

# COMPANY-WIDE HUMAN RIGHTS DUE DILIGENCE AND MITIGATION MEASURES

SK Telecom takes great care to ensure that human rights violations do not occur during the company's operations, either within its direct business operations or business relationships. Through shared communication and exchange of information between individuals via ICT, SK Telecom believes that communications technology can make valuable contributions to the progression of human rights as well as societal wellbeing, openness, and knowledge, leading to an overall improvement in people's quality of life. In line with these beliefs, the company is striving to integrate the values prescribed in the Universal Declaration of Human Rights, and UN Guiding Principles on Business and Human Rights into its comprehensive corporate structure.

## Identifying Human Rights Issues in the Value Chain and Risk Mapping

### Scope

The UN Guiding Principles on Business and Human Rights provide companies and shareholders with a corporate framework to promote human rights. By understanding and cultivating principles related to human rights protection, respect, and remedy, companies are expected to hold themselves accountable for respecting the rights of others and eliminating any negative influences that would constitute a possible rights violation.

SK Telecom introduced a companywide human rights policy in 2012 and has continued to bolster its management in the human rights sphere. Through the company's human rights policy, SK Telecom has identified the key rights related to its business as follows: 1) the human rights of all SK Telecom employees and business partners, 2) the protection of personal information and privacy, 3) the right to access information

and freedom of expression, and 4) the prevention of the ill-use of technological services and data. From this perspective, SK Telecom has surveyed regarding whether there exist any detailed human rights risks in the company's main organization, its subsidiaries and the value chain that its business partners belong to.

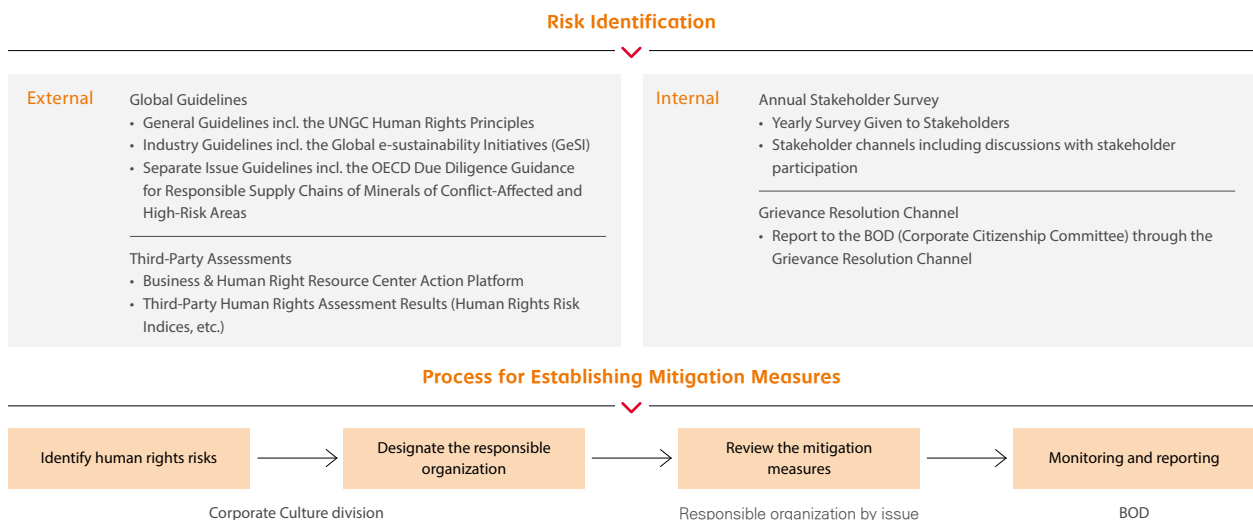
### Risk Identification

After SK Telecom first established its approach to human rights in 2016, the company conducted a Gap Analysis with the UN's Guiding Principles on Business and Human Rights and recently re-determined its priority of important human rights issues. SK Telecom's process of identifying its human rights risks was carried out by comprehensively reviewing 1) research regarding recent human rights issues including the OECD guidelines for conflict minerals, 2) research tracking about human rights issues from third-party organizations and NGOs, 3) yearly stakeholder surveys and issue identification, and 4) integrated grievance resolution content gained through the Corporate Citizenship Committee and channel for raising CSR issues.

