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 14th integrated report, which unveils the achievements of our corporate-wide sustainability strategy and performances achieved at the economic, social, and environmental levels, we desire to share the direction of KT’s sustainability management with the stakeholders.

Characteristics of the Report
In order to improve the understanding of stakeholders about KT’s sustainability goals, strategies, and systems, KT has reflected the “KT Sustainability Model” to this report. Under the long-term sustainability goal, “Realizing Global GigaTopia,” we have been promoting corporate-wide sustainability management in three dimensions aiming to accomplish the economic prosperity (Giga Prosperity), environmental preservation (Giga Planet), and social progress (Giga People).

Reporting Period & Boundary
This report covers performances of total 516 sites including the headquarters and branches, from January 2018 to December 2018; meaningful activities until the end of May 2019 are partially included as well. Besides, data of the recent 3 years are provided enabling the comparison between yearly performances.

Reporting and Assurance Standards
This report was prepared in accordance with the Global Reporting Initiative’s Standards guideline as the comprehensive option. The report also applied to 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 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.

Create the Future

KT is taking a Significant Leap into Tomorrow through the Fastest and Most Innovative 5G Technology and Platform Services.

Cover Story

‘PEOPLE. TECHNOLOGY.’ is KT’s corporate slogan that aims to enrich human life with warm and innovative technology towards people.

KT’s innovative 5G technology has reached the village of Daesung-dong, Paju, Gyeonggi-do, in the world’s only Demilitarized Zone (DMZ).

KT supports the children in Daesung-dong to fully utilize 5G network and solutions such as ‘FITT 360’ and ‘KT Super VR’ to foster their dreams and hopes, and to grow into the main players of the fourth Industrial Revolution era.
Create the Future

KT is taking a Significant Leap into Tomorrow through the Fastest and Most Innovative 5G Technology and Platform Services.
“KT will take the lead in creating a better world.”
Better People, Better Society, Better Life.“

During its history for over 130 years of experience, KT has delivered surprises and novelty using ICT technology, which has been continuously developed, such as telephone, high-speed Internet and LTE and has contributed to improving the quality of human life. KT, who opened the dawn of the telecommunication history in Korea as the first and only telecom operator when it was the Hanseong Telegram Station, has recently launched a full-fledged 5G service after a long period of preparation. Through the 5G technology, which has the characteristics of hyper-connectivity, ultra-high-speed, and ultra-low latency, KT will go beyond the existing telecommunication networks to make human life more affluent and convenient with new contents and services such as artificial intelligence, augmented reality (AR), virtual reality (VR), and automatic driving.

KT’s efforts to change people’s lives for a better world are extended to its sustainability management activities. KT has been promoting sustainable management activities in many fields encompassing home and abroad including 5G Village in Pyeongchang, Smart Farm in UAE and Giga Island Project in Bangladesh. As a result, KT has been recognized for its efforts and achievements by being included in CUSI World for nine consecutive years in the internationally recognized Dow Jones Sustainability Index. Besides, KT has been faithfully responding to the social demands of the “Environmental Age”, as demonstrated by being honoured the Hall of Fame for two consecutive years in the Carbon Disclosure Project (CDP).

KT is actively participating in the implementation of the United Nations’ Sustainable Development Goals (SDGs) to strive to consider and resolve international issues that threaten humanity together with others. Beginning with the activity as a representative company in the 2015 UN SDGs National Assembly Forum, KT has enhanced its status as a global telecommunication company by being ranked first in the Sustainable Development Goals Business Index (SDGBI) for three consecutive years for the first time in 2018.

In 2019, with the commercialization of 5G, groundbreaking changes and development are expected in the field of telecommunication and diverse industries, and even in daily lives. Keeping pace with the foregoing, KT will lead the domestic and overseas issues with 5G-based innovative technologies and evolve 5G into an ‘integrated platform’ that transforms industry and life beyond simple networks. In addition, through the utilization of the foregoing, KT will engage in diverse social contribution activities thereby developing its sustainability management activities one step further. The KT Board of Directors will take the lead in improving the quality of human life by actively supporting and encouraging KT to create a better world and a better future through human-centered, warm ICT innovative technologies.

Chairman, Board of Directors
Jong-Goo Kim

Message from the CEO

“KT makes the future with 5G technology for people.”
People. Technology.

Finally, the era of 5G has begun. At the Mobile World Congress (MWC) held in Barcelona, Spain in 2015, KT promised “the world’s first commercialization of 5G”. KT has seen the possibility by applying the pilot service to the 2018 PyeongChang Winter Olympic Games. In April 2019, the promise finally became reality in four years. Over the past four years, KT Group employees and our partner companies have joined together to make the vision of 5G into reality.

The reason why KT is full of expectation and confidence in the era of 5G is that it has been more completely prepared than anyone else. KT has acquired operational know-hows from our success in the PyeongChang 5G Olympic Games, and 85% of the 5G standards owned by KT are reflected in international standards for 5G smartphone releases. KT has secured the widest, interference-free frequency bandwidth, and is operating eight Edge Centers that provide ultra-low latency services through a mesh-structured 5G backbone network and core network virtualization technology. In addition, KT has the strongest and broadest 5G coverage covering all areas of Seoul, the metropolitan area, major cities as well as KTX and expressways.

5G technology will bring about remarkable social and industrial changes, including saving lives, solving social problems, and transforming the paradigms of all industries in the age of the Fourth Industrial Revolution. KT is evolving 5G beyond the intelligent network into the ‘5G-as-a-Platform’, a new platform that has never been existed so that 5G can be utilized as a technology that contributes to mankind.”

Now, as the full-fledged era of 5G has begun, KT will accelerate the growth of the ‘5G-as-a-Platform’ business such as media, smart energy, financial transactions, disaster/safety/security, and corporate/public value enhancement by leveraging its differentiated 5G network and technological competences. In addition, by continuously exploring and providing 5G platform based innovative services, KT will ensure that ‘warm technology for people’ will enhance the quality of life of customers and citizens and contribute to the inclusive growth of the entire society.

KT is constantly striving to overcome the limitations of humankind and solve global problems with innovative technologies for people like 5G, Big Data, and AI. We look forward to your continued affection and interest in KT’s efforts to enhance the quality of life of the people and contribute to society.

Thank you.

CEO
Chang-Gyu Hwang
KT Company Overview

KT is the nation's largest general telecom carrier which leads the fourth industrial revolution with the world’s first 5G service and intelligent network platform. Since the takeover of its mobile telecommunication subsidiary KT in 2009, KT introduced smartphones for the first time in South Korea and has been developing and nurturing diverse ICT convergence services utilizing 5G infrastructures and state-of-the-art ICT technology. Beginning with the 5G pilot service during PyeongChang Winter Olympic Games, KT opened its 5G commercial networks in December of the same year to broadcast the 3.5GHz 5G commercial radio throughout the country and is taking the lead in introducing next generation ICT service such as launching the 10G Internet service.

Current Status of the Company

<table>
<thead>
<tr>
<th>Company name</th>
<th>KT Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of establishment</td>
<td>December 10, 1981</td>
</tr>
<tr>
<td>Number of employees</td>
<td>23,835</td>
</tr>
<tr>
<td>CEO</td>
<td>Chang-Gyu Heung</td>
</tr>
<tr>
<td>Headquarters</td>
<td>G0, Bubjoygno, Bundang-gu, Seongnam City, Gyeonggi-do, Korea</td>
</tr>
<tr>
<td>Homepage</td>
<td><a href="http://www.kt.com">www.kt.com</a></td>
</tr>
</tbody>
</table>

Service Users and Sales

As of December 2018, the total number of users of KT’s services is about 52.69 million, which is the largest integrated number of subscribers for wired and wireless telecommunications. The total sales by business were KRW 23,460.1 billion, with an increase by 0.3% compared to 2017. (Unit: 1,000 persons)

<table>
<thead>
<tr>
<th>Service</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless Communications&lt;sup&gt;1&lt;/sup&gt;</td>
<td>16,840</td>
<td>20,015</td>
<td>21,320</td>
</tr>
<tr>
<td>Wire Telephone -PSTN&lt;sup&gt;2&lt;/sup&gt;</td>
<td>12,721</td>
<td>13,201</td>
<td>13,637</td>
</tr>
<tr>
<td>Wire Telephone -VoIP&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3,436</td>
<td>3,403</td>
<td>3,565</td>
</tr>
<tr>
<td>High Speed/Internet</td>
<td>6,516</td>
<td>6,758</td>
<td>6,729</td>
</tr>
<tr>
<td>PTV</td>
<td>7,042</td>
<td>7,472</td>
<td>7,561</td>
</tr>
<tr>
<td>Total</td>
<td>48,077</td>
<td>51,945</td>
<td>53,932</td>
</tr>
</tbody>
</table>

<sup>1</sup> Wireless Communications: OCS, VDCMA, LTE, MMHO
<sup>2</sup> PSTN: Figures of the sum of landlines (not including landline for business), internal telecommunication, ECN, and DID

Sales by business (Unit: KRW billion)

<table>
<thead>
<tr>
<th>Business</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless Communications</td>
<td>7,418.3</td>
<td>7,203.3</td>
<td>6,964.1</td>
</tr>
<tr>
<td>Wire Telephone</td>
<td>5,084.9</td>
<td>4,961.1</td>
<td>4,745.1</td>
</tr>
<tr>
<td>Media / content</td>
<td>1,005.2</td>
<td>2,238.4</td>
<td>2,413.4</td>
</tr>
<tr>
<td>Finance</td>
<td>3,427.8</td>
<td>3,528.3</td>
<td>3,444.9</td>
</tr>
<tr>
<td>Product</td>
<td>2,738.6</td>
<td>3,084.2</td>
<td>3,475.0</td>
</tr>
<tr>
<td>Other Services</td>
<td>2,170.9</td>
<td>2,252.0</td>
<td>2,426.8</td>
</tr>
<tr>
<td>Total</td>
<td>22,787.0</td>
<td>23,387.3</td>
<td>23,460.1</td>
</tr>
</tbody>
</table>

<sup>a</sup> Based on earnings announcements data, K-PIX

Current Status of Major Group Companies

The KT Group will maximize customer satisfaction and leap to become a leading group that will lead the fourth industrial revolution through the fusion of ICT capabilities, innovative technologies, and diverse products and services of 40 group companies.

As of June 2019

ICT/Real Estate

KT is maximizing customer value based on its best technology competence such as real estate development, rental, and security, satellite solution, and ICT engineering.

Media / Contents

KT presents pleasure and impression to customers through digital satellite broadcasting, ICT-based content & commerce, media planning, mobile advertising, etc.

Finance

KT is carrying forward credit card service, general electronic payment, e-commerce solution businesses and is investing in promising small and medium-sized venture companies.

Other

KT also manages sports and data assets and provides mobile platform services.

Overview | KT Company Overview
KT Value Creation
KT Value Principle
Appendix
As a representative telecommunication company, KT established a ‘Sustainability Management Committee’ in the board of directors in April 2016 for the first time in the domestic telecom industry and is striving to promote sustainability management throughout the company. The Sustainability Management Committee is a decision-making body that makes major decisions in relation to the establishment, execution, and performance of company-wide sustainability management plans. In addition, in order to promote sustainability management strategies efficiently and to secure the power of execution of the activities, KT operates a Sustainability Management Team, which is a dedicated execution organization while taking counsel from the Sustainability Management Advisory Committee, a dedicated advisory body.

## KT Sustainability Management

**Sustainability Management Vision and Promotion System**

KT established a sustainability management system based on a model for the creation of a shared value that simultaneously generates economic value and social value through social demand convergence and problem solving and is promoting systematic company-wide sustainability management centering on sustainability management vision, three major dimensions, and detailed promotion systems.

### Sustainability Vision

A world where humankind and things are connected through GiGA Infrastructure and thus everyone enjoy comfort far beyond convenience.

### Three Dimensions

- **5G Prosperity**
  - New Era of Prosperity Created by 5G Infrastructure
- **5G Planet**
  - New Era of Innovation Opened Up by 5G Infrastructure
- **5G People**
  - New Era of Humankind Presented by 5G Infrastructure

### Six Value Enhancement Strategies

- **Innovating Futuristic Core Technology**
  - Accomplishing global no. 1 competitiveness
- **Securing Customer First Management**
  - Providing innovative 5G services
- **Establishing Environmental Leadership**
  - Minimizing environmental impact
- **Cultivating Innovative Talents**
  - Cultivating talents
- **Advancing Strategic Social Contribution**
  - Pursuing shared growth
- **Enhancing Value Chain Competitiveness**
  - Realizing shared growth with society

### Corporate Value Enhancement

- **Social Value Enhancement**
  - Reinforcing Ethical & Compliance Management
  - Managing Risks & Opportunities
  - Protecting and Promoting Human Rights

### Four Value Principles

- **Business Governance**
- **Accomplishing Board Governance**
- **Problem-solving and Customer Satisfaction**
- **Maximizing Environmental Benefit**
- **Expanding Shared Value**
- **Fostering Value Chain Competitiveness**

### KT Value Principle

- **Core Technology Global No. 1**
  - 5G services
- **Innovative Development**
  - Presenting new era for humankind
- **Securing Customer Satisfaction**
  - Enhancing customer satisfaction

### Social Value

- **Compliance Management**
- **Environmental Management**
  - Environmental management
- **Value Chain Management**
  - Value chain management

### Category

- **Customer**
  - Service quality
  - Customer health and safety
  - VOC (Voice of Customers)
- **Channel**
  - 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 survey (on a yearly basis)
  - Operation of elementary undergraduates engaging in hands-on experience of goods in operation for 6 months a year
  - Operation of a team of customers for product verification throughout the year
- **Supplier**
  - Shared growth
  - Integration of ICT related ecological system

### Stakeholder Engagement

When a company promotes sustainability management, the activity to collect opinions from diverse stakeholders who directly or indirectly exchange effects on management activities and actively reflect on the management activities is very important. KT defined eight major stakeholder groups according to their business aspects and functional areas, prepares and operates engagement processes by group to identify stakeholder expectations and requirements, and strives to reflect them on management.

### Stakeholder Definition and Engagement Channels

#### Category

- **Customer**
  - Service quality
  - Customer health and safety
  - VOC (Voice of Customers)
- **Channel**
  - 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 survey (on a yearly basis)
  - Operation of elementary undergraduates engaging in hands-on experience of goods in operation for 6 months a year
  - Operation of a team of customers for product verification throughout the year
- **Supplier**
  - Shared growth
  - Integration of ICT related ecological system

### Environmental

- **Environment conservation**
- **Development of environment-friendly services**

### KT Value Creation

- **Value Enhancement**
  - KT Value Principle
- **Value Principle**
  - Core Technology Global No. 1
  - Innovative Development
  - Securing Customer Satisfaction

### KT Value Promotion

- **Value Promotion**
  - Social Value
  - Corporate Value

### KT Value Vision

- **Sustainability Management Vision and Promotion System**
- **Sustainability Management Committee**
- **Sustainability Management Unit**
- **Executive Body**
  - Sustainability Management Committee
  - Sustainability Management Unit
  - Executive Body

### KT Sustainability Management Organization

- **Board of Directors**
- **Steering Organization**
- **Executive Body**
  - Sustainability Management Committee
  - Sustainability Management Unit
  - Executive Body

### KT Integrated Report 2019

Overview/ KT Sustainability Management

KT Value Creation

KT Value Enhancement

KT Value Principle

Appendix

Prioritizing Materiality Analysis

Materiality Analysis Process

Step 1: Identifying Sustainability Issues

Issue pool composition through internal and external environment analysis
We created a list of sustainability management issues (consisting of a total of 350 issues) through international guideline benchmarking, the same industry analyses, stakeholder issue analysis, and KT management issue analysis, and selected a total of 26 sustainability issues in six areas out of the last reflecting internal and external importance.

International guideline benchmarking
- Content: Analysis of international standards and guidelines related to sustainability management and telecommunication industry
- Target: GRI Standards, ISO 26000, IIRC IR Framework, DJSI, UNGC, UN SDGs, CDP

Telecommunication Industry analysis
- Content: Review and consider important issues in the telecommunication industry through benchmarking of domestic and overseas telecommunication companies
- Target: Global telecommunication companies and domestic telecommunication companies' reports

Stakeholder issue analysis
- Contents: Review issues raised by stakeholders such as investors, government, and media surveys to derive issues related to KT and the telecommunication industry in 2018
- Target: Offline media, online media, broadcasting media, business reports, audit reports, investor opinions, policies, and regulations

KT management issue analysis
- Content: Derive management issues through analysis of management strategies around KT management environments, internal document review,
- Target: Internal documents such as business strategy report, interview with persons in charge

Step 2: Prioritizing Sustainability Issues

Analysis of the influence of internal and external stakeholders
On-line and off-line surveys of KT sustainability issues were conducted on a total of 9,182 persons consisting of employees and external stakeholders to collect opinions and analyze influences.

Questionnaire survey
- Period: March 13-22, 2019 (1.5 weeks)
- Participation: A total of 9,182 persons - 8,855 employees and 327 external stakeholders (customers, shareholders, investors, government, media, suppliers, local communities, academia, experts, NGO, etc.)

Business impact analysis
In order to analyze the impact of sustainability issues on the business perspective, the strategic linkages between individual issues and KT businesses and financial impacts of individual issues were comprehensively evaluated.

Business impact & financial impact analysis
- Strategic linkage: Mid- and long-term goal achievement perspectives and business linkage analysis
- Financial impacts: Analyzed from the viewpoints of revenue creation and opportunity factors, cost savings opportunities and costs increase severity, current risk response, and severity in case where a cost increase occurs in the future

Report issue selection
Applied GRI Standards
Review by external experts
and the management
Verification of validity and prioritization of 26 sustainability issues
Third-party verification

KT conducted an in-depth review of the issues derived through internal reports, and prioritized issues by finally considering stakeholder impacts and business impacts.

Imported Issues for Sustainability Management

Fiscal Area | Sustainability Issue | Importance Ranking | Materiality* | Page
--- | --- | --- | --- | ---
Sustainability Management | Strategy and analysis, organizational profile, critical issue and reporting boundary, economic performance, indirect economic effect | 5G leading | Material issue | 14-19
| | Intensive fostering of the major platform businesses | Intensive fostering of the major platform businesses | Material issue | 20-25
| | Future compliance technology innovation and R&D | Future compliance technology innovation and R&D | Material issue | 26-29
| | Economic performance and business strategy | Economic performance and business strategy | Material issue | 4-5

Transparency Management | Governance, Ethics and Integrity, Anti-Corruption, Public Policy, Monopoly, Stakeholder Engagement | Ethical and righteous management | Material issue | 65-66
| | Fair trade and compliance with the law | Fair trade and compliance with the law | Material issue | 66-67
| | Transcendence | Transcendence | Material issue | 62-64
| | Strategic risk management | Strategic risk management | Material issue | 68-69
| | Stakeholder engagement | Stakeholder engagement | Material issue | 6-7

Environmental Management | Raw materials, energy, water resources, biodiversity, Emissions, Water waste and waste | Ensure network stability | Material issue | 36
| | Energy efficiency management | Energy efficiency management | Material issue | 34-35
| | Response to climate change | Response to climate change | Material issue | 35-33
| | Efficient resource management | Efficient resource management | Material issue | 37

| | Energy efficiency management | Energy efficiency management | General issue | 38-40
| | Response to climate change | Response to climate change | General issue | 40-41
| | Efficient resource management | Efficient resource management | General issue | 41

Talent Management | Employment, labor relations, workplace health and safety training and education, diversity and prohibition of discrimination, equal compensation | Fair evaluation and performance compensation | Material issue | 46
| | Human resource development and capacity building | Human resource development and capacity building | Material issue | 42-45
| | Work-life balance | Work-life balance | Material issue | 46-47
| | Protecting and respecting human rights | Protecting and respecting human rights | Material issue | 70-73
| | Win-win labor relations | Win-win labor relations | Material issue | 47

Shared Growth Management | Supply Chain, Community | Industrial safety and health | General issue | 46-47
| | Sustainable supply chain management | Sustainable supply chain management | General issue | 58-59
| | Shared growth | Shared growth | General issue | 56-57
| | Social contribution activities | Social contribution activities | General issue | 49-55

* Level of Materiality: Material Issue - Key Issue - General Issue
1. Lead 5G Global Leadership

**Issue Description**
5G is a next-generation mobile telecommunication technology that replaces 4th generation LTE and is attracting attention as a key infrastructure of the 4th industrial revolution represented by high speed, seamless connection and maximized capacity. From a long-term perspective, KT has strategically prepared 5G from 2015 and successfully demonstrated the world’s first 5G pilot service at the 2018 PyeongChang Olympic Games. Based on this, KT has led the global standardization of 5G and starting with 5G frequency transmission on December 1, 2018, KT commercialized the world’s first 5G smartphone in April 2019.

