

The 32nd SK Telecom General Meeting of Shareholders

AGM Materials

Feb 19, 2016



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- Date : 10:00 a.m. of Mar 18(Fri), 2016
- Venue : SK Telecom Boramae Building, Boramae-ro, street 5-1

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Item 2. Changes to the Articles of Association

Item 3. Appointment of Directors

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- 3-2. Outside Director (Oh, Dae-Shick)

Item 4. Appointment of Audit Committee Member (Oh, Dae-Shick)

Item 5. Approval on Director Pay Ceiling

Item 6. Revision to Executive Pay

Agenda Item 1.

Approval on the
32nd Financial
Statement

Approval on the 32nd Financial Statement

Needs to acquire an approval of the general meeting of shareholders on the financial statement in compliance with Article 449 of the Commercial Act(Approval & Announcement of the Financial Statement, and etc)

< F/S Summary >

(K-IFRS, KRW 1B)

Category	Consolidated			Separate		
	2015	2014	YoY(%)	2015	2014	YoY(%)
Assets	28,581	27,941	2.3	23,147	22,713	1.9
Liabilities	13,207	12,693	4.0	9,368	9,170	2.2
Capital	15,374	15,248	0.8	13,780	13,542	1.8
Revenue	17,137	17,164	△0.1	12,557	13,013	△3.5
Net income	1,516	1,799	△15.7	1,107	1,029	7.6

■ Revenue

- The annual revenue went down due to the decline in interconnection charge, but the decrease was compensated by the growths of SK Planet and other subsidiaries. Revenue has declined 0.1% to KRW 17.1 trillion YoY based on the consolidated F/S.

■ Net Income

- Decreased 15.7% YoY to KRW 1.5 trillion in the consolidated F/S due to the decline in operating profit and lower profit from SK hynix based on the actual value method

Agenda Item 1.

Approval on the
32nd Financial
Statement

Approval on the 32nd Financial Statement

< Shareholder Return >

(K-IFRS standards for separate F/S, KRW 1B)

Category	2015	2014	2013	2012	2011	2010 ¹⁾
Dividends per share(KRW)	10,000	9,400	9,400	9,400	9,400	9,400
Cash dividend payout(%)	64%	65%	72%	53%	39%	34%
Total cash dividend	708	667	656	655	657	670
Share buyback	489	-	-	-	208	210
Net income	1,107	1,029	910	1,243	1,694	1,947
TSR ratio(%) ²⁾	108%	65%	72%	53%	51%	45%

1) Dividend payout ratio has declined with the increase of net profit as a result of the adoption of IFRS standards since '10

2) $TSR\ ratio(\%) = (Total\ cash\ dividends + share\ buyback) / net\ income\ for\ the\ period \times 100$

■ Shareholder Return

- The cash dividend payout ratio for the past 2 years recorded 60%, one of the top levels in Korea
- The cash dividend based on the performance in 2015 is estimated to be KRW 10,000(KRW 1,000 of interim dividend per share included), an increase of KRW 600 from the previous year.
- The annual cash dividend for 2016 will be decided based on various factors including the business environment and financial status of the Company. It is currently expected to remain unchanged from the previous year.

Agenda Item 2.

*Revisions to the
Articles of
Incorporation*

Revisions to the Articles of Incorporation

Needs an approval of the general meeting of shareholders in compliance with Article 433(Procedures to Revise the Article of Incorporation) of the Commercial Act

- **Aiming to drive the smart power grid business along with other related electricity projects, SK Telecom needed to expressly state 'smart power grid and electricity project' as one of its essential businesses and revise parts of its provisions accordingly**
 - The Korean government is pushing for new energy as part of the efforts to shift its energy paradigm and reduce greenhouse gas emissions
 - SK Telecom is also paying attention to new energy business to respond to the government policy and secure the new growth engine
 - It plans to offer 'demand response management services**' starting from the 4Q of this year in connection with the government-led smart grid initiative*
 - * The next-gen power grid to optimize the energy efficiency by wiring the power grid with ICT, enabling real-time info exchange between suppliers and users
 - **Make an agreement on reduction of power demand with Korea Power Exchange in advance, and implement plans to reduce demand of power systems across the nation
 - Afterwards, SK Telecom plans to launch the electric car recharge service and ESS(Energy Storage System) which supplies electricity from the large storage batteries in consideration of market situation and legislation status
 - 'Smart power grid' refers to one type of electricity project to deploy ICT into the power grid for more efficient power supply
 - Accordingly, the articles of incorporation need to be revised to include 'electricity projectd including smart power grid' in the list of essential businesses

