PEOPLE. TECHNOLOGY.

KT Integrated Report 2018

5G

kt

About This Report

KT is Korea's comprehensive communications operator which is leading the fourth industrial revolution by releasing the world's first 5G service and innovative intelligent network. By publishing our 13th integrated report, which unveils the achievements of our CSR activities done at the economic, social, and environmental levels, we desire to share the direction of KT's sustainability management with the stakeholders.

Reporting Period The period of this report covers from January 1 to December 31, 2017, and key material issues include progress made in the first half of 2018. To demonstrate trends in time series analysis, quantitive data of the Report include performance of the previous 3 financial years.

Reporting Period This report covers sustainability management performances of total 516 sites including the headquarters and branches.

Reporting and Assurance Standards This report was written in accordance with the Global Reporting Initiative's Standards guideline as the comprehensive option. The report also applied to the International <IR> Framework of the International Integrated Reporting Committee (IIRC) and the financial performance was in line with K–IFRS. To determine the material issues, a materiality assessment was conducted and the material issues selected were described and explained in 4 sections in detail. To ensure the reliability and quality of the information presented in this report, the contents were subject to assurance by an independent third–party whose assurance statement was attached in this report.

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

Contents

Cover Story 5G

'PEOPLE. TECHNOLOGY.' represents KT's commitment to enriching human life by utilizing human-centered technology that is closely related to our daily life. Korea's ICT leader, KT has created a child's smile that symbolizes a better future to be materialized with 5G.

"KT will take the initiative in realizing 'Better People, Better Society, and Better Life' through sustainability management."

2017 was a year when KT took a step forward in sustainability management and implementation of the UN Sustainable Development Goals (SDGs). In full support of the SDGs for a better planet, we commit to implementing them through the provision of GiGA infrastructure and innovative technologies & services.

As a representative Korean corporation, KT understands the importance of ICT companies' impact on the society and environment, and thus endeavors to realize corporate social values. 'IT Supporters,' the first pro bono activity in Korea, conducted the successful project to bridge the wide digital divide in rural and remote areas, including Daeseong-dong Village near the DMZ, Uiyaji Village in Pyeongchang, and Maheshkhali Island, Bangladesh. The project cited as a successful example of closing the digital gap in the 2017 report of Working Group on Education drafted by the Broadband Commission. Also, we work hard at improving the quality of human life by utilizing our core competencies such as GiGA infrastructure and ICT technology.

As the chairman of the board of directors, I had an opportunity to experience KT's leading and innovative technology when I visited the 5G center to support the successful hosting of the 2018 Pyeongchang Winter Olympic Games.

KT's innovative activities and impressive achievements in economic, environmental, and social aspects have earned very high scores in the internationally recognized Dow Jones Sustainability Index (DJSI), which assesses corporate sustainability, solidifying our status as a global leader in the telecommunications industry. With our eco-friendly management policies, we have been chosen for CDP's Carbon Management Honors Club for five consecutive years, and included as a 'Hall of Fame' in the first among Korean telecommunications companies, and selected as Carbon Management Sector Honors for eight successive years, being recognized as a leading company in practicing green management.

This year's board of directors voted for sustainability management plans, taking note of the importance of addressing global social issues and improving the quality of life of people by utilizing KT's innovative technology. We will continue to go forward towards sustainability by listening carefully to diverse opinions from our shareholders and stakeholders.

2018 will be the year when the fourth industrial revolution becomes more visible by virtue of the development of technologies such as AI and blockchains along with 5G technology. KT's board of directors will do our best to ensure that KT, as a leader in sustainability management, contributes more to technological development for a better future of humankind.

Jong-Goo Kim
Chairman, Board of Directors

"KT creates technologies that care about people. People. Technology. KT"

The world is paying close attention to who will be the next leader in the 5G competition, which is thought to shape the future of the fourth industrial revolution. Over the past three years, KT has focused on securing 5G source technology along with more than 100 technology patents, and as a result, accumulated know-how on 5G network operation. Finally, in February 2018, KT drew the global attention by successfully showcasing 'the world's first ever 5G pilot service' at the 2018 PyeongChang Winter Olympics, proving Korea's ICT power as well as KT's 5G global leadership.

KT is now slated to launch the world's first commercial 5G service in March 2019. It is no exaggeration to say that 5G will define the future of the fourth industry, because it is not a simple communication network, but rather an intelligent network and integration platform that combines 'solutions,' such as artificial intelligence (AI), augmented reality (AR), virtual reality (VR), and blockchain—all of which are fundamental technology of the fourth industrial revolution, with 'services' such as connected cars and drones. Since the beginning of 2017, KT has strived to transform itself into a platform business operator. To this end, we have focused on nurturing the five core platforms we selected: media, smart energy, value empowerment, financial transaction, and disaster·safety·security.

These efforts will not just secure KT's future growth engine, but also contribute to enhancing the competitiveness of the industrial ecosystem where a diversity of companies belong, including automobile companies planning to provide autonomous driving services; financial companies and security or gaming startups preparing to adopt blockchain. Through the 5G technology, we will nurture the ecosystem of related industries, in which SMEs and venture enterprises can grow together in the era of the fourth industrial revolution.

When it comes to technology convergence, people often focus on that technology and technology meet. KT's technology, however, always concerns people and meets people. Technology that concerns people pays attention to problems around us and grows together with us as it tries to find solutions. This is also our philosophy of sustainability management: KT actively participates in the implementation of the United Nations' SDGs to address the problems facing humanity.

Based on our unwavering faith in people and technology, we promise to remain a trusted company to our customers. We look forward to your continued attention and support.

Thank you.

Chang-Gyu Hwang
CEO

5G. Connected
PyeongChang 2018

The 23rd Winter Olympics was successfully held in Pyeongchang County, Gangwon Province from February 9 to 25, 2018. The multi-sport event was aimed at letting the world know the excellence of South Korea, targeting the Cultural Olympics, Environmental Olympics, Peace Olympics, Economic Olympics, and ICT Olympics. KT, selected as an official telecom partner and one of the first sustainability partners for the Games, contributed to the successful hosting of the Pyeongchang Winter Olympic and Paralympic Games.
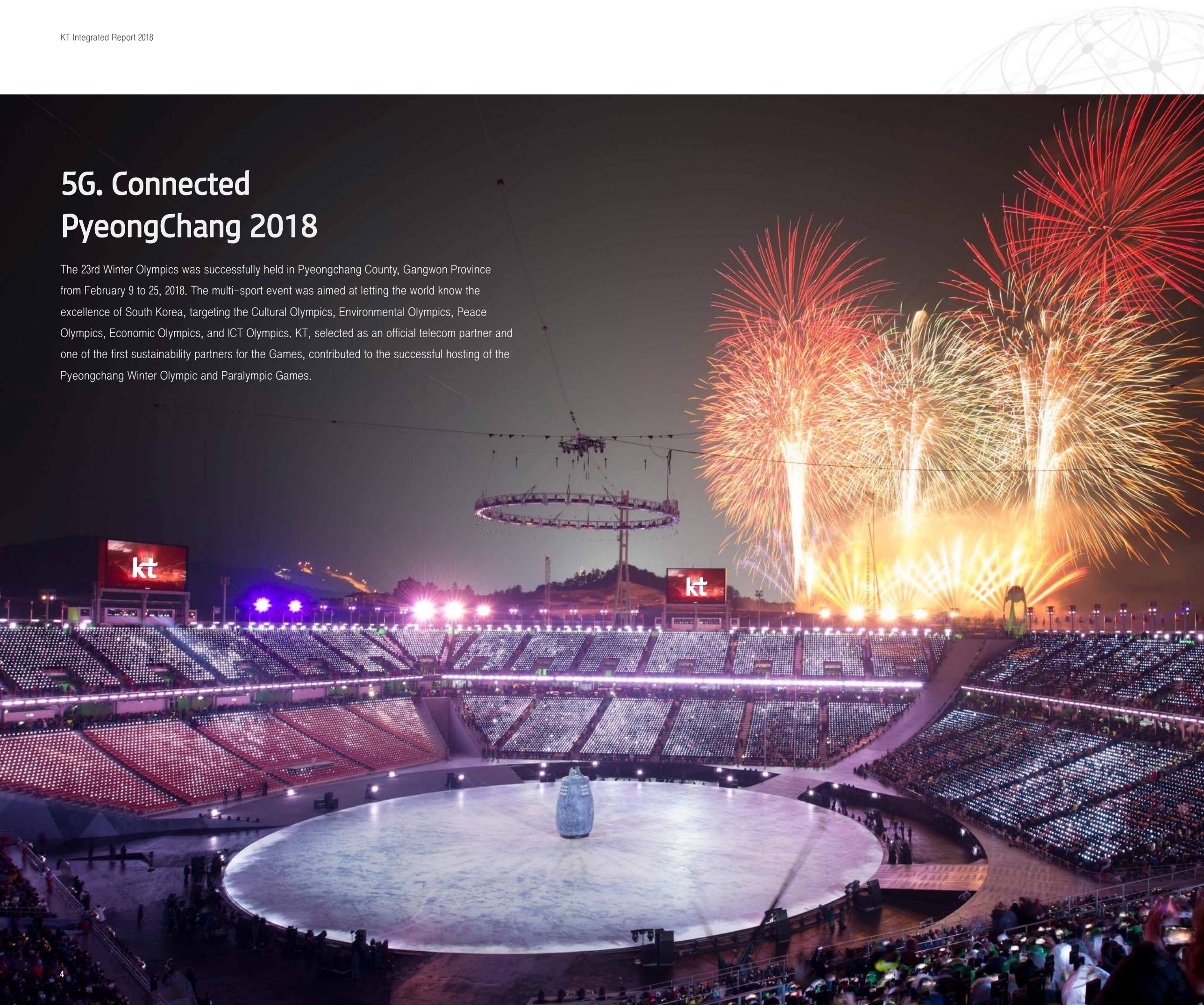
PyeongChang 2018
Sustainability Partner KT

The Olympic Games represent the single most significant sports event in the world that has enormous social and environmental impact not only on the host cities but also on all nations and people around the world. That is why, in 1995, the International Olympic Committee (IOC) officially introduced the concept of sustainability into the Olympic Games. Aiming to ensure sustainability during the staging of the Olympic Games, the IOC created the Sport and Environment Commission and signed an agreement with the United Nations Environment Program (UNEP). In 1996, the IOC added environmental protection as the third pillar of Olympism (along with sport and culture) and incorporated it in the Olympic Charter. It has led to the IOC's requirement that host countries and partners abide by the sustainability principle during the construction and staging of the Olympic Games. Starting from the 2012 London Games, it has named official 'Sustainability Partners' for the Games.

The sustainability vision of the Pyeongchang Olympics is 'opening up New Horizons for sustainability to make people and nature more prosperous.' As the first Winter Olympics held since the adoption of the UN SDGs, the 2018 Winter Olympics were systematically organized to promote sustainability during the staging of the Games, with quantitative goals from economic, environmental, and social aspects. Also, 'ISO 20121: 2012,' the international standard for sustainable event management, was applied throughout the implementation system of the Pyeongchang Winter Olympic and Paralympic Games, to ensure the systematic fulfillment of sustainability at all stages and to raise awareness of sustainability among the participants.
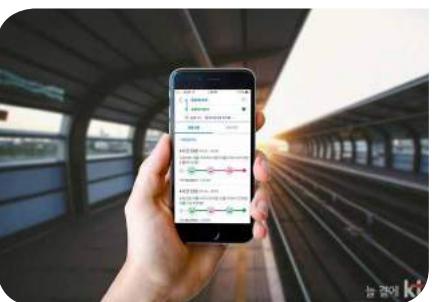
World's First 5G

As an official telecom partner for the 2018 PyeongChang Olympics, KT established and operated the broadcasting and telecom infrastructure for the Olympics in 22 fields including wired/wireless, broadcasting network, competition network, and ICT facility. In particular, we built the world's first 5G trial network and pilot service in the host city, raising Korea's status as an ICT powerhouse. As a telecom partner providing competition network and broadcasting network for the Games, we spent more than three years in preparing the demonstration of ICT technologies including 5G, before showing off our tech prowess in the race for 5G at the successful Pyeongchang Olympics.

Opening Ceremony Completed with 5G

The opening ceremony held under the theme of Peace in Motion feature impressive performance: a giant dove of peace of which were born based on KT's 5G technology. The 5G technology, which delivers 'ultra-high-speed,' up to 20 times faster than the current mobile networks, and 'ultra-low latency' of less than 1ms (0.001 seconds), enabled the real-time remote control of the LED lights that formed the giant dove.

with estimated time and costs required. In addition to this navigation function, it is connected to reservation apps for intercity buses, high-speed buses, and KTX, which made it possible for users to buy tickets and check real-time information on shuttle buses to/from stadiums during the Olympics. It was available in the four languages of Korean, English, Chinese, and Japanese so that many foreigners used this service.

Mobile App 'Go PyeongChang'

It helped visitors to set up a schedule to enjoy different competitions: Its route-finding function allowed visitors to find their route easily without having to enter their destination, and it provided information on public transportation to stadiums, together

5G Connected Bus

'5G connected bus' in Gangneung and Pyeongchang has a self-driving system based on 5G network. It provides diverse multimedia services including UHD streaming, 5G multi-channel live service. Cars are connected not only to the Internet but to mobile devices, other vehicles, and drivers. It is less likely to have an accident, with the ability to keep a safe distance through information exchange among vehicles. During the Olympics, about 3,000 visitors tried the cars.

5G exhibition hall

KT operated its '5G exhibition hall' which can experience trial services during Olympics. KT has named the two promotion halls as '5G.Connected' in Gangneung and 'KT live site' in Gwanghwamun. Also experience '5G City' which shows the blueprints of cities that will evolve into 5G-based ones; 'Ice Hockey Challenge' which allows visitors to experience the sport through games; 'Torch Relay Challenge' which provides VR experience of being a torchbearer; and 'Mission Challenge' using MR. Moreover, The '5G. Connected' in Gangneung was visited by 100,000 individuals and 120,000 people visited Gwanghwamun KT Live Site in Seoul.

Sustainaiblity Performance of KT Pyeongchang Olympic

Low-Carbon Green Olympic

Transportation Efficiency
Navigation App Go PyeongChang App 5G-Connected Bus

Environment Protection of Customers
Changing their bill from paper to online, the saving cost is donated to restoration mt. Gariwang in Jeongseon

Healthy and Affluent Life

UUiyaji Wind Village
Based on Innovative Technology, Improving Living Conditions and Tourism Revitalization

Paralympics Partner
PyeongChang 2018 Paralympic Winter Games

A Leaping PyeongChang Into the World

Sustainability Partner
Pyeongchang 2018 Winter Olympics

World's First 5G Pilot Service

5G Connected PyeongChang 2018

The Four Immersive Media Service

5G Sync View Test Service

5G Interactive Time Slice Test Service

Omni Point View Test Service

360° VR Test Service

- This technology connects the photos taken at the same time from various angles with numerous cameras. It allows spectators to enjoy the crucial moments of competitions as if to watch a movie. At Pyeongchang 2018, the technology was used for figure skating, short track, and girls' ice hockey matches. The images of players simultaneously captured with 100 cameras were transmitted to KT's server and then streamed to broadcasting companies and the ICT experience zone.

- People can enjoy a game as if they were an athlete while watching first person point of view UHD live video. This technology will further evolve to be applied to fast-moving objects or sports, offering UHD immersive video streaming. On the top of Pyeongchang Olympic Sliding Center Stadium appeared a giant screen that displayed a video showing the bobsleigh course, section by section—"Bobsleigh Sink View" in which bobsleigh races are televised live from the athlete's point of view. It shows ultra-high definition real-time videos through a tiny camera with built-in mobile modules.

- It provides various information that an ultra-small camera and GPS sensor attach to an athlete, and install cameras at different stadiums and courses. Viewers can select specific camera so that they know athlete's position and rank instantly. Thus, coaches and spectators can know the athlete's position and record instantly during the match.

- You can enjoy a match at your place as if you are in the stadium via 360° cameras and VR devices. Users can enjoy virtual reality as though they are at a stadium through transferring 360° videos to individual mobiles from 5G base stations.

KT GiGA Story's Pyeongchang 5G Village

GiGA Story is a representative social contribution program designed to create value by reflecting the characteristics of local communities, based on KT's innovative technologies. Through GiGA Story project, it has contributed to bridging the information gap between local communities; addressing social issues by improving the living conditions of residents; reinvigorating local economies, and creating jobs. As a sustainability partner of the Olympics which facilitates sustainable growth of local communities, KT carried out the 7th GiGA Story project in Pyeongchang, following the previous projects in Imjado Island, Daeseong-dong Village (DMZ), Baengnyeongdo Island, Cheonghakdong, Gyodongdo Island, and Bangladesh.

Local Needs

Pyeongchang is a super-aged society with 23% of its population (43,000 persons as of 2017) aged 65 or older. As its population had declined by as much as 58% compared with 1966, the city was in danger of disappearing if it did not change. The Pyeongchang Winter Olympics was a great opportunity to reinvigorate the stagnating local economy and attract people, bringing new vitality to the region.

7th KT GiGA Story : Pyeongchang 5G Village

The village, famous for highland farming, is called "Uiyaji Wind Village" because it is windy so often. KT designated Uiyaji as No.7 GiGA Story and constructed the 5G test network to unveil, in December 2017, the world's first "5G village" that adopted 5G network. We transformed the entire village into a 5G exhibition hall and developed tourism contents utilizing ICT while providing services for the residents such as the solution to repel harmful animals.

Creating Social Impact

Through this project, we showed global tourists who visited Pyeongchang how 5G and other advanced ICT technologies had changed the mountainous village. Uiyaji Village is expected to see more sustainable changes in the future.

Local revenue	Visiting Tourists
Job Creation	Population growth
Crop Damage Prevention	

❶ Solution to Repel Harmful Animals

This is a solution to repel wild pigs or elks with light and sound, when the IP cameras of CCTVs detect these harmful animals.

❷ 5G AR Market

The future of shoping platform that presents 360° VR video of a traditional market and allows customers to purchase regional specialties and agricultural products by AR

❸ AR Tourist Guide

It is a tourist guide platform that visitors can get discount tickets for nearby tourist spots, discount coupons for local specialties, coffee discount vouchers through AR games while residents can sell specialties of the region.

❹ MR Magic Gates

If you scan the space of the experience hall, a virtual magic gate like a snowball kingdom appears on the tablet screen, and if you pass through the gate with the tablet PC, you can experience a new virtual space.

❺ Media Walls

Media walls provide tourist information by recognizing hand motions that visitors make in front of the 80-inch screen equipped with 'motion recognition.'

❻ Holograms

Holograms that display village residents explaining the history of their village, the origin of unique road names, local specialties.
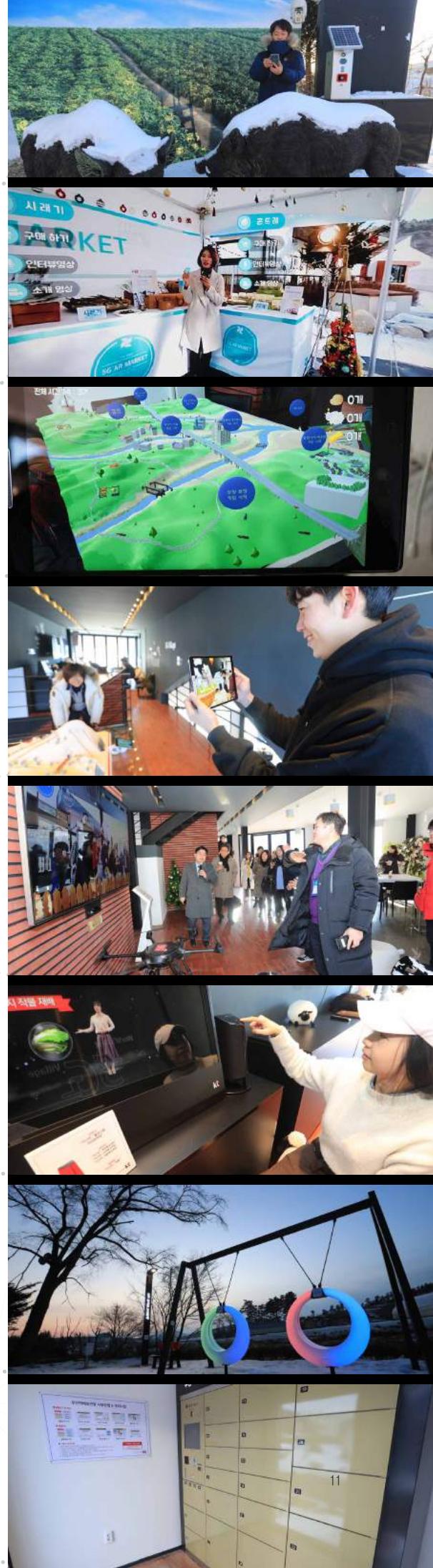
❼ Healing Chairs

When connected via Bluetooth, "Healing chairs" play music through the speakers mounted on them and the colors of the chairs also change with the music

❽ Unmanned Delivery Lockers

KT installed unmanned courier boxes for the residents, who had to go downtown to send packages because couriers did not come inside the village frequently.

Company Overview

Company Overview

KT is the nation's largest telecom carrier which leads the 4th industrial revolution by developing the world's first 5G technology and innovatively intelligent network. Since the takeover of its subsidiary KTF in 2009, KT has led the smartphone era, launching the first smartphone in Korea. Further, we have been developing and nurturing ICT convergence services in diverse industries by utilizing multi–gigabit wired and wireless network infrastructure and cutting–edge ICT technology. Based on these innovative technological capabilities, we are getting established as a global leader in the ICT industry.

Company name	KT Corp.
Date of establishment	10 December 1981
CEO	Chang–Gyu Hwang
Headquarters	90, Bulljeong–ro, Bundang–gu, Seongnam City, Gyeonggi–do, Korea
Number of employees	23,909
Revenue	KRW 23,387.30 billion
Homepage	https://corp.kt.com/eng/

Service Users and Sales

As of 2017, the total users of KT services including wired/wireless and broadband Internet services amounted to 51.86 million persons. The total sales grew by 2.8% from 2016 to KRW 23,387.30 billion.

Number of Users by Services

FY	Unit	2015	2016	2017
Wireless Communications*	Thousand persons	18,038	18,892	20,015
Wire Telephone–PSTN**		13,268	12,791	12,201
Wire Telephone–VoIP		3,413	3,436	3,409
High–speed Internet		8,328	8,516	8,758
IPTV		6,552	7,042	7,472
Total		49,599	50,677	51,855

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

Sales by Businesses

FY	Unit	2015	2016	2017
Wireless	KRW billion	7,370.7	7,418.3	7,203.3
Wire		5,158.7	5,064.9	4,901.1
Media Contents		1,662.3	1,925.2	2,238.4
Financial Rental		3,411.0	3,427.8	3,528.3
Products		2,767.4	2,736.6	3,264.2
Other Services		1,911.0	2,170.9	2,252.0
Total		22,281.1	22,743.7	23,387.3

* In accordance with performance announcement and K-IFRS

Current Status of Group Companies

KT has a total of 35 affiliates, based on its ICT capabilities and innovative technologies. Through the integration of various products and services possessed by them, we will continue to improve customer satisfaction and lead ICT.

ICT / Real Estate

We optimize our consumers' value via technology capabilities such as real estate development & rental security, satellite solution and ICT engineering.

kt estate	kt telecop	kt ds
kt sat	kt engcore	INITECH
kt is	kt cs	kt service South
kt m&s	kt powertel	Autopion
kt linkus	kt submarine	KD living
kt NexR	kt service North	kt M mobile
kt commerce	kt AMC	

Media / Contents

We give joy and impressive moments to consumers through providing contents & commerce, media planning, mobile advertisements which are based on digital satellite broadcasting and ICT technology.

kt skylife	kth	nasmedia
GENIE MUSIC	skylife TV	PlayD
kt mhows		

Financial Service

We have a credit card service, comprehensive E-payments system, dispatched labor, and E-commerce solution, as well as, we invest promising venture enterprises.

BCcard	Smartro	kt investment
H&C Network	VP	

Other

We operate sports, data asset management, and mobile platform service.

kt sports	kt–SB data service	whowho&company

Service Users (1,000 people)

2017	51,855	⌃⌃ 2.3%
2016	50,677	
2015	49,599	

Operating Revenues (KRW billion)

2017	23,387.3	⌃⌃ 2.8%
2016	22,743.7	
2015	22,281.1	

Credit Ratings

STANDARD &POOR'S   Moody's

A⁻   A3

Sustainability

Sustainability Management Strategy System

We believe it is critical for the corporate's sustainable growth that the management direction should cover not only business profit growth but also environment and society criteria. Aiming to realize 'KT GiGAtopia,' as a long–term target, we developed a corporate vision for sustainability management and built a system to pursue sustainability based on a model for creating shared value. GiGAtopia refers to the world where humans and all the things are connected through GiGA Infrastructure thus enjoy comfort beyond convenience.

In order to create corporate value and social value based on sustainability management strategy, KT strives to realize GiGAtopia by setting sustainability management three dimension and six key areas along with each strategy.

GiGAtopia
Sustainability Management Three Dimension

GIGA Prosperity
New Era of Prosperity created by GiGA Infrastructure

Transparent Management	Shared Growth Management

GIGA Planet
New Era of Innovation Opened Up by GiGa Infrastructure

Customer First Management	Environmental Management

GIGA People
New Era for Humankind Presented by GiGA Infrastrucutre

Talent Management	Human Rights

Sustainability Management System

In April 2016, to practicing sustainability at the board level, we installed the Sustainability Management Committee, as a subcommittee of the Board, for the first time in the nation's telecom industry. Meanwhile, with a view to securing the executive power of sustainability management, the Center identifies and implements detailed agenda through its four subcommittees, with the help of the exclusive advisory group, the Sustainability Management Advisory Committee.

BoD Organization

Sustainability Management Committee

Reporting ↑ Review/Feedback

Steering Organization

Sustainability Management Unit

Counselling → Sustainability Management Advisory Committee

Reporting ↑ Identifying and executing agenda

Steering Committees

Subcommittees

Group Social Contribution	Environmental Management	Shared Growth	Group Ethical Management
· Public business · Voluntary service · Social cooperation	· Promotion of Green IT · Reduction of energy use · Response to environmental regulation	· Shared growth policy · Mediation of conflict · Response to relevant regulation	· Proactive risk management relevant to sustainability management

Sustainability Management KPIs Index

We annually review the achievements on company–wide performances against targets and reflect the business plan of next year for an insufficient outcome. Long–term goals by 2021 have been made and managed in order to promote continuously on a long–term perspective. Performances are managed at all times through Sustainability Index, and KPIs are disclosed in the Integrated Report and disclosure system.

Areas		KPIs	Unit	FY 2015	FY 2016	FY 2017	2021 Target	UN SDGs
Create the Future Value	5G Global Leadership	5G Nationwide coverage	%	0	0	0	100	8 9
	5G Platform	Shares of Five Platform's sales	%	10.9	12.6	14.7	30	3 10
	Future Technology Innovation and R&D	Investment for GiGA Infra and ICT Convergence (accumulate)	KRW trillion	1.6	2.91	4.3	13 (FY 2020)	8 9
GiGA Prosperity	Transparent Management	ESG Evaluation by Corporate Governance Service	Level	A+ Level of Corporate Governance	A Level of Corporate Governance	A Level of Corporate Governance	A+ Level of Corporate Governance	16
		BoD Evaluation Score	Points	4.5	4.24	4.1	5	16
		Average Attendance Rate of the Board of Directors	%	91	98	91	100	16
		Ethical Management Education for Employees	Cases	18	18	27	50	16
	Shared Growth Management	Amount of Cost Reduction for Beneficiary Groups	KRW 100 million	1,684.80	1,627.40	1,589.19		10 12
		Number of Beneficiaries on IT Supporters (accumulate)	Person	30,795	3,204,080	3,310,727	3,710,000	4
		Number of Beneficiaries on KT Search for the Lost Sounds (accumulate)	Person	5,940	7,247	9,277	14,000	3 10
		Number of Audience on KT Chamber Hall	Person	9,811	9,139	8,688	9,500	3 10
		Sustainability Management Assessment for Suppliers	Points	91.9	92.4	94.0	100	16
GiGA Planet	Customer First Management	Customer Management Competitiveness :National Customer Satisfaction Index	Rank	1st Rank in Wire/Internet Phone, and High–Speed Internet	1st Rank in Wire/Internet Phone, and High–Speed Internet	1st Rank in Wire/Internet Phone, IPTV, and High–Speed Internet	1st Rank in Wire/Wireless and Internet Phone, IPTV, and High–Speed Internet	16
		Customer Center Satisfaction : Customer Center for Korean Standard Contact Service Quality Index	Rank	1st in Wire & Wireless Communications Sector	1st in Wire & Wireless Communications Sector for 2 Consecutive Years	1st in Wire & Wireless Communications Sector for 3 Consecutive Years	1st in Wire & Wireless Communications Sector for 7 Consecutive Years	16
		KT Integrated Customer Satisfaction	Points	80.11	82.64	83.32	95	16
		Number of Customer Information Leaks	Cases	0	0	0	0	16
	Environmental Management	CDP Global Carbon Management Evaluation	Level	Included Carbon Management Honors Club at the 2015 CDP Award for 3 Consecutive Years	Included Carbon Management Honors Club at the 2016 CDP Award for 4 Consecutive Years	Included Carbon Management Honors Club at the 2017 CDP Award for 5 Consecutive Years	Maintaining Carbon Management Hall of Fame until 2021	7 13
		Total Energy Consumption	MWh	2,472,342	2,441,382	2,498,960	35% Reduction by 2030 (compared to 2007)	7 13
		Emission of GHG (Scope 1,2)	tCO_2eq	1,096,053	1,084,520	1,111,087		7 13
		Reduction of Social GHG	tCO_2eq	1,108,751	1,090,343	1,141,864	3 times of expansion by 2030 (compared to 2012)	7 13
		Renewable Energy Generation	MWh	623.8	597.1	2,059.8	10 times of expansion by 2030 (compared to 2015)	7 13
		Waste Generation	Ton	4,883.20	4,761.50	4,578.06	50% Reduction by 2030 (compared to 2015)	13 15
		Water Usage	m³	2,766,418	2,364,119	2,103,516	50% Reduction by 2030 (compared to 2015)	6 13
GiGA People	Talent Management	Employee Satisfaction	Points	74.6	78.2	81.99	90	4 5
		Hours of Education per employee	Hours	62	64	78	90	4 5
		Proportion of Female Executives	%	7.2	7.4	7.8	8.5	5
		Turnover Rate	%	2.63	1.95	1.00	0.8	3
	Human Rights	Rate of Human Rights Exposure Assessment	%	100	100	100	100	10
		Rate of Sustainability Assessment for Supply Chain	%	100	100	100	100	10
		Rate of Human Right Assessment for Business	%	100	100	100	100	10

Materiality

## Material Issues for Sustainability Management

KT selects and reports issues that have a significant impact on current value creation and long-term performance through materiality assessment. As part of this effort, we have selected material issues concerning sustainability by referring to the IR framework methodology of the International Integrated Reporting Council (IIRC), based on the Global Reporting Initiative (GRI) standards. To secure the credibility of the selection and assessment processes, we applied the three principles of comprehensiveness, materiality, and responsiveness, as required by AA1000, an international guideline for verifying sustainability reporting.