**Implementation Strategy**
- Beginning with 5G smartphone commercialization, KT has settled in the growth track by continuously expanding 5G coverage and securing stable quality. In the field of 5G B2B too, KT opened the full-fledged 5G era by launching new products/services through reference discovery.

**Long-term Goals**
- Achieve 100% of 5G national network coverage by 2022

2. Foster Platform Businesses

**Issue Description**
Platform businesses are very important issues that can provide the opportunity to proactively new markets and services to KT in the long term by driving the convergence of the 4th industrial era with the intelligent network in which ICT, Big Data, and AI are combined with each other. Based on the intelligent network and ICT convergence technological prowess, KT leads the rapidly changing ICT market by intensively fostering the 5G platform business of "media, smart energy, financial transaction, disaster / safety / security, corporate / public value improvement, 5G era by launching new products/services through reference discovery.

**Implementation Strategy**
- KT has established the ‘disaster safety response plan’ for strengthening telecommunication network stability and plan to reinforce the existing facilities in all areas and complete surveillance system construction in the next two years. In May 2019, an infrastructure management innovation room was newly established to strengthen the integrated management of KT telecommunication facility safety management.

**Long-term Goals**
- Invest of KRW 480 billion to secure network stability by 2021

3. Secure Network Stability

**Issue Description**
To ensure the stability of wired and wireless networks, KT is carrying out comprehensive control centering on network control centers. At the same time, KT operates the network monitoring system 24 hours a day, 365 days a year centering on its regional control centers, while the wired / wireless operation centers throughout the country carry out maintenance work for telecommunication facilities. In order to prevent the recurrence of telecommunication disasters, detailed inspection of important telecommunication facilities has been completed and the ‘KT Telecommunication Disaster Response Plan’ has been established and operated reflecting the results of the inspection and government’s measures to strengthen the prevention of telecommunication disasters.

**Implementation Strategy**
- Established the ‘disaster safety response plan’ for strengthening telecommunication network stability and plan to reinforce the existing facilities in all areas and complete surveillance system construction in the next two years. In May 2019, an infrastructure management innovation room was newly established to strengthen the integrated management of KT telecommunication facility safety management.

**Long-term Goals**
- Invest of KRW 480 billion to secure network stability by 2021

4. Customer Information Protection

**Issue Description**
Along with the development of information and telecommunication, security threats are becoming more sophisticated and intelligent, and the targets of attacks are spreading globally beyond individuals, companies, countries and regions. KT analyzes the entire life cycle ranging from the stage of collection of customer information to the destruction stage and applies optimal technical and managerial protective measures by stage to prevent the leakage of customer information in advance.

**Implementation Strategy**
- Established systematic personal information protection policies and management systems for KT, group companies and partner companies, conducted personal information education and self-inspection with employees, and secured information leakage prevention systems.

**Long-term Goals**
- Achieve Customer Information Leakage Zero by 2022

5. Ethical and Righteous Management

**Issue Description**
In order to fulfill its role as a corporate citizen, a company has a social obligation to practice ethical and compliance management and to implement management that complies with corruption in the management of business and anti-bribery. To do so could result in the breakdown of trust between customers and businesses that have been built up over time due to scandals and negative image exposure, which could adversely affect corporate reputation.

**Implementation Strategy**
- Compliance Committee and Compliance Secretariat were established in 2018 for anti-corruption and anti-bribery.

**Long-term Goals**
- Increase the annual number of times of employee training for ethical management to 50 until 2022

6. Future Competency Technology Competitiveness

**Issue Description**
In order to lead the 4th Industrial Revolution era, it is important to secure early, innovative technologies that will change future society through continuous R & D investments. To lead future promising technologies expected to appear through the evolution of 5G, AI, blockchain, IoT, etc., following combination with each other, along with strategic investments, core technologies should be first developed and converged. To respond to the flow as such, KT is conducting research and development in various fields and is maximizing the synergy effects through creative linkage and collaboration among heterogeneous technologies.

**Implementation Strategy**
- Promote R & D for UX leading in diverse fields such as 5G, media, B2B, platform, etc., and securing differential technical competitiveness.

**Long-term Goals**
- Invest of KRW 16.3 trillion (cumulative) in the field of 5G infrastructure and ICT convergence by 2021
Management Strategy
KT has established and managed mid- to long-term targets against 2022 in order to promote continuously on a long-term perspective, and some indicators set targets for 2030. Performances are managed consistently through Sustainability Index, and KPIs are disclosed in the Integrated Report and disclosure system.

<table>
<thead>
<tr>
<th>Key Performance Index</th>
<th>Long-term Target</th>
<th>Measurement</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>(Goal/Obsrct)</th>
<th>Long-term target</th>
<th>UN SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead 5G Global Leadership</td>
<td>Achieve 100% of 5G national network coverage by 2022</td>
<td>5G national network coverage</td>
<td>%</td>
<td>n/a</td>
<td>n/a</td>
<td>80</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foster Platform Businesses</td>
<td>Achieve platform business sales more than 30% of total service sales by 2025</td>
<td>Platform business sales</td>
<td>%</td>
<td>12.6</td>
<td>14.7</td>
<td>17.0</td>
<td>20.0</td>
<td>30.0</td>
<td></td>
</tr>
<tr>
<td>Achieve Future Competency Technology Competitiveness</td>
<td>Invest of KR₩16.3 trillion in the field of 5G infrastructure and ICT convergence by 2021</td>
<td>Investment on 5G infrastructure and ICT convergence</td>
<td>KR₩ billion</td>
<td>3.47</td>
<td>5.21</td>
<td>7.00</td>
<td>10.05</td>
<td>16.30</td>
<td></td>
</tr>
<tr>
<td>Propel KT GHG Emission Reductions</td>
<td>Reduce GHG emissions by 25% compared to 2007 by 2030</td>
<td>GHG emissions</td>
<td>tCO2eq</td>
<td>1,084,520, 11,112,67, 1,109,333, 1,12,074</td>
<td>829,867</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Expand New and Renewable Energy Production</td>
<td>Expand new and renewable energy production increased 30 times by 2050 compared to 2020</td>
<td>Kt's new and renewable energy production</td>
<td>MWh</td>
<td>597.1</td>
<td>2,053.9</td>
<td>8,263.0</td>
<td>9,152.3</td>
<td>18,714.0</td>
<td></td>
</tr>
<tr>
<td>Fortify Smart Energy Platform Services</td>
<td>Achieved sales of KR₩1 trillion through business growth across all sectors of energy-consumption production-trade by 2022</td>
<td>Smart energy platform sales</td>
<td>KR₩ 100 million</td>
<td>419</td>
<td>1,136</td>
<td>1,996</td>
<td>2,627</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Enhance Future Capabilities of Employees</td>
<td>Achieved average employee training time of 90 hours by 2022</td>
<td>Average employee training time</td>
<td>Hours</td>
<td>83.5</td>
<td>74.3</td>
<td>83.4</td>
<td>84.7</td>
<td>90.0</td>
<td></td>
</tr>
<tr>
<td>Improve Supply Chain Sustainability</td>
<td>Achieved 100 points of supplier sustainability assessment by 2022</td>
<td>Supplier sustainability assessment score</td>
<td>Points</td>
<td>92.4</td>
<td>94</td>
<td>95.6</td>
<td>96.7</td>
<td>100</td>
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<tr>
<td>Expand Social Innovation Products Services</td>
<td>Achieved sales of KR₩3.7 trillion through social innovation platform (corporate &amp; public business) by 2022</td>
<td>Corporate &amp; public business sales</td>
<td>KR₩ billion</td>
<td>2.98</td>
<td>3.08</td>
<td>3.22</td>
<td>3.37</td>
<td>3.70</td>
<td></td>
</tr>
</tbody>
</table>
KT Value Creation

KT is leading the future technologies of the world telecommunication industry beyond Korea while creating a new history. KT is launching the world’s first 5G service successfully to realize the global 5G era and is promoting ‘intelligent network-based platform business’ thereby pioneering new future for human growth and prosperity.

A first-grade student, Daesung-dong Elementary School, Daesung-dong 5G Village at DMZ, Korea

KT transformed Daesung-dong, the world’s only DMZ village, into a ‘5G Village’ based on 5G network and ICT solutions. A student of Daesung-dong Elementary School is dreaming of the future that the fourth industrial revolution will bring through KT Super VR.
Lead 5G Global Leadership

KT’s View

The 5G network refers to a next-generation mobile communication technology with high speed, seamless connection, and large capacity. After presenting “5G Global Leadership” at the keynote address of MWC 2015 in March 2015, KT finalized the 5G common specification for the first time in the world in 2016 and is leading the next-generation communications market through the world’s first 5G commercialization in April 2019. KT will continue to pioneer a new era by providing intelligent network-based platform services based on its 5G global leadership.

Evolution of Mobile Network

Mobile networks have evolved from the first generation to the fourth generation (LTE, Long Term Evolution) based on the differentiated characteristics by generation. After undergoing the smartphone revolution in the mid-2000s that enabled data communication through 3G, data rapidly increased as data communication evolved into the fourth generation, which enabled the playback of multimedia contents such as video in the 2010s. What is important when mobile generations are replaced is to make it possible for customers to use new communication services anywhere. KT plans to build 5G coverage more rapidly than any telecom operators centering on major regions throughout the country.

5G Standardization and Technology Leading

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, KT completed the world’s first full 5G specification (Layer 1, 2, 3), which enabled introducing the 5G service at the PyeongChang Olympic Games for the first time in the world. KT greatly contributed to 5G standardization as indicated by the fact that 85% of the entire specification shown in KT 5G-SIG was reflected on the 3GPP NSA 5G (3rd Generation Partnership Project) Non-Standalone 5G standard finalized in December 2018, leading the 5G standardization.

On October 25, 2016, KT and Samsung Electronics succeeded in making the world’s first 5G trial call. First call (based on the KT 5G-SIG standard) was conducted according to the communication standard ranging from ‘wireless link synchronization’ to ‘user authentication’ in which each component between the terminal and the network is operated according to a certain signal. This first call is differentiated from existing 5G standard-based technologies because it is based on the common standard for 5G wireless communication developed with major global manufacturers.

KT developed core technologies of 5G wireless physical layer and radio access control layer and secured related intellectual property rights. In 2018, among the secured patent technologies, 17 were reflected on 3GPP RAN1 (radio physical layer) and RAN2 (radio access control layer) standards. KT’s patented technologies reflected on the 3GPP standards are a total of 17. KT has drawn the support of TTA domestic member companies and made efforts to ensure compatibility of initial commercial terminals and base stations. KT has then drawn the support of many 3GPP members in the relevant discussion and has contributed to the standardization of 5G such as blocking the approval of Non-backward Compatible Change Requests submitted by manufacturers.

KT showed the world’s first 5G network pilot service at the PyeongChang Winter Olympic Games in February 2018 and achieved its success in commercializing 4G LTE-B for the first time in the world beginning with 4G frequency transmission on December 1, 2018. As the commercialization of B2C began in April 2019, KT plans to enable everyone to conveniently enjoy the 5G network and differentiated services through 5G dedicated terminals. KT is leading the world’s first network platform provider that fuses and connects everything based on 5G.
The 5G world, being opened by KT, is a world where customers can enjoy new and innovative communication services that they have never been experienced before anytime anywhere. KT has launched and provided 5G services in diverse fields such as security, media, finance, transportation, and medical care while applying new technologies through '5G as a Service' that fundamentally blocks hacking utilizing the block chain technology and 'C-DRX', which is a battery saving technology applied to 5G networks for the first time in the world so that customers can enjoy 5G services more safely for longer periods of time.

KT Whizpark, opened in March 2019, is a television studio equipped with 5G and VR/AR technology. The studio is located at KT Whizpark and was opened along with the 5G stadium opening game in March 2019. It provides position views that enables viewing professional baseball games at diverse points of view and matrix views that enables viewing professional baseball games as real time slice videos. KT launched 'GigaLive TV' in 2019, which is a personal VR theater service to provide VR content via wireless devices without having to connect to a separate device. In 2019, KT launched RagnarokClick H5, which is a personal VR theater service to provide VR content via wireless devices without having to download them. Based on its excellent 5G technological prowess, KT launched '360 Live Security' introduced by KT in MWC in 2019, which is a service that helps fast responses on the spot by delivering the images taken by 360 degree wearable cameras to the control room in real time through the 5G network while utilizing the deep learning based image analysis system. This service is differentiated from existing services in that it has no blind spot because it is a wearable type worn by humans and enables comprehensive responses to situations through 360-degree view images.

Security

Security Solutions Such as 5G-based Real-time Monitoring, Safety and Others

The 5G network is characterized by ultra-high speed, ultra-low latency, and high reliability, and can be used effectively in the fields of security and safety where creating a real-time monitoring environment without blind spots is essential. The '360 Live Security' introduced by KT in MWC in 2019 is a service that helps fast responses on the spot by delivering the images taken by 360 degree wearable cameras to the control room in real time through the 5G network while utilizing the deep learning based image analysis system. This service is differentiated from existing services in that it has no blind spot because it is a wearable type worn by humans and enables comprehensive responses to situations through 360-degree view images.

Cloud-based High-definition Content

VRT, Streaming Game Service

Now you can enjoy the computer games that have been used from game consoles or high-end PC as streaming games without having to download them. Based on its excellent 5G technological prowess, KT launched RagnarokClick H5 and Love Revolution, which are streaming games, and enables stable networks and real-time operation without delay so that high-definition games can be delivered seamlessly. In addition, last year, KT launched Giga Live TV, which is a personal VR theater service to provide VR content via wireless devices without having to connect to a separate terminal such as a smart phone or a PC, and plans to provide high-definition/large capacity content based on cloud hereafter.

Immersive Media

5G-based VR, AR, MR Entertainment

As a part of the 5G stadium business, a service to provide the immersive professional baseball game services built at KT Whizpark through Giga Live TV mobile was opened along with the 5G stadium opening game in March 2019. It provides position views that enables viewing professional baseball games at diverse points of view and matrix views that enables viewing professional baseball games as real time slice videos, enables pitching analysis with VOD including analysis data, and provides diverse other services such as motion tracking VOD, schedule / ranking/records. In 2019, KT plans to upgrade its services such as providing high-light VODs for all games except 5G stadiums.
## Foster Platform Business

**KT’s View**

To lead the 5G era, which approached as the reality in front of our eyes, KT has evolved 5G into a new platform that has never been shown so far termed '5G-as-a-Platform' beyond intelligent networks.

To this end, KT announced its plan to leap to become a platform operator based on intelligent networks in 2017 and has been intensively fostering five major platform businesses of ‘Media, Smart energy, Financial transaction, Disaster / safety / security, and Corporate/public value enhancement’ thereby leading the rapidly changing ICT market.

### Platform Business

<table>
<thead>
<tr>
<th>Platform</th>
<th>Strategic goal</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media Platform</td>
<td>Evolve into an intelligent media platform that provides differentiated services to customers</td>
<td>Artificial intelligence TV ‘GIGA Genie’, immersive media such as VR, AR, etc.</td>
</tr>
<tr>
<td>Smart Energy Platform</td>
<td>Providing intelligent service for all areas of production-consumption-transaction such as renewable energy, energy efficiency, demand management (DR), electric car charging</td>
<td></td>
</tr>
<tr>
<td>Financial Transaction Platform</td>
<td>On-line and off-line integrated settlement, next generation certification, financial intermediation, financial intelligence (credit rating information, financial big data), etc.</td>
<td></td>
</tr>
<tr>
<td>Disaster, Safety &amp; Security Platform</td>
<td>Lead changes in the paradigms of the intelligent video / information security market, and promote public safety network projects such as disaster network and LTE-R</td>
<td>Intelligent video service ‘GIGA eyes’, information security solution, fire/environmental safety solution, next generation public safety networks, etc.</td>
</tr>
<tr>
<td>Corporate &amp; Public Value Enhancement Platform</td>
<td>Enhance customer value through KT’s differentiated technology capabilities / know-how and collaboration with partners</td>
<td>Deliver differentiated customer value with systematization and specialized marketing etc.</td>
</tr>
</tbody>
</table>

**KT’s media platform business provides customers with new media experiences by expanding its business to immersive contents such as VR, AR, mobile media, and artificial intelligence services based on South Korea’s No.1 IPTV ‘Olleh TV’ and unrivaled number of subscribers. In order to overcome the limitations of the platform and improve its convenience, KT provides products optimized for customer inclinations using customer analysis algorithms based on Big Data solutions (intelligent curation, intelligent commerce, and targeted advertising).**

Based on various IoT technologies, KT has developed and is providing artificial intelligence TV GIGA Genie that combines Giga Internet service and AI. KT is expanding its service range to not only conventional service for living convenience such as schedule management, weather information, and traffic information but also easy payment, shopping, and education. In addition, GIGA Genie enables control of home IoT devices such as various electronic devices. As of the end of December 2018, the number of subscribers of KT’s GIGA Genie became the number one service in the domestic artificial intelligence speaker market as the number of its subscribers exceeded 1.2 million.

Following its launching of ‘TVsائم’, which combines IPTV and virtual reality technology in May of 2017, KT launched TV for learning while playing, Service Olleh TV, which is a premium kids content implemented by combining differentiated KT’s technologies such as the world’s first IPTV VR/AR in May 2018. In addition, launching GIGA Live TV, version 2.0, which is a personal immersive media service in April 2019, KT is striving to provide immersive contents and various services suited for VR environments.

Following the official opening of downtown type VR theme park “VRIGHT”, in which KT invested jointly with GS Retail, in March 2018, KT additionally opened Giga Village branch number 2 and newly opened an MR Sports Experience Zone K-Five X Jung-dong branch in September 2018. At VRIGHT, you can experience various VR contents such as Special Force VR, flight shooting attractions, and robot experience attractions. KT is accelerating the provision of immersive media service such as launching GIGA Live TV, a personal immersive media service based on a stand-alone VR terminals.
This is a service that analyzes the big data of energy-intensive customers such as factories, buildings, and franchise business places through ‘w-Brain’, an artificial intelligence analysis engine of KT-MEG platform to find out factors for energy wastes and reduce the costs. In late December 2018, KT carried out pilot projects for three and eight directly managed shops of CJ Foodville and KFC Franchise, respectively, and achieved energy saving of approximately 1.7 million kwh nationwide, with an increase by 70% compared to the previous year, were collected and analyzed to provide prediction/analysis/management information for optimum integrated operation.

KT has been promoting smart energy platform business following the launching of the GiGA energy brand in 2017, and has grown the business to the scale of KRW200 billion by 2018 while creating remarkable business results in all areas of production (new and renewable energy), consumption (energy efficiency), and transaction (energy demand management, electric car charging, etc.) based on KT-MEG(Micro Energy Grid), which is the world’s first complex energy integrated management platform. As of the end of 2018, energy big data from approximately 1.7 million sites nationwide, with an increase by 70% compared to the previous year, were collected and analyzed to provide prediction/analysis/management information for optimum integrated operation.

This is a service that analyzes the energy consumption patterns of factories and buildings, identify the reduction factors, register the saved electricity with the Korea Power Exchange (KPX), and support the management of all the implementation of the reduction, to receive the sales revenue. In 2018, KT specialists provided the best service for the reduction orders issued by KPX through real-time monitoring and helped to TOP2 status among 25 DR (Demand Response) companies in South Korea.

In the case of the ‘mobile phone identification’ which is a representative financial transaction authentication service, the scale of use increased every year since the launch of the service in 2013 so that the scale of mobile phone identification service of three telecommunications companies grew to reach KRW50 billion by 2018. KT launched PASS, a joint authentication brand of three telecommunication companies in July 2017 and launched PASS, an integrated authentication application for three telecommunication companies in August 2018 thereby securing 5 million subscribers with the independent service platform that enables faster and safer identification with diverse modes of verification.

In partnership with major credit rating agencies (FICO, ICR) in South Korea, KT has developed and is providing the world’s first communication information based ‘credit score’ that combined financial transaction-centered credit rating information and wireless payment/receipt/mail payment information. Financial intelligence is a business that provides the platform to domestic financial institutions and receives platform usage fees and enables financial institutions to additionally secure low-risk customers while enabling customers to receive additional financial benefits. Beyond the alliances with major domestic financial institutions, KT secured a global reference through the Mongolian credit rating information platform ‘CLIP’, an electronic wallet service that collects and provide customers’ financial benefits such as points, coupons, memberships, etc., is KT’s representative FinTech service. While enhancing customer convenience by providing cash receipts, etc., KT upgraded it to financial intermediate platform based on financial data such as credit cards, car insurance, and asset management to create a financial platform business environment. In addition, KT strengthened its financial intermediate platform capability further by commercializing an open point platform so that customers’ credit card company points can be collected and used for payments at affiliated stores.
With this intelligent analysis control platform unique to KT, KT is striving to provide intelligent video / information integrated security solutions and play a central role in establishing and operating the national disaster safety communication networks, thereby minimizing damage to people's lives and properties and ensuring daily safety. By providing a prediction and prevention centered integrated platforms, customers can secure everyday safety with minimal cost, and public and safety-related agencies can quickly identify and respond to situations in emergencies through secure communication channels.