### Establishing the Mitigation Process

The results of the 2016 risk analysis selected the following key human rights issues: 1) conflict mineral issue in the raw material collection phase for network and device equipment, 2) employees' work hours and safety in the network building and operation phase, 3) humane treatment and protection of customer service consultants, and 4) personal information privacy during the sales and distribution processes. Through a due diligence process regarding the relief and mitigation measures for the priority human rights issues identified,

## HUMAN RIGHTS RISK IDENTIFICATION AND MITIGATION MEASURES ESTABLISHMENT PROCESS



SK Telecom is seeking to understand the current situation, map the responsible organizations by each separate issue and ensure that the measures do not cease after one time, but are carried out continuously. One way that the company is accomplishing this task is by matching the responsible organization with the issue at stake. For instance, in the case of the conflict mineral issue, SK Telecom has put the Win-Win Cooperation Office in charge of the regular work for this issue. For the call center work environment issue, the company has put the Wireless Business Center Process Innovation Team in charge of working on the issue.

## Results of the Due Diligence on Core Human Rights Risks

### Conflict Minerals

Conflict minerals, mainly gold, tungsten, tin, and tantalum, have emerged as a major issue within the electronics industry after the existence of armed rebels within the Democratic Republic of Congo using conflict minerals to extract personal funds was revealed to the global community. Products that are of major concern in relation to conflict minerals include electronics such as mobile phones and laptops.

While SK Telecom does not personally manufacture electronic materials, the company evaluates all purchased materials, equipment and parts by utilizing the Conflict Minerals Reporting Template (CMRT) provided by the EICC (Electronic Industry Citizenship Coalition) and GeSI (Global e-Sustainability Initiative) to identify the country of origin and conduct due diligence regarding conflict minerals. As a result of the 2016 reasonable supply chain due diligence, the company has not directly procured any conflict minerals nor were any direct contract relationships discovered

with refineries in conflict areas. Accordingly, no additional need for conflict mineral due diligence was found within SK Telecom's supply chain.

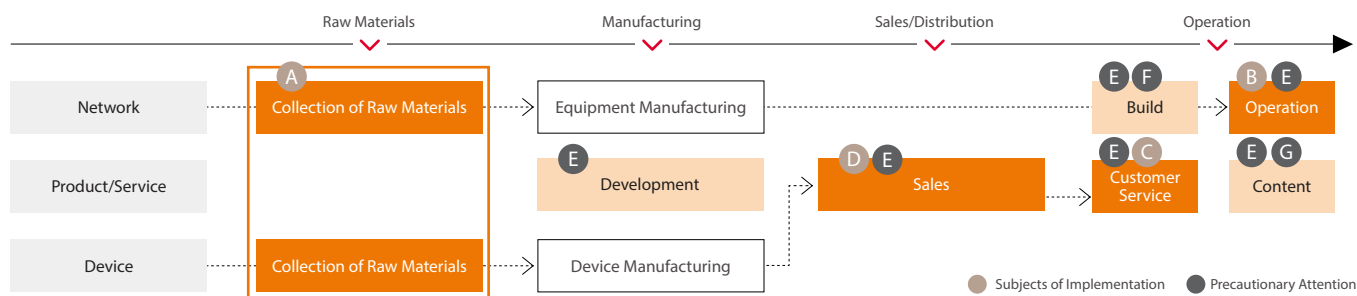
	2014	2015	2016
SK Telecom's Use of Conflict Minerals	0	0	0
Measures for Resolution	Continuous monitoring of whether conflict minerals are used in main business sites		

### Network Operation Employees' Work Hours and Safety

SK Telecom has built and operates 2.44 million base stations across the country to run the company's wireless communications network. The company performs data processing work and physical repairs simultaneously to maintain the communications networks and conduct repair work. During this process, workers may be exposed to human rights issues as related to safety accidents and working hours, which must receive careful attention. SK Telecom's subsidiary, Network O&S, is managing the status of safety accidents at the companywide level as the operator and is continuously carrying out inspections of the status of the safety equipment on-hand (helmets, etc.) and the condition of their use.