Reference. Revisions to the Articles of Incorporation – before vs. after

Before	After (plan)	Change
Article 2(Objective) ① (ellipsis) ② The Company undertakes initiatives set forth in the following subparagraphs to achieve objectives described in the foregoing paragraph. 1.~19.(ellipsis) 20. Other related ancillary businesses ③ (ellipsis)	Article 2(Objective) ① (no change) ② (no change) 1.~19. (no change) <u>20. Power business including the smart power grid project(newly added in Mar 18, 2016)</u> <u>21. Other related ancillary business</u> ③ (no change)	Add the name of the new essential business that launches new projects

Agenda Item. 3-1

*Appointment of
Internal Director*

Internal Director Appointment

In accordance with Article 382 of the Commercial Act and Article 32 of SKT Articles of Incorporation, the appointment of an internal director requires an approval of the general shareholders' meeting



Cho, Dae-Sik
(candidate)

■ **MM/DD/YY of Birth** : Nov. 27, 1960

■ **Academic Background**

- BD in sociology from Korea University
- MBA from Clark University in the US

■ **Work Experiences**

- President & CEO of SK Holdings ('13 ~ present)
- CFO of Head of Finance Division and Risk Management & Corporate Auditing Office, SK Holdings ('12)
- Head of Corporate Business Management Office, SK Holdings ('10 ~ '11)

■ **Reason for Recommendation**

- Mr. Cho has played a pivotal role in driving growth and development of SK Group, leveraging his experiences in diverse areas.
- He is also leading the effort to promote sustained growth of SK Group and further establish the holding company structure as SK Holdings President while improving the operation of its board of directors by offering broad perspectives and insights.
- In recognition of such achievement, the board of directors of SK Telecom believes appointing Mr. Cho as Internal Director would contribute greatly to successful undertaking of its business and maximizing shareholder return.

Agenda Item. 3-2

*Appointment of
Outside Director*

Outside Director Appointment

Appointment of an outside director requires the approval of shareholders at the general shareholders' meeting in accordance with Article 382, the Commercial Act(Director Appointment, Relation to the Company, and Outside Director) and Article 32 of SKT Articles of Incorporation(Director Appointment)



Oh, Dae-Shick
(candidate)

■ **MM/DD/YY of Birth** : Nov. 28, 1954

■ Academic Background

- Visiting Researcher at Georgetown University, the US('02)
- Institute for Tax Administration, University of Southern California ('84)
- Archeology, Seoul National University('73)

■ Work Experiences

- Advisor to Bae, Kim & Lee, LLC ('08 ~ present)
- Seoul Office Commissioner of National Tax Service ('07~'08)
- Head of Investigation Department, National Tax Service ('06 ~'07)
- Head of Policy Public Relations, National Tax Service ('05~ '06)

■ Reason for Recommendation

- Mr. Oh holds abundant field experiences and expert knowledge in finance accumulated for a long time, confirmed to be sufficiently qualified to become outside director of SKT
- SKT board of directors hereby believes appointing Mr. Oh as Outside Director would enhance independence of the board and management transparency, contributing greatly to the shareholder rights/returns and the Company growth

Agenda Item. 4

*Appointment of
Audit Committee
Members*

Audit Committee Member Appointment

Appointment of an Audit Committee Member requires the approval of shareholders at the general shareholders' meeting in accordance with Article 542-12, the Commercial Act(Audit Committee Composition) and Article 47-3 of SKT Articles of Incorporation(Audit Committee) and Article 3 of Audit Committee Rules(Composition & Members)