This is a GIGA Internet-based distributed image analysis / storage platform service that has been provided since 2017. The images from IP cameras installed at customer’s business place are stored and analyzed in the KT Intelligent Video Security Platform to provide high-definition monitoring images on the smartphone or PC anytime, anywhere. In case where an emergency situation such as an intrusion has occurred, alarm images are sent to the relevant station employee’s smartphone. In addition, through the detection of the entrance to the bathroom sounds, and the warning light at the entrance to the bathroom sounds, and the emergency situation is communicated to the relevant station employee’s smartphone. In addition, through the “Green Subway” project, KT is expanding the women’s bathroom safety system at major stations of subway line 5.

KT was selected as a preferred bidder for the A & B area of the National Disaster Safety Communication Network in October 2018 and KT plans to play the role of a control tower for the entire project by 2020, when the project will be completed. The National Disaster Safety Communication Network was introduced after the 2003 Daegu Subway Fire Disaster and is a network system that integrated wireless communication networks of disaster-related organizations such as the police, fire station, Ministry of National Defense, and local governments. In 2019, KT plans to further upgrade its security control system by significantly enhancing its Big Data collection / analysis performance and conducting correlation analysis.

This is a business to not only improve the infrastructures of public institutions and companies, but also provide integrated consulting services for management innovation and new business development, etc. based on KT’s differentiated technology capabilities and know-how. In 2018, KT focused on corporate / public customers’ needs to uncover new business models thereby developing new business models such as artificial intelligence contact centers and mobile notification services and generated new orders worth KRW4.6 trillion. In 2019, KT is uncovering customized business models that meet customer needs through cooperation with partners who have solutions based on artificial intelligence and blockchain.
KT Value Enhancement

Through over 130 years, KT has been leading the telecommunication industry in Korea by providing innovative solutions to the challenges of the times in every corner of history. KT is now embarking on new challenges to maximize corporate, environmental, and social values through propelling corporate-wide sustainability management.

Sang-Chul Kim, a smart farmer with developmental handicaps, KT Smart Farm at Namyangju, Korea

KT operates a smart farm for the handicapped in Namyangju, Gyeonggi Province, to enable challenged people to farm using ICT solutions. We continue to support more handicapped people to find jobs and become self-reliant in society.
Innovating Future Core Technology

**Future core technology is a basis for realizing the future of KT and a solution to complete GiGAtopia. With the advent of the fourth industrial revolution era, communication networks have been evolving into ‘intelligent networks’ where 5G, big data, artificial intelligence, and blockchain are combined with each other. As a platform operator based on 5G intelligent networks, KT is opening the era of warm technology that considers human beings centering on 5G innovative platform services.**

**Future Core Technology**

- **Innovating Core Technology**
  - 5G Intelligent Network based ICT Convergence
  - 5G Innovative Platform
  - No. 1 KT Single KT Customer First
  - R&D Leadership
  - R&D Vision
  - R&D Goal
  - GiGAtopia

**R&D Technology Innovation Vision and Strategic Goal**

- **R&D Vision**
  - Present Business
  - Future Business
  - People’s Business

- **R&D Goal**
  - Securing No. 1 Technologies to change the market
  - Securing innovative technologies for future business
  - Securing creative technologies for people’s benefit

- **R&D Leadership**
  - Winning Strategy
  - Implement Now
  - Next Leadership
  - No. 1 KT
  - Single KT
  - Customer First

**5G Innovative Platform**

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

**5G Infrastructure**

- 5G Intelligent Network based ICT Convergence
- IoT Data Collector
- Cloud Data Storage
- Big Data
- Data Analytics
- Security Data Guard
- Networking Power (GIGA/5G)
- Computing Power (AI)

**2018 Performance Evaluation**

- 13 Companies
  - The Number of Participating Companies to 5G Open Lab
- 150 Million People
  - The Number of GIGA Genie Subscribers Exceeded 1.5 Million for the First Time in South Korea (As of March 2016)
- 1,800 Employees
  - Number of Employees Who Participated in the 2018 R&D Road Show

**Advancing R&D Technology Innovation**

**Promotion of Technological Innovation**

**Management Strategy**

- KT’s vision of R&D technology is ‘Completion of GiGAtopia through the best technology’. In order to complete GiGAtopia, KT will advance the realization of the fourth industrial revolution by realizing the 5G infrastructure for the first time in the world while developing first-class innovative technologies to differentiate the experiences and services of customers based on 5G innovative platforms.

**Strengthening Technological Innovation Strategies**

- KT is carrying out R&D innovation under the goal of converting its business into a ‘platform operator’ based on 5G Intelligent Networks by 2020. To this end, KT promoted technological innovation in 2018 to secure differential competitiveness in the field of next-generation technologies such as ‘5G’, ‘AI (artificial intelligence)’ and ‘Blockchain’.

- KT is striving for R&D aiming at leading UX and securing differentiated technological competitiveness in diverse fields such as 5G, media, B2B, and platform.

**Intensively Promoted R&D Activities In 2018**

- Goal: No. 1 R&D Strategy to Turn the ‘Tables’ with Differentiated UX

**Strategic Innovation**

- Innovative Cost Saving
- Premium Service
- Shift the Market with Innovation and Future Technology

**Improving Technological Innovation Process**

- Innovation and cooperation are essential, from the planning stage to the commercialization stage. KT has strengthened its technological innovation process by operating a fast and seamless feedback system to create a work environment that enables KT’s unique ‘differential innovation and cooperation’. Representatively, KT holds first-class technology commercialization meetings, periodic workshops, and occasional seminars, while making discussions regularly or occasionally by organizing consultative groups at each of the stages of planning, development, and commercialization.

- In particular, the R&D Laboratory discovered disruptive ideas and business models, and is making efforts to develop first-class innovative technologies, verify and secure first-class quality, and construct optimized resource systems.

**Enhancing Competitiveness of Technological Innovation Organization**

- After establishing the ‘Experience Design’ team, which is a professional organization that differentiates technologies based on customer experience in 2015, KT has been continuously strengthening its capabilities in the field of technology commercialization. In order to strengthen its executive ability for commercialization, KT has been operating expanded ‘Technology Commercialization Design T’, etc. from 2016. Due to the rapid evolution of telecommunication technology, the capability to quickly connect technology innovation to commercialization is more important than ever before. In order to promote rapid commercialization, KT has established a step-by-step collaboration system between R&D, business divisions, and top decision-making bodies, and has developed research and development environments one step further to enable rapid decision-making based on the importance and urgency of technological issues.

- In order to transform the existing organization, which was centered on fixed tasks and fields, into a flexible project-type organization, KT constantly removed barriers to collaboration and secured rapid R&D synergy through collaboration between projects directed by officers.

**Strengthening Technological Innovation Organizations and Infrastructures**

**AI Tech Center**

- 5G Open Lab

**Expansion of Technological Innovation Infrastructures**

- KT is expanding its investments in R&D infrastructure to strengthen its future core technologies. After establishing the ‘AI Tech Center’ to establish a process for business organizations and R&D organizations to rapidly develop AI services in 2017, KT established the ‘5G Open Lab’ in September 2018 to implement a series of technological innovation projects to discover diverse 5G services jointly with external partners and promote commercialization. As a result, KT implemented 10 technical innovation projects with 13 companies in total for four months from September to December 2018.
Management Strategy

As the ‘intelligent network’, in which 5G communication technology and ICT technology such as big data, artificial intelligence and block chain are combined, becomes the core of the 4th industrial revolution era, the importance of development and understanding of each technology is increasing. KT is conducting research and development in various fields in order to preemptively respond to global trends and secure new growth engines.

Big Data Technology

Commencement of Construction of GEPP in Kenya in 2018

GEPP is a global platform proposed by KT for the first time in 2018 at the UN General Assembly. Through sharing data cooperation of telecommunication companies around the world, this platform provides information on contaminated areas and supports the Centers for Disease Control and Prevention to prevent the spread of infectious diseases. In December 2018, KT began the construction of this platform in Kenya for the first time among countries vulnerable to infectious diseases and is gradually expanding the platform to Ghana and Malaysia.

Global Epidemic Prevention Platform

GEPP is a global platform proposed by KT for the first time in 2018 at the UN General Assembly. Through sharing data cooperation of telecommunication companies around the world, this platform provides information on contaminated areas and supports the Centers for Disease Control and Prevention to prevent the spread of infectious diseases. In December 2018, KT began the construction of this platform in Kenya for the first time among countries vulnerable to infectious diseases and is gradually expanding the platform to Ghana and Malaysia.

Public Big Data Cooperation

Since it’s the opening in March 2018, the ‘Seoul City Living Propulsion Analysis Data’ prepared through a joint study with Seoul Metropolitan Government has been widely used as a basic data for the establishment of Seoul City policies. In addition, KT developed digital crime prevention service jointly with the National Police Agency in December 2018 and it is applied to crackdown activities of frontline officers to take the lead in making safer environments.

R&D Sharing and Competency Reinforcing

R&D Platform Operation

5G Open Lab Operation

KT opened ‘5G Open Lab’, a collaborative space aimed at developing 5G service together with suppliers in September 2018 and has been operating it. This space is divided into InfraZone, MediaZone, and SmartZone and plays the role of developing and testing 5G infrastructure, realistic media, and entertainment services.

Operation of R&D Consultative Bodies

To secure future core technologies, KT operates a variety of R&D consultative bodies and collaborative channels such as first-class technology commercialization conferences, workshops, and seminars. These consultative bodies and collaborative channels are operated centering on breakthrough of technical limitations focused on creative solutions, reinforcing business capabilities reflecting customer experiences, and discovery of new businesses focused on ideation and rapid incubation.

The ‘single consultative bodies’, which are knowledge sharing activities, are acting throughout the company. The single consultative bodies contribute to finding the best answers by sharing technical and business directions at all stages from planning to commercialization and sharing opinions on commercialization and resolution of current issues.

R&D Road Show Holding

KT holds ‘R&D Roadshow’ once a year to introduce KT’s major research achievements to employees and group companies. The roadshow is divided into future-oriented technologies, technologies that can be commercialized immediately, and technologies at the commercialization stage for exhibition, and it is used as a forum for internal opinion exchanges for technology commercialization. The ‘2018 R&D Roadshow’ exhibited 68 innovative technologies in nine areas and over 1,800 employees participated in it.

Securing R&D Talents

In order to lead the market through developing differentiated products and technologies, securing and fostering excellent R&D talents is important. KT is expanding its employment in the field of convergence technologies such as 5G, artificial intelligence, block chains, connected cars, and quantum communication in an effort to secure the best talents who will lead the fourth industrial revolution. To this end, KT is making diverse efforts such as hosting recruiting briefings at leading overseas universities and securing talent through a sponsoring recruitment systems.

AI Tech Center Operation

The ‘AI Tech Center’ is an open type artificial intelligence development platform built by KT based on its artificial intelligence development infrastructures such as supercomputer to lead the artificial intelligence market. This center plays the role of a hub that leads the intelligence of media, platforms, and networks in the AI ecosystem in which not only KT but also all its affiliates participate.

Management Strategy

For KT to lead the fourth industrial revolution era through the acquisition of future core technology, the activities to share the newest R&D trends and operate partnerships with companies, research institutes and partners that have the highest R&D capabilities are very important. To this end, KT is expanding its R&D ecosystem through the operation of diverse R&D platforms and consultation channels.

Strategizing R&D Networks And Capacities

R&D Platform Operation

5G Open Lab

https://5gopenlab.com

Performance Sharing System

Eco Alliance

Supporting Commercialization of External Ideas

Partners Fair

Development of New Product Under the Condition of Purchase

‘Eco-SCM Business Division’ are connected to operate a virtually cycling open-type technical consultative body

Programs that review external ideas and support commercialization

Mutual cooperation for essential commercialization of new technologies / ideas, etc. between KT and suppliers

When small or medium sized suppliers develop products needed by KT, KT plays the development cost together with the Small and Medium Business guarantees the purchase of the relevant products

Performance improvement and technology development jointly with suppliers and share the result

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Securing Customer-First Management

Customer Satisfaction Vision and Strategic Goal

Vision for Customer Satisfaction (CS)

Model of Customer Satisfaction (CS)

Promoting Total CS in Customer-First Perspectives

Management Activities

2018 Performance Evaluation

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

Quality of Customer Experience

Turning to Customer First Mindset

Differentiated Customer Service

Quality First

Starting from quality of detailed customer experience that satisfies hidden needs

Customer Needs

Increasing simplicity and convenience and asking Plan/Point for higher quality of onsite & customer experience

Competitive Performance

Developing into the Global No. 1 at 1st and winning the quality competition

Customer-oriented Products

Customer-oriented Services

Customer Information Protection

Customer Value Creation

Customer-centered/Rate, KT Product Verification Team

Customer-oriented Accessibility, Network Stability

Information Protection Measures, Information Protection Service

Brand Value Creation, Customer Engagement Campaigns

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

Customer Experience Quality Innovation

Customer Experience Quality Innovation Policy

Customer satisfaction begins with service innovation. Based on the corporate culture that gives priority to customers, KT has provided distinctive customized services to its customers to present more comfortable daily lives thereby providing larger values to customers. KT has strengthened its ‘Customer Experience Quality Management (CEQM)’ system to respond quickly to changes in customers and market environments, such as customer experience quality innovation, VOC innovation, process redesign to secure service competitiveness and is striving to create a consensus that ‘KT is true number one in customer perception empathized by customers and employees’.

Customer Experience Quality Innovation Activity

KT has established customer service, networks, products, and channels as four core areas since 2014, subordinated customer experience into 2,000 segments to measure customer satisfaction and derived and improved tasks to improve customer satisfaction as company-wide efforts for customer experience-based quality innovation.

With KT’s efforts as such for complete differentiation of the quality of customer experience, the scope of customer experience improvement was expanded from individual customers to enterprise customers in 2015, and ‘Customer Effort Scores’ were newly introduced in 2017 in order to measure the efforts of customers involved in the process of using services. In particular, from 2019, KT has been striving to improve customer perceptions by effectively communicating the superiority of KT products and services to our customers, and to secure ‘number one customer experience quality’ in the fields of 5G, Media, and SMB-BIZ.

Customer Experience Quality Innovation Organization

To provide differentiated quality experience to customers, flexible and expeditious operation of company-wide organization operations is essential. To this end, KT has established an officer-centered company-wide collaboration system including group companies, to operate a ‘Customer First Executive Committee’ to quickly secure executive ability with customer satisfaction. In particular, from 2019, KT has been striving to improve customer perceptions by effectively communicating the superiority of KT products and services to our customers, and to secure ‘number one customer experience quality’ in the fields of 5G, Media, and SMB-BIZ.

Fostering Customer Service Specialists

Companies that communicate with customers can co-exist with customers. In order to communicate with customers to understand customers’ perspectives, KT strives to externally and internally change each employee at customer contact points such as customer centers, agencies, plazas, and opening/AS centers where actual meetings with customers occur. In order to transform and foster all employees at customer contact points as ‘field experts who explain well’, KT is implementing continuous and diverse activities such as holding ‘KT Explanation King Competition’, appointing consultants with the best skill as ‘KT Master’ and utilizing know-how teaching and education lecturers, and holding the ‘Number One Consultant & Engineer Award of the Month’ to reward excellent employees. Through such activities, KT strengthens the pride of employees at customer contact points and promotes KT’s branding unique to KT.
Management Strategy
The capability to deliver innovative products and services that can provide ‘best customer experience’ in rapidly changing communication environments is becoming the essence of competitiveness. By constantly innovating customer-centered products and services, KT meets the needs of diverse customers and helps customers enjoy benefits from communication in their daily lives.

Customer-First VOC Innovation
To always listen to the voice of customers, KT runs ‘Voice of customers of the day,’ and the executives of the whole company share the ‘Voice of Customer’ recorded in the call center every day. In addition, KT has established a VOC improvement process to spontaneously communicate with customer contact points to listen to the sounds of the field and discover and improve the problems, and based on this, in 2017, KT intensively improved risk VOCs that degrade customers’ trust as activities to recover customers’ trust. Furthermore, in 2018, KT organized TPs and intensively managed them to improve VOC quality thereby completely verifying VOC variation from the viewpoint of customer-first. As a result of these efforts, complaint VOCs decreased by 13.6%, risk VOCs by 18.2% compared to the previous year. From 2019, in order to provide more reliable and homogeneous services to customers, KT introduced a Six Sigma system to intensively improve quality with VOCs related to poor service quality.

Artificial Intelligence-Based Customer Center Innovation
To promptly process customer opinions, KT operates an integrated call center with a capacity of 11,000 seats, which is the largest in South Korea. In 2019, KT has introduced the AI innovation technology at the highest level in South Korea to significantly improve the convenience of Giga Genie, our home customer center. In addition, KT has loaded chatbot functions on the ‘Visual ARS’ and ‘SMS Customer Center’ to provide upgraded consultation services thereby effectively handling responses to KT product-related inquiries and problem solving. In particular, the convenience of using ARS was dramatically improved through the introduction of Call Assisted with Visible Operation (Call-Avo) ARS. In addition, a system that can certificate customers’ voices was introduced to innovative utilization of Big Data to reflect customers’ usage patterns, thereby achieving groundbreaking outcomes of shortening not only the problem faced by the customer but also connected future problems can be completely solved.

Customer Counseling Service Innovation
As for the customer counseling service, KT made effort to dramatically improve the customer experience at the counseling stage by introducing the “new complete counseling system.” Simple inquiries are handled firstly by customer through the AI customer center, while in the case of complex and difficult inquiries/requests, the trend to demand solution through direct counseling is increasing. Reflecting this customer trend, KT provides responsible counseling so that through the AI customer center, while in the case of complex and difficult inquiries/requests, the trend to demand solution through direct counseling is increasing.

Customer Center, Ranked NO. 1 in the Call Center Quality Index for Four Consecutive Years
KT has been ranked NO. 1 in both the wireless and wired sectors for four consecutive years in the evaluation of the Korea Call Center Quality Index (KCSI), a prestigious customer center quality index sponsored by the Korea Standards Association in 2018 thereby being recognized for its efforts thus far. KT Customer Center has built an intelligent ARS that utilizes Big Data to reflect customers’ usage patterns, thereby achieving groundbreaking outcomes of shortening customer waiting time to eliminate the inconvenience of customers having to listen to the ARS menu for a long time and to ensure fast connection for counseling.

Developing Customer Participation Products
KT operates the ‘KT Product Verification Team,’ in which customers and field employees who carry out work involve facing customers and participate in product development and verification. Since the launching of the first team in 2011, general customers such as housewives, office workers, and university students and field employees in charge of works is expected to respond to customers such as customer counseling, opening, and AI service participation in the process of product development for nine years until 2019. In particular, from 2018, as activities to strengthen the quality competitiveness of existing products, the quality of customer experience at each stage of customer journey is diagnosed to provide improvement of overall one-to-one communications with customers such as agencies, homes, games, and SMS. In 2019, a total of 493 persons consisting of 297 in the customer verification teams and 196 in the field verification teams, are participating in the product verification team and activities for development and improvement of the products of KT, a company that communicates with customers, will be continued.

KT Product Verification Team Activity
KT Value Principle | Securing Customer-First Management

<table>
<thead>
<tr>
<th>KCSI No. 1 In Customer Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>KT Integrated Customer Satisfaction (Unit: Points)</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019</td>
</tr>
</tbody>
</table>

KT Value Principle | Securing Customer-First Management

<table>
<thead>
<tr>
<th>Existing Product Customer Experience Quality Diagnosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Customer Satisfaction Index (KCSI)</td>
</tr>
<tr>
<td>Korea Customer Satisfaction Index (KCSI)</td>
</tr>
<tr>
<td>Korea Industrial Customer Satisfaction Index (KCSI)</td>
</tr>
<tr>
<td>Korea Industry Service Quality Index (KSSI)</td>
</tr>
<tr>
<td>Korea Industrial Service Quality Index (KSSI)</td>
</tr>
<tr>
<td>Korea Service Quality Index (KSSQ)</td>
</tr>
<tr>
<td>Korea Quality Satisfaction Index (KQSI)</td>
</tr>
</tbody>
</table>

Customer-First Products

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KT Integrated Customer Satisfaction (Unit: Points)
Management Strategy
Since security threats related to personal information are increasing day by day with the development of information and communications, KT considers protecting customer information as a top priority. In order to preemptively and structurally respond to increasingly intelligent security threats, KT is making its best effort to strengthen its customer information protection management system and practice culture throughout the life cycle of customer information and to guarantee customer rights as information subjects.