In 2016, SK Telecom has investigated safety conditions monthly and having discovered one case of a significant risk, the company has taken measures to resolve it. Regarding work hours, following the recent political administration's agreement with a plan to reduce the legal maximum work hours (including overtime work) in Korea, this global human rights issue is becoming a significant business issue. To manage network operations employees' work hours, Network O&S requires that when employees are asked to work on rest days or night

## KEY HUMAN RIGHTS ISSUES IN SK TELECOM'S VALUE CHAIN AND DUE DILIGENCE RESULTS



### PLATFORM

Key Human Rights Issue	Vulnerable Groups	Subjects of Review	Nature of the Issue	Risk Level	2016 Due Diligence Results		
					Survey Scope	Issues Discovered	Measures Taken
<b>A</b> Conflict Minerals	Indigenous People, Children	Raw Material Suppliers	The tin, tungsten, tantalum and gold used in electronic devices, when these are products of the Democratic Republic of Congo or neighboring countries, contribute to continued conflict in those areas. This can result in the exploitation of child labor in the production process.	Subject of Due Diligence	100%	0%	100%
<b>B</b> Work Hours/Safety	Installation & Operation Operators	Subsidiary (Network O&S)	Compliance with work hours in the network operation process and resolve safety issues that threaten physical harm.	Subject of Due Diligence	100%	2%	100%
<b>C</b> Humane Treatment	Consultants	Subsidiary (Call Center)	Protection of consultants who are exposed to customers' unreasonable words and behavior (profanity, verbal abuse, threats, insults, sexual harassment, etc.) or senseless demands.	Subject of Due Diligence	100%	17.7%	100%
<b>D</b> Privacy Protection	General	Subsidiaries, Partners (Distribution Network, Stores)	Protection of personal information and privacy, an important right of the information age.	Subject of Due Diligence	100% (*)	9.6%	100%
<b>E</b> Work Hours	Internal Employees	SK Telecom	Issues regarding forced labor in employees' work environment, child labor and rights violations.	Precautionary Attention	100%	0%	100%
<b>F</b> Indigenous Rights	Indigenous People	Local Communities	Direct violations of indigenous rights such as land use and property during business expansion.	Precautionary Attention	-	-	-
<b>G</b> Access to Information	Children, General	SK Telecom	Protection of the universal right to access information and content responsibility toward children.	Precautionary Attention	-	-	-

(\*) Audited 100% of all stores except those with an extremely low risk level of information leakages by strengthening the risk management of the distribution network's data privacy and using more advanced audits

shifts, the team leader must grant prior permission to give the work order. Network O&S limits such situations through the absenteeism and tardiness management system by requiring that the work status be registered and receive approval from the associated team leader. Accordingly, the total work hours per week has been maintained at a consistent level for the past three years.

	2014	2015	2016
Work Hours Per Person (Hours/Week)	52.9	52.9	53.2
Measures for Resolution	Instances of working during rest days or night shifts must be registered in the absenteeism and tardiness management system and approved by the team leader. Working during rest days or night shifts take place after the team leader grants advance approval of the work order.		

### Protection of Service Consultants (Emotional Labor, etc.)

SK Telecom has collaborated regularly with its call center partners and executed preventative measures including the improvement of the treatment of consultants and making the work environment more advanced. The consultants that carry out the consulting service are exposed to customers' emotional demands such as verbal abuse and profanity on an average of 1-2 times per month. Although the frequency of this exposure is not high, even if it is experienced once, it can cause the individual to suffer severe pain and stress. Specifically, though such incidents may be recognized, the consultant cannot defend his or herself in the interest of customer satisfaction, resulting in the suffering of emotional labor.