Oh, Dae-Shick
(candidate)

■ **MM/DD/YY of Birth** : Nov. 28, 1954

■ **Academic Background**

- Visiting Researcher at Georgetown University, the US('02)
- Institute for Tax Administration, University of Southern California ('84)
- Archeology, Seoul National University('73)

■ **Work Experiences**

- Advisor to Bae, Kim & Lee, LLC ('08 ~ present)
- Seoul Office Commissioner of National Tax Service ('07~'08)
- Head of Investigation Department, National Tax Service ('06 ~'07)
- Head of Policy Public Relations, National Tax Service ('05~ '06)

■ **Reason for Recommendation**

- Serving as Audit Chief at the board of directors for 2 consecutive years starting from 2014, Mr. Oh has strengthened management transparency and advocated shareholder rights, leveraging his diverse experience and expertise in finance, accounting and tax affairs.
- He is evaluated to lay the foundation for sustained growth and profit by making fair and transparent management/investment decisions during his terms at Audit Committee, Investment Committee and Compensation Committee.
- SKT board of directors believes appointing Mr. Oh as Audit Committee Member would reinforce expertise and independence of the Committee itself and enhance management transparency, thereby increasing shareholder values going forward.

Agenda Item 5.

Approval on
Director Pay
Ceiling

Approval on Director Pay Ceiling

Needs to acquire an approval of the general meeting of shareholders for executive pay ceiling in 2016 in compliance with Article 388 of the Commercial Act(Director Pay) and Article 49 of SKT Articles of Incorporation(Director Pay & Severance Pay)

■ Director Pay Ceiling

(Unit : KRW 1M)

	2016	2015	2014	2013
Pay Ceiling	12,000	12,000	12,000	12,000
No of Directors	6 persons	6 persons	8 persons	8 persons

■ Executive compensation paid in 2015

(Unit : 1M)

	Internal Director	Outside Director	Total
Paid Amount	397	331	728

※ As for directors appointed at the 31st general meeting of shareholders, compensations paid only after the general meeting were included in the calculation.

■ Director pay ceiling remained unchanged for the year

- Director pay hasn't changed since '04

■ Fair/transparent pay ensured by Compensation Committee

- Compensation Committee established in October '03
- Compensation Committee is 100% composed of outside directors to ensure a fair/transparent decision-making process regarding director compensation

Agenda Item 6.

Revision to the
Executive
Compensation
Payment

Revision to the Executive Compensation Payment

Needs an approval of the general meeting of shareholders in 2016 regarding the executive pay ceiling in compliance with Article 388 of the Commercial Act(Director Pay) and Article 49 of SKT Articles of Incorporation(Director Pay & Severance Pay)

■ Change to Executive Severance Payment Rates

- Based on the societal demand to change the severance payment rates of the executives after the compensation disclosure of the board members became mandatory
- Need to align 'Executive Salary Payment' with 'Position Grade' introduced for the management of executives

【 Executive Pay(current) 】

Article 9. (base salary) Executive severance pay is calculated based on the base salary for the month when the reason for severance payment arises.

<Table 1> Executive severance pay calculation

Title	Years of Service	Payment Rate
Chairman	1	6.0
Vice Chairman	1	5.5
President	1	
Vice President	1	3.5
Managing Director	1	
Executive Director	1	2.5

【 Revision(proposal) 】

Article 9. (base salary) Executive severance pay is calculated based on the base salary for the month when the reason for severance payment arises.

<Table 1> Executive severance pay calculation

Position Grade	Years of Service	Payment Rate
Vice Chairman, Chairman	1	4.0
Grade E	1	
Grade D	1	
Grade C	1	3.5
Grade B	1	
Grade A	1	2.5

- The amount is calculated by applying the payment rate specified in Table 1 to the years of service by grade.
- Supplementary provision(coming into force): The provision takes effect starting from Apr 1, 2016.
- Supplementary provision(interim measure): The previous payment rate is applied to the employment before the revision.

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