Customer Information Protection Management System
After acquiring the Information Security Management System (ISMS), the nationally accredited information security management system in 2013 for the first time, and has been certified every year. In the “Information Security Readiness Assessment” evaluated by the Ministry of Science and Technology, KT received AAA, the highest grade for three consecutive years thereby being externally recognized for its robust customer information protection. KT established the Information Security Team in 2014 and reinforced the expertise by separating the specialty role and dedicated expertise of the Chief Information Security Officer (CISO) from the Chief Information Officer (CIO) for the first time in the communications industry. KT is the first South Korean investor in the information security sector among Korean telecom companies. In 2018, its investments amounted KRW 97.3 billion and employees dedicated to information protection were 238 in number, accounting for 1% of the total employees.

Privacy Impact Assessment
Pre-analysis
· Review the need for impact assessment
· Establish an impact assessment plan
Analysis of Information Management Status
· Personal Information Flow analysis
· Analysis of factors for personal information infringement
· Risk assessment and improvement plan derivation
Summary of Impact Assessment Results
· Establish impact plan
· Write an impact assessment report
· Check implemented matters
Implementation Check

Strengthen Customer Information Protection Measures
KT analyzes the entire life cycle from the personal information collection stage to the destruction stage and applies appropriate optimum technological and managerial protection measures by stage to prevent leakage of personal information in advance. To this end, KT conducts personal information impact assessment to identify and correct infringement factors in advance when systems that utilize personal information are changed or newly introduced, and conducts checks the entire distribution networks and customer information processing systems every year regarding factors in advance when information systems that utilize personal information are changed or newly introduced, and conducts checks the entire distribution networks and customer information processing systems every year regarding other customer information protection measures. In addition, KT is strengthening technical and administrative protective measures to preemptively respond to evolving security threats such as APT (Advanced Persistent Threat) attacks and deletes the personal information of customers who do not use services for long periods of time exceeding one year to prevent the risk of leakage. In particular, KT has established a comprehensive response system covering the terminal, network, and even servers through the first IT / Network Integrated Cyber Security Center in South Korea and is responding to diverse security threats 24 hours a day, 365 days a year.

Use of Customer Information

Ratio of Checks Whether Information is Collected for Secondary Purposes

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Unit</th>
<th>Telecommunication data*</th>
<th>Data confirming the fact of telecommunication**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Request</td>
<td>Number of cases of government agencies requests for customer information than the relevant purpose</td>
<td>Case</td>
<td>259,985</td>
<td>91,099</td>
</tr>
<tr>
<td>Checking</td>
<td>Number of cases where whether customer information was used for secondary purposes</td>
<td>Case</td>
<td>259,985</td>
<td>91,099</td>
</tr>
</tbody>
</table>

* The number of documents requested by government agencies, which were provided as of 2018.
** Telecommunication data: under the Telecommunications Business Act, information investigation agencies may request to the Ministry of Science and ICT, the investigating agency may request to the court by the fact of communication, log record, IP address, etc.

Inquiry of the Details of Use of Personal Information

Ratio of checks whether information is collected for secondary purposes

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Unit</th>
<th>Telecommunication data*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Status of Customers</td>
<td>Ratio of customers who selected the ‘opt-in’ option</td>
<td>%</td>
<td>100 100 100</td>
</tr>
<tr>
<td>Current Status of Customers</td>
<td>Ratio of customers whose personal information was used for secondary purposes</td>
<td>%</td>
<td>0 0 0</td>
</tr>
<tr>
<td>Current Status of Checks</td>
<td>Number of organizations that check whether a customer’s information is collected for secondary purposes</td>
<td>Number</td>
<td>4,571 3,514 4,127</td>
</tr>
<tr>
<td>Current Status of Checks</td>
<td>Ratio of checks whether information is collected for secondary purposes</td>
<td>%</td>
<td>100 100 100</td>
</tr>
</tbody>
</table>

* A method not to permit personal information processing without prior consent. All personal information collected to KT services is processed in ‘opt-in’ method.
Providing Reliable Communication Service

Management Strategy
Recently, the importance of providing reliable communication service is increasing due to the rapid climate change around the Korean Peninsula and the occurrence of earthquakes. As a telecommunications carrier with a national network, KT operates a state-of-the-art network surveillance system to provide reliable communication services under any circumstance and is committed to strengthening network stability.

State-Of-The-Art Network Monitoring System
KT, which operates South Korean national communications network, is responsible for providing reliable communication services through prompt responses and recovery in the event of occurrence of natural disasters such as typhoons, heavy rains, earthquakes, and other social disasters. To this end, KT operates an integrated network surveillance system to ensure the stability of wired and wireless networks and conducts comprehensive control at the network control center. In addition, KT operates the network surveillance system around the regional control centers for 24 hours a day, 365 days a year, while the nationwide wired and wireless operation centers are performing stable operation and maintenance of CHangen Network. In 2018, a second control center was established in Daegu, strengthening the control function in Chungheong and Daegu areas. This enables KT to integrate distributed network control functions of Chungnam, Honam, Daegu, and Pusan areas to strengthen the executive ability of the network surveillance system. In 2019, KT plans to standardize the cable tunnel control system and build a control system to minimize faults that may occur in cable tunnels.

Artificial Intelligence-Based Failure Prediction
KT’s efforts to provide reliable communication services to its customers repeat innovation. By establishing a failure prediction system based on artificial intelligence technology in 2018, KT achieved the result of shortening recognition time in the event of a failure. In 2019, KT plans to extend the AI failure prediction system to the fields of IP networks and 5G networks as well as the field of cell service.

Strengthening Emergency Recovery Training
As extreme weather events and traffic surges has occurred frequently recently, the ability of carriers to provide reliable communication services under any circumstances is becoming more important. KT establishes emergency recovery measures by type of failure in advance in preparation for not only general communication failures but also cases where communication services are interrupted due to disasters and calamities such as typhoons and earthquakes and periodically conducts emergency recovery training. In particular, KT is making effort to minimize damage caused by communication system problems by constructing and operating a backup system capable of automatic bypass communication. KT is carrying out various activities to prevent disruption while improving service quality.

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KT is striving to improve network stability by preemptively managing network failure indicators based on international standards. In 2018, the average frequency of network failures in KT was 0.015 cases which showed much higher stability compared to the average frequency of network failure in general telecommunications industry systems at 1.10 cases. The average failure duration is 1.35 hours, which is lower than the same system failure duration of 1.5 hours.

<table>
<thead>
<tr>
<th>Type</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Reporting standard*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When the electronic traffic in a city, districts exceeds 2.5 times</td>
</tr>
<tr>
<td>Service</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>electronic traffic in a city, districts exceeds 3 times</td>
</tr>
<tr>
<td>Subscribers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When the service of 5,000 subscribers is interrupted</td>
</tr>
<tr>
<td>Leased line</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When emergency rescue services (112,119) disrupted</td>
</tr>
<tr>
<td>Main network facilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When a main network failure occurred (superior network facilities)</td>
</tr>
<tr>
<td>Secondary network facilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When a secondary network failure occurred (superior network facilities)</td>
</tr>
<tr>
<td>Communication cable</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>When domestic and international submarine cables are disrupted</td>
</tr>
</tbody>
</table>

* Reporting standard about communications disorder to the Ministry of Science and ICT

Creating Brand Value

Management Strategy
Beyond the limitation as a telecommunication company, as the number one innovative technology company, KT has been introducing new and innovative marketing communication activities every year thereby drawing the attention and empathy of customers. KT is pursuing ‘Integrated Marketing Communication’, which comprehensively utilizes customer contact point channels to create meaningful messages for customers and to expand and reproduce them.

Innovative Brand Campaign

KT expresses the KT brand identity to pursue an ‘Innovative Technology Company that acts for the people and customers’ through the group / corporate brand slogan ‘People. Technology’ and consistently applies the identity to the management activities, corporate culture, product and service development, and customer communication. Through this integrated marketing strategy, KT is breaking from its image as a ‘traditional communication company’ so that customers perceive KT brand image as innovative technology company centering on future growth businesses such as ‘5G’ and ‘AI’.

Leading the 5G Era with Realistic Campaigns
In 2018, KT introduced a new 5G campaign, ‘Hi Five KT 5G’, KT expressed the confidence and authenticity of KT 5G technology that could be experienced right now not in a far future through the view of customers experiencing KT 5G throughout the country Republic of Korea following Pyeongchang. In addition, KT promoted omni-directional integrated marketing that reinforced customer communication and experience, such as digital video production, MCN channel expansion, customer experience type promotion, and design goods / character communication enhancement. As a result, KT was selected as a company that comes across first when the word 5G is heard in 2019 following 2018 thereby maintaining overwhelming number one in 5G TOM to become a leader of 5G in South Korea. In 2019, when KT was commercialized, KT began the campaign ‘Your Supernatural Power KT 5G’ in line with the opening of the 5G era. As customers become to be able to first feel sea, fast, and experience, KT service thanks to the release of 5G smartphones, the wonderful benefits and changes in life through KT 5G services were expressed as ‘your supernatural power that enables anything wanted’.

5G Service Customer Participation Campaign
KT carried out diverse customer experience programs so that customers could empathize with changes in lives and benefits through the innovative technologies and services of KT. In 2018, KT carried out differentiated experience type promotions so that customers can familiarly experience the technology and service of KT such as launching ‘KT 5G Power’ to make the ‘world first 5G Olympics’ into an issue and opening the ‘ON restaurant’ that provides foods of diverse countries without limit in order to promote the launching of the ‘Data roaming ON’ service plan to draw great positive responses and participation. In addition, KT carried out seasonal experience programs for diverse customer groups such as ‘Kids Land Character Athletic Meeting’, ‘Y Street Festival’, ‘Ground Forces Festival’, ‘Jara Island Festival’, and ‘Russia World Cup Street Cheering Competition’ to enhance the recognition of KT brand and lead the popularization of innovative technologies along with service PR. In 2019, KT is continuing diverse customer participation events, such as opening a super large 5G experience hall at Gwanghwamun Square where diverse KT 5G technologies are showcased and experiencing participating AR app ‘Catch Heroes’ for experience of KT’s nationwide 5G coverage.

Brand Performance Creation
KT’s brand is recognized internationally as it has been receiving favorable evaluations in representative design awards as well as various brand awards and advertising festivals at home and abroad.

Major Brand Awards Records

<table>
<thead>
<tr>
<th>Advertisement Festival Silver Award</th>
<th>Design Festival Silver Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>KT 5G Experience Hall at Gwanghwamun Square</td>
<td>The 18th Seoul Video Advertising Festival Silver Award (KT 5G Disaster Safety Network part)</td>
</tr>
<tr>
<td>‘Your Supernatural Power KT 5G Campaig</td>
<td>The seventh It-Award grand prize (KT 5G Disaster Safety Network part)</td>
</tr>
<tr>
<td>KM Brand Slogan</td>
<td>‘Hi Five KT 5G’ campaign Disaster Safety Net Advertising</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BM Link</th>
<th>The seventh It-Award grand prize (KT 5G Disaster Safety Network part)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 South Korea Brand Hall of Fame (Giga Internet / Giga Game / Ulta hq)</td>
<td>The seventh It-Award grand prize (KT 5G Disaster Safety Network part)</td>
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Establishing Environmental Leadership

KT’s View

The environmental issues faced by the world today such as climate change, energy shortages, and resource exhaustion are emerging as new challenges and business opportunities for companies. KT intends to become a Convergence Builder that will suppress global climate change through eco-friendly ICT convergence services while enhancing the environmental efficiency of all processes of business activities by concentrating ICT capabilities under the eco-friendly management strategy termed “Carbon Impact 2030.”

Environmental Management Vision and Strategic Goal

CARBON IMPACT 2030

“Carbon-free Company”

KT pursues to minimize environmental impacts from its operation, while maximizing environmental benefits from its services. Through development and provision of an innovative environment-friendly ICT service, KT will accomplish Carbon-free Company by 2030.

Opportunity Factor

Maximizing environmental benefit from KT’s service

Strategy Driver

Improving environmental efficiency

Objective Driver

Containing climate change

Driver

Risk Factor

Minimizing environmental impacts from KT’s operation

Factor

Climate Change

Energy Efficiency

Resource Efficiency

Environment-friendly

Environmental ICT Services

Energy efficiency management

Discover the item for energy reduction

Efficiency management data centers

Expanding renewable energy

Reinforcement of waste management

Discovery and adoption of waste reducing items

Reduction of water usage

Operation of an environmental management system

Reinforcement of an environmental performance management

Evaluation, audits, and follow-up measures

Execution of an environmental education

Expansion of procurement for environment-friendly products

KT pursues to minimize environmental impacts from its operation, while maximizing environmental benefits from its services. Through development and provision of an innovative environment-friendly ICT service, KT will accomplish Carbon-free Company by 2030.

Environmental Management System

KT Environmental Management Policy


Environmental Management Strategy

KT has been incorporated into the ‘Carbon Management Honors Club’ for six consecutive years in the Carbon Disclosure Project (CDP), which assesses the environmental management level of companies in 2018, and was selected for the ‘Hall of Fame’ for two consecutive years for the first time in South Korea. The Hall of Fame is the highest honor that is awarded only those companies that have been selected into top five companies for five consecutive years. CDP is a global indicator for assessing the level of climate change response of major listed companies around the world. In the 2018 evaluation, KT received the highest grade, Leadership A because it acquired high scores evenly in all areas such as climate change response strategies, greenhouse gas reduction efforts, greenhouse gas management, and eco-friendly new business promotion.

KT Launched Big Data-Based Fine Dust App for the First Time in Korea

KT operates an IoT-based real-time air quality measurement and micro dust big data platform so that everybody can identify accurate dust information in real time and prevent damage. In particular, in February 2019, KT launched ‘Air Map Korea,’ a customized fine dust information application using Big Data Analysis and Internet of Things solution for the first time in South Korea. Air Map Korea provides information updated every 10 minutes based on the fine dust big data built by KT through over 2,000 self-monitoring networks built over the past two years, and by the second half of this year, a total of 7,500 mobile observation sensors will be added to deliver more accurate information with a total of 10,000 networks secured as such.

Environmental Management Policy

KT established and announced the KT Environmental Management Policy in 2017 to fulfill the environmental responsibilities and foster eco-friendly ICT as a new growth engine of the company. Through this policy, KT is striving to establish five environmental management agendas and manage them effectively to minimize the negative environmental impacts that may occur throughout the company’s operations and value chain and to maximize the positive environmental impacts that can be made through KT business.

Environmental Management Organization

Incorporated into CDP ‘Hall of Fame’ Transformed for Two Consecutive Years in 2018

Response to Climate Change

Energy/Resource

SCM

Energy ICT

Response to environmental regulations

Company-wide energy saving

Waste management

Company building water use reduction

Support for cooperative environmental management

Expand eco-friendly projects

Other energy projects

Leading Environmental Management

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Management Strategy

KT strives to maximize environmental benefits through KT’s eco-friendly services while minimizing the environmental impact of KT operations with the goal of ‘CARBON IMPACT 2030’ environmental management vision. Through innovative technologies, KT seeks to create a sustainable human base by realizing coexistence of nature and human, environmental protection and economic development.
Management Strategy
Based on active climate change response strategies, KT is strengthening its energy efficiency capabilities through ICT technological innovation and promoting diverse energy-saving projects, thereby being reborn as an ICT company that leads future ages. In addition, KT has established a management and measurement system that can improve resource efficiency for resource conservation and cost reduction.

Carbon Management Target and Strategies
In order to achieve the ‘Carbon Impact 2030’ strategy and contribute to the realization of the national greenhouse gas reduction goal, KT is promoting a carbon management strategy with a view to reducing carbon emissions by 35% compared to the 2007 KT greenhouse gas emissions by 2030. This is to initiate cooperation for the 37% reduction called for by the Business as Usual (BAU) strategy, which is the national greenhouse gas reduction target set by the Paris Climate Change Conference (COP21) in December 2015, and contribute to the suppression of earth temperature rise to 2°C. In order to advance the achievement of mid- to long-term greenhouse gas reduction targets, KT discovered new tasks by organization centering on the Environmental Management Committee, established roles and responsibilities (R & R) of departments for energy savings to implement reducing activities.

Leading Carbon Management
In order to systematically manage company-wide greenhouse gas emissions, KT built a greenhouse gas inventory system for the first time in the domestic telecommunication industry in 2010. From 2013, KT dramatically expanded its management range to other indirect greenhouse gas emissions (scope III) thereby becoming a global number one eco-friendly company. In particular, KT secures the reliability of the data by having the emission calculation methodology and emissions for the entire Scope 1, 2 and 3 verified by the verification bodies certified by the government every year. In 2018, KT built a real-time greenhouse gas emission monitoring system its office buildings across the country to identify energy waste elements and discover energy saving items as well as monitoring current status of achievement of GHG reduction targets utilizing the forgoing.

Enhancing Energy Efficiency
With the rapid increase in traffic due to the increases in various smart devices and the IoT devices that will explosively increase in the upcoming 5G era, the energy consumed by telecommunication equipment is also expected to increase. KT strives to enhance energy efficiency by applying various eco-friendly cutting-edge technologies such as enhancing network efficiency, introducing business electric vehicles, and green IDC construction. In addition, KT is implementing energy efficiency measures such as optimizing network operation, introducing outdoor air, and replacing high-efficiency equipment to reduce network energy.

Energy Usage

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy usage</td>
<td>MWh</td>
<td>2,427,342</td>
<td>2,449,382</td>
<td>2,489,280</td>
<td>2,477,078</td>
</tr>
<tr>
<td>Degree of energy intensity in comparison with sales</td>
<td></td>
<td>10.06% 10.74% 10.83% 10.99%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total renewable energy purchase and production</td>
<td>MWh</td>
<td>624 580 2,040 8,283</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total energy cost</td>
<td>KRW 100 million</td>
<td>4,040 3,900 3,895 3,882</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Expansion of New and Renewable Energy
In addition, after constructing a solar power plant using the Gangneung receiving station (19.720m2) in 2011 for the first time in the domestic telecommunication industry, KT has been continuously investing in new and renewable energy facilities. In 2018, KT expanded the solar power generation facilities massively to produce 8,283 MWh of electricity, which is about four times that of 2017.

KT Solar Power Generation Performance

<table>
<thead>
<tr>
<th>KT Solar Power Plant</th>
<th>Power generation amount</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit: KWh</td>
<td>6,265.0</td>
<td>6,243.8</td>
</tr>
</tbody>
</table>

Greenhouse Gas Reduction

Direct and Indirect Greenhouse Gas Emissions (Scope 1 & 2)
KT estimates greenhouse gas emissions every year and reports to the government to faithfully fulfill its obligation to manage greenhouse gas emissions (Scope 1 & 2) under the Framework Act on Low Carbon Green Growth. The scope of the report includes all the facilities in KT’s management control, including buildings scattered across the country, and all communication facilities such as forward-deployed business places, base stations, and repeaters. Scope 1 emissions are generated by the heating energy of KT office buildings, business vehicle operation, etc., and scope 2 emissions are caused by the company-wide use of electricity for wired / wireless network equipment, IDC, and so on. KT greenhouse gas emissions (Scope 1 & 2) were 1,106,330 ICO2eq in 2018 and are decreasing every year.

Direct / Indirect Greenhouse Gas Emissions (Scope 1 & 2)

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct greenhouse gas emissions (Scope 1)</td>
<td>ICO2eq</td>
<td>41,365</td>
<td>41,386</td>
<td>41,373</td>
<td>38,482</td>
</tr>
<tr>
<td>Indirect greenhouse gas emissions (Scope 2)</td>
<td>ICO2eq</td>
<td>1,043,496</td>
<td>1,043,152</td>
<td>1,043,714</td>
<td>1,043,857</td>
</tr>
<tr>
<td>Total</td>
<td>ICO2eq</td>
<td>1,084,861</td>
<td>1,086,540</td>
<td>1,087,087</td>
<td>1,082,339</td>
</tr>
</tbody>
</table>

Social Greenhouse Gas Emissions
KT strives to go one step further from the reduction of internal greenhouse gas emissions to contribute to the reduction of national greenhouse gas emissions through eco-friendly service through innovative ICT technology. The amount of social greenhouse gas reduction occurred in a year of 2018 through KT’s eco-friendly services such as energy efficiency projects is 222,190 ICO2eq.

