments

- Efficient city administration and top-notch public service offering
- Local economy revitalized and higher employment rate by making city more competitive
- Higher tax income for local autonomies with a higher value of the city

Individuals

- Usage of cutting-edge IT services that covers the whole city
- Creation of a pleasant, safe and comfortable living environment
- Improvement in asset value resulting from better residential environment



Situation room of the U-City in Dongtan, Hwaseong



Ground breaking ceremony of an integrated information center in the U-City located in Dongtan, Hwaseong

U-City

A U-City (Ubiquitous City) refers to a next-generation IT-based city. The U-city will innovate existing urban functions and improve the quality of life for residents by bringing together state-of-the-art IT infrastructures and ubiquitous data services in an urban space.

The U-City business has been carried out based on the government's policy to encourage IT use and the basic strategy of achieving balanced national development. KT has fully participated in the U-City development projects since 2005.

Once a U-City is built, individual customers will be able to use the same cutting-edge IT services throughout the city and live in a pleasant, safe and convenient environment. Corporate customers will be able to efficiently engage in corporate activities in outstanding IT-based work environment as well as a high-tech transportation and logistics environment. Moreover local autonomies will be able to conduct efficient city administration and offer top-notch public services. In addition, the city's competitiveness is expected to grow leading to an increase in employment and invigoration of the local economy.

KT has conducted the U-City projects in major new cities around the nation. Starting from the Heungdeok District in Yongin in 2004, the company has successfully established U-City strategies and ran construction projects for Busan Metropolitan City, Dongtan District in Hwaseong and Unjeong District in Paju. The Dongtan District in Hwaseong will be the first U-City in Korea with its completion at year-end 2007.

Based on the company's success in U-City business, at home KT has identified new business opportunities in Qatar and Dubai of the Arab Emirates, which have gained much attention as model future cities. As part of its efforts to expand its overseas business, KT will take a leading role in the continuous development of U-City services and the standardization of core technologies around the world in addition, the company will completely fulfill its roles and responsibilities as a leading company by strengthening co-operation with the private, government, academic and research sectors.

Making inroads into overseas markets

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Global business

KT advances into overseas markets to find new growth opportunities beyond the saturated domestic telecommunications market and to create new sources of revenue. Based on its technologies in high-speed Internet network construction and know-how in relevant services, KT conducts global business, including investment, IT businesses and global service provisioning.

Overseas investment

KT is actively looking into new foreign investment projects based on its successful experience such as Russia's NTC (New Telephone Company), Mongolia's MT (Mongolia Telecom) and the Vietnamese telecommunications network modernization project as well as its core competencies in the network area. In particular, KT is seeking out investment opportunities in the Internet, mobile telecommunications and high value-added business sectors, targeting countries with strong growth potential. At the same time, the company is expanding existing investment projects and seeking to maximize profits.

Key overseas investments

Russia	<ul style="list-style-type: none">• Acquired shares of the New Telephone Company (NTC), a mobile communications company located in the Maritime Province of Siberia (1997)- Provides GSM and public phone networks as well as Internet services- Received the best corporate award in the Maritime Province of Siberia (2005)- No. 1 company in terms of its GSM market share in the Maritime Province of Siberia (2001 – 2006)
Mongolia	<ul style="list-style-type: none">• Acquired shares of MT, the No. 1 wired service provider (1995)- Became the first to launch high-speed Internet services in Mongolia (2001)
Vietnam	<ul style="list-style-type: none">• Concluded a business cooperation contract with Vietnam National Posts and Telecommunications Corporation (VNPT), a wired service provider in Vietnam and made investments- Project to expand the basic telecommunications network of Vietnam (1997)
• GSM (The Global System for Mobile Communication): A standard for digital mobile system adopted in Europe	

Overseas IT business

KT has developed highly-competitive solution platforms that comply with global standards and is exporting such products to overseas markets. It provides a wide array of services, including consulting and telecommunications network construction services, to overseas carriers and telecom service providers.

KT successfully deployed high-speed Internet networks in Vietnam and PSTN(Public Switched Telephone Network) in Bangladesh, thereby contributing to improving the level of information and communication services in these nations. KT also strengthened its position as an IT solution provider by exporting a wireless network designing solution(Cell Trek) to Japan and Russia.



Overseas IT exhibition (Dubai)



KT's high-tech network management system, the "NeOSS" (New Operation Support System) was adopted as an integrated management system for the Asian Games Doha 2006, contributing to the success of the games. In addition, KT has performed large-scale overseas IT projects, such as e-government system implementation in developing countries. By so doing, KT will further improve the level of information and communication services available in developing nations.

Overseas IT business status	
Bangladesh	•Telecommunications network modernization (2004)
China	•Built an exhibition hall for CNCG (2006) •Provided a high-speed network management system to Beijing Telecommunications of CNCG (2007)
Vietnam	•High-speed Internet project for VNPT (2003) •Online game business for VASC (2005)
Japan	•Provided CellTrek to KDDI (2003 ~ 2007)
Russia	•Exported RBT and built a high-speed Internet network for NTC (2005)
Qatar	•Built a support system for the Asian Games Doha 2006 (2006)
•RBT: Ring Back Tone	

PoP (Point of Presence)
Six overseas branches (Tokyo, Hong Kong, Singapore, New York, Los Angeles and London) that have been set up to offer KT's global data services

Global services

KT is strategically facilitating its "hubbing" business, which involves relaying traffic from domestic and overseas telecommunication carriers, to about 200 companies across the globe and thus is strengthening its growth engine in global services. Moreover, KT offers global data services to corporate customers over its global PoP data networks that are located in key areas across the globe. The company is also expanding the supply of IP traffic relaying services over its high-quality global Internet network for Internet service providers (IP services providers) at home and abroad.



Plate-hanging ceremony at the Dubai office

Bringing in new changes through continuous management innovations

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Continuous management innovations