KT has identified a total of 460 issue pools through internal issues, stakeholder issues (including media research), international guidelines, and industry analysis. We made the first selection of 24 major issues by analyzing the internal/external relevance of those issues, assessing their importance and the likelihood of occurrence.

For the material issues in the first selection, we analyzed their impact on our business and stakeholders' decision making and assessment. To reflect stakeholders' opinions, we carried out online and offline surveys on 8,778 participants. We also examined how these issues are related to KT's business strategy from the perspective of mid- and long-term achievements of goals, and measured the financial impact in terms of profits, costs, and risks.
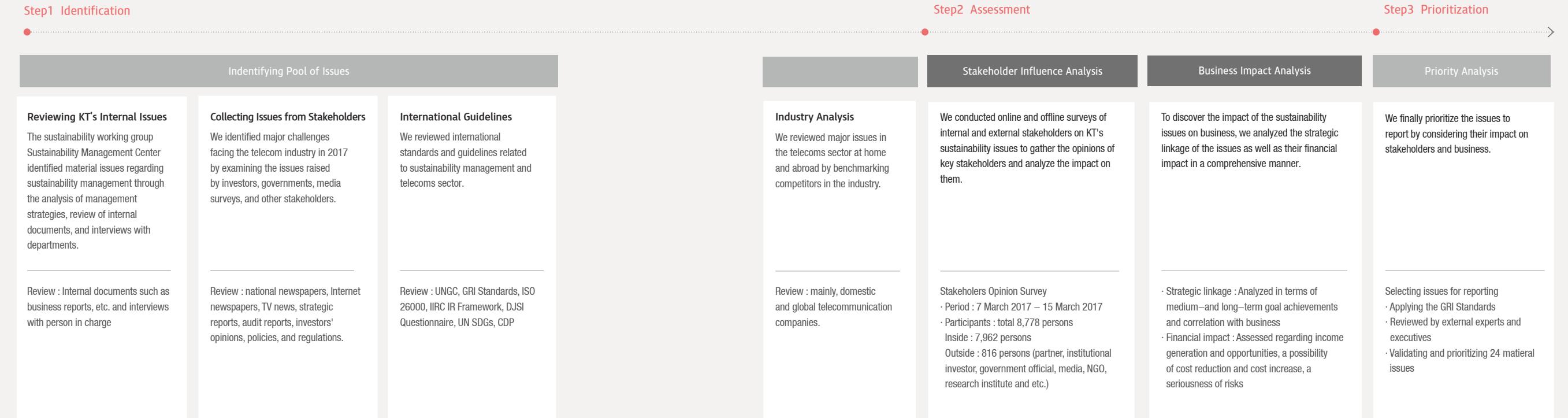
After going through these processes, we finally determined the priorities of the 24 material issues by considering their impact on stakeholders and business, prior to conducting the verification process through the third party assurance.

Material Assessment

(Y-axis: Business Impact on KT, X-axis: Influence on Stakeholders)
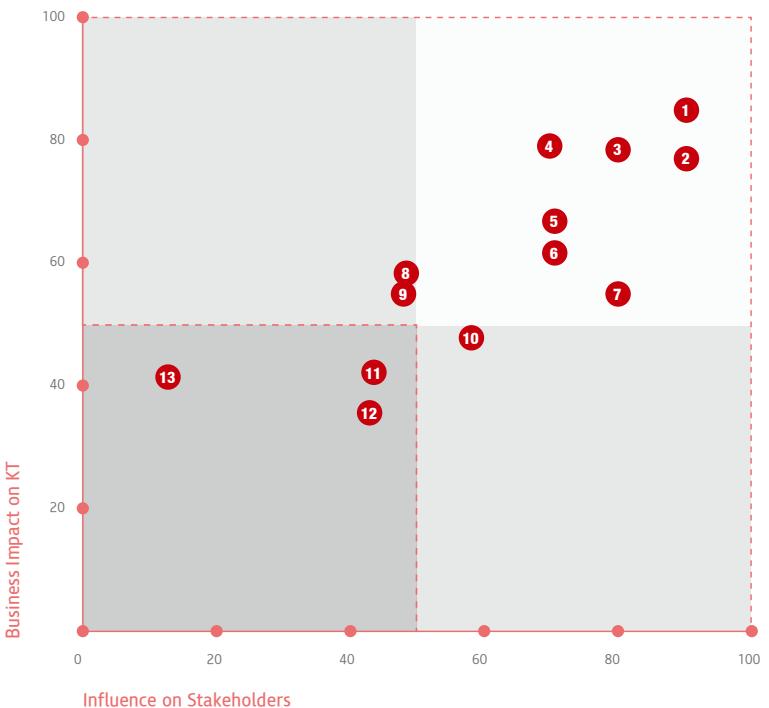
1. Securing 5G global leadership
2. Promoting the five platforms
3. Customer first management
4. Economic performance & business strategy
5. Innovating technology competency for future and R&D
6. Ethical and compliance management
7. Transparent corporate governance
8. Reinforcing social contribution activities
9. Risk management
10. Brand management
11. Attracting and retaining excellent talent
12. Fair competition and trade & legal compliance
13. Response to climate change
14. Reinforcing capacity for organization change
15. Protect and respect for human right
16. Labor relations
17. Sustainable supplier management
18. Strengthening shared growth
19. Ensuring employee diversity and fair opportunity
20. Human capital development and capability building
21. Stakeholders engagement
22. Energy efficiency management
23. Efficient resource management
24. Employee health and safety

Material Assessment Process

Step1 Identification

Step2 Assessment

Step3 Prioritization

| Indentifying Pool of Issues | | | | Stakeholder Influence Analysis | Business Impact Analysis | Priority Analysis |

Reviewing KT's Internal Issues
The sustainability working group Sustainability Management Center identified material issues regarding sustainability management through the analysis of management strategies, review of internal documents, and interviews with departments.

Review : Internal documents such as business reports, etc. and interviews with person in charge

Collecting Issues from Stakeholders
We identified major challenges facing the telecom industry in 2017 by examining the issues raised by investors, governments, media surveys, and other stakeholders.

Review : national newspapers, Internet newspapers, TV news, strategic reports, audit reports, investors' opinions, policies, and regulations.

International Guidelines
We reviewed international standards and guidelines related to sustainability management and telecoms sector.

Review : UNGC, GRI Standards, ISO 26000, IIRC IR Framework, DJSI Questionnaire, UN SDGs, CDP

Industry Analysis
We reviewed major issues in the telecoms sector at home and abroad by benchmarking competitors in the industry.

Review : mainly, domestic and global telecommunication companies.

We conducted online and offline surveys of internal and external stakeholders on KT's sustainability issues to gather the opinions of key stakeholders and analyze the impact on them.

Stakeholers Opinion Survey
· Period : 7 March 2017 – 15 March 2017
· Participants : total 8,778 persons
  Inside : 7,962 persons
  Outside : 816 persons (partner, institutional investor, government official, media, NGO, research institute and etc.)

To discover the impact of the sustainability issues on business, we analyzed the strategic linkage of the issues as well as their financial impact in a comprehensive manner.

· Strategic linkage : Analyzed in terms of medium–and long–term goal achievements and correlation with business
· Financial impact : Assessed regarding income generation and opportunities, a possibility of cost reduction and cost increase, a seriousness of risks

We finally prioritize the issues to report by considering their impact on stakeholders and business.

Selecting issues for reporting
· Applying the GRI Standards
· Reviewed by external experts and executives
· Validating and prioritizing 24 matierial issues

Materiality

Reporing Material Issues

KT reports the 24 material issues selected from the business and stakeholders aspects and approaches them from a mid–and long–term perspective, handling the issues through business activities. This page will describe material issues which are priorities of perspective on business and stakeholders impact.

1. Securing 5G global leadership

Facing a dilemma over LTE growth in the domestic telecom market, we are in urgent need of transition to 5G and development of new services. The 5G mobile communications service is an important issue that will lead the Fourth Industrial Revolution, providing KT with opportunities to advance into new markets and preoccupy the global market. From a long–term perspective, KT has prepared 5G from 2015 and introduced the 5G pilot service at the 2018 PyeongChang Olympic Games. Owing to these efforts, we are leading the 5G standardization, and plan to commercialize the intelligent network in March 2019 for the first time in the world. In order to secure 5G subscribers, **we are targeting full nationwide 5G coverage by 2021.**

2. Promoting the five platforms

To lead the ever–changing ICT market and provide differentiated customer value, securing new growth engines does matter. Primarily, in the Fourth Industrial Revolution era, KT's long–term survival depends on developing and nurturing new platforms blending diverse fields including telecommunications. Considering that the telecom market is saturated, we have set up five platforms to develop our own technology, as a way to boost our future competitiveness. By leveraging the assets, capabilities, and customers that we have based on the competitiveness of our core business, we will **expand sales amount of five platforms* into 30% out of total sales** by 2021.

* KT Five Platforms : Media Platform, Smart Energy Platform, Financial Transaction Platform, Disaster, Safety and Security Platform, Value Empowerment Platform

3. Customer first management

As of the end of 2017, the users of KT's services totaled 55 million. In a rapidly changing business environment, competitiveness is the ability to deliver the "best customer experience." In an effort to provide the best customer service, KT has subdivided customer experience into 2,000 categories and pursued service innovation throughout the KT group. In addition, we strive to secure the execution power for customer–first business by establishing the Customer–first Head Office to practice 'Total CS' in the entire group and operating the Customer–first Consultative Group, consisting of executives. Based on these efforts, we also plan to continuously **improve KT's integrated customer satisfaction achieving 95 points by 2021.**

4. Innovating technology competency for future and R&D

To gain a competitive edge in the Fourth Industrial Revolution era, we should develop innovative technologies of the future through continued R&D investment faster than others. With 5G, Big Data, AI, and IoT evolving in connection with each other, we should lead the way towards development and convergence of core technologies through strategic investment, in order to become the first to acquire the future promising technologies. To this end, KT is conducting R&D activities in various fields while seeking to maximize the synergy effect through creative integration and collaboration with different technologies.

5. Ethical and compliance management

Companies have a social responsibility to fulfill their role as a corporate citizen by acting with integrity and compliance with the law. Failure to do so could result in penalties and a negative corporate image, which, in turn, could lead to a loss of trust with customers and severe damage to the company's reputation. To prevent this, we abide by applicable laws and regulations and operate multiple systems to enable all employees to practice ethical management, such as ethics pledge, ethical management education, and year–round communication channels. We foster our business ethics and right–path management by implementing regular evaluation and inspection for compliance. We manage violations of business ethics and correction every year for zero violation cases.

6. Reinforcing social contribution activities

CSR activities are moving beyond simple donation or voluntary work, deeply linked to overall business activities. KT utilizes ICT, its core competence, to bridge social gaps and support the vulnerable groups with the aim of creating shared value. In particular, GiGA Story, one of our CSR activities, contributes to improving the quality of residents' life by providing solutions tailored to coastal and remote areas through a high–speed network and the convergence of ICT solutions, which contributes to enhancing KT's reputation. KT is managing targets and impacts of each activity. KT has contributed to accomplishing a global goal by 2030 through KT's long–term CSR purposes to UN SDGs.

Create the Future Value

Materiality topic

Unlike the previous—generation networks, which focused only on the speed, 5G is a network capable of connecting tens of thousands of devices by processing a very high volume of data with ultra—low latency. Thanks to these characteristics, it creates new business opportunities that you ever imagine in the past and 5G is regarded as the most significant infrastructure for growth of the 4th industrial revolution. The competition in the world is intensifying with various operators to dominate the 5G market first, and it is a very crucial issue for ICT corporations for creating sustainable value.

Approach & Strategy

KT has focused on standardization and technology development to preemptively secure agenda of the 5G era, and successfully showcased the world's first 5G test service at the 2018 PyeongChang Winter Olympics. We are now concentrating on technology development so that we continue to take the global leadership in 5G commercialization. Besides, we are developing and nurturing 5G platforms by leveraging the assets, capabilities, and customers of our competitiveness to make a breakthrough for the businesses that reached a growth threshold and to carry out new businesses.

Long term Target

- 100% of 5G Nation—wide Network Coverage in 2021
- 30% as the Five Platform Sales (per Total Service Sales) in 2021
- KRW 13 trillion as Investment for GiGA Infra and ICT Convergence in 2020

2017 Evaluation

1st	14%	KRW 430.4 billion
Success of World First 5G Pilot Service (Feb.2017)	Ratio of the Five Platforms Sales	R&D Investment

Hyun-Jin Kim (5G Strategy Team),
Byul Han (Public Bussiness Development P-TF), Seok-Jun Yoo (Press Relations Department)

KT Integrated Report 2018

Create the Future Value   GiGA Property   GiGA Planet   GiGA People   Appendix
Securing 5G Global Leadership
Promoting the Five Platforms
Innovating Technology Competency for Future and R&D

Securing 5G Global Leadership

KT succeeded in 5G pilot service for the first time in the world and securing 5G global leadership

5G Vision   UN SDGs - 8, 9

After we presented our vision for 5G at the keynote address of MWC 2015 in March 2015, we confirmed the 5G universal standard for the first time in the world and succeeded in testing the world's first 5G call in 2016. During the 2018 PyeongChang Winter Olympics, we successfully provided 5G pilot service, and plan to commercialize the 5G frequency transmission in July 2018 and 5G service in March 2019.

※ MWC (Mobiel World Cogress) World largest mobile communication conference and expedition

· KT Employee who Establishes 5G Network

Evolution of Moblie Network

Mobile networks have evolved from the first generation to the recent fourth generation (LTE, Long Term Evolution) with each generation being differentiated from the previous one. Meanwhile, data usage has soared accordingly, going through the smartphone revolution in the mid–2000s, characterized by data communications through the 3G, and then the 4G era in the 2010s, which enabled the playback of multimedia content such as videos.

1G 2.4kbps	2G 14.4kbps	3G 2Mbps	4G 300Mbps	5G 20Gbps
Speed				Ultra-wideband Ultra low latency Hyper connectivity
Analog	Digital SMS	Videotelephony	Multimedia	VR, AR, and Autonomous Vehicles etc

5G Future KT is Presenting

Unlike the previous–generation networks, which focused only on the speed, 5G is a network capable of connecting tens of thousands of devices by processing a very high volume of data with ultra–low latency. Based on the three characteristics of ultra–broadband, ultra–low latency, hyper–connectivity, the network will enable previously–unimaginable services, applications, and business models. To be specific, the 5G mobile network will generate not only new business opportunities in new–generation industries, such as autonomous vehicles, virtual reality (VR), and new–concept contents, but also create social/public values as a driving force to change the world by addressing the challenges facing the humankind including climate change and the spread infectious diseases.

· Announcement of KT 5G Commercialization Strategy

· 2017.10. Winner of 'Advancing the Road to 5G' and 'Fixed Network Evolution' in 2017 Global Telecoms Awards

5G Global Leadership

To change our lives through 5G commercialization, we need active discussions and cooperation among global telecom operators. It is also necessary to develop related services, nurture ecosystems, and foster industries. The 5G technology and know–how that KT has built for the future will be a valuable asset that can change our lives. KT will continuously endeavor to act a leading role and secure competitiveness by developing new services and contents.

History of KT 5G

2015	2016	2017	2018
5G Vision Announcement	1st round Test Event	2nd Round Test Event	PyeongChang Olympic Games
· 5G Test Bed Opening	· Sync View	· Broadcasting Service	· Interactive Time Slice
· 5G–SIG Activities	· Hologram Live	· Experimental Service	· 360° VR Live
	· 360° VR	· Ineractive	· Omni View
	· 5G Safety	· Time–slice	· Sync View
Technical Preparation		Pre-commercialization	

## 5G Standardization and Leading Technology   UN SDGs - 8, 9

KT-SIG (KT PyeongChang 5G Special Interest Group)

KT formed the KT 5G–SIG with major global manufacturers for the world's first 5G pilot service. In cooperation with the KT 5G–SIG participants, we completed the world's first full 5G specification (Layer 1, 2, 3) and introduced the 5G service at the PyeongChang Olympic Games for the first time in the world. 85% of the full KT 5G–SIG specification reflected in the '3GPP NSA 5G (3rd Generation Partnership Project Non–Standalone 5G)' standard confirmed in December 2017, leading the 5G standardization.
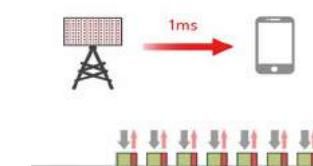
5G-DF (Development Forum) Launch

In May 2016, we launched KT 5G Development Forum (KT 5G–DF) for the development of base stations and terminals based on KT 5G–SIG standard and for interoperability tests. KT 5G–DF has conducted activities for end–to–end verification of the 5G service introduced at the 2018 PyeongChang Olympics and for early invigoration of the 5G ecosystem.
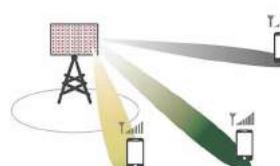
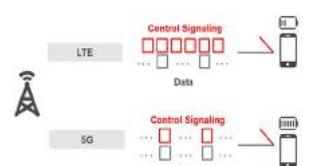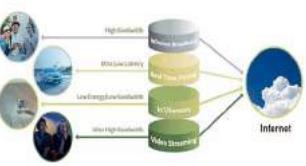| Beamforming	Ultra-low-latency Technology	Ultra-lean design for Energy Saving	Network Slicing
Core 5G technology that maximizes the capacity of the terminal and minimizes inter–terminal interference by forming beams between the base station and the terminal with multiple antennas and thus maximizing the signal strength in the desired direction.	Technology required for ultra–low latency, which is essential for implementing 5G environment. It enables the materialization of autonomous vehicles and telesurgeries.	Improving communication speed technology that saving energy to minimize control signals which continuously transmitted in LTE environment.	Network technology that breaks a single physical network into a multitude of logically (programmatically) separated virtual networks to provide various services at the same time.

Success in Testing 'First Call' Based on KT 5G-SIG

On October 25, 2016, KT and Samsung Electronics became the first to succeed in testing the 5G end–to–end 'First Call' based on the KT 5G–SIG specification. The First Call based on the KT 5G–SIG specification is differentiated from existing 5G specification–based technologies since it is based on the common 5G wireless communication standard developed by major global manufacturers.

· Oct. 2016. World's First 5G Firstcall

Analysis of 5G mmWave and Network Planning

KT's 5G system introduced at Pyeongchang Olympic Games is a technology that uses the 28GHz mmWave bandwidth. To this end, KT reported the results of channel modeling to 3GPP (international standardization organization); designed antennas; and developed the optimal network for the 5G pilot service at the PyeongChang Olympic Games.

· 5G Self-driving Bus

5G Service   UN SDGs - 8, 9

KT demonstrated realistic media 5G services such as 'SinkView,' '360° VR,' 'Hologram Live' at the 1st test event in February 2016 and then successfully launched the 5G pilot service during the Pyeongchang Olympic Games. We will continue to develop customer-oriented hands-on services for 5G commercialization.

1 Security
5G based security solution including real-time monitoring, safety
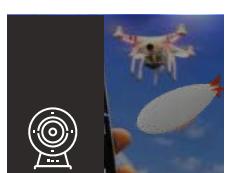
2 High Definition Media · Broadcasting
Providing 5G-based real time-high definition-immersive video media

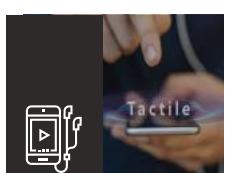**3 Immersive Media**
5G Based VR·AR·MR Entertainment

4 Smart Factory
5G based Smart factory solution

5 Drone / Control
5G based drone/airplane video, advertisements, control, etc.

6 Next Generation Communication
Vivid communication service including AR phonecall

7 Connected Car
Building validation complex for automated vehicle and developing control, infra etc

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Promoting the Five Platforms

KT promotes major platform businesses such as media, smart energy, financial transactions, disaster/safety/security, and corporate/public value

## Leaping into a Platform Business Player   UN SDGs - 3, 10

To preemptively respond to rapidly changing business environment and lead the Fourth Industrial Revolution era, KT fosters intelligent network-based platform business as a core business of the future. For the major platform business in 2017, we selected the five business sectors of media, smart energy, financial transactions, disaster/safety/security, and corporate/public value enhancement. The five primary platform business has already secured a customer base based on the competitiveness of our traditional core businesses such as wireless, Internet, TV, and B2B, and can be differentiated through our intelligent network capabilities such as 5G, Big Data, AI and blockh. It is a business of which the market size and growth potential are proven, with the sales of IPTV exceeding KRW 1 trillion for the first time in Korea. By leaping into a platform business player with intelligent network-based, we will change all the industries and innovate newly customers' lifestyle.

Cultivating the Five Platforms

Platform	Plans	Business
Media Platform	Promoting change to an intelligent media platform	AI TV 'GiGA Genie,' VR/AR Immersive media etc.
Disaster/ Safety/Security Platform	Promoting projects for public safety network including National Emergency Network, LTE–Railway, and LTE–Maritime	Intelligent video service 'GiGA eyes,' information security solution, fire environment safety solution, public safety network for next generation etc.
Value Empowerment Platform	Resolving Customer's needs by cooperating with partners	Delivering differentiated customer value by systematic and specialized marketing
Financial Transaction Platform	Promoting 1st in the market of integrated finance and telecommunications platform through Big data and AI technology.	Payment system for on–offline integrated, next–generation authentication, financial intermediation and financial intelligence (credit rating service, financial big data etc)
Smart Energy Platform	Innovating energy market based on KT–MEG Center, the World's First Integrated Energy Management Platform	Providing intelligent service through all areas including production, consumption, and transaction by renewable energy, energy efficiency, demand response (DR), and charging EVetc.

Media Platform UN SDGs - 3, 10

KT's media platform business leads new media consumption experience and next-generation media based on Korea's No. 1 IPTV. KT, which seeks to make a transition to the intelligent media platform, makes product recommendations reflecting customers' taste by applying Big Data-based algorithms for customer analysis (intelligent curation, intelligent commerce, targeted advertising).
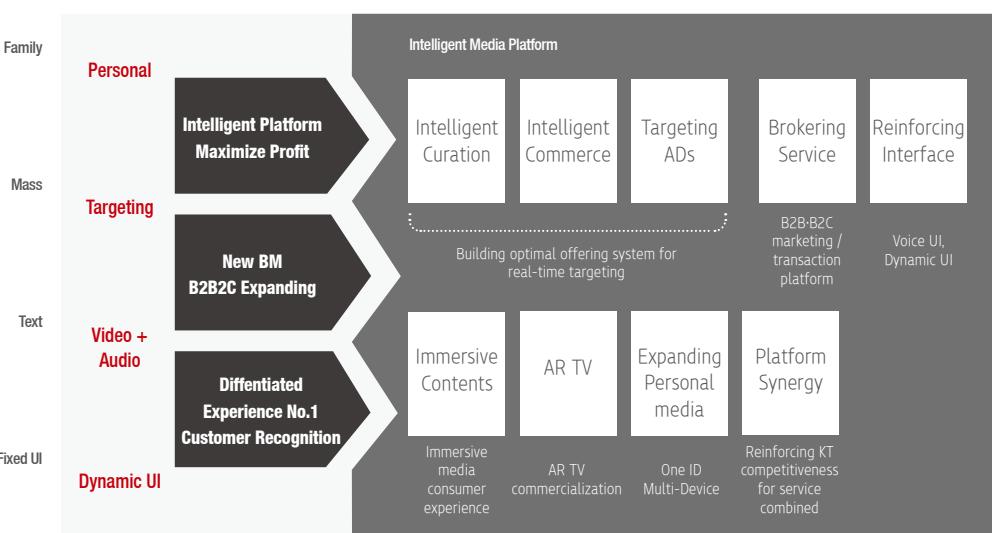
Artificial Intelligence TV 'GiGA Genie'

The artificial intelligence TV 'GiGA Genie' was born by integrating GiGA Internet service and AI, based on various IoT technologies. It provides services such as schedule management, weather forecast, and traffic report as well as controls home IoT devices, which all contribute to realizing more convenient life. With its services expanded to include simple payment, shopping, and education, the number of GiGA Genie subscribers as of May 2018 surpassed 800,000, ranking as the No. 1 AI service in Korea.

· Artificial Intelligence TV 'GiGA Genie 2'

TV SSOG

Launched in May 2017, TV SSOG combines IPTV with Virtual Reality (VR) technology to preschool children with interactive learning through play. It recognizes the motions of the object in front of the smartphone in real time so that users can learn various foreign languages such as English, Chinese characters, and Chinese while popping word balloons on TV with their body.

· TV SSOG

VRIGHT

We are conducting a pilot service that enables realistic fitting experience for home shopping. Through joint investment with GS Retail, we opened VRIGHT, the urban VR theme park that allows a realistic media experience for VR games in March 2018. VRIGHT provides diverse VR contents, such as Special Force VR, flight shooting attraction, robot experience attraction, etc.

· VR Experimental Antena Shop 'VRIGHT'

Smart Energy Platform UN SDGs - 3, 10

Under the smart energy brand "GiGA energy" that KT launched in 2017, it provides differentiated services for each sector. KT's smart energy platform business is based on the KT-MEG (Micro Energy Grid) platform, which is the world's first integrated energy management system. In the energy generation, consumption, and trade sectors, it creates new energy markets, such as new renewable energy, energy efficiency, energy demand response, and electric car charging.


· KT-MEG Monitoring Center

GiGA energy manager

It is an energy management service that analyzes energy use patterns of buildings and suggests customized saving plans without a separate system in a building. In 2017, we launched the nation's first building energy management service, which not only lowers the basic charge by analyzing power consumption patterns and suggesting an appropriate contract power but also reduces energy consumption through the optimal operation control of energy facilities based on e–Brain. For example, an apartment complex in Daegu and H Leports Center with service saved KRW 10 million and 210 million in annual electricity bill respectively.

· GiGA Energy Manager
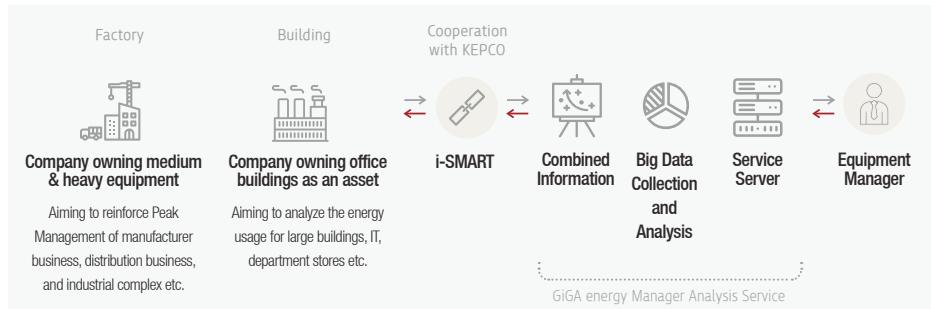
GiGA energy Gen

It is a business to build and operate new renewable energy power plants (solar, wind, etc.) and ESS (energy storage system). It has secured 250 sites nationwide and plays a leading role in interdisciplinary integration convergence projects led by local governments. As of 2017, KT ranked first in the domestic ESS market by winning a total of 156MWh order and in September 2017, won the Presidential Award for Korea's New Renewable Energy.

· GiGA Energy Gen

GiGA energy DR

It is a business aimed at factories and buildings, to register the electricity capacity reducible at the Korea Power Exchange and receive part of the profits. Demand response experts monitor energy use in real time to make a diagnosis of customers' power consumption and perform demand response simulations. In 2017, it ranked among the top three out of the 17 DR providers in Korea.

GiGA energy charge

It is a business that provides charging services, including electric car charging infrastructure and operation management system based on EV charging platform, for electric car users, businesses (public organizations), and landowners. In 2017, we participated in the Ministry of Environment's project to distribute slow chargers, contributing to the distribution of 3,000 units of EV chargers across the nation.

· GiGA Energy Charge

Financial Transaction Platform   UN SDGs - 3, 10

As base Fourth Industrial Revolution technologies such as data&analysis, AI (artificial intelligence), the blockchain, biometrics, and IoT (Internet of Things) have developed, the paradigm of financial industry has rapidly changed. Based on the technologies, customized financial services have been capable and competition of building financial platform have become a full-blown level. By utilizing technologies related to big data and AI that we has made, KT carries out businesses such as payment, authentication, financial intermediation and financial intelligence. Based KT's telecommunication competitiveness, KT will take the lead among convergence platform of finance and telecom by 2020 through securing customer base through FinTech 1.0 as financial service and platform competency.

Payment

It is a business to conduct charging, billing, and payment agent based on mobile micropayment business and Google DCB business, which is Google Play's model for carrier-billed payments. Currently, our affiliate BC Card's simply payment solution, Paybooc, has exceeded 2 million subscribers.

Certification

Designated as an authentication agency by the Korea Communications Commission in 2013, KT launched a personal identification service based on mobile phone numbers. As of 2018, the scale of personal identification service provided by the top three mobile carriers has expanded to KRW 50 billion. Meanwhile, the FIDO (Fast Identify Online)-based, 'KT Certification App' launched by KT in August 2016 has grown to have 3 million subscribers. It is upgraded to 'PASS,' the joint certification brand with other top three mobile carriers in July 2017, has been growing to an independent service platform through fast, straightforward and diverse certification.

