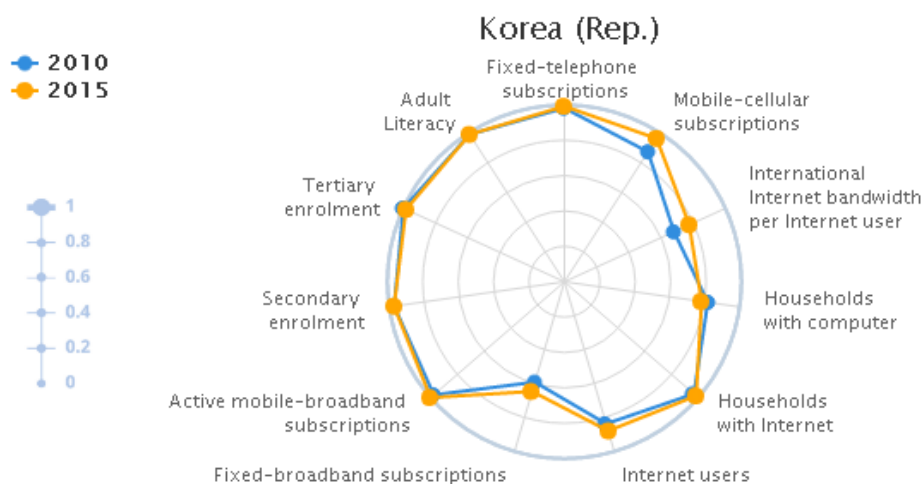


SK Telecom's Digital Inclusion Progress Report 2015



1. Status of Digital Divide

The Republic of Korea leads the IDI (ICT Development Index, measured by ITU) rankings for both 2010 and 2015, with an IDI value which has risen from 8.64 to 8.93. In terms of basic Internet access, Korea is showing a faster progress compared to other nations. It is not a simple quantitative approach to raise the network access rate, but more like a qualitative approach to address the digital divide by understanding the different access needs between different social classes, expanding access to the higher-quality Internet and offering IoT and more personalized services.



According to the 2015 IDI survey, the major digital divide issues of Korea include relative shortage of infrastructure such as the number of households with a computer and fixed-line Internet subscription. The average Internet bandwidth for users is also low compared to the quantitative subscription rate of the Internet. To address these issues, SK Telecom is (1) expanding physical access to high-quality networks for better accessibility, (2) reducing the accessibility gap of the economically vulnerable people through service innovation for better affordability, (3) developing and deploying innovative services to expand the IoT-based digital access for better availability, and (4) enhancing the quality of life through ICT by providing education on a sustained basis for higher acceptability.

2. Progress on our strategies

SK Telecom's expansion of service accessibility lays the groundwork for providing even more convenient mobile telecommunications services by securing and maintaining the absolute number of subscribers and expanding telecommunications devices. It consists of promoting digital inclusion for disadvantaged groups including low-income individuals and senior citizens. Digital inclusion efforts can potentially lead to the growth of the subscriber base and average revenue per user (ARPU). This may not only have a positive impact on SK Telecom's future revenue, but from a social standpoint, it improves the quality of individual lives.

(1) Accessibility

The rate of LTE subscribers is an indicator for mobile internet access. In 2015, the ratio of SK Telecom's LTE subscribers was recorded as 66.3%, a 7.8%p increase compared to 58.5% last year. As SK Telecom continues to improve access to service by expanding the use of wearable and 2nd devices, the company anticipates that access to service will continue to grow in the future as well. At the end of 2015, the expansion of service accessibility on the basis of diverse devices achieved 3.21 billion T outdoor subscribers, 2.04 billion T Kids subscribers, 70,000 T Pocket-Fi subscribers and 4,000 T pet subscribers. SK Telecom achieved an 86% share (according to the Ministry of Science, ICT and Future Planning) of the wearables market by the end of 2015.

Access to Service				
	2013	2014	2015	2020
Total Subscribers	25,130	28,610	28,626	-
LTE Subscribers (in thousand)	13,490	16,740	18,980	-
LTE Subscribers Rate (%)	53.7%	58.5	66.3%	>80%(E)

Network Reach in Korea			
	2013	2014	2015
CDMA (2G)	99%	99%	99%
WCDMA (3G)	99%	99%	99%
LTE (4G)	99%	99%	99%

In 2015, to provide standard telecommunications services to low-income individuals and residents of sparsely populated areas, universal loss of services compensation was 18.1 billion won, a 1.1% increase from last year. To expand service accessibility, new base stations are being installed in places such as remote mountainous areas, hiking trails and island areas, and in 2015, the Company increased the number of base stations in remote mountainous regions by about 3.3 times compared to last year. In 2015, 5,182 base stations were installed in remote mountainous regions, 75 in hiking trails and 392 in island areas.

	2013	2014	2015
Universal Loss of Service Compensation	16.9	17.9	18.1

(2) Affordability

In the interest of digital inclusion, SK Telecom continues to increase access to service by offering rate reductions for disadvantaged groups. In 2015, the total amount of rate reductions for disabled and low-income individuals was KRW 188,453 million, a 4.2% decrease from last year. Reasons such as the departure of target subscribers are considered the cause of the decrease and the level of the total rate reduction is being maintained.