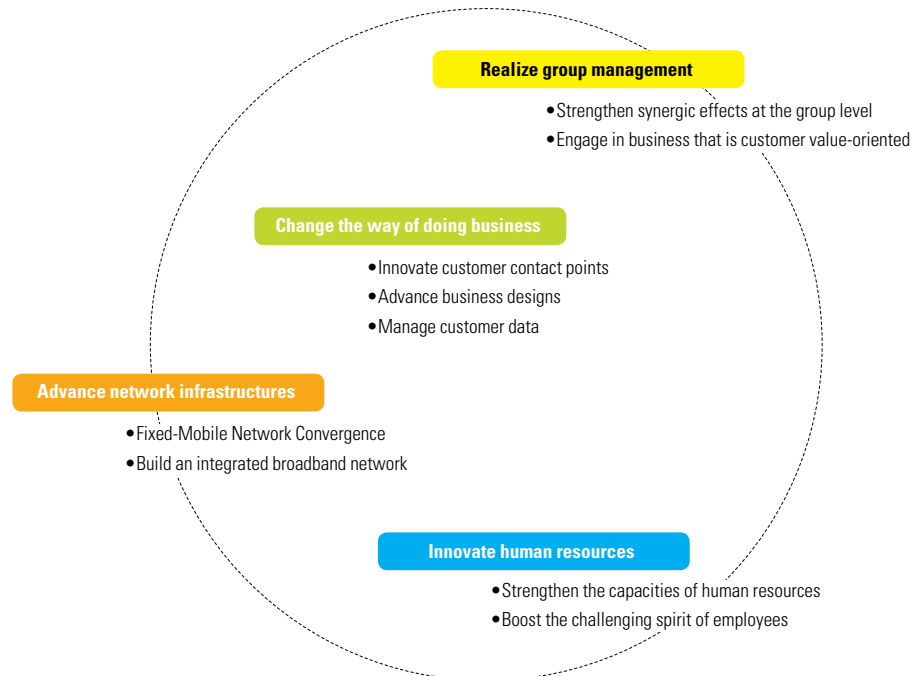
Management innovation is no longer a matter of choice for corporations. It is a basic necessity to achieve continuous growth. KT has carried out management innovations without rest, proactively putting growth and internal innovations into practice in order to establish a high-profit, high-growth business structure and enhance internal competencies. In addition, KT has declared a new vision and established a new mid- to long-term direction for innovation, thereby building a foundation for practical and continuous innovation activities. KT seeks to become a “Wonderfull Life Partner” to its customers by making innovation a part of the daily lives of all its employees.

Mid- to long-term direction for management innovation

KT defined four main tasks for innovation: change its way of business to become more customer-oriented in the mid- to long-term future to achieve its new vision; advance its network infrastructure to engage in an efficient and stable new businesses; innovate its human resources to strengthen the competencies of personnel; and realize “group management” to effectively respond to the convergence environment.



The 25th anniversary of KT foundation and vision declaration



Promote innovation in growth

In 2006, KT pursued the development of value-added services, improvements to its distribution structure and development of highly-skilled field staff to ensure growth in key businesses. In addition, KT made thorough preparations to develop and cultivate new businesses and to ensure that new growth businesses make successful entry into the relevant market. To lay the foundation for investments in future growth businesses, KT re-established business rationalization standards and initiated standardized processes. At the KT group level, the company pursued management innovation in its subsidiaries, enhanced efforts to create synergy effects and made efforts to realize growth potential.

Activities to boost the competitiveness of core businesses

Develop value-added services	<ul style="list-style-type: none"> • BizPhone: Designed for customers who use a PC and a telephone to process most of their work. It supports telephone, conference call and message-sending services through a PC • Catch Call: If a customer gets a phone call when he/she is out or already on the phone, the sender's number is sent to a designated mobile phone or line phone via text messages
Improve the distribution structure	<ul style="list-style-type: none"> • Innovate store channels: Set up "Darock" stores in key business districts so that customers can easily visit to try out KT products and be offered various convenience services • Integrate external telemarketing channels: Prevent redundant telemarketing • Establish distribution channel operation schemes according to the customer category
Strengthen the skills of field personnel	<ul style="list-style-type: none"> • Introduce an internal certification scheme to improve the professional skills of field personnel who are in direct contact with the customers • Establish and operate a voluntary learning scheme in the field to continuously improve customer value

Innovation in the management infrastructure

To improve its corporate culture, KT has innovated the management infrastructure of the company's organizations, human resources, processes and corporate culture and ensured that such improvements lead to higher productivity. In particular, the company carried out organizational innovations in the second half of 2006 to fully implement the company's new vision and making the vision an integral part of the company. KT also innovated its human resources to take its internal competencies to a higher level. Since 2003, the company has been continuously performing process innovations, with a focus on Six Sigma. KT went a step further by carrying out the "We Love You" campaign to fully establish a transparent performance-based culture, enacted and disseminated basic rules to better performance.

Key management infrastructure innovation activities in 2006

Innovation in organizational structure

- Carried out organizational innovation to implement a new vision
 - Adopted a customer-oriented approach to business operation
 - Reduced internal support operation and expanded customer contact operation

Human resource innovation

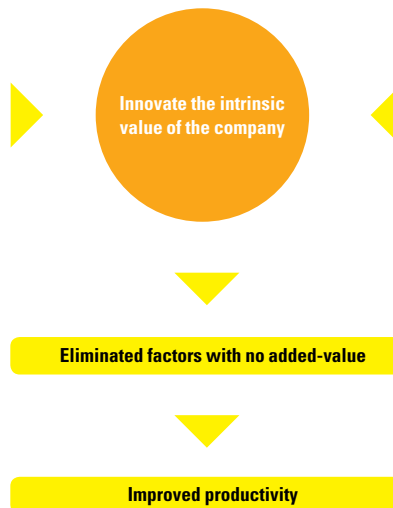
- Improved HR scheme to boost the competitiveness and creativity of employees
 - Different performance assessment schemes for department managers combined into a single, uniform evaluation grade scheme; reclassification of jobs and positions
 - Increased the number of experts recruited from outside the company; Conducted an open competition for regional director positions
- Strengthen the personnel management scheme to develop talent and prevent them from leaving the company

Process innovation

- Continuously conducted improvement activities, with a focus on Six Sigma
 - Carried out 731 projects
- Advanced the business management system to enhance the level of strategy execution
 - Established a strategy execution monitoring and feedback scheme

Corporate culture innovation

- Eradicated unethical/unpractical customs
 - Enacted and disseminated basic principles to prevent distortions in performance
 - Improved an inefficient meeting culture
- Carried out activities to create a free and fun working environment
 - "We Love You" campaign, "Fun Day" etc.



Management innovation highlights

Darock, a store with a new concept: As part of its efforts to increase the sales, KT decided to modify its sales network, turning it into an agency structure. It opened the first “Darock” store in Uijeongbu, Gyeonggi Province in June 2006, where customers are allowed to use KT products and services and gain hands-on experiences. Darock means “a lot of fun” and expresses KT’s hope to get closer to its customers and provide them with new value in their communication life offering convenience, various benefits and exciting experiences.

Darock offers a space where customers can use products and services first hand. Customers are given sufficient information on how products and service fit their lifestyle as well as the counseling service so that customers can make sensible choices. In addition, various services are offered to boost customer convenience including charging and cleaning mobile phones for free as well as printing photographs or documents. Furthermore, customers can stop by anytime to relax. KT runs 17 Darock stores in the main districts of Seoul and is planning to establish additional stores around the nation.