KT pursues both environmental and economic benefits through the maximization of resource use and recycling. As a result, in 2018, waste emissions decreased by 11.0% compared to 2017. Furthermore, KT is making efforts to reduce waste water usage through the use of automatic watering bidets in office buildings, water-saving devices, and recycling of effluents. In 2018, KT’s water usage amounted to 1,934,007 tons, with a decrease by 8% compared to 2017.

Waste Discharge and Water Consumption

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generated</td>
<td>ton</td>
<td>38,476</td>
<td>26,868</td>
<td>25,701</td>
<td>25,196</td>
</tr>
<tr>
<td>Living waste</td>
<td>ton</td>
<td>7,667</td>
<td>7,466</td>
<td>6,584</td>
<td>6,280</td>
</tr>
<tr>
<td>Communication waste</td>
<td>ton</td>
<td>12,335</td>
<td>14,303</td>
<td>13,647</td>
<td>12,025</td>
</tr>
<tr>
<td>Construction waste</td>
<td>ton</td>
<td>19,475</td>
<td>4,219</td>
<td>5,506</td>
<td>4,281</td>
</tr>
<tr>
<td>Total waste recycled</td>
<td>ton</td>
<td>33,564</td>
<td>21,306</td>
<td>21,522</td>
<td>19,160</td>
</tr>
<tr>
<td>Total waste disposals</td>
<td>ton</td>
<td>4,893</td>
<td>4,762</td>
<td>4,578</td>
<td>4,277</td>
</tr>
<tr>
<td>Waste recycling rate</td>
<td>%</td>
<td>87.3% 82.2% 82.2% 82.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total water consumption</td>
<td>1,000 ton</td>
<td>2,166</td>
<td>2,364</td>
<td>2,103</td>
<td>1,934</td>
</tr>
</tbody>
</table>
Cultivating Innovative Talents

KT’s View

Employees are our eternal companions who will realize the company’s vision and goals together. Through systematic human-resource development, KT helps employees to grow into global talents while operating diverse welfare systems so that employees can maintain balance between work and life. Through the foregoing, KT strives to create Great Workplaces that enhance its corporate value and contribute to the improvement of the ‘quality of life’ of mankind.

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Management Strategy

KT established a concept of talents, ‘KT employee who is faithful to the basic and principles, constantly communicates and challenges to realize customer value’, and is actively recruiting talents appropriate for the concept. In addition, KT provides education in accordance with the talent development program to build a competence-oriented organizational culture in which employees can maximally exert their capabilities.

Ideal Employee of KT

KT has a firm belief that fostering human resources is directly linked to the competitiveness of the company, and actively searches for and recruits excellent talents who are appropriate for the concept of talents through fair and transparent talent securing procedures. Based on its fair personnel system, KT assigns the employed talents to duties and closely evaluates their performance. In addition, KT provides education in accordance with its talent development program to build an organizational culture that enables employees to exert their full potential by themselves.

Competency-centered Talent

Through KT’s ‘KT Star Audition’, a blind recruitment method, experienced and aspirational talents associated with the job are fairly evaluated excluding specifications. Applicants selected in the relevant screening are given the benefit of exemption from document screening when they apply for regular open recruitment. After being exempted from document screening, they are employed after undergoing personality test, aptitude test, and interview screening to find talents who are appropriate for the open recruitment of new employees. They are showing excellent performance in the process of carrying out actual works after entering the company.

Talent Recruiting Program

In order to discover capable talents who will lead the fourth industrial revolution era, KT has established fair and transparent procedures, and selects talents centering on job competency. In 2018, KT newly employed 570 people, which is 14% more compared to 2017, in line with government’s youth job creation policies. In addition, KT conducts ‘blind interviews’ in order to increase the fairness and transparency of recruitment. During the interviews, all personal information items are blind processed to select talents centering on competency.

In addition, KT continues to implement ‘KT Star Audition’, a differentiated open recruitment system. The KT Star Audition, which was introduced for the first time in 2014, is an open recruitment screening of KT in which all specifications are excluded and candidates can freely express job-related expertise and experience for 5 minutes. Applicants selected in the relevant screening are given the benefit of exemption from document screening when they apply for regular open recruitment. After being exempted from document screening, they are employed after undergoing personality test, aptitude test, and interview screening to find talents who are appropriate for the open recruitment of new employees. They are showing excellent performance in the process of carrying out actual works after entering the company.

KT introduced a regional quota system to find excellent talents in the region and employ more than 20% of new employees from local talents.

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Expanding Recruitment of Excellent Talents

Number of Persons Newly Employed by KT in 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Female Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Persons</td>
<td>23,764</td>
<td>19,634</td>
<td>4,130</td>
<td>17.38%</td>
</tr>
</tbody>
</table>

By Manager

- Low level manager: 13,041
- Middle level manager: 9,042
- High level manager: 334

Sub total: 22,417

By Department

- Business department: 4,865
- Field work department: 18,037
- Support department: 1,462

Sub total: 24,434

Ratio of Female Managers in 2018

16.22%

Current Status of Employees

[As of December 31, 2018, Unit: Persons]

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Minority Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>23,764</td>
<td>19,634</td>
<td>4,130</td>
<td>17.38%</td>
</tr>
<tr>
<td>By Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low level manager</td>
<td>13,041</td>
<td>10,418</td>
<td>2,623</td>
<td>20.11%</td>
</tr>
<tr>
<td>Middle level manager</td>
<td>9,042</td>
<td>8,558</td>
<td>484</td>
<td>10.88%</td>
</tr>
<tr>
<td>High level manager</td>
<td>334</td>
<td>306</td>
<td>28</td>
<td>8.38%</td>
</tr>
<tr>
<td>Sub total</td>
<td>22,417</td>
<td>18,952</td>
<td>3,465</td>
<td>18.22%</td>
</tr>
<tr>
<td>By Department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business department</td>
<td>4,865</td>
<td>3,531</td>
<td>934</td>
<td>21.76%</td>
</tr>
<tr>
<td>Field work department</td>
<td>18,037</td>
<td>15,308</td>
<td>2,729</td>
<td>15.13%</td>
</tr>
<tr>
<td>Support department</td>
<td>1,462</td>
<td>989</td>
<td>473</td>
<td>32.30%</td>
</tr>
</tbody>
</table>

Diversity

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Minority Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>The handicapped</td>
<td>500</td>
<td>484</td>
<td>16</td>
<td>2.10%</td>
</tr>
<tr>
<td>Veterans welfare beneficiary</td>
<td>1,158</td>
<td>1,052</td>
<td>106</td>
<td>4.87%</td>
</tr>
<tr>
<td>Elderly (60 years or older)</td>
<td>65</td>
<td>56</td>
<td>9</td>
<td>0.27%</td>
</tr>
<tr>
<td>Foreign employee</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>0.08%</td>
</tr>
<tr>
<td>Sub total</td>
<td>1,737</td>
<td>1,061</td>
<td>66</td>
<td>3.71%</td>
</tr>
</tbody>
</table>
Management Strategy

In order to lead the 5G era to discover new growth opportunities and lead the opportunities, enhancing the competence and competitiveness of employees is regarded to be more important than ever before. KT provides diverse and systematic training programs to help its employees grow as experts who regard customers first.

With a view to cultivating number one talents equipped with both challenge spirit and expertise, KT is striving to cultivate ‘number one KT persons’ armed with self-esteem and confidence and ‘experts’ who will lead the future business growth.

In 2018, to cultivate experts who prepare for the 5G era, KT enhanced B2B/platform business operator capabilities and strengthened the smart learning platform for the field of future new technologies. In addition, KT upgraded its number one successful DNA with a ‘strong leader who overcame crisis’ and ‘functioning talent’ cultivation programs. The average training time per employee is 83.4 hours, which is increasing every year. The number of times of off-job training is 1.7 times per year, and the number of sessions of on-line training is 11 times per year.

Core Value Education

KT has internalized the four core values of KT to implement education to strengthen pride and a sense of unity as KT persons. KT is implementing education to strengthen group sense of identity and promote KT value sharing for new and promoted employees, and the targeted of education were expanded to include group companies so that 2,300 promoted employees from 29 group companies participated in the education in 2018. The education for promoted employees focuses on having the students recognize the 135-year history of the group, learn about future businesses and strengthening the sense of pride to KT and sense of unity with KT, a national company.

Leadership Cultivating Training

In order to systematically cultivate the next generation of management leaders, KT is fostering leaders who would lead the internal and external changes for the field of KT by operating leadership programs by hierarchy such as ‘Group Management Leader Cultivating Track’ and ‘Group Executive Workshop’. Furthermore, in order to respond with insight to the rapidly changing global market centering around 5G communication, KT operates the ‘Global Chief Executive Program’ for senior executives of the group and provides position holder training by leader hierarchy to constantly provide opportunities to improve leadership and expertise.

Specialist Cultivating Training

In order to nurture competency-based job Specialists, we conduct job-competency diagnoses and operate customized training systems that recommend appropriate courses based on the results of the diagnosis. In 2018, 3,000 employees from 79 training courses participated in training, not only in the fields of future growth but also in the areas of strategy, marketing, and global demand. In addition, we reorganized the common competency training to support B to 6 expert work performance. We continued to innovate education and operation by making online contents for offline education in order to improve the participation in education.

Future Growth Leader Training

After establishing the AI education center in 2017, KT has been focusing efforts on cultivating experts who working hard to nurture specialists who would lead the fourth industrial revolution by providing practical training necessary for AI algorithm development capability. In 2018, KT trained 1,171 employees to foster KT employees in future growth fields such as AI, block chains, and Big Data, and an AI academy was operated for outside employment candidates to train 27 experts for 6 months.

In addition, in order to raise the interest and capacity of all employees in the future new growth businesses, KT held the ‘number one learning organization knowledge concert’ by inviting internal and external experts on the topics of future businesses such as IoT, Big Data and AI. KT will continue to cultivate human resources in the future growth field and expand the 4th Industry Academy education for outside employment candidates.

Development of Female Leader Competency

KT’s female manager ratio is 16.22% and female top manager ratio is 8.38%. Although the ratio in numbers per se is not high, since the proportion of women among all employees is 17.38%, the ratio of managers and executives to women is not low considering the total number of employees because of the nature of the business. KT is striving to increase the proportion of female employees in the top leadership and operates various programs such as women’s mentoring to foster more women as leaders. In addition, KT supports dispatch training for female team leader level employees. In 2018, among the 182 candidates participated in the ‘Management Leader Training Course’, 61 (34%) were female leaders.

Employee Diversity and Respect for Opportunities

In order to raise the ratio of female workers for diversity, KT blinks genders, which are not related to job competence, in the recruitment process, and when recruiting new employees who graduated from university, KT employed females for 35% in 2017 and 38% in 2018.

In addition, KT signed an agreement with the Korea Employment Agency for the Disabled in 2018 to establish a ‘subsidiary type standard workplace for the disabled’ in order to provide good quality stable jobs to the disabled and established a subsidiary type standard workplace in 2019. Hereafter, KT will discover differentiated services unique to KT utilizing 5G and AI to continuously make efforts to revitalize the employment of the disabled.

Fair Performance Evaluation and Compensation

KT prefers to treat those with excellent performance through fair performance evaluation. KT introduces MBOP (Management by Objectives), which is an individual goal management system, for all employees and conducts multi-faceted evaluations. As a result of these efforts, the turnover rate of KT in 2018 is 1%, which is much lower when compared to 2.9%, the average turnover rate of large enterprises surveyed by the Ministry of Labor in 2018.

Fair promotion examinations are conducted centering on performance and competency in the results of evaluation. The promotion system is divided into two categories: ‘general promotion’ based on the mileage applied equally to all employees and ‘promotion by selection’, which selects those who created excellent performance.

Employee Satisfaction Survey

KT conducts regular employee satisfaction surveys for all employees every year to measure the detailed levels of satisfaction by position, gender, age, and organization and makes efforts to understand employees through analysis of yearly trends and improve employee satisfaction through internal improvement. The results in 2018 are 85.0 points, with an increase by 3.0% compared to the previous year.

<table>
<thead>
<tr>
<th>Category</th>
<th>Male</th>
<th>Female</th>
<th>By Organization</th>
<th>By Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>86.2</td>
<td>82.0</td>
<td>78.2</td>
<td>76.6</td>
</tr>
<tr>
<td>Manager</td>
<td>74.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Satisfaction

<table>
<thead>
<tr>
<th>Category</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>85.7</td>
</tr>
<tr>
<td>Female</td>
<td>81.2</td>
</tr>
<tr>
<td>Business department</td>
<td>80.6</td>
</tr>
<tr>
<td>Support department</td>
<td>82.7</td>
</tr>
<tr>
<td>Field work department</td>
<td>86.1</td>
</tr>
<tr>
<td>Section manager</td>
<td>81.2</td>
</tr>
<tr>
<td>Deputy manager</td>
<td>86.7</td>
</tr>
<tr>
<td>Executive director etc.</td>
<td>87.3</td>
</tr>
</tbody>
</table>

Appendix

KT’s number one learning organization knowledge concert won Korea Knowledge Grand Prize in 2018 for ‘KM, KVP 15 courses, 4,300 persons’ and ‘Volume One Workshop’ won Korea Knowledge Grand Prize in 2016 for ‘KVP 33 courses, 2,302 persons’.

Survey

Employee Satisfaction

Competency Innovation

For Conversion into a B2B / Platform Operator

Future New Technology Field

Smart Learning Platform (KT-MOOC, etc.)

Cultivating Strong Leaders to Overcome the Crisis

Cultivating Challenging Talent

<table>
<thead>
<tr>
<th>Program</th>
<th>Customized training</th>
<th>Future New Technology Field</th>
<th>Cultivating Strong Leaders to Overcome the Crisis</th>
<th>Cultivating Challenging Talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customized training</td>
<td>118 courses, 4,301 persons</td>
<td>KEP 10 courses, 2,861 persons</td>
<td>KVP 33 courses, 2,302 persons</td>
<td>KVP 15 courses, 4,300 persons</td>
</tr>
</tbody>
</table>

KT Value Creation | Cultivating Innovative Talents | KT Value Proposition

About the KT Integrated Report

The KT Integrated Report is a major strategic communication tool of KT, providing the company’s mission, vision, and strategy, as well as the corporate management’s vision and perspectives and achieving a dialogue with stakeholders. For this purpose, KT presents its own management concept, the ‘Value Creation’, and the ‘Value Proposition’ as the most important elements.

The Value Creation is the company’s mission, vision, and strategy and describes the general direction of the company’s management. The Value Proposition focuses on the company’s key values and describes its business strategy in terms of the value creation.

The KT Integrated Report is published in English and Korean and is available for free download on the KT website. It is a report that describes the company’s performance on a variety of management issues and includes an annual report, financial statements, and various other information that is important for understanding the company and its performance. The KT Integrated Report is a report that describes the company’s performance on a variety of management issues and includes an annual report, financial statements, and various other information that is important for understanding the company and its performance.
Good Jo6 (Good Job) Campaign
"Good Jo6", which means the new work culture unique to KT, contains the meaning of productivity increase and realization of Work & Life Balance through efficient and intensive working methods. In order to establish an efficient working culture, shutdown system is being implemented to block access to in-house working sites after working hours from 2010. KT is expanding flexible work arrangements to increase the flexibility of commuting time so that working mothers and special-purpose workers can go to work at their preferred times. In addition, KT is introducing a discretionary work system and Core-Time work system in which employees allocate working time by themselves.

Flexible Work Program
KT operates a variety of flexible work programs to promote efficient work. Since the introduction of telecommuting in 2010, KT has been operating a variety of flexible work programs, including selective work, Core-Time work, and discretionary work programs. KT also implements family love flexible work programs for pregnant women, infant caring women, disabled employees, and employees who need to care for dependent family members.

Current Status of Use of Flexible Work Programs

<table>
<thead>
<tr>
<th>Type</th>
<th>Major Content</th>
<th>(As of 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommuting</td>
<td>Staff department</td>
<td>12</td>
</tr>
<tr>
<td>Selective Working System</td>
<td>All employees</td>
<td>712</td>
</tr>
<tr>
<td>Core-Time Working System</td>
<td>All employees</td>
<td>1,077</td>
</tr>
<tr>
<td>Discretionary Working System</td>
<td>R&amp;D, IT design and job analysis</td>
<td>24</td>
</tr>
<tr>
<td>Family Love Flexible Working System</td>
<td>Pregnant women, infant caring women, disabled employees, and employees who need to care for dependent family members</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,777</td>
</tr>
</tbody>
</table>

Corporate Culture of Communication and Win-win

<table>
<thead>
<tr>
<th>Satisfaction with Grievance Settlement Unit (Points/5 points)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with Grievance Settlement Unit (Points/5 points)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rate of Reinstatement after a Parental Leave

- Maternity Leave: 1 year
- Parental Leave: 1 year

Vacation and Leave Programs
KT has introduced a semi-annual leave system that allows employees to use the annual leave divided into up to 10 times a year so that they can be faithful to their family life and seeks to establish an efficient working culture through the Good Job campaign. In addition, for family care, KT extended the legal caring leave that can be used for up to 90 days to up to 120 days and allows employees to extend the leave up to one year in conjunction with emergency leave.

Maternity Leave Exceeding the Legal Standard

<table>
<thead>
<tr>
<th>Category</th>
<th>Type of Leave</th>
<th>Maternity Leave System</th>
<th>Number of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Spouse maternity leave</td>
<td>10 days may be used (legal leave: 3 days)</td>
<td>278</td>
</tr>
<tr>
<td>Female</td>
<td>Leave before and after delivery</td>
<td>70 days of paid leave can be used (legal maternal leave: 60 days)</td>
<td>88</td>
</tr>
</tbody>
</table>

Retirement Preparation Program
KT operates the KT Life Plan, a job-change support program, so that employees can prepare for their second life and old age. KT provides specialized training programs for employees who are about to retire, such as job-change inclination self-diagnosis course, professional start-up / employment / return to farming, and 1:1 consulting. Since the introduction of a business start-up support leave system for the first time in Korea in 2009, KT has been supporting employees who challenge business start-ups while they work at KT every year.

Win-win Labor-management Relations
Pursuant to Article 6 of the Trade Union and Labor Relations Adjustment Act and Article 3 of the collective agreement, KT guarantees that employees can freely join the trade union formation of trade unions and other representative organizations. Pursuant to the collective agreement, KT adopted the Union Shop system in which all employees become union members as soon as they enter the company so that 100% of employees are protected by collective bargaining. Employees can freely withdraw from the union. As of December 2018, the union membership rate of employees is 77.8%.

In 2018, KT discussed and resolved measures to boost employees’ morale and improve welfare through a total of 60 labor-management meetings, including Labor-management Conferences and the Labor-management Win-win conferences.
Social Contribution Vision and Strategic Goal

KT's View

KT strives to solve social problems with warm and innovative technology for people. We are carrying out corporate-wide social contribution activities that contribute to people, society and culture by utilizing ICT, a core competence of telecom companies. We are also actively participating in the realization of the goal of UN sustainable development, and strive for the development of humanity and the inclusive growth of society.

Social Contribution Vision and Strategic Goal

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

"Realizing a better future through key capability of KT"

Better People

- IT Supporters
- IT education for digital divide
- Better People

Better Society

- GIGAtopia
- Improving living conditions of remote areas by customized ICT solution with GIGAtopia Infrastructure
- Better Society

Better Life

- KT Chamber Hall
- Widespread for classical music through opening regular performance at KT Chamber Hall Profile for donating to "KT Sound Finding"
- Better Life

KT Sound Finding

- Most extended social contribution activities for support hearing-impaired children
- KT Sound Finding

Implementation of the UN SDGs

KT strives to realize the UN Sustainable Development Goals, which are global goals to solve the universal problems of humanity and the environmental, economic and social problems of the planet. UN SDGs are fundamentally linked to overall sustainability management activities of KT Group companies as well as KT. A variety of social contribution programs that utilize the characteristics of each group company’s business are matched to the goals of the UN SDGs and are generating synergies through joint volunteer activities among group companies.

Social Contribution Organization

Social Contribution System

Management Strategy

KT's social contribution is focused on building a sustainable society through activities to relieve gaps utilizing core competencies such as 5G infrastructure and ICT technology. Reflecting the characteristics of the telecommunication industry, KT conducts activities to relieve gaps in these aspects of people, society, and culture. Through the foregoing, KT intends to expand the KT management philosophy to the area of social contributions.