	2013	2014	2015
Total Rate Reduction for the Disadvantaged	211,617	196,806	188,453
- Disabled	138,443	128,422	122,462
- Low-income Group	62,891	58,299	56,058
- Veterans	10,105	9,931	9,800
- Miscellaneous	178	154	133

(3) Availability

SK Telecom is in the process of completing the nation-wide IoT hybrid network, and creating an IoT ecosystem in collaboration with Daegu City, KEPCO(Korea Electric Power Corporation), Korea University and etc. The number of IoT circuits recorded 188,453 in 2015, increasing 30.5% against the previous year. SK Telecom aims to complete the nation-wide network by the 1st half of 2016 and will further exert its efforts to spread the benefits of new ICT, leveraging the new IoT network for wider communities such as farmers, traditional markets and fishermen.

	2013	2014	2015
IoT circuits	1,007,780	1,262,655	1,648,173

(4) Acceptability

To improve access to service through education, programs to resolve the digital divide for disadvantaged groups, such as mobile phone education for senior citizens, mobile phone usage education for North Korean defectors and multicultural families as well as IT challenge contests for disabled youths are being carried out, and the number of participants increased 3.8% to 1,404 people compared to last year.

	2013	2014	2015
Total Participants in the ICT Education Program	1,121	1,353	1,404

3. Business Cases

(1) Education on how to use smartphone for the disadvantaged (2007~)



SK Telecom is narrowing down the digital divide by teaching how to use smartphones to the senior citizens, children of multicultural families and North Korean defectors to increase their ICT utilization.

- In 2015, provided education on 906 senior citizens in 30 institutes of the Korea Association of Senior Welfare Centers,
- 353 Multicultural Families and 50 North Korean defectors

(2) Education support initiative (2013~)



SK Telecom is participating in the low-income family education initiative organized by the Ministry of Education.

- Donated PCs and provided support for high-speed Internet subscription cost to students of low-income families
- Offered free Wi-Fi devices for homes and vouchers to use customized contents (online library, online training)

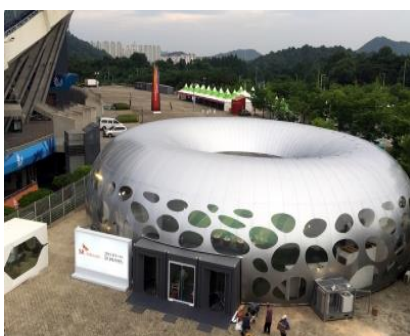
(3) Smart robot and education contents support (2014~)



It is rolling out an initiative named 'Robots to Share Creative Happiness' which supports smart robots and educational contents in partnership with small and medium-sized robot companies.

- Plans to expand the program to 2,400 children in 80 Community Children's Centers across the nation
- Plans to expand participating students to 11,500

(4) Traveling ICT museum, T.um Mobile (2014~)



T.um Mobile is a traveling ICT exhibition museum for students and residents in small or mid-sized cities who have relatively little access to cutting-edge ICT services.

- Pre-schoolers, primary/secondary students in underserved areas, senior citizens, children at orphanages to participate in the government events, etc.
- 14 sessions held and 43,600 people attended in 2015

(5) Digital access for the physically/mentally challenged (1999~)



SK Telecom has held the 'IT Challenge for Youths with Challenges' since 1999, which is attended by students of special education schools where participants can enhance their abilities to utilize various ICTs. The contest is recognized for motivating youths with physical/mental challenges to stand on their own. The Company is also participating in the contents development and service expansion of 'Happiness Library' for visually challenged people, which provide voice services to

read books and magazines. SKT employees have been participating in this initiative, volunteering to record their voices.

- 124 students from 56 special schools participated in the IT challenge in 2015
- 2,177 annual app users visit Happiness Library for 1,375,703 times in 2015

(6) Traditional market revitalization project (2012~)



SK Telecom is helping to boost the competitiveness of traditional markets by leveraging ICT to find the optimum solutions. It is providing ICT-based marketing solutions to Joonggok Jeil and Incheon Shinki traditional markets, and the smart delivery services to Shinyoung, Hwagok Joongang, Mok3dong traditional markets.

- Revitalization projects for 5 markets with a total of 6 promotional events and another event to promote the smart delivery system
- Supported for participation in the traditional market exhibition

(7) Smart local food system support (2013~)



SK Telecom is facilitating the farming communities by building a direct transaction system for local food. The system, designed to manage production and distribution of agricultural products, is expected to bring economic benefits to target areas including Gimpo, Pocheon, Yangpyeong and Sejong city. Farmers can provide fresh produce to consumers by simplifying the distribution stages and be guaranteed stable income.

- 6 areas including Wanju, Gimpo, Pocheon, Yangpyeong, Sejong city
- Approximately 2,500 households received support or participated in the system
- SK Telecom paid 50% of the total system cost and 40% of the operation cost