Darock store

Open competition for regional director position: In November 2006, KT held an open competition to select its regional directors, the first of its kind in the company’s history. The company adopted a revolutionary HR scheme that assessed competition participants purely based on their performance regardless of their current position and title. The aim of the competition was to recruit the most competent in the director position and establish a foundation for KT to win over the hearts of its customers based on customer value innovation.

KT expected an open competition to make it possible to appoint a top field manager with passion, expertise and a challenging spirit and help HR operations more flexibly respond to market changes. This competition resulted in the appointment of five regional directors, including one expert from outside the company. In addition, KT, for the first time, had appointed a young regional director in his 30s.

KT will establish various HR programs in the future so that a person who can create value for customers and fill customers’ lives with excitement would be appointed as a regional director, thereby enhancing the creativity and challenging spirit of the company as a whole.

Continuous implementation of Six Sigma: In 2003, KT adopted Six Sigma to drive management innovation and to comprehensively manage existing innovation programs. Since then, Six Sigma has been successfully implemented at a corporate level and has gradually changed the way employees think and work establishing itself as a strong engine of innovation.

There are several reasons why Six Sigma has been used as an efficient management innovation tool at KT: Internal experts such as MBB and BBs have gained experience through systematic task performance and replaced outside consultants; and employees at various levels voluntarily have participated in Six Sigma education and project-related activities, transforming the corporate culture.

In 2006, KT moved away from its task-oriented approach and instead focused on Six Sigma for performance achievement. KT identified and engaged in corporate innovation projects that would strengthen business and cost competitiveness. The high-achieving projects have been used as a reference for employees. A total of 1,580 Six Sigma projects were launched –some have been completed and others are still in progress. An assessment on the financial achievements of 259 exemplary projects, for which post-implementation management has been completed, indicated around KRW 126.5 billion in benefits.

KT's Six Sigma innovation activities are spreading to its partner companies and local society. In 2006, KT conducted four projects and provided Six Sigma training to partner companies to share achievements based on the principle of win-win management. The company also participates in the management innovation program of the Seoul National University Bundang Hospital and provides support in terms of its Six Sigma experiences, know-how and personnel.

Six Sigma performance in 2006

Category	Objectives	Activities
Adoption phase (2003 – 2004)	Establish a foundation for Six Sigma implementation	Cultivate personnel who will lead innovation Reach a corporate-level consensus
Expansion phase (2005 – 2006)	Encourage participation by all employees and the achievement of management targets	Innovate the organizational foundation - Plan business strategies - Designate a model department based on performance Perform tasks tailored to each individual (e-6 sigma)
Full establishment phase (2007 –)	Enhance corporate value by making Six Sigma a part of operation	Identify individual tasks out of business operation Continuously create self-developmental innovation capabilities

Six Sigma performance in 2006

Category		2006	Cumulative total
No. of tasks (projects)	GB	1,232	5,528
	BB	348	1,553
No. of cultivating experts (persons)	GB	1,198	3,551
	BB	55	185
	MBB	11	51

- MBB (Master Black Belt): A top-notch internal expert in the field of Six Sigma who is in charge of educating and training internal BBs and GBs as well as providing guidelines on projects; and who handles work related to Six Sigma implementation only
- BB (Black Belt): A leader who performs Six Sigma projects; expert with strong leadership skills and highly skilled in Six Sigma techniques
- GB (Green Belt): An improvement expert who is a team member of a BB's project or who carries out Six Sigma projects while taking care of daily work



Award ceremony for MBBs

Advancing the Strategic Execution Mechanism (SEM): In May 2006, KT built an SEM portal –a strategic business management scheme– to maximize corporate value and enhance management efficiency in response to the fast-changing business environment. Based on SEM, KT connected and integrated individual business management processes with a focus on strategy execution and continuously improved its internal IT infrastructure.

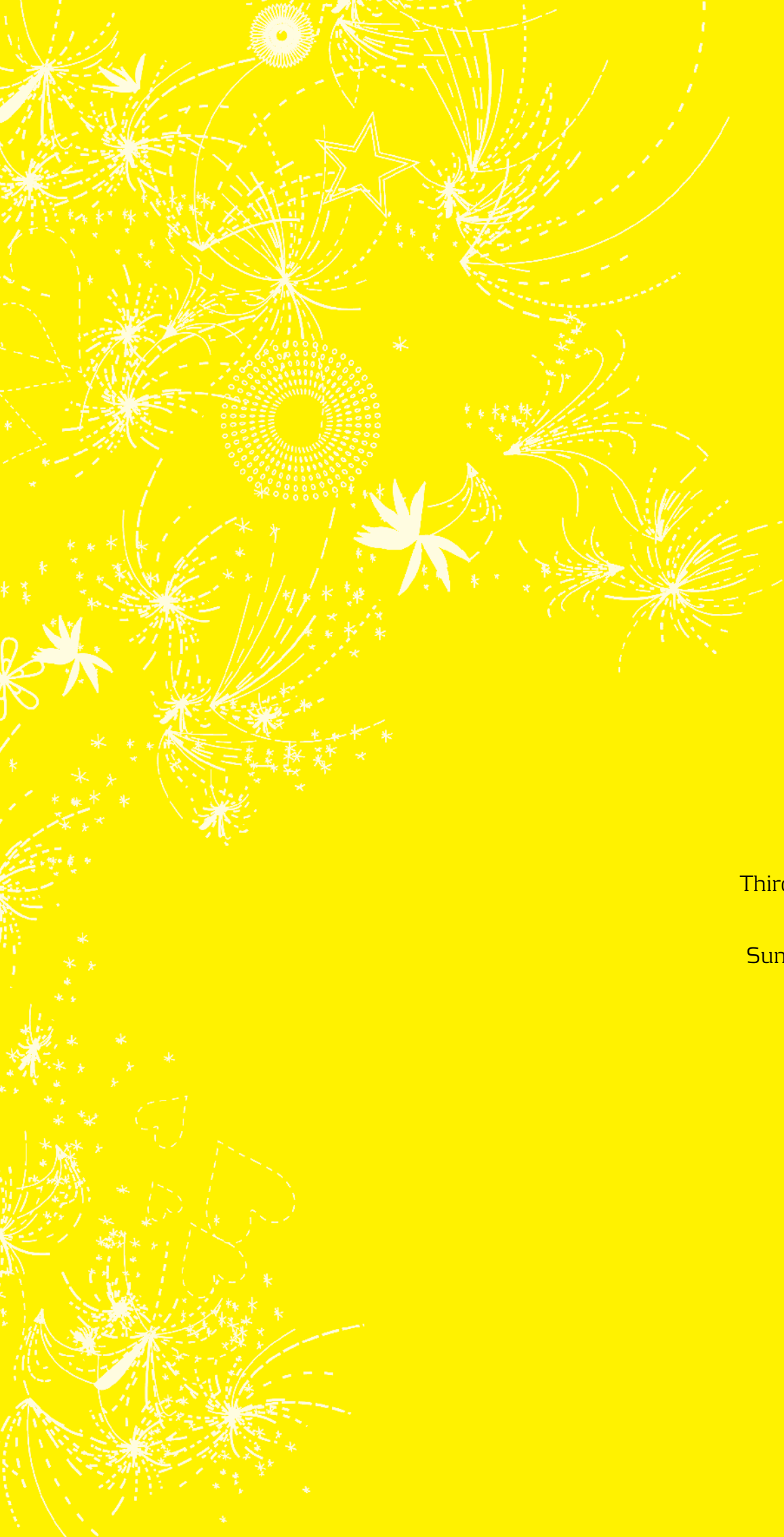
The SEM initiative can be broken down into the following areas; making connection among business management processes; establishing a monitoring and feedback scheme; improving the existing IT infrastructure; and allowing for integrated maintenance. KT expects to further improve its flexibility in management activities and strategy execution by establishing a strategy execution scheme – monitoring the results of corporate activities in real time and providing feedback; and by aligning all management activities with management strategies.