After establishing the Sustainability Management Committee, which is a committee in the board, in April 2016, KT has been promoting more efficient and substantial social contribution activities throughout the company. Important decisions on social contribution are made by the 'Sustainability Management Committee' within the board of directors. Through the Group Social Contribution Committee under this committee, KT Group level integrated social contribution activities are carried out. In addition, KT operates separate working organizations for public service projects, employee volunteering, social contribution funds, and the discovery of group joint projects.

Social Contribution Organization

Board of Directors

- Sustainability Management Committee

Steering Organization

- Sustainability Management Unit

Executive Body

- KT Group Social Contribution Committee

Direct KT group public services

- KT group employee volunteers

Operate KT group social contribution funds

- Discover KT group joint projects

KT Group Social Contribution Programs by the UN SDGs

- KT Group Social Contribution
- KT is committed to implementing the UN SDGs

- KT group employees
- KT supporters
- KT volunteers

- KT Dream Center
- Support education for the underprivileged children through 21 KT office buildings

- KT Sound Finding
- Most extended social contribution activities for support hearing-impaired children

- KT Group Social Contribution Committee

- KT is committed to implementing the UN SDGs

- KT Group Social Contribution Programs by the UN SDGs
**Better People**

### Management Strategy

KT provides innovative communication and convergence services based on ICT to realize the corporate mission and management philosophy of being the best national company that can benefit the public. KT will continuously expand IT supporters, dream school, global mentoring, employee volunteer service platform, scholarship project, and joint labor-management sharing activities.

### What is IT Supporters?

IT Supporters is the first Probono activity in South Korea that was launched in 2007 and celebrates its 12th anniversary this year. Probono refers to the activities of experts in each field to utilize their expertise to help the underprivileged and social underprivileged. Through IT supporters, previous and current KT employees with IT expertise conduct nationwide IT education for Information Havens. KT Group IT Supporters, which eleven KT Group companies have participated in, provide future IT education such as ‘software career experience class’. In November 2018, the program has proven its superiority because it was selected as an experience excellent in education contribution by the Ministry of Education. In addition, KT is expanding the opportunity to firsthand experience IoT devices to children in island and mountainous areas, addressing the social needs of software education. In addition, while supporting information gap removing activities and self-reliance for the information underprivileged, KT is leading the improvement of domestic social problems through collaboration with government and local governments.

### IT Supporters’ Activity

<table>
<thead>
<tr>
<th>Number of Activities</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>319,341 cases</td>
<td>3,328,309 Persons</td>
</tr>
<tr>
<td>16,650 institutions</td>
<td>Beneficiary Institutions</td>
</tr>
</tbody>
</table>

### Main Activities of KT Group IT Supporters

1. Prevention and Improvement of Dementia Awareness - Provided 87 times at Dementia Relief Center and Korea Veterans Welfare & Healthcare Corporation (10,141 people)
2. Software Career Experience Classroom - In connection with middle school software education that will become mandatory, software education was provided at 25 elementary/middle schools
3. GIGA NotTeen (4F experience classroom) - Provided 342 sessions of IT experience classes (4,954 students) including AV/ TV/ SW for 50 schools in island and mountainous areas where regular education can be hardly provided
4. Elimination of Digital Divide in Four Underprivileged Groups - Elimination of digital divide and improvement of the quality of life through education on methods to use computer and smartphone for 72,792 people in the four underprivileged groups including the elderly, the disabled, low-income class, and rural residents
5. Cultivating Self-sufficiency Ability for Vulnerable Groups - Together with retiree IT support for retirees (82 people), KT Group IT Supporters provided IT education to support social advancement for 4,084 persons including multicultural/ immigrant women, and career interrupted women

### KT Dream School

KT Dream School is a two-way ICT mentoring platform built in 2013 using KT’s video conferencing system, which is taking the lead in resolving the education gap for vulnerable classes, children and youth. In particular, the program provides opportunities for retirees and career interrupted women to act as “dream lessers,” that is, mentors to provide opportunities for social participation to them and contribute to job creation. In the future, KT plans to expand personalized education for the underprivileged children and expand the social participation of retirees and career interrupted women with diverse talents. The number of retirees and career interrupted women who participated until 2018 was 518 and the number of beneficiaries as 194,418

### Global Mentoring

KT Global mentoring is a mentoring program that utilizes KT Dream School, an online platform. It provides foreign language education and global cultural education by linking children from the island and mountainous regions to foreign students. In 2018, 70 children from the five less favored island and mountainous regions comprised the Imjado, Baekryeondo, Cheonghak-dong, Kyongjongdo and Pyonggang-gun were matched one-on-one with 70 foreign students so that foreign language classes and cultural exchange programs were implemented. By 2018, a total of 278 foreign students have participated, and the cumulative number of training sessions is 11,918.

### Global Mentoring: Foreign Students

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Beneficiaries</th>
<th>Number of Sessions of Education (cumulative)</th>
<th>Number of Training Sessions (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>278</td>
<td>11,950</td>
<td>33,904</td>
</tr>
<tr>
<td>Labor-Management</td>
<td>194,413</td>
<td>26,250</td>
<td>5,885</td>
</tr>
</tbody>
</table>

### Social Innovation Talent Scholarship

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Beneficiaries</th>
<th>Number of Sessions of Education (cumulative)</th>
<th>Number of Training Sessions (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Welfare</td>
<td>513</td>
<td>162</td>
<td>51</td>
</tr>
<tr>
<td>Community</td>
<td>75</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Cultural Education</td>
<td>51</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Environmental Improvement</td>
<td>43</td>
<td>148.1</td>
<td>258.4</td>
</tr>
<tr>
<td>Disaster / other</td>
<td>20</td>
<td>702</td>
<td>702</td>
</tr>
</tbody>
</table>

### Labor-Management Sharing Activities

**UCC Vietnamese Multicultural Family Visited Langhui Night Ophrana**

*Intercorporate Labor-Management Sharing Consultative Body UCC*  
For larger sharing, KT leads the activities of UCC, which is a joint labor-management sharing consultative body in which the labor-management of 20 companies participate together to take the lead in spreading win-win labor-management culture and sharing. In 2018, the labor and management of member companies participated in the national agenda together through cheering at the Pyeongchang General Meeting and Paralympic Opening Ceremonies, and UCC was selected as the “Leading Social Contribution Model” by the UN Economic and Social Council and adopted as one of the goals for social opinion. UCC has been organizing volunteer activities in Vietnam for 7 consecutive years and presented family meetings and memories to over 450 Vietnamese multicultural families. In particular, UCC have also set up places for cooperation with the Disaster Relief Association, which is an official relief institution of the government and Korean Red Cross to conduct activities to restore victims and provide relief in close contact with the site.

### Volunteers of Love

Performance of Volunteers of Love in 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Beneficiaries</th>
<th>Number of Sessions of Education (cumulative)</th>
<th>Number of Training Sessions (cumulative)</th>
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</thead>
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<tr>
<td>Social Welfare</td>
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<td>162</td>
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<tr>
<td>Disaster / other</td>
<td>20</td>
<td>702</td>
<td>702</td>
</tr>
</tbody>
</table>

### Nosaran Social Contributions

**Nosaran**  
Nosaran is a ‘Sharing Movement’ that systemized the win-win cooperation activities unique to the KT Group employees and management*. In order to fulfill social responsibility together based on the labor-management culture of win-win and cooperation. To spread employees’ sharing activities, 159 practice commissions were established and have been operated throughout the country. The Nosaran practice commissions are operated by labor and management of each institution together so that employees can autonomously participate in social contribution service for more than 8 hours a year. KT operates the ‘sharing mileage’ system that gives the benefit of one mileage per hour of volunteer activities to participating employees thereby further activating social contribution activities in close contact with local communities.

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**KT Dream School**  
Dream School Website  
www.ktdreamschool.org
Better Society

Management Strategy
With the spread of information and communication devices such as smartphones and the Internet, the global village is becoming closer than ever before, but the information, culture, education, and income gaps between regions are spreading further. KT is expanding activities to resolve regional disparities, centering on the Giga Story, the Dongja Hope Sharing Center, and the Ggumpum Center so that the imbalance coming from interregional disparity can be resolved and everyone can enjoy the benefits of information and communication technology.

Giga Story
Giga Story is a representative social contribution project promoted by KT’s unique creativity and innovative ideas. It is a next-generation shared value creating project that resolves the information gap of residents in the island and mountainous regions improving the living environment utilizing the KT communication infrastructures watched by the whole world. In South Korea, beginning with Imja Island, Shinan-gun in October 2014, this project has been promoted in Daesung-dong in the demilitarized zone in Paju-si, Baekryeong Island in Ongjin-gun, Cheonghak-dong in Hadong-gun, Gyodong Island in Ganghwa-gun and Euiyaji village in Pyeongchang. In 2019, KT plans to review and improve superimposed solutions by giga story, and apply diverse new solutions using 5G technology reflecting the actual needs of residents.

Giga Story Promotion Performance

1. Imja Giga Island (October 2014)
Promotion of community activation in the fields of education, culture, and medical care through ICT

2. DMZ Daesung-dong Giga School (November 2016)
Establishment of cutting-edge smart learning environments at schools in the DMZ controlled by the UN, 5G Village opened in June 2019

3. Baekryeong Giga Island (March 2015)
Improvement of the living environment such as security and economy of Baekryeong Island, the border of the northern part of the west sea

Traditional cultural exchange through on-line between traditional villages and cities

5. Gyodong Giga Island (March 2017)
Activate economy in regions bordering the cease-fire line with ICT tourism platforms

6. Pyeongchang 5G Village (February 2018)
Application of the world’s first 5G service to Euiyaji Village in Pyeongchang, the venue of the Winter Olympics

Global Giga Story
The Giga Story experience and capacity gained by KT in South Korea are blooming abroad. In April 2017, based on the island of Mekhathil in Bangladesh, KT began ‘Bangladesh Giga Island’ project in cooperation with Bangladesh ICT Department, International Organization for Migration (IOM), Korea International Cooperation Agency (KOICA) and local nonprofit and non-government organizations. KT introduced Giga Network and ICT solutions to improve the standard of living of the islanders with communication, education, medical service and economy, and has contributed to solving social problems based on ICT in line with Bangladesh government’s national development policy “Digital Bangladesh 2021.”
In 2018, in close cooperation with the IOM, an international organization under the United Nations and Bangladesh government, KT conducted diverse activities to improve the quality of life of island residents using its Internet and ICT technologies thereby becoming an international reference of improvement of the quality of life through the use of digital capabilities.

Dongja Hope Sharing Center
Since 2013, KT has been conducting IT education and volunteer activities for 1,099 inhabitants of Dongja-dong, Yong-kun-gu, a typical boshikovillage in South. In this process, KT recognized that the residents need a space where they can relax the inconvenience of their basic living and take a rest at ease and opened the ‘Dongja Hope Sharing Center’, an ICT complex cultural space in June 2014. The ‘Dongja Hope Sharing Center’ is equipped with convenience facilities for residents and cultural facilities such as ICT cafes, and IPTV rooms and frequently conducts IT education, crafts, and arts and culture classes using these spaces. In particular, KT have selected people from the village as center management worker to create jobs for the residents and provide popular spaces to the residents. In particular, KT introduced ‘Hope Sharing Cafe’ and ‘Doldulugol Laundry Center’ to support the lives of the residents. Positive changes have spread throughout the region since the opening, and Dongja-dong, where police and 119 rescue teams have frequently been on the streets, is gaining vitality and stability.

KT Ggumpum Center
KT operates KT Ggumpum Centers in conjunction with the Regional Children’s Centers by major region to ensure that children in vulnerable classes can properly grow into the future leaders. KT Ggumpum Centers, which began in 2010 and celebrate their 10th anniversary this year, utilize data spaces in 21 branch offices nationwide to prepare IT equipment such as IPTV, beam projector, smart pad, electronic books and provide a variety of education for children, including personality, arts and physical education, English, and ICT use. KT is cooperating with various organizations in order to ensure that children in the local children’s centers receive quality education at the KT Ggumpum Centers and holds ‘Ggumpum Presentations’ for sharing the results of talent development results such as musical instruments/ musicals’ speeches by center every year. In addition, in order to motivate local children, KT selects Ggumpum scholarship students every year to provide scholarships. In 2018, KT delivered scholarships amounting to a total of KRW 117.7 million to 39 children. In one year of 2019, a total of 57,204 children received educational benefits from 5,431 local childcare centers nationwide.

KT Value Enhancement | Advancing Strategic Social Contribution

KT Value Creation
KT Value Enhancement | Advancing Strategic Social Contribution

KT Value Principle
Appendix
By this year, 10 years has passed since KT opened the ‘KT Chamber Hall’, a professional classical performing space to provide support for rehabilitation through language, play, art therapy, etc. In 2019, KT supported four children with cochlear implant surgery together with Yoshin Medical Establishment, and established a remote clinic to strive for continuous rehabilitation. In 2019, KT opened the second ‘dream room’ in the Frieongdong Hospital in Cambodia, and remote rehabilitation treatment of children who underwent cochlear implant surgery is underway. Performance of Sound Finding Project in 2018

In 2018, 8,655 people attended 24 concerts to watched performances at KT Chamber Hall. Over the past decade, the chamber orchestra has presented a total of 255 performances and about 100,000 audience watched the performances. In particular, in September 2018, KT invited the family members of group employees of the Pusan headquarters to attend the performance. In addition, KT has been operating ‘Disabled Persons’ Job Creation License Class’ at various regions throughout the country since 2003, to provide support for people with developmental disabilities to experience the jobs. In November 2018, KT signed an MOU with the Ghana Health Service to promote cooperation in the construction of GEPP to strengthen the infectious disease monitoring system. KT’s efforts to spread successful domestic construction cases abroad have borne the first fruit in Kenya, Africa. An groundbreaking ceremony for the project was successfully held in December 2018 through cooperation with the Ministry of Health and the Ministry of Information and Communication of Kenya. This case is recognized as a successful example of successful Public Private Partnership (PPP). In addition, in November 2018, KT signed an MOU with the Ghana Health Service to promote cooperation in the construction of GEPP to strengthen the infectious disease monitoring system.

Current Status of Application in South Korea
In November 2016, KT successfully launched a service to provide information on symptoms indicating the risk of infectious disease to people who visited countries with a risk of infectious diseases using SMS technology. KT proposed the Epidemic Prevention Platform at the UNGC Annual meeting of the World Economic Forum (WEF) in January 2018, to introduce success cases of the Global Epidemic Prevention Platform (GEPP), and declared its vision for global spreading of GEPP, with which the world would share concrete method using ICT technology, and through this project, KT is providing innovative solutions for implementing Goal 3 Health Promotion of UN Sustainable Development Target.

Current Status of Overseas Spread
KT’s efforts to spread successful domestic construction cases abroad have borne the first fruit in Kenya, Africa. An MOU was signed between KT and Safaricom, the No. 1 telecommunications company in Kenya in May 2017 and the groundbreaking ceremony for the project was successfully held in December 2018 through cooperation with the Ministry of Health and the Ministry of Information and Communication of Kenya. This case is recognized as a successful example of successful Public Private Partnership (PPP). In addition, in November 2018, KT signed an MOU with the Ghana Health Service to promote cooperation in the construction of GEPP to strengthen the infectious disease monitoring system.

Responses of International Society
After executing the partnership agreement with the World Economic Forum (WEF), KT attended Davos Forum, the annual meeting of the World Economic Forum (WEF) in January 2018, to introduce success cases of the Global Epidemic Prevention Platform (GEPP), and declared its vision for global spreading of GEPP with which the world would share infectious disease information at the ERA (Epidemic Readiness Accelerator) session, launched at the Davos Forum. In addition, KT that participated in the Davos Forum for two consecutive years from 2018 participated in the ‘Trustworthy Data’ session as a panel to share the achievements of national launching of the GEPP, and discussed the measure for contribution of the KT technology based public field to take the lead in the declaration of the vision of GEPP.
Enhancing Value Chain Competitiveness

KT's View
Suppliers are true partners to grow together with KT. KT is constantly strengthening the shared growth system and communication with its suppliers to improve corporate competitiveness and spread win-win culture. In addition, KT is improving the competitiveness of its supply chain by securing suppliers with excellent competence through fair and transparent Supplier selection processes.

Shared Growth Vision and Strategic Goal

KT's Six Areas of Shared Growth

KT's View

Support for Technology Handler
Free talent transfer
Non Disclosure Agreement (NDA)
Exorcise for technological data
Support for Certification of Original Document of Trade Secrets
Open S/W Verification Lab

Support for Market Development
Investment into start-ups
Escrow for technological data
Non Disclosure Agreement (NDA)
Free patent transfer
Open S/W Verification Lab

Support for Business Model
Support for Procurement and Market Development
Support for Management & Quality Consultation
Vendor Coaching for suppliers
Demand Forecasting System (electronic equipment suppliers)
Joint advancement into international market
Global Partner's Day
Business Fair
SMEs & ventures
Global Partner's Day
Business Fair
SMEs & ventures

Support for Education within SME
Support for SCM Consultative Body
Support for Joint BM
Support for Initial Commercialization Budget
Commercialization Support
Expansion into Overseas Bases through Global PoC
B2B collaboration program for venture companies who have difficulties in entering the market. Support for initial commercialization budget of up to KRW 100 million and support for joint R&D development through linkage with KT business division.

Technical Development Support

In order to enable suppliers to develop competitive products based on patents, KT transferred 62 patents to small suppliers free of charge in 2018. In addition, KT plans to support suppliers' future new technology development by raising a joint R&D fund amounting to KRW 10 billion for suppliers over the next five years and activate the performance sharing system to ease suppliers' financial burdens and strengthen compensation for purchased volumes.

Operating Supplier Communication Channels

KT improved its supply chain management system and processes so that it can re-establish communication channels and respond effectively to W/II (Voice of Supplier) to collect suppliers' opinions. KT concluded an agreement on the elimination of wage disparity between large companies SMEs with the Shared Growth Committee and representative suppliers on the Partner's Day in November 2018 and plans to provide KRW 10 billion in 2018 to create good quality jobs for small and medium-sized suppliers.

Progress in 2018

Category | Contents
--- | ---
Supplier In-tend Meeting | Held 8 times a year separately for C-level / working level
Supplier Visiting Meetings | Held 24 times a year every Wednesday for 42 companies
SME Consultative Body | Expanding all items to operate as a representative channel that regularly coordinates demand and supply plans through collaboration of business department / purchasing department / suppliers
Other Channels | Partners' council, quality improvement meeting, local practical affairs exchange meeting, etc., are permanently operated

Appendix

Overview
KT Value Enhancement | Enhancing Value Chain Competitiveness
KT Value Principle

Expansion of the Promotion of Shared Growth

Strongening Shared Growth Activities

Management Strategy
As a responsible corporate citizen, KT seeks to lead a shared growth culture to strengthen the creative and competitive South Korean telecommunication industry ecosystem. Therefore, KT established an organization dedicated to shared growth in 2010 and implemented a variety of shared value creation programs to practice innovative cooperation with suppliers and fair trade.

Support for Commercialization
KT has partnered with major overseas start-up centers and venture capital to support the global empowerment and investment attraction of small and medium suppliers. KT is promoting diverse activities such as participating in famous overseas exhibitions together with suppliers, global advancement through consortium with KT, utilizing KT's overseas infrastructure, and global PoC (Proof of Concept) projects of small and medium suppliers. As a result, suppliers' export contracts amounting to KRW 7 billion were made during a year of 2019.

Support for Marketing/Sales Promotion

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Procurement and Market Development

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Management & Quality Consultation

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Education within SME

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Initial Commercialization Budget

Commercialization Support

Advancement into Overseas Bases through Global PoC

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Initiation of Joint R&D

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.

Support for Initial Commercialization Budget

Commercialization Support

Advancement into Overseas Bases through Global PoC

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Support for Initial Commercialization Budget

Commercialization Support

Advancement into Overseas Bases through Global PoC

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Support for Initial Commercialization Budget

Commercialization Support

Advancement into Overseas Bases through Global PoC

KT supported the participation of small and medium-sized suppliers in overseas exhibitions, KT specialists supported overseas marketing activities of suppliers during the exhibition period and the suppliers successfully concluded export contracts worth KRW 7 billion in 2018.
Sustainable Supply Chain Management Policy

With a view to expanding responsible and sustainable management to the entire supply chain, KT established the ‘Supplier Sustainability Guidelines’ in December 2013 for the first time among domestic telecom companies and has been practicing systematic sustainable supply chain management based on the guidelines. KT made the second revision of the guidelines in May 2017 to reflect global trends of environments, human rights, etc. The Supplier Sustainability Guidelines consist of four sections: Business Conduct Principles, Environmental Management, Corporate Social Responsibility and Roles, and Product Sustainability and present the sustainability management standards expected by KT from suppliers across a total of 18 areas. In addition, KT established three supply chain sustainability goals to pursue shared growth for mutual benefits and strives to achieve the goals.