Financial Intelligence

In partnership with Korea's major credit rating agencies (NICE Evaluation Information and Korea Credit Bureau), we developed a credit scoring model for the first time in the world by utilizing credit rating information regarding financial transactions as well as payment/non-payment information of wired/wireless services. It is available to recommend and investment advisory with higher accuracy by analyzing credit rating information, consumption pattern, etc. We provide this credit rating platform at a charge to 20 domestic financial companies in total, including KB Card, Hyundai Card, and Woori Bank.

Financial Intermediation

As a classic example of FinTech services, CLiP is a digital wallet service that manages customer loyalty points, coupons, and membership cards. We further improved customer convenience by offering cash receipts, while making profits through CLiP points-based financial intermediation and advertising business. In 2018, we are expanding our services in the financial solution business, releasing a variety of FinTech financial products including insurances/securities.

· Documents Management via Blockchain

· GiGA Genie Voice Payment

· KT Certification App

· An MOU for AI Service based on the Wori's Financial Platform

· CLiP Service

Value Empowerment Platform   UN SDGs - 3, 10

It is a business that not only improves ICT infrastructure but also provides integrated consulting, such as management innovation and new business development, by leveraging KT's differentiated technological capabilities and know-how—ultimately promoting the growth of public agencies and corporations. Having collaborated with our client in IoT business, and through the four technical seminars held on IoT, AI, and platforms, identified customer needs, we jointly developed a new IoT-based business model of integrating network and IT.

Disaster · Safety · Security Platform   UN SDGs - 3, 10

It is a business based on KT's unique intelligent analysis and control platform that provides safety and security services for the public to minimize the loss of lives and property caused by disasters, accidents, and crimes. The disaster · safety · security platform allows citizens to secure safety in everyday life at minimal cost, and public safety agencies to secure safe communication channels and respond quickly to emergencies.
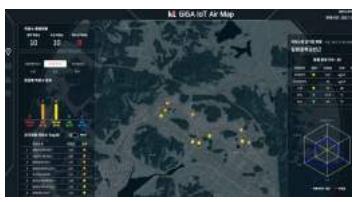
KT GiGAeyes

Based on KT's GIGA Internet and decentralized image analysis/storage platform, it collects images from the IP cameras installed in workplaces and stores to KT intelligent image security platform so that the service provides real-time high-definition monitoring images to customers. It integrates existing video security services like CCTV and dispatches with IoT and Big Data analysis to provide an intelligent safety management service. Seoul Metro established KT GiGa Eyes, 24/7 monitoring system, three stations including Godeok Car Depot.

GiGA secure Security Control

It is a service that operates and manages security solutions such as clients firewall, IPS (Intrusion Prevention System) 24/7 for our SME clients that have difficulty securing security personnel.

GiGA Air Map

It is the nation's first service to measure and analyze the quality of outdoor air and fine dust. We develop Big Data platforms for IoT-based real-time measurement of air quality and micro dust, and help the government to establish scientifically fine dust management and mitigation policies.

Safe Mate

We are operating 'Safe Mate Anti-Crime' and 'Safe Mate Anti-Fire,' both of which are services for preventing emergencies such as crimes by applying advanced intelligent IoT technology. The Safe Mate, which is available to deliver an emergency via staff's smartphone and warning lights, is installed in 10 Seoul subway stations.

· KT GiGA Eyes

· GiGA Secure Security Control System

· GiGA AirMap

· GiGA Safe Mate

KT Integrated Report 2018

Create the Future Value　　GiGA Properity　　GiGA Planet　　GiGA People　　Appendix
Securing 5G Global Leadership
Promoting the Five Platforms
Innovating Technology Competency for Future and R&D

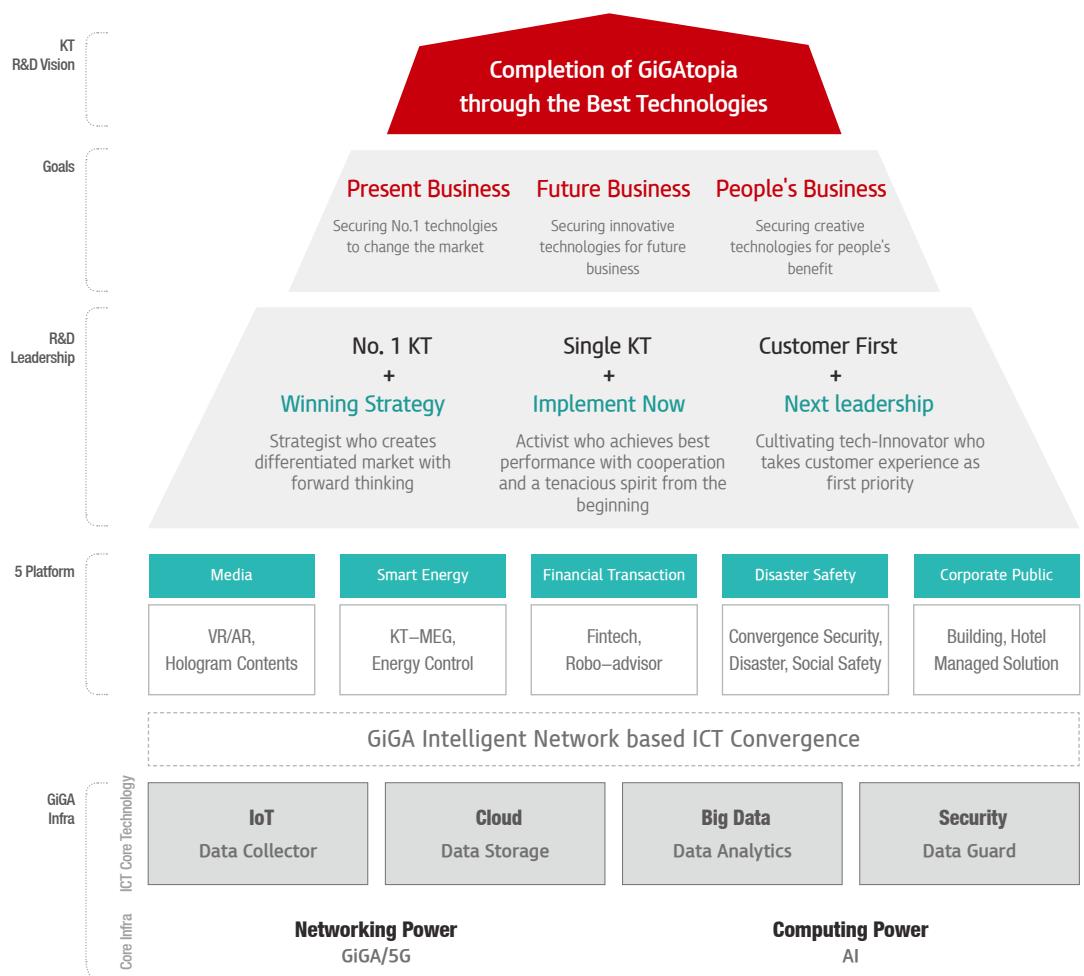# Innovating Technology Competency for Future and R&D

KT develops technology competency for future to complete GiGAtopia

Reinforcing R&D Competency UN SDGs - 8, 9

R&D Promotion System

KT's technological innovation vision is 'completion of GiGAtopia through the best technologies.' In order to materialize GiGAtopia, KT has been pursuing technological innovation by building the 5G infrastructure for the first time in the world, developing top–class, intelligence–based innovative technologies, providing improved customer experience and differentiated services through our five platform businesses, under the goal of leading the Fourth Industrial Revolution.

KT R&D Vision

Completion of GiGAtopia through the Best Technologies

Goals

Present Business	Future Business	People's Business
Securing No.1 technologies to change the market	Securing innovative technologies for future business	Securing creative technologies for people's benefit

R&D Leadership

No. 1 KT + Winning Strategy	Single KT + Implement Now	Customer First + Next leadership
Strategist who creates differentiated market with forward thinking	Activist who achieves best performance with cooperation and a tenacious spirit from the beginning	Cultivating tech-Innovator who takes customer experience as first priority

5 Platform

Media	Smart Energy	Financial Transaction	Disaster Safety	Corporate Public
VR/AR, Hologram Contents	KT–MEG, Energy Control	Fintech, Robo–advisor	Convergence Security, Disaster, Social Safety	Building, Hotel Managed Solution

GiGA Intelligent Network based ICT Convergence

GiGA Infra

ICT Core Technology

IoT Data Collector	Cloud Data Storage	Big Data Data Analytics	Security Data Guard

Core Infra

Networking Power
GiGA/5G

Computing Power
AI

KT is setting and implementing technology innovation roadmap not just level of technological change but with the goal of being 'platform business player' for GiGA intelligent network–based by 2020.

In 2017, we defined the four crucial areas of technological innovation: Infrastructure Competitiveness Jump–up, Core Business Market Shift, New Biz Big Shots Discover, and Emerging Tech Development.

R&D Focused Promoting Activities

	Target	R&D Theme	Infra
I Infra Competitiveness Jump-Up	Breakthrough Infra Cost Reduction	Virtualization (SDN/NFV)	
	Pyeongchang Olympic Success	5G Infra & Service	◄◄
	Differentiated Infra Capacity	Operation Intelligence	
II Primary Business Market Shift	Corporate Service Innovation	GiGA Enterprise ICT	
	Intelligence Everywhere	Next GiGA Genie	◄◄
	Mobile (Telecom) Innovation	Enterprise LTE	
III New Biz Big Shot Discover	Energy / Security KRW 1 tril BM	Intelligent KT-MEG Intelligent Video Security Industry Package	◄◄
	Vertical Market New Business		
IV Emerging Tech Development	Commercialization of Immersive Media	High-Quality VR, Hologram	
	Commercialization of KT Blockchain	Finance Fintech	◄◄

Patent
Upgrading Competitiveness

R&D Work Way
Innovation

Technological Innovation Organization

With the aim of enhancing our technology commercialization capability, we formed 'Experience Design Team' in 2015, a specialized organization with the ability to design technological differentiation strategy based on customer experience. Since 2016, we have further expanded the TF team for technology commercialization in order to secure power of execution. Moreover, we have achieved R&D synergy by converting existing fixed tasks into flexible projects.

Technological Innovation Process and Feedback System

We have been establishing and operating a feedback system from planning through commercialization that promotes differentiated innovations and the Single collaborative environment. We hold meetings, workshops, and seminars regarding technology commercialization on a weekly basis. We also established departments and councils for each stage of the R&D process (planning, development, and commercialization) to hold discussions on a regular/permanent basis. Besides, our R&D center undertakes various technological innovation activities to discover Disruptive Idea and business model, develop first–class innovative technologies, verify and secure first–grade product quality, and build the optimal resource system.

Development of Technological Capability UN SDGs - 8, 9

The 4th industrial revolution era will be characterized by an intelligent network, where 5G, Big Data, AI, and block chains are interconnected. Such being the case, the development and integration of core technologies are gaining more importance. To prepare for the 4th industrial revolution era and secure new growth engines, KT has been conducting R&D activities in a variety of fields.

AI (artificial intelligence)

AI is a computer program that can think and judge like people. KT launched the world's first AI–based TV 'GiGA Genie,' and later expanded the 'GiGA Genie product family' by rolling out terminals such as 'GiGA Genie LTE' and 'GiGA Genie Kid's Watch.' Also, we are focusing on researches to expand the AI business to the car, biz, shop, apartment/hotel, and energy sectors, intending to making people's lives more convenient and safer.

Big Data

Big Data is at the center of the 4th industrial revolution, and our five platform businesses and AI services are all based on data intelligence. We established the Group CDO (Chief Data Officer) system designed to implement data intelligence convergence. Data intelligence has been applied in a growing range of cases for creating public values, such as prevention of infectious diseases, contributing to raising KT's status as a tech leader.

Blockchain

Through 'KT Blockchain' which is large–scale, real–time, parallel, and fast operation, KT has been investing in R&D to lead a relevant industry. We have efforted to the world's leading blockchain corporation to overcome fundamental limitations via differentiated technologies.

Appliying Blockchain in Various Industries The KT's blockchain technology also enables it to calculate system marginal prices (SMP) in real time regarding small–scale electricity brokerage business. Adopting KT's blockchain on BC Card, it can slash the time spent processing electronic signatures by up to 70% as well as reduce server consumption up to 80%. KT is preparing to introduce Local Exchange Trading System adopted KT's blockchain with KT mhows.

Global Epidemic Prevention Platform (GEPP) KT introduced GEEP which is a platform that shares the information of infectious disease occurrence platform based on roaming data. Platform GEPP will be applied blockchain based personal information security technologies.

· AI Home Secretary 'GiGA Genie'

· KT's GEPP Introduced at the WEF

· Electronic Document Management System 'Data Chain'

R&D Talent Development and Knowledge Sharing UN SDGs - 8, 9

The R&D Platform

'AI Tech Center' is an open AI development platform built on KT's AI development infrastructure such as supercomputers with the goal of leading the AI market. The center plays a pivotal role in leading the "intelligentization" of the media, networks, and platforms within the AI ecosystem participated by both KT and its partners.

R&D Roadshow

We hold 'R&D Roadshow' once or twice a year, which displays KT's significant research achievements for the employees of KT Group and its affiliates. The exhibition consists of three parts: future–oriented technology, a technology soon to be commercialized, and technology at the commercialization stage. It is a venue for exchanging ideas among employees to facilitate technology commercialization. At the 2017 R&D Roadshow, about 80 innovations were exhibited, and around 1,800 employees shared ideas.

Idea Contest and Patent Support

Designed to find brilliant ideas for commercialization, we hold an idea contest where any of our employees can participate with business ideas regarding the five platforms. At the competition held in March 2017, more than 1,400 ideas were submitted, among which excellent ones are now in the process of technology commercialization and patent application. Moreover, KT holds 'Patent–Day' to patent employees' ideas with an attorney, and 50 of them is applying for a patent.

R&D Council

The 'First–class Technology Commercialization Conference/Workshop/Seminar' is an R&D activity participated by all of our affiliates. It focuses on overcoming the limits of technological, strengthening the capability to commercialization reflected customer experience design, and developing new businesses based on idea exchange and fast incubation. We also run 'Single Consultative Group,' the knowledge–sharing activity to share opinions and ideas on technology, commercialization, and thus to find the best solutions to issues through cooperation at every stage from planning to commercialization.

Securing of R&D Talent

In order to develop differentiated products and technologies that can lead the market, it is vital to secure and cultivate talents with outstanding competence. With the aim of securing human resources that will lead the 4th industrial revolution, KT has been hiring more talents in convergence technology–related fields, such as 5G, AI, block chains, connected cars, through the "milk round" held every year to attract talents from overseas universities as well as sponsoring recruitment system

· AI Tech Center

· 2017 R&D Roadshow

· KT Contest Idea for KT Employees Idea

· First-class Technology Commercialization Conference

GiGA Prosperity

Materiality Topic

The government, which regards social values as necessary, is enlarging non–financial indicators, such as transparent governance structure, ethical management, win–win growth, and social accountability, on corporate assessment standards through enactment. Meanwhile, investment institutions will be forced to manage responsible investing further, as the National Pensions introduce stewardship code. Through the recent irregularities committed by some companies, corporations have realized that our customers have a high level of ethical expectation and that companies to which customers turn their back can never survive even if they are an industry leader with impressive profits. For effective risk management, companies need to focus more on the management of intangible assets, such as ethical management and relationship with communities and partners, than on the management of tangible assets, such as cash and real estate.

Approach & Strategy

We have made continued efforts to enhance the transparency and independence of our corporate governance. In 2018, KT drafted policies to improve corporate governance based on the opinions of various stakeholders and conducted reorganization for better ethical management by placing the Ethical Management Office, which is KT Group's control tower of ethical management, directly under the CEO. Moreover, we manage KT's significant non–financial assets as emerging risks and monitor the sustainability of our suppliers. When it comes to social contribution, we are approaching CSR in the long term, in connection with UN SDGs.

Long term Target

- 100 Points of Suppliers' Sustainability Management Assessment in 2021
- 5 Points for the Board Activity Evaluation Score in 2021 (out of 5)
- A+ Level as ESG Evaluation of Corporate Governance by KCGS in 2021

2017 Evaluation

A Level	**18** Cases	**3,310,727** persons
ESG Evaluation of Corporate Governance Sector by KCGS	Breach of Ethical Management	Number of Beneficiaries on IT Supporters (accumulate)

Jae-Won Lee (Enterprise Business Developmnet P-TF),
Woo-lim Jung (Leadership Development Team), Ernie Park (Mobile Sales Department)

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Transparent Management

KT reinforces transparent management in terms of corporate governance, based on appropriate checks and balances

Transparent Governance and Board of Director UN SDGs - 16

In order to improve corporate governance and promote the transparent management, KT applies the corporate governance model for independent Board of Directors, Increasing shareholder's value, and responsible management by a professional manager (CEO). For the independence of the BoD, it has been separated the CEO and the Chairman of the Board since 2002, and through the clear appointment process of outside directors and their authorities, the Board has been operated by consisting of more than half of outside directors. For improvement of shareholders' value, KT adopted payback to shareholders, cumulative & written vote for the protection of shareholders, and system for CEO compensation linked to stock price for protection of shareholders' right. We also established transparent policies and disciplines for nomination and management contract and compensation and dismissal for CEO.

KT Corporate Governance Structure Charter

https://corp.kt.com/data/kthome/ir/finance/irinfo01/constitution.pdf

Enhancing Transparency of Corporate Governance
Aiming to ensure more transparent and independent corporate governance, KT has gathered extensive opinions from outside experts and stakeholders, especially from the Corporate Governance Committee. Then, at the annual general meeting of shareholders in March 2018, we incorporated remedies for better governance in our Articles of Incorporation and regulations, with a view to strengthening the board of directors' authority, improving transparency/diversity/professionalism of the board, facilitating communication with stockholders and stakeholders, appointing (reappointing) the chairman & CEO, and clarifying nomination criteria.

BoD Operation
In 2017, KT held 10 Board meetings to deliberate, and resolve on a total of 36 agendas including 'Promotion plan for Sustainability Management (draft).' Resolution of the BoD is made by the attendance and majority vote of the majority of registered directors if not stated otherwise in the Korean Commercial Law or the Article of Association. The attendance rate of BoD at KT is average 91%.

Composition and Independence of the Board
We ensure that outside directors make up more than half of our entire boards and the chairman of the board is an outside director so that the board can achieve appropriate monitoring and balances. Currently, we have a total of 11 directors, and the ratio of outside directors is as much as 73%. The term of office of the board members is three years and cannot exceed a maximum of ten years. The average board tenure is 2.83

2017 BoD Activities

Number of BoD Opening

10 cases

2016 : 9 Cases	2015 : 12 Cases

Average Attendance Rate of BoD

91 %

2016 : 98%	2015 : 91%

Number of Agendas

36 Cases

2016 : 44 Cases	2015 : 44 Cases

years. The executive directors are limited to serve in concurrent positions as board members, executive committee members, or auditors up to 1, and it applies to all of the current outside directors as of 2017. Moreover, the CEO is recommended by the CEO Nominating Committee and nominated by the Chairman of the Board by the resolution of the general shareholders meeting. The Chairman recommends executive directors excluding the Chairman with the consent of the BoD.

BoD Composition (as of March 2018)

Jong-Goo Kim
(Current) Corporation lawyer, New Dimension Law Group
(Former) The 46th Minister of Ministry of Justice
(Industry Experience : Law)

Chang-Gyu Hwang
(Current) kt CEO
(Former) President & National CTO, Office of Strategic R&D Planning
(Former) President & CTO, Samsung Electronics
(Industry Experience : ICT)

Do-Kyun Song
(Current) Advisor, Bae, Kim & Lee LLC
(Former) A member of committee, Korea Communications commission
(Industry Experience : ICT)

Gye-Min Lee
(Former)
(Former) Advisor, Korea News Editors' Association Fund
(Former) Editor-in-chief, The Korea Economic Daily
(Industry Experience : ICT)

Gang-Cheol Lee
(Current) Auditing Director, Ultra V
(Former) Senior Secretary to the President for Public Participation, Office of the President
(Industry Experience : Policy/ICT)

Dae-You Kim
(Former) Vice President, Wonik Investment Partners
(Former) Senior Secretary to the President for Economic Policy, Office of the President
(Industry Experience : Policy/ICT)

Suk-Gwon Chang
(Current) Dean of School of Business, Hanyang University
(Former) President, Korea Association for Telecommunications Policy
(Industry Experience : ICT)

Sang-Kyun Cha
(Current) Professor, Electrical and Computer Engineering, Seoul National University
President, Big Data Institute, Seoul National University
(Industry Experience : ICT)

Il Im
(Current) Professor, School of Business, Yeonsei University
(Current) Vice President, Korean Academic Socity of Business Administration
(Industry Experience : ICT)

Hyeon-Mo Ku
(Current) Head, Corporate Planning Group, kt
(Former) Head, Chief Operating Office, kt
(Industry Experience : ICT)

Seong-Mok Oh
(Current) Head, Network Group, kt
(Former) Head, Mobile Network Business Unit, kt
(Industry Experience : ICT)

Expertise and Diversity
Aiming to enhance the diversity and expertise of outside directors, KT has established the qualifications for outside directors to appoint experts with sufficient experience and proficiency in relevant fields, such as information and telecommunication, finance, economics, management, accounting, and law. Moreover, KT has amended the Corporate Governance Charter to ensure the board of directors' diversity (gender, age, nationality, race) and expertise (experience, knowledge, educational background), so that we can flexibly respond to changes in the management environment based on diverse perspectives and experiences. We have also set up six standing committees and two non–standing committees under the board of directors intends to enhance the expertise and efficiency of the board.

Committees in the BoD

Name of Committee	Objective and Authority
Sustainability Management Committee	Sustainability management performance, plan, and strategy
CEO Recommendation Committee	Review of CEO candidates
Corporate Governance Committee	Research and consist CEO candidates pool from inside or outside of the company, select CEO candidates, and improvement of corporate governance
Outside Director Candidates Recommendation Committee	Recommendation of outside director candidates to general shareholders' meeting
Audit Committee	Auditing of accounting and tasks
Evaluation and Compensation Committee	Management contract for the CEO and evaluation
Management Committee	Matters entrusted by the BoD for general management issues
Related–party Transactions Committee	Transaction between special parties as an approval by the BoD in accordance with the 'Monopoly Regulation and Fair Trade Act' and 'Commercial Act'

ESG Evaluation by the Korea Corporate Governance Service in 2017
Level of Governance Area

A Level

Board Evaluation Score

4.1 Point

Evaluation and Compensation

The maximum remuneration for directors is determined at the general meeting of shareholders. Individual directors are evaluated by the criteria such as: duty of care / duty of loyalty, active participation as a good manager, and contribution to greater corporate value. Meanwhile, the BOD activities are evaluated by the criteria such as: BOD roles and responsibilities, BOD efficiency, and appropriateness of committees' activities. The 2017 BOD activities acquired 4.1 points out of 5. We also got Grade A for governance in the ESG evaluation by KCGS. The remuneration of internal directors including CEO is determined by the BOD according to management performance and then reported to the annual general meeting of shareholders. On the other hand, the remuneration of executive officers who are not internal directors is determined by the BOD based on their performance.

As of 31 December 2017

Category	Unit	Limit approved by the general shareholders' meeting	Total remuneration	Average remuneration per person
Executive directors (3 persons)	KRW 100 million	65	42	14.07
Non–executive directors who serve Audit Committee (4 persons)			3.6	0.9
Non–executive directors who do not serve Audit Committee (4 persons)			3.3	0.8

※ The amount of total remuneration is the total remuneration made in 2017 and it includes the amount of remuneration of retired and resigned directors
※ Average remuneration per person is the amount of total remuneration simply divided by the number of registered directors at the end of fiscal year

The performance–based remuneration of a top executive (CEO) paid in 2017 is KRW 2,358 million, which is 17.6 times the median value of all employees, and the number of stocks held by CEO as of March 2018 is 39,074.

Details of Top Executive's Remuneration

Category	Total	Calculation criteria and method

Salary	KRW 573 million	1. Base salary
		   According to the BOD resolution, the annual base salary is fixed at KRW 373 million with a monthly payment of KRW 31 million
		2. Annual position allowance
		   According to the BOD resolution, the annual position allowance is fixed at KRW 200 million with a monthly payment of KRW 17 million

Incentives	KRW 1,776 million	According to the BOD resolution, short–term incentives are determined between 0–250% of the base salary and long–term incentives between 0–340%, by considering quantitative indicators (sales and operating profits of the previous year, etc.) along with non–quantitative indicators (growth beyond the core business, acceleration of intelligent network–based future business, etc.) For quantitative indicators, we allowed for the fact that the 2017 sales and operating profits reached KRW 14.5862 trillion and 952.2 billion respectively. In terms of non–quantitative indicators, we gained a competitive edge in the core business with GiGA Genie ranking first in the domestic AI market; enhanced our competitiveness in the future businesses such as energy and security; and strengthened our status as the No. 1 company in innovative technology by contributing to successful hosting of the PyeongChang Olympic Games and presenting Big Data–based solutions.
Other earned income	KRW 9 million	Among the welfare benefits provided, the items considered as earned income are added up, including health examination expenses and medical expense subsidies.

· KT Intranet Business Ethics Homepage

· 'The Improper Solicitation and Graft Act' poster

Channels for reporting breaches of ethics

https://corp.kt.com/html/sustain/transparent/report.html

Ethical Management   UN SDGs – 16

Ethical Management System

In 2014, KT established the 'New Ethical Business Principles,' which serve as a yardstick for right decision and ethical judgment. We defined 'Customer First, Compliance, Back to the Basics, Ownership, and Social Responsibility' as the five behavioral principles. In accordance with our ethical management system, we have been supervising ethical management activities, educational campaigns, and communication channels. In 2018, through an extensive reorganization, we reorganize Ethical Management Office, the ethical management control tower of the entire group, directly under the CEO.

Ethical Management Education and System

In an effort to cultivate a sense of ethics among employees, KT provides education programs that explain ethical management concept, system, and KT's ethical status. Focusing more on offline training on ethical management than on online, we offered a total of 27 offline programs in 2017, a 50% up from the previous year. Also, we provide quarterly ethics education and workshop for the group's all staff in charge of ethical management, as well as regular training to share best practices and various issues. At the end of 2017, KT has introduced the "KT Win–Win Ethics System" to strengthen the win–win relationship with our partners. Furthermore, when we start a cooperative project with our partner, we sign special contract terms regarding the practice of ethics to confirm both parties' commitment to observe ethical management and fair trade.

Ethical Management Violation and Measures

To create a sound corporate climate, KT operates a 24–hour channel for reporting ethics violations. We receive real–time reports on ethics violations, such as receipt of bribes or entertainment, unfair pressure, and information leakage, and transparently handle them. All reports are treated as confidential with whistleblowers and contents strictly protected under the whistleblower protection program. Whistleblowers are given a reward of up to KRW 50 million according to our internal compensation guidelines. In 2017, we took disciplinary actions on a total of 18 violations (22 persons). As a follow–up measure, reviews and remedial actions were made regarding contracting process, budget use, and rent expense recognition.

Result of Ethical Violation and Disciplinary Measure in 2017

Area	Type	Cases	Disciplinary measure
Regulation	Violation of work related regulation	2	salary reduction 2, reprimand 2
	Violations of financial related regulation	8	suspension 1
Duty	Breach of fiduciary duty	2	salary reduction 5, reprimand 1
	Breach of dignity at work	2	suspension 1
	Breach of integrity	3	suspension 2, salary reduction 2
Protection	Violation of information protection	1	salary reduction 6
	Violation of sexual harassment	0	
Order	Violation of respect the principle in an organization	0	
	Violation of abuse of authority and deceptive behavior at work	0	
Total		18	suspension 4, salary reduction 15, reprimand 3

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Risk Management   UN SDGs – 7,8,11,12,13

Risk Management Governance

For better risk management governance, KT has improved our risk management organizations and systems. In 2004, we formed the ERM department exclusively for company–wide risk management, and installed risk organizations under each division and department with the aim of reinforcing our risk management capabilities. In 2018, we also set up risk organizations in overseas and new business–related departments, while the ethical management department to which ERM department belongs was placed directly under the CEO to secure greater independence and power.

※ERM : Enterprise Risk Management

Risk Management System

In 2014 KT developed a comprehensive plan aimed at minimizing the enterprise risk. According to the plan, we have improved our risk management system, categorizing risk types into five areas for efficient management. Also, we have promptly reported any insignificant risks and addressed them, through the prevention–detection–response/management system based on the principle of risk management/response.

Risk Area

Risk Management Area		Practical management	Decision making
Strategy	A loss for the change of telecom market, slow growth of new business, etc.	· Yearly business plan · Regular performance analysis	· Sustainability Management · Committee (BoD) Executive officer meeting
	Failure of new business/investment etc.		
Financial	Loss for worsening of capital environment, ecnomic crisis etc.	· Control finanical resource · Control expense	· Audit Committee (BoD) · Executive officer meeting
	Downgrading of credit rating, increasing debt etc.		
Regulation	Loss for the vioation of law, social rules, and inside regulation etc.	· Prior response to regulations	· Executive officer meeting
	Criminal punishment, imposition of penalty, breach/unethical behavior etc.		
Operation	Loss for the lack of dealing with business, errors by unclear R&R among departments etc.	· Operation of risk department · Risk management / response system · Establishing corporate culture	· Audit Committee (BoD) · Management Issues Day (Risk Management Committee)
	Failure, business insolvency, leack of information etc.		
Event	Loss occurence by unpredictable and uncontrollable events such as natural disasters etc.		
	Disasters, incidents etc.		

Proactive Risk Management

In order to prevent potential risks, KT conducts corporate–wide risk review every year. It is a system that employees regularly evaluate the risks which are related to their works, system, process, and so forth. Since 2014, KT implements this system twice a year so that it internalizes a risk management culture. We operate a 'risk self–management system' from 2017 which is available to manage a risk until it fades out. KT launches new various services year after year, and it might be a cause of dissatisfaction and inconvenience to our customers. Therefore, KT carries out 'pre–removal risk management' to minimize any inconveniences before releasing new service since 2010. Through this system, every new service is evaluated not only regarding service differentiation and completeness but also four risks, such as management, legislation, fair competition, information protection. KT monitors potential risks and manages 44 quantitative factors at all times.