“We Love You” campaign: As part of the management program for “giving love” to customers, KT and colleagues, the “We Love You” campaign was launched in January 2006. It has had positive effects, such as better ambience at workplace and changes in the attitudes of employees. This campaign first started at Jeju Business Group and has spread to all KT organizations and customer centers, thereby creating a fresh image of KT to customers.

In the fields where employees come into direct contact with the customers, more detailed programs have been created and voluntarily carried out by respective organization. Examples include a three-in-one service (smiling face + We Love You + praise); each employee growing a plant; and a “praise relay”.



“We Love You” campaign



;appendix

- Third party's assurance statement
- Corporate outline
- Summarized financial statements
- GRI index (G3)
- Reader feedback survey

Third party's assurance statement

:appendix / KT 2007 corporate social responsibility report

The Institute for Industrial Policy Studies (The Auditor) was engaged by KT to review its 2007 Corporate Social Responsibility Report (The Report) to provide independent third-party assurance on its contents. KT is responsible for the collection and presentation of all information within The Report as well as the maintenance of the underlying data collection system and internal controls. The key objective of our review was to provide independent assurance that all statements and data cited in The Report are free of material misstatement or bias and that the data collection systems used are robust. On the basis of the above, The Auditor presents the following third-party statement of assurance.

Context and Scope

In The Report, KT describes efforts and progress made toward social responsibility as well as its plans for the future. The Auditor's review examined the following.

Reasonable assurance constitutes a higher level of assurance than limited.

- Reasonable assurance on whether:
the data on financial performance specified in Section VII of The Report (titled "Growth and Innovation") is properly derived from KT's audited Annual Report for 2006;
- Limited assurance on whether:
the data specified in Section I ("Introduction"), Section II ("Customer Value Management"), Section III ("Human Management"), Section IV ("Win Win Cooperation") and Section V ("Contribution to the Local Community"), Section VI ("Environmental Management") of The Report are stated adequately and in full and are free of material misstatement or bias.

Our Independence

The Auditor was not involved in the preparation of any part of The Report and with the exception of this work has no other affiliation with KT that might compromise our independence or autonomy or place us under KT's influence, giving rise to possible conflicts of interest.

Standards and Criteria

The Auditor reviewed whether The Report was written in accordance with the following reporting guidelines. The Global Reporting Initiative (GRI)'s G3 Sustainability Reporting Guidelines Version 3.0; and the AA1000 Assurance Standard's (AA1000 AS)* three core principles of Materiality, Completeness and Responsiveness. The local BSR Guidelines (B.E.S.T Sustainability Reporting Guidelines) for sustainability management.

Work Undertaken and Scope

The Auditor reviewed the materiality, completeness and responsiveness of The Report through the activities outlined below:

- a review of media reports relating to KT
- a review of information contained in The Report as well as the underlying data collection system (review of internal organization in charge of CSR as well as relevant systems and activities)
- an intensive review of key statements in The Report; KT's internal policies, documentation and information systems after sampling data and assessing areas of high risk
- on-site review by visiting the Head office
- interviews with managers and staff in charge of sustainability management and reporting, as well as persons responsible for The Report's source information
- interviews with senior executives in charge of sustainability management
- a reconciliation of financial information stated in The Report against the audited Annual Report
- survey of expert opinion on sustainability

Conclusions

Based on the above, the Auditor did not find The Report to contain any material misstatement or bias. All material findings of The Auditor are included herein and detailed conclusions and follow-up recommendations have been submitted to KT.

AA1000 Assurance Standard

AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting,

BSR Guidelines

BSR guidelines is Korean sustainability report guidelines that were jointly developed by the Ministry of Commerce, Industry and Energy, the Korea Chamber of Commerce and Industry and the Institute for Industrial Policy Studies (IPS).



Materiality: Does The Report cover economic, social and environmental issues of the greatest importance to KT?

We do not believe that KT has omitted or excluded any information of great importance to itself. KT has been able to identify material issues facing its organization by employing diverse channels of communication with its stakeholders (4307), including CSR awareness surveys, focus group interviews, website bulletin board activities etc. Furthermore, its processes for assessing materiality appears improved from last year's report. It is the Auditor's recommendation, however, that KT make continued use of the newly adopted CSR awareness surveys and focus group interviews, so that they become a permanent part of KT's stakeholder communication program.

Completeness: How reliable is the information and data stated in The Report and is the underlying information and data collection system complete and robust?

The Auditor took note that through various CSR operating mechanisms including a CSR committee, KT has been running its ethical management, human management and social contribution activities in an organized and systematic manner. Notably, we observed a VOC (Voice of the customer) management system and an internal control system in place used to enhance the reliability of its financial information. Also, we verified efforts by KT to use its environmental management control system to assess environmental impacts and computerize related information back into the IT system. We would further suggest, however, that KT divide its measurement and management system into more specified sub-segments to build up its overall environmental management program and recommend continuous follow up to improve upon the current system's practical usability.

Responsiveness: How well does The Report address information of importance to KT stakeholders?

The Auditor determined that KT has been making efforts to identify information of great importance to its stakeholders including customers, shareholders, suppliers, executives and staff, as well as the local community by employing diverse communication channels such as CSR awareness surveys and on-line bulletin boards etc. For next year's report, however, the Auditor recommends that KT present how actual performance measured up against targets promised to stakeholders.

Issues for Future Consideration

In our opinion, compared to last year, The Report, which represents KT's second corporate social responsibility report, appears to indicate stronger means and efforts by KT to assess issues of material importance to its stakeholders. In the interest of continued qualitative improvements in sustainability performance and reporting, the Auditor would like to make the following recommendations.