Supply Chain Management Goals and KPIs

<table>
<thead>
<tr>
<th>Category of Suppliers</th>
<th>Number of evaluated suppliers</th>
<th>Ratio of Suppliers (%)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier-1 Suppliers</td>
<td>581</td>
<td>100.0%</td>
<td>95.6</td>
<td>94.0</td>
<td>94.2</td>
</tr>
<tr>
<td>Non-Tier-1 Suppliers</td>
<td>581</td>
<td>100.0%</td>
<td>83.4</td>
<td>80.0</td>
<td>80.8</td>
</tr>
</tbody>
</table>

Results of Supply Chain Risk Identification

<table>
<thead>
<tr>
<th>Risk Classification</th>
<th>Risk Action</th>
<th>Risk Level</th>
<th>Range of Evaluation</th>
<th>Evaluation Target</th>
<th>Suppliers in Which Risk Action Identified</th>
<th>Suppliers to which Risk Action was Assessed</th>
<th>Suppliers with Risk Action Terminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Risk</td>
<td>Violation of the ethics and anti-corruption principles in the contracting process</td>
<td>High</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Collusion and unfair conduct</td>
<td>High</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Delay in payment for secondary contractors</td>
<td>High</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unsecured financial structure such as low credit rating</td>
<td>High</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Environmental Risk</td>
<td>Environmental accident occurred during construction</td>
<td>Medium-high</td>
<td>Telecommunication construction contracts</td>
<td>383</td>
<td>383</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>High greenhouse gas emissions</td>
<td>Medium-high</td>
<td>Telecommunication construction contracts</td>
<td>383</td>
<td>383</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Violation of environmental law or regulations</td>
<td>Medium-high</td>
<td>Telecommunication construction contracts</td>
<td>383</td>
<td>383</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social Risk</td>
<td>Disputes and litigation</td>
<td>Medium-high</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Late tax violation</td>
<td>Medium-high</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Violation of safety law</td>
<td>Medium-high</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Safety accident occurred</td>
<td>Medium-high</td>
<td>All suppliers</td>
<td>581</td>
<td>581</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>581</td>
<td>581</td>
<td>17</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

Pre-screening of Supply Chain Sustainability

KT is screening 100% of suppliers newly registered in 2018 based on the electronic contract system and requests compliance with the supply chain policy. In addition, KT reflects requirements regarding KT supply chain policies in the written agreement with suppliers so that they comply with the requirements. In particular, KT revised the ‘Special Agreement for Practice of Ethics’ in 2016 to include ethical management and assurance of fair trade when making contracts with any suppliers so that suppliers can mandatorily comply with KT’s ethical management policies and prepare a separate written oath. This special agreement stipulates that the parties who concluded the contract are prohibited from unfaithful activities such as accepting money for any reason during the process of performing the contract.

Supply Chain Sustainability Risk Evaluation

KT selects suppliers based on evaluation standards by area such as materials, construction, software development, services, and stores, and shops evaluates the results of transactions annually to select excellent suppliers. For the selected suppliers, KT conducts management evaluations and Risk Management Index (RMI) monitoring twice a year, once in the first half and once in the second half of each year in line with credit rating agencies. From 2013, KT has introduced the ‘Supplier sustainability management evaluation system’ to periodically measure and manage the levels of negative economic, environmental, and social risks that may arise in the supply chain. The results of the evaluation are reflected in the annual evaluation of the suppliers, which will have a significant impact on the main selection processes, including re-selection of suppliers and selection of the best suppliers. Sustainability management evaluation results for material co-operative companies and information and communication work co-operative companies in 2018 averaged 95.6 points, indicating that the suppliers’ sustainability level has improved compared to 92.4 points in the previous year.

Current Status of Supply Chain Risk Evaluation

(As of December 31, 2018)

<table>
<thead>
<tr>
<th>Category of Suppliers</th>
<th>Number of Suppliers</th>
<th>Ratio of Suppliers (%)</th>
<th>2020 Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier-1 Suppliers</td>
<td>581</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Non-Tier-1 Suppliers</td>
<td>581</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Corrective Action

Depending on the results of supply chain risk evaluation, KT establishes corrective action plans for suppliers that must be improved and requires improvement of ESG performance according to corrective action plans. Despite these efforts as such, a total of eight companies were sanctioned according to the results of diagnosis and evaluation of suppliers in 2018, and the action of permanent stop of transactions was taken against the relevant suppliers because they were judged to seriously violated the policy such as the occurrence of disputes.

Sustainability Training for Suppliers

KT has operated sustainability training programs for practitioners of suppliers from 2014 to share understanding of sustainability and support suppliers to practice it in the front-line of management activities. Since 2018, KT and suppliers shared growth for mutual benefits and strives to achieve the goals.

Sustainable Supply Chain Management Training

KT has operated sustainability training programs for practitioners of suppliers from 2014 to share understanding of sustainability and support suppliers to practice it in the front-line of management activities. Since 2018, KT and suppliers have signed a ‘Supplier sustainability guidelines practice agreement’ to secure suppliers’ ability to execute sustainable management and KT intensively opened educational courses for improvement of suppliers’ ability to execute sustainable management.

Sustainable Supply Chain Management

In order to strengthen supply chain capabilities and minimize operational risks, supply chain management that takes into account economic, environmental and social factors is essential. KT conducts sustainability management evaluations based on its supply chain sustainability management policy to minimize risks in the supply chain and promote long-term shared growth.

Supply Chain Risk Evaluation System

<table>
<thead>
<tr>
<th>Year</th>
<th>Score (out of 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>95.6</td>
</tr>
<tr>
<td>2017</td>
<td>94.0</td>
</tr>
<tr>
<td>2018</td>
<td>94.2</td>
</tr>
</tbody>
</table>
In order to fulfill its responsibilities as a global leading telecommunication company, KT does not cease to concern about sustainable future even in changes and innovation. The four principles of KT’s value judgment are the basis to carry forward business strategies that equally consider business value and social / environmental values.

Chaeg Kim, A barista of the IT cafe in a flophouse area,
KT Dongja Hope Sharing Center, Korea
KT operates the Dongja Hope Sharing Center, an ICT complex cultural space for improving the living conditions of residents, in Dongja-dong, Yongsan-gu, Seoul. We are striving to help the vulnerable to self-reliance by caring for the jobs of the residents and families who visit the center.
In order to build a stable management environment and to continuously improve corporate value, KT adopted the corporate governance best practice recommendation to strive to enhance shareholder value through checks and balances between the independent board of directors and professional managers. To this end, KT adopted the corporate governance best practice recommendation to strive to enhance shareholder value through checks and balances between the independent board of directors and professional managers. In order to improve corporate governance and promote transparent management, KT has adopted the Corporate Governance Best Practice Recommendation that conforms to international standards and has set up a KT governance model based on board independence, shareholder value enhancement, and responsible management by professional managers. In order to strengthen the independence of the board of directors, the CEO and chairman of the board of directors were separated in 2002 and the ‘KT Corporate Governance Charter’ was enacted and declared in 2007 to promote company-wide transparent management.

**KT Corporate Governance Model**

1. **Independence of Board Composition and Management**
   - **Outside Directors’ Ratio:** 73%, Separation of CEO and Chairman
   - Board Members: President, Evaluation and Compensation Committee
   - Internal Transactions Committee members are completely composed of outside directors

2. **Enhancement of Shareholder Value**
   - **Shareholder Return:** Carry out shareholder-centric dividend policy
   - **Shareholder Rights:** Introduction of concentrated / written vote system
   - **Shareholder Protection:** Internal transactions and all transactions are controlled

3. **Responsible Management by Professional Managers**
   - **Appointment and Management Contract:** The board recommends candidates for the CEO and executives and executives are appointed
   - **Compensation and Dismissal:** If the performance of the management contract by the CEO is not adequate, the board concludes the contract and dismisses the CEO

4. **Promotion of Good Governance**
   - **Determination of the compensations for the CEO and executives:** The board recommends candidates for the CEO and general managers
   - **Evaluation of CEO management contracts, proposal of dismissal candidates:** Outside director candidate recommendation committee and shareholders meeting
   - **Provided that, outside directors whose tenure is expected to expire are not excluded**

**Composition of the Board and Ensuring Independence**

- **Independence Ratio of Outside Directors in the Board:** 73%

**Outside Directors Should Have No Significant Interest With The Company As Follows**

1. Records of being employed in the Company or its affiliates within the last two years
2. Records of being the largest shareholder, its spouse or its immediate family members of the Company
3. Records of being affiliated with the largest shareholder organization of the Company
4. Records of being directors or independent directors, its spouse or its immediate family members of the Company
5. Records of having a significant interest, such as a transaction between the organization and the Company
6. In the case that currently employed organization or its customer or business partner
7. In the case that currently employed organization holds 5% or more of the Company’s capital
8. In the case that currently employed organization in which the Company’s employees serve as executives
Reinforcing Ethical & Compliance Management

As a responsible national company, KT is making every effort to become a trusted company through ethical management activities and compliance with fair trade. By establishing a company-wide ethics policy and considering an ethical management system, not only the employees but also group companies, suppliers, and business partners are taking the lead in the establishment of a leading ethical management culture.

KT’s View

Ethical Management Promotion System

KT believes that proper decision-making and ethical judgment are essential to fulfill its social responsibilities and obligations and establish customer first management. To prepare grounds for the foregoing, KT established which is the company-wide code of ethics, in March 2014 to establish five behavioral principles for Ethical Management and establish that present concrete behavioral guidelines thereby making effort so that ethical management can take root in the organization through systematic activities such as continuous ethical management activities, education and campaigns, and the operation on ongoing communication channels.

Ethical Management Promotion System

1. Ethics Management Promotion Organization

KT conducted a diagnosis of the KT compliance system and compliance risks through the law firm Pacific Corporation, an institution specialized in compliance, in April-August 2018. Based on the results of the diagnosis, KT reinforced the company-wide code of ethics, in March 2014 to establish five behavioral principles for Ethical Management and ligations and establish customer first management. To prepare grounds for the foregoing, KT established which is the company-wide code of ethics, in March 2014 to establish five behavioral principles for Ethical Management and establish that present concrete behavioral guidelines thereby making effort so that ethical management can take root in the organization through systematic activities such as continuous ethical management activities, education and campaigns, and the operation on ongoing communication channels.

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Expansion of Ethical Management Education

KT conducts periodic ethics education for all employees every year and has held a total of 54 ethics education sessions in 2018. In addition, KT implements three “Ethical Leadership” educational courses from March to June every year to reinforce the expertise of employees who are in charge of ethical management related jobs. In addition, the whole employees of KT write an oath for practice every year for compliance with ethical standards.

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Ethical Management Violation And Measures
To create a sound corporate ethics climate, KT operates an ethics violation reporting channel for 24-hours a day. KT receives information on the receipt of money and entertainment, unfair measure and, information leakage in real time and handles it transparently. KT strictly keeps the personal details of informants and the contents of information in secret pursuant to the informant protection program. In order to encourage corruption reporting, up to KRW 50 million of compensation is paid to each reporter of internal corruption problems. In 2019, 13 cases (8 persons) of violation of ethics management occurred and disciplinary measures against the cases were completed. Diagnosis of problems were carried out and improvement measures taken for vulnerable areas such as electronic payment system, contract management, and new business sales recognition. Current Status of Ethical Management Violations and Measures Taken in 2018

<table>
<thead>
<tr>
<th>Area</th>
<th>Type of Violation</th>
<th>Number of Cases Occurred</th>
<th>Measures Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation</td>
<td>Violation of business regulation</td>
<td>4</td>
<td>1 Suspension of duty, 1 reprimand</td>
</tr>
<tr>
<td></td>
<td>Violation of financial regulations</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Violation of the duty of good faith</td>
<td>1</td>
<td>2 Reprimands</td>
</tr>
<tr>
<td></td>
<td>Violation of the duty of keeping dignity</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Duty</td>
<td>Violation of the duty of integrity</td>
<td>1</td>
<td>1 Salary reduction</td>
</tr>
<tr>
<td>Protection</td>
<td>Violation of information protection</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Violation of prohibition sexual harassment</td>
<td>2</td>
<td>1 Dismissal</td>
</tr>
<tr>
<td>Order</td>
<td>Violation of respect for order in the organization</td>
<td>1</td>
<td>1 Salary reduction</td>
</tr>
<tr>
<td></td>
<td>Abuse of authority and deceptive conduct in business</td>
<td>1</td>
<td>1 Reprimand</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>13</td>
<td>1 Dismissal, 1 Suspension of duties, 2 Salary reduction, 4 reprimands</td>
</tr>
</tbody>
</table>

Autonomous Compliance with Fair Competition
As a representative telecommunications company in South Korea, KT heavily feels its responsibility to lead fair competition in the market thereby increasing the benefits of the public. To settle transparent and fair transaction culture through professional lawyers as part of our compliance program and organized regional fair competition organizations in 2005 to conduct periodic inspections.

Autonomous Compliance with Fair Competition
As a representative telecommunications company in South Korea, KT heavily feels its responsibility to lead fair competition in the market thereby increasing the benefits of the public. To settle transparent and fair transaction culture through fair competition, KT has introduced and has been operating since 2001 and opened a preliminary deliberation center through professional lawyers as part of our compliance program and organized regional fair competition organizations in 2005 to conduct periodic inspections.

Seven Elements of Fair Competitiveness Compliance Program

1. Expression of CEO's commitment
2. Designation and operation of compliance officers
3. Preparation and distribution of a compliance manual
4. Operation of educational programs
5. Establishment of monitoring systems
6. Sanctions against employees who violate relevant laws and regulations
7. Establishment of document management systems

Strength of Autonomous Compliance with Fair Competition
KT runs an autonomous compliance with fair competition programs such as an unfair practice reporting center, preliminary review of fair competition, and online education for employees. In 2018, a total of 216 preliminary reviews of fair competition were carried out, and online education (57 persons) and in-house education (about 480 persons) on laws related to fair competition were conducted for employees. Since 2018, KT organized a “Group Fair Competition Council” to monitor fair competition risks at the level of group companies and established a response system to create a fair competition culture. In 2019, KT will minimize the risk of law violation by periodically implementing internal audit to ensure that all employees would strictly comply with autonomous compliance with fair competition programs and make effort to strengthen the fair competition system.

Compliance with Laws

KT Tax Policy


Current Status of Trials by Regulatory Agencies
KT has not been imposed any penalty for fair trade violations by the Fair-Trade Commission in 2018. KT is doing its best internally to improve the system for compliance with related laws and regulations and prevent the recurrence of violations. KT will do its best to prevent acts of violating the law that hinder fair competition by strengthening preliminary reviews.

Tax Policy and Transparent Disclosure
KT establishes and operates tax policies and strategies in accordance with the principle of responsible tax payment. Details related to corporate taxes, deferred corporate taxes and effective tax rates are disclosed at the electronic disclosure system through audit and report. KT has not participated in any unfair tax assistance, illegal acts under the tax law, false reporting, etc. and faithfully obeys tax obligations. The effective tax rate of KT announced in 2018 is 36.6%, and the highest corporate tax rate is 27.5%. The difference between the tax rates is due to the non-temporary difference between the profit and loss in the accounting and the profit or loss for tax affairs in the taxation. It is due to various tax deductions from the corporate tax amount to be paid, the application of the corporate tax bracket rates and the transfer gain due to the investment in kind of the Gungbuk headquarters development company.

Amounts of Corporate Taxes Paid in 2018 by Continent

<table>
<thead>
<tr>
<th>Area</th>
<th>Sales</th>
<th>Operating Profit</th>
<th>Amount of Corporate Tax Paid</th>
<th>Major Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>275,706</td>
<td>−2,298,341</td>
<td>19,521</td>
<td>Internet access</td>
</tr>
<tr>
<td>Africa</td>
<td>15,953,345</td>
<td>−13,577,686</td>
<td>0</td>
<td>LTE, Fiber Connectivity, infra leasing, IDC, B</td>
</tr>
<tr>
<td>North America</td>
<td>6,836,096</td>
<td>373,187</td>
<td>55,370</td>
<td>Global Node, Data/KIT solution, etc.</td>
</tr>
<tr>
<td>South America</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>210,459,873</td>
<td>−4,691,943</td>
<td>412,057</td>
<td></td>
</tr>
</tbody>
</table>

Participation in Public Policies
Based on Article 3.9 of the Code of Ethics Guidelines, KT prohibits the company or employees on behalf of the company from conducting political or charitable activities, and does not provide political funds, or funds for lobby of certain political organizations or political parties. However, KT is actively cooperating for public policies and public interest development by supporting organizations with guaranteed political neutrality that can indirectly affect the formation of policies.KT recognizes that the expenditure associated with policy impacts can be a potential risk factor from the company’s mid- to-long term business perspective and manages the details and scales of related costs from the company-wide perspective. KT newly established the Sustainability Subcommittee and the Fund Donation Review Committee in August 2018 as subcommittees in the Management Committee to strengthen the management of the execution of funds with the nature of contribution or donations.

Policy Support Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial promotion</td>
<td>8,104</td>
<td>8,011</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Sponsorship international organizations</td>
<td>171</td>
<td>170</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Society fee &amp; sponsorship</td>
<td>314</td>
<td>325</td>
<td>90</td>
<td>16</td>
</tr>
<tr>
<td>Association dues &amp; sponsorship</td>
<td>228</td>
<td>244</td>
<td>145</td>
<td>1,056</td>
</tr>
<tr>
<td>Total</td>
<td>8,952</td>
<td>9,275</td>
<td>6,255</td>
<td>6,828</td>
</tr>
</tbody>
</table>

Ranking of Policy Support Costs in 2018

<table>
<thead>
<tr>
<th>Rank</th>
<th>Contributed to</th>
<th>Amount of Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gyeonggi Center for Creative Economy &amp; Innovation</td>
<td>KRW 45.28%</td>
</tr>
<tr>
<td>2</td>
<td>Korea Foundation for Cooperation of Large &amp; Small Business, Rural Affairs</td>
<td>KRW 30.19%</td>
</tr>
<tr>
<td>3</td>
<td>Social welfare corporation Community Chest of Korea</td>
<td>KRW 22.64%</td>
</tr>
<tr>
<td>4</td>
<td>ITU-UNESCO BBCOM</td>
<td>KRW 8.11%</td>
</tr>
<tr>
<td>5</td>
<td>Corruption Green Tree International</td>
<td>KRW 3.05%</td>
</tr>
<tr>
<td>6</td>
<td>Citizens’ Coalition for Economic Justice Urban Reform Center</td>
<td>KRW 10.15%</td>
</tr>
<tr>
<td>7</td>
<td>Sexual Minority School of Law</td>
<td>KRW 10.15%</td>
</tr>
</tbody>
</table>
Managing Risks & Opportunities

KT’s View

KT identifies potential risk elements in advance through integrated risk management to prevent the occurrence of risks. In addition, KT is making efforts to ensure sustainable development by establishing a mid- to long-term strategic risk system to define mega-trends and identifying and commercializing new opportunities for factors relevant to mid- and long-term future prospects.

Integrated Risk Management System

Company-wide Risk Management Organization

KT is strengthening its risk management system by improving company-wide risk management organizations and systems. KT established the Enterprise Risk Management (ERM) division, a dedicated organization for Company-wide risk management in 2004 and newly established risk management organizations in individual business divisions and field work departments to upgrade risk management functions. In addition, the Ethics Management Department, to which the ERM department belongs, was organized to be directly controlled by the CEO to strengthen the independence and authority for risk management. Systems for immediate reporting of occurrence major risks are operated between the ERM department and the FM departments of individual business division, and regional headquarters and current states of responses to risks are periodically shared to prevent the spread of risks.

Strengthening Risk Management System

KT defines risks as the types of risk according to the nature of risks, and systematically manages the risks by subdividing the types of risks. With the prevention-detection and response management systems based on the principles of risk management and responses, even risks with minor effects are quickly reported and resolved. In 2018, group companies shared risk management principles and manuals, internal audit manuals, and related regulations, and adjusted them to fit their environments to enhance the level of group companies’ risk management. KT strengthened the group company’s risk management governance by dispatching officers with risk management experience to newly incorporated group companies.

Risk Definition

Risk Management in Advance

In 2019, KT is focusing on fundamental improvements in response to the lack of business processes and human errors, which are major causes of occurrence of risks. To this end, a Compliance Inspection System was newly established to improve the manuals’ guidelines related to business performance and, in order to prevent human errors in the sales / network field departments across the country, daily audits were revised to establish business discipline and improve processes simultaneously.

Risk Education and Identification

KT conducts periodic risk education, risk general education for employees in the business division, sites, and PM departments of group companies, and graduate education such as deepening course education for those who completed general education to enhance the risk response/management capacities of RM departments.