Prior Risk Review

128 Cases

Risk Management Program and Counseling Channel

KT has implemented risk education regularly and established 'Risk Consultation Channel' to manage potential risks via consultation on employees' worry and problems anonymously.

Reactive Risk Management

If potential risks are materialized in spite of proactive risk control, and thus substantial losses are expected, we try to minimize losses through our reactive risk control system. Under the system, risks are treated under the responsibility of the department in which the risk occurs. To enhance the efficiency of reactive risk management, we are now preparing a risk management/response manual that defines specific procedures and departmental roles regarding risk recognition/reporting, risk assessment, risk response/management, and problem–solving.

Emerging Risks

We review not only risks in business management, but also mid– to long–term risks such as climate change and social issues and reflect those risks in our business. Based on our future prospects up to 2030, we have identified the six major megatrends closely related to the telecom industry, as well as key risks and opportunities to reflect on our business strategy.

Strategic Approaches on Opportunities and Risk Factors

1. Trends towards Customer-oriented Phone Plans

	Statue	Matured
Market environment		· The government tightened the policies to reduce household telecom expenses and provide rate cuts for vulnerable groups (increased the discount rate for mobile operator selection contracts, implemented rate cuts for low-income brackets, and expanded the system to include the beneficiaries of basic pension in the second half of 2018) · In August 2017, amendments to the Telecommunications Business Law will be enacted, including the introduction of the universal rate system.
Impact on KT		· Data traffic explodes with the rapid growth of smartphones and HD videos. ICT services like VR/AR-connected cars·drones require a stable network. · For high-quality services and preparation for 5G, KT needs to invest in network development continuously, and the rising need for customer-oriented phone plans has a potential impact on network investment.
Preparations and response plans		· Instead of recklessly lowering rates, KT strives to enhance the real value of customers by launch differentiated plans and expanding its membership services. · In March 2018, launched 'LTE Data Selection Plan' providing up to 3.3 times more data than the existing Data Selection Plan, with no contract conditions attached · Offered differentiated membership services including double discount membership by analyzing customers' seasonal usage patterns for each age group · Provided low-cost plans through its subsidiary KT M Mobile, a thrifty phone provider

2. Stagnant Growth of Telecom Market

	Statue	Matured
Market environment		· The growth of domestic telecom market stagnates due to the market reaching maturity as well as rivalry between mobile carriers (In 2017, the ratio of mobile subscribers to the total population in Korea was 120%, with wired phones down 4.4% from the previous year)
Impact on KT		· The possible stagnant growth of mobile subscribers in the long term will be a significant constraint on the sales growth of mobile services. · Short-term rate plans and marketing activities are not enough to overcome the declining number of wired phone subscribers caused by changing consumer trends. · These market conditions have a negative impact on KT's telecom business performance, hence the need for a new engine to overcome growth limits and achieve sustained performance.
Preparations and response plans		· Based on outstanding network quality, KT leads telecommunications market and expands diverse second devices through KT's network technologies and specialized rate system · Minimize reduction of wire sales through various combination products and fix-rate plans · Platform business based on 'intelligent network' and fostering five platform business

3. New Competition in the Media Market

Statue	Matured
Market environment	· Rapidly changing market with the intensified marketing of IPTV operators, M&As between cable TV operators, and changes in the regulatory environment · Growing number of global operators and regulatory uncertainty (Paid Broadcasting Share Summation Regulation, etc.)
Impact on KT	· Recently, media companies are strengthening their competitiveness through differentiated services based on new technologies including AI. · With the disparity between platforms deepening in the pay-per-view TV market, M&As are expected to increase to make a breakthrough for growth. · The 'Paid Broadcasting Share Summation Regulation' is expected to be abolished according to the Sunset Clause. However, a risk still exists because of regulatory uncertainty, as amendments to the Broadcasting Act have been proposed for extending the "sunset"
Preparations and response plans	· KT, the No. 1 player in the IPTV market, maintains its crown with improved profitability resulting from qualitative growth. · Evolving IPTV into an 'intelligent media platform' based on its highest number of AI subscribers in Korea · Advancing to various platform business areas, such as paid VOD, advertising, and TV commerce by leveraging its unmatched platform

4. Gearing up for 5G Commercialization

Statue	Emerging
Market environment	· Fierce global competition over leadership in the 5G era · The Korean government run a spectrum auction in June 2018, as a policy to strengthen support for the world's first 5G commercialization
Impact on KT	· Surges in data traffic caused by 5G network development can be a burden, but the resulting new business environment is expected to bring revolutionary changes. · 5G introduction based on KT's GiGA-based nationwide fixed-line infrastructure would facilitate effective CAPEX investment.
Preparations and response plans	· KT plans to commercialize the world's first 5G in 2019 and win the image as a '5G leading company' in the global 5G competition, based on the know-how for LTE networks that it has accumulated over the years. · Preoccupancy of global technical standards · Successfully launched the world's first 5G-based pilot service during the Pyeongchang Winter Olympics · Plan to collaborate with the government and other operators to accelerate 5G network development

5. Blurring the Boundaries between Industries and Growing Convergence Services

Statue	Emerging
Market environment	· Dramatic changes in life expected with fusion and integration of industries in the 4th industrial era · Governments and corporations preemptively responding to changes that the 4th Industrial Revolution would bring about
Impact on KT	· The importance of networks as a foundation for the 4th Industrial Revolution: Data connection is the basis for ICT services · KT's unique, differentiated intelligent network emerging as core competitiveness necessary to secure the leadership of the 4th Industrial Revolution
Preparations and response plans	· KT plans to cultivate intelligent network-based platform businesses as a core business of the future. · The five major platform businesses are based on KT's existing assets, capabilities and customers. · Focus placed on nurturing the five major platform businesses with differentiated technologies and services and on bring innovation to customers' life

6. Heightened Call for Corporate Social Responsibility

Statue	Emerging
Market environment	· CSR emerges as a crucial factor in business management
Impact on KT	· CSR activities contribute to advancing KT's corporate value by improving KT's corporate image · Support from society and customers leads to support for products and services, having a positive impact on business · Helpful for new recruitment and the existing employees' pride
Preparations and response plans	· KT focuses on the strategic CSR activities utilizing business characteristics and will continue to improve the quality of people's lives and resolve various social problems based on ICT. · 'Giga Story'designed to eliminate the digital divide for residents in coastal and mountainous areas · Project to prevent infectious diseases through Big Data-based global cooperation · 'Air Map Korea'project to reduce fine dust by using its telecom infrastructure · Other CSR activities

7. Growing Importance of Information Security Including Customers' Personal Information

Statue	Emerging
Market environment	· Increasing on discriminate threats aimed at customers (Ransomware attack, large-scale virtual currency exchange hacking, etc.) · The amount of damage caused by cyber security threats in 2016 is estimated at approximately KRW 629 trillion (more than three times the annual global average of damage caused by natural disasters)
Impact on KT	· Security threats are expected to become more sophisticated and intelligent, targeting a greater number of individuals, businesses, countries, and regions. · Due to the limitations of post-counteractions, preventive measures are all the more important. · KT has secured a competitive edge in the security market with Korea's largest network infrastructure as well as integrated security control capabilities based on Big Data and AI.
Preparations and response plans	· KT strengthens the customer privacy protection system and guarantees customer rights, in order to preemptively respond to security threats, which are getting more sophisticated and intelligent. · Prevent leakage of customer information by analyzing all life-cycles of customer information and applying optimal technological and administrative protection measures for each stage · Operate a comprehensive response system covering devices, networks, and servers, through the cybersecurity center that integrates IT and network · Provide differentiated services, such as 'GiGA Secure' based on the know-how about network control and operation (security control)

8. Increasing Risks in Response to Climate Change

Statue	Emerging
Market environment	· Increased importance of responding to climate change with the conclusion of the Paris Convention on Climate Change in 2015 · Governmental efforts to achieve its GHG reduction goal (37% reduction compared to BAU by 2030) · Regulatory efforts to regulate GHG emissions from the domestic companies (The emission permits trading system implemented in 2015 is to be strengthened with the start of the second trading period in 2018)
Impact on KT	· 90% of KT's emissions come from its network equipment, and more investments are being made in network facilities with regard to the 4th Industrial Revolution and 5G. · Excessively high costs for GHG reduction due to its drastically-reducing emission allowances from 2018. Financial risks expected, such as the costs of purchasing emission credits · New energy market created with expanded efforts to reduce emissions among companies and public institutions
Preparations and response plans	· KT pushes forward new projects to lead the new energy market while making efforts to reduce emissions. · Establish and implement response strategies at the group level through the Environmental Management Committee · Set the goals for each division and conduct energy saving projects with a view toreducing GHG emissions · Efforts to reduce financial risks from the emission trading system: Purchase of emission permits, utilization of the surplus from the first trading period, additional allocation of emission credits to new facilities · Energy-efficient IDC: Acquisition of Green IDC &ISO 14001 certifications · Smart energy business based on KT-MEG, KT's energy integration control platform

Shared Growth Management

KT contributes its efforts to local communities through systematic social accountability as well as diverse win–win growth activities

KT's Sustainable Supply Chain Management　UN SDGs – 8, 16,17

Supply Chain Management Policy and System

Aiming to build a sustainable supply chain management system, KT drafted the 'Sustainability Management Guidelines for Partners' in December 2012, and later in May 2017, added additional environmental and human rights–related guidelines. By signing the 'Agreement to Observe the Sustainability Management Guidelines for Partners' with our partners in 2018, we have also secured the sustainable management capabilities of our partners.

Suppliers' Sustainability Management Assessment

According to assessment standards by types of electronic equipment/construction / SW development/ service/store / BM / new business, KT annually selects the suppliers and excellent suppliers through evaluation of transaction performance. In cooperation with credit rating agencies, we identify our suppliers' management evaluation and RMI (Risk Management Index) monitoring conducted in the first and second half of the year. Since the adoption of the 'Sustainability Management Evaluation System for Partners' in 2013, we have been annually measuring and monitoring the level of economic, environmental, and social risks that may occur within the supply chain.

Results of Sustainability Management Assessment for Suppliers

Category	Assessment Indicators	Result on Average
Electronic Equipment Suppliers	ESG+ 40	85.8
telecommunication construction contractors	ESG+ 32	97.7

Supplier Risk Management and Response in 2017

Risk Category		Risk Level	Risk Evaluation		Risk Measures	
			Scope of Assessment	Risk Identified	Corrective Action	Termination of contract
Economical	Financial	Medium–high	400 (100%)	6 (1.50%)	1	5
	Unethical	High	400 (100%)	4 (1.00%)	4	0
Environmental	Incident	Medium–high	400 (100%)	1 (0.25%)	1	0
	Non–compliance	High	400 (100%)	0	0	0
Social	Litigation	Medium–high	400 (100%)	1 (0.25%)	0	1
	Non–compliance	High	400 (100%)	0	0	0
Total			400 (100%)	12 (3.0%)	6 (50%)	6 (50%)

The evaluation results are reflected in the annual evaluation of each partner, having a significant impact on re–selection of partners and selection of the best partners. In the 2017 sustainability management assessment for suppliers it earned 94.0 points, higher than the previous year's 92.4 points.

Shared Growth　UN SDGs – 8, 10, 16, 17

KT's Six Areas of Shared Growth

- Financial Support
- Support for Technology and Development
- Support for Procurement and Market Development
- Support for Commercialization of External Proposal
- Support for Management & Quality Consultation
- Support for Recruitment and Education

· 2018 the First Half Global Business Council

· Inviting Conference with Suppliers

Operational Support

To prevent our SME partners from facing cash–flow problems, we have since 2006 made full cash payments. In 2017, we created a 100–billion–won matching fund with KB and IBK bank, titled 'KT Mutual Cooperation Fund,' to provide financial support for the partners short of operational funds. To provide partners with a stable supply base, we have since 2017 executed product–lifecycle–based purchasing strategies as a way to realize long–term contracts (three years) and realistic unit costs. In 2018, we also plan to push ahead with C–level business consulting service for partners, support for first–class workshop operation, adoption of win–win payment theory, and financial support for secondary partners.

Business Support

To support SME partners' entry into the global market, we provide business support in diverse ways: attending famous global exhibitions together, support for entry into global markets through consortiums with KT, support for an advance into global markets based on KT's overseas infrastructure, and support for global PoC (Proof of Concept). With the aim of discovering future businesses, we have been regularly operating a future network business consultation group between KT and its partners as well as a global business consultation group. Also, we operate Eco–Alliance to offer business support to 126 startups in 14 new technology fields such as drones and AI.

Technical Development Support

Over the past four years, KT has handed over as many as 200 patents to SME partners free of charge, so that partner companies can enter new markets and develop new products based on patents. In 2018, we plan to create a 10–billion–won joint R&D fund to help suppliers to develop new technologies. Also, as a way to promote performance sharing of partners, we will strive to mitigate their financial burden and reinforce the purchasing reward system.

Communication Channel and Complaints Handling for suppliers

We have reinforced our communication channels with suppliers. In addition, we strive to improve supply chain management systems and related processes in order to listen to VoS (Voice of Suppliers) collected through various channels. We also make an effort to realize "Single KT" by holding 2017 Partners Day to conclude an MOU for win–win partnership between KT and its suppliers and to award 22 SME partners showing outstanding performance in each technology sector.

Category	Visiting consultations for suppliers
Inviting conference with suppliers	Conducted consultation with 79 suppliers at eight times by distinguishing between C–level and the person in charge
On–site discussion for suppliers	Held with 42 suppliers at 24 times on every Wednesday
SCM consultative group	Operated as a representative channel by regularly reconciling between demand and supply plan through cooperation with the business department, procurement department, and supplier covering every product
Other channels	Performed at all times by partners consultation meeting, quality improvement consultations, and local business practices exchange, etc

KT Integrated Report 2018

Create the Future Value   GiGA Prosperity   GiGA Planet   GiGA People   Appendix
Transparent Management
Shared Growth Management

Fair Trade and Legal Compliance   UN SDGs – 16

Compliance with Fair Competition

KT has endeavored to eradicate legal violations by operating a variety of programs to promote compliance with fair competition, including the Unfair Practices Reporting Center, a preliminary review of fair competition, and online training for employees. In 2017, a total of 217 initial reviews of fair competition were carried out. A multiple of online training courses and one offline training session on fair competition were provided for employees. Since 2018, we will consist the group fair competition council and review risks of fair competition at the group level by establishing response system so that we can build the culture of fair competition through continuous effort.

Prior Examination for the Fair Competition in 2017

217 Cases

Status of Judgement by Regulatory Institutions

In 2017, KT was fined KRW 3.019 billion by the Korea Communications Commission for three legal violations, including a violation of the Telecommunications Business Act. However, we have never been charged with a fine by the Fair Trade Commission in violation of the Fair Trade Act. We have carried out corrective actions following the corrective orders from regulators, while endeavoring to prevent any recurrence of legal violations, through system improvement for compliance with the relevant laws as well as education for prevention of legal violations.

Category	Date	Result of Judgement	Administrative Agency
Acts against user interests regarding excessive giveaways, in pursuance of collecting subscribers to high–speed Internet or wired–and wireless–combined products	10. Jan. 2017	Fine : KRW 2,330 million, Corrective order	Korea Communications Commission
Acts against viewer interests in furtherance of collecting subscribers to IPTV (failure to notify important details, inability to get subscribers' approval, charging that does not match the contract)	24. Feb. 2017	Fine : KRW 328 million, Corrective order	
Violations of the Terminal Distribution Act, in pursuance of collecting foreign subscribers	7. Apr. 2017	Fine : KRW 361 million, Corrective order	

Tax Policy and Transparent Disclosure

KT has established policies and strategies regarding tax to fulfill the obligation to pay taxes in compliance with responsible tax principles. The details relating to corporate tax, deferred corporate tax, and effective tax rate are revealed to the public through the auditing report in the electronic disclosure system. In particular, the temporary difference resulting from the difference between the assets/liabilities in accounting terms and the assets/liabilities in tax terms is disclosed by item and explained with details. KT's 2017 effective tax rate published in the audit report is 24.4% and the highest corporate tax rate 24.2%. The difference between tax rates is attributable to the non–temporary difference resulting from the difference between profit/loss in accounting terms and profit/loss in tax terms. It is due to the application of the tax credits deducted from the corporate tax to be paid and of *the tax bracket of corporate tax.

KT does not engage in any unlawful act of tax avoidance, any violation of the tax law, and false reporting, faithfully observing the obligation to pay taxes.
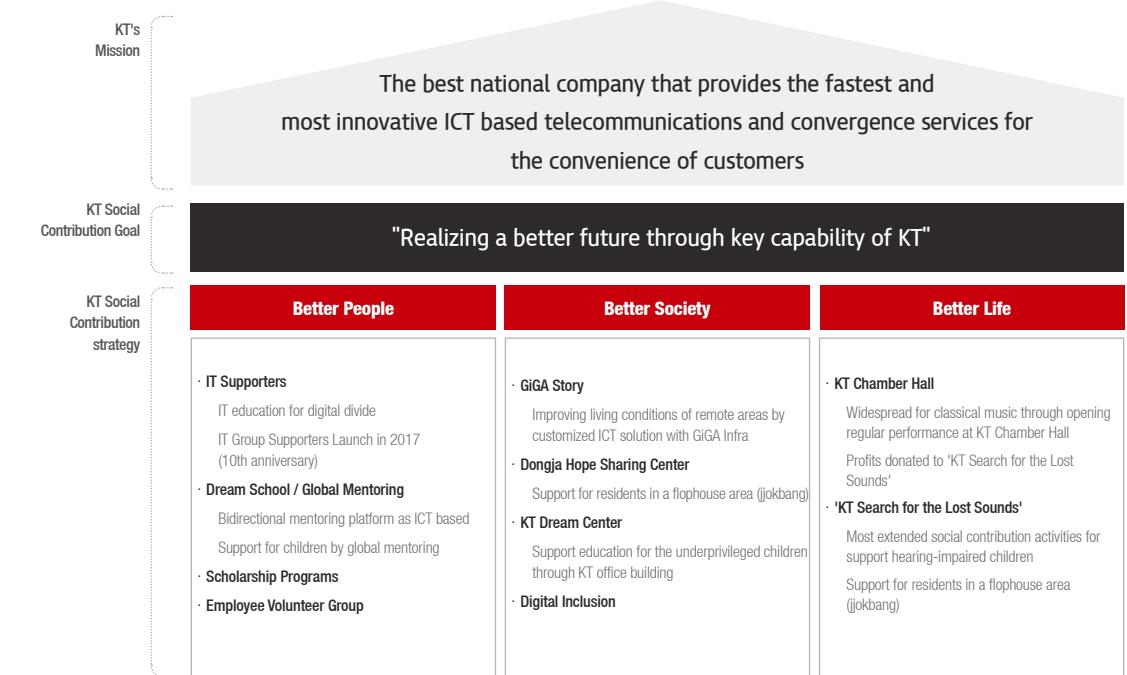
*Basis of assessment : 10% below KRW 0.2 billion, 20% KRW 0.2 billion – KRW 20 billion, 22% over KRW 20 billion (Max tax rate 24.2% including local income tax)

Corporation Tax at Income Statement

FY	Unit	2016	2017
Income Statement (separate financial statements)	KRW million	225,266	149,124

Social Contribution   UN SDGs – 16

CSR Vision & Implementation System

KT's Mission

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

KT Social Contribution Goal

"Realizing a better future through key capability of KT"

KT Social Contribution strategy

Better People	Better Society	Better Life

· **IT Supporters**
  IT education for digital divide
  IT Group Supporters Launch in 2017 (10th anniversary)
· **Dream School / Global Mentoring**
  Bidirectional mentoring platform as ICT based
  Support for children by global mentoring
· **Scholarship Programs**
· **Employee Volunteer Group**
	· **GiGA Story**
	  Improving living conditions of remote areas by customized ICT solution with GiGA Infra
	· **Dongja Hope Sharing Center**
	  Support for residents in a flophouse area (jjokbang)
	· **KT Dream Center**
	  Support education for the underprivileged children through KT office building
	· **Digital Inclusion**
		· **KT Chamber Hall**
		  Widespread for classical music through opening regular performance at KT Chamber Hall
		  Profits donated to 'KT Search for the Lost Sounds'
		· **'KT Search for the Lost Sounds'**
		  Most extended social contribution activities for support hearing-impaired children
		  Support for residents in a flophouse area (jjokbang)

Group Social Contribution Comittee

Taking Exclusive Responsibility of KT Group's Public Business	Operating KT Group's Employee Volunteer Group
Operating KT Group's Social Contribution Funds	Identifying KT Group's Joint Businesses

KT sets a CSR purpose as a 'Realizing a better future through key capability of KT' so that KT accomplishes its mission via the Three Social Contribution Activities, We bridge a social gap and support vulnerable group.

Better People

IT Supporters   It consists of former and current employees of KT, and one of the representative social contribution activities, launched in 2007, that spread the concept of 'Pro Bono' to Korean corporations. The 'IT Supporters,' which celebrated its 10th anniversary in 2017, has been engaging in bridging the information gap for information–poor groups and sharing cutting–edge IT knowledge with children.

IT Supporters Program via Information Development

2007	2009	2011	2013	2015	2017
Commercialization of 3G Service	Introduction of Smartphone	LTE Service	GiGA Internet	GiGA LTE	5G Pilot Service
· Education for a mobile phone used to the old · Education for computer using	· Education of how to use smartphone · Education for IT using to the multicultural family	· SNS for SME merchant · Education for prevention of smartphone addiction	· IT education for the disabled · IT global sharing	· GiGA Story ICT utilizing · Visiting Education for IoT experience	· Talent development for 4th industrial revolution · Solving social issues such as prevention of dementia

IT Supporters Activisit (2007~17, accumulated)

Number of Activities

317,451 Cases

Number of Beneficiaries

3,310,717 persons

Number of Beneficiary Institutes

16,128 institutes

To help children to become leaders of ICT trends, the IT Supporters group, in which 11 affiliates of KT participate, runs future–oriented IT education programs including 'SW Jobs Experience Classes' and provides children in isolated areas with the opportunity to experience IoT firsthand. Besides, IT Supporters work hard to eliminate the digital divide and support self–reliance for the four most–underprivileged groups, playing a leading role in addressing social problems in cooperation with the local governments.

KT Group IT Supporters SW Jobs Experience Classes

SW education for sixty elementary and middle school for urgent needs of IT education as SW education will be compulsory in elementary and middle school in 2018

GiGA Playground (Visiting Education for IoT Experience)

Providing 500 times (5,840 persons) of IoT experience class such as AR VR SW etc. to 111 schools around isolated areas for having difficult for regular IT education

Eliminate the Digital Divide for the Four Most Underprivileged Groups

Providing educations for computer and smartphone using by eliminating digital divide and improving quality of life for the four most underprivileged groups* (73,000 persons)
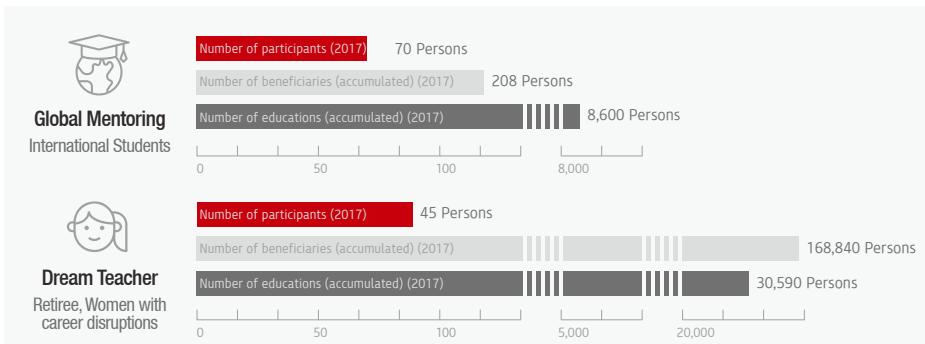
Support Self-reliance for the Underprivileged Groups

IT education for help multicultural women, career–suspended women (4,200 persons) advance into society with retired IT supporters (62persons)

*the old, the disabled, low-income groups, and farmers and fishermen

· KT Dream School Homepage

· Social Innovation Scholarship Ceremony

Dream School　Dream School is an interactive ICT mentoring platform built in 2013 based on KT's video conferencing system. With retirees and career discontinued women acting as mentors, it provides opportunities for participating in the society and contributing to job creation. Participants of 'Dream Teacher' are 168,840 persons up to 2017.

Scholarship Program　With a goal of nurturing ICT specialists and raising awareness of social diversity, we have since 1988 run a variety of scholarship programs, such as 'Creative Innovation Leader Scholarship,' 'Labor–Management YOUTH Scholarship,' and 'Social Innovation Talents.' We are also strengthening our scholarship programs in cooperation with Dream School.

Scholarship Performance	Unit	Creative and Innovative Leader	Labor & Management YOUTH Scholarship	Social Innovation Talent	Total
Schools for scholarship	Schools	172	154	17	343
Number of beneficiaries	Persons	613	226	70	909
Scholarship Amount	KRW 100 million	6.8	3.6	1.7	12.1

· 6th Dream School Global Mentoring

Global Mentoring　Based on the online platform, KT Dream School, we operate a global mentoring program that connects international students to underprivileged children. In 2017, a total of 70 international students were matched one–on–one to 70 children in the five remote areas of Imja Island, Baengnyeong Island, Cheonghak–dong, Kyodong Island, and Pyeongchang–gun, to teach foreign language classes along with cultural exchange programs.

Global Mentoring International Students

- Number of participants (2017)　70 Persons
- Number of beneficiaries (accumulated) (2017)　208 Persons
- Number of educations (accumulated) (2017)　8,600 Persons

Dream Teacher Retiree, Women with career disruptions

- Number of participants (2017)　45 Persons
- Number of beneficiaries (accumulated) (2017)　168,840 Persons
- Number of educations (accumulated) (2017)　30,590 Persons

· Supporting Pyeongchang to Flood Damage Recovery

Love Volunteers　'Love Volunteers,' participated by all employees, has been carrying out various voluntary activities such as support for community child centers, disaster recovery activities, support for underprivileged neighbors, voluntary activities for rural communities, inspection of facilities including welfare centers, and experience education at KT facilities. In ordinary times, it supports vulnerable groups and improves the environment of the community reflecting characteristics of the telecommunications industry, and in the event of a disaster, supports disaster relief efforts in cooperation with the Korean Red Cross.

Number of Activities by Employee Volunteer Group in 2017

Social Welfare	Local Community	Culture and Education	Environment Improvement	Other	Total
543	100	49	46	56	794

· UCC Global Social Contribution

KT's Labor-Management Volunteer Group 'UCC'　Through the service of UCC, KT's labor–management volunteer group, we contribute to spreading a culture of sharing. This year, we conducted the Wheelchair First campaign during the 2018 Pyeongchang Winter Paralympics. As an official sponsor of the environmental campaign 'Earth Hour' for the second consecutive year, we also worked hard to encourage the participation of corporate members in the campaign. Through the global voluntary service in Vietnam, we offered opportunities for Vietnamese multicultural families in Korea (300 persons) for greeting to their families in Vietnam (1,900 persons) through video calls for 6 consecutive years.

Nosarang　Nosarang is KT's labor–management CSR community committed to systematic voluntary service activities. To ensure that employees volunteer to CSR activities for at least 8 hours per year, we increased the number of Nosarang Practice Committees to 159, while upgrading the benefits of volunteer mileage (1 mileage per hour of service). Thanks to these efforts, Nosarang has been conducting a variety of voluntary service for each community, promoting community–based CSR activities.

Better Society

GiGA Story   GiGA Story is a creating shared value (CSV) project designed to eliminate the information gap for residents in remote areas and improve their living conditions by leveraging KT's gigabit network infrastructures. Starting with Imja Island (Sinan–gun, Jeollanam–do Province) in October 2014, we have been carrying out it in many parts of Korea, including Daegseong–dong Village near DMZ (Paju–si City, Gyeonggi–do), Baengnyeong Island (Ongjin–gun, Incheon), Cheonghak–dong Village (Hadong–gun, Gyeongsangnam–do), Gyodong Island (Ganghwa–gun, Incheon), Uiyaji Village (Pyeongchang–gun).

Baengnyeong GiGA Island (March 2015)

Improved living environment and accomplished ICT-based development of Baengnyeong Island, situated near the Northern Limit Line

Kyodong GiGA Island (March 2017)

Promoted vitalization of an isolated regional economy with establishing ICT platform for tourism

Imja GiGA Island (October 2014)

Vitalized local community through educational, cultural, medical support, facilitated by ICT solution

DMZ Daeseongdong GiGA School (November 2014)

Established Smart Learning System in the school located in The Demilitarized Zone

Pyeongchang 5G Village (December 2017)

Promoted tourism and lessened the impact of population decrease through the application of 5G technology

Cheonghakdong GiGA Creative Village (July 2015)

Activated cultural exchanges among urban-rural area

GiGA Story

② DMZ Daeseongdong
③ Baengnyeong
⑥ Pyeongchang
⑤ Kyodong
① Imja
④ Cheonghakdong

· Bangladesh GiGA Island

Global GiGA Story   Bangladesh GiGA Island was launched in April 2017 as the first global initiative of GiGA Story, in cooperation with the Bangladesh ICT Department, the International Organization for Migration (IOM), the Korea International Cooperation Agency (KOICA), and local NGOs. Through the initiative, we have introduced gigabit network and ICT solutions to the island for the betterment of the living conditions, including telecommunications, education, healthcare, and economy, contributing to addressing ICT–based social problems in line with the Bangladesh government's national development policy 'Digital Bangladesh 2021.'