- Strengthen adherence levels to GRI and BSR reporting guidelines and increase the proportion of quantitative information included in The Report.
- Regarding contents that appear repetitively in the first and second report decrease when possible, the proportion of information that is very general in nature or of low materiality, while providing more specific details on major activities conducted during the reporting period.
- Disclose how information acquired through stakeholder dialogue is utilized in assessing the materiality of information to strengthen the completeness of The Report.

Taking into account this assurance statement and the separately provided recommendation letter, we suggest that KT continue to build and improve upon its social corporate responsibility management and reporting system to make them more systematic.

The Institute for Industrial Policy Studies (IPS)

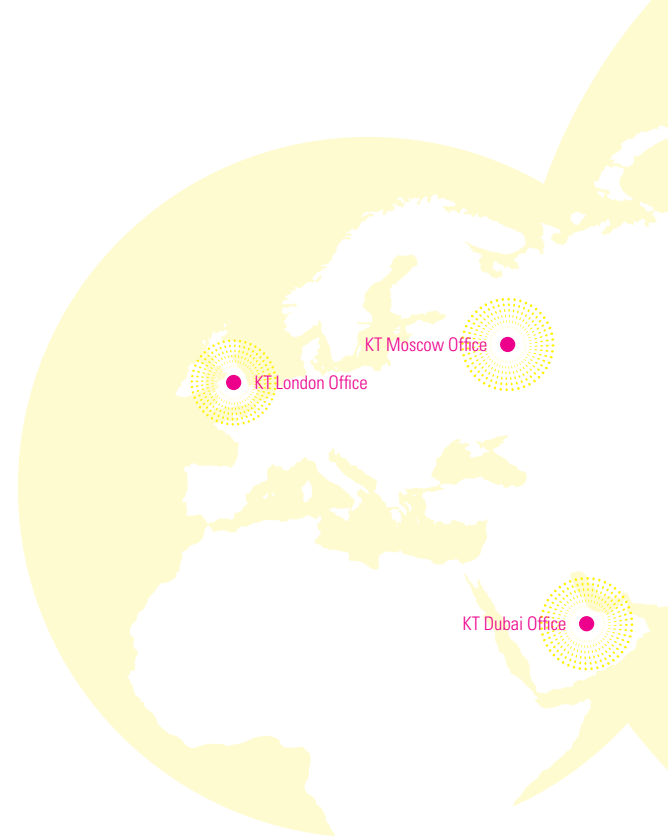
Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the area of sustainability management since 2002. "The Auditor" is composed of seven individuals (Cho Dong-Sung, Lee Seok-Young, Shin Cheol-Ho, Lee Dong-Won, Kim Hee-Jung, Ryu Young-Soon, Ahn Ji-Yeon) - professors at Korea's top universities or consultants with professional accreditation and extensive experience in sustainability management with majors in business management, accounting, environmental science etc.



May 28, 2007
Cho Dong-Sung
Director, Center for Sustainability Management, IPS
Professor, College of Business Administration,
Seoul National University

Corporate outline

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Corporate status		(as of December 31, 2006)	
Company name	KT	Date of establishment	December 10, 1981
CEO	Nam Joong - Soo	Location of head office	206 Jeongja-dong, Bundang-gu, Seongnam-city, Gyeonggi Province
Capital stock	KRW 1.561 trillion	Sales volume	KRW 11.7721 trillion
Total assets	KRW 17.9623 trillion	Current net income	KRW 1.2334 trillion
No. of business centers	464 throughout the nation	Stock listing	Stock listed on the Korean, New York and London stock exchanges
No. of employees	37,843 persons	Credit rating	S&P: A-(Stable) Moody's: A3 (Positive)

Head Office

206 Jeongja-dong, Bundang-gu,
Seongnam-city, Gyeonggi Province,
463-711 Korea

KT Regional Headquarters

Metropolitan North Business Group
680-63 Jayang-dong, Gwangjin-gu,
Seoul, Korea

Metropolitan South Business Group

111 Maetan 2(i)-dong, Paldal-gu,
Suwon-si, Gyeonggi-do, Korea

Metropolitan West Business Group

1169-1 Jung 1(ii)-dong, Wonmi-gu,
Bucheon-si, Gyeonggi-do, Korea

Busan Business Group

830-29 Beomil 2(i)-dong, Dong-gu,
Busan City, Korea

Jeonnam Business Group

31-9 Seoseok-dong, Dong-gu,
Gwangju City, Korea

Chungnam Business Group

1374 Dunsan-dong, Seo-gu,
Daegu City, Korea

Daegu Business Group

627-15 Bongdeok 1-dong, Nam-gu,
Daegu, Korea

Chungbuk Business Group

743 Yuliyang-dong, Sangdang-gu,
Cheongju-si, Chungcheongbuk-do, Korea

Gangwon Business Group

1426 Gwanseol-dong,
Wonju-si, Gangwon-do, Korea

Chungbuk Business Group

743 Yuliyang-dong, Sangdang-gu,
Cheongju-si, Chungcheongbuk-do, Korea

Jeju Business Group

1643-1 Ido 1(ii)-dong, Jeju-si, Jeju-do, Korea



Overseas branch office

KT America, Inc.

3435 Wilshire Blvd, Suite 2160, Los Angeles,
CA 90010, USA

KT America, Inc.(NJ Office)

111 Charlotte Place, Englewood Cliffs,
NJ 07632, USA

KT Japan Co. Ltd.

9F, Toranomon 37 Mori Bldg, 3-5-1 Toranomon,
Minato-ku, Tokyo, 105-0001, Japan

KT China Corp

Room 2460, Beijing Sunflower Tower, 37 Maizidian
Street, Chaoyang District Beijing 100026, China

KT Philippines, Inc.

32-C, Rufino Pacific Tower, Ayala Ave. Makati,
Metro Manila, Philippines

KT London Office

Upper Ground Floor, 1 Minster Court,
Mincing Lane, EC3R 7XT

KT Hanoi Office

Daeha Business Center Room No. 1203,
360 Kim Ma Str. Ba Dinh, Hanoi, Vietnam

KT Delhi Office

Suite 311, Ashok Hotel, 50-B, Chanakya Puri,
New Delhi-110 021, India

KT Moscow Office

Office 1609, entrance 6, 12 Krasnopresnenskaya nab.,
Moscow, Russia, 123610

Mongolia Telecom

Sukhbaatar Square-1, Ulaanbaatar-210611,
P.O.Box-1166, Mongolia

New Telephone Company

70 Verkhne-Portovaya Str. Vladivostok, Russia

KT Dacca Office

#House 19, #Flot B-2, Gulshan 2,
Dacca-1212, Bangladesh

KT Dubai Office

Office No. 1603, Al Shatha Tower, 16th Floor,
Dubai, United Arab Emirates

Corporate outline

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Subsidiaries (as of March 31, 2007)			
Company name	Main business	Capital stock (KRW million)	Percentage of shares owned (%)
KTF	Cellular mobile communications using radio frequencies	1,044,181	52.2
KT Linkus	Maintenance of public phones	15,678	93.8
KT TeleCop	Security services(security systems, facilities, etc.)	24,752	93.8
KT Networks	Special category telecommunications / NI business	20,000	100
KT Hitel	Internet / contents	34,500	65.9
KT Submarine	Construction and maintenance of submarine cable	21,900	36.9
KT Powertel	Special category telecommunications / TRS (trunked radio service)	86,647	44.9
Sidus FnH	Production of moving pictures	4,504	35.7
Olive 9	Production and distribution of digital contents	22,228	19.7
KT Rental	IT solutions rental (medical solutions, auto lease, etc.)	34,000	100
KT Capital	Installment financing	101,000	100