Emerging Strategic Risks

Diverse economic, environmental and social issues such as the acceleration of climate change, population growth, energy and resource shortages are rapidly spreading across the world. Based on the analysis of the future prospects up to 2030, KT defines newly emerging strategic risks closely related to the telecommunications industry, identifies key risks and opportunity factors, and integrates them into business strategies.

Pro possibility of emerging strategic risks

<table>
<thead>
<tr>
<th>Strategic Risk</th>
<th>Risk Definition</th>
<th>Potential Business Impacts</th>
<th>Countermeasure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of climate change on communication services and network facilities</td>
<td>Increased frequency and intensity of natural disasters</td>
<td>KT builds and operates an ELITE infrastructure to secure business continuity.</td>
<td>KT builds and operates an ELITE infrastructure to secure business continuity.</td>
</tr>
<tr>
<td></td>
<td>Change in customer behavior due to climate change</td>
<td>Change in customer behavior due to climate change</td>
<td>KT employs an on-air rate plan that offers benefits such as domestic calls from overseas countries, starting from US, China and Japan.</td>
</tr>
<tr>
<td></td>
<td>Increase in network investment costs due to increased customer data traffic.</td>
<td>Increase in network investment costs due to increased customer data traffic.</td>
<td>KT launched an innovative service “Data Cap” to enhance data benefits and make it easy for customers to choose their own data usage.</td>
</tr>
<tr>
<td></td>
<td>Increase in the frequency and intensity of network attacks due to climate changes</td>
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</tr>
<tr>
<td></td>
<td>Increase in the frequency and intensity of network attacks due to climate changes</td>
<td>Increase in the frequency and intensity of network attacks due to climate changes</td>
<td>KT launched an on-air rate plan that offers benefits such as domestic calls from overseas countries, starting from US, China and Japan.</td>
</tr>
</tbody>
</table>

KT Value Creation

In order to respond market uncertainty and strengthen market competitiveness, KT re-organized its media business division into KT Media & Entertainment at the end of 2019. KT is closely integrating ICT technologies to enhance the media platform business. KT is continuously reviewing regulations such as creating a fair competitive environment and enhancing the media platform service to respond to the market uncertainty. KT is establishing an inter-company team to improve and strengthen the media platform service to respond to the market uncertainty.

KT Value Enhancement

KT Value Principles & Managing Risks & Opportunities

Appendix

KT Integrated Report 2019

PEOPLE. TECHNOLOGY. NETWORK.

KT's View

KT identifies potential risk elements in advance through integrated risk management to prevent the occurrence of risks. In addition, KT is making efforts to ensure sustainable development by establishing a mid- to long-term strategic risk system to define mega-trends and identifying and commercializing new opportunities for factors relevant to mid- and long-term future prospects.
KT’s View
KT established the highest level of responsibilities to respect and protect human rights in every region where it leads business, fulfills its social responsibilities and roles, prevents human rights violations that may occur throughout the value chain as well as KT business, while contributing to the improvement of human rights through ICT, thereby making efforts to grow into a sustainable company.

As a responsible global telecommunications company, KT officially supports global standards related to human rights and labor laws through the UN Universal Declaration of Human Rights, the 10 Essential Conventions, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. In June 2017, KT established and published the KT Human Rights Policy for the protection and promotion of human rights. The KT Human Rights Policy is intended to identify and remove negative effects in advance so that no human rights violation would occur to any stakeholders throughout KT’s business and value chains. Based on the foregoing, KT will ultimately contribute to the improvement of the working and living environments of employees and customers, and furthermore contribute to the creation of a sustainable society.

Human Rights Risk Management System
The ‘UN Guiding Principles on Business and Human Rights’ provides companies and stakeholders with a clear framework for promoting human rights in the business process. Based on the UN Guiding Principles on Business and Human Rights, KT’s established and managing a human rights management process by itself. KT identifies potential human rights issues that may occur every year, discovers groups with vulnerable human rights, and makes efforts to improve the problems in addition, KT is checking and complementing human rights situations through internal and external monitoring.

Human Rights Risk Identification
Based on the ‘UN Guiding Principles on Business and Human Rights’, KT defined major human rights issues and prioritizes them according to the degree of risk exposure through the diagnostic analysis of the entire value chain of KT operation, manufacturing / supply, and sale / distribution. To this end, KT developed the ‘KT Company-wide Human Rights Risk Exposure Assessment Framework’ for the first time in the domestic telecommunication industry in 2013, which is a tool to identify potential human right risks in three major aspects of ‘policy declaration’, ‘policy implementation’ , and ‘remedy for human right abuse’ based on the ‘UN Guiding Principles on Business and Human Rights’. KT’s human rights risk identification procedures are proceeded after comprehensively reviewing the results of 1) Prior Risk Assessment Before Launching Service and Production, 2) Emotional Workers Monitoring, 3) Information Protection Measure Checks, 4) Supply Chain Sustainability Risk Evaluation, and 5) Business Risk Assessment.

Human Rights Risk Mitigation
Based on the results of analysis of human rights risks in 2016, 1) Supply chain labor rights / safety rights, human rights issues at the manufacturing / supply stages, 2) issues of direct infringement of the rights of indigenous peoples’ rights when business is promoted, 3) personal information protection issues at sales distribution stages, 4) humanitarian treatment and protection of emotional workers such as customer service counselors were selected as major human rights issues. The relief and mitigation measures identify the current state of the identified priority human rights issues through due diligence and ensure that human rights risks can be mitigated continuously through cooperation with relevant teams by issue. For example, in the case of the customer service counselor’s work environment issues, stress tests are conducted periodically and emotional worker health programs, such as group counseling, are operated so that the issues can be fundamentally resolved.

Results of Due Diligence of Major Human Rights Issues
KT launches many new services each year, and risks of human rights violations such as information protection and discrimination issues may arise. In order to minimize this, KT has been implementing a ‘Prior Risk Assessment Before Launching Service and Product’ system since 2010. In the case of new services, in addition to reviewing the service differentiation and completeness required for service launch, in-depth reviews of four major risks; operational, legal, fair competition, and information protection risks are carried out. Since 2016, KT operates 48 key risk indicators that quantify risks by their characteristic, and constantly monitors the possibility of occurrence of risks.
Emotional Worker Protection
Customer center counselors are vulnerable to human rights violations because they may be exposed to personality related insults such as abusive language and sexual harassment or unreasonable demands of customers during their work. KT conducts periodic inspections and operates healing programs to protect the rights and interests of counselors through regular cooperation with customer center subsidiaries. Through the KT ‘Healing Room’ program, KT provides individual / team counseling, and healing camps in cooperation with professional counseling organizations and also provides customized counseling such as art psychological counseling by internal psychologists for employees who report stress. In addition, KT operates the ‘Healing Room’ , a sleeping and rest space equipped with massage chairs and ‘K Lounge’ where small performances are held.

Emotional Workers Monitoring and Mitigation Measures

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of counselors</td>
<td>Person</td>
<td>923</td>
<td>849</td>
<td>710</td>
</tr>
<tr>
<td>Number of counselors identified</td>
<td>Person</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Risk identification ratio</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Case</td>
<td>866</td>
<td>798</td>
<td>1499</td>
<td></td>
</tr>
<tr>
<td>Risk Mitigation &amp; Action</td>
<td>%</td>
<td>98</td>
<td>93</td>
<td>95</td>
</tr>
<tr>
<td>Risk mitigation / action ratio</td>
<td>Person</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mitigation measure (group counseling)</td>
<td>Person</td>
<td>866</td>
<td>798</td>
<td>1499</td>
</tr>
</tbody>
</table>

Personal Information Protection
The telecommunications industry becomes to collect, handle, and store a large amount of personal information in the course of business, and the leakage of personal information is a serious human rights risk that is directly linked to the infringement of the human rights of customers. To prevent personal information and privacy infringement, KT conducts ‘Information Protection Measure Checks’ every year on the entire distribution network and customer information processing systems with which KT transacts. In 2018, KT completely inspected 3,607 agencies throughout the country, found 133 matters that must be improved, and took 122 short-term and 11 long-term mitigating measures for 100% of the matters. For more details, please refer to the ‘Customer Information Protection’ section (p.36–37) of this report.

Results of Information Protection Measure Checks

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of completely checked agency organizations</td>
<td>Case</td>
<td>3,607</td>
<td>3,937</td>
<td>3,697</td>
</tr>
<tr>
<td>Ratio of completely checked agency organizations</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Ratio of numbers that must be improved for security</td>
<td>Case</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Ratio of numbers found that must be improved for security</td>
<td>%</td>
<td>98</td>
<td>93</td>
<td>95</td>
</tr>
<tr>
<td>Ratio of measures taken to fix matters that must be improved for security</td>
<td>Case</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Number of short-term mitigating measures</td>
<td>Case</td>
<td>149</td>
<td>242</td>
<td>122</td>
</tr>
<tr>
<td>Number of long-term mitigating measures</td>
<td>Case</td>
<td>31</td>
<td>39</td>
<td>11</td>
</tr>
</tbody>
</table>

Supply Chain Human Rights

To spread the culture to respect for human rights and its importance to key stakeholders such as group companies and strategic partner companies, KT established the ‘KT Supplier Sustainability Guidelines’ based on international human rights policies and standards including the UN Guiding Principles on Business and Human Rights and the ‘Principles of Responsible Business Conduct’. KT is making efforts to improve the levels of performance of suppliers through ‘Supply Chain Sustainability Risk Evaluation’ every year based on the guidelines. The ‘Social Responsibility’ evaluation area of this evaluation includes many evaluation indicators intended to identify human rights risks that may arise in the supply chain such as labor, human rights, safety, and subcontracting of suppliers and the indicators are utilized to proactively identify supply chain human rights risks through annual evaluation. Further details are disclosed through the ‘Sustainable Supply Chain Management’ section of this report (pp.60–61).

Results of Supply Chain Sustainability Risk Evaluation

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of primary suppliers</td>
<td>Company</td>
<td>410</td>
<td>410</td>
<td>581</td>
</tr>
<tr>
<td>Ratio of evaluation of primary suppliers</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Number of suppliers identified</td>
<td>Company</td>
<td>18</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Risk identification ratio</td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Case</td>
<td>410</td>
<td>410</td>
<td>581</td>
<td></td>
</tr>
<tr>
<td>Risk Mitigation &amp; Action</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Ratio of corrective actions</td>
<td>Company</td>
<td>16</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Number of corrective actions</td>
<td>Company</td>
<td>16</td>
<td>6</td>
<td>9</td>
</tr>
</tbody>
</table>

Indigenous People’s Rights Protection
When a business place is expanded or a business is advanced into a new market or overseas countries, potential risks to human rights may occur due to economic, social and cultural differences and such risks may negatively affect the company’s business with business delays / cancellations, occurrence of community civil complaints, business right cancellation, and so on. In particular, in the case of the telecommunications industry, potential infringement of the rights of native people such as land, property, and electromagnetic wave issues, may occur during the process of establishing base stations and network infrastructures. KT has established and is operating procedures to identify risks without fail based on the ‘Business Checklist’ when making decisions on business promotion. Results of Business Risk Assessment

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases of business risk assessment</td>
<td>Case</td>
<td>48</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td>Ratio of risk identification</td>
<td>%</td>
<td>98</td>
<td>93</td>
<td>95</td>
</tr>
<tr>
<td>Case</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Ratio of risk mitigation / actions</td>
<td>Case</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Risk Mitigation &amp; Action</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Employee Human Rights
In order to prevent the occurrence of wrongful acts such as sexual harassment and bullying in the workplace, which are social issues, and forced labor, child labor and infringement of rights in the working environment, continuous education and management are necessary. In order to ensure the basic human rights, labor rights, and safety of employees, KT made company-wide human rights education for all employees as mandatory. In particular, KT is conducting ‘sexual harassment prevention education’, ‘perception of the disabled improvement education’, and ‘personal information protection education’ for all employees once a year.

Conflict Minerals
“Conflict minerals” is a term that refers to four minerals; tin, tantalum, tungsten, and gold, produced in 10 African countries, including the Democratic Republic of the Congo, and is known as an international human rights issue because guerrillas and rebel exploit civilians’ labor in the process of mining. Products that require attention the most in relation to conflict minerals are electronic devices such as mobile phones and notebooks. Since KT is not a manufacturer that firsthand manufactures telecommunication equipment, they do not cause any human rights violation issue, but recognizes them as a potential human rights issue and pays attention to them.

Enhance the Accessibility of Digital Vulnerable Social Group
KT strives to enhance the accessibility of digital vulnerable groups such as the disabled and the elderly, so that they can equally access and understand the services provided by KT without any special knowledge. To this end, KT designed/developed web, mobile app UX/UI according to government guidelines, and are conducting periodic accessibility checks consisting of 37 test items for ease of recognition, ease of operation, ease of use, and ease of understanding. In addition, for KT homepage (www.kt.com), KT shop homepage (shop.kt.com) and My KT app, which are frequently used by customers, KT receives accessibility certification from companies certified by the government periodically, once per year.

Principles Applied to Accessibility to KT’s Mobile Apps

<table>
<thead>
<tr>
<th>Principles Applied</th>
<th>Purpose</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Perception</td>
<td>Providing content that can be easily understood by users</td>
<td>Visual / hearing impaired customers who have difficulties in recognizing auditory and visual information</td>
</tr>
<tr>
<td>Ease of Operation</td>
<td>UI configuration that enable easy navigation and manipulation</td>
<td>Customers with physical disabilities or brain lesion who are limited in body movements</td>
</tr>
<tr>
<td>Ease of Understanding</td>
<td>UI configuration that can be easily understood by anyone</td>
<td>Intelligent / language-impaired customers who have difficulties in reading or understanding information</td>
</tr>
<tr>
<td>Robustness</td>
<td>Context composition that can be used in ever-changing technology environments</td>
<td>Customers who access to shared operating environments such as operating systems and web browsers</td>
</tr>
</tbody>
</table>
### Major Financial Indicators

#### Financial Performance

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Financial Statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>9,793,588</td>
<td>9,672,412</td>
<td>11,894,252</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>20,944,427</td>
<td>20,508,498</td>
<td>20,284,578</td>
</tr>
<tr>
<td>Total Assets</td>
<td>30,738,015</td>
<td>29,730,910</td>
<td>32,188,830</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>9,462,205</td>
<td>9,474,162</td>
<td>9,387,704</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>8,326,807</td>
<td>7,046,349</td>
<td>8,083,846</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>17,809,012</td>
<td>16,520,511</td>
<td>17,471,550</td>
</tr>
<tr>
<td>Capital</td>
<td>1,564,499</td>
<td>1,584,489</td>
<td>1,604,489</td>
</tr>
<tr>
<td>Premium on Common Stock</td>
<td>1,440,258</td>
<td>1,440,258</td>
<td>1,440,258</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>29,966,366</td>
<td>28,966,366</td>
<td>31,798,859</td>
</tr>
<tr>
<td>Accumulated Other Comprehensive Income</td>
<td>-1,432</td>
<td>30,985</td>
<td>50,158</td>
</tr>
<tr>
<td>Other Capital Component</td>
<td>-1,217,934</td>
<td>-1,205,302</td>
<td>-1,181,083</td>
</tr>
<tr>
<td>Non-controlling Interests</td>
<td>1,352,844</td>
<td>1,361,194</td>
<td>1,328,589</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>12,820,032</td>
<td>13,210,803</td>
<td>14,731,280</td>
</tr>
<tr>
<td>Total Equities</td>
<td>30,738,015</td>
<td>29,730,910</td>
<td>32,188,830</td>
</tr>
<tr>
<td><strong>Consolidated Income Statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>22,786,989</td>
<td>23,387,267</td>
<td>23,460,143</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>21,303,686</td>
<td>22,011,981</td>
<td>22,198,621</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1,483,303</td>
<td>1,375,286</td>
<td>1,261,522</td>
</tr>
<tr>
<td>Other Profit</td>
<td>365,872</td>
<td>387,388</td>
<td>215,998</td>
</tr>
<tr>
<td>Other Expense</td>
<td>462,474</td>
<td>573,549</td>
<td>319,895</td>
</tr>
<tr>
<td>Financial Income</td>
<td>296,139</td>
<td>406,328</td>
<td>374,243</td>
</tr>
<tr>
<td>Financial Expense</td>
<td>515,087</td>
<td>644,531</td>
<td>435,859</td>
</tr>
<tr>
<td>Shares for New Profits and Loss</td>
<td>2,599</td>
<td>-13,892</td>
<td>-5,467</td>
</tr>
<tr>
<td>by Related Companies and Joint Ventures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>1,770,352</td>
<td>837,030</td>
<td>1,082,742</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>335,780</td>
<td>275,504</td>
<td>328,437</td>
</tr>
<tr>
<td>Net Profit from Continuing Operations</td>
<td>8,34,572</td>
<td>561,026</td>
<td>762,305</td>
</tr>
<tr>
<td>Net Profit</td>
<td>8,34,572</td>
<td>561,026</td>
<td>762,305</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>-5,870</td>
<td>-58,288</td>
<td>-54,828</td>
</tr>
</tbody>
</table>

#### Composition of Shareholders

(As of December 31, 2018)

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>No. of Shares</th>
<th>Equity Ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Stock</td>
<td>15,607,040</td>
<td>6.12</td>
</tr>
<tr>
<td>Foreign Investors</td>
<td>126,585,310</td>
<td>48.47</td>
</tr>
<tr>
<td>National Pension Fund</td>
<td>37,823,385</td>
<td>13.19</td>
</tr>
<tr>
<td>Employee Stockholders</td>
<td>1,150,070</td>
<td>0.46</td>
</tr>
<tr>
<td>Other Entities &amp; Individual Investors (domestic)</td>
<td>85,187,682</td>
<td>32.77</td>
</tr>
<tr>
<td>Total Number of Shares Issued</td>
<td>261,171,808</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Korea Management Registrar Inc. (hereinafter “KMR”) has been requested by KT to verify the contents of its KT Integrated Report 2019 (hereinafter “the Report”). KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

### Foreward

KMR performed a Type 2, moderate level of assurance using AAREVS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. 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.

#### Standards

- **GRI Reporting Principles**
  - Universal Standards
  - Topic Specific Standards
  - Management approach of Topic Specific Standards
  - Economic Performance: 201-1, 201-2, 201-3
  - Market Presence: 203-1
  - Indirect Economic Impacts: 203-1, 203-2
  - Procurement Practices: 204-1
  - Anti-Competition: 205-1, 205-2, 205-3
  - Anti-Competitive Behavior: 206-1
  - Materials: 301-2
  - Water: 303-1, 303-2, 303-3
  - Emissions: 305-1, 305-2, 305-3, 305-4, 305-5
  - 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

- **Construction and Real Estate Sector Supplement**: CRE3, CRE4, CRE5, CRE6, CRE8

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

### Opportunity

- Freedom of Association and Collective Bargaining: 407-1
- Child Labor: 408-1

### 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 assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality fast 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.

#### 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.

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

- KT set mid- to long-term goals as well as strategies for key issues under the vision of sustainable management and reported performance based on detailed data. The telecommunications company is advised to incorporate sustainability issues into its key business process, use them for developing strategies and achieving goals, and establish a culture of sustainability.

### 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.
Verification Statement

Verification No. KQT-T1903
Company KT Corporation
Representative Chang-Gyu Hwang
Business Registration No. 102-81-42945
Address 90, Buljeong-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea

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

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

Verification Scope GHG emissions and energy consumption reports (in the year of 2018)

Verification Term March 20, 2019 ~ April 26, 2019
Date of issue April 29, 2019

GHG emissions and energy consumption reports

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions (ton CO2-eq)</td>
<td>38,482</td>
<td>1,087,048</td>
</tr>
<tr>
<td>Energy consumption (TJ)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Korea Quality Assurance

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

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

**GRI Standards Index**

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  - Online Privacy Association
  - Safe-Net Forum
  - Global System for Mobile Communications (GSMA)
  - National Customer Satisfaction Index
  - Korea Management Association Consulting
  - Korea Management Association Quality Assurance
  - Korea Standards Association
  - Korea Information Technology Service Industry Association
  - Korea Business Communication Association
  - Korea Business Communication Association

- **Overseas**
  - The International Function Point Users Group (IFPUG)
  - 3GPP
  - FIDO Alliance
  - GSMA
  - OPC UA
  - OPNFV
  - UN Global Compact
  - WBA (Wireless Broadband Alliance)
  - WBA (Wireless Broadband Alliance)
  - Korea Business Communication Association
  - Korea Business Communication Association
  - Korea Business Communication Association

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**For More Information**

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