Bangladesh GiGA Island 'Open Social Platform'

Cox's Bazar — Near city
Optical Fiber

Moheshkhali Island — GiGA Island
Optical Fiber
School | Union Center | Health Clinics

GiGA Microwave | GiGA Wire

· KT Dream Center 'Presentation'

· KT Dream Center 'Dream Story Presentation'

· 3rd Anniversary of Dongja Hope Sharing Center Opening

KT Dream Center ('Ggoompoom')   Since 2010, KT has operated the KT Dream Center ('Ggoompoom'), an educational complex for children in vulnerable classes, by utilizing the vacant spaces in its 21 branch offices across the country. The center has various IT equipment including IPTV and beam projectors to educate children art·music·physical education, English, music, and cultural art. In partnership with local child facilities, it benefited, in 2017, a total of 63,216 children from 3,323 local child facilities. Also, the 'Dream Story Presentation' was held to share the achievements of educational programs Besides KT operates 'KT Dream Bus,' which is a place for children mentoring by talented university students, for the convenience of children.

Dongja Hope Sharing Center   KT opened 'Dongja Hope Sharing Center' as an ICT cultural complex in Dongja–dong, Yongsan–gu to ensure the self–support and better quality of life of the residents in a flophouse area. The center houses not only amenities for residents but also cultural facilities including IT cafes and IPTV rooms which are used for IT education, crafts, and arts and cultural classes. To create jobs in the area, we also hire some of the residents as center management staff, while running Hope Sharing Cafe and New Dream Community Workshop. We have encouraged self–support by holding a flea market selling products made by them. In commemoration of its 3rd anniversary, the center has delivered 1,000 units of low–power refrigerators to the residents of the five flophouse areas in Seoul and also established LED smart IoT sensors to prevent solitary deaths.

Performance of Dongja Hope Sharing Center

Category		Unit	2017	Accumulated
Cultural & IT Education	Number of Trainees	Persons	1,836	5,917
CafeConvenient Facilities	Number of Use	Cases	50,791	120,765
Dongja Hope Sharing Cafe	Number of Sales	Cups	30,545	120,338
	Sales	KRW 1000	44,067	187,642

Universal Service Provision and Charge Reduction   Universal service means basic telecommuni–cations service that all users can enjoy at an affordable price anytime, anywhere. To fulfill our social responsibilities as a national company that operates social network, we provide essential communication services, such as local calls, public telephones, telecommunications in coastal areas, wireless network on board ship, and particular numbers (emergency call numbers), at an affordable cost, and apply the same conditions of use to all users, such as service charges and quality, regardless of their location, income, or physical disability.

Wire Telephone Service	Providing the local call service to total 12,170,000 subscribers	Operating 61,000 public telephone booths	Offering communications services to connect residents in about 440 remote and isolated islands
Telephone Service for Emergency Communications	Crime report (112)		Providing a vessel wireless phone service for approximately 3,000 vessels
	Fire and distress report (119)		
	Offering immediate particular number phonecall service for free of charge		

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Transparent Management
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Rate Reduction Amount for Beneficiary Groups in 2017

Objectives		Number of Recipients (1000 persons)	Reduction Amount (KRW million)
Individuals	The Handicapped	1,097	96,145
	Low–income Bracket Pensioner	381	46,405
	Lower income Class	73	7,935
	Patriots and Veterans	91	8,121
Organizations	Welfare Institutes for the Disabled etc.	9	313
Total		1,651	158,919

Better Life

KT Search for the Lost Sounds   We have since 2003 operated the 'KT's Search for the Lost Sounds' initiative for hearing–impaired people from low–income families. Since 2012, we have run 'KT Dream Classroom' in Yonsei Medical Center, aiming to support rehabilitation treatment of hearing–impaired children by offering language, play, art, and music classes. By the end of 2017, it has benefited 8,724 persons in total, and provided hearing aids to 288 persons and cochlear implants and other support to 265 persons. In February, 2018, we shared the success story of rehabilitation for hearing–impaired children by publishing their memoir as a book.

Performance of KT Search for the Lost Sounds

2003–17, accumulated

Supports for Rehabilitation	Supports for Hearing Aid	Supports for Cochlear Implant and Others	Total
8,724	288	265	9,277

KT Chamberhall   KT seeks to contribute to the local community through cultural sharing activities. KT Chamberhall, a space for professional classical performance, was opened in 2009 with the aim of spreading beautiful sounds to the world. On the first and third Saturday of every month, KT Chamber Orchestra shares the beautiful sound of the classical music through regular performances. The proceeds are all donated to 'KT Sound Discovery,' a CSR program aimed at children with hearing impairment. In 2017 alone, the orchestra held 24 regular performances, attracting 8,688 people in total. Also, for the popularization of the classical music, we run the 'Classic Experience Program,' which enables students to play musical instruments and tour performance facilities. In October 2017, we staged the 200th concert of KT Chamber Orchestra, inviting regular visitors from nearby welfare centers, retirement villages, and facilities for the disabled.

Support for Self-reliance of the Handicapped   KT executes various support business so that disabled persons can stand on their own feet. Through MOU with Korean Association of Disabled Persons Information (KADI), KT has provided certification course for jobs to 848 persons. Besides, we have published IT lessons for 199 disabled people at Developmental Disabilities Training Center in Seoul. In 2016, KT organized smart–farm for the handicapped and provided education, academy, and jobs. Furthermore, Through the 'Design workshop in Asian campus,' KT implemented a smart–farm which is suitable for disabled people using IoT technology with postgraduate students who were consist of Korean, Chinese, Japanese.

· Expedition for Celebrating 5th Anniversary (KT Dream Classroom)

· Publication of the hearing impaired children's memoir

· 200th Performance at KT Chanberhall

· 1year Disability-Centered Smart Farm

· Campus Asia Design Workshop

UN SDGs Implement

KT is doing its best to accomplish the UN SDGs, otherwise known as the Global Goals, are a universal call to action to end environmental, economic, social challenges.

KT Group
Social Contribution
X
UN SDGs

KT is aiming to achieve the targets of UN Sustainable Development Goals.

01 No Poverty
KT Employee Volunteer Group

13 Climate Action
kt m&s Climate Change Campaign

02 Zero Hunger
BC Card the Red Food Truck

05 Gender Equality
kt cs Wondermom Campaign

09 Industry, Innovation and Infrastructure
kt skylife the 'Love UHD Antenna'
kt linkus Payphone for Public Convenience

10 Reduced Inequalities
kt is Volunteering for Seniors Living Alone
kt powertel Providing Walkie–talkie
kt sports 3–color Sharing Activities

04 Quality Education
KT Group Dream School, KT IT Supporters, KT Scholarships, KT Dream Center ('Ggoompoom')
kt sat Space–sicence Experence, kt ds IT Education
Nasmedia Global Citizen Education for the youth

08 Decent Work and Economic Growth
kth Mentoring for Start–up

11 Sustainable Cities and Communities
kt estate Fixing House with Love

12 Responsible Consumption and Production
kt commerce Supporting Flea Market

17 Partnerships for the Goals
kt mhows Giftshow Cause–related Campaign
PlayD Partnership with NGO

16 Peace, Justice and Strong Institutions
kt telecop 'Dokdo Keeper' Plan

07 Affordable and Clean Energy
KT Group GiGA Sarangbang

15 Life on Land
kt engcore Protecting Urban Green Spaces

03 Good Heath and Well-being
KT Search for the Lost Sounds
KT Global Epidemic Prevention Platform

14 Life below Water
kt submarine Volunteer Activity for Healthy Marine Activity

06 Clean Water and Sanitation
KT Group Dongja Hope Sharing Center

GiGA Planet

Materiality Topic

The GHG emissions coming from companies have a significant impact on global climate change. After the signing of the Paris Agreement on climate change, governments started to regulate GHG emissions generated in their country. Korea has also finalized its target of reducing emissions by 37% compared with BAU by 2030, and implemented various policies to fulfill the goal. In response to these governmental policies, companies are forced to make new expenditures for direct investment and emission credit purchase. Against this backdrop, companies' efforts to minimize their carbon footprints, an effective management activity are recognized as not only CSR activities but also effective business activities for reducing long–term financial risk. The similar trend is happening in the customer relationship management area. In order to reduce marketing costs, which negatively impact operating profits, companies have realized that it is even more efficient to keep existing customers than to secure new customers. Corporate efforts to satisfy customers are a business activity to reduce financial risk as well as CSR activities.

Approach & Strategy

KT has been pursuing customer–first management through service innovation. Through customer internalization, we have reflected customer experience in our services. Thanks to this, we have consistently ranked first in reliable customer satisfaction surveys at home and abroad, which shows customers have a high level of trust in KT. On the other hand, our telecom equipment is emitting GHG while building networks nationwide and the amount of emissions is expected to grow further with the implementation of the 5G network. However, KT recognizes this crisis as a new opportunity, focusing on GHG and energy management.

Long term Target

- 95 Point for KT Integrated Customer Satisfaction in 2021
- 35% Reduction of GHG Emission (Scope 1,2) by 2030 (compared to 2007)
- 3 Times of Increasement for Social GHG Reduction in 2021 (compared to 2015)

2017 Evaluation

1st Rank	**0** case	**9**% Reduced
Fixed line on 19 consecutive years on National Customer Satisfaction Index	Customer information leak or damage	GHG emission reduction compared to 2007

Beom-Seok Kim (Future Business Support Platform TF), Ji-Hye Hyun (Global Sustainability Management Team),
Jooh-Yeong Park (Marketing Relations team), Dong-Gun Lee (ESS Business Team), Jung-Sun Lim (Internet Service Team)

Customer First Management

KT is well aware of customer first management, and it leads to customer satisfaction

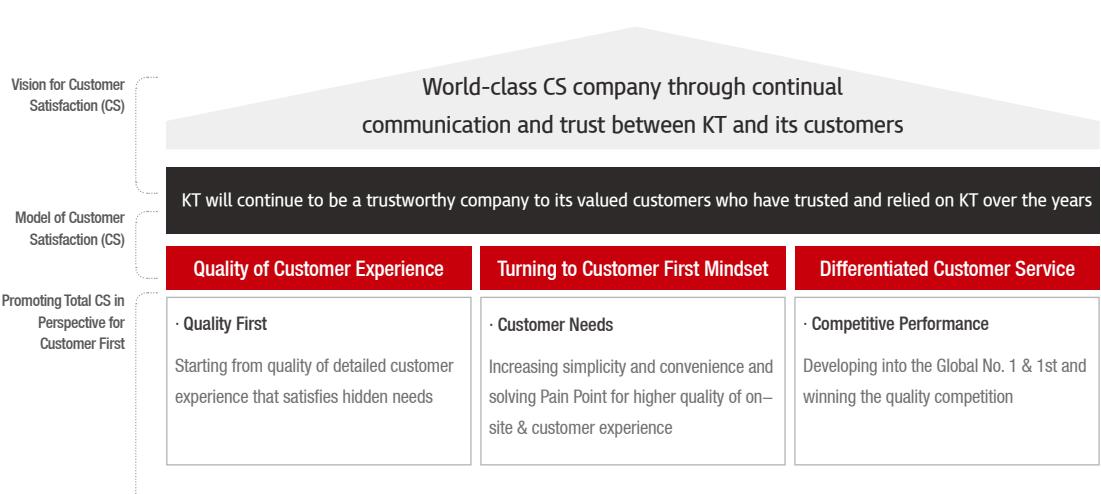## Customer First Management   ● UN SDGs - 16

KT is implementing customer first management in order to achieve the CS vision 'the World's top class company realizing customer satisfaction (CS) by heartful communication and trust.'

Customer-first Management Promoting System

Customer satisfaction begins with service innovation. We have established four core areas of CS, network, products, and channels, and reflected the subdivided 2,000 customers' experiences in our product and service innovation. Since 2015, we have further expanded this strategy for bettering the quality of customer experience to corporate customers, identifying and addressing their potential complaints. Moreover, we have installed the Customer–first Council mainly comprised of executives to secure executive power and also operate a performance verification system regarding customer satisfaction.

Vision for Customer Satisfaction (CS)	**World-class CS company through continual communication and trust between KT and its customers**
Model of Customer Satisfaction (CS)	KT will continue to be a trustworthy company to its valued customers who have trusted and relied on KT over the years
Promoting Total CS in Perspective for Customer First	**Quality of Customer Experience** / **Turning to Customer First Mindset** / **Differentiated Customer Service**

Quality of Customer Experience
· Quality First
Starting from quality of detailed customer experience that satisfies hidden needs

Turning to Customer First Mindset
· Customer Needs
Increasing simplicity and convenience and solving Pain Point for higher quality of on–site & customer experience

Differentiated Customer Service
· Competitive Performance
Developing into the Global No. 1 & 1st and winning the quality competition

Internalization of Customer-focused Perspective

We believe that the companies that communicate with customers can co–exist with customers. In recognition of the value of employees at customer contact points, we run various programs to change them, such as a Great Leader Policy, Best Explainer Contest, and a Upgrading Employee in Customer Interaction Project.

· 24/7 Wireless ARS Reservation Service

Key Indicators for Customer Communication

Unit : Seconds

	2016	2017
Average Talk Time	186	189
Follow–up Process Time (Annual average)	77	64

KT Integrated Customer Satisfaction

83.32 Point

Enhancement of Customer Accessibility

KT operates the most extensive integrated call center in Korea with 11,000 seats to swiftly respond to customer feedback. Also, we have various cyber counseling channels such as button–type ARS, visual ARS, voice recognition ARS, and text message–based customer center, along with 24–hour SNS and chatbot–based customer service. In 2017, we adopted customized ARS, audio ARS, and self–processing menu and recently developed ARS guide service based on a history of use. Owing to these efforts, we succeeded in shortening the average customer waiting time by 16%: 15 seconds for wireless and 8 seconds for wired. In 2018, we plan to provide smarter and faster counseling service by integrating AI Chatbot service into the existing visual ARS and text message–based customer centers.

No. 1 in Customer Satisfaction

KT has held the number one position in customer satisfaction in both internal and external credible surveys. We awarded the first prize in the fixed–line sector from the National Customer Satisfaction Index (NCSI) for 19 consecutive years and, and won prizes in three areas, including 'IVR or Web Service Solution,' out of 'Sales and Customer Service' programs given at 2018 Steve Awards.

National Customer Satisfaction Index
1st rank in the fixed-line on 19 consecutive years
1st rank in the internet phone call on 8 consecutive years

Korean Standard Contact Service Quality Index
1st rank in satisfaction for wire Customer Center for 4 years consecutively
1st rank in satisfaction for wireless Customer Center for 3 consecutive years

Korean Standard Service Quality Index
1st rank in the high-speed internet and IPTV sector

Korean Standard–Quality Excellence Index
1st rank in the mobile, high-speed internet and IPTV sector

Korean Customer Satisfaction Index
1st rank in high-speed internet, IPTV, internet and a wired phone.

Korea Service Quality Index
chievement of certifications for Best Wire/Wireless Call Center

The Stevie Awards
Prized on 'IVR or Web Service Solution,' out of 'Sales and Customer Service'

KT manages integrated customer satisfaction itself to combine the results from major outside customer satisfaction surveys, increasing from 82.64 in 2016 to 83.32 in the 2017 year after year. The external surveys conducted by the third party consist of product sector, such as the National Customer Satisfaction Index (NSCI) and Korean Customer Satisfaction Index (KCSI) and, Korean Service Quality Index (KSCI) and Korean Standard Contact Service Quality Index (KS–CQI), service one.

	Unit	2014	2015	2016	2017
KT Integrated Customer Satisfaction	Points	77.93	80.11	82.64	83.32

KT Integrated Report 2018

Create the Future Value   GiGA Property   GiGA Planet   GiGA People   Appendix
Customer First Management
Environmental Management

· Lauching KT Data 3.3 times upgrade service with no-contract plans

· KT 2017 VOYAGE to Jarasum Opening

· Customer Product Evaluation Panel Launch Ceremony

Product Evaluation Activities in 2017

35 Cases

Customer-centered Product and Service   🔵 UN SDGs – 16

Customer-centered Rate Plans and Service Innovation

Customer needs are increasing for a wide selection of rate plans, such as free plans with no conditions attached and short–term plans for secondhand smartphone users. In accordance with such needs, KT has launched no–contract plans, which provides up to 3.3 times more monthly data amount compared to the existing data–selection plans, and continues to expand customized plans for each age group. Moreover, we have continuously innovated our membership service to provide the life–related benefits that customers want and need. As an example, the 'Double Discount Membership,' which allows all users to enjoy double discount benefits at the partner of their choice, on the day of their choice, has been evolving into a more customer–oriented service each year amid the warm reception of the users. In 2018, we started to provide a greater variety of benefits through 'Special of the Month.'

Customers' Participation in Product Development

With a view to developing customer–oriented products and services, we operate the 'KT Product Verification Team' to engage customers in product development and verification. For the past eight years since the launch of the first team in 2011, specialists from various fields and general customers have contributed to developing products for custoemr needs by presenting diverse opinions during the development process and verifying products from their point of view before releasing them. In 2017, 272 students and office workers from different fields participated in the Product Verification Team, conducting a total of 35 tests. In particular, we carried out product verification processes and online surveys by the professional verification group 'GIGA Genie Boost camp' in order to analyze customer needs for major products in the market, which enabled us to address issues and raise convenience, prior to the official launch of 'GIGA Genie,' 'GIGA Genie LTE,' 'GWW2 AP' and 'TV SSOG.'

Main Target	Performances
Evaluation of New Product	'GiGA Genie,' 'GiGa IoT Air Doctor,' 'Wiz Stick,' rate system and combination products, etc.	Applying customer feedback on launch of GiGA Genie Improving error and app usability of GiGA IoT Air Doctor Improving error and quality of Wiz Stick through user experience Improving inconvenient details of other rate plans and combined products based on a customer perspective
Improvement of Existing Product	CLiP 2.0, Olleh TV Mobile (OTM)	Improving customer convenience, UI & UX of CLiP 2.0 Improving customer–friendly UI & UX of Olleh TV mobile and smart set–top

Network Security Enhancement

As a company which operates Korea's national communication network, KT is responsible for providing reliable network service in the event of natural disasters such as typhoons, torrential rains, earthquakes as well as social disasters. To this end, we operate an integrated monitoring system for wired and wireless networks, with the Network Control Center charged with comprehensive control. In 2017, we encouraged to respond to rapidly growing cyber–attacks an hacking via Intelligent Network Service (INS) and intelligent security platform while building a system to prevent customers from falling victims to SMishing and Pharming. Besides, we are developing advanced network technology of the future through E2E control and operation, preparing for the ICT platform–based businesses such as smart energy, IoT, image safety, and security.

· Development of KT Response Technology on Jamming Attack

· Building Single Network LTE based for Public Safety against Disaster

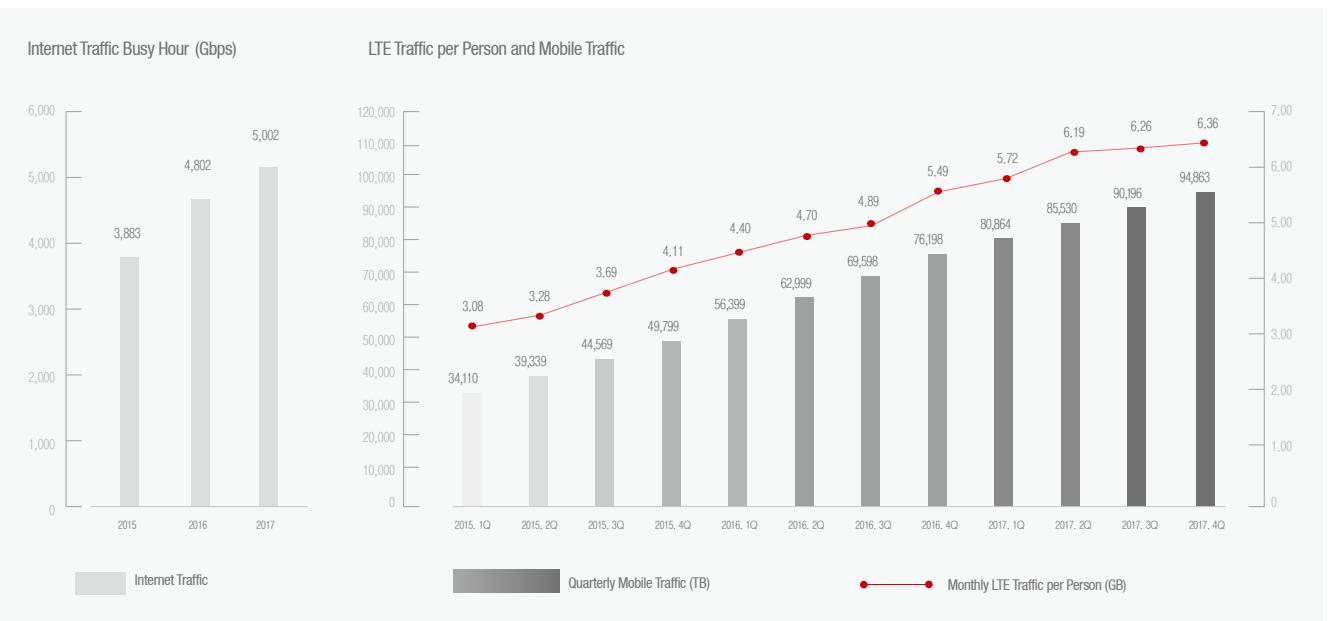### Stable Communication Service Provider

With the frequently abnormal weather and traffic surges of recent years, it is becoming more important to provide stable network service under any circumstances. KT established emergency recovery measures in preparation for not only general network problems but also communication failures caused by natural disasters such as typhoons and earthquakes and also conducts emergency recovery training on a regular basis. During 2017, which witnessed numerous large–scale national events including the presidential election and the PyeongChang Winter Olympics, we successfully responded to traffic surges and communication threats through active emergency operation, with no single network failure occurring. As a provider of stable international network service, we operate international submarine cables with the most significant capacity and number in Korea, together with the integrated control center to manage the cables, while building and operating our global roaming network infrastructure.

Network Interruption

Type			2015	2016	2017	Reporting standard
Service	Traffic	wire	0	0	0	When the electronic exchanger's traffic in a city, districts exceeds 2.5 times
		wireless	0	0	0	When the electronic exchanger's traffic in a city, district exceeds 5 times compared to the normal one.
	Subscribers	wire	0	0	0	When the service of more than 5,000 subscribers is interrupted
		wireless	0	0	0	More than 0.5% of customers discontinue their service.
		leased line	0	0	0	When emergency rescue services (112,119) disrupted
Facility (equipment)	Major telecommunication facilities		0	0	0	When major facilities in crucial telecommunication plants (exchangers, HLR, etc) disorder
	Base station		0	0	0	Over 20 base stations' disorder at the same time due to the same cause.
	Submarine Telecommunication cable		0	0	0	When domestic and international submarine cables are disrupted
	Telecommunication cable		0	0	0	Cutting lead–in cables (144C) in significant communications stations

[1] Reporting standard about communications disorder to Ministry of Science and ICT

Processed Data Traffic

Internet Traffic Busy Hour (Gbps)

2015	2016	2017
3,883	4,802	5,002

Internet Traffic

LTE Traffic per Person and Mobile Traffic

	2015, 1Q	2015, 2Q	2015, 3Q	2015, 4Q	2016, 1Q	2016, 2Q	2016, 3Q	2016, 4Q	2017, 1Q	2017, 2Q	2017, 3Q	2017, 4Q
Quarterly Mobile Traffic (TB)	34,110	39,339	44,569	49,799	56,399	62,999	69,598	76,198	80,864	85,530	90,196	94,863
Monthly LTE Traffic per Person (GB)	3.08	3.28	3.69	4.11	4.40	4.70	4.89	5.49	5.72	6.19	6.26	6.36

KT Integrated Report 2018

Create the Future Value   GiGA Property   GiGA Planet   GiGA People   Appendix
Customer First Management
Environmental Management

Customer Information Protection
⊙ UN SDGs – 16

Strengthening of Information Security Infrastructure

Since we first acquired ISM, the nationally recognized information security management system, in 2013, we have been re–acquiring the certification every year. We received the highest rating (AAA+) for two consecutive years in the information security readiness category evaluated by the Ministry of Science, ICT, & Future Planning. In 2014, we established Information Security Division and separated Chief Information Security Officer (CISO) from Chief Information Officer (CIO) for the first time in the network industry. Among the domestic telecom companies, KT most actively invests in the information security sector. In 2017, we invested KRW 91 billion, and the number of information security staff was 220 persons, accounting for 0.94% of the total personnel.

Customer Information Protection Measures

Before we introduce a new information system or alter the existing system that uses personal information, we identify potential infringement factors and improve them by evaluating an influence on personal information. Also, we annually examine the customer information protection measures of the whole distribution chain and customer information processing system. Besides, we have been strengthening our technical and administrative safeguards against security threats including Advanced Persistent Threat (APT) attacks, while trying to prevent the risk of information leakage by deleting the personal information of the customers who have been inactive for more than one year. In particular, we are responding to various security threats 24 hours a day for the entire year by developing a comprehensive response system encompassing terminals, networks, and servers through Korea's first IT/Network Integration Cyber Security Center.

Security Assessment for Readiness of Ministry of Science, ICT and Future Planning, 2017

2 years in row AAA+ Rating

· Information Security Readiness Assessment

· Information Security Management System

· Information Security Readiness Evaluation AAA (P)

· ISO 27001 Information Security Management

· Cloud Security Assuranc

Information Protection Measure		Unit	2015	2016	2017
Training for Personal Information Protection[1]	Number of employees who took compulsory training in the first half	Persons	23,098	23,295	22,981
	Number of employees who took compulsory training in the second half	Persons	22,890	22,825	23,170
	Ratios of employees who took compulsory training for information protection	%	100	100	100
Review of Personal Information Protection Measure[2]	Number of service review	Cases	177	186	316
	A rate of review of all services	%	100	100	100
	Identification of security improvement	Cases	171	230	280
	A ratio of security improvement for mitigation measure	%	100	100	100
	– Number of short–term mitigation measure	Cases	163	199	242
	– Number of long–term mitigation measure	Cases	8	31	38
Customer Information Protection of Distribution Network[3]	Number of full inspection for branch	Sites	4,566	3,904	3,037
	A ratio of full inspection for branch	%	100	100	100
	Number of full inspection for branch for treating other customer information	Sites	665	667	477
	A rate of full inspection for branch for treating additional customer information	%	100	100	100

[1] Implementing compulsory training twice a year (excluding leave of absence, dispatched, executive officers' drivers)

[2] Implementing security review at least once a year for customer information processing system

[3] Implementing inspection for all channels of distribution network at least quarterly basis (branch : fixed line/mobile/corporate client, branch for treating other customer information : supplier for mobile phone service, AS, customer center)

· Personal Information Policy Poster for External

Customer Information Protection Service

KT provides various services designed to protect customers from different types of SMishing and other malicious codes and to prevent the possibility of information leakage from lost smartphones. We also run a separate channel dedicated to information protection to respond quickly to personal information–related inquiries.

Corporate Culture of Customer Privacy

Aiming to anticipate and prevent security threats that are becoming more sophisticated and intelligent, KT strives to create a corporate culture in which our employees, group companies, and partners voluntarily participate in information protection activities. Every year, all employees pledge to protect personal information and receive privacy protection education. Moreover, we share how to safeguard privacy through posters and PC wallpapers on information security and operate in–house security reporting centers and clean offices.

Use of Customer Information

Under the customer information–related legislations, KT notifies all subscribers of personal information collected, a purpose of collection, and period of retention, and collects such information by prior consent. The collected personal information is never used for purposes other than those agreed to and is provided to third parties only by the corresponding customer's prior consent, which is optional. When government agencies request data under Telecommunications Business Act (Para. 6 of Article 93) and Electronic Communications Privacy Act (Article 2 and 13), KT willingly provides the relevant data and reports statistical data on such provision to the Ministry of Science, ICT, & Future Planning.

Government requests for customer information		Unit	Communication data	Communication verfication data
Government request	Number of requests from government	Cases	328,667	102,789
Confirmation	No. of confirmation of customer information provided	Cases	328,667	102,789
	Ratios of confirmation of customer information provided	%	100	100

[1] Communications Data: According to the Telecommunications Business Act, the law enforcement or information investigation agency from the government may request customers' information (subscriber's information; phone number, ID and so forth) with an allowance from prosecutors, government officer level 4 or higher or Senior Superintendent.

[2] Communications Verification Data: With the permission from the court, investigation agency may request the information including connection with the subscriber and the scope of the data according to the Communications Secrets Act. (the other party's phone number, log record, and IP address)

Data collection for secondary purposes		Unit	2015	2016	2017
Customer overview	Percent of customers who select the opt–in option.	%	100	100	100
	Percent of users' customer data used for secondary purposes	%	0	0	0
Review	No. of review for an organization for customer data used	Cases	5,231	4,571	3,514
	Percent of review for an organization for customer data used	%	100	100	100

[1] Disapprove processing of personal information without pre-agreement. Every personal information is controlled by opt-in for KT service.

Brand Value Creation   UN SDGs - 9

KT Brand

Under the new brand slogan of "People. Technology" unveiled in March 2017, we defined a 'warm and innovative IT company that cares people' as our new brand identity. We emphasized that the convenience of Koreans and the satisfaction of customers are the two keys to evolving from communication—oriented business to innovative future business. Our new slogan "People, Technology" is applied to KT's all activities including business activities, corporate culture, development of products/services, and communication with customers.

· Brand Slogan

Communication with Customers

In 2017, we won the hearts of customers through the ads for 5G leadership enhancement and innovative technology. The ad "Technology coming in," for example, described the changing life of customers with innovative technology, appealing to customers. Furthermore, we have built up digital contents to better communicate with customers in the social media world by operating a digital video studio (D—Atelier). At the Pyeongchang Olympic Games, we continuously promoted the world's first 5G test service launched by KT, through all—round IMC including advertisement, digital, experience, and design. Along with the successful launch of our 5G service at the event on February 20, we let the entire world including Korea know the fact that KT's 5G is Korea's leading 5G technology.