Key services and brands

Service	Brand	Service	Brand
Wired telephone		International telephone	
High-speed Internet		Corporate solutions	
Mobile Internet		IPTV	
Intelligent network service		Dedicated lines for the Internet	

Key service domestic market share

(unit: %)

Category	2004	2005	2006
Local call	93.8	93.2	92.1
Long distance call	86.9	85.4	85.6
High-speed Internet	51.0	51.2	45.2

•Domestic market share is based on the number of subscribers

Corporate outline

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Key associations and groups at home and abroad of which KT is a member

(as of the end of 2006)

Category	Group name
Domestic	Business Institute for Sustainable Development
	The Federation of Korean Industries
	The Korea Chamber of Commerce & Industry
	Korea Telecommunications Operators Association
	Korea Association of Information and Telecommunication
	The Korea Fair Competition Federation
	Korea Employers Federation
	Economic Group Council
	(no official website - pure translation)
	Korea Listed Company Association
	Korea Association for Chief Financial Officer
	Telecommunications Technology Association
	Korea Advanced Intelligent Robot Association
	Korea Home Network Industries Association
	Network Security Forum
	U-City Form
	Korea Institute of Information Security & Cryptology
	Korea Productivity Center
	KMA
Overseas	TMF (Telecommunication Management Forum)
	Open Mobile Alliance(OMA)
	Parlay Group
	VoiceXML Forum
	DSL Forum
	WiMAX Forum
	FMCA (Fixed-Mobile Convergence Alliance)
	WBA (Wireless Broadband Alliance)
	ITU (Int'l Telecommunication Union)
	APT (Asia Pacific Telecommunity)

Main awards received from outside organizations in 2006

Date	Organized by	Details of award
Mar. 27	Korea Advertising Review Board	"Outstanding award" during the Third Korean Advertising Ethics Awards
Apr. 11	Korea Productivity Center	First place in all areas related to information and communication of NCSI (National Customer Satisfaction Index) for three consecutive years
Apr. 24	Ministry of Information and Communication	An industrial medal in celebration of the 51st "Day of Information and Communication"
May 17	Broadband World Forum Asia 2006	Outstanding company award in the broadband Internet service area
Jun. 9	Korea Newspaper Broadcasting Research	"2006 global luxury brand" award for Megapass (Internet); 001 (international telephone); and Ann (wired telephone)
Jun. 16	Frost & Sullivan	Selected as "this year's high-speed Internet service provider" at the 2006 Asia-Pacific ICT Awards
Jun. 28	Corporate Governance Service	Selected as an outstanding company in the sector of corporate governance structure for five consecutive years
Jun. 29	Korean Accounting Association	Sixth transparent accounting award
Jul. 11	Ministry of Gender Equality & Family	Outstanding company in family-oriented management
Sep. 5	Korean Standards Association	No. 1 company in KS-SQI (Korean Standard Service Quality Index)
Sep. 25	KMAC	No. 1 company in all communication related areas of KCSI (Korea Customer Satisfaction Index)
Oct. 19	Ministry of Commerce, Industry and Energy; Korea Venture Business Association	Special merits award in the large corporation category at the "Venture Korea 2006" event
Nov. 8	Korea Energy Management Corporation	The Bronze Tower Order of Industrial Service Merit during the 28th energy-saving promotion tournament
Nov. 14	KMAC	Received the Customer Satisfaction Grand Prize for four consecutive years
Nov. 16	Ministry of Labor	Acquired grade "A" in evaluations on organizations providing training through e-learning courses
Nov. 24	Ministry of Information and Communication; KOIVA	Received the prime minister's award in the large corporation category at the "IT SMERP 2006" event
Nov. 27	Human Resources Development Service of Korea	Certified as an outstanding organization in human resource development in 2006
Dec. 15	Web Award Korea 2006	KT website design innovation award

Summarized financial statements

End of the 25th fiscal year: 31, December 2006

End of the 24th fiscal year: 31, December 2005

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(unit: KRW Million)

Balance Sheet

Description	Current year (25th)	Previous year (24th)
Assets		
I . Current assets	3,239,188	3,418,917
(1) Quick assets	3,146,206	3,303,033
(2) Inventories	92,982	115,884
II . Non-current assets	14,723,145	14,517,592
(1) Investments	3,854,279	3,662,971
(2) Tangible assets	10,398,084	10,411,523
(3) Intangible assets	470,782	443,098
Total assets	17,962,333	17,936,509
Liabilities		
I . Current liabilities	3,270,249	3,079,999
II . Long-term liabilities	6,143,004	6,807,214
Total liabilities	9,413,253	9,887,213
Stockholders' equity		
I . Capital stock	1,560,998	1,560,998
II . Capital surplus	1,440,910	1,440,258
III . Retained earnings	9,353,911	8,798,670
IV . Capital adjustment	(-)3,806,739	(-)3,750,630
Total stockholders' equity	8,549,080	8,049,296
Total liabilities and stockholders' equity	17,962,333	17,936,509

Statement of income

I . Revenue	11,772,070	11,877,272
II . Operating expenses	10,034,931	10,217,389
III . Operating income	1,737,139	1,659,883
IV . Non-operating income	597,183	551,721
V . Non-operating expenses	733,410	852,436
VI . Ordinary income	1,600,912	1,359,168
VII . Extraordinary gain	-	-
VIII . Extraordinary losses	-	-
IX . Income before income taxes	1,600,912	1,359,168
X . Income tax expense	367,463	327,358
XI . Net income	1,233,449	1,031,810

Summarized financial statements

End of the 25th fiscal year: 31, December 2006

End of the 24th fiscal year: 31, December 2005

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(unit: KRW Million)