In order to protect consultants facing difficulties due to emotional labor, SK Telecom's call center subsidiary has put a systematic process (employee protection program) to handle instances of consultants' exposure to unreasonable words and behavior while working, which may include profanity, verbal abuse, threats, sexual harassment or senseless requests. The responses to such situations include understanding (warning) and terminating the call or connecting the caller to the consultant's superior. This policy is being continuously updated (most recently revised in August 2016). Moreover, a follow-up management program called 'Mind Care' is in operation. The program not only investigates work stress and responses to stress through emotional health diagnoses 1-2 times per year, but also continues to provide personal and group consultations to high-risk groups. In addition to these efforts, since 2014, the system has been improved so that consultants may freely select their work hours between a 4-hour and 6-hour shifts, thereby preventing stress and offering a greater degree of personal freedom.

### EMOTIONAL HEALTH DIAGNOSES AND CONSULTATIONS Unit: No. of persons

	2014	2015	2016
<b>Service Top</b>			
Number of Participants in Diagnoses	3,963 people (97%)	3,963 people (97%)	3,735 people (100%)
Measures for Resolution - Personal Consultation	105 people	352 people	605 people
Measures for Resolution - Group Consultation	138 people	322 people	546 people
<b>Service Ace</b>			
Number of Participants in Diagnoses	2,789 people (65%)	3,781 people (100%)	3,384 people (98.5%)
Measures for Resolution - Personal Consultation	78 people	106 people	107 people
Measures for Resolution - Group Consultation	6 sessions, 51 people	12 sessions, 179 people	50 sessions, 311 people

### Privacy Protection

To prevent personal information and privacy violations, SK Telecom discerns the degree of risk exposure through regular audits of all distribution partners with which the company has transactions and carries out corrective measures for risks that occur. Since 2015, SK Telecom has implemented personal information privacy audits of about 4,700 stores, which covers the total number of stores, in marketing and solutions. The company has also conducted remote audits of about 20,000 PCs annually for information leakage. In 2016, SK Telecom conducted 3,397 (75.4%) customer information privacy audits and inspections of stores and products/services. The reason that the audit rate falls short of the 100% rate in 2015 is because the company has focused on auditing stores that are expected to have a higher risk of large-scale information leakages.

	2014	2015	2016
Rate of Inspection Among All Stores (%)	41.9%	100% (*)	100% (**)
Discovered Cases Requiring Improved Security	-	491	326
Corrective Measures - Rate of completed measures (%)	-	100	100
Short-term measures taken (cases)	-	322	218
Long-term measures taken (cases)	-	169	108

(\*) Systemized and enhanced the structure of the methods of managing store data privacy  
 (\*\*) Audited 100% of all stores except those with an extremely low risk level of information leakages by strengthening the risk management of the distribution network's data privacy and using more advanced audits

### Potential Human Rights Issues Requiring Additional Attention Land Use

During the process of building base stations and network infrastructure, telecommunications companies may face potential issues related to violating indigenous land rights. SK Telecom has assessed that as 95% of the company's revenue originated in the Republic of Korea and because the company does not have plans to directly enter overseas markets in the MNO business section, the risk of violating such rights remains low. During the construction of domestic business sites, base stations and network infrastructure, SK Telecom is conducting a preventative review process so that safety issues such as electromagnetic fields and violations of indigenous rights do not occur. Furthermore, SK Telecom processes cases of rights violations through existing channels (customer center, etc.) and if problems occur, the company actively takes measures to resolve them.

### Prohibition of Discrimination for Access to Information

In this age of high internet accessibility, the inability of certain groups to access information may even lead to limitations upon one's citizenship and right to political participation. SK Telecom believes that the equal right to access information is a crucial human right and thereby implements digital inclusion through a range of approaches such as 1) rate reductions for vulnerable groups, 2) improved access through education, and 3) expanding network for universal informational access. Please refer to "Access to Service" on p. 104 to learn more about SK Telecom's measures to increase access to information. Furthermore, SK Telecom supports children's right to safely access online information as an important right and supports universal measures (restriction of adult material, illegal content, etc.) so that they may enjoy online content in a safe manner. Please refer to "Content Responsibility" on p. 106 for more details about SK Telecom's diverse measures for ensuring responsible content distribution and safe internet use.