· 2018 PyeongChang Olymic AD Campaign

· KT New 5G Campaign 'Hi Five'

Campaigns for Engaging 5G Customers

In 2017, KT conducted campaigns to provide customers with opportunities to experience 5G and other innovative technologies that are yet unfamiliar to the general public. To introduce the smartphone battery saving technology C—DRX, we held the 'National Battery SAVE Festival' in 30 regions including Korea's five metropolitan cities, where customers can feel battery consumption. Also, with the launch of the experience marketing platform 'KT 5G Land' we operated experience booths for innovative technologies such as VR, drones, and time slice in Suwon World Cup Stadium (June), Haeundae (August), Jarasum Jazz Festival (September), Army Festival (October), and Pyeongchang Olympics (February 2018). As part of 5G experience marketing, we built KT Wizpark and KT Sonicboom stadiums to provide visitors with opportunities to experience 5G more easily.

· KT 5G Land (Beach in Busan)

2017 Award

AD	Winner of Good Advertisement chosen by people Awards
Social Media	Winner of 7th Korea SNS awards in the telecommunication sector
	Achieving 'Leading Star' in the Korea internet Communication Satisfaction Index in 2017
BM	Ranked in the Korea Brand Hall of Fame in a service sector (wireless telecommunication)
	Korea Brand Power Index (K—BPI) in the internet phone sector
	2017 NBCI (National Brand Competitiveness Index)—ranked 1st in Ultra—high—speed Internet Service and IPTV.

Environmental Management

KT will have long—term sustainability, minimizing negative environmental impact and offering eco—friendly services

KT Environmental Management System   UN SDGs - 7, 13, 14, 15

Strategy and System for Environmental Management

In June 2017, we unveiled the 'KT Environmental Management Policy' to fulfill its environmental responsibilities and utilize eco—friendly ICT as a new growth engine for the company. The policy has enabled us to recognize the major environmental issues that may arise in KT's management activities and value chain and then respond to these issues systematically at the group level. Also, we formed the Carbon Impact 2020 strategy to pursue both improvement of environmental effectiveness and curbing of climate change, by minimizing the environmental impact of KT's business activities and at the same time, maximizing environmental benefits of KT's eco—friendly ICT services. Based on this strategy, KT pursues both environmental protection and economic development with the goal of realizing sustainable humanity..

· KT Environmental Management Policy

Major Environmental Agendas

Climate Change Response	Energy Efficiency	Resource Efficiency	Environment—friendly SCM	Environmental ICT Services
Carbon neutral management	Energy efficiency management	Reinforcement of waste management	Operation of an environmental management system	Smart energy
Carbon footprint / offsets management	Discover the item for energy reduction	Discovery and adoption of waste reducing items	reinforcement of an environmental performance management	Smart business
Education for environment performance and monitoring	Efficiency management for data centers	Reduction of water usage	Evaluation, audits and follow—up measures	Smart transport
Response to environmental regulation and evaluation	Expanding renewable energy	Discovery and adoption of water reducing items	Execution of an environmental education	Smart industry
			Expansion of procurement for environment—friendly products	Smart agriculture

Organization for Environmental Management

KT promotes environmental management at the board level through the Sustainability Management Committee. The Environmental Management Committee, which is a working committee under the Sustainability Management Committee, is comprised of four divisions: Response to Climate Change, Energy & Resource Efficiency, Eco—friendly SCM, and Energy ICT. The subcommittee discusses major issues related to environmental management and implements proper countermeasures. It is held regularly throughout the year, and the meetings of the divisions are held as often as necessary.

· KT Environmental Management Committee

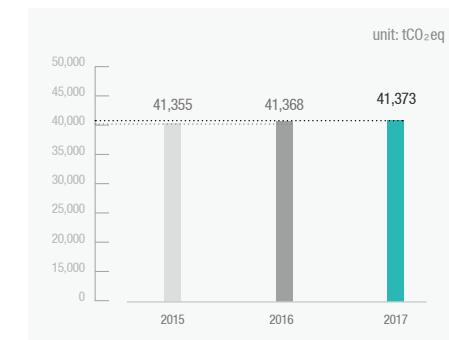· Acquiring ISO 14001 (Smart Energy Business, IDC))

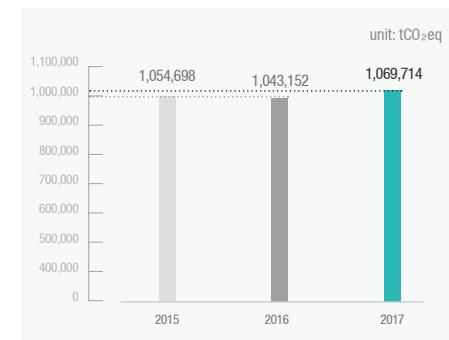· 2017 CDP Carbon Management Honors Club for 5 Consecutive Years

Eco-friendly Management

We strive to minimize the environmental impact of our business activities and internalize eco–friendly management. In 2018, we acquired ISO 14001, the international standard for environmental management systems, in our future core businesses of smart energy and internet data center (IDC) operation. KT's acquisition of ISO 14001 is an indicator of our effective and systematic green management. We will strive to achieve the certification in a greater number of areas and to provide eco–friendly services helpful in customers' everyday life In 2017, KT joined the Carbon Management Honors Club for four consecutive years, the highest–rating group of Carbon Disclosure Project (CDP), which assesses the environmental management level of companies, and also became the first in Korea's telecom industry to enter the Hall of Fame. CDP is one of the most credible indices that assess the climate change response level of major listed companies around the world. In the 2017 evaluation, KT acquired the highest rating, Leadership A, by getting high points in all areas including climate change response strategy, greenhouse gas reduction efforts, greenhouse gas management, and new eco–friendly businesses.

Climate Change Response   UN SDGs - 3, 12, 13, 14, 15

Climate Change Response Strategy

KT's strategies to cope with climate change are established and implemented by the Environmental Management Committee after it considers internal and external risks and opportunities related to climate change. The issues regarded as risks or opportunities of climate change are discussed at the committee from a corporate point of view, to come up with optimal counter– plans. As a national corporation, KT set a target of reducing greenhouse gas emissions 35% by 2030 compared to 2007, to reduce the negative effects of KT on the environment and to contribute to the national GHG reduction targets. To this end, we set the goals for each sector and drew up detailed implementation plans to achieve them.
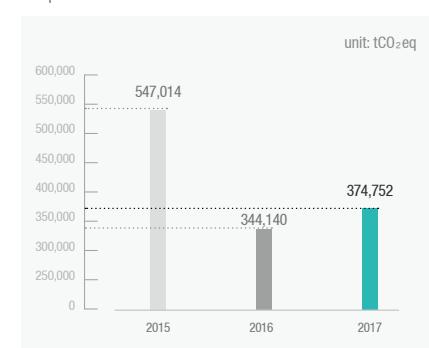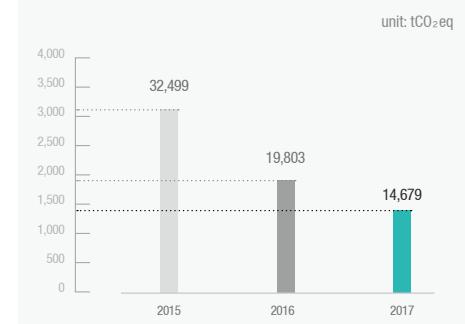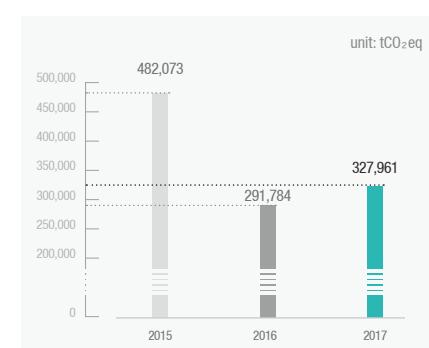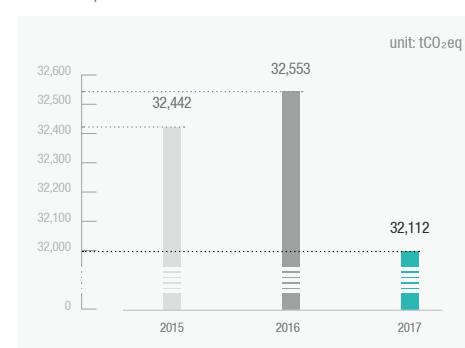
Greenhouse Gas Reduction

As a company subject to the emissions trading system, we manage Scope 1 and two emissions to fulfill our legal obligations and voluntarily manage Scope 3 emissions as well.

For systematic management of GHG emissions from KT, we built a GHG inventory system in 2010 for the first time in the domestic telecom industry. In 2016, we further upgraded the system by linking it with the 'epower' system, which controls the in–house power usage, to better manage our GHG emissions. Also, we have brought our GHG management capabilities to the next level by adding the function to manage Scope 3 emissions to the system.

Direct and Indirect GHG Emission (Scope 1, 2) Scope 1 emissions are attributable to the heating energy from KT buildings and the operation of vehicles for business use, while Scope 2 emissions come from the electricity used by our wired/wireless network equipment and IDC. Total GHG emissions (Scope 1, 2) in 2017 was 1,111,087 tCOeq—a 9% decrease from the emissions in 2007.

Scope I Emissions (unit: tCO$_2$eq)

	2015	2016	2017
	41,355	41,368	41,373

Scope II Emissions (unit: tCO$_2$eq)

	2015	2016	2017
	1,054,698	1,043,152	1,069,714

Indirect GHG Emission (Scope 3) Scope 3 emissions are referred to as emissions generated by KT's different stakeholders, which are divided into three categories for effective management: supply chain, product & service use, and others (business trip, employee commuting, water, waste).

Emissions released by suppliers during the manufacturing process of products to be delivered to KT. The methodology of calculating emissions is based on the WRI's Corporate Value Chain (Scope III) Accounting and Reporting Standard. As of 2017, KT's emissions from the supply chain are 14,679 tCO$_2$eq.

Emissions released by the use of KT's B2C products and services for consumers. The electricity consumed by computers and TVs to use the Internet, IPTV, and other services is included in the calculation. As of 2017, KT's emissions of this category are 327,961 tCO$_2$eq.

Scope III Emissions Breakdown

Category			unit	2015	2016	2017
Emissions from the Supply Chain Management (SCM) Stage	Wire Devices		tCO$_2$eq	106	98	57
	Wireless Devices			1,595	1,294	1,374
	Communications Service–based Facilities			30,798	18,411	13,248
	Total			32,499	19,803	14,679
Emissions from the Service Use Stage	Home Terminals		tCO$_2$eq	32,883	161,009	173,542
	Mobile Terminals			153,673	19,361	16,688
	Internet Terminals			295,517	111,414	137,731
	Total			482,073	291,784	327,961
Other Scope Emissions	Water Use		tCO$_2$eq	918	785	698
	Waste Treatment	Household Waste		686	2,854	2,764
		Recyclable Waste		1,297	830	922
		Construction Waste		847	215	299
	Business Trips	Within Downtown		215	331	371
		Long Distance		714	524	600
		Overseas		4,072	3,215	4,598
	Commuting	By Bus (Local, Express)		747	728	692
		By Subway		59	69	60
		By Private Vehicles		22,397	22,622	20,641
		By Train		24	25	47
		Mixed (Bus & Subway)		464	355	419
	Total		tCO$_2$eq	32,442	32,553	32,112

Emissions released by water used by KT's employees, waste disposal, employee commuting, and business trips. The amount of GHG is calculated based on Guidelines for Low–carbon Green Activities (Ministry of

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Environment), Carbon Footprint Certification (Korea Environmental Industry & Technology Institute), and Life Cycle Inventory Database (LCI DB). As of 2017, KT's emissions of this category are 32,112 tCO$_2$eq.

Scope III Emissions
unit: tCO$_2$eq
- 2015: 547,014
- 2016: 344,140
- 2017: 374,752

Emssions from SCM
unit: tCO$_2$eq
- 2015: 32,499
- 2016: 19,803
- 2017: 14,679

Emissions from Service Use
unit: tCO$_2$eq
- 2015: 482,073
- 2016: 291,784
- 2017: 327,961

Other Scope lll Emission
unit: tCO$_2$eq
- 2015: 32,442
- 2016: 32,553
- 2017: 32,112

Social GHG Emission We have gone a step further in reducing in–house GHG emissions by providing eco–friendly, low–carbon products and services based on innovative ICT technology. Total GHG emissions in social was 1,141,864 tCO$_2$eq through environment–friendly service.

Energy Efficiency Management   UN SDGs - 7, 8, 11, 12, 13

The energy consumed by telecommunications facilities is expected to increase rapidly, due to the surging traffic caused by a growing number of smart devices combined with the exploding IoT devices in the upcoming 5G era. Thus, KT strives to improve energy efficiency by applying high-tech eco-friendly technologies, such as energy-efficient networks, electric cars for business use, and green IDC.

Renewable Energy

After we built a solar power plant on the Gangneung receiving station site in 2011, we have been made more investments in new renewable energy facilities and increased the production of power. In 2017 alone, we produced a total of 2,059.8 MWh of electricity, as generated as around 3.5 times higher than the previous year by expanding the massive scale of PV generation facilities.

· Renewable Energy

2017 KT Solar Power Generation

	Unit	Gangneung	Gwangju	Cheonan CDC	Jangseong	Icheon	Goesan	Others	Total
Power Generation	MWh	526.1	37.2	22.3	341.0	451.6	110.6	571.1	2,059.8
Capacity	kW	423.0	27.0	21.0	254.8	350.5	418	4549.5	6,043.8

· KT-MEG_Center

· Mok-dong·Bundang IDC Green Data Center Certification in 2017

Efficient Energy Usage

The hundreds of thousands of telecommunications equipment we operate nationwide to provide stable services are consuming an enormous amount of electricity, with the amount accounting for more than 80% of the total energy used by KT. For network energy efficiency, KT has continuously introduced various technologies such as optimization of network operation, introduction of outside air, and high–efficiency equipment medium.
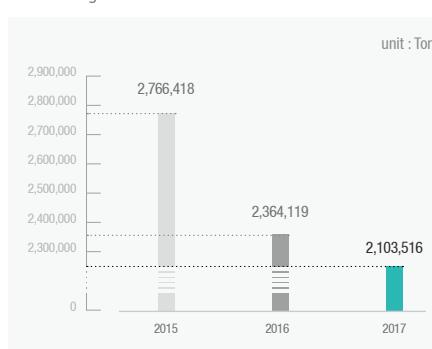
In 2018, we plan to build a system for real–time monitoring of GHG emissions by linking major Korean companies to KT–MEG, KT's integrated energy control platform. Along with this, we will draw up energy–saving plans for each of our office buildings as well as raise awareness of energy conservation among our employees.

Energy Usage
unit: MWh
- 2015: 2,472,342
- 2016: 2,217,900
- 2017: 2,498,960

Renewable Energy Production
unit: KWh
- 2015: 623,832
- 2016: 597,139
- 2017: 2,059,800

Efficient Resource Management   UN SDGs - 8, 11, 12, 13

KT pursues both environmental and economic benefits through efficient use and disposal of resources. By virtue of the advanced waste management system established in 2012 for efficient waste management, the amount of wastes discharged in 2017 decreased by 4% compared to 2016. Also, we are working hard to reduce water consumption by using water saving devices such as auto-flush bidets and recycling wastewater from cable tunnels through water purification systems. The amount of water consumed by KT in 2017 recorded 2,103,516 ton, an 11% decrease compared to 2016.

Waste Generation
unit : Ton
- 2015: 4,883.2
- 2016: 4,761.5
- 2017: 4,578.1
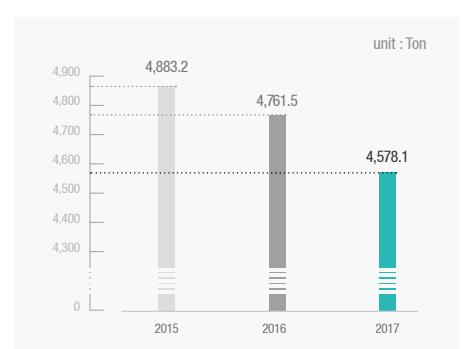
Water Usage
unit : Ton
- 2015: 2,766,418
- 2016: 2,364,119
- 2017: 2,103,516

GiGA People

Materiality Topic

Securing and cultivating of talented people are crucial parts of companies' sustainability. In the past, human resources management focused on recruitment, payment, and education, but now it increasingly values work–life balance, human rights, and corporate culture. In particular, respect for human rights in companies is becoming norms around the world, with diverse movements made to enhance the value of employees. Human rights risks have the potential to inflict damage not only to financial loss but also to brand image and consumer credibility. As such, companies need to approach human rights protection regarding risk management and to improve corporate value through human rights protection.

Approach & Strategy

Talent and human rights–related issues show the attitude of a company towards people. Through GiGA People Strategy, KT implements talent and human rights management. We hire and educate adventurous, challenging people, and strive to cultivate female leaders and secure talented women for greater diversity within the organization. On top of that, we conduct maternity protection activities for each life cycle of women, pursuing employees' work–life balance and ultimately, higher satisfaction with work and life. Since establishing the human rights policy in 2017, we have operated a human rights management system. Every year, we discover potential human rights issues within the business value chain to identify groups highly vulnerable to problems and conduct human rights protection activities. Moreover, we execute monitoring and evaluation from the third party so that we verify these activities objectively.

Long term Target

- 90 points for Employee Satisfaction in 2021
- 100% as Ratio of Human Right Assessment in 2021
- 8.5% Proportion of Female Executives in 2021

2017 Evaluation

81.99 Point	**100** %	**47,533** Hours
Employee Satisfaction Survey	Ratio of Human Right Risk Assessment	Training hour for Human Right

Hae-Bareun Kim(ZAP Group), Ju-Young Lim(Research Business Team)

Talent Management

KT gives the best to obtain active and motivated members and trains them through well-organized talent management

· 2018 KT Group New Emoloyees

2017 KT New Recruitment

501 Persons

2017 KT Employee Turnover Rate

1 %

Securing Excellent Talent   UN SDGs - 4,5,8,10

For continually growing companies like KT, talented employees are as a source of competitiveness. We need talents with an enterprising spirit, who make steady progress towards goals, communicate with and respect customers, and stick to principles.

Description of KT Talent

People who continuously challenge the status quo	Don't yield to hardship and misfortune but continue to challenge the goal and make it to the top level.
	Lead change and innovation and implement differentiated services.
People who communicate without walls	Actively communicate with colleagues and continuously try to grow and develop.
	Mutually cooperate and create synergy for the success of KT.
People who respect customers	Think customer interest and satisfaction first in every job.
	Respect customers and keep a promise to them.
People who stick to basics and rules	Take pride and think that you are the owner of the company in doing your job.
	Act in accordance with ethical judgment and take responsibility for results.

Recruiting Program and Achievements

We have a fair and transparent recruitment system focusing on job competency, to hire talents who will lead the 4th industrial revolution. In 2017, with the goal of expanding our AI-based platform, we recruited a number of talented people in the relevant field: 501 employees, which is 23% up from 2016.

Competency-centered recruitment	KT runs the blind recruitment system 'KT Star Audition' to fairly evaluate job-related experience and aspirations of applicants, excluding academic backgrounds.
Local talent	KT operates a quota system for recruiting more than 20% of new employees from the local area.
Global talent	KT visits leading global universities every year to promote our recruitment and hire global talents.
Early recruitment	Since 2018, we have operated an internship program that allows the initial hiring of talents with proven job competency.

Workforce Diversity and Promotion Policy

To achieve a greater diversity of the workforce, KT has recruitment policies that give preference to vulnerable groups such as veterans and disabled people, which in 2017 led to the new recruitment of 1,157 veterans and 497 handicapped persons. Moreover, we adopted gender-blind recruitment to boost female representation in the workforce, not unveiling the candidate's gender, which is not related to job competence. For hiring new college graduates, we set a quota for women of 30% in 2016 and 35% in 2017. When selecting employees up for promotion, we also focus on performance and competency. Employees

have promoted through two evaluation systems: the mileage-based general preferment applied to all staff and the promotion-based elevations by selection. We offer a due reward to outstanding workers by promoting them based on performance. For irregularities regarding promotions, such as promotions based on fabricated performance, we strictly punish all personnel involved as well as the party concerned.

Performance Evaluation

To retain talents, KT offers preferential treatment to high-performing employees through fair performance evaluation. We have been operating MBO, a goal management system for every individual employee, along with 360-degree feedback. As a result, our staff turnover in 2017 was a mere 1%, which is far lower than 1.95% in 2016 and significantly lower than 2.8%, the average turnover of large enterprises surveyed by the Ministry of Labor.

Employee Satisfaction

To secure and retain talented personnel, KT conducts employee satisfaction surveys on an annual basis. In 2017, we got 81.99 points, a 4.8% increase from the previous year. We aim to create a more satisfactory work environment by identifying the needs of our staff through the annual survey.

Employee Satisfaction

81.99 points

Indicators		Unit	2014	2015	2016	2017
Employee satisfaction			79	74.6	78.2	81.99
Gender	Male	Points				82.7
	Female					77.41

Talent Cultivation and Competency Development   UN SDGs - 4,5,8,10

KT works hard to nurture talented employees: The average training hours per employee are 74.3 hours and increasing every year.

The average training hours per employee

74.3 Hours

Category	Unit	2015	2016	2017
The average training hours per employee	Hours	62	63.5	74.3
The average training costs per employee	KRW 1000	716	718	666

KT Education

KT provides Core Value Education, Leader Training, and Job Specialist Training with the goal of cultivating 'active and motivated members,' 'leaders who lead changes and achievements,' and 'first-class job specialists who are noticable in the market.'

Core Value Education		It is an education intended to help employees to raise self-esteem and sense of unity as a KT member by embedding the four core values. We provide our new and promoted employees with training opportunities to enhance a sense of unity and share the values of KT, along with Work Smart Academy, which is centered on the theme of 'innovation in the way we work.'
Developing Leader Education		Aiming to cultivate next-generation leaders systematically, we have completed the 'Group Leaders Training Track' and provided training sessions for team leaders on a regular basis, taking the initiative in organization management, human resource development, and leadership development. As a way to enhance the specialty and global capability of our employees, we also provide them with opportunities to take MBA or other master's courses at home and abroad.
Developing Expert Education		Through the job capability evaluation to cultivate job experts based on capabilities, KT is operating a customized education program that suggests an appropriate education course according to the evaluation results. Primarily, it contributes to increasing of practical performances by aligning with strategic business directions.

KT Integrated Report 2018

Create the Future Value · · · GiGA Properity · · · GiGA Planet · · · GiGA People · · · Appendix
Talent Management
Human Rights

· Top Rank Workshop

KT No.1 Workshop Financial Performance

KRW 400 billion

Training Leaders for Future Growth

To focus on future growth areas, we strive to cultivate specialists who will lead the 4th industrial revolution. In 2017, we opened the KT AI Academy, which provides job training to improve the capability of developing AI algorithms. In addition, the KT Human Resources Development Center has been hosting the 'Knowledge Concert for the No. 1 Learning Organization,' which invites in-house and external experts on topics such as Internet of Things (IoT), Big Data, and AI, with the aim of enhancing employees' interest in and capability for businesses of the future.

Enhancing Competency of Female Leaders

The ratio of female managers at KT is 14.3% and the rate of female executives is 7.8%. The proportions may not sound high, but because only 17% of our employees are women, those ratios are relatively high. We run diverse programs to foster more female leaders while increasing the proportion of female employees. We also provide a female mentoring program, together with training opportunities at universities only for female project managers. Besides, we encourage female leaders to participate in the business leader training program: In 2017, a total of 13 women (15%) participated in the course.

Communication • Collaboration • Empowerment

Since 2014, we have held the 'No.1 Workshop,' which serves as a tool for communication · collaboration · empowerment as well as a platform for management innovation, contributing to improving KT's innovation capability. During the 1-night and 2-day workshop, the participants, regardless of their position and title, engage in "horizontal" discussions to exchange problem-solving ideas for which decisions are made on the spot, in the belief that prompt problem-solving is a starting point for all changes. Over the past four years, a total of 41,000 employees have participated in the workshop and held discussions on 2,845 issues, which created a financial effect of KRW 400 billion.

Employees' Health Safety   UN SDGs - 3

KT has made efforts to create a safe work environment for our staff. We establish occupational safety and health plans every year, hold 'Safety Check Day' events every month, and undertake four-step safety activities every day. Furthermore, we have selected safety themes in order to protect our employees from serious safety accidents and disasters. We also hold the 'Occupational Safety and Health Competition' every year and reward disaster-free and outstanding workplaces, to settle a safe corporate culture. KT's accident rate in 2017 was 0.12%, up 42% from the previous year. Not a single serious accident has occurred in the last three years.

Health Care Program for Employees

Aiming to create a clean and safe working environment, KT manages lighting, temperature, humidity, and indoor air quality of workplaces, and provides physical fitness and health care programs for our employees. We also run a psychological counseling center for mental health, which provided, in 2017, 1,436 individual consultations, 1,254 team consultations, and 130 in-person consultations, along with 18,786 individuals stress test.

2017 Ministry of Employment and Labor Presentation for Best practice for Safety

Grand Prize

Risk Assessment for Safety Workplace by Korea Occupational Safety & Health Agency

Outstanding Workplaces
The First in telecom in domestic

92 Business Sites

Health and Safety Education

KT provides health and safety education on a regular basis for all employees: Annual occupational safety training for team managers and above; workplace safety training for field supervisors; and risk assessment training for employers. Besides, we regularly conduct CPR practice training designed to cope with emergency situations promptly. For the affiliates and partners residing in our office buildings, we provide practice equipment and joint training programs.

Work and Life Balance   UN SDGs - 3,8,16

9ood Jo6

Since 2018, we have run the "shut-down system" which blocks any access to the intranet after 6 pm with the goal of encouraging employees to leave work on time. While making it mandatory to leave work on time, we have given more flexibility, so that working moms or employees in special occupational groups can decide their working time. We also adopted core hours and discretionary working hours, which allow employees to determine working hours.

Maternity Protection Tailored to the Life Cycle

To help female workers focus on their work, we run diverse care programs tailored to women's life cycles: pregnancy, childbirth, and parenting. The proportion of female workers returning to work after parental leave is as high as 98% at KT. As another indicator of stable job retention, the ratio of women working for more than 12 months after returning to work is also as high as 97%.

· 9ood jo6

· Work Diet Campaign

Ratio of Returning to Work after Parental Leave

98 %

Ratio of Working for 12+ Months after Returning to Work

97 %

Pregnancy Period	Medical costs support and leave for regular checks during pregnancy
	Flexible working hours: at least 4 hours/day, 40 hours/week
	Shorter working hours during pregnancy: 5 hours per day in the first 12 weeks of gestation or the last few weeks of pregnancy (past Week 36)
Childbirth Period	Maternity leave right before and after childbirth and maternity subsidy
	Paid emergency paternity leave (10 days)
Period for raising child	Automatic enrolment in childcare leave: combining of maternity leave with childcare leave possible (The start of childcare leave is triggered automatically if the maternity leave is over)
	Up to 2 years of childcare leave
	No wage/promotion gaps during the entire leave period
Parenting Period	Reducing working hours Day care centers (3 centers in 8 cities), Subsidy for tuition fee

Family-friendly Management

To ensure employees' work-life balance, KT has introduced a "semi-annual leave" system where employees can take their leave of absence up to 10 times a year, and also designated every Wednesday as Family Love Day when employees are encouraged to leave work on time. On top of that, we extended the statutory 90 days of 'family-care leave' to 120 days which, when combined with 'leave at request,' enables employees to have up to one year off.

Employees' Self-realization

As an opportunity to get recharged, we provide high–performance employees who have been in service for more than ten years with a six–month or one–year paid leave for self–development, travel, language study, etc. The time spent on leave is included in the employee's length of service, with no disadvantages to the wage and benefits.

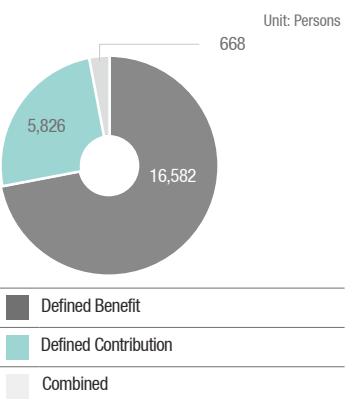## Labor-Management Relations of Mutual Growth   UN SDGs - 8,10

In pursuant to Article 5 of the Trade Union and Labor Relations Adjustment Act and Article 3 of the Collective Agreement, KT guarantees employees' rights to join and form unions or other representative organizations. Under the Collective Agreement, we have adopted a "union shop" system whereby all employees must become union members upon employment. As a result, 100% of our workers are protected by collective bargaining and, as of December 2017, KT's union membership rate was 78.8%. In 2017, a total of 40 labor-management meetings were held, including labor-management council and labor-management coexistence council, to discuss ways to inspire our employees and improve welfare for them.

Coporate Culture of Communication

KT operates various grievance channels. We have set up the Grievance Settlement Board consisting of labor and management representatives in 252 field offices while running the complaint receiving website 'KT119.' Moreover, we have the Labor–Management Coexistence Center jointly run by the labor and management, designed to not only receive employees' grievances but also find solutions. The center provides a variety of channels, such as phone calls, e–mails, text messages, and bulletin boards, to make it easy to file complaints regardless of time and place. In April 2017 we started to receive grievances and inquiries from retirees, and since 2018 we have been addressing long–term unsettled complaints by visiting the sites.

Retirement Preparation Program

By operating our own 'KT Life Plan,' we are assisting employees to adapt to the social environment rapidly changing as well as to prepare for their second half of life after the retirement. It is composed of programs to support professional start–up, job placement & return to farming village and achievement of professional certifications while providing a 1 to 1 consultation service for starting a business.

Retirement Pension System

KT introduced a retirement pension system in 2011 to guarantee our employees' stable life after retirement. Besides the company–paid retirement benefits, we provide payroll deduction for individual retirement pension plans. As of the end of December 2017, an average of retirement benefits for the fixed–benefit type (Type DB) subscribers was KRW 74.67 million and an average of one year's retirement benefits for fixed–contribution type (Type DC) subscribers was KRW 5.94 million.