Statement of cash flow

Description	Current year (25th)	Previous year (24th)
I . Cash flow from operating activities	3,751,794	3,625,699
1. Net income	1,233,449	1,031,810
2. Addition of expenses not involving cash outflow	2,640,677	2,871,716
3. Deduction of revenues not involving cash inflow	(-)345,188	(-)344,860
4. Changes in assets and liabilities resulting from operations	222,856	67,033
II . Cash flow from investing activities	(-)2,439,905	(-)592,414
1. Cash inflow from investing activities	376,684	1,942,619
2. Cash outflow for investing activities	(-)2,816,589	(-)2,535,033
III . Cash flow from financing activities	(-)1,318,904	(-)3,593,772
1. Cash inflow from financing activities	187,245	1,268,362
2. Cash outflow for financing activities	(-)1,506,149	(-)4,862,134
IV . Increase (or decrease) in cash (I + II + III)	(-)7,015	(-)560,487
V . Cash at beginning of year	1,043,780	1,604,267
VI . Cash at year-end	1,036,765	1,043,780

Financial ratio index

Stability index

Current ratio	99.1%	111.0%
Debt ratio	110.1%	122.8%
Degree of dependence on borrowings	30.5%	34.5%
Ratio of interest coverage to operating income	5.3 times	4.0 times

Profitability index

Operating profit to sales ratio	14.8%	14.0%
Ratio of net profit to net sales	10.5%	8.7%
Return on assets	6.9%	5.4%
Return on equity	14.9%	13.3%
Ratio of operating cash flow to total assets	20.8%	19.1%
Earnings per share	5,877 won	4,877 won

Growth and activity index

Sales volume increase rate	△0.9%	0.2%
Operating profit increase rate	4.7%	△22.0%
Net income growth rate	19.5%	△17.8%
Total asset growth rate	0.1%	△10.8%
Assets turnover	0.66 times	0.62 times

GRI index (G3)

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Profile

GRI Index	Indicators	Page	BSR Index
Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the company (e.g. CEO, chair, or equivalent senior position) on the importance of sustainability to the organization and its strategy	16 – 19	A_1
1.2	Description of key impacts, risks and opportunities	32 – 33	A_2
Organizational profile			
2.1	Name of the organization	122	A_3
2.2	Primary brands, products and / or services	124	A_4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	122, 124	A_5
2.4	Location of organizations' headquarters	122	A_7
2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	123	A_7
2.6	Nature of ownership and legal form	29	A_8
2.7	Characteristics of markets (including geographic breakdown, sectors served and types of customers / beneficiaries)	105 – 113	A_9
2.8	Scale of the reporting organization	122	A_10
2.9	Significant changes during the reporting period regarding size, structure or ownership	115	B_8
2.10	Awards received in the reporting period	125	C08
Report parameters			
3.1	Reporting period (e.g. fiscal / calendar year)	C2	B_3
3.2	Date of the latest report (if any)	C2	B_8
3.3	Reporting cycle (annual, biennial, etc.)	C2	B_6
3.4	Contact point for questions on report	C2	B_9
3.5	Process for defining report content	C2, 26 – 27	B_4
3.6	Boundaries of the report (e.g. countries, divisions, subsidiaries, suppliers)	C2	B_1
3.7	State any specific limitations on the scope of the report	C2	B_2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations	N/A	A_6
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	C2	-
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	C2	-
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	C2	B_5
3.12	Table identifying the location of the Standard Disclosures in the report	128 – 132	B_10
3.13	Policy and current practice with regards to seeking external assurance	C2, 120 – 121	B_7
Governance, Commitments and Engagement			
4.1	Governance structure of the organization	28 – 29	GR1
4.2	Indication of whether the Chair of the highest governance body is also an executive officer	28	GR1, GR3
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members	28	GR2
4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body	29	GR12
4.5	Link between the company's performance and compensation for members of the highest governance body, senior managers and executives	29	GR7
4.6	Processes for the highest governance body to prevent conflicts of interest	29	GR13
4.7	Process for determining the qualifications and expertise of the members of the highest governance body to guide the organization's strategy on economic, environmental, and social topics	28 – 29	GR4
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	24 – 25	-
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	25	GR5

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Performance indicator

GRI Index	Indicators	Page	BSR Index
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	25	GR6
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	32 – 33	GR11
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	55	GR10
4.13	Membership in associations (such as industry associations) and / or national / international advocacy organizations	125	A_11
4.14	List of stakeholder groups engaged by the organization	26 – 27	C_1, C_2
4.15	Basis for identification and selection of stakeholders	26 – 27	C_1
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	26 – 27	C_2
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting	27	C_3
Economic Performance			
EC1	Direct economic value generated and distributed	102 – 104	EC1
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	95	EC2
EC3	Coverage of the organization's defined benefit plan obligations	104	EC3
EC4	Significant financial assistance received from government	75	EC5
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	-	EM4
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	-	EC4
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	N/A	EC4
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	74 – 81	EC6
EC9	Understanding and describing significant indirect economic impacts including the extent of impacts	107 – 111	EC7
Environment Performance			
EN1	Materials used by weight or volume	97	EV10
EN2	Percentage of materials used that are recycled input materials	93 – 94	EV11
EN3	Direct energy consumption by primary energy source	97	EV7
EN4	Indirect energy consumption by primary source	96	EV8
EN5	Energy saved due to conservation and efficiency improvements	95 – 96	EV5
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives	95 – 97	EV5
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	95 – 97	EV5, EV25
EN8	Total water withdrawal by source	96	EV9
EN9	Water sources significantly affected by withdrawal of water	N/A	EV20
EN10	Percentage and total volume of water recycled and reused	-	EV18
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected area	N/A	EV22
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A	EV22, EV26
EN13	Habitats protected or restored	N/A	EV27
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	98	EV6, EV26
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	EV28
EN16	Total direct and indirect greenhouse gas emissions by weight	97	EV12
EN17	Other relevant indirect greenhouse gas emissions by weight	-	EV13
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	97	EV4
EN19	Emissions of ozone-depleting substances by weight	-	EV14
EN20	NOx, Sox and other significant air emissions by type and weight	-	EV15
EN21	Total weight discharge by quality and destination	-	EV17
EN22	Total weight of waste by type and disposal method	94	EV16
EN23	Total number and volume of significant spills	N/A	EV21