· KT Life Plan Homepage

Benefitting Employees of Pension Plans

Unit: Persons

668

5,826

16,582

- Defined Benefit
- Defined Contribution
- Combined

Human Rights

KT implements human rights principles and manages issues related to contemporary human rights

Human Rights Policy and System   UN SDGs - 5, 8, 16

Human Rights Policy

As a responsible global telecommunication company, KT officially supports global standards regarding human rights and labor, including UN Universal Declaration of Human Rights, ILO Tripartite Convention, OECD Guidelines for Multinational Enterprises, and UN Corporate and Human Rights Code of Conduct. In June 2017, we announced the KT Human Rights Policy designed to protect and promote human rights. Based on fundamental human rights, labor rights, and promotion of human rights, the Policy aims to identify all the possible human rights violations and eliminate the negative effects that may occur to the stakeholders in our entire value chain. We believe that it will ultimately improve the work environment of our employees and the lives of our customers, contributing to achieving a sustainable world.

Human Rights Management System

We have developed our human rights management process based on the UN Guiding Principles on Business and Human Rights. Each year, we proactively identify potential human rights issues that may arise within the business and value chain, in order to identify vulnerable groups and resolve human rights issues. We also make efforts to supplement the system through internal and external monitoring.

KT Human Rights Policy
KT 인권 정책

kt

· KT Human Rights Policy

Human Rights Issue Identification   UN SDGs - 5, 8, 16

Identification of Potential Human Rights Issues

With the aim of identifying potential human rights issues, we established KT's Assessment Framework for Exposure to Human Rights Risks in 2013, as a way to annually evaluate the exposure to human rights risks of employees and all stakeholders within the value chain. The framework consists of policy declaration, policy implementation, and human rights remedies: Policy declaration evaluates human rights policies, levels of human rights education, and knowledge dissemination to partner companies; policy implementation evaluates human rights risks in the supply chain, business, and service; and human rights remedies

examine the reporting system, reporting process, and remediation process. Based on this framework, we identify potential human rights risks posed to each stakeholder.

	Business risk	Supply chain ESG risk	Product and service risk
Category	KT / Group	supply chain and suppliers	customers
Contents	Human dignity, improving equality and discrimination, fairness, labour standards compliance, health and safety	human dignity, prohibit child labour	personal information protection,narrowing the gap of digital access

Identification of Human Rights Vulnerable Groups

In 2017, we designated customer center workers, children in disputed mining areas, disabled people, senior citizens; and children as the first vulnerable groups that need human rights protection. Meanwhile, pregnant women, disabled workers, and employees in a computer–networking field were selected as second vulnerable groups.

Potential human rights issue	Vulnerable groups	Object	Ratio	Identifying ratio	Action ratio	Details of action
Human rights violations	employees, children	total sales, total procurement	100%	0.89%	100%	establishment and disclose KT policy for human rights risk mitigation through evaluation business risk
human rights in supply chain/labour/safety	suppliers, contract jobs employees	all suppliers (400)	100%	3.0%	100%	corrective measures 6, complete trading
human rights violations in overseas projects	local community	entire overseas projects (18)	100%	44.4%	100%	risk mitigation measures

Human Right Assessment for Corporate–wide

Human Right Assessment for Suppliers

Human Right Assessment for Business Activity

· Healing Program

· Yoga and Healing Program

· Healing Room

Human Right Protection Activities   UN SDGs - 5, 8, 16

Test Operation of Artificial Intelligence Call Center

Customer center employees are exposed to human rights violations, suffering from insults by customers such as abusive language and sexual harassment. We are now piloting the AI call center developed by applying the machine–learning algorithm 'deep learning.' The AI technology recognizes when a customer is abusive and automatically connects the problem customer to a counselor specialized in handling abusive customers, or automatically translates the voice into letters to lessen the stress caused by it.

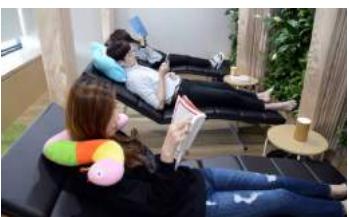### Healing Program for "Emotional Labor" Workers

KT operates programs for our call center employees to protect their rights and relieve them of stress. We provide expert counseling service through an external center for psychological therapy (Haearim), and in–house psychological counseling, with group counseling, art counseling, and visiting counseling, which were participated by 3,530 IS workers and 670 CS workers at KT in 2017. To prevent employees from getting a musculoskeletal disease and relieve them of stress, we have placed visually impaired masseurs "Healthkeepers" at all customer centers and operates "Healing Room," space where employees can relax through sleeping and aromatherapy.

· Olleh TV kids Mode

Protecting children against harmful contents

KT has a responsibility to protect children against harmful contents because it provides kids contents via Olleh TV and kids phone service. We protect them, along with 'Kids Mode' in the Kids–only UI and 'Kid Safe' app.

Bridging the Digital Divide

KT endeavors to ensure that digitally vulnerable groups including disabled people and senior citizens can use all the web and mobile services provided by KT without any professional knowledge, by designing and developing web and mobile app UI/UX according to the relevant government guidelines and by performing an accessibility verification process 0 times a year, which consists of 37 items to evaluate recognizability, manageability, understandability, and solidity. To fulfill our responsibility to protect children from harmful contents, we offer contents for kids through Olleh TV and have launched Kids Watch Phone and Kids Phone, along with 'Kids Mode' in the Kids–only UI and 'Olleh Kidsafe' app.

Other Protection Measure for Human Right

Human Rights Initiatives	Vulnerable Groups	Potential human rights issues	Details	Achievements in 2017
Counseling service for employees	Employees	Human rights violations	Counseling for stress and trouble caused by work	1,436 individual counseling, 1,254 team counseling, 130 visiting counseling
Healing program for "emotional labor" workers	Employees of customer center	Fundamental rights violations	Prevention of human rights violations against "emotional labor" workers at customer service, such as verbal abuse and sexual harassment	Stress tests, group counseling
Review of information protection measures	General	Personal information protection	Protection of personal information & privacy	Mandatory education on personal information for employees, a total of 280 corrective measures
Risk assessment before product launch	General	Violations by products/services	Prevention of potential human rights violations by products/services/	128 cases of risk assessments prior to product/service launch
Management of harmful contents	Children	Harmful contents	Protection of children from harmful contents	Provision of "Kids mode" as a UI for children

Human Right Evaluation and Education   UN SDGs - 5, 8, 16

Monitoring and Evaluation

We have a department responsible for continually monitoring human rights–related achievements at KT. Our human rights–related activities also go through verification by an independent organization once a year. Besides, major human rights issues are reported to the Sustainability Management Committee from a company–wide standpoint.

Human Rights Education

All employees at KT are obliged to receive human rights education. In 2017, we provided a total of 47,553 hours of human rights education twice a year, each in the first and second half. The education programs deal with sexual harassment prevention and information security.

Appendix

Major Financial Indicators

Financial Performance

	Unit	2013	2014	2015	2016	2017
Consolidated Financial Statement						
Current Assets	KRW million	9,968,449	8,750,934	8,583,176	9,643,306	9,522,130
Non–current Assets	KRW million	24,878,084	25,024,568	20,758,009	20,944,427	20,058,498
Total Assets	KRW million	34,846,533	33,775,502	29,341,185	30,587,733	29,580,628
Current Liabilities	KRW million	11,187,738	9,992,244	8,639,906	9,466,147	9,458,104
Non–current Liabilities	KRW million	10,793,885	11,992,970	8,535,814	8,326,807	7,046,148
Total Liabilities	KRW million	21,981,623	21,985,214	17,175,720	17,792,954	16,504,252
Capital	KRW million	1,564,499	1,564,499	1,564,499	1,564,499	1,564,499
Premium on Common Stock	KRW million	1,440,258	1,440,258	1,440,258	1,440,258	1,440,258
Retained Earnings	KRW million	10,046,883	8,571,130	9,059,305	9,656,544	9,854,172
Accumulated Other Comprehensive Income	KRW million	24,538	25,790	13,870	−1,432	30,985
Other Capital Component	KRW million	−1,320,943	−1,260,709	−1,232,863	−1,217,934	−1,205,302
Non–controlling Interests	KRW million	1,109,675	1,449,320	1,320,396	1,352,844	1,391,764
Total Equities	KRW million	12,864,910	11,790,288	12,165,465	12,794,779	13,076,376
Total Liabilities and Equities	KRW million	34,846,533	33,775,502	29,341,185	30,587,733	29,580,628
Consolidated Income Statement						
Operating Revenue	KRW million	23,810,599	22,311,666	22,281,221	22,743,665	23,387,267
Operating Expenses	KRW million	22,971,256	22,718,256	20,988,277	21,303,686	1,375,286
Operating Profit	KRW million	839,343	−406,590	1,292,944	1,439,979	1,375,286
Shares for New Profits and Loss by Related Companies and Joint Ventures	KRW million	6,601	18,697	6,143	2,599	−13,892
Income Before Taxes	KRW million	−5,258	−1,328,558	719,452	1,127,028	837,030
Income Taxes	KRW million	54,993	−275,982	229,239	329,184	275,504
Net Profit from Continuing Operations	KRW million	−60,251	−1,052,576	490,213	797,844	561,526
Operating Profit (Loss) from Discontinued Operations	KRW million	–	86,400	141,075	–	–
Net Profit	KRW million	−60,251	−966,176	631,288	797,844	561,526

Composition of Shareholders

As of 31 December 2017

	No. of Shares	Equity Ownership (%)
Treasury Stock	16,014,753	6.13
Foreign Investors	126,646,754	48.5
National Pension Fund	28,555,130	10.94
Employee Stockholders	1,298,579	0.5
Other Entities & Individual Investors (domestic)	88,596,592	33.93
Total Number of Shares Issued	261,111,808	100

Other Performances

Status of KT Employees

		Unit	Total	Male	Female	Ratio of Female
Total employees			23,909	19,843	4,066	17.01%
Total managers			18,225	15,613	2,612	14.33%
By position	Junior managers		17,826	15,245	2,581	14.48%
	Senior managers	Person	399	368	31	7.77%
	Business department		3,234	2,732	502	15.52%
By department	Work–site department		13,998	12,108	1,890	13.50%
	Supporting department		993	773	220	22.16%

New Recruitment

As of 31 December 2017

	Unit	2015	2016	2017
New employee		277	332	418
Career employee	Person	33	74	83

Employee Health Wellness Program

Mental health	Regular stress tests	Regular stress tests sent via e–mail to all employees,together with stress–related information
	Provision of stress diagnosis report	Diagnosticreport onregular stress test results, objective information on stress levels and mental health levels
	Professional Stress Consultation	Professional consultation for employees categorized as high–stress group or very high–stress group by stress tests
Working environment	Ergonomic office equipment	Replacement of existing office equipment with ergonomical chairs and desks to relieve physical stress resulting from long–time work
	Smart lighting control system	Lighting control system to optimize brightness level to improve work efficiency and workers' comfort in an office
	Air–conditioner replacement for office buildings	Replacement of air–conditioners for effective noise reduction in offices
	Assessment of indoor air quality in offices	Regular assessment of indoor air quality to measure and manage indoor toxic substanceslevels, such as fine dust, Co, Co_2, andformaldehyde.
	Maintaining of ideal indoor humidity & temperature	Regular assessment of indoor humidity and temperature and maintaining of ideal temperature to prevent respiratory diseases
Fitness	Fitness room	Fitness rooms and professional trainers in each office to teach fitness–related programs
Health/nutrition	General medical checkup	General medical examination for all employees and their families, regular provision of health and nutrition information for each season
Flexible working	Flexible working hours	Flexible working system based on the rule of 4 hours/day, 40 hours/week
Childcare support	Childcare centers in offices	Childcare centers in KT offices (A total of 8 centers taking care of 32 children)
	Various childcare benefits	Childbirth encouragement program, company housing for long–distance commuters, shorter working hours during pregnancy, leaves for regular checks during pregnancy
Maternity · childcare leaves	Shortened working hours during pregnancy	Fiveworking hours per day inthe first 12 weeks of pregnancy and the last few weeks of pregnancy (past Week 36)
	Maternity leave	90 days of maternity leave before/after childbirth, 100 days of paidpaternity leave
	Childcare leave	Paid parental leave for a year for a child who is under 8years old
	Automatic enrolment in childcare leave	Combining of maternity leave with childcare leave possible (The start of childcare leave is triggered automatically if the maternity leave is over)

Diversity

As of 31 December 2017

		Unit	Total	Ratio of minority(%)
Total minority			1,763	7.37
Targets	People with handicaps		497	2.08
	Patriots and Veterans	Person	1,157	4.84
	Contract employees		109	0.46

Calculation of KT Integrated Customer Satisfaction

			Unit	FY 2014	FY 2015	FY 2016	FY 2017
Product	National Customer Satisfaction Index	Mobile		72	74	74	75
		High speed Internet		73	74	74	75
		IPTV		72	72	75	76
		Internet phone	Points	72	75	76	76
		Wire phone		74	74	76	77
		International phone call		73	75	75	75
		Average		72.67	74	75	75.67
	Korea Customer Satisfaction Index	Mobile		71.1	71.8	75.5	77.9
		High speed Internet		74.7	73.8	77.1	79.7
		IPTV		66.5	66.3	70	72.5
		Internet phone	Points	71.5	73.1	76.6	77
		Wire phone		81	76.8	79	81.8
		International phone call		74.4	73.5	75.3	76.1
		Average		73.2	72.55	75.58	77.5
	Average		Points	72.93	73.28	75.29	76.58
Service	Korea Service Quality Index	Wireless call–center		91	92	93	95
		Wire call–center		87	91	94	93
		Store		92	93	94	94
		Average	Points	90	92	93.67	94
	Korean Standard Contact Service Quality	Wireless		74.5	81.7	87.7	87.2
		Wire		77.2	82.1	84.9	85
		Average		75.85	81.9	86.3	86.1
	Average		Points	82.93	86.95	89.98	90.05
Integrated Customer Satisfaction Index*			Points	77.93	80.11	82.64	83.32

* Integrated Customer Satisfaction Index was derived from two each indicators of product and services among various satisfaction index

Customer Information Infringement

	Unit	2015	2016	2017
Complaints received from outside parties and substantiated		0	0	0
Complaints from regulatory bodies	Cases	0	0	0
Identified leaks, thefts, or losses of customer data		0	0	0

Social Contribution Expense

	Unit	Cash contributions	Time	In-kind giving	Management overheads	Total
Charitable donations		8,619,701,390	1,357,634,113	973,754,018	0	10,951,089,521
Community investments	KRW won	7,604,490,000	3,209,782,222	15,671,722,956	1,325,513,207	27,811,508,385
Commercial initiatives		6,000,000,000	0	10,225,763,854	0	16,225,763,854
Total	KRW won	22,224,191,390	4,567,416,335	26,871,240,828	1,325,513,207	54,988,361,760

Policy Support Expense

		Unit	2014	2015	2016	2017
Political donation			0	0	0	0
Policy support expense	Industry cultivation	KRW million	920	8,236	8,661	5,850
	Support for International Organization		50	15	245	170
	Membership fee or support for academic		142	314	325	90
	Membership fee or support for association		358	387	44	145
	Total	KRW million	1,470	8,952	9,275	6,255

*(unit : KRW million) 1. Gyeonggi Center for Creative Economy & Innovation 3,000(47.96%), 2. Incheon Center for Creative Economy & Innovation ; 1,950 (31.18%), 3. The Large, Small and Medium Business Agricultural Cooperative Federation : 900 (13.39%) 4. UNGC Network Korea : 140 (2.24%), 5. Union Internationale des Telecomunicadtions : 58 (0.92%) 6. Korea Socially Responsible Investment Forum : 30 (0.48%), 7. The Korean Society for Journalism & Communication Studies : 20 (0.32%)

Global Corporate Tax Information

Area	Major Business	Unit	Revenue	Operating Income	Corporate Tax
Asia	Globalpass, IDC, ucloud, Wi–Fi. Mobile Contents, SI, Global Data Service, Telecom facility managed service etc		1,917,239,146	316,094	7,052,932
Europe	Internet Access		23,842,004	604,827	225,681
Africa	LTE, Fiber Connectivity,Infra Rental , IDC, SI	USD	20,776,072	− 18,697,890	0
North America	Global Node, Data/ICT ,Solution, Prepaid Card		5,997,825	182,922	109,109
South America	–		0	0	0
Australia	–		0	0	0
Total		USD	1,967,855,046	− 17,594,047	7,387,722

Supply Chain Spend Analysis

Supplier Category		No. of Suppliers	Share of Supplier composition	Share of total procurement spent	No. of Critical suppliers
Tier 1 Supplier	Electronic Equipment	133	33.25%	81.78%	21
	Construction Contractors	267	66.75%	18.22%	26
Non–tier 1 suppliers		0	0.00%	0.00%	0
Total		400	100%	100%	47

Result of SCM ESG Evaluation

Supplier Category	Assessment Indicators	No. of Assessment Indicators	2015	2016	2017
Electronic Equipment	Economic, Social, Environment, and Product	40	81.3	84.3	85.8
Construction Contractors	Economic, Social, Environment, and Construction	32	96.0	95.7	97.7
Average		36	91.9	92.4	94.0

Identification of Supply Chain Risk

Risk Category		Risk Level	Risk Evaluation		Risk Response	
			Scope of Assessment	Risk Identified	Corrective Action	Termination of Contract
Economic	Worsening finance structure such as credit rating etc.	Medium–high	400 (100%)	6 (1.50%)	1	5
	Unethical behavior and collusion	High	400 (100%)	4 (1.00%)	4	0
Environment	Environmental incident during construction	Medium–high	400 (100%)	1 (0.25%)	1	0
	Breach of environmental law	High	400 (100%)	0	0	0
Society	Conflict or Litigation	Medium–high	400 (100%)	1 (0.25%)	0	1
	Breach of labor or safety related law	High	400 (100%)	0	0	0
Total			400 (100%)	12 (3.0%)	6 (50.0%)	6 (50.0%)

Satisfaction of Employees

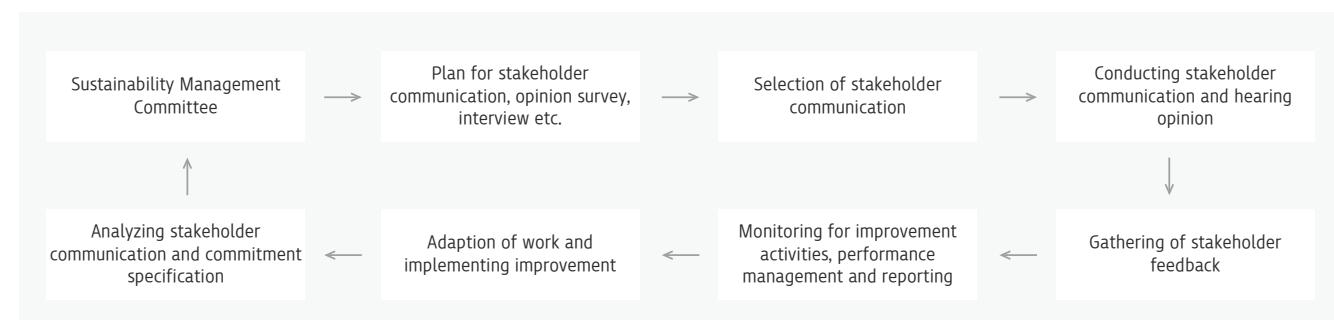| Category	Unit						
Average		81.99					
Gender		Male	Female				
		82.7	77.41				
Department	Points (out of 100)	Business Division	Supporting Division	Operation Division			
		80.04	80.31	82.62			
Position		Employee	Assistant Manager	Manager	Deputy General Manager	General Manager	Level Higher than Directors
		78.25	76.93	81.83	82.8	85.74	89.06

Stakeholder Engagement

We listen to stakeholders' opinions and reflect them in our management activities. Furthermore, in order to facilitate stakeholders' engagement and achieve our mid– to long–term vision, we identify stakeholders' expectations and requirements and reflect them in business management by defining the eight major stakeholder groups based on our stakeholder engagement process and establishing communication channels for each group.

Stakeholder Communication Channel

Customer

Areas of interest	Major communication channels
•Service quality •Customers' health and safety •VOC (Voice of Customers)	·Operation of offline customer survey (periodic surveys of 3 times a year, non–periodic surveys of 4~5 times a year) ·Operation of periodic online customer surveys (twice a year) ·Operation of a team of undergraduates engaging in hands–on experience of goods (in operation for 8 months a year) ·Household panels ·Operation of a team of customers for product verification (throughout the year)

Academic Experts and Scholars

Areas of interest	Major communication channels
•ICT technology development •Cooperation between universities and businesses •Open innovation	·Operation of KT Digieco (at all times) ·Operation of 'DigiEco,' an ICT research site (at all times) ·Joint research with universities/research institutes ·Operation of PR Hall, 'Future On' (at all times) ·Operation of GCCEI, Gyeonggi Center for Creative Economy & Innovation (at all times)

Cooperating Companies

Areas of interest	Major communication channels
•Shared growth •Invigoration of ICT–related ecological system	·Partner's Day (annually) ·KT Partners Consultation Meeting (half–yearly) ·Supply Chain Management (SCM) consultative group by items (monthly/quarterly) ·Equipment quality consultations (quarterly)

Employees

Areas of interest	Major communication channels
•Maintaining balance between work and family •Human resources development •Career management	·Labor–management consultation meetings (quarterly) ·Local labor–management consultations, win–win labor–management consultations ·Complaint registration committees (252 committees) ·Management information sessions (monthly) ·KT119 Win–Win Labor–Management Collaboration Center (Online)

Shareholders/investors

Areas of interest	Major communication channels
•Management strategy for growth in sales/profits •Regulatory and competitive environment •The return to shareholders policy	·General Meeting of Shareholders (annually) ·Management information sessions with the CEO (annually) ·Announcement of performance results (quarterly public announcement, conference call) ·IR news (once or twice a month) ·Domestic/overseas corporate information sessions (NDR, frequently) ·Operation of IR homepage

Government / Media

Areas of interest	Major communication channels
•Observance of laws •Active participation in government policies •Disclosure of information through mass media	·Press release (frequently) ·Informal meetings with journalists and public hearings (frequently) ·Operation of online public relations channels

Local Community

Areas of interest	Major communication channels
•Invigoration of local economy •Communications welfare •Social contribution	·Informal meetings, questionnaire–based surveys, SNS, homepage ·Provision of support for local centers for children (by KT's Kkumpum Center) ·IT education (frequently)

Workers in environmental sectors

Areas of interest	Major communication channels
•Environment conservation •Development of environment–friendly services	·Environmental Management Committee (frequently) ·Verification of greenhouse gas emission (twice a year, scope 1, 2, 3)

Stakeholder Engagement Process

Sustainability Management Committee	Plan for stakeholder communication, opinion survey, interview etc.	Selection of stakeholder communication	Conducting stakeholder communication and hearing opinion
Analyzing stakeholder communication and commitment specification	Adaption of work and implementing improvement	Monitoring for improvement activities, performance management and reporting	Gathering of stakeholder feedback

" Although the living environment of senior citizens who live alone in the area was susceptible to fires, lack of budget hindered efforts to support them. However, thanks to the support from KT GiGA Island, we finally will be able to make a great contribution to fire prevention this winter. We ask for continued support to install fire prevention equipment in the homes of residents who live alone on Imja Island. " **Imja-myeon Community Meeting**

" With a rapidly aging population, Imja-myeon had a lot of trouble in expanding farmland and improving productivity. Thus, KT donated agricultural forklifts, necessary equipment to farm in mountainous areas, expecting a rise in the income of the village. " **Cheonghak-dong Community Meeting**

" We suggested improvements to the Facebook page to make the contents more appealing to twentysomethings, and our suggestions were reflected. It shows that KT also listens to a voice of young people. " **Mobile Futurist (MF) Idea Group**

" Due to the shrinking investment by telecom companies, their suppliers are suffering a rapid decline in sales. Against this backdrop, it is required to secure unit price competitiveness through applying new technologies and restructuring. We need to find ways to simplify the process, while maintaining the quality specified in the technical requirements. " **Visiting Consultation with Suppliers**

" Large-scale orders with tight deadlines bring about overtime work and resulting wage increases. For efficient management of human resources, we ask earnestly to extend deadlines for some items and notify the order quantity in advance through the SCM consultation body. " **Visiting Consultation with Suppliers**

Gathering of 2017 Key Opinions

We hold a variety of meetings with a view to finding out expectations of stakeholders in each field and reflecting them in management activities. Through the regular GiGA Story public–private exchange meetings, we listen to the complaints and difficulties of the local community and reflect them in our projects. We also hold meetings with customers to listen to their opinions on KT and our products and services. In 2017, we also held a total of 8 invitation and 24 visiting "mutual–growth meetings," along with 18 working–level meetings to seek ways for mutual growth by listening to the voice of our partners.

Integrated Value Creation

Integrated Value Analysis

As a global ICT company, KT endeavors to advance the sustainable future of humankind not only by creating economic value through business activities but also by expanding social and environmental values. As part of these efforts, we quantified the social and environmental values created by KT, based on the global value model 'True Value' of KPMG and the 'Natural/Social Capital Protocol' of the World Business Council for Sustainable Development (WBCSD) in order to review the efforts we made, and seek ways to step forward. To this end, we examined the social and environmental impacts that our business activities made in 2017, and translated the values of each effect into monetary values by studying internationally accepted methodologies. Among the values, positive figures (+) represent that KT created a positive social and environmental impact and negative figures (–) signify a negative impact. Currently, numerous global research agencies around the world are working hard at an accurate measurement of the impact of sustainable management activities. KT will also contribute to systematizing and developing the integrated value creation field by effectively measuring the social and environmental effects of the ICT industry and the resulting integrated values. The financial value generated by KT in 2017 reached about KRW 1.37 trillion, and the integrated value that includes social and environmental values recorded about KRW 2.15 trillion—an amount that accounts for approximately 56.7% of the financial value. This research was performed in cooperation with an external sustainability consulting agency to achieve reliability.

2017 KT Integrated Value Creation
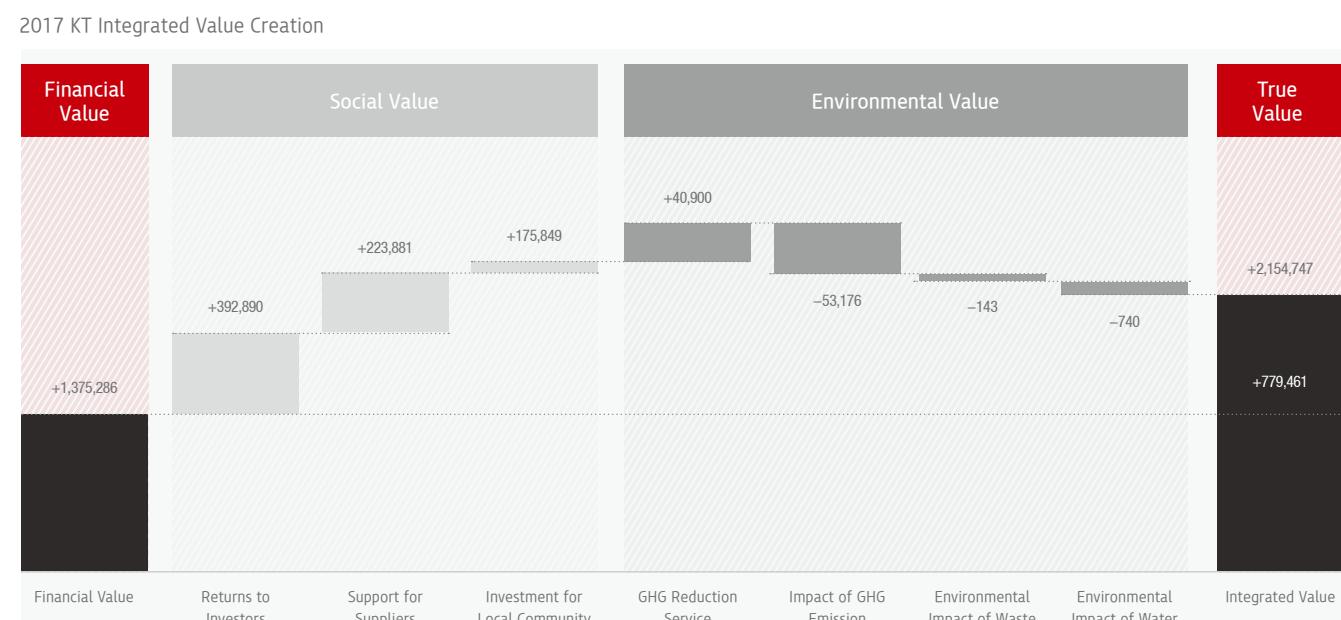
Integrated Impact Analysis

In 2017, KT made a positive impact on stakeholders such as investors, suppliers, and local communities, contributing to generating social value. As part of the return on investment, we paid dividends and interest to creditors. For partners, we provided direct and indirect funding, operated a mutual growth fund, and provided R&D infrastructure for free, together with patents and technologies. Furthermore, we built local industrial infrastructure as part of an investment in local communities, continued ICT–based activities to bridge educational gaps, and provided vulnerable classes with rate reduction and locally–tailored medical care services. Meanwhile, GHG emissions and waste discharge from our business activities have caused a negative impact on environmental value. However, we have made significant efforts to offset the negative effects through GHG reduction services to help customers to mitigate emissions effectively and efficiently. Due to the nature of the industry, we cannot help but consume much energy for data transmission and

distribution, during which a large amount of emissions are released. However, we have endeavored to minimize the negative environmental impact as well as to reduce social emissions by providing environmental services, such as smart energy, smart industry, and smart office, to dramatically reduce emissions generated by customers.

2017 KT Integrated Impact Analysis

1) EPA (2016), Technical update of the social cost of carbon for regulatory impact analysis, 2) A. Rabl et al (2009), Environmental impacts and costs of solid waste: a comparison of landfill and incineration, 3) TruCost PLC (2013), Natural capital at risk: the top 100 externalities of business
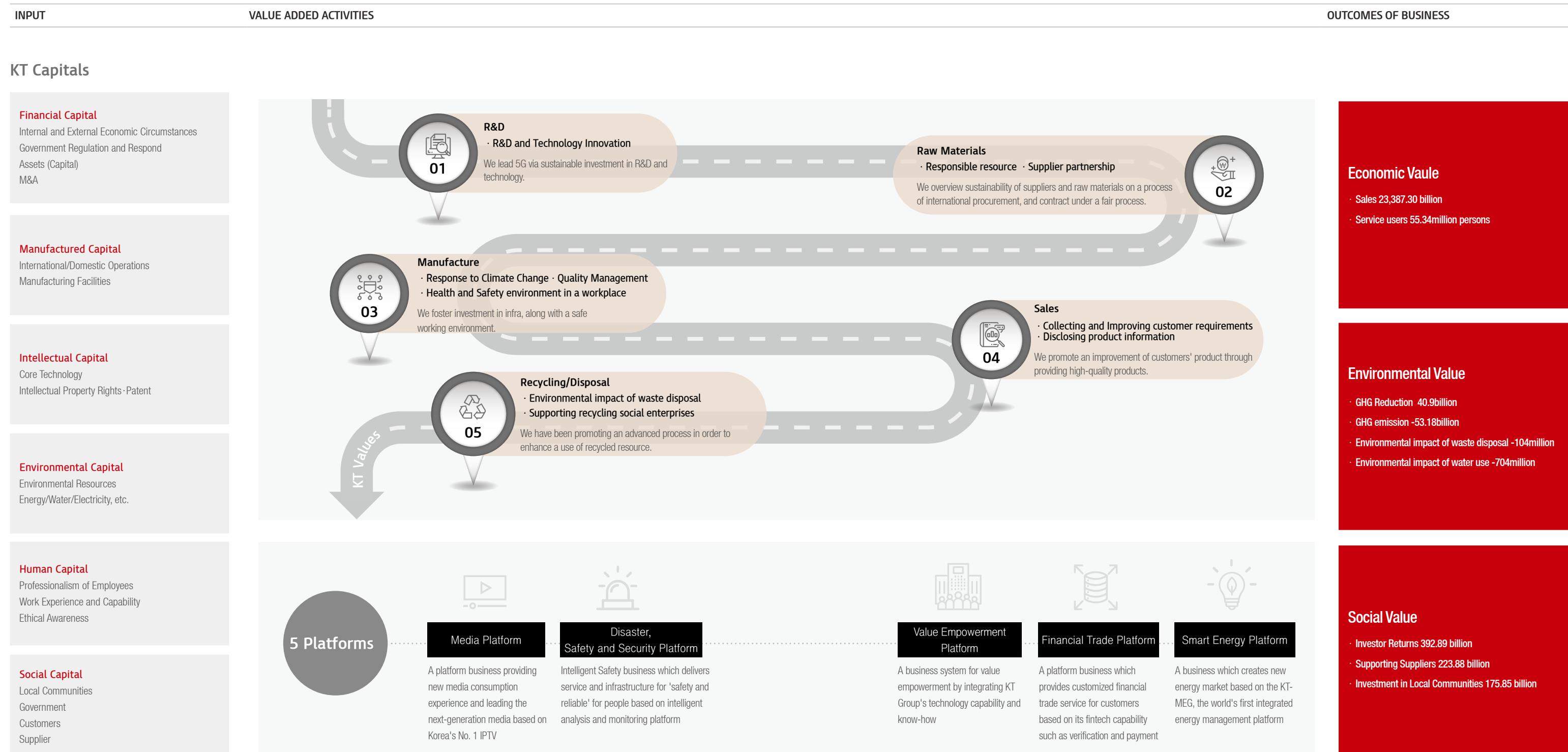
Analysis of Social Impact

Category	Impact	Externality	Description	Social Value (KRW million)
Social 1	Returns to Investors	Dividends	Providing dividends to investors	234,254.00
		Interest cost	Providing interest to creditors	158,636.00
Social 2	Support for suppliers	Support for suppliers' finance	Supporting suppliers' operating funding	34,998.00
		Funds for suppliers	Supporting suppliers' by providing shared growth fund	165,796.00
		Technologies for suppliers	Providing R&D Infra/patent/technologies to suppliers	23,087.35
Social 3	Investment for local community	infrastructure	Building Industrial Infrastructure by local	5,898.00
		Support for training	Activities for mitigating education gaps in ICT based	7,449.56
		Support for telecommunication	Reduction of cost for the underprivileged	158,919.00
		Support for medical / others	Providing customized medical service in local and other support	3,582.74
Total				792,620.65

Analysis of Environmental Impact

Category	Impact	Externality	Description	Environmental Value (KRW million)
Environment 1	GHG reduction service	Smart energy service	Reduction of environmental cost by GHG offset	1,964.73
		Smart ondustry service		31,370.57
		Smart office service		745.35
		Smart transport service		6,785.30
		Production of renewable energy		34.37
Environment 2	GHG emission	Impact of office building	Environmental cost by GHG emission	−765.69
		Network impact		−38,356.29
		Employee impact		−1,791.59
		Supply chain impact		−525.35
		Impact of service use		−11,737.34
Environment 3	Environmental effects of waste	Impact of waste landfill	Environmental cost by waste landfill and incineration	−64.11
		Impact of waste incineration		−79.02
Environment 4	Environmental effects of water	Impact of water consumption	Environmental cost of water consumption	−740.26
Total				−13,159.32

KT Business Model

KT is contributing to sustainable growth in our society based on creating stakeholder's value from R&D and procurement to manufacturing and sales.

| INPUT | VALUE ADDED ACTIVITIES | OUTCOMES OF BUSINESS |

KT Capitals

Financial Capital
Internal and External Economic Circumstances
Government Regulation and Respond
Assets (Capital)
M&A

Manufactured Capital
International/Domestic Operations
Manufacturing Facilities

Intellectual Capital
Core Technology
Intellectual Property Rights·Patent

Environmental Capital
Environmental Resources
Energy/Water/Electricity, etc.

Human Capital
Professionalism of Employees
Work Experience and Capability
Ethical Awareness

Social Capital
Local Communities
Government
Customers
Supplier

01 R&D
· R&D and Technology Innovation
We lead 5G via sustainable investment in R&D and technology.

02 Raw Materials
· Responsible resource · Supplier partnership
We overview sustainability of suppliers and raw materials on a process of international procurement, and contract under a fair process.

03 Manufacture
· Response to Climate Change · Quality Management
· Health and Safety environment in a workplace
We foster investment in infra, along with a safe working environment.

04 Sales
· Collecting and Improving customer requirements
· Disclosing product information
We promote an improvement of customers' product through providing high-quality products.

05 Recycling/Disposal
· Environmental impact of waste disposal
· Supporting recycling social enterprises
We have been promoting an advanced process in order to enhance a use of recycled resource.

KT Values

Economic Vaule
· Sales 23,387.30 billion
· Service users 55.34million persons

Environmental Value
· GHG Reduction 40.9billion
· GHG emission -53.18billion
· Environmental impact of waste disposal -104million
· Environmental impact of water use -704million

Social Value
· Investor Returns 392.89 billion
· Supporting Suppliers 223.88 billion
· Investment in Local Communities 175.85 billion

5 Platforms

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

Disaster, Safety and Security Platform
Intelligent Safety business which delivers service and infrastructure for 'safety and reliable' for people based on intelligent analysis and monitoring platform

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

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

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

Third Party's Assurance Statement

To the Readers of KT Integrated Report 2018

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of KT to verify the contents of its KT Integrated Report 2018 (hereinafter "the Report"). KT is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

KT describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR's assurance team (hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standard indices as below, where professional judgment of the team was exercised as materiality criteria.

▶ GRI Reporting Principles

▶ Universal Standards

▶ Specific Standards

Management approach of Topic Specific Standards
Economic Performance: 201–1, 201–2, 201–3, 201–4
Market Presence: 202–1, 202–2
Indirect Economic Impacts: 203–1, 203–2
Procurement Practices: 204–1
Anti–Corruption: 205–1, 205–2, 205–3
Anti–Competitive Behavior: 206–1
Materials: 301–1, 301–2, 301–3
Energy: 302–1, 302–2, 302–3, 302–4, 302–5
Water: 303–1, 303–2, 303–3
Biodiversity: 304–1, 304–2, 304–3, 304–4
Emissions: 305–1, 305–2, 305–3, 305–4, 305–5, 305–6, 305–7
Effluents and Waste: 306–1, 306–2, 306–3, 306–4, 306–5
Environmental Compliance: 307–1
Supplier Environmental Assessment: 308–1, 308–2
Employment: 401–1, 401–2, 401–3
Labor/Management Relations: 402–1

Occupational Health and Safety: 403–1, 403–2, 403–3, 403–4
Training and Education: 404–1, 404–2, 404–3
Diversity and Equal Opportunity: 405–1, 405–2
Non–Discrimination: 406–1
Freedom of Association and Collective Bargaining: 407–1
Child Labor: 408–1
Forced or Compulsory Labor: 409–1
Security Practices: 410–1
Rights of Indigenous Peoples: 411–1
Human Rights Assessment: 412–1, 412–2, 412–3
Local Communities: 413–1, 413–2
Supplier Social Assessment: 414–1, 414–2
Public Policy: 415–1
Customer Health and Safety: 416–1, 416–2
Marketing and Labeling: 417–1, 417–2, 417–3
Customer Privacy: 418–1
Socioeconomic Compliance: 419–1

This Report excludes a data sand information of joint corporate, contractor etc. which is outside of the organization, i.e. KT, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assur– ance engagement as follows:

▶ Reviewed overall report

▶ Reviewed materiality test process and methodology

▶ Reviewed sustainability management strategies and targets

▶ Reviewed stakeholder engagement activities

▶ Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with KT on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

▶ **Inclusivity** Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
- KT is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder KT left out during this procedure.

▶ **Materiality** Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
- KT is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

▶ **Responsiveness** Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
- The assurance team could not find any evidence that KT's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Comprehensive Option' of GRI standards.

Recommen- dation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

▶ KT makes good use of its integrated report in communications with its stakeholders. Furthermore, we recommend KT to derive strategic informations from the entire sustainability management process through strategization, implementation, monitoring, managing, and improvement. By integrating these informations with KT's KPIs, KT will be able to spread sustainability management internally within the company.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other KT's business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

KMR 한국능률협회인증원의 NEW BRAND 한국경영인증원

AA1000 Licensed Assurance Provider 000-129

E. J Hwang

2018. 6. 4 **CEO Eun Ju Hwang**

GHG Verification Statement

KQA confirms that the verification result of GHG emissions and energy consumption of KT s proper.

Verification Overview
- ► Verification No. : QA–T1803
- ► Company : KT Corporation
- ► Representative : Hwang Chang–Gyu
- ► Business Registration No. : 102–81–42945
- ► Address : 90, Buljeong–ro, Bundang–gu, Seongnam–si, Gyeonggi–do, Republic of Korea

Verification Scope and Applied Regulation
- ► Verification Scope : GHG emissions and energy consumptoin reports (in the year of 2017)
- ► Regulation Applied : The GHG and Energy Target Scheme Guidelines Verification Guidelines for GHG Emissions Trading Scheme

Verification Result
- ► Total GHG Emission : 1,111,087.611 tCO$_2$eq
  - Scope 1 : 41,373.248 tCO$_2$eq
  - Scope 2 : 1,069,714.363 tCO$_2$eq
- ► Energy Consumption : 22,727 TJ

Verification Period   4th April 2018 ~ 30th April 2018

Date of issue   30th April 2018

※ The details regarding the rage of this Verification Statement and requirement of the GHG and Energy target scheme guidelines can be obtained by requesting to the relevant organization

※ KQA Adress : 2Fl., Hojeong Bldg., 49, Manan-ro, Manan-gu, Antang-si, Gyeonggi-do, 140304, Republic of Korea

GRI Standards Index

GRI	GRI G4	Standards	Contents	Page & Remarks	UN Initiatives
1. General Standard Disclosures					
Strategy & Analysis	G4–1	102–14	Statement from the most senior decision–maker of the organization	8~9	
	G4–2	102–15	Provide a description of key impacts, risks, and opportunities	8~9, 39~41	
Organizational Profile	G4–3	102–1	Name of the organization	10	
	G4–4	102–2	Primary brands, products, and/or services	10	
	G4–5	102–3	Location of organization's headquarters	10	
	G4–6	102–4	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	10	
	G4–7	102–5	Nature of ownership and legal form	10	
	G4–8	102–6	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	10~11	
	G4–9	102–7	Scale of the reporting organization	10~11	
	G4–10	102–8	Total number of employees by employment contract and gender	78	UNGC 6, SDG 8
	G4–11	102–41	Percentage of employees covered by collective bargaining agreements	78	UNGC 3, SDG 8
	G4–12	102–9	Describe the organization's supply chain	42~43	
	G4–13	102–10	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain	11	
	G4–14	102–11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	38~39	
	G4–15	102–12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	94	
	G4–16	102–13	Memberships in associations	93	
Identified Material Aspects & Boundaries	G4–17	102–45	a. List all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the repor	77	
	G4–18	102–46	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	12~13	
	G4–19	102–47	List all the material Aspects identified in the process for defining report content	12~13	
	G4–20	103–1	The Aspect Boundary within the organization	12~13	
	G4–21	103–1	The Aspect Boundary outside the organization	12~13	
	G4–22	102–48	Explanation of the effect of any re–statements	About this report	
	G4–23	102–49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A	
Stakeholder Engagement	G4–24	102–40	List of stakeholder groups engaged by the organizaiton	80	
	G4–25	102–42	Basis for identification and selection of stakeholders with whom to engage	80	
	G4–26	102–43	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	80	
	G4–27	102–44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	80	
Report Profile	G4–28	102–50	Reporting period	About this report	
	G4–29	102–51	Date of most recent previous report	About this report	
	G4–30	102–52	Reporting cycle	About this report	
	G4–31	102–53	Contact point for questions regarding the report or its contents	About this report	
	G4–32–a	102–54	a. 'In accordance' option the organization has chosen		
	G4–32–b	102–55	b. GRI Content Index for the chosen option (see tables below)	86, 88~92	
	G4–32–c	102–56	c. Reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines		
	G4–33	102–56	a. Organization's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Relationship between the organization and the assurance providers d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability repor	88~92	

GRI	GRI G4	Standards	Contents	Page & Remarks	UN Initiatives
1. General Standard Disclosures					
	G4–34	102–18	Governance structure of the organization	35	
	G4–35	102–19	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	13, 35, 47, 61	
	G4–36	102–20	Report whether the organization has appointed an executive–level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	13	
	G4–37	102–21	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	13, 47, 61	SDG 16
	G4–38	102–22	Report the composition of the highest governance body and its committees	35	SDG 5, 16
	G4–39	102–23	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	35	SDG 16
	G4–40	102–24	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	35	SDG 5, 16
	G4–41	102–25	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	13, 35, 47, 61	SDG 16
	G4–42	102–26	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	34~36	
	G4–43	102–27	Report the measures taken to develop and enhance the highest overnance body's collective knowledge of economic, environmental and social topics	35	
	G4–44	102–28	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	35	
Governance	G4–45	102–29	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes	35	SDG 16
	G4–46	102–30	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	38~39	
	G4–47	102–31	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	38~39	
	G4–48	102–32	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	34~35	
	G4–49	102–33	Report the process for communicating critical concerns to the highest governance body	38	
	G4–50	102–34	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	72	
	G4–51	102–35	Report the remuneration policies for the highest governance body and senior executives	36	
	G4–52	102–36	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	36	SDG 16
	G4–53	102–37	Report how stakeholders' views are sought and taken into account regarding remuneration	36	
	G4–54	102–38	Report the ratio of the annual total compensation for the organization's highest–paid individual in each country of significant operations to the median annual total compensation for all employees in the same country	36	
	G4–55	102–39	Report the ratio of percentage increase in annual total compensation for the organization's highest–paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country	36	
	G4–56	102–16	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	https://corp.kt.com/html/sustain/trans–parent/ethics_01.html	UNGC 10, SDG 16
Ethics & Integrity	G4–57	102–17	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	37	UNGC 10, SDG 16
	G4–58	102–17	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	37	UNGC 10, SDG 16
2. Specific Standard Disclosures					
Disclosures on management approach (DMA)	G4–DMA	GRI 103–1 GRI 103–2 GRI 103–3	a. Why the Aspect is material. Report the impacts that make this Aspect material b. How the organization manages the material Aspect or its impacts c. Evaluation of the management approach	14~17	

GRI	GRI G4	Standards	Contents	Page & Remarks	UN Initiatives
2. Specific Standard Disclosures					
Economic					
Economic Performance	G4–EC1	201–1	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government	77, 80	SDG 2, 5, 7, 8, 9
	G4–EC2	201–2	Financial implications and other risks and opportunities for the organization's activities due to climate change	41	UNGC 7, SDG 13
	G4–EC3	201–3	Coverage of the organization's defined benefit plan obligations	72	
	G4–EC4	201–4	Financial assistance received from government	N/A	
Market Presence	G4–EC5	202–1	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	N/A	
	G4–EC6	202–2	Proportion fo senior management hired from the local community at significat locations of operation	N/A	UNGC 6
Indirect Economic Impacts	G4–EC7	203–1	Development and impact of infrastructure investments and services supported	N/A	SDG 2, 5, 7, 9
	G4–EC8	203–2	Significant indirect economic impacts, including the extent of impacts	80	SDG 8, 10, 17
Procurement Procedures	G4–EC9	204–1	Proportion of spending on local suppliers at significant locations of operation	42~43	SDG 12
Environmental					
Materials	G4–EN1	301–1	Materials used by weight or volume	N/A	
	G4–EN2	301–2	Percentage of materials used that are recycled input materials	65	
Energy	G4–EN3	302–1	Energy consumption within the organization	64~65	UNGC 7, 8, SDG 7, 8, 12, 13
	G4–EN4	302–2	Energy consumption outside of the organization	64~65	UNGC 7, 8, SDG 7, 8, 12, 13
	G4–EN5	302–3	Energy intensity	64~65	UNGC 8, SDG 7, 8, 12, 13
	G4–EN6	302–4	Reduction of energy consumption	64~65	UNGC 8, 9, SDG 7, 8, 12, 13
	G4–EN7	302–5	Reductions in energy requirements of products and services	62~65	UNGC 8, 9, SDG 7, 8, 11, 12, 13
Water	G4–EN8	303–1	Total water withdrawal by source	65	UNGC 7, 8, SDG 6
	G4–EN9	303–2	Water sources significantly affected by withdrawal of water	65	UNGC 7, 8, SDG 6
	G4–EN10	303–3	Percentage and total volume of water recycled and reused	65	UNGC 8, SDG 6, 8, 12
Biodiversity	G4–EN11	304–1	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	N/A	
	G4–EN12	304–2	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A	
	G4–EN13	304–3	Habitats protected or restored	N/A	
	G4–EN14	304–4	Total number of IUCN RED list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	
Emissions	G4–EN15	305–1	Direct greenhouse gas (GHG) emissions (Scope 1)	64	UNGC 7, 8, SDG 3, 12, 13, 14, 15
	G4–EN16	305–2	Indirect greenhouse gas (GHG) emissions (Scope 2)	64	UNGC 7, 8, SDG 3, 12, 13, 14, 15
	G4–EN17	305–3	Other indirect greenhouse gas (GHG) emissions (Scope3)	63~64	UNGC 7, 8, SDG 3, 12, 13, 14, 15
	G4–EN18	305–4	Greenhouse gas (GHG) emissions intensity	63~64	UNGC 8, SDG 13, 14, 15
	G4–EN19	305–5	Reduction of Greenhouse gas (GHG) emissions	63~64	UNGC 8, 9, SDG 13, 14, 15
	G4–EN20	305–6	Emissions of ozone–depleting substances (ODS)	N/A	UNGC 7, 8, SDG 3, 12
	G4–EN21	305–7	NOx, SOx and other significant air emissions	N/A	UNGC 7, 8, SDG 3, 12, 14, 15
Effluents & Waste	G4–EN22	306–1	Total water discharge by quality and destination	67	
	G4–EN23	306–2	Total weight of waste by type and disposal method	67	UNGC 8, SDG 3, 6, 12
	G4–EN24	306–3	Total number and volume of significant spills	N/A	UNGC 8, SDG 3, 6, 12, 14
	G4–EN25	306–4	Weight of trnasported, imiported, exported, or treated waste deemed hazardous under the terms of the BASEL Convention Annex I, II, III, AND VIII, and percentage of transported wasted shipped internationally	65	UNGC 8
	G4–EN26	306–5	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	N/A	
Products & Services	G4–EN27	NA	Extent of impact mitigation of environmental impacts of products and services	63~64	UNGC 7, 8, 9, SDG 6, 8, 12, 13, 14, 15
	G4–EN28	301–3	Percnetage of products sold and their packaging materials that are reclaimed by category	N/A	UNGC 8, SDG 8, 12

GRI	GRI G4	Standards	Contents	Page & Remarks	UN Initiatives
2. Specific Standard Disclosures					
Compliance	G4–EN29	307–1	Monetary value of significant fines and total number of non–monetary sanctions for non–compliance with environmental laws and regulations	N/A	UNGC 8, SDG 8, 16
Transport	G4–EN30	NA	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	63~64	UNGC 8, SDG 11, 13
Environmental Investments	G4–EN31	NA	Total environmental protection expenditures and investments by type	64~65	
Supplier Environmental	G4–EN32	308–1	Percentage of new suppliers that were screened using environmental criteria	42	UNGC 8
	G4–EN33	308–2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	42	UNGC 8, SDG 15
Environmental Grievance Mechanisms	G4–EN34	103–2	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A	UNGC 8
Labor Practices & Decent Work					
Employment	G4–LA1	401–1	Total workforce by employment type, employment contract and region	68	UNGC 6, SDG 5, 8
	G4–LA2	401–2	Benefits provided to full–time employees that are not provided to temporary or part–time employees, by significant locations of operation	68	SDG 8
	G4–LA3	401–3	Return to work and retention rates after parental leave, by gender	71	UNGC 6, SDG 5, 8
Labor/ Management Relations	G4–LA4	402–1	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	72	UNGC 3, SDG 8
Occupational Health & Safety	G4–LA5	403–1	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	72	SDG 8
	G4–LA6	403–2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gende	70	
	G4–LA7	403–3	Workers with high incidence or high risk of diseases related to their occupation	70	
	G4–LA8	403–4	Health and safety topics covered in formal agreements with trade unions	72	
Training & Education	G4–LA9	404–1	Average hours of training per year per employee by gender, and by employee category	69	57 UNGC 6, SDG 8
	G4–LA10	404–2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	71	SDG 8
	G4–LA11	404–3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	72	UNGC 6, SDG 5, 8
Diversity	G4–LA12	405–1	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	72, 78	UNGC 6, SDG 5, 8
Equal Pay for Women & Men	G4–LA13	405–2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	68	UNGC 6, SDG 8, 10
Supplier Assessment for Labor Practices	G4–LA14	414–1	Percentage of new suppliers that were screened using labor practices criteria	58	SDG 5, 8, 16
	G4–LA15	414–2	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	58	SDG 8, 16
Labor Practices Grievance Mechanisms	G4–LA16	103–2	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	72	
Human Rights					
Human Rights Investments	G4–HR1	412–3	Total number and percentage of significant invesetment agreements and contracts that include human rights clauses of that underwent human rights screening	73~75	UNGC 2
	G4–HR2	412–2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	75	UNGC 1
Nondiscri– mination	G4–HR3	406–1	Total number of incidents of discrimination and actions taken	73~75	UNGC 6
Freedom of Association	G4–HR4	407–1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	42, 73~75	UNGC 3, SDG 8
Child Labor	G4–HR5	408–1	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	73~75	UNGC 5, SDG 8, 16
Forced or Compulsory Labor	G4–HR6	409–1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	73~75	UNGC 4, SDG 8
Security Practices	G4–HR7	410–1	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	75	UNGC 1, SDG 16
Indigenous Rights	G4–HR8	411–1	Total number of incidents of violations involving rights of indigenous people and actions taken	73~75	UNGC 1

GRI	GRI G4	Standards	Contents	Page & Remarks	UN Initiatives
2. Specific Standard Disclosures					
Human Rights Assessments	G4–HR9	412–1	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	73~75	UNGC 1
Supplier Human Rights Assessments	G4–HR10	414–1	Percentage of new suppliers that were screened using human rights criteria	42	UNGC 2
	G4–HR11	414–2	Significant actual and potential negative human rights impacts in the supply chain and actions taken	42	UNGC 2
Human Rights Grievance Mechanisms	G4–HR12	103–2	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	73~75	UNGC 1
Local Communities	G4–SO1	413–1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	45~46, 48~49	UNGC 1
	G4–SO2	413–2	Operations with significant actual and potential negative impacts on local communities	48~49	UNGC 1
Anti–corruption	G4–SO3	205–1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	37	UNGC 10, SDG 16
	G4–SO4	205–2	Communication and training on anti–corruption policies and procedures	37	UNGC 10, SDG 16
	G4–SO5	205–3	Confirmed incidents of corruption and actions taken	37	UNGC 10, SDG 16
Public Policy	G4–SO6	415–1	Total value of political contributions by country and recipient/beneficiary	N/A	UNGC 10, SDG 16
Anti– competitive Behavior	G4–SO7	206–1	Total number of legal actions for anti–competitive behavior, anti–trust, and monopoly practices and their outcomes	44	
Compliance	G4–SO8	419–1	Monetary value of significant fines and total number of non–monetary sanctions for non–compliance with laws and regulations	44	SDG 16
Supplier Assessment for Impacts on Society	G4–SO9	414–1	Percentage fo new suppliers that were screened using criteria for impacts on society	42	
	G4–SO10	414–2	Significant actual and potential negative impacts on society in the supply chain and actions taken	42	
Grievance Mechanisms for Impacts on Society	G4–SO11	103–2	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	43	
Product Responsibility					
Customer Health & Safety	G4–PR1	416–1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	55, 56, 57	
	G4–PR2	416–2	Total number of incidents of non–compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	44	
Product & Service Labeling	G4–PR3	417–1	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	44	SDG 12
	G4–PR4	417–2	Total number of incidents of non–compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	44	SDG 16
	G4–PR5	"102–43 102–44"	Results of surveys measuring customer satisfaction	79	
Marketing & Communi– cations	G4–PR6	102–2	Sale of banned or disputed products	44	
	G4–PR7	417–3	Total number of incidents of non–compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	44	
Customer Privacy	G4–PR8	418–1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	59	
Product Compliance	G4–PR9	419–1	Monetary value of significant fines for non–compliance with laws and regulations concerning the provision and use of products and services	44	SDG 16

Major Awards

	2017 Award	Host / Provider
Februray	The Most Admired Companies, 1st in the IPTV sector and 2nd in the Telecom Service	Korea Management Association Consulting
March	NCSI (National Customer Satisfaction Index)-ranked 1st wired-phone and internet phone in 2017Korea Productivity Center	Korea Productivity Center
	Winner of 'Best Use of Mobile for Smart Cities' in MWC Global Mobile Awards 2017	Global System for Mobile Communications (GSMA)
May	Winner of 'Best Network Development' in 5G World Award 2017	Informa Telecom & Media
June	Selected to be Top Honor Company for Win-win Growth	Korea Commission for Corporate Partnership
September	Included at DJSI World index of Telecommunication for the 8 consecutive years	DowJones (U.S.A), RobecoSAM (Swiss-based investment company)
	Selected to be included as A grade at ESG ratings	Korea Corporate Governance Service
	Awarded as President's Commendation in Korea Renewable Energy Grand Prize	Korea Energy Agency
	Winner of Smart Emerging Technologies at Corporate Awards in ITU Telecom Awards 2017	International Telecommunication Union
October	Inclusion in CDP Carbon Management Honors Club for 5 consecutive years and listed for 'Hall of Fame'	CDP in the U.K., CDP Korea
November	Appreciation Plaque for the contribution of "50th Anniversary of the e-Government"	Ministry of the Interior and Safety
	Winner of 'Advancing the road to 5G' and 'Fixed Network Evolution' in 2017 Global Telecoms Awards	Informa
	Winner of 5 Criteria in Korea Internet Communication Grand Prize 2017	Korea Internet Communication Association
December	Winner of 'Customer Satisfaction Management (7 consecutive years)' and 'Technology Innovation' in The Management Grand Awards 2017	Korea Management Association Consulting

Memberships

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

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

Global Sustainability Partnerships

UN Global Compact

To fulfll its role and responsibility as a responsible corporate citizen, KT signed up the UN Global Compact in 2008. KT proactively upholds the ten major principles in four major sectors including human rights, labor, environment, and anti-corruption throughout overall management practices and strives to create social value with the group companies.

Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.
	Principle 2. Businesses should make sure that they are not complicit in human rights abuse
Labor Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
	Principle 5. Businesses should uphold the effective abolition of child labor.
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.
	Principle 9. Businesses should encourage the development and diffusion of environment-friendly technologies.
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

UN Sustainable Development Goals

UN Sustainable Development Goals are the global mid- to long-term development plan of the United Nations consisting of total 17 goals. It is being executed in order to solve economic, environmental, and social problems around the globe for the upcoming 15 years, from 2016 to 2030. Faithfully endorsing the UN SDGs for a better future of the Earth, KT has been concentrating every effort participating in the realization of the Goals through the innovative technology and convergence service. KT supports the new UN Sustainable Development Goals by striving to accomplish the five key goals closely related to the ICT industry.

4	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
7	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all Ensure access to sustainable energy by increasing the share of renewable energy and doubling the global rate of improvement in energy efficiency by 2030
8	Decent Work and Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by 2030
9	Industry, Innovation and Infrastructure	Upgrade industries to make them sustainable, with increased resourceuse efficiency and greater adoption of clean and sound technologies and industrial processes by 2030 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation by 2030
11	Sustainable Cities and Communities	Make sustainable cities and human settlements by ensuring access to housing, improving transport and enhancing urbanization by 2030

UN Guiding Principles on Business and Human Rights

KT has proclaimed its endorsement of UN Guiding Principles on Business and Human Rights that was adopted at the 17th UN Human Rights Council (UNHRC) in June 2011; based on the Principles, KT developed a 'KT Human Rights Exposure Assessment Framework' in 2013 and thus has analyzed the exposure to human rights risks at all domestic and overseas sites every year preventing human rights violations. The Framework includes the due diligence process for three pillars of Policy Commitment, Operational Requirements, and Remediation; the due diligence process covers the identification of potential human rights issues, identifcation of vulnerable groups, and mitigation actions. The 2017 results of human rights exposure assessment for total 14 countries where KT generated revenues, conducted sales activity, and procured products and services are as following.

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