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GRI Index	Indicators	Page	BSR Index
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally	N/A	EV29
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A	EV19
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	98	EV23
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	93 – 94	EV24
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	EV31
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce	94	EV30
EN30	Total environmental protection expenditures and investments by type	-	EV1
Labor Practice & Decent Work Performance			
LA1	Total workforce by employment type, employment contract and region	54 – 55	EM1
LA2	Total number and rate of employee turnover by age group, gender and region	54	EM5
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	56 – 57	EM20
LA4	Percentage of employees covered by collective bargaining agreements	60	EM12
LA5	Minimum notice period(s) regarding significant operational changes including whether it is specified in collective agreements	60	EM13
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	61	EM14
LA7	Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region	61	EM19
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	61	EM18
LA9	Health and safety topics covered in formal agreements with trade unions	61	EM15
LA10	Average hours of training per year per employee by employee category	52	EM27
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	53	EM28
LA12	Percentage of employees receiving regular performance and career development reviews	52 – 53	EM29
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	55	EM2
LA14	Ratio of basic salary of men to women by employee category	54	EM3
Human Rights Performance			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	-	PN2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	-	PN3
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	30	EM30
HR4	Total number of incidents of discrimination and actions taken	54 – 55	EM7
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	60	EM8
HR6	Operations identified as having significant risk for incidents of child labor and measures taken to contribute to the elimination of child labor	55	EM9
HR7	Operations that are likely to have forced labor and measures taken	55	EM10
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	N/A	EM31
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	N/A	C02
Society Performance			
S01	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	76 – 77	C02
S02	Percentage and total number of business units analyzed for risks related to corruption	-	C05
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	30 – 31	C05
S04	Actions taken in response to incidents of corruption	30 – 31	C05
S05	Public policy positions and participation in public policy development and lobbying	74 – 75	C06

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Telecommunication sector supplement

GRI Index	Indicators	Page	BSR Index
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	-	C07
S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	47	CS3
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	47	C09
Product Responsibility Performance			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	41 – 43	CS4
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	N/A	CS11
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	-	CS5
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	CS12
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	38 – 40	CS9
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	46	CS13
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	47	CS14
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	41	CS15
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	CS12
Internal Operation			
IO1	Capital investment in telecommunication network infrastructure broken down by country / region	104	-
IO2	Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms	75	-
IO3	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields and exposure to hazardous chemicals	61	-
IO4	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets	-	-
IO5	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations	-	-
IO6	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets	-	-
IO7	Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible	98	-
IO8	Number and percentage of stand-alone sites, shared sites and sites on existing structures	98	-
Providing Access			
PA1	Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied	74 – 75	-
PA2	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy and lack of education, income, disabilities and age. Include an explanation of business models applied	74 – 75	-
PA3	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time	41 – 43	-
PA4	Quantify the level of availability of telecommunications products and services in areas where the organisation operates. Examples include: customer numbers/market share, addressable market, percentage of population covered, percentage of land covered	124	-

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GRI Index	Indicators	Page	BSR Index
PA5	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas	79, 104	-
PA6	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	44 – 45, 77	-
PA7	Policies and practices to manage human rights issues relating to access and use of telecommunications products and services	41	-
PA8	Policies and practices to publicly communicate on EMF related issues. Include information provides at points of sales material	41	-
PA9	Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organisation	-	-
PA10	Initiatives to ensure clarity of charges and tariffs	40	-
PA11	Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective and environmentally preferable use	40	-
Technology Applications			
TA1	Provide examples of the resource efficiency of telecommunication products and services delivered	40, 92 – 93	-
TA2	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects (e.g. a telephone book by a database on the web or travel by videoconferencing)	93, 107 – 108	-
TA3	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. Provide some indication of scale, market size, or potential savings	-	-
TA4	Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above and lessons learned for future development. This may include social consequences as well as environmental	41 – 43	-
TA5	Description of practices relating to intellectual property rights and open source technologies	69	-

* I04, I05, I06, PA9 and TA3 indicators have not been included in this report due to the lack of relevant data. They will be included in the next report.

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Self-declaration of the GRI G3 Application Level

The "2007 Corporate Social Responsibility Report" of KT has been created according to the GRI G3 guidelines. In addition, the GRI supplement performance indicators for the telecommunications industry were used as a reference. Among the A, B and C levels of the GRI Application Level Table, this report fully satisfies the quantitative and qualitative requirements of Level A. As such, KT self declares that the GRI G3 Application Level of the 2007 Corporate Social Responsibility Report is at Level A+.

Furthermore, the Institute for Industrial Policy Studies (IPS) has confirmed that this report qualifies for the same GRI G3 Application Level of A+.

GRI Application Levels Table

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15		Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17		Same as requirement for Level B	
	G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment		report on a minium of 10 Performance Indicators, including at least one from each of: economic, environment, human rights, labor, society, product responsibility		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

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Reader feedback survey

KT always values the opinions of all of our stakeholders. Please fill out the following form to communicate your valuable opinions or suggestions on this report and send it via fax or regular mail. KT will accommodate your opinions in carrying out social responsibility activities and in making improvements to this report.

1. Which of the following groups do you belong to?

- | | |
|--|---|
| <input type="checkbox"/> Shareholder and investment organization | <input type="checkbox"/> KT employee |
| <input type="checkbox"/> General customer | <input type="checkbox"/> Partner company |
| <input type="checkbox"/> Local resident and local autonomy | <input type="checkbox"/> Civic group |
| <input type="checkbox"/> Government ministry and office | <input type="checkbox"/> National assembly |
| <input type="checkbox"/> Media | <input type="checkbox"/> Academic sector; society |
| <input type="checkbox"/> Others () | |

2. Which key areas are you interested in (multiple answers are possible)? Also, please specify how satisfied you are with the information provided in the given area.

- | | (Very unsatisfactory) | 1 | 2 | 3 | 4 | 5 (Very satisfactory) |
|---|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> Introduction | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Customer value management | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Human management | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Win-win cooperation | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Contributions to the community | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Environmental management | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Growth and innovation | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3. Please specify your satisfaction level on each of the following:

- | | (Very unsatisfactory) | 1 | 2 | 3 | 4 | 5 (Very satisfactory) |
|--|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| • The terms used are easy to understand and clear. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Sufficient information is provided on critical issues. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • The design is good and helps me to understand the information. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4. Please give us your opinions on the overall structure and content of this report and make suggestions for improvement.

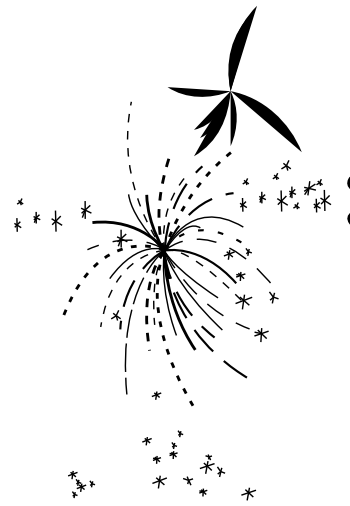
5. Please give us your opinions on the social responsibility activities of KT and make suggestions for improvement.

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**You can access this report in PDF file format
at this website(<http://csr.kt.co.kr/eng>).
Please refer to the following contact information
if you need more details on the social responsibility
activities of KT introduced in this report.**

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